

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 86/2

9357 HOUSE LABOR & COMMERCE

facilities and a much improved storage capability. Next, a professional architect firm was selected (Cole and Thompson) and the design plans moved ahead. The final building design has a usable area of about 20,000 square feet, taking into consideration the warehouse high ceiling area.

One of the essential requirements I had determined was to have a full automatic fire suppression system in the building due to high value of planned spare parts inventory. Fire suppression systems are all too frequently left out of many vital facilities, particularly in rural areas, due to funding/bid limits but frequently this decision is a bad one. Efficient and cost effective plans were finalized. In the late planning stages we were advised to meet a new Federal requirement and install an elevator. This involved some limited structural redesign and increased costs. The final design proved so good that all requirements of a growing organization have been met with only minor interior wall changes for over 20 years.

Fortunately by the time competitive building construction bids were actually submitted, the great initial rush of the pipeline construction boom was past and AVEC obtained a favorable bid price. Construction costs were rising and increasing space requirements were building up steadily so hitting this limited pocket of opportunity was fortunate.

OCCUPANCY

Construction moved ahead smoothly through the summer and fall of 1976 and the composite headquarters/warehouse building was largely completed and ready for initial occupancy in December 1976. The staff was so enthusiastic that they moved the entire office and warehouse themselves to save money. At the time, AVEC had a relatively small but dedicated work force that clearly understood the importance of the project and the shaky early days and still threatening problems were very fresh in mind.

The first Board of Directors meeting was held in the new building in March 1977 followed by the annual meeting; all the Board and Delegates were enthusiastic. This was a clear measurable sign that AVEC was progressing and building for a brighter future. It also was a basis of pride since it was an attractive building in a good location, and in fact, is still the most attractive building in this whole

industrial area complex. Far more important is the important contribution the building has provided to overall organizational teamwork and efficiency.

A good headquarters is important to organization morale. People like to bring their families by and say, "That is where Mommy or Daddy or Sister or Brother works" and have a sense of pride. A nice facility also assists in attracting and retaining a good work force. This was a major help in this direction. Several AVEC employees that had left earlier when the problems seemed insurmountable and the facilities were poor quality rentals suddenly showed interest in AVEC again and said to themselves, "Hey, maybe they're going to make it." This was a concrete measurable and clearly visible step in organization improvement.

By the spring of 1977 everyone was feeling pretty good, but as is all too often the case at AVEC frightening storm clouds were building on the horizon with threats from several other directions. Now, however, AVEC was in a stronger position to rapidly increase internal efficiency to help control future costs and respond more rapidly.



AVEC Headquarters

VILLAGE PLANT OPERATIONS - UPGRADING SKILLS/MORALE

The operation structure for day-to-day operations and first level repairs in AVEC villages is unique throughout the electric utility program in the entire country. The structure was established originally as one of the essential requirements to obtain the first REA loan. Unfortunately, the original requirements and restrictions of the loan caused extremely difficult problems in the early days of the program with low operator morale and poor performance in too many cases. Reviewing the important elements of this part of the program:

1. The Cooperative entered into an Operating Agreement with the governing body of the community — the City Council. The first agreements were at a fixed amount of \$260 per month (\$3,100 per year) for the typical community, with no provision for any future increases.
2. There was an undefined area of responsibility for initial training of the local village operators and no mention of follow-up training.
3. There was no clear definition of who was responsible for the many different types of maintenance between the village and AVEC headquarters.
4. Many other difficulties left for later resolution.

Starting out a program with little clear definition, progress was initially slow because of the other problems, but a goal was established to try to improve local village operator performance through the years.

The program consisted of a variety of fixes and improvements:

1. Foremost, a program to improve pay potential for Village Operators and improve the level of village plant operator day-to-day performance.
2. A program for better initial plant operator training.
3. A program to provide better retraining for village plant operators.

4. A program to provide better tools and material storage to support required maintenance activities.
5. A program to improve documents, daily logs, technical manuals, references, etc.

Initial attempts to increase payment to the City Councils (which in turn is in most cases largely passed on to the Village Plant operators) were frustrated by strict contractual limitations in the REA Loan Agreement and the poor financial condition of AVEC. This is a classic example of the chicken and the egg situation so very frequently faced in the early periods. Before anything could be done the finances had to be improved and many other uncertainties (school contracts, etc.) had to be resolved.

The first attempt to increase payment beyond the contract restricted amount was a proposal by Management for a modest increase based on operator longevity in 1972. It took several years to get REA approval as the many other threats to survival had to be overcome.

Problems with some village operators in the first few years were a serious financial drain on the Cooperative. For instance, failing to change the crank case oil caused several premature burnouts of very expensive diesel engines. Other problems, as examples, included some very expensive tinkering with overspeed safety devices or other engine controls which caused the diesels to run away and self-destruct. This can represent a fire threat as well as safety problem from flying parts. The village also lost a vital diesel generator for months.

As a result of all the input from a variety of sources, I prepared an Operations & Maintenance (O&M) Incentive Plan in early 1975 and moved in the direction of changing the idea of village pay from a flat rate to an incentive rate based on actual performance of certain important tasks such as oil changes. The Village Operators would have the ability to share in increased payment, but only if they performed vital maintenance which in turn would cut Cooperative costs.

The initial plan approved by REA in February 1975 was for only an increase of \$40 per month but was at least a modest start from the zero provision for increased pay in the original operating agreements with the villages, regardless of future growth or inflation. The Cooperative was experiencing tremendous growth by now due to rapid school construction and also inflation was racing along at this time.

A significant improvement in the Village Operations Incentive Policy occurred in 1978 with pay potential increased by a factor of two or more. Most of the operators had suffered along with the overall system through the years, but had hung on, and the potential to start receiving a substantial increase boosted morale and ultimately produced better performance as member villages entered into the revised operating agreements. The new plan was phased in and by early 1979 several villages had already received the maximum incentive payment. Now AVEC was receiving all the required log book information in a timely manner, oil was changed on schedule, and payment to the village councils for Operations & Maintenance was increased accordingly.

The program has proven to be successful. Several other improvements and changes have been made through the years leading to increased payment to the Villages, more definitions of responsibilities, and a general trend resulting in improved village operational performance with reduced costs to the member consumers.

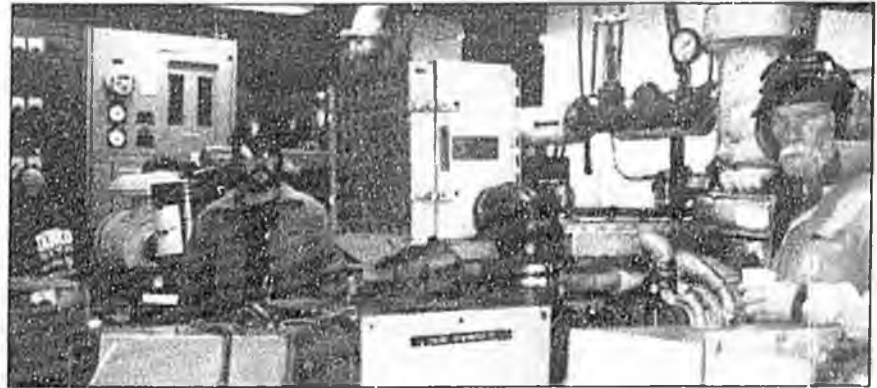
The potential payment to the villages now is ranging up to 600 to 800% of the amount available when AVEC started. The morale of the operators was much better by now and has generally continued to improve.

TRAINING - VILLAGE PLANT OPERATORS

Another major factor in improved performance is training. AVEC has introduced the largest items of continuously running heavy duty machinery into the villages. Many new types of technically complex systems are now in many villages, including variable speed motor controls, much more precise voltage and frequency control and system protection panels, and automatic fire suppression systems, to name a few. All of this requires initial training and follow-up training to help lower failure rates while obtaining reliability and maximum service life.

The early training before 1970 consisted of a program administered by the State of Alaska on a limited basis which provided the first group of village operators with some very basic training. This was the only organized training for the first several years. Fortunately, the State of Alaska set up

the Seward Skill Center starting in the mid-1970's as an effort to primarily train more Alaskans for jobs on the Trans-Alaska Pipeline. The Cooperative saw an opportunity to piggyback on this program and did so. Several meetings between AVEC and Seward Skill Center resulted in an agreement that the Center would tailor one of their courses around the training needs of village plant operators. This program was developed further and became one of the relatively successful training activities through the years which is still used. By the late 1970's this training at Seward was in full swing and would typically graduate from 10 to 26 village people per year with upgraded skills.



Power Plant Operator Training

The Cooperative staff assisted with some of the training and donated or assisted in obtaining equipment which was more typical of that installed in the villages. The training mockup has largely moved in the direction of simulating a small AVEC village.

This relatively under-recognized program has been one of the most successful aspects of the relationship between the State of Alaska and AVEC. It has generally been a smooth dependable assist in the vital area of early operator training through the past 20 plus years.

By the late 1970's we were on our way to happier, better operators by a combination of increased training and the Incentive Policy, which in turn would help to control future costs and operational problems.

REGIONAL RETRAINING

The Cooperative operators are scattered in many locations over a large area and it is relatively expensive to assemble a large group for training. The introduction of new types of systems and larger

sizes or improved models of major components established the need for periodic retraining to help keep the operators up to date. The improving financial condition after enactment of Power Cost Assistance (PCA) allowed serious thoughts along these lines. Planning continued which resulted in the first regional training session to occur in Mt. Village in 1983. The first program was evaluated as successful by both the participating operators and trainers. Improved performance was noticed almost immediately and day-to-day communication was improved.

As a result, the program was expanded to other regional areas throughout the AVEC-served areas which includes most of the western half of Alaska. Typically now 6 to 10 villages may be represented at a regional training conference held at various AVEC host villages. The curriculum is continually being improved by a combination of new equipment introductions and questions asked by the operators. Material learned, or issues raised in one region, are quickly integrated into the training program for use in other areas.

This regular retraining has resulted in a very noticeable increased level of better overall performance from the operators and one of the major factors when combined with others to improving AVEC organizational performance.

One nice side benefit is improved training of backup operators in each village. When the main operator is gone for several days the backup is frequently called on to actually deal with the day-to-day operations and any new or different types of problems. This in turn helps in preparing this person(s) as a possible future operator and to also assist the regular operator with any larger scale village emergencies that may occur.

IMPROVED VILLAGE STORAGE

One of the continued early problems with maintenance or construction in the villages was the absence of proper protected storage for parts and equipment. This can cause problems and delays all the way from virtually impossible to find items buried under eight-foot snow drifts, to very inefficient use of time and frustration trying to find a small repair part in an emergency. As the financial situation began

to improve and the practical needs required for more efficient operation became evident, a program was started to improve village material storage capability.

A few standard metal modular shipping containers had been used at certain locations through the years and had proven to be satisfactory and rugged storage containers. Our Logistics section through contacts with our regular shippers had been keeping their eyes open to buy these containers which had been damaged and no longer suitable for moving shipments but very good for storage. Also, there were one-way

charges at times where the shipper would pay for the unit but not want it at the end of the project. As a result AVEC obtained rugged and long-life storage for less than 10% of the cost of alternative solutions such as specified buildings. This is just one of many efforts AVEC made to reduce costs through the years. As a result of these efforts, from 1979 through the 1980's AVEC added a great deal of protected storage in the villages at minimum cost. A typical village now has at least one container or equivalent for storage.



Village Storage Containers

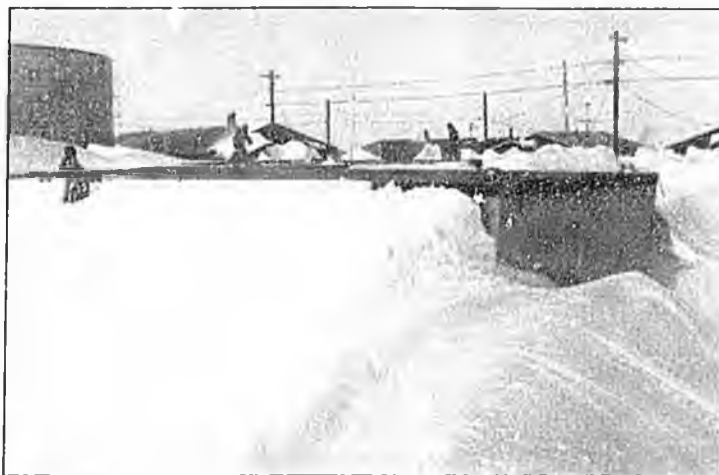
This has improved maintenance in several ways. One of the continued needs at AVEC plants is for regular filter changes of several types; crankcase oil and diesel fuel oil are the most frequently used and recognizable. These filters are purchased and shipped in bulk to reduce costs. A thoughtful operator would immediately on receipt move the new filters inside the plant to protect them from

the elements. Sometimes this did not always happen and filters were damaged beyond use by the weather. The storage containers allowed bulky material like this to be stored inside where it can be protected and found easily even in the middle of the winter with temperatures of 40° below.

This was one more step in the direction of improved village operation and maintenance which was a long ways toward achievement by the mid-1980's.

Other steps taken included improving the tools of the operator including such things as providing metric wrenches for some of the newer diesel engines, storage racks for placing inside the new storage vans, grinders, heavy duty lifting devices, etc., all to assist the maintenance and upgrade work at each village while reducing the cost of continuously shipping items.

Another somewhat unique aspect of this program was the introduction of heavy lockable storage boxes for the plants. During a review of expenses, it became very evident to myself and others that excess baggage charges were way too high between villages and also to regional shipping centers such as Bethel, Nome, Kotzebue, etc. AVEC O&M personnel performing advanced maintenance tasks on the diesel engines or control panels require a number of very heavy tools which are not needed every time but must be available in case they are needed. This made for very heavy field maintenance tool boxes and very high excess baggage charges from the air carriers. The Cooperative uses a large number of small planes, with limited space and weight allowances, to respond in emergencies. Essential tools must be at the village and available without delay at all times without fail, or the program becomes ineffective and the opportunity for major savings is lost. A mechanic must have exactly the right size tool at the right time or a power outage can be extended and a great amount of extra expense builds quickly.



Challenges of Arctic Weather

AVEC analyzed this problem and determined that if we could position many of the heavier tools in the village and be assured they would be available we could pay for all the required tools and the lockable storage boxes in a very short time. Considerable savings each year would occur in the future. After some education and explanation of the program this was largely achieved. Another side benefit was to improve morale of traveling headquarters maintenance personnel, since the burden of carrying extra heavy tools through multiple airport terminals, and from village airports to village plants in weather extremes, was substantially reduced. Another example of multiple savings by analysis of a high cost item and initiating a new course.

DOCUMENTATION SUPPORT

Initial improvements in documentation included improvements in the day-to-day plant operating log sheets by incorporating within several of the critical maintenance duties and cautions so operators would be directly reminded every day. The meter reading sheets were similarly modified to make the job more efficient and thorough. Additional handouts prepared for the operators from the Seward Skill Center and from the Regional Retraining courses have continued to improve over the years to help assist with new maintenance requirements. One of the important functions has been the steady improvement in AVEC headquarters support backup capabilities. Village operators can now call on a toll-free number and talk directly with an O&M technician to assist with trouble shooting more complex problems as they might develop.

The O&M maintenance personnel also regularly visit each region and are available for assistance. In addition, they perform more complex tasks such as scheduled diesel engine rebuilds to high precision tolerances using specialized tools.

SUMMARY - VILLAGE OPERATIONS

Accomplishments over the past 20 years within five major elements:

1. Major improvements in payment potential for Operations/Maintenance to villages.
2. Coordination and improvement of initial training.

3. Major improvements in regional retraining.
4. Improvement in village tools, equipment, and village material.
5. Improvement in document and technical support.

AVEC and the villages working together have evolved into a cooperative O&M system which works well considering the difficult conditions and limited finances. I am confident the system will continue to improve and change as better ideas surface.

TEAMWORK IN PLANNING

This is a good place to demonstrate the need for overall teamwork in completing the AVEC mission in a successful manner and the very important job of the village plant operators in ORIGINATING much of the data used in planning decisions concerning major expenditures ultimately authorized by the AVEC Board of Directors.

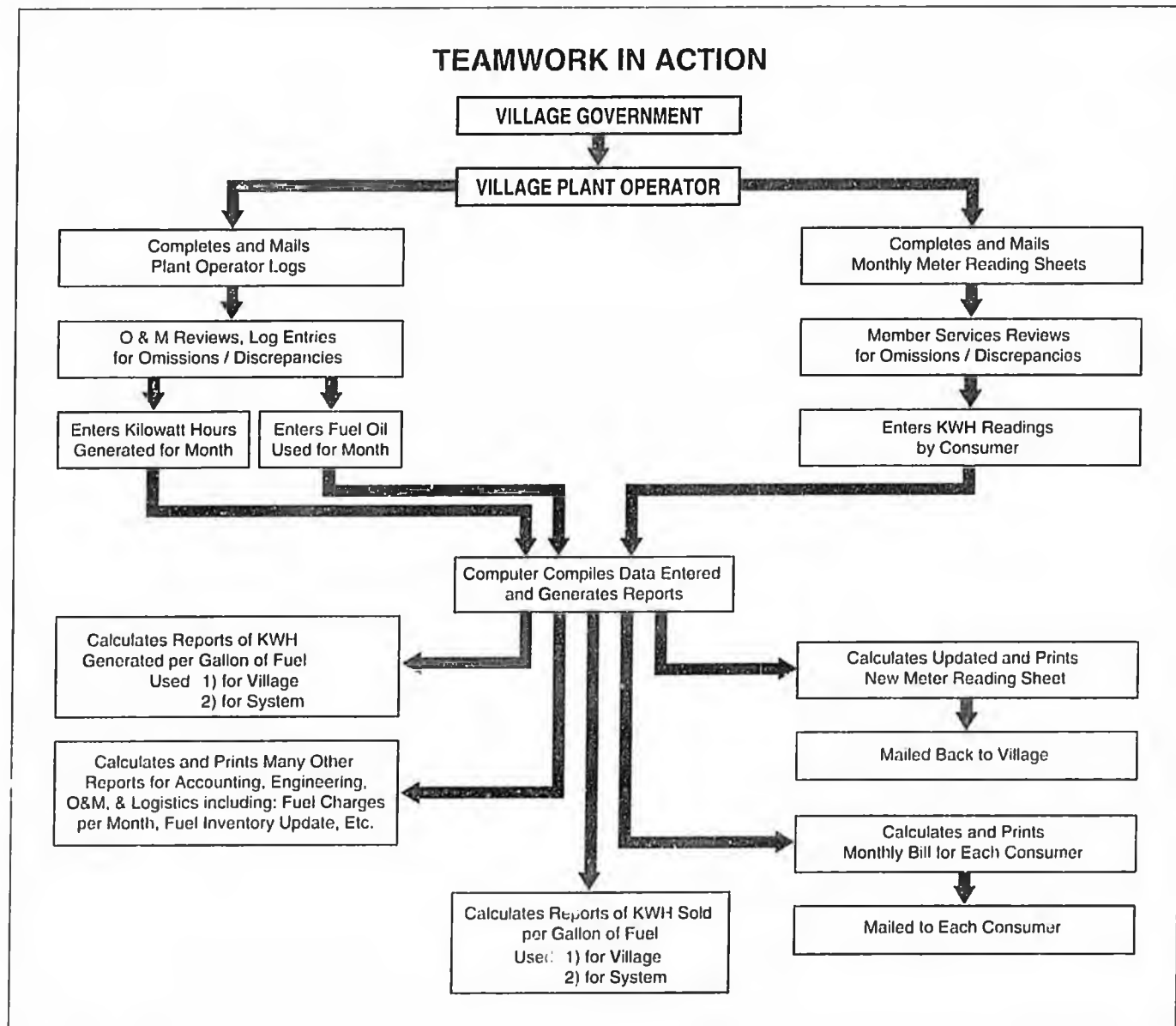
The source of several critical pieces of information all start with entries to data sheets by village plant operators. There are a number of meters and other equipment where the readings are obtained in the power plant.

The enclosure entitled "Teamwork in Action" shows how the system functions to obtain the regular sources of input data for the Plant Operator Logs and the Monthly Meter Reading Sheets.

The data is processed through the Operations & Maintenance and Member Services sections at AVEC headquarters and in turn entered into the central computer system. The computer is programmed to generate many useful reports used in a variety of control and planning functions:

1. Summary of KWH generated per gallon of fuel used per village and AVEC system.
2. Summary of KWH sold per gallon of fuel used per village and AVEC system.
3. Calculation of the plant losses by village (the difference between KWH generated and KWH sold) and the whole AVEC system.

TEAMWORK IN ACTION



4. Summary of fuel usage in gallons which is used by Accounting to determine monthly fuel expense for official REA reports and to update village fuel inventory.

Fuel usage reports are also used by the Operations section and Logistic section for planning the next year fuel purchases and early alert of potential fuel supply problems. Engineering uses all of these reports for a variety of reasons including charting trends in peak loads, timely planning of needs for new generation, and analysis of results of earlier decisions concerning equipment selection.

Management uses these reports for keeping an overall handle on projects and early alert to possible adverse trends and initiating corrective actions. For instance, using this data management took the necessary steps to insure that fuel efficiency has maintained a steady improving trend. The Board is then approached concerning approval of new equipment, and even more important long-range concerns like the timing and amount of new REA loan requests or other special funding needs.

Generally AVEC has a system in which at least two staff sections have a direct interest in a given operating parameter and are quick to be alert for problems. This system has worked well for this size of organization and the variety of new challenges frequently surfacing.

All of this requires successful teamwork from the village plant operator through the Board of Directors. Fortunately, through the years by work toward improvement in all areas, AVEC has made notable progress after a very shaky and rocky start.

EVOLUTION IN COMPUTING

One of the little known secrets to the steady improvement at AVEC has been an increasing use of ever more capable computer systems through the years. AVEC has been a leader in the use of computer systems for this size of business for some 20 years.

Early attempts at getting management answers to a number of questions concerning energy use by village, by consumer class, peak loads, accurate fuel inventories, control of spare parts inventories, etc.

all revealed inadequate and slow manual systems. The Cooperative not only had more locations served and more generators than any other cooperative in the country, but an insufficient supporting staff resulting in very little timely information available in a useful format. The obvious answer was to move toward data processing and computers. My previous experience at Martin Company working on the Titan project and at BMEWS had closely allied myself to the capability of computers and I had managed the data processing area at Clear BMEWS for awhile.

The early progress in computing at AVEC was limited by the same factors delaying other needs. Relatively rigid controls and general lack of understanding by entrenched REA and OEO officials dictated a modest initial effort. As a result, the movement toward the ultimate objective was slow but fairly steady.

Computers themselves have gone through a great change during the past two decades which continues to this day with ever increasing speed and data storage capability with steady improvements to input/output devices.

In the early 1970's most similar sized cooperatives were originating monthly billings on old-fashioned Burroughs or NCR billing ledger machines. This is almost a full manual system with some data processing assistance in calculations but with little assistance in sorting or effectively evaluating data in a timely manner.

A similar older system was in place at AVEC which, due to its secondhand age, also had reliability problems as a further difficulty. Experiments with improved systems began in the mid-1970's and continued on the long road toward the relatively sophisticated system in place by the mid-1980's.

Equally important in the overall development of a balanced computer program is the development of staff capability. In the earliest stages AVEC formed a close working partnership with IBM which helped the Cooperative substantially. Among the help provided were attendance at a couple of computer management training seminars including one where I made a presentation on the planned expansion of computer use at AVEC. The quick presence of maintenance people and planning assistance helped considerably in keeping on the right general path at each traffic circle in the planning

process. This somewhat special relationship with IBM delayed the need for actual direct staff costs for several years.

One of the early efforts which developed in the late 1970's was a complete definition of the information needs of every department. Probably the quickest payoff in computing came in the financial control area where rapid and accurate reports used for formulating the monthly operating and balance sheet at AVEC first appeared. Almost simultaneously major improvements were introduced in member accounts but benefits throughout the organization were soon apparent.

For example, AVEC had been plagued for many years with a work order control system that was many months behind. This was in part due, once again, by funding agencies which simply did not recognize the very complex task that was being undertaken. AVEC has far more power plants and individual generation units than any other cooperative in the country. This involved cost accounting for thousands of items used in construction and the huge task allocating labor and material costs to the correct REA accounts for some 50 different physical locations.

When REA finally recognized the magnitude of the problem, they assigned an REA staff accountant to work for "a few weeks" to straighten out the system. In fact, the accountant ended up working for years on the problem and virtually became an AVEC staff member. A second REA accountant came and worked full-time for several months but the magnitude of the work load just kept building up and kept both REA accountants virtually buried. The problem dragged on for more years and one of the desirable elements of the APUC study of the 1977 period was to help, finally, to get cost accounting and work orders caught up and largely straightened out by 1978.

This was one of the many areas which provided a great need for development of computer systems. Other areas included complex distribution of staff payroll to a large number of accounts, similar distribution of village plant operator costs, village labor costs for construction, fuel costs by villages, fuel usage by village, fuel efficiency calculations, inventory control of thousands of spare parts for engines, generators, buildings, fuel tank systems, and etc. Today, every section of the organization is dependent on computers

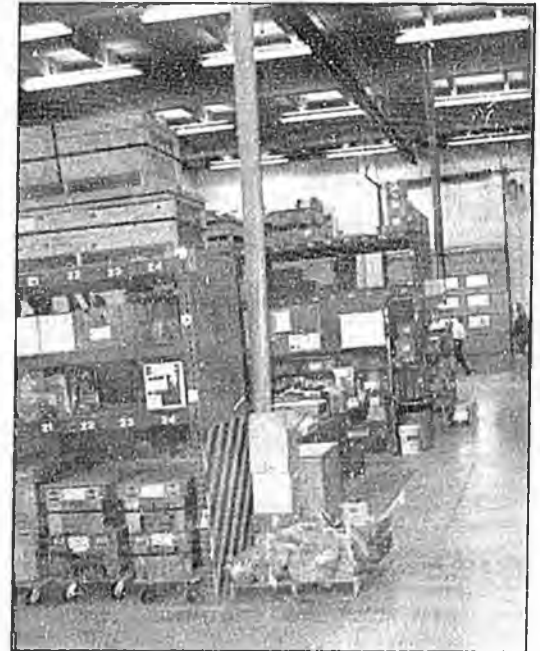
for important work control functions. Equally important is the generation of timely reports which allow reasoned management decisions concerning most important areas of cost control.

One of the early areas of careful analysis with a large payoff were reports related to a collection of data on seasonal use of energy by consumer class. Monthly data originating from the Operations section through the village plant operators is entered into the computer data base for each of nearly 50 generation power plant locations. This in turn is the basis for calculating the important KWH generated per gallon of fuel and from the member account records KWH sold as was explained in the "Teamwork in Planning" section.

LOGISTICS AND COMPUTERS

Still another area where there has been big improvements in efficiency and cost savings is in spare parts inventory management. AVEC maintains a large inventory of spare parts to support the many different sizes and models of equipment. Where possible there is interchangeable parts but the progress towards safer, more efficient equipment and proper sizing to meet growing electrical loads creates a steady change in the quantity and part numbers of inventory.

As has been mentioned, AVEC has more separate generator units than any other electric utility in the country. We also have a large number of items which were initially introduced, but when newer and better quality items become available, there is a phaseover to the more modern equipment. Those of you with music collections can draw a parallel with the evolution from 78 rpm to 45 rpm to 33 rpm records to reel-to-reel tape, to tape cassettes, to CD's, and now to smaller high-density discs. The same type of progress is underway for



AVEC Warehouse Main Storage Area

many components used in the AVEC system. If this function is not properly managed there can be a tremendous loss of efficiency in field maintenance actions and extended equipment outages at a high dollar cost.

The capabilities of a computer lends itself to managing complex task such as this, involving thousands of items under inventory control with regularly changing prices, part numbers, quantities, etc. AVEC now maintains inventory control of over 6,500 separate parts. Spare parts can range from whole replacement generators to very small delicate semi-conductor diodes. Approximately 75% are used to support the generation systems. The Logistics section at AVEC has developed a system that works very well and it is now rare when a zero balance is shown for a critical spare part. This success happens not by chance but many years of steady work coming up with solutions to each new problem presented.

PERSONAL COMPUTER TRAINING

Still another innovative program was established to encourage employees to learn about computers. It was increasingly evident by the mid-1980's that personal computers were going to continue to evolve into ever more useful work tools to improve efficiency. The problem is that you can spend a small fortune in time and money to train a large work force. After evaluating the situation, it appeared one of the best solutions to rapidly upgrade the skills of a substantial portion of the employees was to establish an incentive policy encouraging ownership of personal computers. This way the employees would have the benefit of computers for personal tasks and some pleasure while they would be learning skills useful at work in many future situations.



Rich Monahan at CAD System

The program worked beyond expectations and within five years AVEC had one of the best trained computer literate work forces for this size of organization existent. The use of computers extended into the field and hardly any AVEC employee does not feel at home in front of a keyboard regardless of their primary job. This program improved organization efficiency and improved morale through the sense of accomplishment by keeping up to date with the newest trend in progressive business. Computer use has now extended to where every employee has some duties involving computer input or uses computer generated reports.

INSURANCE

One of the important items for management attention while running an electric utility is using insurance to help control risk of major loss which could threaten the business. There are many different types of insurance and almost any risk can be insured at a price. The issue is to protect against the potential serious high value losses yet not run the insurance budget to an excessive high amount since this is a direct cost of business.

In the case of AVEC every dollar paid for electric services has an element of insurance cost. The biggest risks in an electric utility center around buying protection against a variety of liabilities associated with the risks of providing a potentially dangerous product (electricity). In the case of AVEC, because we also generate all of our own power, there are two additional major risks, the potential of a major fuel oil fire and risks to the environment from fuel spills.

Every AVEC consumer has an obligation and indeed a financial interest in insuring the Cooperative does not have an excessive high loss. Anything that comes to the attention of consumers that appears to represent a threat of loss should be brought to the attention of Village authorities and AVEC management.

During the 1970's AVEC moved along with an insurance program provided with private carriers in a changing risk environment. Due to the rapid increase in plant valuations while attempting to keep up with the larger new schools and major additions to fuel tanks the risks were ever higher while insurance policies became ever more restrictive in coverage.

AVEC took a number of steps to try and minimize the steadily rising insurance costs. One was to basically obtain a waiver required for so called Boiler and Machinery insurance which is required by REA for power plants. We also were able to prepare a justification for a self-insurance program. Power plant property losses lend themselves to a self-insurance program for AVEC since facilities are in roughly 50 different locations with no single extra-large plant. With these steps in place, we were able to decrease the cost of overall insurance somewhat but the potential risk of environmental loss, just as with punitive loss, cannot be insured against.



ARECA Offices

When ARECA hired an Executive Director, one of the desired qualities, in addition to lobbying skills, was some experience in insurance. I was one of three committee members to select the new Executive Director and fortunately we obtained both skills. Over the next few years ARECA became a whole new element in the insurance market through the Cooperative theme.

AVEC was a vigorous supporter of starting and expanding the ARECA insurance programs. Over several years we assisted in getting many of the largest REA financed utilities to join the program as they recognized the benefits. This further diversified risk and gained some economy of scale.

The program in essence provides insurance at less than market rates with the potential to return further dividends based on 1) actual loss experiences and 2) investment performance of the funds held in reserve for losses. The program also purchases reinsurance at higher limits to cover major loss exposures.

I was pleased to serve as a principal officer every year in this important ARECA insurance organization from the foundation until retirement. One of the objectives was to ultimately generate enough dividends to substantially reduce the cost of the insurance coverage to all member utilities.

This we did, and in some years reduced the effective cost to less than half the rates in the open market for comparable coverage in addition to providing broader coverage in some cases. This program has saved the Cooperative millions of dollars throughout the years and continues to save every year.

REA & INTEREST EXPENSE

There are numerous references to REA in this document. REA has provided the great majority of funds for establishing and improving AVEC facilities throughout the nearly 30 year history.

REA receives their share of criticism particularly for a relatively poor job in the first three years with an inadequate, almost careless study of initial requirements, and fair to poor field support at the time. They also fell short in monitoring equipment selection and by lack of thoughtful review of key items. However, they began to respond late in 1970 to the calls for help. By 1971 they had a better local support team and from that point onward things improved. As a minimum REA has provided at least one qualified and capable representative in the field since 1971 and provided some much needed high level support at several critical meetings.

REA generally has shown consistent support for AVEC and has been willing to make loans if FEASIBILITY was demonstrated and maintained. The big problems that threatened AVEC were severe inflation and major changes in the way the school systems operated, which caused AVEC feasibility problems off and on for nearly a decade. At least half of this suffering could have been avoided, in my view, by better planning for the school transition. Neither of these problems were caused by REA.

Probably the greatest contribution during this time was by maintaining an excellent relationship with REA representatives in both Anchorage and Washington, D.C. to keep steady access to 2% loan money in adequate quantities.

Helping to protect the REA program in general and Cooperative access to 2% interest loan money in particular, was a priority during my entire AVEC career. I personally did considerable research and prepared elaborate justifications for retaining the 2% rate to accompany each of the loan requests. AVEC has a compelling case for the best available rates.

On one occasion in the late 1980's some administrative official came up with an elaborate plan to automatically screen REA loan requests. If enacted this would eliminate AVEC from eligibility for 2% loan money while maintaining eligibility for some cooperatives in the Lower 48 with lower consumer electric rates. I did considerable research and wrote a strong rebuttal to the proposal and alerted our Congressional delegation. No other cooperative, to my knowledge, did as much research or offered such strong objection supported by facts. The proposal was soon dropped, much to the thanks of hundreds in the REA program and the blessings of NRECA, a support organization created by REA borrowers.

Just how much does the presence of 2% interest REA loan money save AVEC? During the 1970's-1980's AVEC obtained several large loans from REA. If AVEC had to borrow on the open market the interest rate would probably be near 3% over the prevailing government long-term interest rate. Since the government cost of interest rates over that period averaged 9%, AVEC could easily have paid 12% (9%+3%). For each \$10,000,000 borrowed the interest cost would be \$1,200,000 per year not \$200,000 per year as possible in the REA program. The point is, access to low interest loan money saves AVEC consumers millions of dollars EVERY YEAR so the effort to keep the door open is important. Through this period AVEC obtained four additional REA loans in addition to the original loan. Each of these loans involved some peculiar struggle to obtain approval with the first two additional loans being by far the most difficult.

The "B" loan (second) was for an amount approximately equal to the whole original "A" loan. The purpose was to begin to help supply the major power needs of the first round of new schools and to rework the distribution systems as required to supply new consumers. This loan was finally obtained in November 1974 after a long delay caused by a need to renegotiate the school contracts discussed elsewhere.

The "C" loan (third) was the most challenging to obtain. This was the period of the greatest school growth and considerable delay and uncertainty related to the APUC rate study. The Cooperative was still rocking from continual operating problems and high inflation, yet the solution would only come from planning ahead and introducing improved equipment as opportunities were presented. An engineering study in late 1976-1977 indicated AVEC needed to apply for a much higher loan of nearly 15 million dollars to meet increased needs in most every area.

It was hard to convince people in Washington, D.C. that AVEC was growing so fast that we needed a loan three times larger than any prior loan. If granted, the total loan commitment would balloon to a total of some 500% over the original loan in just 10 years! This was unprecedented in the REA program. This loan was approved in late 1977 because of the obvious justification and support provided. It is important to remember, however, that obtaining a loan does not mean you will actually get the money. Not unless FEASIBILITY is maintained. The problem at this time were two threats to feasibility:

1. The APUC rate study covered elsewhere
2. The school contract uncertainty also covered elsewhere

The second problem was resolved within a year but the results of the first took 2½ years to play out among continuing uncertainty. At least, for the first time in history, we could obtain adequate loan funds to start to make some really meaningful progress on providing better systems and equipment IF we could maintain FEASIBILITY! This "C" loan was and still is the largest in AVEC history and was largely used to meet the electrical supply needs of the large new schools but also provided some funds to start the conversions to overhead distribution and upgrade items such as system control and protection panels.

Another loan, categorized as "D" and obtained in 1987, was considerably more routine than the previous two efforts. By then AVEC was looking much better in every category and FEASIBILITY was not even questioned.

In 1990, a fifth REA loan was obtained with a large portion of funds devoted to accelerated conversions to overhead systems and more fuel efficient generators. Total investment in AVEC facilities, plants, work in progress, tools, inventories and grants by 1992 was near \$50 million. Growth like this would draw a second look from even seasoned Wall Street boomers!

HELP!! FINALLY - ASSISTANCE

Many of you might be interested in a bit of the story of the one thing that finally brought AVEC to the end of the day-to-day, hand-to-mouth struggles — the enactment of Power Production Cost Assistance (PPCA) and successor programs.

First, let us go briefly through the current rate structures in Alaska. The people in Anchorage enjoy rates that are approximately 8.5 cents per KWH. The people in the north end of the Copper Valley (CVEA) system in Glenallen pay about 20 cents per KWH which is the highest in the so-called roadbelt area. Because of the way State legislation is written, CVEA consumers do not receive PCE because they received some State-funded hydro development. This is almost the same effective rate as billed in AVEC villages. AVEC residential consumers pay an average net cost after PCE credit of approximately 20 cents per KWH. This provides some basic information when talking about where rates could be scaled from.

Now let us briefly look at where AVEC started. When the first KWH were sold the basic rate was 20 cents per KWH, dropping to 15 cents after 75 KWH. The average residential cost per KWH by 1973 when most systems were up and operating and before fuel prices skyrocketed was approximately 19 cents per KWH. By 1977 after the first round of oil price increases the average residential cost per KWH including fuel surcharge was approximately 25 cents per KWH. By 1979, when the infamous APUC order was put into effect, the average residential cost rocketed to 39 cents per KWH. By the fall of 1980, immediately before assistance was in effect the billed rate for AVEC residents stood at 42 cents per KWH.

Who originated, proposed, and justified the idea of State assistance long before enactment of official State Assistance (PPCA/PCA/PCE) no matter what you call it? Yours Truly (later followed by a cast of thousands).

By the time something meaningful happened on State assistance in 1980, AVEC was already a seasoned veteran of 10 years of skirmishes, many with the State or State-funded entities, to keep consumer rates in villages down.

We prevailed in 1971. (The real true first State Assistance Program)

We prevailed in 1974. (Second Assistance Program)

We could not prevail in the struggle starting in 1976 and had the highest effective rates in history when APUC directed a major rate increase in 1978 until State assistance passed in 1980.

AVEC consumers were again assisted from 1980 on.

AVEC had been pushing the idea of State assistance with rates ever since 1971 when the SOS/BIA schools agreed to higher minimums and thereby isolating consumers in AVEC villages from higher rates. We did the same thing again in 1974, virtually totally isolating AVEC consumers from the effects of the doubling of fuel prices in this period.

In 1976-79 we could not do it due to the rather awkward way the SOS/BIA transition to regional schools was handled. Even before this AVEC could see what was going to happen. The State was going to get richer with oil revenues and we believed they should share part of this bonanza with the villagers. Villages always suffer the most from higher oil prices due to many factors including limited incomes.

The Cooperative prepared a number of documents through the year to help push for assistance with electric rates all the way back to 1971. The delegates at the 1978 Annual Meeting passed a resolution in support of equitable energy rates. I wrote a long article for a special energy issue of the Tundra Times in the Fall of 1979 proposing the State establish a program to keep energy rates at no more than 2.5 times the roadbelt average cost per KWH. I wrote another article in support of rate assistance in the Northern Engineer, Fall 1979. Of course, all this time I was pushing ARECA (Alaska Rural Electric Cooperative Association) to support legislation for energy assistance. ARECA was somewhat instrumental in helping to frame the legislation in the spring of 1980 with input from others including AVEC.

I wrote a letter to Governor Hammond in March 1980 enclosing a Resolution passed by the Delegates at the AVEC Annual Meeting the day before. The Resolution outlined the serious problems with electric rates in the small communities and the great inequity of the situation since Alaska was anticipating record oil revenues. There was direct support for HB758 which later became a vehicle for implementing the Power Production Cost Assistance (PPCA) program.

One other incident of significance happened which solidified the need for State Assistance. The City of Minto had owed AVEC a large sum of money for some time and no payments were coming, while the account continued to grow well into five figures. Finally, the Board authorized that the service be disconnected. The service was disconnected and all water and sewage service stopped as well as other community facilities. The story quickly hit Statewide news. This was just the first of several severe

accounts receivable problems building because of the very high rates with no assistance during the period from the APUC rate order in 1978 and enactment of PPCA in 1980. The Public Health Service got involved and the immediate problems were solved but it was now clear to many they had to pull their heads out of the sand and face the grim reality of extremely high inflation due primarily to runaway oil prices and the very negative consequences on the villages.

One of the hardest-pushing legislators to get initial assistance enacted was Nels Anderson from Dillingham. He was a good communicator and seized the opportunity to help push the original program through. Frank Ferguson of Kotzebue also helped. Others played a role more quietly in the background. By now the State oil revenue bonanza of 1980 was rolling in and crude oil traded up to the \$30 plus per barrel range where it stayed most of the next five years.

Because of this multipronged effort, the Power Production Cost Assistance (PPCA) came into effect in the fall of 1980 and just in the nick of time. The program was never very popular in the Hammond administration. It was grudgingly signed into effect after a partial line item veto. By now much of rural Alaska was threatened with a rapidly building disaster, due to the second redoubling of oil prices in six years. Unpaid accounts were increasing rapidly among the village governments and residential consumers alike.

The PPCA program only lasted for one year before it was replaced by Power Cost Assistance (PCA) in 1981. This program had several improvements over the original program. The most notable improvement was to place community facilities in a separate category and to effectively cover all community facilities electric use. The village governments were still struggling to meet all their obligations. This was one part of the legislation which AVEC suggested and pushed hard and came into effect exactly as suggested. AVEC had considerable influence in establishing the ruling provisions of PCA, but less with the original PPCA program which was not adequate in certain provisions.

The Power Cost Equalization (PCE) program replaced PCA in 1984. The PCE program came about when State revenues were very high. This resulted because the price per barrel of crude oil was high and the Trans-Alaska Pipeline operated at a high pumping rate. AVEC had some concern with the way

the levels of PCE came about. We were aware from previous political dealings that if you pushed too much of a good thing it would ultimately draw fire.

When the Susitna project package, which was intended to provide permanent assistance funding, fell apart in 1984-86, there seemed to be a level of frustration among some Bush legislators who were at the time in strong positions on the Senate Finance committee. The Cooperative was pushing for permanent long-range funding and a somewhat lower assistance level. This is not what happened. Instead, effective electric rates were lowered but with no assurance funding would last.

In fact, at one time we had to openly challenge an attempt to set the level to such a low rate that everyone would be encouraged to convert to electric heat. What would happen? AVEC would have been forced to respond by increasing the size of our generators and fuel tanks, and yes, this time all the power plant buildings would have to be replaced to accommodate three to four times the existing capacity. The amount of the annual appropriation for assistance would quickly grow to over \$50 million and THEN GO UP IN SMOKE at the first opportunity, probably in a smoke-filled room in Juneau. The Cooperative would have a huge debt, an oversized inefficient system and everyone who converted to electric heat would soon have to reconvert or go bankrupt, and the whole assistance program would be gone! Thank goodness we were able to prevail and finally make this key point. This is an illustration of how difficult it can be to control the direction of legislation once started.

The PCE program needs to be reviewed periodically to adjust levels to the reality of the times including the possibility of a rapid drop in oil prices and State revenues. There will be a need for some assistance long into the future. Instead, this program effectively became hands off for a number of years and opportunity for any serious effort to provide permanent funding has diminished with passage of time. This is true because a whole new set of people is now in place in Juneau and lower State revenues are a reality. It does not take a card reader to appreciate Rural Alaska does not currently enjoy the same effective legislative strength as only a few short years ago.

I would say AVEC had great influence in establishing the assistance programs but considerably less influence in the resulting details except during the PCA era.

There were two separate State select special task groups established in the 1980's to work on solutions to longer range energy problems in Alaska. I was appointed to each one of these task forces by Governor Sheffield and by Governor Cowper and actively participated. Good reports were prepared but, unfortunately, too little was done due to the politics of the time and the serious economic slowdown in 1986-87 from an oil price break. There is good information available in these reports which can be utilized again if necessary to shape future policy.

The rough edges that developed with the assistance programs are in the details of the legislation and implementation. I think the ideas suggested by AVEC nearly 20 years ago of establishing an effective rate differential range of 2.5 to 1 across the State has continuing merit as a general target. We are now approaching this level due in part to some fairly healthy increases in rates in the railbelt area.

This will continue to be a very important issue for smaller communities in Alaska for many years in the future and something that future Native community leaders are encouraged to study the details to actively influence future policy. Policy in the future should move all of the real and justified concerns to the front and move cyclical swings in political power out the door.

AUTHOR BIOGRAPHY

Some highlights in life of author to compile skills to guide AVEC through a turbulent period:

During adolescence, jobs included soda fountain jerk, newspaper delivery, golf caddie, farm laborer, tractor operator, bookkeeping, parts inventory, road construction laborer, machine shop, brick layer attendant, and auto builder.

Graduated from Wichita High School East in 1947. Selected to National Honor Society. Member of state champion track team. Started as Accounting Major at Wichita State University in 1947-48. Supported self selling Fuller Brushes.

Joined U.S. Marine Corps in 1948-49. Attended USN Electronic School, Treasure Island, California; graduated Electronic Technician.

Started as Electrical Engineer Major at Kansas State University in 1949; graduated 1952. Selected to three honor societies: Eta Kappa Nu (EE), Sigma Tau (Engineer), Phi Kappa Phi (All School). Treasurer of fraternity. Graduated from Senior ROTC program.

On active duty during Korean War period 1952-53. Finished number one in class at U.S. Army Signal Officer School. Officer in charge of field nuclear monitoring team. Received outstanding unit citation.

Employed as Sales and Service Engineer for Bendix Aviation Corp. (1953-56). Employed as Design Engineer at the Martin Company on TITAN ICBM project. Promoted to finish as Group Engineer (1956-60). Employed as Project Engineer for RCA on Ballistic Missile Early Warning System at Clear, Alaska. Promoted three times to become General Site Manager (1960-70). Employed as General Manager - Alaska Village Electric Cooperative (1970-92); retired 1992.



Loyd M. Hodson
Retired AVEC General Manager

A few other highlights from my life: Survived twin bus crash/fire in Utah in 1948 which killed 14, with second-degree burns. Became private pilot in 1960 and accumulated over 300 hours of bush flying time 1960-65. Survived grizzly bear attack in 1962 near Stampede/Kantishna. Hunted extensively from 1960-66, including taking large brown bear hunting alone, Dall sheep, moose, caribou, lynx, black bear. Converted Piper PA-14 to higher horsepower engine largely unassisted. Owned three Pipers during flying career. A big-time fan of do-it-yourself maintenance projects including construction, electrical, appliances, furnaces, etc. Survived airplane crash at Grayling while on way to AVEC board meeting in 1978. Have visited each of the 50 states. Other hobbies include history, computers, investing, brown/grizzly bear biology, the Internet. Involved with a number of churches/religions, currently Lutheran. Father of 5 and grandfather of 10, all Alaskans.

Some elements of all of the above wide range of life experience and training were called upon to lead AVEC.

VILLAGES SERVED BY AVEC

Alakanuk	Kasigluk	Russian Mission
Ambler	Kiana	St. Mary's
Andreafsky	Kivalina	St. Michael
Anvik	Koyuk	Savoonga
Brevig Mission	Marshall	Scammon Bay
Chevak	Mekoryuk	Selawik
Eek	Minto	Shageluk
Elim	Mt. Village	Shaktoolik
Emmonak	New Stuyahok	Shishmaref
Gambell	Noatak	Shungnak
Goodnews Bay	Noorvik	Stebbins
Grayling	Nulato	Togiak
Holy Cross	Nunapitchuk	Toksook Bay
Hooper Bay	Old Harbor	Tununak
Huslia	Pilot Station	Upper Kalskag
Lower Kalskag	Pitkas Point	Wales
Kaltag	Quinhagak	

COMMUNITIES SERVED



ALASKA
VILLAGE
ELECTRIC
COOPERATIVE

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

**Introduced:
Referred:**

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to underground facilities."**

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

3 *** Section 1.** AS 42.30 is amended by adding new sections to read:

4 **Article 6. Locating Underground Facilities.**

5 **Sec. 42.30.400. Excavator's notice of proposed excavation.** (a) Before
6 beginning an excavation, an excavator shall give notice of the proposed excavation to
7 each underground facility operator who has an underground facility in the area of the
8 proposed excavation and request the operator to locate the underground facility by field
9 marking its location. The excavator shall notify an underground facility operator who
10 subscribes to a notification center by giving notice to the center. The excavator shall
11 notify an underground facility operator listed in the applicable telephone directory who
12 is not a subscriber to a notification center by giving notice directly to the operator.
13 Notice given under this section must include the name, address, and telephone number
14 of the excavator, a brief description of the scope of the excavation, and the expected
15 dates and locations of the excavation.

1 (b) Except in the case of an emergency locate request or a request to locate
2 in a remote, unstaffed, or temporarily inaccessible location, the excavator shall notify
3 an underground facility operator who may have a facility in the area of a proposed
4 excavation at least two but not more than 15 working days before the date scheduled
5 for beginning the excavation. In the case of a request to locate in a remote or
6 unstaffed location, the excavator shall notify the operator at least 10 but not more than
7 20 working days before the scheduled date for beginning excavation. The excavator
8 and the operator may agree to vary the notification deadlines of this subsection. The
9 notification period required for excavation in a temporarily inaccessible location shall
10 be set by agreement between the excavator and the operator unless they are unable to
11 reach an agreement in a reasonable time, in which case, _____.

12 (c) In an emergency, the excavator shall immediately notify each underground
13 facility operator in the area of the need for the excavation and request prompt location
14 of underground facilities.

15 (d) Unless waived by the operator, an underground facility operator has the
16 right to receive compensation for costs incurred in responding to a request to locate
17 that gives the operator less notice than the minimum notice required by this section.
18 This subsection may not be interpreted to require the operator to respond to the request
19 to locate within the time requested in the notice.

20 **Sec. 42.30.410. Operator's response to request to locate.** (a) An
21 underground facility operator shall accept requests to locate underground facilities
22 during the operator's regular business hours. An operator who receives a locate
23 request shall maintain for at least three years an accurate record of the request and
24 responses to the request. The record may be maintained as a written log or in audio
25 form.

26 (b) When an underground facility operator receives a request to locate, it shall
27 notify the excavator of the location of the underground facilities that the operator is
28 able to field mark with reasonable accuracy by surface marking the facilities. If the
29 operator owns, uses, or operates an underground facility that is identified as being in
30 the area of the proposed excavation but that the operator cannot field mark with
31 reasonable accuracy, the operator shall provide the excavator with the best information

1 available to the operator about its location.

2 (c) The surface mark for an underground facility buried 10 feet deep or less
3 must be located within 24 horizontal inches of the outside dimensions of each side of
4 the facility. For a facility buried deeper than 10 feet, the operator shall locate the
5 surface mark within 30 horizontal inches of the outside dimensions of the facility. In
6 marking the location of an underground facility, the operator shall use stakes, paint,
7 or other clearly identifiable material to show the field location of the facility. The
8 marker used to designate the approximate location of an underground facility must
9 follow the current color code standard used by the American Public Works
10 Association.

11 (d) Except for an underground facility in a remote, unstaffed, or temporarily
12 inaccessible location, an underground facility operator shall respond to a request to
13 locate promptly. A response is considered to be prompt if it is made within two
14 working days after the operator receives the request or at a later time so long as the
15 later time occurs before the beginning of the excavation. For an underground facility
16 in remote or unstaffed locations, the operator shall respond within 10 working days
17 unless a different period is agreed to by the operator and the excavator.

18 (e) After an operator has surface marked an underground facility, the excavator
19 is responsible for maintaining the markings.

20 (f) An excavator may not begin to excavate until each known underground
21 facility has been surface marked. An excavator is not liable for damage to an
22 underground facility if the operator failed to locate the facility as required by this
23 section.

24 (g) An operator has the right to receive compensation from an excavator for
25 costs incurred in responding to repeated requests from the excavator to locate the same
26 underground facility if the excavator failed to maintain the original marking. If the
27 amount of compensation is not set in the operator's utility tariff, the amount shall be
28 established by agreement between the excavator and the operator.

29 (h) If an excavator discovers an underground facility that was not identified
30 or was inaccurately identified, the excavator shall immediately stop excavating in the
31 vicinity of the facility and shall notify the operator of the discovery. If the operator

1 subscribes to a notification center, the excavator may notify the operator by means of
2 the center. The operator shall treat the notification as a request to locate in an
3 emergency excavation and shall respond accordingly.

4 **Sec. 42.30.420. Responsibility of construction project owners.** The owner
5 of a construction project that will require excavation shall indicate in bid documents
6 or contracts for construction the existence of underground facilities that the project
7 owner knows are located inside of the proposed area of excavation. This requirement
8 does not release the excavator from the excavator's responsibility under AS 42.30.400
9 - 42.30.490.

10 **Sec. 42.30.430. Obligations concerning the conduct of excavations.** (a) An
11 excavator shall use reasonable care to avoid damaging an underground facility. The
12 excavator shall

13 (1) determine, without damage to the facility, the precise location of
14 an underground facility whose location has been marked;

15 (2) plan the excavation to avoid damage to and minimize interference
16 with an underground facility in or near the excavation area; and

17 (3) to the extent necessary to protect a facility from damage, provide
18 support for an underground facility in and near the construction area during the
19 excavation and backfill operations.

20 (b) If an underground facility is damaged by failure to fulfill an obligation
21 under AS 42.30.400 - 42.30.490, the party failing to perform the obligation is liable
22 to the other party for damages resulting from the failure to perform. Damages may
23 include the normal overhead charges that can be allocated to having to respond to the
24 party's failure to perform.

25 (c) An excavator who, in the course of excavation, contacts or damages an
26 underground facility shall notify the operator of the facility. If the damage causes an
27 emergency condition, the excavator shall also alert appropriate local public safety
28 agencies and take reasonable steps to ensure public safety. A damaged underground
29 facility may not be reburied until it is repaired or relocated to the satisfaction of the
30 operator. The operator of an underground facility that was damaged during excavation
31 shall arrange for repair or relocation of the facility as soon as practical. The operator

1 may permit the excavator to perform the necessary repairs or relocation.

2 **Sec. 42.30.440. Penalties.** (a) A person who violates a provision of
3 AS 42.30.400 - 42.30.490 is subject to a civil penalty of not less than \$50 nor more
4 than \$1,000 for each offense if the violation results in or significantly contributes to
5 damage to an underground facility.

6 (b) If the court finds that an excavator is violating or threatening to violate a
7 provision of AS 42.30.400 - 42.30.490 and the violation may result in damage to an
8 underground facility, the court may grant injunctive relief to the underground facility
9 operator.

10 (c) An excavator is liable to the operator of an underground facility for three
11 times the operator's cost in repairing and relocating the facility if the excavator

12 (1) knowingly or intentionally damages a field marked underground
13 facility; or

14 (2) knows of an underground facility that is near a planned excavation
15 and the excavator fails to notify the underground facility operator as required by
16 AS 42.30.400; notification under this paragraph may be made directly to the operator
17 or, if appropriate, through a notification center.

18 **Sec. 42.30.450. Waiver of requirements by written agreement.** An operator
19 and an excavator may, by written agreement, waive the requirements of AS 42.30.400
20 - 42.30.490 that the excavator notify the operator of planned excavations and that the
21 operator locate underground facilities. The agreement must identify the geographic
22 area to which the waiver applies and the time period for which the waiver is valid.
23 The waiver may not be valid for longer than ___ years.

24 **Sec. 42.30.460. Underground facility owner.** If the operator of an
25 underground facility is not the owner of the facility and if the operator cannot be
26 identified or has been identified but cannot be reached in a reasonable amount of time,
27 the excavator may give the notice required by AS 42.30.400 - 42.30.490 to the owner
28 of the underground facility and the owner shall assume the duties and responsibilities
29 of the operator under AS 42.30.400 - 42.30.490.

30 **Sec. 42.30.490. Definitions.** In AS 42.30.400 - 42.30.490,

31 (1) "damage" includes

1 (A) the substantial weakening of structural or lateral support of
2 an underground facility;

3 (B) penetration, impairment, or destruction of any underground
4 protective coating, housing, or other protective device; and

5 (C) the partial or complete severance of an underground facility
6 to the extent that the project owner or facility operator determines that repairs
7 are required;

8 (2) "emergency" means a condition that constitutes a clear and present
9 danger to life or property or an unplanned service interruption;

10 (3) "excavation"

11 (A) means

12 (i) an activity in which earth, rock, or other material on
13 or below the ground is moved or otherwise displaced by any means;

14 (ii) road maintenance that changes the original road
15 grade;

16 (iii) demolition or movement of earth by equipment,
17 tools, or explosive device except tilling of the soil less than 12 inches
18 in depth for agricultural purposes; and

19 (B) includes augering, backfilling, digging, ditching, drilling,
20 grading, plowing-in, polling-in, ripping, scraping, trenching, boring, and
21 tunneling;

22 (4) "excavator" means a person who conducts excavation in the state;

23 (5) "identified facility" means an underground facility that is indicated
24 in the project plans, or that should have been indicated in the project plans, as being
25 located inside the area of the proposed excavation;

26 (6) "inaccessible" means impossible or unreasonably difficult to reach
27 due to conditions beyond the control of the underground facility operator;

28 (7) "intentionally" has the meaning given in AS 11.81.900(a);

29 (8) "knowingly" has the meaning given in AS 11.81.900(a);

30 (9) "notification center" or "center" means a service through which a
31 person is able to call one number to notify member operators of underground facilities

1 that an excavation is proposed and to request the operators to mark facilities located
2 inside of the proposed excavation area;

3 (10) "operator" means a person who supplies a service for commercial
4 or public use by means of an underground facility;

5 (11) "person" means any individual, public or private corporation,
6 political subdivision, government agency, municipality, industry, partnership,
7 copartnership, association, firm, trust, estate, or any other entity whatsoever;

8 (12) "remote" means not accessible by road;

9 (13) "underground facility" means a pipe, sewer, conduit, cable, valve,
10 line, or wire, including attachments and those parts of poles or anchors that are below
11 ground, for use in connection with the storage or conveyance of water, sewage,
12 telecommunications, cable television, electricity, petroleum, petroleum products,
13 hazardous liquids, or flammable, toxic, or corrosive gas;

14 (14) "unstaffed" means not normally staffed with employees;

15 (15) "utility" has the meaning given in AS 42.05.990;

16 (16) "working day" means a day on which an underground facility
17 operator is open for regular business.

**THE FOLLOWING PAGES MAY
NOT FILM LEGIBLY BECAUSE OF
THE POOR QUALITY OF THE ORIGINAL**

Deregulation

Electric Utility **Position in Alaska**

- **Reaffirmation of Service Areas for Immediate Future**
- **Legislative and Utility Industry "Blue Ribbon" Committee**
- **Report Back Findings and Draft Legislation by Year 2000**

Adopted by the
Board on Nov 6, 1997
Vote 18-1

Deregulation

Electric Utility Position in Alaska

Introduce legislation which reaffirms exclusive service areas for electric utilities for the immediate future but also contains legislative resolutions forming a blue ribbon committee composed of legislative and electric utility representatives, which would be directed to investigate whether, and if so under what circumstances, wholesale and retail competition is in the best interests of consumers in the State of Alaska and to report back its findings and to draft legislation for introduction to the Legislature by the year 2000.

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - SECOND SESSION

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to competition in the electric utility industry; establishing
2 a task force to investigate whether, and, if so, under what circumstances,
3 competition is in the best interests of consumers in the state of Alaska and
4 report its findings to the Legislature; and maintaining current exclusive
5 certificated service areas until the Legislature has acted on the findings of
6 the Task Force."

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

8 * Section 1. LEGISLATIVE INTENT. This Act states policy concerning electric
9 utilities only and does not apply to other types of utility service.

10 * Sec. 2. A Blue Ribbon Committee is formed of nine members: including two
11 lawmakers, one from the House and one from the Senate, respectively; three
12 representatives of the electric utility industry; two consumer representatives representing
13 both large power and residential consumers respectively; a member of the Alaska Public
14 Utilities Commission; and one representative from the Governor's Office. The committee
15 shall meet at least quarterly to consider whether, and, if so, under what circumstances,
16 wholesale and retail electric service competition is in the best interests of consumers in the
17 state of Alaska. The committee shall report its findings, and any proposed legislation
18 recommended by the committee, to the Legislature by November 15, 2000.

19 * Sec. 3. Pending Legislative action on the committee's findings, AS 42.05.221 is
20 amended by adding a new subsection to read:

21 (g) The commission may not issue a certificate of public convenience
22 and necessity to an electric utility to offer retail electric service in an area in which
23 another utility is offering retail electric service under an existing certificate.

HJR

31

FISCAL NOTE

No: 1

Bill Version: CSHCR 34 (L&C)

(H) Publish Date: 4/9/98

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Revision Date: _____
 Title: Establishing a Joint Committee on Electric
Utility Restructuring.
 Sponsor: House Labor and Commerce Committee
 Requestor: House Labor and Commerce Committee

Department Affected: Legislative Affairs Agency
 BRU: Legislative Operating Budget
 Component: Legislative Operating Budget

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

HCR 34 has zero fiscal impact. The Joint Committee on Electric Utility Restructuring will be staffed by existing legislative employees. Zero travel expenses are anticipated as all meetings will be held by teleconference.

Prepared By: Karla Schofield, Deputy Director *Karla Schofield* Phone: 465-3852
 Division: Administrative Services Date: 4/3/98

Approved By: Pamela A. Varni, Executive Director *Pamela A. Varni*
 Agency: Legislative Affairs Agency Date: 4/4/98

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

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

NO. HJR 31
BILL VERSION: 0-190792/A
PUBLISH DATE: 3/18/97

Revision Date: _____ Department Affected: Health & Social Service
 Title: Requesting the United States Congress BRU: Public Health
to amend the Federal Food, Drugs, and Cosmetic Act
 Sponsor: Representative Kott Component: _____
 Requestor: _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE	0	0	0	0	0	0
----------------------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

Fiscal Note Prepared by the House Labor and Commerce Committee

Prepared by: House Labor and Commerce Committee *Shirley Armstrong* Phone: 465-4954
 Division: Committee Staff, Shirley Armstrong Date: 4/4/97

Approved by: Representative Norman Rokeberg, Chair *Shirley Armstrong for*
 Agency: House Labor and Commerce Committee Date: 4/4/97

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

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: March 18, 1997

FURTHER REFERRALS:

Date of Committee Action: 4/2/97

The LABOR AND COMMERCE Committee considered:

HJR 31

HOUSE JOINT RESOLUTION NO. 31

FEDERAL FOOD, DRUG, AND COSMETIC ACT

Requesting the United States Congress to amend the Federal Food, Drug, and Cosmetic Act.

recommends it be replaced with the following committee substitute _____ the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

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

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) HSS

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Nancy Ketchy</i>	✓			
<i>John J. Waudrup</i>	✓			
<i>Robert Sanders</i>	✓			
<i>George Beiser</i>			✓	
<i>Joe Murray</i>	✓			
<i>Bill Henders</i>			✓	

CHAIR'S SIGNATURE

Nancy Ketchy

4/2/97

cc:Mail for: Janet Seitz

Subject: Re: House Labor & Commerce Committee Meetings
From: Shari Kochinan at Gov_Juneau_Capitol 3/28/97 11:40am
To: Janet Seitz at LAA_TRANS

administration doesn't need to do a fiscal note on hjr 31

on hb 72 -- you should already have a fiscal note in your bill packet because this is a governor's bill and was introduced with a fiscal note attached

other requests are in. you may not have them all by 4/2. but we'll get them to you the day before the hearings.

thanks

Reply Separator

Subject: House Labor & Commerce Committee Meetings
Author: Janet Seitz at JNU_LAA
Date: 3/27/97 5:02 PM

Hi Shari:

I hope this is what you need. I'm sending the House Labor & Commerce Committee information for the coming week. The schedule, bill number, bill title, and possible fiscal note requests are below (suggested fiscal note departments are in the parentheses following the short bill title):

Wednesday, April 2, 1997

HJR 31 Federal Food, Drug & Cosmetic Act, (Health & Social Services)
HB 72 Service of Process on Non-Resident Taxpayers (Revenue)

Friday, April 4, 1997

HB 214 Workers Comp: Temp. Assistance/Medical Condition (Labor)
HB 207 Employer Drug Testing Program (Labor)
HB 218 Omnibus Insurance Reform (Commerce & Economic Development)

Monday, April 7, 1997

HB 208 Alaska Aerospace Development Corp. Board (Commerce & Economic Development).

All committee meetings start at 3:15 p.m. It would be appreciated if all these fiscal notes could be available to the committee aide by Wednesday, April 2, before noon. Your cooperation would be appreciated.

Thank you.

Janet

MAR 19 1997

Alaska State Legislature
House of Representatives

Committees

Rules Committee, Chair
Legislative Council
International Trade & Tourism
Military & Veterans Affairs
World Trade & State/Federal Relations



Interim:
10928 Eagle River Rd. Suite 141
Eagle River, AK 99577

Session:
Alaska State Capitol
Juneau, AK 99801

MEMORANDUM

TO: Representative Norman Rokeberg, Chair Labor and
Commerce Committee

FROM: Representative Pete Kott

DATE: March 18, 1997

SUBJECT: HJR 31

Please schedule HJR 31 for a hearing at your earliest convenience. This resolution encourages Congress to more rapidly pursue the approval of innovative new drugs, biological products and medical devices without compromising patient safety or product effectiveness. Thank you for your consideration of this resolution.

Representative Pete Kott

Juneau Office (907) 465-3777 Toll Free 1-800-861-KOTT(5688) Fax (907) 465-2819
Eagle River Office (907) 694-8944 Fax (907) 694-8945 E-Mail: representative_pete_kott@legis.state.ak.us



**Alaska State Legislature
House of Representatives**

MAR 27 1997

Committees

Rules Committee, Chair
Legislative Council
International Trade & Tourism
Military & Veterans Affairs
World Trade & State/Federal Relations



Interim:
10928 Eagle River Rd. Suite 141
Eagle River, AK 99577

Session:
Alaska State Capitol
Juneau, AK 99801

**Sponsor Statement
HJR 31**

This resolution requests Congress to amend the Federal Food, Drug and Cosmetic Act to facilitate the rapid review and approval of innovative new drugs, biological products and medical devices without compromising patient safety of product effectiveness. Congress made it clear that the Act should be liberally construed to protect public health.

Pharmaceutical companies have complained that there is too much government "red tape" acting as a barrier to market entry for new pharmaceutical products. This situation results in effective drugs being held from consumers for years before they are allowed on the market. This resolution urges Congress to look at the Federal Food, Drug and Cosmetic Act and make appropriate changes to the Act allowing drugs and medical devices to move onto the market more rapidly.

More rapid approval of drugs and medical devices without compromising patient safety could save lives and improve the quality of lives. I urge you to support this resolution.

Representative Pete Kott

Juneau Office (907) 465-3777 Toll Free 1-800-861-KOTT(5688) Fax (907) 465-2819
Eagle River Office (907) 694-8944 Fax (907) 694-8945 E-Mail: representative_pete_kott@legis.state.ak.us



FDA Improvement

- PhRMA supports proposals to improve the FDA that won widespread bipartisan backing in the 104th Congress. These proposals are based on S. 1477, which was approved by the Senate Labor and Human Resources Committee by a vote of 12 to 4, and on H.R. 3199, which was cosponsored by more than 200 members of both parties.
- FDA-improvement proposals would supplement the legislative concepts that the pharmaceutical/biotechnology industries and FDA have developed for Congress to consider in reauthorizing the 1992 Prescription Drug User Fee Act. The user-fee proposals generally would specify quantifiable, measurable timeliness and performance goals for FDA actions; the FDA-improvement proposals would provide the means for structurally changing some agency practices and procedures. The aim is the same: to make FDA more efficient so that patients will receive new medicines as quickly as possible.
- PhRMA believes that the following provisions should be included in any FDA-improvement legislation:
 - An explicit FDA mission both to promote and protect the public health.
 - FDA flexibility to decide how much scientific evidence (one, two, or more well-controlled, pivotal, clinical studies) is required to show the efficacy of a new drug.
 - Development by FDA of criteria, aimed at reducing the excessive amount of data submitted to FDA, describing the type of information to be included in an NDA or SNDA.
 - FDA discretion to use third parties to review all or part of an NDA or SNDA and to pay for third-party review with industry user fees.
- PhRMA also supports wider dissemination by pharmaceutical manufacturers of scientific information to health care providers about the unapproved uses of approved medicines, to enable them to make more informed decisions for their patients.
- These moderate, common-sense proposals would enable FDA to make life-saving, cost-effective new medicines available sooner to patients and would fully preserve the agency's high safety and efficacy standards. They should be enacted without delay.

March 6, 1997

**Drugs in Development
A Partial List of New Therapies¹**

<u>Indication</u>	<u>Number of Drugs in Development</u>
Heart Disease and Stroke	
Angina Pectoris	7
Arrhythmia	9
Congestive Heart Failure	18
Coronary Artery Disease	8
Heart Attack	19
Hypertension	23
AIDS	
Anti-cancers	19
Anti-infectives	18
Antivirals	41
Gene Therapy	4
Immunodilators	10
Vaccines	13
Infectious Disease	
Antibiotics	27
Antifungals	14
Antivirals	25
Cancer	
Brain	14
Breast	48
Colon	30
Kidney	12
Leukemia	26
Lung	37
Lymphoma	26
Ovarian	23
Prostate	25
Skin	31
Mental Illness	
Anxiety Disorders	12
Dementias	19
Psychotic Disorders	17

¹ Either in clinical testing (IND phase) or an NDA submitted to FDA

Biotechnology Drugs

Gene Therapy	78
Growth Factors	10
Interferons	10
Interleukins	11
Vaccines	62

Neurological Disorders

Alzheimer's Disease	22
ALS (Lou Gehrig's Disease)	6
Epilepsy	12
Head Injury	10
Multiple Sclerosis	11
Parkinson's Disease	12

HJR

65

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

NO. CS HJR 65 (L&C)
BILL VERSION: _____
PUBLISH DATE: 4/2/98

Revision Date: _____
Title: Request wild salmon be
classified as organic food.
Sponsor: House Labor & Commerce
Requestor: _____

Department Affected: DCED
BRU: _____
Component: _____

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
----------------	---	---	---	---	---	---

REVENUE FUND SOURCE	0	0	0	0	0	0
----------------------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact.

Prepared By: Shirley Armstrong Phone: 465-4954
Division: Administrative Services Date: 4/2/98

Approved By: Representative Norman Rokeberg
Agency: House Labor and Commerce Committee Date: 4/2/98

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

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: March 20, 1998

FURTHER REFERRALS:

Date of Committee Action: 4/1/98

The LABOR AND COMMERCE Committee considered:

HJR 65

HOUSE JOINT RESOLUTION NO. 65

CLASSIFY WILD SALMON AS ORGANIC FOOD

Requesting that Alaska wild salmon be included as an organic food under federal law.

recommends it be replaced
with the following committee substitute

CSHJR 65(L+C)

the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

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

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) DCED

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>John J. Caudrey</i>	✓			
<i>Derek Sandert</i>	✓			
<i>Gene Kubina</i>	✓			
<i>Joe Ryan</i>	✓			
<i>Bill Hudson</i>	✓			
<i>Norm Kotely</i>	✓			

CHAIR'S SIGNATURE

Norm Kotely

4/1/98

4/1/98 - HJR 65

Kate Hall - Sen Stevens is working with the State of AK office in Wash DC - and has said that USDA

- the USDA no seafood qualifies for organic under USDA regulations
- salmon is the primary concern right now

Bob Belenap - ASIMI - in Japan AK salmon is loosing its market share rapidly - especially the recent E Coli scare - ^{have lost} ~~give for~~ 70% of market to farmed ^{farmed} ~~salmon~~ ^{salmon}

use natural in US - protein waters / are priced less than wild AK salmon

use wild in Japan

use wild in Europe

Cheri Shaw -

Ed Wojak - used to fish Bristol Bay

HJR 65 List of Testifiers

Name	Background	LIO/phone Site*
✓ 1. Sponsor(s) comments		Juneau
✓ 2. Jeff Bailey	Owner of Select Seafoods	Anc.
✓ 3. Kate Troll	Dept. of Commerce, Division of Trade	Juneau
✓ 4. Barb Belknap	ASMI	Juneau
✓ 5. Cheri Shaw	Cordova District Fishers United	Cordova
6. Ed Wojak	Attorney & Bristol Bay Fisher	Seattle (206)286-0782
7. Evie Hansen	National Seafood Educators	Seattle- "

* unless otherwise indicated by a phone number, the participants are located at a LIO

04-01-98 3:00 PM

House Joint Resolution No. 65
Public Testimony of Jeff Bailey

Good afternoon. My name is Jeff Bailey. I am a commercial fisherman and President of Prime Select Seafoods, a fisherman owned seafood marketing company in Cordova. First let me thank you for taking the time to consider of this important resolution encouraging inclusion of Alaska's wild salmon in the USDA's National Organic Program.

My interest in this issue began in December when I heard on National Public Radio that USDA was seeking public comment on proposed rules to regulate the use of the Organic label. I did some research and discovered to my dismay that wild salmon, in particular Alaska Wild Salmon, was not included in the proposed rules. My first reaction was to contact USDA to see if wild salmon was simply overlooked. They informed me that wild salmon was not on the list because USDA had no way to monitor what wild fish eat in the open ocean environment. My outrage came later when I learned that farm raised salmon was being considered for inclusion because USDA could monitor what they consume. I quickly began a campaign to reverse Alaskan salmon's exclusion.

It is essential that Alaska present a unified front to strongly promote inclusion of Alaska wild salmon in the National Organic Program. The farm salmon industry has already recognized the value of an USDA certified organic label and has been working closely with the USDA for over 7 years. Alaska is woefully behind on the issue and very close to having its salmon excluded from the organic program. This exclusion will prohibit Alaskan fishermen from being able to participate in the organic industry which last year was worth \$3.5 billion dollars in the US alone. We can do something about it and need this resolution to provide the political clout needed for USDA reconsideration.

Alaskan salmon is sold in an extremely competitive market. We have lost significant market share to farm raised fish, and consumers lack awareness of the inherent and important differences between farm-raised and wild fish products. The organic label could help us provide a critical distinction and add substantially to the overall value of Alaska's salmon resource. This

added value translates into money: money for fishermen, processors, support industries and the state of Alaska.

It is time for Alaska to stand up and say "enough is enough" with regards to the ever increasing displacement of our wild salmon resource by farm-raised salmon and trout in the world marketplace. Recognition of Alaska Wild Salmon as a certifiably organic product has the potential to turn the entire Alaska salmon industry back to its historical place as a dominant power in the world salmon industry.

Post-it® Fax Note 7671		Date 4-1	# of pages 2
To (H) L & C	From ANC	Co. LIO	Phone #
Co./Dept.	Phone #	Fax #	
Phone #	Fax # 465-2040		

JEFF BAILEY
1413 SUNRISE DR.
ANCHORAGE, AK. 99508

274-3176



March 31, 1998

Representative Norm Rokeberg, Chairman
House Labor and Commerce Committee
State Capitol
Juneau, AK 99801-1182

Dear Representative Rokeberg:

The Alaska Seafood Marketing Institute (ASMI) supports HJR 65 by the House Resources Committee, requesting that Alaska wild salmon be included as an organic food under federal law, and asks that the House Labor and Commerce Committee give the measure favorable consideration.

Proposed rules now being considered by the U. S. Dept. of Agriculture do not provide for organic labeling of wild Alaska seafood. In addition, it is possible that they may restrict Alaska's use of words that would indirectly imply that a product is organic. These restrictions would have a detrimental effect on Alaska's seafood products industry. A cornerstone concept of ASMI's marketing program is the inherently natural quality of Alaska wild seafood, particularly salmon. This concept is a valuable tool for the Alaska Seafood Marketing Institute as it markets Alaska salmon in a highly competitive global market glutted with Norwegian and Chilean farmed salmon. Organic certification for Alaska's wild seafood will be valuable to the Alaska seafood industry as a whole and for the Alaska businesses that must aggressively pursue an increased share of the domestic market.

Thank you for your consideration.

Sincerely,

Barbara Belknap
Executive Director

Cordova District Fishermen United

Celebrating 63 Years of Service to Commercial Fishermen in Cordova, Alaska
P.O. Box 939 Cordova, Alaska 99574 / Telephone (907) 424-3447 / Fax (907) 424-3430

April 1, 1998

Oral testimony given re: HJR 65 (Relating to Alaska wild salmon inclusion under federal organic food standards)

Good afternoon. Mr. Chairman and committee members, my name is Cheri Shaw. I am Executive Director of Cordova District Fishermen United (CDFU) and will be speaking on behalf of CDFU and myself this afternoon.

CDFU supports HJR 65 and the effort it will create to allow wild Alaska salmon to be federally labeled as organic. While the market for wild salmon has been eroding due to the increasing production of farmed salmon, the organic market has been growing dramatically. As noted in HJR 65, in 1996 alone, sales were worth \$3.5 billion. Organic food sales have increased 20 to 25% in each of the last six years. Overseas, organic foods are even more popular.

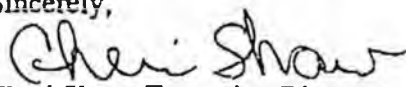
The commercial fishing industry has often been called the first permanent fund. With the high quality of management we find here in Alaska, the salmon fishing industry will pump millions, if not billions of dollars into the state's economy into perpetuity. Anything the legislature can do to help increase Alaska's salmon share in the global market will benefit all Alaskan's.

In conjunction with a passage of HJR 65 in the legislature, a letter writing campaign by all senators, representatives and the constituents they represent should be organized requesting the federal government allow wild harvested Alaska salmon to be labeled organic under the Organic Foods Production Act. This step forward will give the State and its salmon industry a valuable marketing edge they've both been searching for in this increasingly competitive global market.

The organic label will increase demand for Alaska wild salmon and should increase ex-vessel value thereby adding growth to the State's revenue in shared raw fish taxes. A win win situation for all.

Thank you for opportunity to testify on behalf of CDFU today. If you have any questions regarding my testimony, I will be happy to answer them at this time. Thank you for your consideration.

Sincerely,



Cheri Shaw, Executive Director
Cordova District Fishermen United

USDA - Don Clifton
Federal Sec of Agriculture - Alaska

Alaska State Legislature

House Resources Committee

Co-Chair Scott Ogan
(907) 465-3715
FAX (907) 465-3265
Capitol Building, Room 124
Juneau, Alaska 99801



Co-Chair Bill Hudson
(907) 465-6820
FAX (907) 465-2273
Committee Meetings
T/Th 1 - 4 p.m.

Vice Chair: Beverly Masek,
Representatives Ramona Barnes, Fred Dyson, Joe Green, Reggie Joule, Irene Nicholia, William Williams

HJR 65

Classify Wild Salmon as Organic Food

The organic-foods market is a growing market (annual growth rate of 20%) with total sales of \$3.5 billion in 1996. Alaska's wild salmon, long recognized by the medical community as a heart healthy food, and reared in pristine Alaskan waters should be a strong candidate for this growing market.

Unfortunately, farmed salmon producers, both domestic and foreign, are ahead of Alaska in striving to convince the U.S. Department of Agriculture that farmed salmon should qualify for Organic certification under federal law.

House Joint Resolution 65 requests that Alaska wild salmon be fairly considered by objective scientific criteria as an organic food. The United States Department of Agriculture, via the Agricultural Marketing Service (AMS), is seeking the establishment of national standards for the organic production and handling of agricultural products. The deadline for public and official input is May 30th, 1998.

The global salmon industry is fiercely competitive. Organic certification is a valuable market niche because a rapidly growing base of consumers has demonstrated willingness to consistently pay top dollar for products of choice.

HJR 65 is but one step in pursuing this significant market. It puts the United States Department of Agriculture on notice that Alaskans are watching the pending debate over organic qualification, and it asks our delegation in Congress to assist in this matter, to insure the huge agri-industry doesn't simply dominate the agenda from the start.

Fisherman says organic sticker will sell salmon

By ELIZABETH MANNING
Daily News reporter

Picture this: It's salmon season, and inside supermarkets across the nation, shoppers are snubbing refrigerated displays packed with cheaper, farm-raised salmon, heading straight for fish caught in Alaska waters instead. Oh, and one more detail: They're willing to pay top dollar.

Look closer and you'll see why. Cut into slabs, packed into cans or molded into fish cakes, every Alaska salmon product



FRAN DURNER / Anchorage Daily News

Jeff Bailey, a commercial fisherman and salmon buyer, is behind the movement to label Alaska wild salmon as organic.

Please see Back Page, SALMON

ADN

2 Mar '98

SALMON: Fisherman hopes to add organic labeling

Continued from Page A-1

sports a label approved by the U.S. Department of Agriculture: 100 percent organic.

Of course, this is only a dream, but it's one that Cordova fisherman Jeff Bailey is trying to turn into reality. The national organic labels don't exist yet, but when they do appear in stores in a year or so, Bailey wants to make sure Alaska salmon are wearing them.

Bailey, who also owns Prime Select Seafoods Inc., believes the label would help Alaskans profit from the lucrative organic-foods market, worth \$3.5 billion in sales in 1996 with an average annual growth rate of 20 percent. He also thinks it would give the state a marketing tool to separate salmon caught in Alaska waters from fish raised in farms off the coast of Chile, British Columbia, Maine or Washington.

"Right now," Bailey said, "a salmon is a salmon." The label could change that, he said.

The national organic program was required by the 1990 Organic Foods Production Act. This year, the USDA released general guidelines describing how different foods would be classified organic and gave the public until April 30 to comment. The agency hopes to begin implementing a program within 18

months, USDA spokeswoman Demaris Kogut said.

Bailey heard about the guidelines on National Public Radio and downloaded them onto his computer. Combing through the text, he found language about aquaculture, wild mushroom gathering and honey production. Bailey believes some of the language might be tweaked to include wild fish, or that perhaps a whole new section for fishing should be added. He's been on a letter-writing campaign ever since, commenting on the rule and trying to drum up support from government officials and the seafood industry.

The Alaska Seafood Marketing Institute, a government/industry funded group that markets the state's seafood, said it liked the idea. But program coordinator Barbara Belknap said she didn't have enough staff to pursue it.

Connie Godwin, an aide to U.S. Sen. Ted Stevens, R-Alaska, said Bailey has contacted her office, and staff is looking into the idea.

The most help so far has come from Kate Troll, a fisheries specialist with the state Department of Commerce and Economic Development. She wants to ensure that whatever language the state proposes includes salmon started in hatcheries as well as stream-spawned salmon.

So far, reaction from the USDA has been skeptical. The agency said wild fish pose a problem because you can't guarantee the purity of the water they swim in or the quality of the food they eat. With wild food gathering, the USDA at least can require the owner of the land where the food was collected to disclose whatever chemicals might have been used there.

"These rules probably aren't ever going to apply to wild fish," Kogut said. "You can't manage where the fish go and what they're eating. But someone could certainly make a case for it. That's what the comment period is for."

Despite the lack of encouragement, Bailey and others believe it's still worth making a case. After all, what could be a healthier meal than the wild fish caught in the clear, pristine waters of Alaska?

"Some poor USDA official is probably thinking this will open a whole can of worms," said University of Alaska Anchorage fisheries economist Gunnar Knapp. "But it makes sense for the congressional delegation and individuals to see what they can do. Anybody marketing salmon can point out that wild salmon are natural. But how often does it (enter) someone's consciousness?"

An attractive government sticker sure would help, Knapp said.

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for the body

WHAT'S IN A LABEL? Organic Hash From The USDA Kitchen

By Reed Karaim

Sunday, March 22, 1998; Page C01

Imagine a chicken on its way to the kitchen table. It spent its life in a huge shed, one of hundreds of thousands of birds stacked in cages in windowless barns. It was fed grain grown on land fertilized with sewage from a nearby town. After slaughter, it was rolled on a conveyor belt past radioactive waste and "irradiated" to kill bacteria.

Now, you may or may not be bothered by these procedures -- all of which are part of American agriculture and food manufacture. But would you label the chicken "organic"?

To the U.S. Department of Agriculture, it's an open question. After seven years of study, the department issued proposed rules recently to define what can be labeled "organic" among the fruits, vegetables, meat, poultry and even processed foods on supermarket shelves. Organic farmers, whose business is growing by 20 percent a year, had been awaiting rules they hoped would protect their industry. What they got were preliminary rulings with loopholes large enough to accommodate a factory farm, an irradiation plant and a biotech lab.

If you're like me, recently referred to by my fiancée as a junk-food-loving couch potato (I really believe she meant it affectionately), you've probably given only occasional consideration to organic food. Yet, like a growing number of my fellow shoppers, I sometimes worry about just what is in the plump chicken breasts and eerily tasteless tomatoes I toss into my shopping cart. With the choices that consumers face growing ever more complicated, the government's commitment to plain-spoken, accurate labeling is critical.

That's why USDA's organic rules are so troubling. Ignoring the recommendation of a board of farmers, environmentalists and consumers, the department left open the possibility that irradiation, sewage and even genetic engineering could be used on products labeled organic. In a final twist, the USDA included provisions that could block labels with specific claims such as "raised without synthetic chemicals" or "pesticide-free farm."

Hit by a storm of criticism since the rule was issued, Agriculture Secretary Dan Glickman has emphasized that the rules will be revised based on public response. "Our intention is to develop a final rule that meets the expectation of organic farmers and consumers," says Tom O'Brien, associate administrator of USDA's Agriculture Marketing Service.

As they stand now, however, the proposed standards represent something else: an Agriculture Department so entranced by conventional agribusiness that it could crush an alternative approach, making it difficult for consumers to make informed choices.

The story of organic farming is the story of a small, home-grown industry that existed for years below the radar of federal regulators and beyond the ideologies of the Farm Belt.

For more than 100 years, conventional agriculture was built on a determined faith in the virtues of technology and chemistry: A bigger combine, a better pesticide, a more judicious mix of fertilizer and hybrid plant seed could bring forth an ever more bounteous harvest. And it has led to supermarket shelves bulging with a

cornucopia of every kind of food at amazingly cheap prices. It has led to foods that are clean, attractive and present no immediate health risk.

It also has led to problems -- soil erosion, ground-water pollution and crop disease. And while government researchers believe they pose no danger, debates still continue about chemical residues on fruits and vegetables and artificial growth hormones in meat.

In the 1960s and '70s, a small number of farmers began to resist the industrial model. The approach they turned to is both as old as human civilization and a product of today's heightened environmental awareness. As Frederick Kirschenmann, an organic farmer from Medina, N.D., explains, "You look at nature as being the production system and try to fit agriculture into that."

In practice, this means doing without chemical fertilizers and pesticides. It means depending on crop rotation and natural substances to control disease and pests. For livestock, it means avoiding artificial growth hormones or antibiotics and allowing animals access to open air and land.

The farmers who first adopted the organic method were frequently derided in rural America as muzzy-headed, pseudo-hippies. But as health-conscious Americans became increasingly suspicious of food additives and chemically intensive farming practices, the organic business won a following.

"Nationally, it's about a \$4 billion a year industry," says Kathleen Merrigan, of the Henry Wallace Institute for Alternative Agriculture. That's only a small part of the total food business, but it has been growing rapidly enough to make cashing in on the trend a real temptation. Vermont, for example, had 17 certified organic farms in 1987 with a total of 138 acres in production. By 1997, the state had 170 certified farms with 13,900 acres in production. But with no national standard in place, false claims multiplied over the same period. "Organic" threatened to become as hip and meaningless a label as "healthy."

Then, in the late '80s, organic farmers asked Congress to write a law that would create a minimum national standard. It was an unusual event -- a grass-roots movement seeking out government regulation. Merrigan, then on the staff of Sen. Patrick Leahy (D-Vt.), remembers the drafting process as a collaboration between lawmakers, consumers, environmentalists and organic farmers. "It was really democracy at its best," she said.

The law created a special board that was to establish a list of accepted substances for organic farming. The law's authors argue that it did not give the agriculture secretary authority to add items to the list.

The lawyers at USDA saw things differently. Glickman ignored the board's recommendations on several items, allowing substances that organic farmers consider "synthetic" (including two bioengineered products). He also made it easier for meat from animals treated with drugs to be sold as organic.

The net result, say those who followed the process from the beginning, has been to water down the standards so that conventional agribusiness could slap an organic label on some products with only minimal changes in the way it operates. "Our whole intent was to help," said Merrigan, "and if this is how it comes out, we won't have helped the industry. We might have destroyed it."

There are those who see the fingerprints of agribusiness lobbyists and imagine quiet conspiracies to undo a small but growing industry before it becomes a real threat. In truth, the USDA -- indeed the entire U.S. government -- has such a vested interest in convincing you and the rest of the world that conventional farming is the best possible approach, that it's hard to see how things could have gone differently. Export sales depend on it. Consumer peace of mind depends on it. Organic farming is inevitably seen as an implicit criticism of that approach.

What's more, each of the controversial items that USDA allowed into the organic standards has its defenders. The biotech industry insists that genetically manipulated products are as natural as any. The food-processing industry and the Food and Drug Administration support the use of irradiation. (The government's concern about food safety, in general, is warranted. Recent episodes of tainted meat and unpasteurized apple juice left many sick and some dead.)

The Environmental Protection Agency likes the idea of sewage -- they prefer the term "biosolids" -- being recycled through agricultural use. Animal confinement and the use of hormones are supported by agribusiness and producer groups.

But there are opposing views. Irradiation, for example, does slightly change the color and taste of meat and is viewed as a food safety treatment of last resort by the Center for Science in the Public Interest. Environmental experts have raised concerns about heavy metals that may be present in sewage. Others believe the implications of introducing genetically engineered species into nature may take generations to determine.

Organic farmers are not proposing that these practices be outlawed. They are only asking that their industry be allowed to remain free of them -- at least for now.

The underlying notion is a respect for the complexity of nature, a belief that it's hard to assess all the risks that change can bring to an ecosystem. "Organic," said Kirschenmann, "has always operated on the old wisdom that it is better to be safe than sorry."

And, indeed, science has brought us wonderful things. But the history of scientific progress is full of false steps and hideous results, from DDT poisoning to thalidomide babies. Consumers may embrace the notion of better broccoli through chemistry, or they may decide to take a wait-and-see attitude. The question is not whether the practices of conventional agriculture are good for you or whether they are humane for animals. The question is whether we should have a choice.

We may buy white bread sold by Sweetheart and produce with an organic label. Some of us may decide we care enough about how animals are raised or how much chemicals seep into ground water to pay more for food that avoids these practices. Others may say the heck with it, and shop at a huge food warehouse looking for nothing but bargains.

But the question remains whether the USDA will give us enough information about those alternatives so we can make informed choices, or whether it will subvert anything that challenges the status quo. In its preliminary rule on organic farming, USDA has passed judgment on itself. The product it has delivered to American consumers is tainted.

Reed Karaim is a freelance writer who has reported on the farming industry.

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Alaska State Legislature

REPRESENTATIVE BILL HUDSON

State Capitol
Juneau, Alaska
99801-1182
(907) 465-3744
Fax (907) 465-2273

COMMITTEES

CO-CHAIR
Resources Committee

MEMBER
Transportation Committee
Labor & Commerce Committee

March 20, 1998

Barbara Belknap, Executive Director
Alaska Seafood Marketing Institute
1111 W. Eighth Street, Ste 100
Juneau, Alaska 99801-1895

Dear Ms. Belknap:

The House Resources Committee has introduced the attached resolution requesting that Alaska wild salmon be included as an organic food under federal law. It is alarming to think that the U.S. Department of Agriculture is seriously considering certifying farmed salmon as organic.

Farmed salmon producers, both domestic and foreign, are hard at work convincing the USDA that they should qualify for the organic label. They realize that this \$3.5 billion dollar market is a valuable niche worth accessing.

The House Labor and Commerce Committee will hold hearings on the bill in the coming weeks. It is our hope that you will testify in support of this resolution at that time, and send a copy of your testimony to the USDA.

Please don't hesitate to contact either of our offices if we can provide you with any further information.

Respectfully,



Representative Bill Hudson



Representative Gene Kubina



Alaska State Legislature

House Resources Committee

Co-Chair Scot* Ogan
(907) 465-3715
FAX (907) 465-3265
Capitol Building, Room 124
Juneau, Alaska 99801



Co-Chair Bill Hudson
(907) 465-6820
FAX (907) 465-2273
Committee Meetings
T/Th 1 - 4 p.m.

Vice Chair: Beverly Masek,
Representatives Ramona Barnes, Fred Dyson, Joe Green, Reggie Joule, Irene Nicholia, William Williams

MEMORANDUM

TO: Representative Norm Rokeberg
Chairman, House Labor & Commerce Committee

FROM: Representative Bill Hudson *Bill*
Co-Chairman, House Resources Committee

DATE: March 25, 1998

SUBJECT: House Joint Resolution 65

Please schedule at your earliest convenience House Joint Resolution 65. This Resolution requests that Alaska wild salmon be certified as organic under federal law.

Alaska's wild salmon, long recognized by the medical community as a heart healthy food, and reared in pristine Alaskan waters should be a strong candidate for this growing market. Unfortunately, farmed salmon producers, both domestic and foreign, are ahead of Alaska in striving to convince the U.S. Department of Agriculture that farmed salmon should qualify for Organic certification under federal law.

HJR 65 is but one step in pursuing the rapidly expanding organic. It puts the United States Department of Agriculture on notice that Alaskans are watching the pending debate over organic qualification, and it asks our delegation in Congress to assist in this matter, to insure the huge agri-industry doesn't simply dominate the agenda from the start.

I urge the support of the House Labor & Commerce Committee in this matter.

HOUSE JOINT RESOLUTION NO. 65

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Introduced: 3/20/98

Referred: Labor and Commerce

A RESOLUTION

1 Requesting that Alaska wild salmon be included as an organic food under federal
2 law.

3 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 *product used*
WHEREAS the ocean waters off the coast of Alaska are among the most
5 *Pristine - Keelma moved - no objections -*
environmentally clean waters on the globe; and *no objections*

6 WHEREAS Alaska wild salmon thrive in these waters, returning to Alaska shores at
7 the end of their life cycle; and

8 WHEREAS Alaska wild salmon are recognized by dieticians and other nutritionists
9 to be a source of healthful food; and

10 WHEREAS, in an attempt to confuse the consumer, farmed salmon have been
11 marketed as wild salmon; and

12 WHEREAS efforts to resolve this intentional identification confusion by the massively
13 subsidized foreign salmon farm industry has proved to be a difficult task; and

14 WHEREAS a key difference between Alaska wild salmon and farmed salmon is the
15 use of various drugs and chemicals by the salmon farmers; and

16 WHEREAS Alaska wild salmon legitimately deserve a label that indicates the organic

1 and superior qualities of this food; and

2 WHEREAS the Agricultural Marketing Service, United States Department of
3 Agriculture, is seeking comments on a proposal to establish a national organic production
4 program under the Organic Foods Production Act of 1990 (7 U.S.C. 6501 - 6522); and

5 WHEREAS the organic food industry is a \$3,500,000,000 industry growing at the rate
6 of 20 percent each year; and

7 WHEREAS having Alaska wild salmon recognized under the national organic
8 production program will allow the Alaska commercial salmon industry to develop this new
9 market; and

10 WHEREAS any effort by the United States Department of Agriculture to avoid
11 defining Alaska wild salmon as organic because there is no control over the oceans would be
12 tantamount to penalizing organic vegetable farmers because they do not have control over the
13 rain; and

14 WHEREAS there are molecular tests that can readily indicate the organic qualities and
15 lack of chemicals of Alaska wild salmon;

16 BE IT RESOLVED that the Alaska State Legislature respectfully urges the
17 Agricultural Marketing Service, United States Department of Agriculture, to give careful
18 consideration to including Alaska wild salmon on its list of organic foods; and be it

19 FURTHER RESOLVED that the Alaska State Legislature urges the National Organic
20 Standards Board, if there is not a currently clearly defined section or category for wild salmon,
21 to include a section for wild salmon as an organic food under federal law; and be it

22 FURTHER RESOLVED that the Alaska State Legislature requests the members of
23 Alaska's delegation to the United States Congress to pursue expeditiously the inclusion of
24 Alaska wild salmon as an organic food under federal law.

25 COPIES of this resolution shall be sent to the Honorable Daniel R. Glickman,
26 Secretary of the U.S. Department of Agriculture; and to the Honorable Ted Stevens and the
27 Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S.
28 Representative, members of the Alaska delegation in Congress.

*USDA includes ~~the~~ fish in the definition
of livestock -
Dept wants to get USDA to have a special
category of seafood - wild cropping defined
HTR 65 by USDA does not include any seafood*

S B

1 4

1997 LEGISLATIVE SESSION

(S) Publish Date: 1-29-97

Revision Date: _____

Dept. Affected:

Public Safety

Title: INS: Domestic Violence Victims & Disclosure

DPS Statewide Support

Component:

Council on Domestic Violence and

Sponsor: Senator Donley

Sexual Assault

Requestor: S. L & C

COMPONENT SERIAL NO.

0521

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-
CHANGE IN REVENUES ()	-0-	-0-	-0-	-0-	-0-	-0-
Code Revenue						

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

Estimate of current year (FY 97) impact: \$ _____

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

No fiscal impact is anticipated to the Department of Public Safety

Prepared By: Jayne Andreen, Executive Director

Phone: 465 4356

Division: Council on Domestic Violence and Sexual Assault

Date: 1/27/97

Approved by Commissioner:

Ronald L. Otte

Date: 1/27/97

Agency:

Ronald L. Otte, Dept. of Public Safety

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HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: March 14, 1997

FURTHER REFERRALS:

Date of Committee Action: 3/26/97

The LABOR AND COMMERCE Committee considered:

CSSB 14(JUD)

CS FOR SENATE BILL NO. 14(JUD)

INS:DOMESTIC VIOL. VICTIMS & DISCLOSURES

“An Act relating to insurance covering an insured who is a victim of domestic violence and requiring certain disclosures by an insurer.”

recommends it be replaced the same title
 with the following committee substitute _____ a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

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

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>John Crowley</i>			✓	
<i>John Sanders</i>	✓			
<i>Bob Brink</i>	✓			
<i>Joe Ryan</i>	✓			
<i>Bill Hudson</i>	✓			
<i>Nan Kotely</i>	✓			

CHAIR'S SIGNATURE

Nan Kotely

3/26/97



Official Business

COMMITTEE:

HOUSE LABOR AND COMMERCE
STANDING COMMITTEE

DATE: March 26, 1997

SIGN-IN

Subject of meeting:

SB 14 INS: DISCLOSURES; DOMESTIC VIOL. VICTIMS

PLEASE PRINT!

NAME ADDRESS (MAILING) & (ZIP) PHONE REPRESENTING DO YOU WANT TO TESTIFY?

NAME	ADDRESS (MAILING) & (ZIP)	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
Jayne Andreen	Box 11200, Juneau	4356	CDUSA	ye
Lauree Higgin	130 Seward, rm 501 Juneau 99801	586-3650	ANAVSA	yes

TO

03-26-1997 04:12PM FROM 907465.267

LESSMEIER & WINTERS
LAWYERS - LLC

MAR 28 1997

MICHAEL L. LESSMEIER
GREGORY W. LESSMEIER
SHELDON E. WINTERS
BETH LEIBOWITZ*

ONE SEALASKA PLAZA
SUITE 303
JUNEAU, ALASKA 99801-1249

TELEPHONE: (907) 586-5912
FACSIMILE: (907) 463-3020

*MICHIGAN

VIA FACSIMILE AND MAIL

March 26, 1997

Representative Norman Rokeberg
House of Representatives
Labor & Commerce Committee
State Capitol, Room 24
Juneau, Alaska 99801-1182

Re: SB 14

Dear Representative Rokeberg:

I am writing on behalf of State Farm Insurance with respect to SB 14, which is before your committee today. You will recall the numerous concerns we had with legislation addressing the same subject a year ago. Primarily through the efforts of Senator Donley, we have been able to agree on a compromise piece of legislation and that compromise piece of legislation is currently before your committee. In the spirit of compromise, it is a piece of legislation we fully support. While we do not agree there is evidence of discrimination based on one's status as a victim of domestic violence in the property and casualty area, we have not opposed the inclusion of property and casualty insurance in this bill given our desire to provide a level of protection where protection might be necessary and in the spirit of compromise. To that end, we support the current version of SB 14 before your committee.

Sincerely,

LESSMEIER & WINTERS

By: 
Michael L. Lessmeier, Esq.

MLL/jmb
15-6/ROKEBERG.002

cc: Senator Donley



Hpm
MAR 18 1997

SENATOR DAVE DONLEY
ALASKA STATE LEGISLATURE

MEMORANDUM

To: Representative Norman Rokeberg, Chair
House Labor & Commerce Committee

From: Senator Dave Donley *DB*

Date: March 18, 1997

Re: Committee Hearing on CSSB 14 - Protecting Victims of Domestic Violence from Insurance Discrimination

I request CSSB 14 be scheduled for a committee hearing at your earliest convenience. CSSB 14 protects victims of domestic violence from insurance discrimination and requires, upon written request from an applicant, that an insurer disclose the reason insurance coverage was denied. CSSB 14 was modeled after SB 197, which was drafted with the advice and support of the Division of Insurance and passed both the House and the Senate of the 19th AK State Legislature before dying in the unfinished business file. **CSSB 14 encountered no opposing testimony while in committee and unanimously passed the Senate on Thursday, March 13th, 1997.**

This legislation prohibits insurance companies from increasing premiums and from canceling or denying policies for the sole reason that the claimant was a victim of domestic violence. This legislation is a positive step in fighting domestic violence. Currently, there is no protection in Alaska for victims of domestic violence against insurance premium increases, cancellation, or denial. Insurers discriminating against domestic violence victims has been a serious problem in the lower 48 and this bill will prevent similar occurrences in Alaska.

Sixteen states have passed similar legislation including Arizona, California, Connecticut, Delaware, Florida, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Minnesota, New Hampshire, New York, Pennsylvania and Tennessee. There is legislation similar to this pending in nine states and in Congress.

CSSB 14 is supported by Alaska's State Division of Insurance, the Network on Domestic Violence & Sexual Assault, the Council on Domestic Violence & Sexual Assault, the Alaska Women's Lobby, Alaska Women's Resource Center, Alaska Women's Political Caucus, Abused Women's Aid in Crisis, and STAR Rape Crisis Center.

If you would like more information, please contact myself or Laura Hosey of my staff at 3892.

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June-December: 716 W. 4TH AVE. • STE. 430 • ANCHORAGE, AK • 99501 • (907) 258-8181 • FAX: (907) 258-1648

MEMBER: Senate Finance Committee • Legislative Budget & Audit Committee
• Senate Community & Regional Affairs Committee

DD/ljh

CC: Division of Insurance
Council on Domestic Violence & Sexual Assault
Network on Domestic Violence & Sexual Assault
Alaska Women's Lobby
Alaska Women's Resource Center
Abused Women's Aid in Crisis
STAR Rape Crisis Center



MAR 24 1997
S:capn

SENATOR DAVE DONLEY

ALASKA STATE LEGISLATURE

SPONSOR STATEMENT SB 14

Protecting Domestic Violence Victims From Insurance Discrimination

SB 14 protects victims of domestic violence from insurance discrimination. SB 14 also requires, upon written request from an applicant, that an insurer must disclose the reason insurance coverage was denied.

SB 14 was modeled after the 19th Alaska Legislature's SB 197 which passed the Senate 18-0 and passed the House 36-3 in 1996, but died in the Senate unfinished business file. SB 197 was drafted with the advice and support of the Division of Insurance.

The statutory provisions contained in SB 14 are necessary to protect victims of domestic violence. A survey by the United States House Judiciary Committee indicated that eight out of sixteen of the largest insurance companies use domestic violence as a factor for rating insurance.

Sixteen states have passed legislation similar to SB 14 including Arizona, California, Connecticut, Delaware, Florida, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Minnesota, New Hampshire, New York, Pennsylvania and Tennessee. Legislation similar to SB 14 passed Congress in 1996 and related legislation is pending in another nine states. Two of those states have gone far beyond this and will provide criminal penalties for willful discrimination against a victim. Alaska's proactive measures follow the nation-wide trend by adopting legislation that protects innocent victims of domestic violence from insurance discrimination.

Currently, there is no protection in Alaska for victims of domestic violence against insurance premium increases, cancellation, or denial. Insurers discriminating against domestic violence victims has been a serious problem in the lower 48 and SB 14 will prevent similar occurrences in Alaska. SB 14 protects innocent victims of domestic violence by prohibiting insurance companies discriminating against them only because they are victims of domestic violence.

If you have any questions regarding SB 14, please contact myself or Laura Hosey of my staff at 465-3892.

DD/ljh 1/17/97

January-May: STATE CAPITOL • JUNEAU, AK • 99801-1182 • (907) 465-3892 • FAX: (907) 465-6595
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MEMBER: Senate Finance Committee • Legislative Budget & Audit Committee
• Senate Community & Regional Affairs Committee

John L. George & Associates
3328 Fitz Cove Road
Juneau, Alaska 99801
Tel. 907 789-0112 Fax 907 789-0961

March 21, 1997

Honorable Dave Donley
Alaska State Senate
State Capitol
Juneau, Alaska 99801

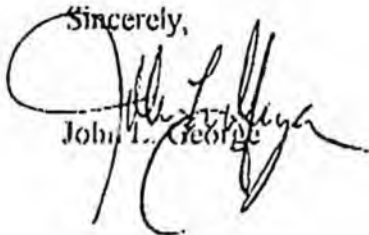
Re: SB 14

Dear Senator Donley,

On behalf of the American Council of Life Insurance, a life insurance trade association representing virtually all life insurers doing business in the State of Alaska, I want to express our support for SB 14. Although we know of no past cases in Alaska which would have fallen under the prohibitions of SB 14, we believe that it is appropriate to clearly delineate that domestic violence in and by itself should not be an underwriting criteria.

Your legislation addresses the concerns that we had with prior legislation while still providing the necessary protection for victims of domestic violence. We urge the legislature to pass SB 14 with out further delay.

Sincerely,


John L. George

Alaska Women's Lobby

MAR 14 1997

P.O. Box 210685 Anchorage 99521
211 Fourth Street Suite 108 Juneau 99801

phone: 907-586-1107
fax: 907-586-1097

POSITION STATEMENT

SB 14: Domestic Violence/Insurance Discrimination

SB 14 protects victims of domestic violence against discrimination by the insurance industry. A survey conducted by a Congressional committee indicates that half of the insurance companies surveyed - representing some of the nation's largest - routinely use instances of domestic violence as a factor for rating insurance premiums. As a result of that survey, Congress passed legislation last year to prohibit that practice. In addition, 16 states have passed similar legislation and 9 states are currently considering measures to protect victims of domestic violence.

Currently, in the state of Alaska, an insurer can deny coverage to a woman simply because she has been the victim of domestic violence. Women could have their policies cancelled and their premiums increased because they've been injured in domestic violence assaults. SB 14 would prohibit insurers from denying claims, cancelling policies, or raising premiums based simply on the fact that the woman was or is a victim of a crime.

Discrimination against crime victims could potentially discourage victims from seeking medical care or from filing insurance claims. The Alaska Women's Lobby supported similar legislation, which was considered by the 19th Alaska Legislature, and urges passage of SB 14 by the 20th Alaska Legislature.

BILL: SB 14 SHORT TITLE: INS:DISCLOSURES; DOMESTIC VIOL. VICTIMS
BILL VERSION: CSSB 14(JUD)
SPONSOR(S): SENATOR(S) DONLEY, Ellis, Pearce, Duncan, Taylor, Mackie, Kelly

CURRENT STATUS: (H) L&C

STATUS DATE: 03/14/97

HEARING: (H) L&C MAR 26 03:15 PM CAPITOL 17

TELECONFERENCE

TITLE: "An Act relating to insurance covering an insured who is a victim of domestic violence and requiring certain disclosures by an insurer."

01/03/97	17	(S)	PREFILE RELEASED 1/3/97
01/13/97	17	(S)	READ THE FIRST TIME - REFERRAL(S)
01/13/97	17	(S)	L&C, HES, JUD
01/29/97	159	(S)	L&C RPT 5DP
01/29/97	159	(S)	DP: LEMAN, KELLY, MACKIE, MILLER, HOFFMAN
01/29/97	159	(S)	ZERO FISCAL NOTE (DPS)
02/03/97	214	(S)	HES REFERRAL WAIVED
03/07/97	624	(S)	JUD RPT CS 5DP SAME TITLE
03/07/97	624	(S)	DP: TAYLOR, MILLER, PEARCE, PARNELL, ELLIS
03/07/97	624	(S)	PREVIOUS ZERO FN APPLIES TO CS (DPS)
03/13/97	717	(S)	RULES TO CALENDAR 3/13/97
03/13/97	719	(S)	READ THE SECOND TIME
03/13/97	719	(S)	JUD CS ADOPTED UNAN CONSENT
03/13/97	719	(S)	ADVANCED TO THIRD READING UNAN CONSENT
03/13/97	719	(S)	CCSPONSOR(S): DUNCAN, TAYLOR, MACKIE,
03/13/97	719	(S)	KELLY
03/13/97	719	(S)	READ THE THIRD TIME CSSB 14(JUD)
03/13/97	719	(S)	PASSED Y20 N-
03/13/97	726	(S)	TRANSMITTED TO (H)
03/14/97	660	(H)	READ THE FIRST TIME - REFERRAL(S)
03/14/97	660	(H)	LABOR & COMMERCE