

ALABAMA LEGISLATURE COMMITTEE FILES 1999-2000 8672

9903 HOUSE LABOR & COMMERCE

## **APUC FY98 overview (continued)**

proceedings, informal meetings, and conferences. The Commission resolves complaints by telephone, mail, meeting or adjudication.

The Commission functions as a quasi-judicial body when rendering decisions in formal proceedings and as a quasi-legislative body when promulgating regulations. Its proceedings and determinations are governed by the statutes and regulations of the state.

### **Funding**

In 1992 following the legal mandate of the legislature, the Commission enacted regulations allowing it to recover its operating costs through an assessment on the revenues of the utilities and pipeline carriers it regulates. That Regulatory Cost Charge (RCC) shows up as a surcharge on the monthly billing statements to consumers and shippers.

The legislature appropriated and the governor approved a FY99 budget of \$4.5 million, funded 100 percent from program receipts, in the form of the RCC. There are no unrestricted general funds in the FY99 appropriation.



**APUC Commissioners and staff**

## Operating budget FY98 (7/1/97 to 6/30/98)

	FY97	FY98	Percent change
<b>Appropriations</b>			
Personal services	\$2,592,700	\$2,567,600	
Travel	53,600	35,000	
Contractual	1,132,800	1,780,759	
Commodities	65,700	62,500	
Equipment	133,387	13,800	
<b>Totals</b>	<b>\$3,978,187</b>	<b>\$4,459,659</b>	<b>10.8%</b>
<b>Expenditures</b>			
Personal services	\$2,601,574	\$2,628,190	
Travel	45,225	51,346	
Contractual	1,088,020	960,596	
Commodities	78,344	71,868	
Equipment	95,489	16,172	
<b>Totals</b>	<b>\$3,908,652</b>	<b>\$3,728,172</b>	<b>-4.8%</b>
<b>Revenue receipts<sup>1</sup></b>			
APUC receipts:	\$3,908,652*	\$3,728,172*	
<b>Total revenues</b>	<b>\$3,908,652</b>	<b>\$3,728,172</b>	<b>-4.8%</b>

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

\* Fourth quarter revenue is recognized as of June, but paid during July.

## **Regulation and economic development**

Three aspects of utility service are essential to a business owner: availability, affordability and reliability. The Commission promotes the availability of utility services through certificating utilities to operate; promotes affordability through rate decisions; and promotes quality or reliability through service and safety standards. These same considerations apply to oil and gas pipeline services.

The Commission promotes in-state economic development through a variety of major activities including certification proceedings and regulation of rates.

### **Certification proceedings**

Certification proceedings consider an applicant's financial, technical and management capability of meeting present and future customer and shipper service demands within Alaska. A successful applicant must demonstrate its ability to provide safe, reliable and adequate service at a reasonable cost. Meeting the requirements of certification ensures that customer demands are met and that service infrastructure is available. Adequate utility service at a reasonable cost is an essential precursor to sound economic development. The availability of reliable pipeline carrier service at reasonable rates promotes development of the state's natural resources.

### **Regulation of rates**

One purpose of Commission regulation is to assure that rates charged by regulated utilities and pipeline carriers are just and reasonable (AS 42.05.381/AS 42.06.370). Criteria determining rates include: reasonable and appropriate operating expenses and plant investments; depreciation expense that falls within the Commission approved lives of usefulness; and a reasonable return. A reasonable return permits the cost of long-term borrowing to be recovered and the opportunity to earn profits for the owner's or shareholders' equity. Rates must be high enough to allow a reasonable return but not so high as to allow an excessive return that could deter development of businesses that rely on the service.

Reasonable rates and reliable service can enhance economic development and be determining factors in business decisions to start operation or relocate to Alaska.

## Fiscal Year 1999 plan

### Y2K Concerns

The Commission has ordered all Alaskan public utilities and pipeline carriers to report to it their plans to continue providing reliable service into the next century. Potential problems with the rollover of dates in computers and embedded chips must be addressed. The Commission will work with the Department of Administration and a contractor to follow up these utility responses and to independently validate and verify their readiness.

### Pipeline

The Commission will be acting on applications for certificates of public convenience and necessity for two new pipelines being built to transport oil from North Slope fields now under development to the Trans Alaska Pipeline System (TAPS). In addition, the Commission will be conducting several TAPS proceedings including a shipper challenge to several aspects of the TAPS Settlement Methodology (TSM), discrimination issues pertaining to intrastate delivery points, TAPS ramp-down and capacity allocation, TAPS connection policy and the TAPS Quality Bank. The Commission will also be addressing concerns about the future dismantling of pipelines in the state.

### Electricity

During Fiscal Year 1999, the Commission will continue to address significant issues facing the electrical industry in Alaska's urban and rural areas. The Commission, in conjunction with the Joint Committee on Electric Restructuring, is sponsoring a study on the risks/rewards and costs/benefits of electric restructuring which will be performed by the consulting firm of CH2M Hill. The draft report will be made available during the legislative session. The Legislature passed a concurrent resolution establishing a Joint Committee on Electric Utility Restructuring. The Commission plans to work closely with the Legislature to both study and advise the Legislature on the issues of electrical restructuring. The Commission has opened a regulatory docket (R-97-10) to define the future market structure of the electric industry in Alaska and to recommend changes to regulations if any. The Commission is considering an application to establish a pilot program to allow limited competitive electric service in the Anchorage area (U-98-114). The Commission will also continue to study the feasibility of a Railbelt Power Pool (U-97-140), based on the results of a study completed by Black & Veatch International in the first quarter of FY99. During FY99, the Commission anticipates a revenue requirement and a cost-of-service study from Alaska Power Company, a subsidiary of Alaska Power & Telephone, and other utilities.

The Commission continues to work with small electric providers to certificate them where they are providing service to ten or more customers for compensation and annual revenues exceeding \$50,000.

## **Fiscal Year 1999 plan (continued)**

### **Refuse**

The Commission will continue to address issues related to implementation of competition where deemed appropriate. Given that a single company has purchased refuse utilities in every major market in Alaska, the Commission will be reviewing market power issues associated within a competitive refuse industry. Continued transfers of Certificates are anticipated.

### **Natural Gas**

The Commission has conditionally approved Alaska Intrastate Gas Company's application to provide natural gas service to 17 coastal Southeast and Southcentral communities. The communities include Angoon, Cordova, Craig, Haines, Juneau, Kake, Ketchikan, Klawock, Klukwan, Kodiak, Metlakatla, Petersburg, Sitka, Skagway, Valdez, Wrangell and Yukatat. The Commission will also be reviewing the application filed for a natural gas pipeline between ARCO's Alpine field and the village of Nuiqsut.

### **Water and Sewer**

The Commission continues to receive numerous complaints concerning the quality of service provided by small water utilities. The complaints have primarily involved water shortage and water quality issues.

The Commission anticipates three to five new proceedings involving rate increases and/or rate redesigns for large water and sewer utilities. The large utilities are most likely to make such filings, which will make the rate cases complex. New certificates will continue to be issued as new construction continues. In addition, transfers of certificates from small utilities are expected.

### **Telecommunications**

To accomplish its duties under the federal Telecommunications Act of 1996, this Commission has previously initiated rulemakings in the areas of intrastate access charge reform, universal service and market structure rules for competitive local exchange service.

#### **Access Charge Reform**

The Commission will complete the first phase of intrastate interexchange access charge reform and adopt new regulations. The Commission will begin the next phase to implement and further refine the rules.

#### **Universal Service**

In conjunction with Access Charge Reform, the Commission will complete the first phase of Universal Service Reform; adopt regulations and continue to investigate the impact of new federal rules that change the allocation and prioritization of U.S. funds among telecommunications companies and types of users (schools, libraries, and medical facilities).

## Fiscal Year 1999 plan (continued)

### Market Structure

The Commission will develop new rules to govern the competitive local exchange market as well as interconnection between local telephone companies and competitive providers of telecommunications service.

Rural incumbent telephone companies are exempt from certain interconnection requirements of the Telecommunications Act of 1996 that apply to larger local exchange companies. Following any bona fide request for interconnection with a rural incumbent telephone company, the Commission must determine whether to maintain or terminate the exemption.

The Commission will also reexamine its existing competitive rules for the intrastate long distance market regarding facility restrictions, facility modernization, wholesale rates and access to interexchange networks.

The Commission will continue to investigate the issue of public interest pay telephones and propose a remedy to any inconsistencies between Alaska's existing pay telephone regulations and new Federal regulations adopted as part of the Telecommunications Act.

The Commission will complete its investigation of telecommunications relay service and adopt new regulations regarding this service.

The Commission will propose regulations to reform its current directory assistance regulations which will provide a pro-competitive directory assistance structure.

The Commission, on an ongoing basis, will evaluate and monitor the quality and adequacy of telecommunications service throughout Alaska.

The Commission will, in the next year, address three to five new rate cases involving rate increases and/or rate redesigns for local service.



Executive director Robert A. Lohr, administrative manager Diane Hunt and receptionist Christine Sebaugh

## **The Telecommunications Act of 1996**

The Telecommunications Act of 1996 (Telecommunications Act) passed into law on February 8, 1996. The new law mandates competition in the last area of telecommunications monopoly, the local exchange. At the same time, it attempts to set up a structure to maintain and enhance universal service. As interpreted by the Federal Communications Commission (FCC) competition under the Telecommunications Act consists of a trilogy — interconnection, universal service and access charge reform. The Telecommunications Act preempts state authority in many respects, however, it also places significant new responsibilities on state commissions to implement new federal statutes and pending federal regulations. The legislation is based on the premise that deregulation will: promote competition; increase telecommunication services; increase the options for provision of services; and ultimately lower the costs of services offered.

To carry out its responsibilities under the Telecommunications Act the FCC has initiated a variety of rulemakings, many of which have an effect on the states. The FCC has issued Orders setting rules and procedures governing: interconnection between local telephone companies and competitive telecommunications providers; universal service; access charge reform; and private pay telephones. The Commission is in various stages of implementing the requirements of the Telecommunications Act and the rules of the FCC.

The Commission has initiated rulemaking dockets addressing reform of local exchange market structure, universal service, intrastate access charges, private pay telephones and directory assistance.

In May of 1998, the Commission issued an order adopting competitive local exchange regulations which became effective for the Anchorage area on June 21, 1998. The Commission views these regulations as a transitional measure while continuing to evaluate competitive issues such as carrier of last resort, arbitration pricing standards and quality of service.



**Accounting technician Ed Schubert**

## The Telecommunications Act of 1996 (continued)

Access charges are the charges that long distance companies pay local telephone companies to complete long distance calls over the telephone networks of the local telephone company. The Telecommunications Act requires access charge reform because the current access charge system was not designed for more than one local telephone company in any one serving area and access charge rates incorporate implicit subsidies that help to keep rates for local and long distance service in high cost areas reasonable. Both of these features of the current access charge system are inconsistent with the Telecommunications Act and FCC regulations.

The Commission's goal in the current phase of this docket is to identify the immediate changes necessary to ensure that the intrastate access charge structure remains workable during the transition to the new, competitive model envisioned by Congress, while at the same time, preserving and maintaining universal service. Some further long term reforms will be needed in a later phase of these dockets as the FCC continues to modify the interstate access charge and universal service system, particularly for rural local exchange telephone companies.

Market entrants will be attracted to services and sectors with the highest profit margins which puts increased pressure on the incumbent local telephone company to reduce rates closer to "cost" in competitive areas and raise rates in non-competitive areas. In a competitive market with multiple providers, the Commission will need to ensure that there is a carrier of last resort to ensure the continued availability of services to all customers.



Common carrier specialists Lorraine Kenyon, Phil Treuer and  
Lew Craig; administrative clerk Lee Ault

## FY98 significant events

### Telecommunications Service

#### **Market Structure Rules Governing Local Exchange Telephone Competition in Alaska**

The Telecommunications Act of 1996 (Telecommunications Act) establishes a pro-competitive, deregulated national policy framework for the telecommunications industry in the United States and places significant responsibilities on state commissions to implement the revised federal statutes. In November of 1997, the Commission issued a notice of inquiry (Docket R-97-12) to address market structure rules for local exchange telephone competition, including: issues related to pricing flexibility; the issue of market power and dominance; and arbitration pricing standards for interconnection between incumbent and new entrant local exchange telephone companies. Comments and Reply Comments were filed by February 24, 1998.

The Commission acknowledged that due to the comprehensive nature of its rulemaking to establish competitive rules for the local telephone market (Docket R-97-12), considerable time would ensue before all of the relevant issues had been addressed. Therefore, the Commission considered a proposal by Anchorage Telephone Utility (Docket R-97-9) to adopt as an interim measure, regulations derived from the Commission's competitive long distance company regulations.

The Commission noted that with three local exchange telephone companies authorized to provide competitive local exchange service in the Anchorage market, rules to govern at least the Anchorage area were desirable as soon as possible. Therefore, the Commission held a public hearing in February 1998, which led to proposed regulations as a transitional measure in service areas where more than one telephone company is authorized to provide local exchange telephone service. In May of 1998, the Commission issued an order adopting competitive local exchange regulations which became effective for the Anchorage area on June 21, 1998. (R-97-9/R-97-12)



Utility financial analysts Parker Nation, Mark Johnston, Toni Goodloe, Mary Vittone and Keith Day

## **FY98 significant events (continued)**

### **Alaska Intrastate Long Distance Market Structure Rulemakings**

As part of its investigation into long distance market structure rules, the Commission will address wholesale pricing issues. Wholesale services are generally bulk, or discounted services offered by facilities based carriers to other telecommunications companies which later resell the services to the general public.

Allegations have been made criticizing the existing market relationships between retail and wholesale rates. Depending in part on the results of its generic investigation into wholesale rate issues, the Commission may also investigate the specific rates of the Alaska facilities based long distance carriers, AT&T Alascom and GCI. The Commission initiated its intrastate long distance market structure proceeding on May 1, 1998. The tentative schedule for this case anticipates a final Commission order resolving all issues by June 1999.

### **Access Charge Reform**

Access charges are the charges that long distance companies pay local exchange telephone companies to complete long distance calls over the telephone networks of the local telephone company. The Telecommunications Act requires access charge reform because the current access charge system was not designed for more than one local exchange telephone company in any one serving area and access charge rates incorporate implicit subsidies that help to keep rates for local and long distance service in high cost areas reasonable. Both of these features of the current access charge system are inconsistent with the Telecommunications Act and Federal Communications Commission (FCC) regulations.

The Commission's goal in the current phase of this docket is to identify the immediate changes necessary to ensure that the intrastate access charge structure remains workable during the transition to the new competitive model envisioned by Congress, while at the same time, preserving and maintaining universal service. Some further long term reforms will be needed in a later phase of these dockets as the FCC continues to modify the interstate access charge and universal service system, particularly for rural local exchange telephone companies. On May 29, 1998, the Commission issued proposed regulations (R-97-5/6(3)) for comment. Comments were filed on June 30, 1998. Reply comments and a public hearing were scheduled for July 31 and August 17, 1998, respectively. (R-97-5)

### **Universal Service Reform**

The purpose of this docket is to make the state's universal service system consistent with the Universal Service principles under the Telecommunications Act. The initial phase of this proceeding involved identifying current subsidies that are implicit in access charges and if necessary, recovering them in an explicit manner. Making subsidies explicit may well require establishment of a state universal fund. Rules for such a fund will need to consider the fund's administrative structure, method and source of funding, services and providers to be supported, and the amount of support for each eligible service.

Because access charge and universal service reform are inextricably tied together at this point, the issues in the two dockets have been addressed in concurrent orders. Once the current phase of the access charge proceeding is complete, the Commission will begin to address universal service issues more independently. (R-97-6)

## **FY98 significant events (continued)**

### **Public Interest Pay Telephones**

This docket was opened to remedy any inconsistencies between Alaska's pay telephone regulations and federal pay telephone regulations adopted pursuant to the Telecommunications Act. Federal rules currently require states to review their rules and: 1) remove rules that impose entry and exit restrictions; 2) provide for public interest pay telephones. Generally, public interest pay telephones are pay telephones necessary to maintain public health, safety and welfare but which the private market is unwilling or unable to provide. The Commission recently sought additional comment on the public interest pay telephone proposal of the local exchange telephone company, Bristol Bay Telephone Cooperative, Inc. (R-97-3)

### **Directory Assistance (DA)**

This docket was opened because the Commission has concluded that current state regulations requiring the provision of directory services through a monopoly statewide directory assistance bureau is inconsistent with the competitive framework envisioned by the Telecommunications Act. Therefore, the Commission has initiated this proceeding to repeal the current directory assistance regulations and adopt alternative regulations which will establish a pro-competitive directory assistance structure. Proposed rules have been issued for comment and a public hearing held. (R-97-7)

### **Debit Card Service**

On July 27, 1997, the Commission issued an order adopting regulations governing debit card services and long distance services provided by *de minimis* carriers. These regulations for the most part will relax standards applied to *de minimis* carriers and to debit card services. (R-94-3)

### **Rural Facilities Restrictions Regulation**

In February 1997, GCI filed a petition before the Commission seeking a declaratory ruling that the Commission's regulations restricting long distance facilities construction to certain rural locations were invalid under the Telecommunications Act and would not be enforced. After review the Commission determined GCI's conclusions ignored key policy issues, including universal service, that the Commission believed must be evaluated to protect the public interest. The Commission expects to reach a final decision on the GCI request pending receipt of responses in its long distance market structure rulemaking and other data to be filed by GCI and Alascom. (R-97-1)

GCI recently filed a petition before the FCC requesting preemption of the Commission's facilities restriction in rural Alaska. On February 27, 1998, the Commission filed opposition to GCI's request. No date has been given for an FCC decision on this matter. (CC Docket 98-4)

### **Bristol Bay Telephone Cooperative, Inc., Granted Postage Stamp Rates for Local Exchange Services**

During fiscal year 1998, Bristol Bay Telephone proposed redesigning (with no overall increase or decrease) its local exchange rates to a postage stamp structure in its service area. The Commission approved the request. (U-97-241)

## **FY98 significant events (continued)**

### **Copper Valley Telephone Cooperative, Inc., Cost of Service Study, Rate Redesign and Tariff Re-Write for Local Exchange Services**

In 1995, Copper Valley Telephone Cooperative, Inc. (CVTC) filed a cost-of-service study and proposed rate redesign for its local exchange services. In addition, CVTC proposed rewriting its entire local exchange services tariff. These filings were made in connection with the proceedings begun in 1994. During FY98, the Commission approved the cost-of-service study, a rate redesign and tariff rewrite. (U-94-24)

### **Copper Valley Telephone Cooperative, Inc., Rate Increase Request**

During FY98, Copper Valley Telephone Cooperative, Inc. (CVTC) requested and was granted an interim rate increase of 35 percent to local exchange services and 30 percent to local special access services. CVTC also requested permanent increases of 52.28 percent to local exchange services and 44.86 percent to local special access services. The Commission suspended CVTC's permanent request and is considering it. (U-98-48)

### **GTE Alaska, Inc., Cost of Service Study and Rate Redesign for Local Exchange Services**

In FY97, GTE Alaska, Inc. (GTE) filed a proposed cost of service study and rate redesign for its local exchange services. GTE originally proposed a permanent general rate increase of 22.5 percent and postage stamp rates for all of its certificated area. During FY98, the Commission approved a permanent 13.25 percent rate increase and GTE's postage stamp rates. This was GTE's first major rate change to its local exchange services. (U-97-87)

### **Summit Telephone Company**

During FY98, the Commission granted Summit Telephone Company's (Summit) request for an interim rate increase of 10.00 percent to local exchange services and 10.2 percent to local special access services. The Commission suspended Summit's request for a permanent increase of 15.99 percent to local exchange services and 10.00 percent to local special access services. That request is currently being considered. (U-98-20)

### **Commission Approves Sale of FMUS' Water/Sewer, Electric, District Heat and Telecommunication Utilities**

In September of 1997, the Commission approved the transfer of controlling interest in the water/sewer, electric service area, and telecommunication utilities owned and operated by the City of Fairbanks d/b/a Fairbanks Municipal Utilities System (FMUS). The Commission subsequently approved the transfer of the district heat utility and a Power Sales Agreement later that same calendar year. The applications were part of a combined overall transaction whereby the City of Fairbanks divested itself of its telecommunications, electric, district heat and water/sewer operations. The sale of the FMUS utilities was approved by a vote of Fairbanks citizens on October 8, 1996. The Commission made its decision after a lengthy public hearing process that lasted 16 days. (U-96-114 through U-96-121, U-97-44, and U-97-139)

## **FY98 significant events (continued)**

### **Natural Gas Service**

#### **Commission Grants ENSTAR's Application to Serve In and Around Homer and Seward**

In response to an application filed by Alaska Intrastate Gas Company (AIGC), in October of 1996, ENSTAR Natural Gas Company (ENSTAR) filed an application to provide natural gas utility service to Seward, Homer, Anchor Point and Ninilchik. Also in October of 1996, Homer Gas, a division of Homer Electric Association, Inc. (HEA), filed an application to provide gas utility service to Homer. AIGC subsequently filed a notice of intent to withdraw its application to serve Seward and Homer.

On April 28, 1997, the Commission held a hearing to address the competing applications filed by ENSTAR and HEA to serve Homer and the uncontested application filed by ENSTAR to serve Seward. On November 3, 1997, the Commission issued an order granting ENSTAR's application for amendments to its certificate provided it begins providing service by December 31, 2000. (U-96-108/U-96-109)

#### **Natural Gas Public Utility Service to Small Alaskan Communities**

In August of 1995, Alaska Intrastate Gas Company (AIGC) filed an application for a Certificate of Public Convenience and Necessity (Certificate) to provide natural gas public utility service to all of Alaska, except for those areas certificated by other gas utilities. The scope of AIGC's application was subsequently reduced to Seward and Homer and 17 communities in Southeast and Southcentral Alaska. AIGC proposed to serve these communities by utilizing liquefied natural gas (LNG) manufactured at a proposed liquefaction plant in Whittier, transported to the communities by barge, and revaporized for distribution in underground piping systems at each community.

As indicated above in October of 1996, ENSTAR and Homer Gas filed competing applications to serve areas in and around Homer and Seward. AIGC subsequently filed a motion to bifurcate the uncontested areas of its application and for issuance of a conditional certificate to serve the uncontested communities. In March of 1997 the Commission issued an order which granted the bifurcation, denied the request for a conditional certificate, opened Docket U-97-46 to address the 17 uncontested communities and required that AIGC file an amended application. On March 19, 1997 AIGC filed a notice of intent to withdraw Seward and Homer from its service area.

In May of 1997, AIGC filed its amended application to serve the 17 uncontested communities and a request for a nine-month time extension to verify market conditions and determine the financial feasibility of its plans. In the amended application, AIGC proposes to utilize a different supplier of LNG which intends to construct an LNG plant in British Columbia, Canada, rather than in Whittier, for AIGC's LNG supply. The Commission granted AIGC's request for a nine-month time extension and required AIGC to file the results of the marketing and economic studies it intended to conduct to verify the viability of its proposed operations. AIGC timely filed its studies on February 19, 1998. At the Commission's Public Meeting of April 8, 1998, AIGC gave a presentation regarding its proposed plans to implement gas utility service. On April 13, 1998, AIGC filed the results of the marketing and economic studies conducted in support of its February 19, 1998, filing. A decision on AIGC's application is pending. (U-95-82/U-97-46)

#### **Natural Gas Public Utility Service in Fairbanks**

In September of 1997, the Commission approved the application of Fairbanks Natural Gas, LLC (FNG), a subsidiary of Northern Eclipse, LLC (NELLC), to provide natural gas public utility service to selected areas of Fairbanks. NELLC is a natural gas liquefaction and distri-

## **FY98 significant events (continued)**

bution company which operates a small LNG plant located across Knik Arm from Anchorage. NELLC purchases gas from Cook Inlet suppliers which is transported via ENSTAR Natural Gas Company's pipeline system to its LNG plant where the gas is liquefied. The LNG is transported to Fairbanks by truck and cryogenic trailer. In Fairbanks, ownership of the gas is transferred to FNG as it is offloaded into LNG storage tanks. From the storage tanks, FNG revaporizes the LNG and distributes the resulting gas to its service area through a conventional gas transmission and distribution system. (U-96-129)

### **Electric Service**

#### **Coordinate Energy Resource Conservation and Efficiency Program (CERCE) & Power Pool Study**

This proceeding was opened as a result of the findings in Docket R-94-6 which considered standards regarding Integrated Resource Planning, Investments in Conservation and Demand-Side Management, and Energy Efficiency Investments in Power Generation and Supply for Electric Utilities, as required by Section 111 of the Energy Policy Act of 1992 (EPAct). In R-94-6(4), the Commission declined to adopt the standards as set forth in the EPAct because the standards were not applicable to all Alaskan regulated electric utilities. The Commission determined that energy conservation practices would be addressed in Alaska through a more tailored program to address the unique needs of Alaska's regulated electric utilities, where applicable. For this investigation the Commission opened Docket R-96-1.

After holding a workshop and several briefings, in September of 1998, the Commission issued an order which directed a study of power pooling to be done within the railbelt. As the study was only applicable to the railbelt utilities and AEG&T indicated willingness to fund it, the study was moved into a new proceeding (U-97-140). The scope of work for the study and the engineering consulting firm Black and Veatch were agreed upon by the Railbelt utilities. To ensure that the study was conducted in a completely impartial manner, the Commission designated its staff as the project director for the study. Staff was charged with reviewing the materials prepared by the consultant and overseeing the preparation of the consultant's report on the power pool study. However, Staff was prohibited from exercising financial oversight of the project; such oversight was AEG&T's responsibility. The Power Pool Study is expected to be completed in the fall of 1998. (R-96-1/U-97-140)

#### **Commission Upholds Exclusive Service Areas**

On October 13, 1997, the Municipality of Anchorage, d/b/a Municipal Light & Power (ML&P), filed a complaint alleging that Chugach Electric Association, Inc. (Chugach), offered to provide electric power to customers located in ML&P's service area. In its response, Chugach admitted that it offered to sell electric power to customers within ML&P's service area. However, Chugach contended that its sales to the customers are legal and that ML&P's refusal to wheel power over the latter's transmission and distribution systems on Chugach's behalf to customers located in ML&P's certificated service area violates federal antitrust law. Chugach requested that the Commission declare that neither Alaska law nor any of the Commission's previous orders clearly articulate a policy permitting ML&P to monopolize sales of electric power in ML&P's certificated service area. Chugach also requested that ML&P be required to establish a tariff by which Chugach could wheel power over ML&P's lines. In U-97-201(3) the Commission rejected Chugach's argument that federal antitrust law required ML&P to wheel power over its transmission and distribution systems so Chugach could serve customers located in ML&P's service area and affirmed that ML&P retains an exclusive right to sell power

## **FY98 significant events (continued)**

to customers in its certificated service territory. (U-97-201)

### **Aurora Power Resources Files a Pilot Program**

In June of 1998, Aurora Power Resources, Inc. (Aurora Power) filed an application which proposes to establish a limited pilot program to permit the limited competitive sale of electric power by power marketers to consumers in the Chugach Electric Association, Inc. and ML&P service areas. Among other things, the application recommends minimum qualifications and requirements for the power marketer. The application also proposes the pilot program be limited to 35 megawatts of load, with 3.5 megawatts reserved for residential consumers for a two-year term.

Aurora Power indicates the pilot program will provide consumers the benefits of competitive choice and reduced electric costs. Aurora Power also indicates the pilot program will provide an opportunity for the Commission and its Staff to introduce competitive choice on a limited basis and thereby gain the knowledge necessary to consider the public interest in allowing full electric retail competition in Alaska. An investigation on the application by the Commission and its Staff is ongoing. (U-98-114)

### **Legislative Action**

The Legislature passed HCR 34 establishing a Joint Committee on Electric Utility Restructuring. The Commission will be following this proceeding.

### **Copper Valley Electric Association, Inc.**

During FY98, after a significant public input process through public meetings, Copper Valley Electric Association, Inc. (CVEA) requested a permanent 7.3 percent rate decrease and rate redesign. The Commission approved a staff report to which CVEA concurred, and granted CVEA a permanent rate decrease of 7.3 percent and redesigned rates. (U-98-24)

### **Homer Electric Association, Inc.**

Homer Electric Association, Inc. (HEA) files quarterly simplified rate filings pursuant to 3 AAC 48.700 - 3 AAC 48.790. During FY98, HEA requested and was granted a 0.48 percent rate reduction and a 1.77 percent rate reduction. HEA continues to file simplified rate filings quarterly.

### **Matanuska Electric Association, Inc.**

Matanuska Electric Association, Inc. (MEA) files quarterly simplified rate filings pursuant to 3 AAC 48.700 - 3 AAC 48.790. During FY98, MEA requested and was granted a 1.00 percent rate reduction. MEA continues to file simplified rate filings quarterly.

## **FY98 significant events (continued)**

### **Two Qualifying Facilities Debate PURPA Responsibilities**

#### **Copper Valley Electric Association, Inc. v. Alaska Cogeneration Systems, Inc. and Matanuska Electric Association, Inc. v. South Fork Hydro, LLC**

Frank J. Bettine and Alaska Cogeneration Systems, Inc., collectively referred to as ACSI, filed a formal complaint against Copper Valley Electric Association, Inc. (CVEA) alleging among other things that CVEA failed to provide its firm and nonfirm avoided-cost information and that CVEA violated the Public Utility Regulatory Policies Act (PURPA). Early on in the proceeding the Commission determined that CVEA should enter into good-faith negotiations and report the results of those negotiations to the Commission. The Commission also determined that ACSI should provide CVEA with engineering and financial information. The Commission also granted the Petro Star Valdez Refinery intervention in the case.

As directed by the Commission, on August 29, 1997, CVEA filed its best estimate of an initial avoided cost. According to CVEA, its true avoided cost is highly dependent on the operating and cost characteristics of an actual qualifying facility (QF). In U-94-21(9)/U-95-3(6) dated April 30, 1998, the Commission determined that CVEA had provided enough data for ACSI to prepare the information needed to calculate the avoided cost factors addressed by the Commission's regulations. The Commission directed ACSI to provide the information by December 1, 1998, and for CVEA to update its avoided cost information 30 days hence.

In another case South Fork Hydro, LLC (South Fork), a QF, filed a complaint against Matanuska Electric Association, Inc. (MEA), to establish MEA's avoided firm cost of power. South Fork maintained that it proposed to sell the power from its hydroelectric project, located on the South Fork of the Eagle River, to MEA at the price it purchases power from Chugach Electric Association, Inc. (Chugach) over a period of fifteen or twenty years. South Fork also asserted that MEA had declined to negotiate with South Fork and had claimed that South Fork must negotiate with Chugach. South Fork requested that the Commission direct MEA to enter into good-faith negotiations with South Fork for the purchase of power based on MEA's current and future cost of power. MEA asserts among other things that it was complying with state law. MEA states that it, Chugach and Alaska Electric Generation and Transmission Cooperative, Inc. (AEG&T), have entered into an agreement, commonly referred to as the A Tripartite Agreement. MEA contends that the agreement, which was approved by the Commission, determines the method of dealing with PURPA resources which is to encourage them to negotiate with Chugach.

In U-96-93(4) dated November 14, 1997, the Commission named Chugach and AEG&T as parties to the proceeding and asked the parties how to apply the Tripartite Agreement, PURPA, and the Commission's regulations in this case. A decision is pending. (U-96-93)

### **Water/Sewer Service**

#### **Temporary Suspension of Water and Sewer Certificates in Haines**

In response to a formal complaint, the Commission temporarily suspended certificates of public convenience & necessity (Certificate) previously granted to the City of Haines (Haines) for the provision of water and sewer service. Haines was requiring new customers to be annexed into the Haines city limits as a condition of water and sewer service. The Commission determined that the annexation requirement was discriminatorily applied, particularly as it applied to several existing customers receiving service outside the Haines city limits. The Commission suspended Haines' certificates for that portion of its service territory for which it was not currently providing public utility service and/or has declined service without annexation. The Commission determined that suspension, rather than revocation, would protect potential consumers who reside within the service territory but outside the city limits. The

## **FY98 significant events (continued)**

Commission also determined that if another applicant can demonstrate that it meets the requirements for certification, and can provide water and sewer public utility service without discrimination, then Haines' certificate may be partially revoked for those areas the new applicant intends to serve. (U-95-87)

On October 30, 1995, Crystal Cathedrals Water System, Inc. (CCWS), filed an application for a certificate to operate as a water public utility in the Haines area and on September 3, 1996 CCWS filed a second application for a certificate to operate as a sewer public utility. The Commission reviewed the application of CCWS and Haines' and after a hearing issued U-95-79(3)/U-96-101(3)/U-95-87(9) dated March 26, 1998, which found CCWS to be more fit, willing, and able to provide the proposed service. The order approved CCWS' application with conditions. (U-95-79/U-96-101/U-95-87)

### **Dawn Development Corporation**

During FY98, Dawn Development Corporation requested a rate increase of 50 percent to its residential customers and a change from a flat rate to a metered rate for its bulk customer which resulted in an increase in excess of 50 percent for the bulk customer. The Commission approved interim rate increases of 25.23 percent for residential customers and 50 percent for bulk water customers. The Commission is considering the permanent rate increase. (U-98-19)

## **Refuse Service**

### **Mergers and Acquisitions**

USA Waste of Alaska (UWA), a subsidiary of Waste Management, Inc., has filed joint applications to acquire controlling interest in the following utilities in the communities served:

- Anchorage Refuse, Inc. (ARI): Anchorage, excluding areas served by the Municipality of Anchorage
- Arrow Refuse, Inc. (Arrow): Douglas and Juneau
- C&S - Cleanaway (C&S): Kalifornsky, Kasilof, Kenai, Salamatof, Soldotna and Sterling
- Drake's Sanitation, Inc. (Drake's): North Pole
- Hite Construction, Inc. (Hite): Fairbanks
- Eagle River Refuse, Inc. (ERRI): Chugiak, Eagle River and Peters Creek
- Peninsula Sanitation Company, Inc. (PSI): Anchor Point, Bird, Clam Gulch, Cooper Landing, Girdwood, Homer, Hope, Indian, Kachemak, Kalifornsky, Kasilof, Kenai, Moose Pass, Nikiski, Ninilchik, Salamatof, Soldotna and Sterling
- Star Sanitation, Inc. (STAR): Fairbanks
- Wasilla Refuse, Inc. (WRI): Provides service to Big Lake, Knik, Lake Louise, Palmer, Sutton, Talkeetna, Wasilla and Willow

The applications to transfer ARI/ERRI, Arrow, Star and WRI to UWA have been approved. The other applications are pending before the Commission.

## **FY98 significant events (continued)**

### **Pipelines**

#### **New North Slope Pipelines**

The Commission granted certificates of public convenience and necessity to three new North Slope pipelines. In November 1997 the Commission issued certificates to two pipelines connected with the Badami oil field located 25 miles east of Prudhoe Bay: the Badami Oil Pipeline which transports oil to the Endicott Pipeline for further transportation to the Trans Alaska Pipeline System (TAPS) and the Badami Gas and Products Pipeline which transports gas and later will transport miscible injectant from the Endicott oil field to the Badami oil field for use in the Badami field. In February 1998 the Commission issued a certificate to the Alpine Pipeline which will transport oil from the Alpine field located 55 miles west of Prudhoe Bay to the Kuparuk Pipeline for further transportation to TAPS.

#### **Trans Alaska Pipeline System (TAPS)**

In December 1997, the Commission accepted an uncontested settlement resolving proceedings concerning the pumpability factors used to calculate differential rates for different types of petroleum shipped on TAPS based on the viscosity of those different types of petroleum. As a result of that settlement, all types of petroleum are now transported at the same rate on TAPS.

In January 1998, the Commission accepted a contested settlement resolving the way payments among shippers are calculated in the TAPS Quality Bank. The Quality Bank is the mechanism through which shippers of lower quality oil compensate shippers of higher quality oil for the diminution in value of that oil caused by commingling. The settlement the Commission accepted was entered into by nine parties in the Quality Bank proceeding and contested by two parties. Each of those two parties also submitted its own proposed settlement. Those proposed settlements were rejected by the Commission.

The Commission moved forward in its investigation of intrastate TAPS rates and TAPS connection rules. The issues being investigated were raised by Tesoro Alaska Petroleum Company in its protest of 1997 tariff filings made by the TAPS Carriers. The Commission also moved forward with a proceeding concerning discrimination issues raised by rate competition among the TAPS Carriers.

## Fully regulated utilities financial data (in dollars)

Net plant	1994**	1995**	1996	1997
Electric	\$1,185,404,791	1,087,254,914	1,241,813,627	1,242,009,668
Gas	178,765,752	176,701,859	167,551,986	175,911,880
Refuse	5,688,489	8,273,960	9,376,672	5,917,998
Telephone*	653,711,730	742,100,233	1,045,897,056	567,861,977
Wastewater	70,907,688	80,236,556	80,780,311	71,855,340
Water	96,684,429	114,000,844	112,430,180	105,282,243
<b>Net plant</b>	<b>\$2,191,162,879</b>	<b>2,208,568,366</b>	<b>2,657,849,832</b>	<b>2,168,839,106</b>

### Total revenue

Electric	\$461,804,705	446,996,812	489,229,828	494,552,901
Gas	110,405,070	103,235,041	99,606,093	103,593,238
Refuse	23,939,549	26,379,115	25,492,105	27,406,533
Telephone*	596,908,329	665,980,007	706,224,262	364,155,676
Wastewater	24,112,695	24,222,602	24,969,771	23,261,062
Water	28,939,059	30,090,771	29,566,927	28,065,048
<b>Total revenue</b>	<b>\$1,246,109,407</b>	<b>1,296,904,348</b>	<b>1,375,088,986</b>	<b>1,041,034,458</b>

### Net income

Electric	\$43,345,392	53,378,158	41,391,624	34,172,311
Gas	11,250,565	13,852,565	13,246,267	15,225,745
Refuse	1,259,866	642,751	(1,062,177)	342,787
Telephone*	90,282,134	96,355,805	62,248,350	39,852,785
Wastewater	2,022,917	2,637,764	3,113,533	3,312,073
Water	1,653,414	3,056,754	3,704,882	3,770,571
<b>Net income</b>	<b>\$149,814,288</b>	<b>169,923,797</b>	<b>122,642,479</b>	<b>96,676,272</b>

### Customers

Electric	207,008	209,285	214,087	214,522
Gas	89,056	89,004	94,000	94,000
Refuse	45,278	48,438	47,407	49,904
Telephone*	315,709	335,163	390,438	140,293
Wastewater	48,395	47,704	46,212	48,782
Water	50,165	50,273	50,373	49,584
<b>Total customers</b>	<b>755,611</b>	<b>779,867</b>	<b>842,517</b>	<b>597,085</b>

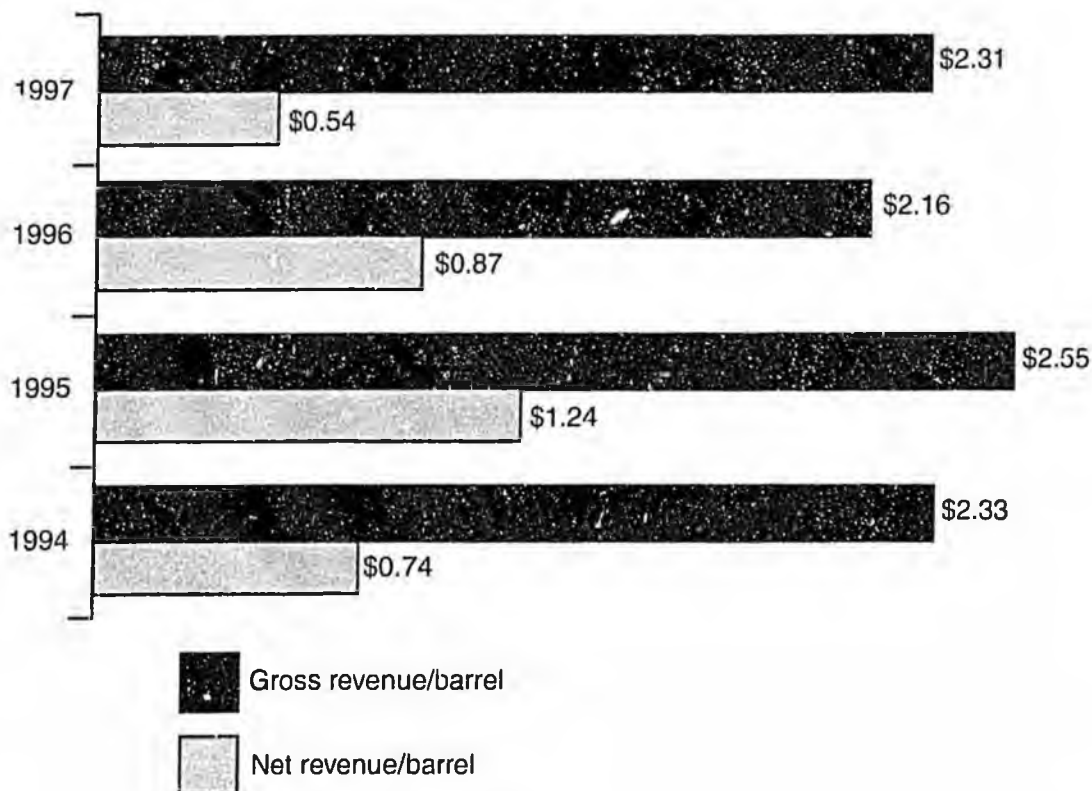
\* Excludes wholesale customers of intrastate interexchange carriers to prevent double-counting and telephone utilities that filed confidential information with the Commission

\*\* This information for FY94 and FY95 was incorrectly reported in previous APUC annual reports

## Oil pipeline carrier financial data

Carrier property	1994	1995*	1996	1997
Gross	\$10,441,538,277	10,627,632,031	10,452,246,680	10,870,626,467
Net	\$5,093,062,489	4,895,741,094	4,544,148,052	4,520,270,591
Revenue				
Gross	\$1,997,141,375	2,125,241,367	1,481,460,569	1,476,996,502
Net	\$635,693,701	1,031,800,539	593,844,066	347,415,918
<b>Throughput (barrels)</b>	<b>855,944,950</b>	<b>833,059,460</b>	<b>684,494,293</b>	<b>638,076,891</b>
<b>Gross revenue (per barrel)</b>	<b>\$2.33</b>	<b>2.55</b>	<b>2.16</b>	<b>2.31</b>
<b>Net revenue (per barrel)</b>	<b>\$0.74</b>	<b>1.24</b>	<b>0.87</b>	<b>0.54</b>

**Figure 1**  
Total revenue per barrel of oil



\* 1995 throughput (barrels), gross revenue/barrel and net revenue/barrel were incorrectly reported in 1996 and 1997 annual reports.

## **Consumer protection**

Utility customers with complaints about the way they are being treated as consumers have the right to seek relief from the APUC.

While the Commission first urges the public to resolve problems directly with their utility, customers may file an informal complaint with the APUC either by letter, phone or in person.

APUC Staff will contact the utility to determine its position. The Commission Staff will then review the complaint, the utility's tariff, APUC orders and governing statutes and regulations to determine the validity of the complaint as well as a course of action, if appropriate. The APUC can, for example, require the utility or pipeline carrier to conform to the minimum standards spelled out in the applicable tariff.

If, however, the complainant is not satisfied with Staff's decision, a formal complaint may be filed directly with the Commission through the appeal process.

Investigating and resolving complaints has become a vital element in the Commission's public protection role. Following are some examples of complaints handled by the Staff in FY98.

### **Refuse**

A refuse customer residing in Douglas, Alaska, wrote to the Commission on July 3, 1997, questioning the utility's billing cycle and finance charges. The customer complained that she was charged a finance charge even though the account was paid before the due date. On August 8, 1997, Staff requested that the utility respond directly to the customer and provide staff with a copy of its response. Staff requested that the utility's response include the customer's billing cycle, the reason for the finance charge on the bills in question and the circumstances under which the customer would be assessed a finance charge. In its response dated August 12, 1997, the utility admitted that the invoice was somewhat confusing because the finance charge reflected a year-to-date total which appeared on each monthly bill. However, the finance charge of .875 was only assessed when no payment or a partial payment was made. On August 25, 1997, Staff informed the customer that the finance charge had been appropriately applied. Staff's review revealed that the customer had only been charged during months when the bill was not paid in full. Staff also informed the customer that the utility would soon clarify its bills by eliminating the confusing year-to-date finance charge and show the finance charge applicable on each bill. The file was closed on August 25, 1997.

### **Telephone**

On February 9, 1998, the Commission received a complaint from the parents of a resident of Spring Creek Correctional Center. The parents complained about the secure telephone system that the Department of Corrections (DOC) had recently installed. Prior to installation of the secure telephone system, the parents had used an 800-number to accept calls from their son and they were billed for the calls by their local telephone company. However, since DOC installed the secure telephone system, they were billed by an agent for the new telephone service provider. Also, under the new system they could only receive collect calls which cost considerably more than 800-number calls. The parents sought a remedy that would allow them to continue to use their 800-number and to have the calls billed at the rate for 800-number calls. Staff requested that the service provider respond to the complainants and provide rate information and any other billing options that might be available.

The service provider responded on April 11, 1998 and provided information regarding its billing agent, rates and its billing procedures. The complainants were also informed that they

## Consumer protection (continued)

could not continue to use their 800-number. Staff rendered its opinion regarding the complaint on May 20, 1998 and verified that the rates charged were the rates approved by the Commission and the bills were correct as rendered. The file was closed.

### Electric

On May 26, 1998, a consumer complaint was forwarded to the Commission from the Department of Law, Attorney General's Office. The complaint outlined problems the customer encountered when her advance payment was misapplied and commingled with her son's account. The customer sent the electric company two payments with one invoice. The payment without an invoice was intended for her account, the payment with the invoice was intended for her son's account. The utility applied both payments to the son's account thus causing a delinquency on her account and late fees to be assessed. Eventually, the customer received a disconnect notice. After months of trying to get the accounts corrected, the problem persisted. Staff requested a response from the utility regarding the missing payment. Finally, the utility found the error and corrected the problem. The customer's account was credited for the late fees that had been assessed and she received a letter of apology from the general manager. The file was closed on June 20, 1998.

### Sewer

On June 15, 1998, the Commission received a letter from a water customer who requested Staff's assistance to get credit for his sewer bill because he had a leak in his water line. According to him, his 20 apartment units had a leak in the water line at the time he acquired the property in 1989. He believed that the leaks started about 20 years before. He became aware of the leaks around 1994. However, he did not repair the leak until 1997. He now sought credit for the sewer portion of his bill from 1989 forward. He was relying on a provision in the utility's tariff that allowed it to issue credit on the sewer portion of the bill if water was not actually used, if the date the leak began could be determined. Since the leak had existed for such a long period, a history of usage without leaks had to be established. The utility averaged his usage for a six-month period after the leak was repaired. The six-month average was compared to his usage during the period of 1995 to the time of repair. The utility had issued credit to his account for approximately one year of credit. However, the customer did not think the credit was sufficient, he wanted to receive credit for the last 10 years. Staff reviewed the usage history and determined that one year of credit was just and reasonable. Staff based its determination on two factors. First, the customer did not immediately make the repairs when the leak was detected. Second, no useful consumption history existed prior to the leak. The customer was informed of his right to appeal Staff's decision. The informal complaint was closed.

## **Informal complaints**

Utility customers and pipeline shippers with complaints about the way they are being treated have the right to seek relief from the Commission. If the Commission determines the complaint results from a violation of a tariff, then it can force the utility or pipeline carrier to conform to the minimum standards spelled out in the tariff.

Investigating and resolving complaints has become a vital element in the Commission's public protection role. In FY98, the Commission received 706 new complaints and resolved 664 cases, both old and new.

**Figure 2**  
**Informal complaints by category**

	FY95	FY96	FY97	FY98
Billing practices	150	197	336	300
Rates and charges	49	31	47	53
Quality of service	96	100	148	263
Service availability and line extensions	47	35	44	90
<b>Totals</b>	<b>342</b>	<b>363</b>	<b>575</b>	<b>706</b>
<b>FY percent change</b>	<b>+23%</b>	<b>+6%</b>	<b>+58%</b>	<b>+23%</b>

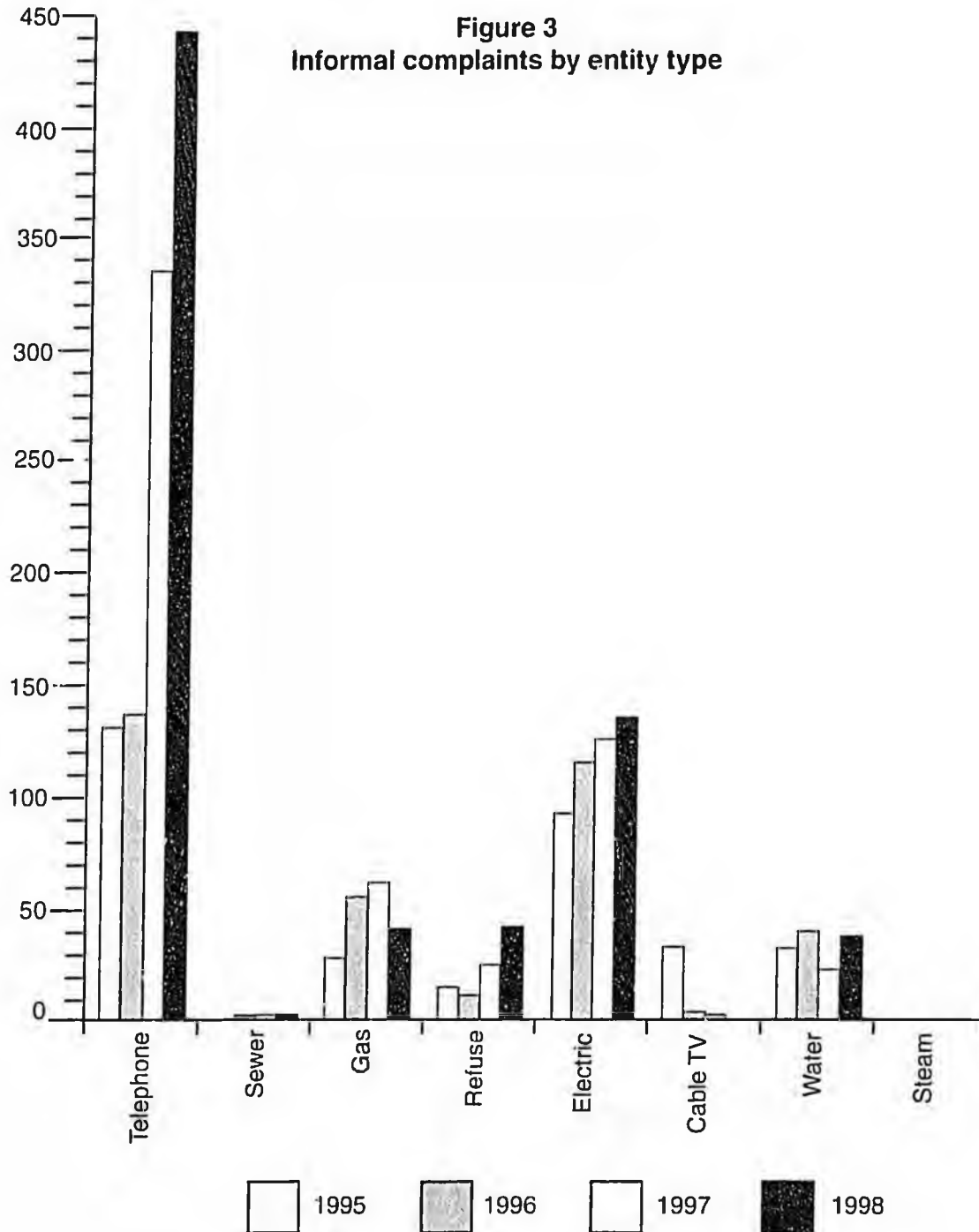


**Chief Consumer Protection and  
Information Officer Agnes Pitts**

## Informal complaints (continued)

As Figure 3 demonstrates, electric and telephone utilities continue to generate the majority of informal complaints received by the Commission. This is generally to be expected, because these utilities account for the greatest number of customers, the largest plant investment and the most frequent regulatory activities.

The dramatic increase in telephone complaints reflected in Figure 3 is the result of competition. During FY98, the Consumer Protection Section processed 449 telephone complaints. Of these, 194 concerned quality of service, 169 concerned billing practices, 65 concerned service availability and line extensions, and 21 concerned rates and charges.



## Informal complaints (continued)

The number of telephone contacts and personal conferences handled by the Commission's Consumer Protection and Public Information Section over the past four years is shown in Figure 4.

**Figure 4**  
**Consumer protection/public information contact summary**

Category	FY95	FY96	FY97	FY98
Telephone contact (includes incoming & outgoing calls)	5,080	6,703	8,852	9,908
Conferences	260	276	461	397

Informal complaint activity by the Consumer Protection and Public Information Section over the past four years is summarized in Figure 5.

**Figure 5**  
**Informal complaint activity**

File activity	FY95	FY96	FY97	FY98
Pending complaints (beginning of year)	16	18	31	5
New complaints received	342	363	575	706
Complaints resolved	340	350	583	664
Pending complaints (end of year)	18	31	5	47

The vast majority of complaints are resolved through the informal complaint process. However, there are procedures for instituting a formal complaint or launching a formal complaint if an informal complaint is not satisfactorily resolved. If a formal complaint is accepted by the Commission for adjudication, it is assigned a docket number, and an investigation is instituted into the issues raised in the complaint. In FY98, two informal complaints appealed staff's decision and were docketed for adjudication.

## Certification proceedings

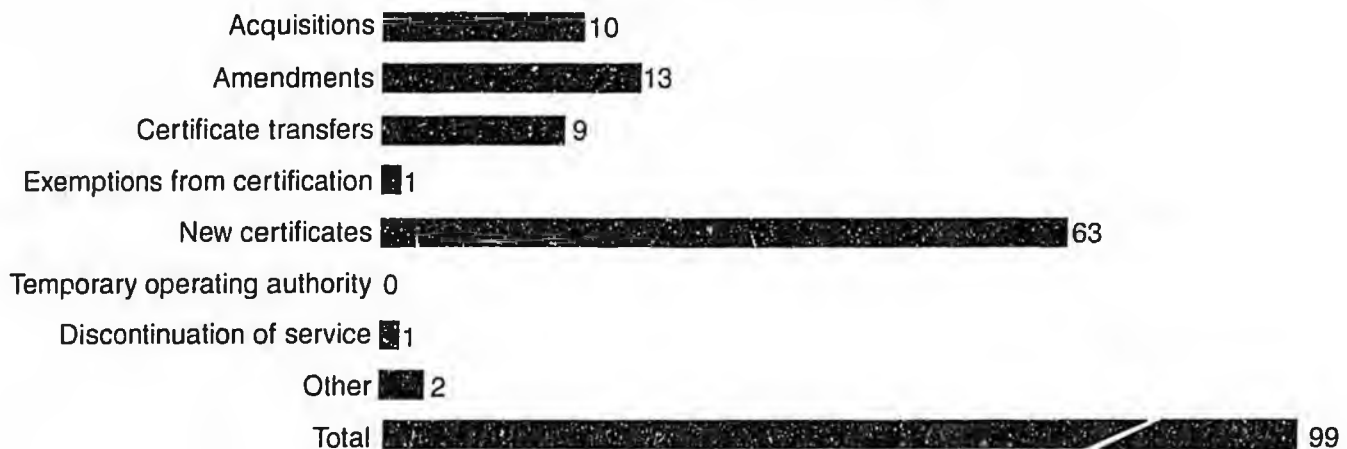
A certificate of public convenience and necessity must be obtained by virtually every utility (with limited exceptions) and pipeline carrier proposing to provide service to the public for compensation. In addition, the Commission must approve all amendments to, or transfers of, certificates as well as acquisitions of controlling interest in certificate holders.

The criteria for issuing certificates are prescribed by law. The service must be required for the public convenience and necessity, and the applicant must be fit, willing and able to provide the service. During FY98, the Commission processed 99 applications for certificates, depicted by entity and category in Figures 6 and 7.

**Figure 6**  
**FY98 Certification docket by entity type**



**Figure 7**  
**FY98 Certification docket by category**



## Certification proceedings (continued)

Most small electric utilities identified through the Power Cost Equalization program (PCE) applied for certificates prior to FY89. Several of these applications are still pending approval because of incomplete financial information or system safety considerations.

**Figure 8**  
**FY 95-98 Certification proceedings**

ENTITY TYPE	FY95	FY96	FY97	FY98
Cable TV	2	2	1	0
Electric	10	4	9	4
Refuse (garbage)	7	7	2	11
Gas	1	1	4	0
Pipeline	2	3	0	3
Wastewater (sewer)	2	2	4	3
Telecommunications	18	21	32	66
Water	5	3	6	11
Steam	0	0	1	1
<b>Totals</b>	<b>47</b>	<b>43</b>	<b>59</b>	<b>99</b>

CATEGORY	FY95	FY96	FY97	FY98
Temporary operating authority	1	0	0	0
New certificates	17	28	31	63
Amendments	17	6	13	13
Certificate transfers	6	5	7	9
Acquisitions	2	3	8	10
Exemption from certification	0	0	0	1
Discontinuation of service	1	0	0	1
Other	3	1	0	2
<b>Totals</b>	<b>47</b>	<b>43</b>	<b>59</b>	<b>99</b>

## Orders

The Commission issued 462 decisions or orders during the last fiscal year. They are categorized into two groups; substantive and procedural. Substantive orders reflect findings and conclusions based on evidence included in the formal record of the Commission. Procedural orders relate to the process and schedule used to handle a case. Figure 9 shows the orders issued by category for the last four years. Figure 10 shows the substantive and procedural orders issued by utility type during FY98.

**Figure 9**  
Orders issued  
FY95-FY98

	FY95	FY96	FY97	FY98
Substantive	268	294	317	412
Procedural	59	57	65	27
<b>Totals</b>	<b>327</b>	<b>351</b>	<b>382</b>	<b>462</b>

**Figure 10**  
Orders issued, substantive and procedural  
FY98

Total number of orders issued = 462

Utility Type	Substantive	Procedural
Telephone	264	13
Gas	6	0
Electric	47	5
Refuse (garbage)	21	2
Sewer	0	0
Water	17	1
Pipeline	43	1
Cable TV	0	0
Cellular	0	0
Generic <sup>1</sup>	34	8
<b>Totals</b>	<b>432</b>	<b>30</b>

<sup>1</sup> Generic count consists of Regulatory Dockets and Dockets which involved more than one type of entity.

## Tariff revisions

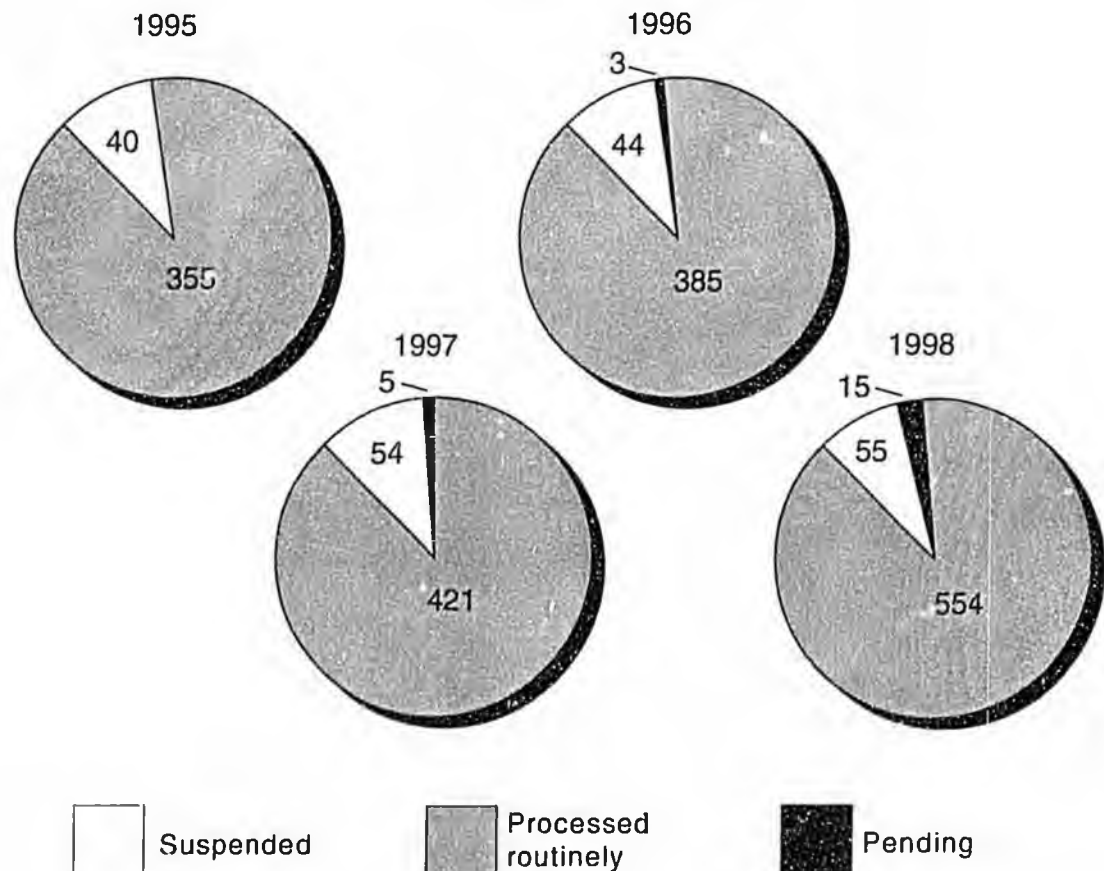
Tariffs are the terms, conditions, rules and rates governing an entity's conduct in providing public service, similar to the manner in which a corporation is governed by its bylaws. In approving a certificate of public convenience and necessity allowing a utility or pipeline carrier to operate, the Commission also reviews the tariff of the applicant. All economically regulated utilities and pipeline carriers are required to maintain a tariff and to operate under the terms of the tariff.

Regulated entities must notify the Commission of any proposed changes to their tariffs. In most cases, the Commission must approve the tariff revisions before the revisions can take effect. For certain kinds of utilities, however, the Commission now usually allows proposed tariff revisions to take effect automatically at the end of a 30 day period. The most common occurrence of tariff revisions taking effect automatically is with respect to interexchange telecommunications utilities. The Commission considers most tariff filings at "tariff action meetings" which are held in public twice monthly, generally on the second and fourth Fridays of each month.

Review, analysis and disposition of tariff filings are substantial elements of the Commission's workload. During FY98 there were 624 tariff filings submitted to the Commission. Of these, 554 were processed routinely (generally within 45 days of receipt). Of the remaining 70 filings, 55 were suspended for further investigation, and 15 were pending at year end.

A graphic indicator of the portion of tariff filings suspended, relative to the total received, is shown in Figure 11.

Figure 11  
Tariffs filed — Tariffs suspended



## Tariff revisions (continued)

In FY98 there were nineteen proposed general rate changes, three simplified rate change filings, and two general rate restructurings. The three simplified rate filings were from electric utilities and were all approved. Ten of the general rate changes were from pipeline carriers and nine were from utilities. Of the nineteen general rate changes, fourteen were suspended, two went into effect automatically, and one was pending at year end.

One of the two general rate restructuring filings was from a telecommunications utility, and it was suspended; the other filing was from an electric utility and it was pending at year end.

Figure 12 presents a statistical breakdown of requests for utility and pipeline carrier tariff changes by category. Each request is counted only once regardless of the number of proposed tariff changes it includes.

**Figure 12**  
**Utility and pipeline tariff revisions**

CATEGORY	FY95	FY96	FY97	FY98
General rate changes <sup>1</sup>	18	14	17	19
General rate restructurings	4	3	8	2
Simplified rate filings	6	8	4	3
New service/equipment offerings	25	55	79	183
Nonrecurring rates	10	14	5	20
Universal access surcharge	17	0	0	0
Regulatory cost charge	97	113	101	101
Contracts	21	18	12	12
Fuel, gas, and purchased power surcharges; power cost equalization filings; nonfirm power purchase rates	127	148	110	112
Rule changes	38	33	41	40
Miscellaneous	32	26	119	132
<b>Totals</b>	<b>395</b>	<b>432</b>	<b>480</b>	<b>624</b>
<b>FY percent change</b>	<b>-7%</b>	<b>+9%</b>	<b>+11%</b>	<b>+30%</b>

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

## Tariff revisions (continued)

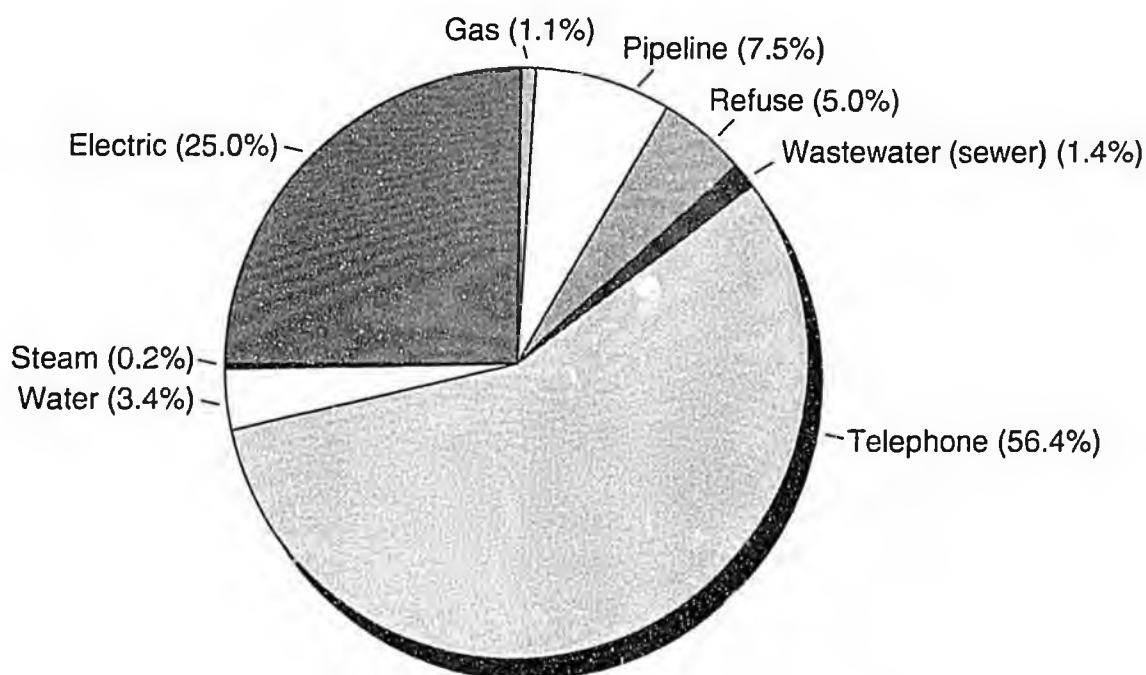
Figure 13 shows a summary of tariff filings used to generate the chart in Figure 14.

**Figure 13**  
FY98 — Tariff filings

Type	Number of filings
Cable TV	0
Electric	155
Gas	7
Pipeline	47
Refuse	31
Steam	1
Wastewater (sewer)	9
Telephone	352
Water	21

Figure 14 is a summary of the tariff filings received in FY98 classified according to utility type and pipeline carrier.

**Figure 14**  
FY98 — Tariff filings by type



## Formal proceedings (excluding certification)

In addition to the certification and tariff filings, the Commission institutes formal proceedings to consider a number of matters including rate changes, rule changes, special contracts, complaints against utilities and pipeline carriers, investigations of service quality or management practices, and regulations. Frequently, requests for general rate changes also include or necessitate a restructuring of rates.

Rate-related filings continue to be the dominant component of the Commission's formal proceedings, excluding certifications, as shown in Figures 15 and 16. This statistic is significant because these proceedings tend to have a long-term impact on the Commission's workload. Considerable time and resources are required for audit, investigation, prefiled testimony preparation, public hearings, determination and issuance of a decision, and processing any requests for reconsideration.

**Figure 15**  
**Formal proceedings**  
**(excluding certification)**  
**FY95-FY98**

CATEGORY	FY95	FY96	FY97	FY98
Access charge filings	0	20	42 <sup>1</sup>	22
Contracts	1	3	4	6
Generic and regulation proceedings	7	8	14	12
Investigations:				
Complaints	7	7	19	12
Management practices	1	2	4	3
Interconnection	0	0	4	5
Eligible carrier designation	0	0	0	32
Other	9	2	7	5
Rate changes:				
General rate changes	9	4	7	4
Rate restructurings	4	3	3	3
Service/equipment offerings	3	9	15	36
Rates - other	7	3	25	6
Rule changes	1	2	3	2
Miscellaneous	1	4	13	19
<b>Total</b>	<b>50</b>	<b>67</b>	<b>160</b>	<b>167</b>

<sup>1</sup> Includes access charge proceedings for a two-year period.

## Formal proceedings (excluding certification, continued)

Figure 16  
Composition of FY98 formal proceedings  
(excluding certification proceedings)



Administrative clerk Pamela Neale, administrative supervisor Barbara Miller and administrative clerks Ruthie Lee and Patricia Howard

## Open dockets

All formal proceedings before the Commission are administered through dockets, which are numbered to denote the type of proceeding, the year of its initiation and its numerical sequence in that year. "R" designates a regulatory docket, "P" a pipeline case, and "U" a utility proceeding. For example, P-94-3 is the third pipeline docket opened by the Commission in fiscal year 1994. The materials, legal pleadings and decisions relevant to a case are identified by this number and filed in the docket. After a case is decided and any necessary costs are allocated, the docket is formally closed.

For the statistical analysis of open dockets presented in Figure 17, active dockets are those in which substantive decisions were pending at the end of FY98. Dockets in which substantive decisions were rendered, but additional administrative or procedural action was still required as of June 30, 1998, are classified as inactive.

**Figure 17**  
**Status of all open dockets FY95-FY98**

	FY95	FY96	FY97	FY98
Suspended for investigation	32	48	129	173
Set for hearing	2	6	2	2
Awaiting filing	44	33	19	97
Substantive order in progress	34	32	37	91
Other / regulations	16	19	26	29
<b>Total</b>	<b>128</b>	<b>138</b>	<b>213</b>	<b>392</b>
<b>FY percent change</b>	<b>+3%</b>	<b>+8%</b>	<b>+54%</b>	<b>+84%</b>

### Inactive dockets (post-substantive order)

	FY95	FY96	FY97	FY98
Awaiting filings	9	19	23	51
Awaiting cost allocation closing order	52	59	112	89
Subsequent phase to be scheduled	2	2	19	6
Court appeals	16	11	6	6
Other / reconsideration	6	7	2	15
<b>Total</b>	<b>85</b>	<b>98</b>	<b>162</b>	<b>167</b>
<b>FY percent change</b>	<b>+55%</b>	<b>+15%</b>	<b>+65%</b>	<b>+3%</b>

## Open dockets (continued)

Figure 18 shows the change in the number of cases pending at the end of FY98. The Commission opened 266 new dockets in FY98, an 18 percent increase from FY97. This led to a 49.1 percent increase in dockets pending at the end of FY98.

**Figure 18**  
Change in caseload  
FY95-FY98

	FY95	FY96	FY97	FY98
Pending cases beginning of year	179	213	236	375
New dockets opened	97	110	219	266
Dockets closed	63	87	80	82
Pending cases end of year	213	236	375	559
Percent change in pending caseload at end of FY	+19.0%	+10.8%	+58.9%	+49.1%



Administrative clerk Rose Weaver, utility tariff analysts Jennifer Meiwes, Dawn Bishop-Kleweno, Wendy Arnett and administrative clerk Mark Armstrong

## Summary of filings

Figure 19 summarizes the filings received by the Commission by type of utility or pipeline carrier and by type of filing. This illustrates the distribution of the Commission's workload in response to actions requested primarily by regulated entities. Responding to these filings could easily consume the resources of the agency.

The table does not include Commission obligations arising from government actions or from initiatives taken by the Commission. These activities are equally important to fulfill the APUC's regulatory responsibilities.

**Figure 19**  
Summary of filings by type of entity

	Tariff filings	Formal proceedings	Informal complaints	Applications
Generic <sup>1</sup>	0	2	0	0
Steam	1	0	0	1
Water	21	2	37	11
Pipeline	47	7	0	3
Cable TV	1	0	0	0
Electric	155	23	135	4
Refuse	31	6	42	11
Gas	7	1	41	0
Sewer	9	0	2	3
Telephone	352	125	449	66
Cellular	0	1	0	0
<b>Total</b>	<b>624</b>	<b>167</b>	<b>706</b>	<b>99</b>

<sup>1</sup> This act involved more than one type of utility.

## **APUC orders on appeal in the courts**

### **Appeals pending during Fiscal Year 1998**

**Anchorage Telephone Utility v. Alaska Public Utilities Commission.** ATU appealed Commission orders disallowing approximately \$20,000,000 in investment for excess cable, outside plant and line cards on the grounds that these investments were not "used and useful." The superior court, per J. Woodward, held that the APUC had the statutory authority under AS 42.05.441 to disallow investments that were not used and useful but found a lack of substantial evidence to support the amount disallowed. The case was remanded for further proceedings.

**The Quality Bank Price Index Appeals.** For the purpose of computing the TAPS quality bank adjustments, the Commission has adopted the use of substitute price indexes by the administrator of the quality bank. Both Exxon and Tesoro have filed appeals of these orders. The appeals have been stayed until further order of the superior court pending resolution of the issues before the Federal Energy Regulatory Commission and the federal courts.

**GCI Communications Corporation v. Alaska Public Utilities Commission.** GCI filed a petition for review in the superior court seeking to modify the confidentiality provisions of a discovery order issued by the APUC in Docket U-97-34, which prevented GCI decision makers from having access to competitively sensitive information. The issue was pending before Judge Michalski at the end of the 1997 fiscal year. On July 18, 1997 Judge Michalski granted GCI's petition for review and remanded the matter to the APUC to delete the provision in the confidentiality order prohibiting the disclosure of confidential information to a competitor's decision makers and strategists. On August 7, 1997 the APUC filed a petition for review with the Alaska Supreme Court to review Judge Michalski's interlocutory order. On December 5, 1997, the Alaska Supreme Court denied the APUC's petition for review as moot in view of the APUC's approval of a stipulation resolving matters in Docket U-97-34.

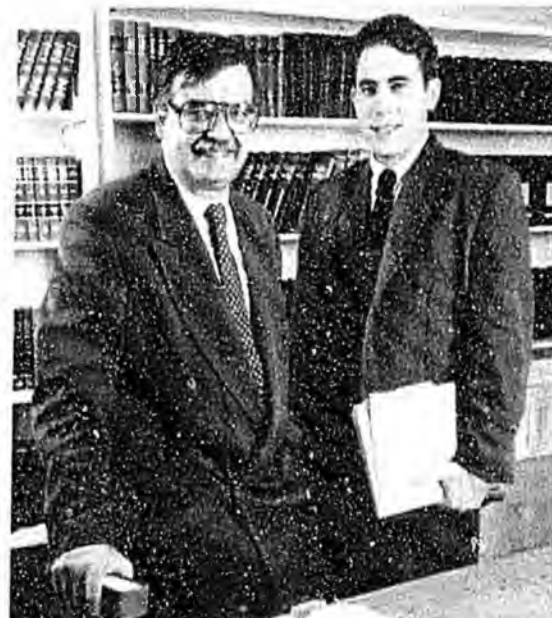
**GCI Communications Corporation v. Alaska Public Utilities Commission.** In January 1998, GCI filed three administrative appeals from APUC orders in Docket Nos. U-97-60, U-97-65, and U-97-66 challenging the APUC's decision in each of these dockets precluding GCI from further participation in these proceedings. Based on the documentary record, the Commission determined that GCI had violated the confidentiality order governing the exchange of confidential information in these dockets. The APUC opposed GCI's appeals however, and moved for a remand in view of its decision to grant GCI evidentiary hearings to reconsider whether GCI complied with the confidentiality orders, and to determine what sanctions, if any, are warranted. On February 20, 1998 Superior Court Judge Murphy granted APUC's motion for a remand but retained jurisdiction over the appeals pending the completion and outcome of the administrative hearings.

**GCI Communications Corporation v. Alaska Public Utilities Commission.** On January 8, 1998, the Commission issued three orders denying GCI's petition to terminate rural exemptions under Section 251 of Telecommunications Act of three PTI companies, Telephone Utilities of Alaska, Inc. (TUA), Telephone Utilities of the Northland, Inc. (TUNI) and PTI Communications of Alaska, Inc. (PTIC). The Commission found that the impact upon universal service could not be determined until a new support system compatible with competition was established. On March 20, 1998, GCI filed administrative appeals of the three

## APUC orders on appeal in the courts (continued)

orders. A group of rural telephone utilities, the Rural Coalition has been participating in the appeal. The appeals have been consolidated. GCI has raised issues concerning the burden of proof, due process and whether substantial evidence supported the findings of the Commission. The appeal is now being briefed.

**Tlingit-Haida Regional Electrical Authority (THREA) v. Alaska Public Utilities Commission, Alaska Power Company (APC), and City of Klawock.** This procedurally complicated litigation began following the APUC's decisions in Orders U-94-2(9) and U-94-2(10) revoking THREA's right to provide retail electric service to the City of Klawock and granting the exclusive right to provide such service to APC. THREA filed an administrative appeal challenging APUC's Orders U-94-2(9) and U-94-2(10). On April 24, 1995, Superior Court Judge Weeks upheld the APUC's authority to delineate the overlapping service territories of THREA and APC, but remanded the matter to the APUC to determine how Orders U-94-2(9) and U-94-2(10) would financially impact THREA and the ratepayers in THREA's service territory, and whether such impacts would frustrate the federal purpose of the Rural Electrification Act of 1936 (REAct). On remand, the APUC held evidentiary hearings to investigate the impact issues identified by the superior court. On July 3, 1997, the APUC issued Order U-94-2(19), in which it held that the decertification of THREA's right to serve Klawock would have only a de minimis impact on ratepayers in THREA's service territory, and that it would frustrate the REAct if THREA continued to serve Klawock. Order U-94-2(19) re-affirmed the decisions in Orders U-94-2(9) and U-94-2(10). THREA filed an administrative appeal challenging the APUC's decertification decision in Order U-94-2(19). On July 1, 1998, Superior Court Judge Weeks upheld the Commission's decertification decision and remanded the matter to the APUC for a determination of the fair value of THREA's property taken by the decertification decision. THREA has filed an appeal to the Alaska Supreme Court challenging Judge Weeks' decision. The City of Klawock and APC have jointly filed cross-appeals and the APUC has filed its own cross-appeal on portions of Judge Weeks' decision regarding the takings issue.



Assistant attorneys general Ron Zobel  
and Marty Weinstein

## Legal authority

### Statutes

Created in 1959, the Alaska Public Utilities Commission has, since 1970, been a full-time administrative agency under the Alaska Public Utilities Commission Act (AS 42.05) charged with the duty of regulating public utilities within the state. The jurisdiction of the Commission extends to electric, gas, refuse (garbage), sewer (wastewater), steam, telecommunications (cable television, interexchange, and local exchange service), and water public utilities as defined by the Act. In 1981 the Legislature amended the Alaska Pipeline Commission Act (AS 42.06) to merge the Alaska Pipeline Commission into the Alaska Public Utilities Commission, and the Commission's jurisdiction was extended to pipeline carriers and pipelines.

The Commission is comprised of five commissioners appointed by the Governor and confirmed by the Legislature for six-year terms of office. In addition to the business, engineering, and law members, there are two consumer members of the Commission. The Commission is authorized to employ additional personnel to assist in the performance of its duties.

The Commission is responsible for making or requiring just, fair, and reasonable rates, classifications, regulations, practices, services, and facilities for public utilities and pipeline carriers. The Commission has the authority to investigate, hold hearings, prescribe systems of accounts, determine depreciation rates, require the filing of reports, adopt regulations, and take other lawful actions necessary to accomplish the stated purposes of AS 42.05 and AS 42.06. The Commission also determines the eligibility of electric utilities for power cost equalization and the kilowatt-hour subsidy amount under the provisions of AS 42.45.100 — 42.45.190. The Commission is also authorized under AS 31.15.010 - 31.15.050 to determine if there has been unjust and unreasonable discrimination in the purchase of oil offered for purchase within Alaska.

Under AS 42.05.221, a public utility<sup>1</sup> providing service to customers for compensation is required to obtain a certificate of public convenience and necessity<sup>2</sup> from the Commission. A certificate describes the nature and extent of authority granted to a public utility, including a description of the authorized service area and the scope of operations of the utility. Under AS 42.05.241, no certificate may be issued unless the Commission finds that the service is required for the convenience and necessity of the public and that the applicant is fit, willing and able to provide the utility service requested. Similarly, pipeline carriers subject to the Commission's jurisdiction must secure a certificate of public convenience and necessity. A certificate for pipeline carriers generally includes the same information found in a public utility certificate.

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<sup>1</sup> The terms "public" and "public utility" are defined in AS 42.05.990(3) and (4), respectively. Generally, a public utility is one that provides utility service for compensation to ten or more customers or that sells wholesale service to a utility that serves ten or more customers.

<sup>2</sup> Electric and telephone utilities grossing less than \$50,000 are not required to be certificated unless their customers petition the Commission for regulation under AS 42.05.712(h). AS 42.05.711 (e).

## Legal authority (continued)

A number of certificated utilities are statutorily exempt from economic regulation<sup>3</sup> by the Commission, including:

(1) public utilities owned and operated by a political subdivision of the state, none of whose utilities is in competition with any other utility, unless the political subdivision elects to be regulated by the Commission (AS 42.05.711(b));<sup>4</sup>

(2) refuse utilities with annual gross revenues of \$300,000 or less, unless the subscribers of the utility petition the commission for regulation under AS 42.05.712(h) or customers paying 25 percent of a utility's gross revenues have petitioned the Commission for regulation (AS 42.05.711(i));

(3) cable television utilities, unless the customers petition the Commission under AS 42.05.712(h) for regulation (AS 42.05.711(k)); and

(4) electric and telephone utilities with gross revenues of less than \$50,000 are exempt from both certification requirements and economic regulation, unless 25 percent of their customers petition for regulation under AS 42.05.712(h).

AS 42.05.711 also specifies other utilities that may, under terms specified in AS 42.05.712, elect to become economically deregulated by the Commission. Utilities that may elect to deregulate are:

(1) electric or telephone utilities with annual gross revenues of less than \$500,000 (AS 42.05.711(f));

(2) utilities, other than electric or telephone utilities, with annual gross revenues of less than \$150,000 (AS 42.05.711(g)); and

(3) cooperative utilities organized under AS 10.25 (AS 42.05.711(h)).

In a deregulation election at least 15 percent of a utility's customers must return ballots. If a majority of those returning ballots vote for deregulation, the utility is exempt from economic regulation by the Commission (AS 42.05.712(b)). The same election procedures apply to the reregulation of a utility that was deregulated by vote of its member/subscribers. For details on the elections held under AS 42.05.712, see *Results of Utility Regulation Elections* in the Statistical Information section of this annual report.

The Commission is also authorized under AS 42.05.711(d) to exempt a utility from all or a portion of AS 42.05 if such an exemption is in the public interest. Under this provision, the Commission has exempted a number of small utilities from ratemaking regulation. Competition in refuse collection services has also been introduced in a number of areas around the state.

<sup>3</sup> "Economic regulation" (defined in 3 AAC 48.820(43)) means that the Commission's jurisdiction extends to matters concerning rates and charges for public utility or pipeline carrier services, quality of service provided by a utility or pipeline carrier to its customers or shippers, management practices of a utility or pipeline carrier, and customer or shipper complaints concerning the services furnished by a utility or pipeline carrier. The foregoing matters comprise the principal regulatory activities of the Commission other than certification under AS 42.05.221 — 42.05.281, to which the indicated utilities remain subject under AS 42.05.711.

<sup>4</sup> The utilities of the Municipality of Anchorage are the only utilities operated by a political subdivision that are currently subject to economic regulation by the Commission.

## **Legal authority (continued)**

### **Regulations**

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



**Utility engineer analysts Brad Persson, Bill Marshall,  
Paul Morrison and Donald Baxter**

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Dear State House Representative;

Currently before you is HD 62. This bill is important to Alaskans all over the State, particularly now that we have the largest Utility buy out that we have ever experienced. I would like to go on record opposing elimination, or reduction to the commission size. Although there may be a need for stronger leadership and possibly oversight by the Legislature.

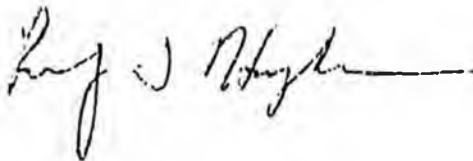
Unfortunately a majority of our Public Utilities have been sold to one major group and without your direct intervention this will likely balloon into a larger fiasco. I'm sending some more information for your consideration on this subject. Last week you may have received a plea from me to change the way the APOC is structured. Don't confuse the two organizations but they seem to have some common ground in protecting the public from abusive or manipulative individuals or groups.

Perhaps the ultimate answers also lay in the same arena. The Judicial branch of Government may be more apt to handle these issues, as they aren't controlled by elected officials, who may be prone to outside influence.

Please don't take this personal. as I'm aware you too are elected but my personal experience dictates that political influence doesn't necessarily help to protect the public from people or groups with large sums of cash.

Look at the example information provided, i.e. response to APOC investigation, letters to US Attorney (Robert Bundy) and APUC chairman (Sam Cotton). This kind of behavior can't continue or it may very well erode public trust in all Government.

sincerely RANDY J HARSHMAN



10 pages total

to file a complaint or act on the obvious discrepancies unless I were to file a signed formal complaint.

Paragraphs 3 & 4 Are laden with subjective conjecture as to intent and scope with out very much of a investigation. Example, what's the magnitude of leaving off over 80% of names, nearly 100% of the employers and misrepresenting the category with respect to the majority of donations. Substantial corrections to the amounts by hand additions & subtraction's, plus bouncing a \$3,000.00 check. Also overlooking a \$13,000.00 deposit for over a month. When the check was cashed it wasn't reported. Nearly 20% of its annual Income missing, could hardly be a clerical error that was missed for 6 months.

Page 8. The main reason I brought up the hand marked monetary corrections was to demonstrate that IBEW knew there were problems with the computer printouts and ignored the obvious flaws in their reports. This along with other flaws was to demonstrate potential intentional misrepresentation. Considering 17 of the Union employees gave over \$8,000.00, most without disclosing their employer. Coupled with the fact that over \$20,000.00 in traceable cash donations from IBEW sources to Knowles for Governor in 1994 State Govenatorial Election Campaign fund.

CONCLUSION: Now having said all this, one might think that I'm a nut. Dreaming up all this collusion and conspiracy, but if for just one moment you could consider the possible MOTIVES. 1) Appointment of the Commissioner of labor for Alaska. This is helpful in fighting your non-union enemies, plus getting favorable regulations for your friends. 2) Influencing the Govenors choices for Appointments to the Utilities Commission, for the Back room deals made with respect to sales of Nearly all the largest Public Utilities in the state. The combined value totaling almost \$1,000,000,000.00 in public and employee assets.


The importance to the guarranteed success of the change in hands of our Public Utilities to one Group of Investors could only be accomplished by the IBEW, (who has longterm working agreements and relations with all of the Public Utilities involved). The Union also had to have a strong relationship with the Governmental agencies and they'er leaders. That is why they have been the single largest PAC in the State for some time.

If you don't believe me just check your own records on file at the APOC. then check with the FEC. The National Utility De-regulation bill chaired by or own Frank Murkowski has been Prostituted to line the pockets of a few individuals, at the expence of the people in Alaska. In closing consider the US. Attorney (Robert Bundy), Alaska Attorney General (Bruce Botelho), US Marshal (John Murphy), were all big supporters of the Govenor (tony Knowles). These above mentioned people all have had an important part in this. Truly organized crime exist in Alaska politics.

Evil will continue to prevail as long as good men standby and do nothing

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SINCERLY RANDY J. HARSHMAN  
ex. IBEW officer and member.



Why all of a sudden was this sent to them, the largest contribution made by the IBEW PAC of the entire year, totaling more than 10% of IBEW's annual income for the PAC. As pointed out earlier they (Tom & Rebecca), were both appointed to top positions in the Knowles administration. Also consider that Laurie Otto as campaign finance Director was concerned about consecutive check #'s i.e. (Hale's cashier's check's from Texas).

Back to the phone banks. They were run by employees of Tom Begich, and some IBEW members. Morses's explanation that this was minimal cost, did not include long distance charges. Had the APOC checked they would have found thousands of dollars were spent on these polls. Begich's Firm alone received over \$ 70,000.00 from the IBEW for polling between 1991, & 1995. He was also drawing a weekly pay check from the Union. The APOC staff must have over looked this fact or simply chose to ignore it, they never even asked Begich about it.

Face it Mr. Morse's Explanation of polling doesn't add up. Endorsemen's come from talking to candidates, and checking they're voting records, not from polling persons in a particular district about candidates. This would only be important to the candidate running in that district. NO BRAINER. Its very difficult to do independant expenditures including pictures without talking to Candidates, or their campaign staff.

pg. 6 In allegation #1 the reports as stated, weren't corrected until I asked the APOC staff some questions in regards to missing information, and a call was placed to the IBEW. Furthermore not all of the reports were corrected, only the year end report for 1994. Which was lacking names and \$1904.19 of PAC contributions, also the subsequent 1995 reports that had been already filed befor May 1995.

After I filed this complaint they were notified, but still it took them until July 1995, and beyond to make those corrections. I would hardly characterize this as voluntary, more like covering your Ass. As stated before the IBEW PAC has not to date corrected the over \$100.00 category information or the missing names of those reports, nor have the staff at APOC requested them to do so. With the exception of the year end 1994.

pg 7. Paragraph 1 the APOC staff assumes that the accounting is correct with out any corroboration, from any other sources other than taking the IBEW's word for it. Given the amount of mistakes made and the check bouncing, I believe this to be unreliable, and inaccurate assumptions.

Paragraph 2. pg 7. A limted computer malfunction that lasted for four months in conjunction with correcting the balances with out noticing the obvious deletions of names is beyond belief. Particularly considering the level of experience of Susie Akins. She may even be a CPA. I also take exception with Susie's response letter on April 21, 1995. That this money isn't sent in for 45-60 days, because the reports I have indicate no longer than 30 days, generally only 2 weeks in most cases.

Paragraph 3. Please note that the corrections for April, July, September 1995, were all a result of my questioning and filing this May 1995 complaint. Not the discovery by APOC staff, in fact Mr. Kentch refused

have known from the inception of the data base since she's the one who established it, and is the one who fills out the reports for the IBEW.

The APOC staff told me it was lack of funding that was slowing the process, yet Karen Boorman failed to ask for more money in 1996 from the legislature until I did, at their budget review through the L.I.O. via teleconference from anchorage. She seemed surprised when I told the budget committee as were they, that the APOC lacked adequate funding for the job and were going behind on their complaints for investigation.

I'm more than a little dismayed as to the facts being portrayed by the APOC staff, and am trying to show some of the discrepancies that are not the FACTS. Although the Union filed a revised year end report, they never fixed the inaccurate reports filed previously. IBEW merely said that the figures were correct and the APOC staff accepted this with out verification of any kind. Staff never spoke with PAC committee members.

Susie Akins is a computer expert, and the controller for the Union. Her earlier reports, and letters, namely July & September 1995 included corrections to the figures. Brief explanations for some mistakes, I had pointed out in my complaint, but at that time no one even questioned her. I thought this was strange considering this was a off year, and the staff should have had ample time to inquire then.

As for the occupations of the IBEW staff being reported as electricians, or trade classifications 17 to be exact. I will concede that I must have over looked the employer part of the reporting requirements, yet the APOC staff did not. Still they refuse to penalize them for these gross infractions, which is the whole point of my complaint. (Misleading the public)

As for the mail-outs the flashy color printed cards were not the ordinary manner in which political information was distributed. With the exception of Gary Brooks own campaign material, which was done separate from the Union. In the past they might send a one page white plain paper with a list of names to convey their support for particular Candidates. Generally it was conveyed on a small portion of the regular news letter that would take up less than 10 percent of the publication. We did not send a separate mail out or flier.

The APOC staff should have asked them how it was they got the pictures and what to write without talking to the candidates. Had they reviewed Tom Begich's paper work that I provided they would have seen that Brooks and Begich met with some of the candidates, close to the time of the phone polls being taken and prior to the mail outs.

The greater Juneau Democrats established a flat line formula for donations in September 1994, and narrowly missed the controlled group category by less than \$200.00 by my calculations. No small accomplishment considering the size of corporate contributions and the amount of money funneled through their local organization. If you looked at G.J.D. past donations and contributions. A strong inference could be made, because contributions made by the IBEW and others was nowhere near this much in previous years. How would anyone have known to send them money ? (ASK)

Allegation #3. Never before had the IBEW sent out a special campaign Election letter to its members, but after my complaint they did similar mail outs, and submitted them as proof of how they usually communicate with members. Without further examination the APOC staff accepted this as factual. The information I provided in the beginning demonstrated this quite well, but the APOC staff seemed to ignore it.

The phone banks and polling were done by a professional consultant. The APOC staff didn't talk to the person or review this material they simply accepted Laurie Otto's response, that it was none of the APOC's business. Had they reviewed the papers I brought in and followed my suggestion they would have discovered that this was connected to municipal races and State redistricting information which is only good for campaigning. Not to mention that some campaigns were using the same consultants, and paying very little for Begich's services and office space. This also included school board races as earlier mentioned.

Also Begich made the statement to David Ruskin, that several Union employees would come over and work in his office. Its my understanding that when a professional campaign consultant works for a campaign this must be reported as a contribution, such was the case with regards to Ann Hays, Diane Sheridan, and Tom Begich.

In addition I stated that moneys were passed through the Greater Juneau Democrats. Checking on the phone records, and depositions of the people involved would have helped to prove this, again little or no investigation. Tom Cashen, (IBEW assistant Business manager. Junuea office) was a Deputy Treasurer for the Frank Committee and Rebecca Nance, (IBEW office manager. Junuea ) was Deputy Treasurer for the Knowles Campaign, who were the largest two recipients of donations from this group in 1994. Tom Cashen was also a PAC committee member.

Pg. 4. Still no mention of the 1991 municipal election material provided by complainant. Mr. Morse never was the general counsel. He was in fact the associate attorney for the IBEW since June of 1991. On a campaign report in 1991 he's reported to be a electrician. He didn't disclose his employer as the IBEW on this \$500.00 contribution to Dick traini for assembly. There was at least six employees involved. (bogus overtime).

Mr. Morse responded to my complaint in November 1995, more than 6 months after it was filed with the APOC. In his response he mistakenly told the staff that those hand written corrections were additions to the accounts that had been sent by municipal Light & Power employees through a trust account. This wasn't altogether correct, it was in fact deductions of over \$7000.00 on one report alone. August 15 1994. As for the municipal employees money it was deposited once a month totaling about \$700.00. This would have been discovered had the staff done a real investigation.

If Mr. Morse's explanation would have been true, then all the previous reports would have reflected that scenario equally. They don't, i.e. ML&P employees payroll deductions. Specifically those employees work regular employment and the monthly income from them would be nearly the same every month. Not only that but a professional such as Akins would

The Gaming money reporting deficiencies; When I brought this to the attention of the APOC they quickly sent a letter dated June 1 1995 to all PAC'S telling them how to report these moneys, in affect reducing reporting requirements. This gave the IBEW a limited defense as to they're lack of reporting. After the Election Knowles appointed a task force to investigate chairitable gaming, and Ann Hayes (IBEW press secretary/Political consultant was on that 12 person task force.

I've been told by people out side of the IBEW, that a skim was going on through the gaming operators to funnel money into campaigns. Hence the inflated cost to the permit holders by operators. In fact two operators were required by the State to refund over \$380,000.00 to permit holders. This came about after I complained to the State department of Revenue about inflated cost passed on by gaming operators.

It was my understanding from people employed in the IBEW dues office that cash was being delivered to the Union from gaming. We (IBEW) were probably not the only people involved in this scam to deliver cash to Democratic party candidates in 1994.

Consider that the now General Counsel for IBEW. Who is defending them in this case was special assistant to the State A.G.'s office and also the finance Director for Tony Knowles re-election campaign during the 1994 elections. Also the IBEW attorney that was originally involved in representing the IBEW, now works for the States A.G.'s office.(AGAIN)

It may be coincidental, but the past Assistant Director for the APOC staff Mr. Jim Kentch filed APOC complaints long after mine was filed, and his were processed before mine at the APOC. He originally told me that complaints were handled in the order of filing. Apparently this was not true. I also pointed out the above mentioned inaccuracies as shown on the IBEW PAC reports to Mr. Kentch, and he refused to act on them without a signed formal complaint by me. With the exception of the year end report, which was handled by Greg Grenquist at my request. To my amasement, Kentch later filed complaints on his own volition without any complaining party. I explained to Kentch that a formal complaint signed by me would likely interfere with my ability to work in the IBEW Union. Subsequently I was brought up on internal Union charges and removed from Union office for filing this complaint.

It should be noted that Jim Kentch left the APOC after I complained about his conflict of interest concerning Tony Knowles. Apparently Jims wife Had donated well over \$1,000.00 to the combined campaign of the Kowles/Ulmer for Govenor/Lt.Govenor in 1994. She also worked for the Law firm who represented Knowles in APOC matters. Karen Boorman the Director of APOC staff didn't see any conflict of interest with Kentch.After Kentch left the APOC, he filed complaints against Republicans only.

One would have to wonder why the APOC would hold off on this complaint until after the election of 1998, and handle cases that came in well after I filed this. Plus the small if any penalties suggested by the staff with the APOC. The APOC has the authority and resouces yet seem to only come down hard on Republicans.

Response to APOC preliminary investigation: Harshman v IBEW. 95-04-CD

Introduction: Statute of limitations should start at filing date, not when you ruled. Even though it was filed within 6 months of infractions complained of, ( APOC has taken 3.8yrs [ no mention of 1991 material]). What's your legal basis for this conclusion. Clearly the IBEW gave money to employees for the 1991 municipal, and school board elections. They had been warned by APOC not to repeat earlier infractions, i.e. (Kay Bill's vs VALUE - 1988 Gary Brooks IBEW president [ PASS THRU'S]).

In this time of financial budget shortfalls, why only collect less than 5% of maximum fine for only one Violation. The people of this state said we want stiffer penalties, when we passed the campaign finance reform initiative, and the legislature agreed with the people when they passed their bill in the House and Senate.

Perhaps the staff are biased when it comes to the sitting governor, considering the APOC falls under the department of Administration. I have said all along that this should be dealt with through a independent prosecutor. The States A.G.'s office isn't the appropriate place either.

Allegation # 1. was true, they grossly failed to accurately report employers on all reports, still the APOC staff refuse to penalize them for this infraction. APOC staff says IBEW didn't mean to mislead anyone.

Allegation # 2. Was true, again the staff only wants accept the poor excuse that the money was in the safe, and not deposited. Had the APOC staff investigated, they would have discovered that the IBEW bounced a check in this account as early as November 1994, which surely would have conveyed that some thing was amiss, yet they (IBEW) failed to report or correct this for 8 months to the APOC. Obviously the Union knew in December of 1994, and corrected the problem internally, but failed to report this on the subsequent filings, until I filed this complaint.

Looking back on the latest information I provided from the federal court case involving the officers of the union, the \$ 13,000.00 clerical error would have bounced more checks. The glaring question that needed to be asked was why it didn't. The reported balance at the time was around \$10,000.00. Not to mention that the Union was in possession of the money all the time, even though they didn't deposit it in the other account. Correct me if I'm wrong, but the person listed as chairman of the PAC, is the Financial secretary/Buisness Manager for the Union. Effectively he was writing the check from one account to another. He failed to report the \$16,000.00 transaction. Which was approved and directed by him and accepted by him. (NO BRAINER)

It's my presumption that they were using in this money in part to finance the employee contributions. Given two facts, the only time these employees seem to give money is when the Union pays for it, i.e. (1991 bonuses). Also that it took quite some time for the money to show up. That's why they failed to properly report the over \$100 category. Remember the hand corrected the printouts deducting thousands of dollars from the internal balance sheets and not showing the \$16,000.00 in deposits. Without proper audits and investigations we will never know.

Jenifer Kohout  
ALASKA PUBLIC OFFICES COMMISSION

Randy J. Harshman  
HARSHMAN vs IBEW 95-04-CD

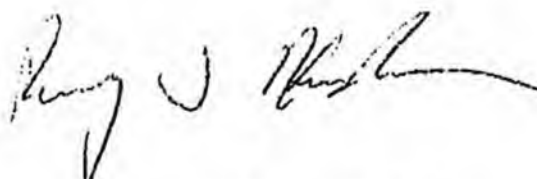
Jenifer:

I've re-written my earlier response to your staff's Feb. 1999 recommendation to the commission. This is about the sixth revision of that letter. I can only say that it's been very difficult for me to rid it of the cynism, and sarcasim. Also hopefully I've cleaned it up some for ease of the reader.

The recent events unfolding in the press has prompted me to take this approach, so as to allow other Agencies and People to view these matters in the proper perspective. This wasn't my original intent in the first letter. I only wanted to convey factual information for your staff's consideration, not my state of mind. I Apologize!

It became obvious to me that others had a real interest in knowing as much about what I knew to be true. I don't think there are vary many people in the State of Alaska that aren't effected by what has been revealed in the preceding letter. I pray you will treat it accordingly.

Thanks for your patientence and understanding in this matter.

  
March 11 1999

US JUSTICE DEPARTMENT  
US ATTORNEY  
DISTRICT OF ALASKA  
ROBERT BUNDY

RANDY J HARSHMAN  
1200 SOUTHAMPTON DR  
ANCHORAGE AK. 99503  
(907) 561-5950 FAX 561-5567

re: sales of Alaska's Utilities.

Mr. Bundy; You may recall I filed with your office a False Claims Act case in 1996 with respect to Job Targeting in the state of Alaska. I mention this to refresh your memory as to who I am.

Recent events concerning the proposed sales of 75% of the states Utilities to One group of investors leads me back to the core issue that started my campaign. To rid The local Union IBEW 1547 of it's corrupt leadership. Their involvement in State and Local politics have a direct connection to the coversion of public Utilities into this Private Group of investors now befor your office concerning Anti-Trust laws.

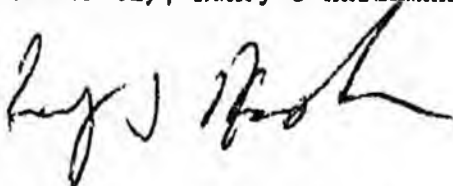
It was my earlier conviction that the IBEW was ingaged in acts that were in direct violation of anti-Trust laws. Here again we're faced with a situation which the IBEW is directly involved with possible Anti-Trust activities. I urge your office to, (without bias) thouroughly investigate the concequences and manner in which this is taking place. The impact of these acquisitions on the People of this great state of Alaska could be vary harmful, while greatly enriching a few.

As you will notice in the supplied material I have serious doubts as to whether you can Honestly and effectively reveiw these matters without bias. However it's part of your job to try and accomplish this, therefor I'm going on record to see that you do your very best in the interest of the people of Alaska to which I'm a part of.

I look forward to hearing from you on these matters and wish you the best of luck in these indeavors.

Sincerely; Randy J Harshman

8 pages total

  
March 11 1999

ALASKA PUBLIC UTILITIES COMMISSION  
SAM COTTEN CHAIRMAN  
1016 W.6 AVE. SUIT 400  
ANCHORAGE, AK.

RANDY J HARSHMAN  
1200 SOUTHAMPTON  
ANCHORAGE, AK. 99503  
(907) 561-5950 fax 561-5567

re: Utilities sales.

Mr. Sam Cotten I unfortunately missed the public comment hearing recently held in regards to the proposed sale of 75% of the States Utilities to One investor Groub based outside of Alaska. This Issue has been on My mind for years, having been involved with the Local IBEW Union 1547. As you will see I was a officer and member of this local organization for years.

I'm passing on to you some vary important information for your consideration in these matters. I also intend on sending this to others who are directly involved with the sale or effected by the sales. I believe this to be contrary to the publics best interest.

Since you are the only one at this juncture to have been Appointed by Govenor Knowles, I have great concern for your impartiality in these procedings. I say this up front so there is no doubt in your mind or others as to where I stand on the issues.

From my past experiance with the Union, I can say that the IBEW has been engaged in this vary indeavor for quite some time. they have little regard for the publics best interest in this matter befor you and the commission. There has been a concerted effort to covert our Public Jtilities to Private ownership, brokered by the IBEW UNION. look at the material provided, investigate my charges and you will no doubt see the level and magnetude of which certain people have gone to accomplish this task.

I can say this because as this unfolded befor my vary eye's, the membership of the union to which these people served were neglected. The Union would make long term contracts to facilitate the sales to the vary individuals currently involved. Six and seven year working agreements are absolutely ludicrous. The only reason for making such agreements was to guarantee the buyers what their cost would be in the future with respect to labor.

Some of this may have little interest to you as far as the law is concerned regarding your function as to wether the sales go through. It is valuable in reconizing things may not be as they seem.

One party controlling the majority of our Utilities in the state will surely lead to the fleacing of our people in the end. Not to mention the profits going to private entities beyond our State borders.

Sincerely; Randy J. Harshman

nine pages total

  
Mar 11 1999

# THE ALASKA PUBLIC UTILITIES COMMISSION

## A New Structure

In the course of the sunset review of the Alaska Public Utilities Commission (APUC), two facts became clear: There is a continuing need for the existence of the Commission and there is a need to change the manner in which it operates. This white paper will discuss the APUC's mission and its organizational structure.

### Mission:

There is a need to focus on the mission statement of the APUC as laid out in statute. There are two basic functions to be served by the APUC. One is to protect the public interest; the other to assure the continued viability of the utilities.

In the case of the former, the APUC should have the mandate of assuring that utility rates are just, fair and reasonable. In the process of carrying out this mandate, they must determine appropriate rate of return, either on an industry or an individual company basis. To do so, they must make a determination of the costs of providing service, establish what is used and useful in rate base and be assured that management practices are prudent.

The latter function is equally important. If utilities are not financially viable, then service will be eroded and if carried to the absurd, service could become unavailable. It is in the public interest to protect the viability of the utilities.

As the APUC carries out these two functions, it must be mindful of the appropriate economies. They must, in other words, accomplish these two mandates by use of the most efficient and economical means possible to assure that the cost of regulation is not a major contributor to the cost of service. It is in neither the public interest nor that of the utilities for the staff of the APUC to engage the utility in a proceeding, the cost of which is ten to twenty times more than the cost or rate in question within that proceeding.

### Structure:

There is a need to address the structure of the APUC using the Federal Communications Commission (FCC) as a model. Restructuring the APUC in this manner will provide for a more efficient operation and eliminate certain inequities which now exist.

The current structure of the Commission has staff moving back and forth in two roles. On the one hand, they are often party to dockets, representing the public interest. On the other hand, they serve in an advisory capacity to the Commission. To put the situation into context, the Commission serves as a quasi judicial body. Allowing the staff to move back and forth as both party to and advisors to the Commission in the same docket is much the same as allowing either

the plaintiff or defendant in a legal proceeding to advise the judge on his final decision, rather than just presenting evidence for the record.

Utilizing the FCC model, that portion of the staff designated as representative of the public interest would be established separate from the Commission itself. This "Staff" would serve under the direction of the commission's executive director and would be party to dockets as appropriate. Their participation in dockets would be as an autonomous party and they would be subject to the same rules regarding ex parte contact with the Commission as are other parties to dockets.

The commissioners, on the other hand, should have personal staff, as well as their own counsel, to assist them in research, writing orders and, in general, filling an advisory role.

As commissioners serve in the role of judges, they should not launch investigations or open dockets on their own motion. They should not issue notices of inquiry or engage in writing regulations. These functions should be the sole purview of "Staff".

The designated seats concept should be eliminated. The designated seats (accountant, legal and engineering) originated in the early days of statehood when the Commission was a part time body with no staff. In those days, it was necessary to have an engineer, a lawyer and an accountant on the Commission because they had no staff with such expertise. The two consumer seats were added in the mid seventies in the mistaken belief that the three assigned seats were charged with representing their special vocational interests. The fact is that the commissions must be neutral judges and should not be representing any special interest group. Under the structure outlined above, "Staff" would represent the public interest. To further emphasize the separation of "Staff" and the Commission, it must be clearly understood that the executive director will be in charge of the "Staff". *The "Staff" positions must be designated as exempt to allow the hiring of truly qualified people in these positions, who can be held accountable for the quality of work they produce.*

Doing away with the assigned seats on the Commission will also require language to make it clear that candidates for the Commission must be professional with some knowledge of utilities. There must also be a restriction which allows no more than one commissioner from anyone vocation.

Included here are examples of organizational structures.....

#### Current Operating Authority:

As a final note, one other amendment to current statute is proposed. AS 42.05.141(1) must be amended to eliminate the language "...the powers of the commission shall be liberally construed to accomplish its stated purpose." This language has become one of the most obvious barriers in relating to the Commission. The commissioners and the staff have used this language to offer differing interpretations of regulations and statute on a case by case basis.

The phrase has also allowed the Commission to state that it does not set precedent. Both utility management and the general public are placed in a precarious situation when they are unable to rely on past decisions of the Commission to determine proper conduct in relation to any particular issue because the Commission feels free to develop differing interpretations to similar conditions on a case by case basis. As a quasi judicial body, the Commission must be held accountable to its own decisions and interpretation.

# Alaska Telephone Association

201 E. 56th, Suite 114  
Anchorage, AK 99518  
(907) 563-4000  
FAX (907) 562-3776

**David Fauske**  
President

**James Rowe**  
Executive Director

March 9, 1999

Honorable Bill Hudson  
Chairman  
House Utility Restructuring Committee  
State Capitol  
Juneau, Alaska 99801

RE: Alaska Public Utilities Commission

Dear Rep. Hudson:

This letter is prompted primarily by HB 62 which deals with extending the Alaska Public Utilities Commission for four more years. As you have heard in my testimony before your committee, the ATA does not want the commission to enter into a "wind down" year. That happened five years ago and it was burdensome to industry, the commission and our customers. The Telecommunications Act of 1996 generated a very substantial increase in the amount of work for all of us and Alaskans will benefit if both industry and the commission devote their efforts toward that work rather than to the confusion of "wind down."

However, the sunset review process gives us a welcome opportunity to offer some suggestions for change within the structure of the commission. ATA has long espoused a more defined separation between advocacy staff and staff that is counsel to the commission. We think that the current structure that has a staff person as an advocate on one docket and the same individual as counsel on another docket lends itself (even without intent) to conflict with ex parte rules.

ATA recommends that there be an organizational separation where advocacy staff, under the direction of the executive director, represent the interest of the public in matters before the commission. Commissioners, acting in an adjudicative role, should have access to professional advisory staff so they can be properly prepared to weigh the issues presented by representatives of industry and the advocacy staff.

Presently the commission has authorization to hire nine additional employees, but due to the state-hiring freeze, the positions remain unfilled. ATA strongly supports full staffing for the commission and recommends it as necessary for the agency to complete its tasks in a reasonable time. Furthermore, the beneficiaries of an efficient APUC are the utility customers; the same people who pay the Regulatory Cost Charge that funds the commission. ATA also believes that with full staffing, the commission should implement the separation of staff mentioned previously.

Another facet that should be included in the restructuring is a delineation of the powers and responsibilities of the Chairman. Clearly, it is important to preserve the autonomy of each commissioner to vote his/her mind on an issue, but the responsiveness of the commission might be held more accountable with the responsibility of leadership placed in the hands of one individual.

Finally, ATA questions the continued necessity of commission seats being designated as engineering, attorney, business and consumer (two seats). Undoubtedly, it is valuable to have the professional disciplines represented on the commission, however, especially in light of the increased number of professional staff, that value may be outweighed by the elimination of exceptionally capable candidates whose experience is in another field.

In summary, ATA proposes

- Reauthorization of the APUC;
- Clear separation of advocacy staff from advisory staff;
- Hiring to fill the nine vacant staff positions;
- Delineation of the powers and duties of the Chairman;
- Abolish requirement for designated seats.

Thank you for the opportunity to offer comments on these issues. Members of the ATA are available to answer questions or provide assistance on all matters before this committee.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jim", written in black ink.

James Rowe

**HB**

**68**

# HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: January 25, 1999

FURTHER REFERRALS:

Finance

Date of Committee Action: Feb 24, 1999

The LABOR AND COMMERCE Committee considered:

HB 68

HOUSE BILL NO. 68

BOARD OF PHARMACY

"An Act extending the termination date of the Board of Pharmacy to June 30, 2005; and providing for an effective date."

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) DCED

fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Alan Rotaly</i>	✓			
<i>John P. ...</i>	✓			
<i>John L. ...</i>	✓			
<i>William ...</i>	✓			
<i>David ...</i>	✓			
<i>John Sanders</i>	✓			
<i>...</i>	✓			

CHAIR'S SIGNATURE

*Alan Rotaly*

2-24-99

# ALASKA STATE LEGISLATURE

## HOUSE LABOR AND COMMERCE COMMITTEE

Representative Norman Rokeberg, Chairman  
Representative Andrew Halcro, Vice-Chairman  
Representative John Harris  
Representative Lisa Murkowski  
Representative Jerry Sanders  
Representative Tom Brice  
Representative Sharon Cissna



State Capitol  
Juneau, AK 99801-1182  
Telephone: (907) 465-4954  
Fax: (907) 465-2040

### MEMORANDUM

TO: Rep. Gene Therriault, Co-Chairman  
House Finance Committee

FROM: Rep. Norman Rokeberg, Chairman  
House Labor & Commerce Committee

DATE: February 25, 1999

RE: House Bill 68  
Extend Termination Date of Board of Pharmacy

A handwritten signature in black ink, appearing to read "Norman Rokeberg".

I would request that HB 68 be scheduled for a hearing before the House Finance Committee.

The House Labor & Commerce Committee heard the bill on February 24<sup>th</sup>. The bill received seven do pass recommendations. The bill has a zero fiscal note for FY 2000-2005 and an estimated fiscal impact for FY 99 of \$61,200. As with other occupational licensing boards, the fees paid by the licensees pay for the Board's activities.

The audit performed by Legislative Audit recommends the extension of the board to June 30, 2005, which is the date used in the bill.

Attached are the following:

1. HB 68
2. Sponsor Statement/Sectional Analysis
3. Fiscal Note
4. Information from the Boards and Commissions Book on the Board of Pharmacy
5. Copy of the August 25, 1998 audit report from the Division of Legislative Audit.

Thank you for considering this request

# ALASKA STATE LEGISLATURE

## HOUSE LABOR AND COMMERCE COMMITTEE

Representative Norman Rokeberg, Chairman  
Representative Andrew Halcro, Vice-Chairman  
Representative John Harris  
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State Capitol  
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Telephone: (907) 465-4954  
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### SPONSOR STATEMENT AND SECTIONAL ANALYSIS HOUSE BILL 68

An Act extending the termination date of the Board of Pharmacy to June 30, 2005

#### SPONSOR STATEMENT:

As the title indicates, House Bill 68 would extend the termination date of the Board of Pharmacy to June 30, 2005.

The Board of Pharmacy controls registration and disciplinary sanctions and provides for the regulation of controlled substances in the State of Alaska. There are seven members on the Board. The August 25, 1998 Audit Report from the Division of Legislative Audit recommends that this Board be extended to June 30, 2005, which is what the legislation proposes. The Legislative Audit found that the Board does benefit the public's health, safety and welfare.

The last time the Board of Pharmacy was reviewed, the termination date was set at June 30, 1999. If this Board's termination date is not extended this year, the Board will be in its wind down year and would cease to exist, without further action, on June 30, 2000.

In order to provide for some standards of practice in the pharmaceutical field, we would request your support of the extension of this Board.

#### SECTIONAL ANALYSIS

Section 1: Extends termination date to June 30, 2005

Section 2: Effective date: immediate

ED1:02/20/00

# FISCAL NOTE

STATE OF ALASKA  
1999 LEGISLATIVE SESSION

BILL NO. HB 68

Revision Date/Time (Note if correction) \_\_\_\_\_ Dept. Affected Commerce & Econ Dev.  
 Title An Act extending the termination of the BRU Occupational Licensing  
Board of Pharmacy Component Occupational Licensing  
 Sponsor House Labor and Commerce Committee  
 Requester House Labor and Commerce Committee Component Serial No. 2360

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY99) cost: 61.2

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)  
 House Bill 68 extends the Board of Pharmacy to June 30, 2005. Funding for continuation of the board in the amount of \$61.2 is included in the department's FY 2000 operating budget request; therefore, new funds are not needed. The program is required to cover its costs with licensing fees under AS 08.01.065, and revenue generated by board fees are anticipated to cover its full operating costs.

Prepared by Jennifer Strickler, Administrative Manager *JS* Phone 465-2144  
 Division Occupational Licensing *LSR* Date/Time 1/29/99 11:01 AM  
 Approved by Commissioner Deborah B. Sedwick *DBS* Date 2/1/99  
 Agency Commerce & Economic Development

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**BOARD COSTS  
INFORMATION**

<b>HB 68</b>				
<b>DIRECT COSTS</b>			<b>Total</b>	<b>AVG</b>
	<b>FY:</b>	<b>97</b>	<b>98</b>	<b>DIRECT</b>
				<b>ANNUAL</b>
				<b>COSTS</b>
<b>Personal Services</b>		34.9	35.5	70.4
<b>Travel</b>		6.2	6.4	12.6
<b>Contractual Services</b>		18.0	21.3	39.3
<b>Commodities</b>			0.1	0.1
<b>Equipment</b>				0.0
		59.1	63.3	122.4
				61.2

**STATE OF ALASKA**  
**Boards and Commissions**

---

**PHARMACY BOARD**

**BOARD:** Board of Pharmacy

**BOARD IDENTIFICATION NUMBER:** 078

**DEPARTMENT:** DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

**AUTHORITY:** AS 08.80.010

**STATUS:** Active

**SUNSET DATE:** June 30, 1999

**REQUIREMENTS:** Legislative Confirmation

**PROHIBITIONS:** Cannot serve more than all or part of two consecutive terms.

**TERM:** 4 years

**DESCRIPTION:** 7 members appointed by Governor: 5 licensed pharmacists actively engaged in practice in Alaska for 3 years immediately preceding appointment; 2 public members with no direct financial interest in health care industry; when possible, one member should represent each judicial district; terms begin April 1; members elect president. Terms of public members shall be staggered so that they do not expire at the same time.

**FUNCTION:** Controls registration, disciplinary sanctions, provides for the regulation of controlled substances.

**CHAIR:** Board selects.

**SPECIAL FACTS:** Serve at the pleasure of the Governor. Quorum - 4 members (3 when examining applications for registration); report to Legislature; members may be removed for cause. Members serve until a successor is appointed. An appointment to fill a vacancy is for the remainder of the unexpired term. A member who has served all or part of two successive terms may not be reappointed unless four years have elapsed since the person has last served. E-mail: [Pat\\_Park-Fisher@commerce.state.ak.us](mailto:Pat_Park-Fisher@commerce.state.ak.us) or [license@commerce.state.ak.us](mailto:license@commerce.state.ak.us)

**COMPENSATION:** Standard Travel and Per Diem.

**MEETINGS:** 3 times per year; 9 days total.

**FOR FURTHER INFORMATION CONTACT:** Ms. Patricia Park-Fisher, Division of Occupational Licensing, DCED, P.O. Box 110806 M/S 0806, Juneau, AK, 99811-0806, Phone: 907-465-2538, Fax: 907-465-2974.

**STATE OF ALASKA**  
**Boards and Commissions**

---

**Membership Roster**  
**PHARMACY BOARD (078)**

<b>Member</b>	<b>Appointed</b>	<b>Reappointed</b>	<b>Term Exp.</b>
<b>Chris E. Coursey</b> Pharmacist AK Regional Hospital P.O. Box 143889 Anchorage, AK 99514-3889	04/23/91	09/14/95	04/01/99
<b>Paul Joseph Gionet</b> Pharmacist IVY Home Infusions 2841 DeBarr Road, Suite 20 Anchorage, AK 99508	04/01/93	11/26/97	04/01/01
<b>Gerry Knasiak</b> Public 119 Austin Street, No. 611 Ketchikan, AK 99901	04/16/98		04/01/01
<b>Martin Krull</b> Pharmacist Director of Pharmacy Carr Gottstein Food Co. 6411 A Street Anchorage, AK 99518	01/21/98		04/01/01
<b>Margaret D. Soden</b> Pharmacist P.O. Box 61328 Fairbanks, AK 99706-1328	12/11/98		04/01/02
<b>Bonnie R. Stewart</b> Public P.O. Box 230132 Anchorage, AK 99523	01/02/97		04/01/00
<b>Stanley P. Thompson</b> Pharmacist 1018 West 73rd Avenue Anchorage, AK 99518	04/09/92	01/02/97	04/01/00

02/24/99  
15:31:17

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM  
PARTICIPANT LIST (ALL PARTICIPANTS)  
TCN:90209 SCHEDULED FOR:02/24/99 15:15 TO 17:00  
PUBLIC HEARING HOUSE LABOR & COMMERCE

LTN1150  
BY:ANC  
FOR:ANC

LOCATION: ANCHORAGE

<del>HB 68</del>	<del>PAUL</del>	<del>IONET</del>	PRES, AK BRD	TESTIFY
HB 69	LINDA	KESTERSON	AGO FOR ABC BRD	TESTIFY
HB 69	MATT	JONES	MOSES TOOTH	TESTIFY
HB 69	BOB	ACREE	GLACIER BREWHSE	TESTIFY
HB 69	CHRIS	ANDERSON		TESTIFY
HB 69	DOUG	GRIFFIN	ABC BRD	TESTIFY
HB 69	ANNE	WILKAS		TESTIFY



# Audit Report

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DEPARTMENT OF COMMERCE AND  
ECONOMIC DEVELOPMENT  
DIVISION OF OCCUPATIONAL LICENSING  
BOARD OF PHARMACY

August 25, 1998

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Audit Control Number:

08-1457-98

Division of Legislative Audit  
P.O. Box 113300, Juneau, Alaska 99811-3300

# LEGISLATIVE BUDGET AND AUDIT COMMITTEE

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August 25, 1998

Members of the Legislative Budget  
and Audit Committee:

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

DEPARTMENT OF COMMERCE AND  
ECONOMIC DEVELOPMENT  
DIVISION OF OCCUPATIONAL LICENSING  
BOARD OF PHARMACY

August 25, 1998

Audit Control Number

08-1457-98

The objective of this review is to advise the legislature as to whether the Board of Pharmacy should be extended or terminated in statute. Currently, AS 08.03.010(c)(15) has the board scheduled for termination on June 30, 1999. If no action is taken by the legislature, the board has one year in which to conclude its affairs and will be dissolved on June 30, 2000. We recommend that the legislature extend the board's termination date to June 30, 2005.

The audit was conducted in accordance with generally accepted government auditing standards. Fieldwork procedures utilized in the course of developing the findings and discussion presented in this report are discussed in the Objectives, Scope, and Methodology section.

Handwritten signature of Pat Davidson in cursive.

Pat Davidson, CPA  
Legislative Auditor

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## OBJECTIVES, SCOPE, AND METHODOLOGY

### Objectives

In accordance with Title 24 and 44 of the Alaska Statutes, we conducted a review of the activities of the Board of Pharmacy. The primary objective of our review was to advise the legislature as to whether the board should continue in existence.

As required by statute, the legislative committee of reference is to consider this report as part of its oversight process and determining whether the board should be reestablished. The law currently specifies that the board will terminate on June 30, 1999 and will have one year from that date to conclude its affairs.

### Scope

The major areas of our review were board proceedings, examination, licensing, and investigations. We also reviewed the existing licensing/fee structure as it relates to financial self-sufficiency of the board.

### Methodology

A majority of this review was conducted by another auditor at our direction and supervision. We followed professional standards to determine that the other auditor was independent and that their work was competent and sufficient.

To accomplish the audit objectives, the following documents were reviewed and the following interviews were conducted:

- Applicable sections of state statutes and regulations.
- Interviews with employees of the Division of Occupational Licensing (OL), Department of Commerce and Economic Development.
- Minutes of board meetings and annual reports.
- Licensing files for pharmacists and pharmacies.
- Investigation files related to the pharmacy profession.
- Projections of license fee revenues and regulation costs prepared by OL.
- Complaints filed with OL.

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## ORGANIZATION AND FUNCTION

The Board of Pharmacy was established for the purpose of controlling and regulating the practice of pharmacy in the State. Alaska Statute 08.80.005 states that effective control and regulation of the practice of pharmacy is necessary to promote, preserve, and protect the public's health, safety, and welfare.

### Board Membership

The Board of Pharmacy is composed of seven members (see inset at right). Statutes require five board positions be licensed pharmacists actively engaged in the practice of pharmacy in the State for a period of three years immediately preceding their appointment. The remaining two positions are to be filled by individuals from the general public. Statute prohibits these public members from having a direct financial interest in the health care industry.

### Board Duties

In general, the board regulates admission into the practice of pharmacy, establishes and enforces competency by ensuring compliance with professional standards, and adopts regulations. Enforcement includes assisting in the investigation of potential violations and suspending or revoking licenses when determined necessary.

The board licenses pharmacists, retail facilities, wholesale distributors, drug rooms, institutional facilities, and out-of-state facilities. It also issues permits to individuals to act as pharmacy interns. Beginning with the FY 98 licensing cycle, the board will be licensing pharmacy technicians.

Applicants for a pharmacist license are required to pass a National Association of Boards of Pharmacy Licensing examination. Additionally, applicants must pass a jurisprudence examination covering Alaska pharmacy law and the Federal Controlled Substance Act. Applicants who are licensed to practice pharmacy in another state may be awarded an Alaska license to practice based on their credentials as long as they have passed the national examination.

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#### BOARD OF PHARMACY MEMBERS

##### Registered Pharmacists

Paul Gionet, Chairperson  
Chris Coursey  
Kenal Kaihoi  
Martin Krull  
Stanley Thompson

##### Public Members

Gerry Knasiak  
Bonnie Stewart

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### Division of Occupational Licensing

Division of Occupational Licensing (OL) staff assists the board in its duties. OL staff processes applications, maintains licensing files, answers board-related correspondence, and provides administrative support to the board. Additionally, OL staff investigates complaints involving the practice of pharmacy.

## REPORT CONCLUSIONS

Alaska Statute 08.03.010 (c) (15) requires that the Board of Pharmacy be terminated on June 30, 1999. If the legislature does not take action to continue the board, AS 08.03.020 (a) provides the board one year in which to conclude its affairs. Consequently, if no action is taken by the legislature, the Board of Pharmacy will be dissolved June 30, 2000.

The regulation and licensing of qualified professionals and pharmaceutical facilities benefits the public's health, safety, and welfare. By establishing minimum educational and practical experience requirements, the board provides reasonable assurance that individuals licensed are qualified to practice. Assurance that licensed individuals act in a manner consistent with the public interest is also promoted by active investigation of complaints and license revocation or suspension when appropriate.

In our opinion, the Board of Pharmacy serves an important public purpose. It should be continued in statute and its termination date should be extended until June 30, 2005.

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## ANALYSIS OF PUBLIC NEED

### Limited Analysis

The following analyses of board activities relate to the public need factors defined in the "sunset" law, Alaska Statute 44.66.050(c). These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

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

The board has operated in the public's interest by licensing qualified applicants, authoring pharmacy related pamphlets, publishing a newsletter, and drafting new regulations in conjunction with extensive legislative revision to the state's pharmacy statutes. According to the board's annual reports, 209 new pharmacists and 181 pharmacies and drug rooms were licensed between FY 94 and FY 98. Beginning July 1, 1998, the board will license pharmacy technicians.

During FY 98, the board authored three pamphlets that further define certain regulations<sup>1</sup> and help explain their legal intent. All three pamphlets are included as appendices to the pharmacy statutes and regulations booklet distributed by the board and the Division of Occupational Licensing (OL). The board also published and distributed newsletters informing licensees of the State's current jurisprudence and the recent revision of statutes and regulations.

The board completed a comprehensive revision of pharmacy regulations that were effective January 16, 1998. The regulation's project was a work in progress for just over five years. According to the board's 1998 annual report, the new regulations reflect the current practice of pharmacy and position the board to serve the public health and welfare in regulating the practice of pharmacy as it evolves over the next decade.

#### *The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices which it has adopted, and any other matter, including budgetary, resource, and personnel matters.*

Our prior audit of the Board of Pharmacy dated October 26, 1993 took exception to the distribution of board members. Alaska Statute 08.80.010 states, in part, "[w]henever possible, the board shall include at least one member from each judicial district." Traditionally, the Northwest region of the State, which makes up the second judicial district, has not been

<sup>1</sup> Specifically, the three pamphlets are entitled "Sterile Pharmaceuticals," "Compounding," and "Facility Standards."

represented on the board. Only 8 of the 534 licensed pharmacists (1.5%) reside in the Northwestern region of the State.

Current board membership consists of five members from the Southcentral region, one from the Southeast, and one from the Interior. The second judicial district continues to be absent. However, during the past four years, no one from the Northwestern Region has applied for an open board position.

The concentration of board members in the Southcentral region affects the board's availability to the public and to pharmacist candidates, who must take the jurisprudence exam from a board member before they can be licensed.

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

At the urging of the board and the Alaska Pharmaceutical Association, a comprehensive statutory revision to the pharmacy statutes was passed by the legislature in the 1996 session and became effective August 26, 1996. The statutory rewrite was designed to correct obsolete and fragmented pharmacy statutes and to reflect current pharmacy practices. As already discussed, the board completed a comprehensive rewrite of regulations to implement the new statutes.

*The extent to which the board, commission, or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service that it has provided.*

OL has published notices of all examinations, meetings, and regulation changes. A period of time for public comment was available at each public meeting.

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

Each board meeting agenda allots time for public comment. The public has been encouraged to use these public comment periods to express concerns and obtain information from the board. The public comment period for regulation changes also assures that the public has the opportunity to participate in the regulatory process.

*The efficiency with which public inquiries or complaints regarding the activities of the board, commission, or agency filed with it, with the department to which a board or commission is administratively assigned, or with the Office of the Ombudsman have been processed and resolved.*

From FY 94 through FY 98, OL's investigative unit investigated 39 cases involving pharmacies, pharmacists, and unlicensed pharmacists. Six of the cases remained open as of June 24, 1998. Generally, the cases were resolved in a timely and efficient manner given the nature of the complaints and OL resources.

*The extent to which the board or commission which regulates entry into an occupation or profession has presented qualified applicants to serve the public.*

The table below summarizes licensing activity for the past four fiscal years, listing the number of new licenses issued per year and the number of current license holders regulated by the board at the end of FY 98.

Types of Licenses	New Issued in FY 94	New Issued in FY 95	New Issued in FY 96	New Issued in FY 97	New Issued in FY 98	Total Current Active Licenses
Pharmacists	53	32	35	43	46	534
Pharmacies:						
Retail	15	3	5	15	14	92
Hospital	0	0	0	0	3	16
Drug Rooms	0	0	0	3	0	15
Out-of-State	13	16	21	46	22	113
Wholesale	0	0	2	0	3	8

The board ensures that the licensees are qualified through screening of applications, examination and continuing education requirements. When reviewing licensure procedures, we found no instances of unqualified applicants being awarded a license.

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

The board continues to require applicants submit a photograph and answer several personal questions (height, weight, hair color, etc). Our prior audit recommended the board work to eliminate these potentially discriminatory licensing procedures. We found that no progress has been made to address this recommendation. In the past, the State's Equal Employment Opportunities office has discouraged state agencies from asking applicants questions regarding personal appearance. The board believes there is reasonable cause to review such information because it is important for identifying individuals being licensed to work with controlled

substances. The board adopted a motion stating it will continue to review photographs of applicants as part of the licensing process.

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

As discussed above, statutes and regulations have been comprehensively rewritten. Previously obsolete and fragmented statutes and regulations were updated. Such revisions were designed to serve the public welfare by regulating the practice of pharmacy as it evolves over the next decade. However, we did find a problem relating to general fee setting statutes.

As discussed under prior year Recommendation No. 5 in the Auditor's Comments section of the report, the Division of Occupational Licensing is required to set license fees so that **occupations** are self-supporting. Alternately, the division is setting fees so that **boards** are self-supporting. The Board of Pharmacy issues several different types of licenses. The fees charged are not intended to cover the costs associated with each type of license. Further, the division's cost accounting system is not set up to track revenue by occupation. We recommended the division change its procedures to comply with statute.

## AUDITOR'S COMMENTS

In the last review of the Board of Pharmacy, dated October 26, 1993, we reported eight findings and recommendations. The current status of each is discussed below.

In summary, prior year Recommendation No. 1 was partially implemented by extending the board until June 30, 1999. Three of the prior year Recommendations (Nos. 2, 6, and 7) were not implemented but do not warrant a finding and recommendation in this report. Three Recommendations (Nos. 3, 4, and 8) were addressed through a comprehensive rewrite of statutes and regulations. Prior year Recommendation No. 5 was reviewed during our audit of license fees dated October 3, 1997. It continues to be an issue as discussed in this report.

### Prior Year Recommendation No. 1

The statutory provision for the Board of Pharmacy should be extended until June 30, 2003.

This recommendation was partially implemented by the legislature when it extended the board until June 30, 1999. We make a similar recommendation regarding extension of the board until June 30, 2005 in the Report Conclusions section.

### Prior Year Recommendation No. 2

Office of the Governor, Boards and Commissions should appoint Board of Pharmacy members in accordance with Alaska Statute.

In our prior audit of the Board of Pharmacy, we took exception to the distribution of board members. Traditionally, the Northwestern region of the State, which makes up the second judicial district, has not been represented on the board.

Although the second judicial district continues to go be absent from the board, at this time we do not believe board composition is inconsistent with statutes. Statutes require regional representation "*whenever possible.*" The Boards and Commissions section within the Office of the Governor stated that no one from the second judicial district applied for an open board position during the period of our review.

### Prior Year Recommendation No. 3

The Board of Pharmacy should review pharmacy inspection procedures to ensure that pharmacies inspected are impartially selected and evaluated.

Prior to the comprehensive rewrite of pharmacy statutes and regulations, board members conducted inspections. Board members inspecting their competitors created an awkward

situation open to criticisms of partiality. Under the new law, applicants, not board members, conduct the inspections. Each licensee must fill out a self-evaluation form when obtaining or renewing a license. Division of Occupational Licensing (OL) staff views the self-inspections as an improvement and believes the self-inspections are useful in helping the board monitor compliance with statute and regulation.

Prior Year Recommendation No. 4

The Board of Pharmacy should revise these statutes to reflect current pharmacy practices.

The recent rewrite of statutes and regulations addressed this recommendation. Statutes now reflect current practices.

Prior Year Recommendation No. 5

The Department of Commerce and Economic Development should continue to work with the Office of the Governor, Office of Management and Budget in establishing fee levels for occupational licensees that are more reflective of the actual regulatory cost of the occupation.

We conducted an audit<sup>2</sup> during calendar year 1997 of the practices and procedures followed by OL in setting license fees for various professions. In that review, we determined OL was not complying with the statutory requirement that revenues and expenditures be accounted for on an occupation basis.

Specifically, AS 08.01.065 (c) states:

*The department shall establish fee levels [in this] section so that the total amount of fees collected for an occupation approximately equals the actual regulatory costs for the occupation. [Emphasis added.]*

By not accounting for financial data on an occupation-by-occupation basis, OL could not demonstrate that it met the self-sufficiency standard established in statute. We recommended that OL establish new cost accounting procedures to ensure compliance with the statute requiring financial self-sufficiency at the occupation level.

In performing fieldwork for this audit, we followed-up this general recommendation as it relates specifically to the Board of Pharmacy. We found that OL tracks expenditures by occupation regulated by the Board of Pharmacy but does not account for revenue at the occupational level or set fees to ensure that each occupation is self-sufficient. Therefore, we conclude that OL's current practice is inconsistent with statute and recommend it adopt procedures to comply with self-sufficiency requirements set out in statute.

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<sup>2</sup> The audit was titled *The Department of Commerce and Economic Development – Occupation Fee Setting Policies and Regulatory Costs* dated October 3, 1997.