

**ALASKA LEGISLATURE COMMITTEE FILES 1999-2000 8672**

**10096 SENATE LABOR & COMMERCE**

## Biographies



Sam Cotten,  
Chairman

Commissioner Sam Cotten was appointed by Gov. Tony Knowles on November 13, 1995, and appointed as Chair on August 12, 1996. Chairman Cotten's term ends on March 1, 1999.

Mr. Cotten owns and operates a commercial salmon seining business in lower Cook Inlet. A former Speaker of the House of Representatives and State Senator, Sam Cotten served 16 years in the Alaska State Legislature. Other public and community service has included a position as Commissioner of the Anchorage Planning and Zoning Commission, Chugiak-Eagle River Chamber of Commerce Board of Directors, Anchorage Ski Club Board of Directors, and Harry J. McDonald Memorial Center, Board of Directors. Mr. Cotten served in the U.S. Navy from 1965 through 1969, including two tours of duty in Viet Nam. Mr. Cotten and his wife Martha T. Cotten, M.D. have two sons, Sammy and Gus, and reside in Eagle River and Halibut Cove.

On November 1, 1993, Gov. Walter Hickel appointed Commissioner Alyce Hanley to one of the consumer seats of the APUC, with a term expiring March 1, 2000.

Mrs. Hanley served as Representative in the Alaska State Legislature from 1985 through 1991. She was a member of the Anchorage School Board from 1981 through 1984. In Anchorage, Mrs. Hanley has been a volunteer in numerous organizations. She was serving as a member of the Executive Clemency Commission and the Americans with Disabilities Act Advisory Commission at the time of her appointment. She is a member of the National Association of Regulatory Utility Commissioners Committee on Water.

The Hanley's, Monte and Alyce, and their five sons moved to Anchorage's Sand Lake area in 1971. Alaska continues to be home for the entire family which now includes four daughters-in-law and six grandchildren.



Alyce A. Hanley,  
Commissioner

## Biographies (continued)

Dwight Ornquist was appointed to the APUC by Gov. Walter Hickel in October 1993. Commissioner Ornquist holds the engineering seat on the Commission until his term expires on March 1, 2000.

Commissioner Ornquist is an Information Systems Engineer and has been designing, developing and implementing information and communication systems since 1975 when he graduated from the Alexandria Technical Institute in Minnesota with a degree in Computer Science. That same year Mr. Ornquist moved to Anchorage, Alaska. In 1978 he married Gena, a high school English teacher he met in Alaska. In 1985 they moved to Palmer where they currently reside with their four children, Micah (18), Danielle (15), Jeremiah (13) and Christopher (13).

Commissioner Ornquist is a member of the National Association of Regulatory Utility Commissioners (NARUC), the Institute of Electrical and Electronic Engineers (IEEE), the Alaska Department of Education Technology Task Force, and is the Vice Chairman of the NARUC Finance and Technology Committee. He also serves on the adjunct faculty of the University of Alaska/Mat-Su, and works very closely with the NARUC Staff Subcommittee on Computers promoting agency automation. He is a leader in actively promoting utility competition, in a manner that will benefit consumers, when and where possible.



Dwight D. Ornquist,  
Commissioner



Tim Cook,  
Commissioner

Tim Cook was appointed to the APUC in 1994. His appointment was the subject of a balance of powers debate regarding the confirmation authority of the Alaska Legislature. In August 1996, the Alaska Supreme Court ruled unanimously in favor of Mr. Cook and returned him to the APUC. His term expires on March 1, 2001.

Mr. Cook came to the APUC after serving as the Associate Director of the State of Alaska's Washington, D.C. office. While in Washington, Mr. Cook was responsible for developing and advocating State policy on environmental, fisheries, telecommunications, and energy issues. This position required Mr. Cook to develop close working relationships with the Alaska Congressional delegation, other members of Congress, and with the Executive departments.

During his tenure on the APUC, Commissioner Cook has been very active in telecommunication deregulation and competition issues. He continues to be a strong advocate of Universal Service and communications parity with the lower 48 states. Because of his interest in telecommunications he was appointed to chair the Tele-

communications Committee of the Western Conference of Public Service Commissioners.

Mr. Cook is a licensed attorney. He has passed the Bar in both Texas and Alaska, and is eligible for admission in a number of other districts. He is an active member of the Bar and is involved with several professional organizations. He has also worked as an engineer on the North Slope of Alaska.

Mr. Cook worked his way through law school commercial fishing and continues to be active in that industry. His formal education includes an earned Juris Doctorate, Masters of Business Administration degree, and double Bachelors Degrees.

Tim is an active sportsman and pilot. He lives in Wasilla and is an 18-year resident of Alaska. He speaks fluent Spanish, and has extensive experience living in remote and culturally diverse areas. His wife, Dr. Alicia Martinez is a nationally recognized leader in bilingual/bicultural education. She has been a professor at George Washington University and the University of Houston.

## Biographies (continued)



James M. Posey,  
Commissioner

Commissioner James M. Posey was appointed to the consumer seat of the Commission on January 21, 1997. Prior to joining the Alaska Public Utilities Commission, he worked for the Municipality of Anchorage as the manager of the Building Safety Division, Department of Public Works. Mr. Posey retired from ARCO Alaska, Inc. in 1995 after working more than twenty years in the oil and gas industry as Land Manager, Issues Advocacy Manager, and Attorney.

He is a 19-year resident of Alaska and has been active in several community organizations. He has served on the boards for Anchorage Center for Families and Junior Achievement of Alaska. Mr. Posey is a founding member of the American Association of Blacks in Energy and currently serves on the board for Anchorage Youth Court. He served as the President of the Bayshore/Klatt Community Council for several years and is a member of the Anchorage Downtown Rotary Club.

In 1975, Mr. Posey graduated from the University of Kansas School of Law. In 1972, he graduated from Wichita State University with a degree in History. He hails from Beaumont, Texas. Mr. Posey served in the United States Air Force from 1966 to 1970.

He and his wife, Sandi, have three daughters and two sons and live in south Anchorage.

Bob Lohr has served as executive director of the APUC since 1991. He has a Masters Degree in Public Administration from Harvard University's John F. Kennedy School of Government with concentrations in Public Management and Negotiation. He earned his B.A. degree in Economics and International Relations at Swarthmore College in Pennsylvania.

Mr. Lohr has more than 22 years of experience directing, managing and advising development-oriented agencies in Alaska. From 1989 to 1990 he served as executive director of Advocacy Services in Alaska, the legal protection and advocacy agency representing persons with developmental disabilities. From 1979 to 1986 he held various positions with Rural Alaska Community Action Program Inc. (RurAL CAP), including executive director from 1982 through 1986. RurAL CAP addresses wide-ranging needs of low-income Alaskans including energy policy, child development, natural resources, alcohol/drug abuse prevention, and community development. From 1975 through 1979, he directed the Upper Tanana Development Corporation in Tok. He has also served as a consultant to human services organizations and Native corporations. Mr. Lohr is married to Celia Foley, and they have three children: Emma, Noah, and Joseph.



Robert A. Lohr,  
Executive Director

## Former APUC Commissioners

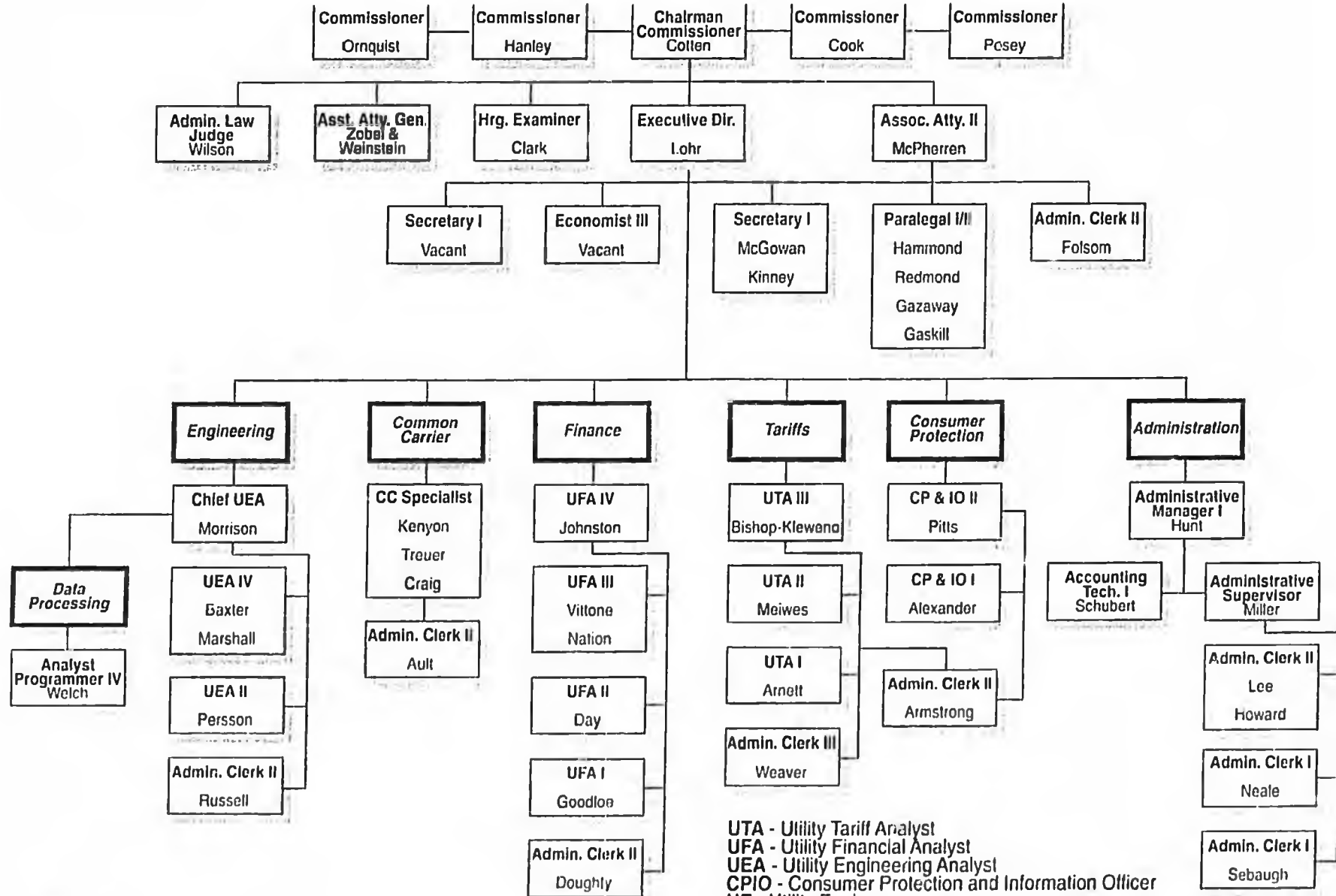
Commissioner	Dates of service
Clyde Courtnage	1960 - 1963
Charles Herbert	1960 - 1963
Karl Walter, Jr.	1960 - 1964
Joseph Fitzgerald	1964 - 1965
Maurice Chertkov	1965 - 1965
Harold Moats	1965 - 1966
T. Stanton Wilson	1966 - 1966
James R. Clouse, Jr.	1967 - 1971
Loren H. Lounsbury	1967 - 1971
John M. Stern, Jr.	1971 - 1973
James R. Hendershot	1971 - 1975
B. Richard Edwards	1974 - 1976
Gordon J. Zerbetz	1963 - 1981
Stuart C. Hall	1976 - 1983
Diana E. Snowden	1981 - 1985
Marvin R. Weatherly	1975 - 1987
Carolyn S. Guess	1975 - 1989
Louis E. Agl	1983 - 1989
Kathleen E. Whiteaker	1985 - 1990
Peter Sokolov	1987 - 1991
Don May	1990 - 1992
Susan M. Knowles	1975 - 1993
Mark A. Foster	1990 - 1993
Daniel Patrick O'Tierney	1989 - 1994
James E. Carter, Sr.	1992 - 1995
G. Nanette Thompson	1995 - 1996
Don Schröder	1991 - 1997

## APUC roster (10/13/98)

Alexander, Tamara	Consumer Protection & Information Officer I
Armstrong, Mark	Administrative Clerk II
Arnett, Wendy	Utility Tariff Analyst I
Ault, Lee	Administrative Clerk II
Baxter, Donald	Utility Engineer Analyst IV
Bishop-Kleweno, Dawn	Utility Tariff Analyst III (Chief)
Clark, Patricia	Hearing Examiner
Cook, Tim	<b>Commissioner</b>
Cotten, Sam	<b>Commissioner (Chairman)</b>
Craig, Lew	Common Carrier Specialist
Day, Keith	Utility Financial Analyst II
Doughty, Balassa	Administrative Clerk II
Folsom, Hillary	Administrative Clerk II
Gaskill, Karlee	Paralegal I
Gazaway, Richard	Paralegal I
Goodloe, Toni	Utility Financial Analyst I
Hammond, Anita	Paralegal II
Hanley, Alyce	<b>Commissioner</b>
Howard, Tricia	Administrative Clerk II
Hunt, Diane	Administrative Manager I
Johnston, Mark	Utility Financial Analyst IV (Chief)
Kenyon, Lorraine	Common Carrier Specialist
Kinney, Sue	Secretary I
Lee, Ruthie	Administrative Clerk II
Lohr, Bob	Executive Director
Marshall, Bill	Utility Engineer Analyst IV
McGowan, Joyce	Secretary I
McPherrren, Jeanne	Associate Attorney II*
Meiwes, Jennifer	Utility Tariff Analyst II
Miller, Barb	Administrative Supervisor
Morrison, Paul	Utility Engineer Analyst V (Chief)
Nation, Parker	Utility Financial Analyst III
Neale, Pamela	Administrative Clerk I
Ornquist, Dwight	<b>Commissioner</b>
Persson, Brad	Utility Engineer Analyst II
Pitts, Agnes	Consumer Protection & Info. Officer (Chief)
Posey, Jim	<b>Commissioner</b>
Redmond, Rosemary	Paralegal I
Russell, Neel	Administrative Clerk II
Schubert, Ed	Accounting Technician
Sebaugh, Chrissy	Administrative Clerk I, Receptionist
Treuer, Phil	Common Carrier Specialist
Vittone, Mary	Utility Financial Analyst III
Weaver, Rose	Administrative Clerk III
Weinstein, Marty	Assistant Attorney General*
Welch, Bert	Programmer/Analyst IV
Wilson, Jan	Administrative Law Judge
Zobel, Ron	Assistant Attorney General*

\* Employee of the Department of Law contracted to the Commission

# Organizational chart



UTA - Utility Tariff Analyst  
 UFA - Utility Financial Analyst  
 UEA - Utility Engineering Analyst  
 CPIO - Consumer Protection and Information Officer  
 UE - Utility Engineer  
 CC - Common Carrier

- Positions funded under contract

All positions located in Anchorage.

Approved:     /s/ Robert A. Lohr      
 Robert A. Lohr, Executive Director

Effective date:   10/13/98

## **Staff responsibilities**

The Commission staff is divided into six major sections: administration, engineering, common carrier, consumer protection, finance, and tariffs. The APUC employs 46 people with an FY98 operating budget of \$4,459,659.

### **Administration**

An executive director, hired by the Commission, is responsible for directing all staff functions and serves as a liaison between staff and Commissioners, and between the Commission and the legislature. He or she is responsible for records and document management, fiscal and personnel administration and budget preparation. The executive director is aided by an administrative manager, documents processing and accounting personnel, and other clerical support staff.

### **Engineering**

This section is responsible for certification proceedings, investigations of utility and pipeline carrier procedures and practices affecting service quality. It also reviews legal descriptions for service areas, plans for plant expansion, plant-in-service schedules, and depreciation schedules. Engineering evaluations are presented in proceedings before the Commission. The Commission's data processing function is housed in the engineering section.

### **Common Carrier**

This section was established to develop, recommend and administer policies concerning rates, services, accounting and facilities of communications common carriers within Alaska involving the use of wire, cable, radio, and space satellites.

### **Consumer Protection**

Major responsibilities for this section include investigation and resolution of consumer complaints, public relations and information dissemination.

### **Finance**

This section examines, analyzes and evaluates financial statements submitted for rate cases. It audits financial records of utilities and pipeline carriers and examines historical operating year data and pro forma financial adjustments made by the utilities and pipeline carriers. The Finance section provides analyses of this information in proceedings before the Commission.

### **Tariff**

This section examines, analyzes and investigates tariff filings and presents recommendations to the Commission at biweekly tariff action meetings. Administrative functions include organizing tariff meetings as well as complying with all public notice requirements on tariff filings and maintaining current master tariffs for all utilities and pipeline carriers.

## APUC FY98 overview

Since statehood in 1959, the Alaska Public Utilities Commission has been working with the hundreds of public utilities in Alaska with the same mission in mind - to ensure continued service, sound management, and fair rates for residents in all corners of the state. The Commission regulates utilities that bring water, electricity, gas and telecommunications into our homes, as well as overseeing services that collect and dispose of our waste. In 1981, the APUC's role was expanded to include oversight of pipeline carriers and pipelines when it merged with the Alaska Pipeline Commission.

Utility commissions were originally created to protect consumers, since most utilities were monopolies. Today, Commissioners are faced with the challenge of evaluating regulations and considering policy changes to encourage competition while continuing to maintain consumer protection as a primary goal.

In situations where monopolies exist, the Commission monitors the utility to ensure fair practices, reasonable service, financial stability, and accountability. The Commission balances the legitimate need for utilities and pipeline carriers to show a profit for their investment and the public's right to receive fair service for its money. Commissions in all 50 states serve the same general mission, regulating the relationship between the utilities and the consumers they serve.

The Commission achieves this balance by issuing "certificates of public convenience and necessity" to qualified service providers. A certificate essentially acts as a license to operate and details how the utility or pipeline carriers must conduct business with consumers or shippers concerning rates. The Commission establishes rates, terms and conditions of service while overseeing the practices, services and facilities of regulated utilities and pipeline carriers. In the next few years, new approaches and a broader perspective will be necessary as the Commission works to address complex issues and to make appropriate regulatory decisions for all Alaskans.

The APUC has jurisdiction over the operation of:

- electric utilities
- natural gas utilities
- refuse (garbage) collection
- wastewater (sewer) treatment
- steam producers
- telephone companies (local and in-state services)
- water utilities
- oil and gas pipeline carriers.

The Commission has issued 476 certificates of public convenience and necessity (certificates) held by utilities and pipeline carriers.

Approximately one-third of the 476 certificates are for utilities whose services and operations are fully regulated by the Commission. The authority to regulate some types and sizes of utilities is limited under law. Many electric utilities in bush communities are exempt from regulation because of their small size. Some cooperatives and government-owned utilities are also exempt because they have alternative means of accountability to the consumer. Of the 476 certificates held, the Commission currently regulates the rates, services, practices or facilities of 161 utilities and 18 pipeline carriers.

In addition, the Commission is responsible for computing the power costs and resultant state assistance amounts for customers of electric utilities participating in the Power Cost Equalization (PCE) program.

The Commission carries out its regulatory responsibilities through several means. It conducts audits, investigations, public meetings, tariff action meetings, formal adjudicatory

## 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 certifying 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 with 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 Viltone 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 (EPAAct). In R-94-6(4), the Commission declined to adopt the standards as set forth in the EPAAct 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>
<b>Total revenue</b>				
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	21,969,771	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>
<b>Net income</b>				
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>\$149,814,289</b>	<b>169,923,797</b>	<b>122,642,479</b>	<b>96,676,272</b>
<b>Customers</b>				
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>

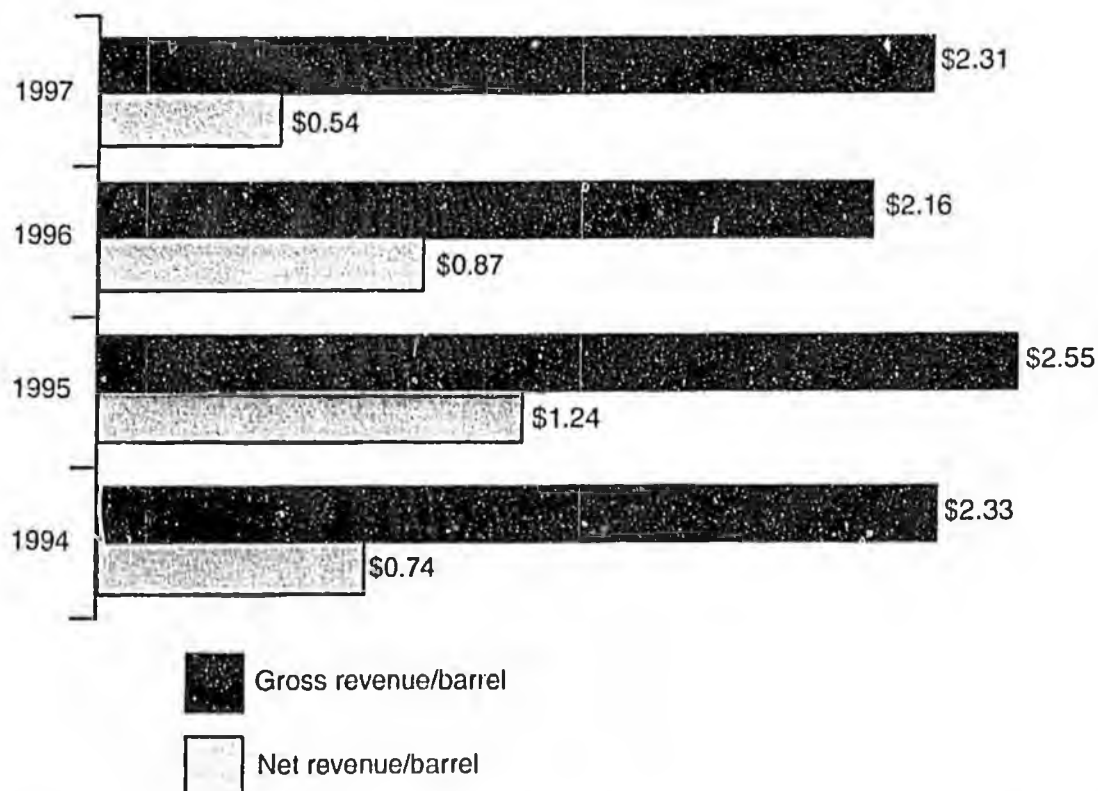
\* Excludes wholesale customers of intrastate interexchange carriers to prevent double-counting and telephone utilities that filed confidential information with the Commission

\*\* 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
Throughput (barrels)	855,944,950	833,059,460	684,494,293	638,076,891
Gross revenue (per barrel)	\$2.33	2.55	2.16	2.31
Net revenue (per barrel)	\$0.74	1.24	0.87	0.54

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, bot. 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
Totals	342	363	575	706
FY percent change	+23%	+6%	+58%	+23%

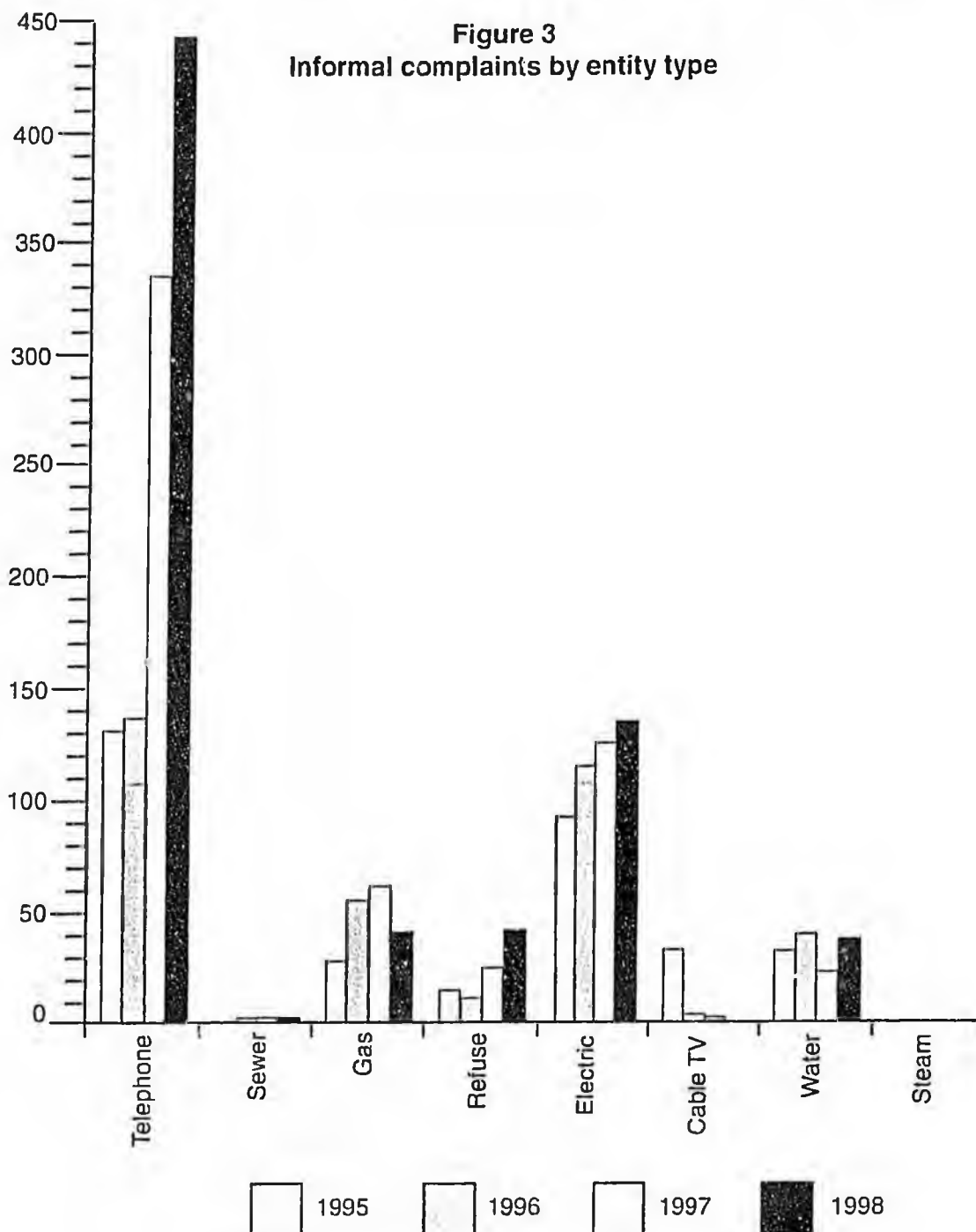


Chief Consumer Protection and  
Information Officer Agnes Pitts

## 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

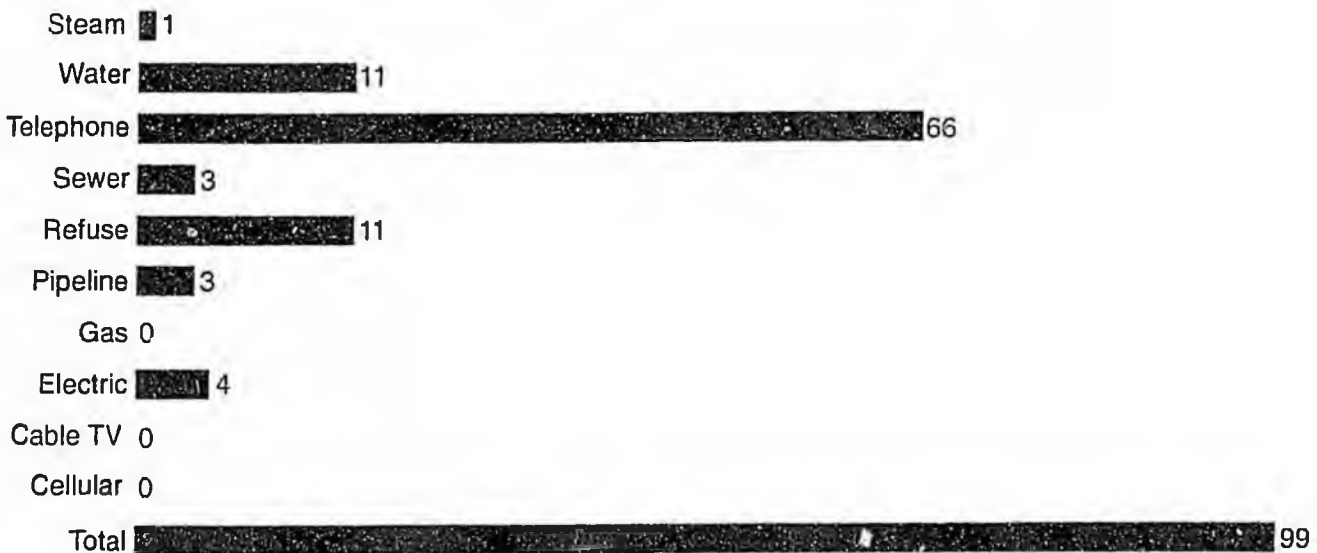
The vast majority of complaints are resolved through the informal complaint process. However, there are procedures for instituting a formal complaint or launching a formal complaint if an informal complaint is not satisfactorily resolved. If a formal complaint is accepted by the Commission for adjudication, 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

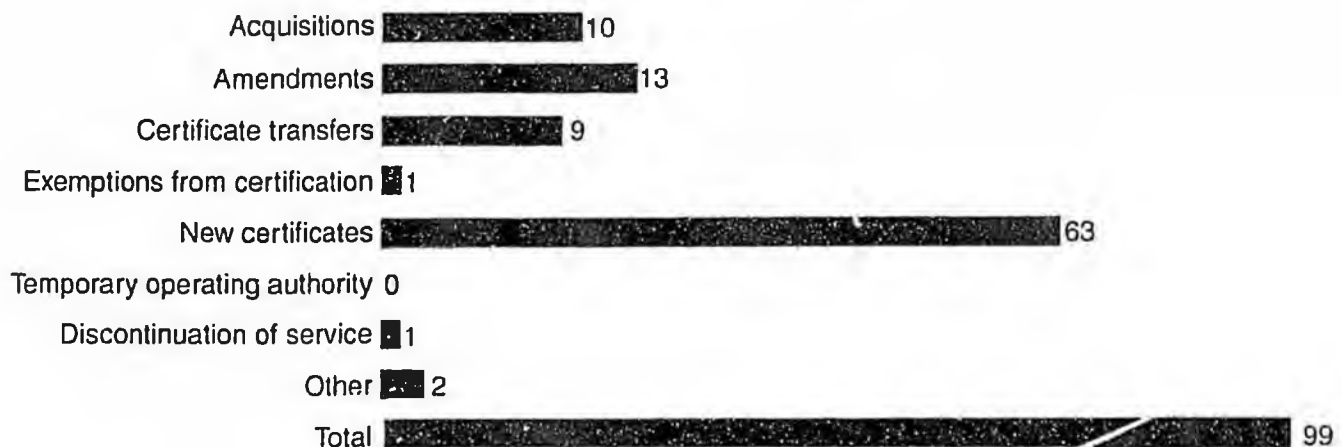
A certificate of public convenience and necessity must be obtained by virtually every utility (with limited exceptions) and pipeline carrier proposing to provide service to the public for compensation. In addition, the Commission must approve all amendments to, or transfers of, certificates as well as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



**Figure 7**  
FY98 Certification dockets 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

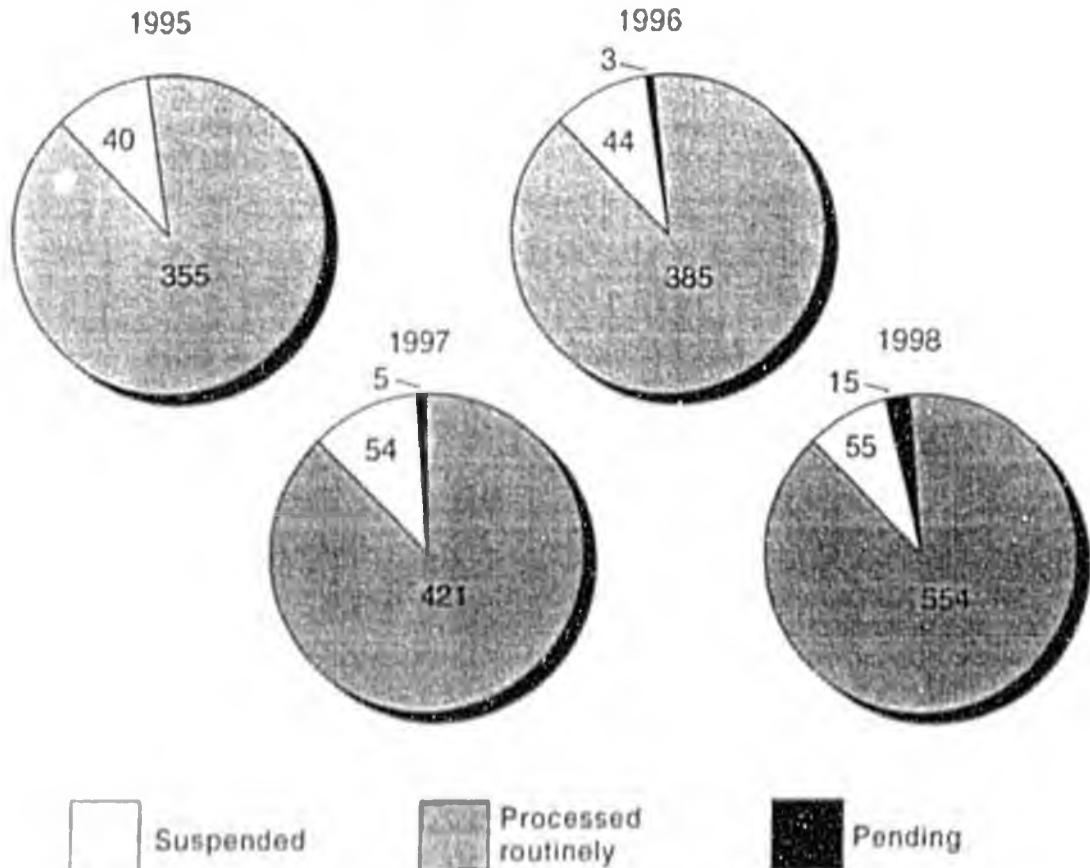
Tariffs are the terms, conditions, rules and rates governing an entity's conduct in providing public service, similar to the manner in which a corporation is governed by its bylaws. In approving a certificate of public convenience and necessity allowing a utility or pipeline carrier to operate, the Commission 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	85	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)

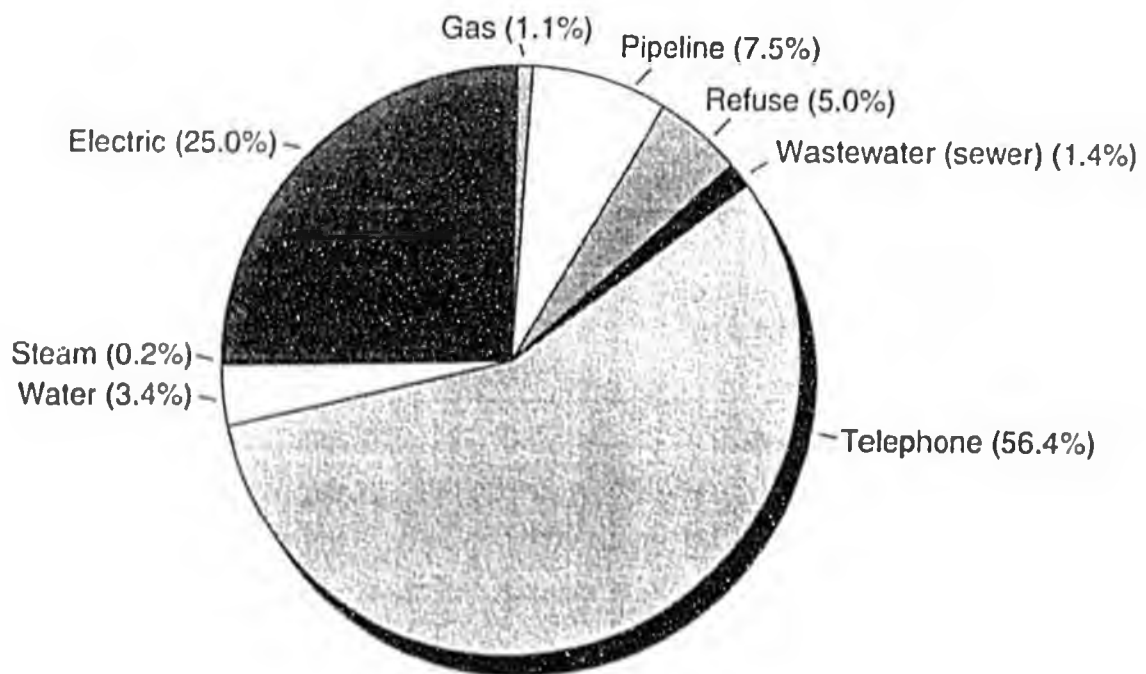
Figure 13 shows a summary of tariff filings used to generate the chart in Figure 14.

**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 Melwes**, **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 Zohel  
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.

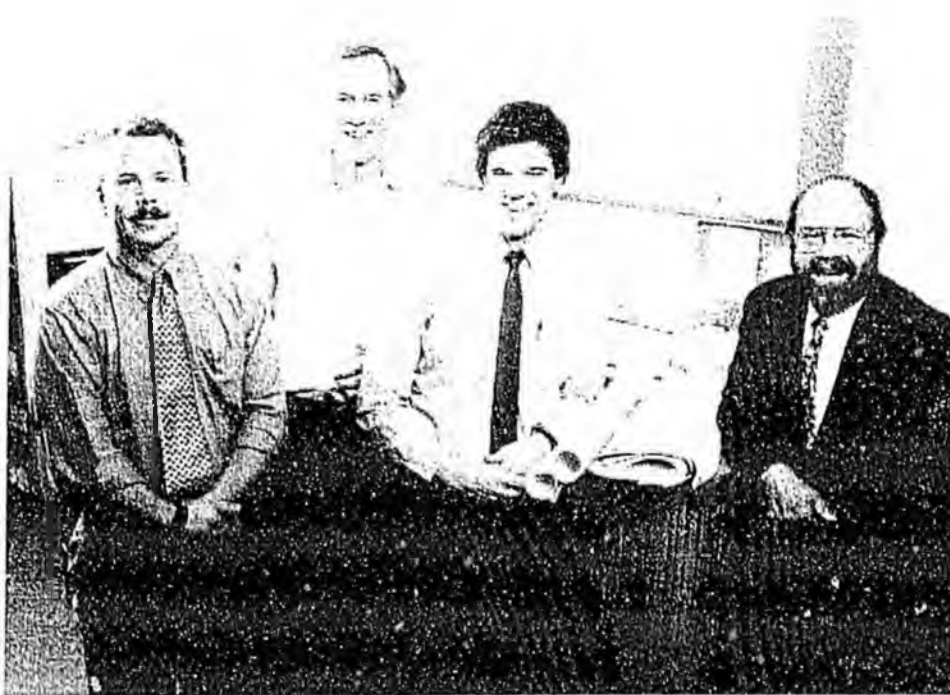
<sup>3</sup> "Economic regulation" (defined in 3 AAC 48.820(43)) means that the Commission's jurisdiction extends to matters concerning rates and charges for public utility or pipeline carrier services, quality of service provided by a utility or pipeline carrier to its customers or shippers, management 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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1016 West Sixth Avenue, Suite 400  
Anchorage, Alaska 99501-1963**

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**SB**

**48**

Ask Marianne  
how much  
money is  
spent in this  
program.

# FISCAL NOTI No. 1

STATE OF ALASKA  
1999 LEGISLATIVE SESSION

Bill Version: SR 48  
(S) Publish Date: 2-25-99

Revision Date/Time (Note if correction) \_\_\_\_\_ Dept. Affected Commerce & Economic Development  
 Title An Act relating to Health Insurance provided and BRU Insurance  
provisions relating to the Comprehensive Health Insurance Association Component Insurance  
 Sponsor Senator Mackie  
 Requester \_\_\_\_\_ Component Serial No. 354

**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>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**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: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill has no fiscal impact on this component.

Prepared by Marianne K. Burke, Director Phone 465-2215  
 Division Insurance Date/Time 2/18/99 3:13 PM  
 Approved by Commissioner Deborah B. Sedwick Date 2/19/99  
 Agency Commerce & Economic Development

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ALASKA STATE LEGISLATURE



STATE CAPITOL  
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## SENATOR JERRY MACKIE

SENATE MAJORITY LEADER

### Sponsor Statement

#### SB 48, State Health Insurance

The Alaska Legislature created the Comprehensive Health Insurance Association (CHIA) in 1992 to provide a health insurance pool for an individual Alaskan whose health condition was considered uninsurable or who could not otherwise find adequate health coverage. The legislation mandated that all providers of health insurance in the state must participate in the pool. The association then makes health insurance available to Alaska residents who are high risks or are federally defined eligible individuals. These people typically suffer the most severe health conditions and face insurmountable costs of medical treatment and care.

In addition to operating the insurance pool, the board of directors of CHIA (which include two consumer advocates) is directed to periodically report on the effectiveness of the association in promoting rate stability, product availability, and affordability of coverage and to make recommendations on further legislative or administrative improvements. Senate Bill 48 is the direct result of this effort by the association to make the program work better and more efficiently. The legislation has the support of the Division of Insurance.

Senate Bill 48 amends AS 21.55 to

1. Allow the board greater flexibility to design more cost effective health insurance plans for individuals eligible for coverage under the CHIA plan.
2. Increase the number of potential administrators of the CHIA by eliminating the requirement that the administrator be an insurer.
3. Allow greater flexibility in evaluating an administrator and in setting the terms of the administrative contract.
4. Simplify administration by decreasing the number of declinations required for eligibility.
5. Make technical corrections relating to the determination of premium rates, terminology, premium payment modes, board member terms and voting at board meetings.

6. Give the director of insurance a more effective and appropriate mechanism to enforce the requirement that members pay their share of the CHIA assessments on a timely basis.

The legislation will allow the board to manage the CHIA in a more cost effective and efficient manner. Also, the legislation is particularly important in light of the new federal requirements and the use of CHIA as the mechanism to guarantee portability of health insurance coverage to federally eligible individuals.

Comprehensive  
Health  
Insurance  
Association  
P.O. Box 240723  
Anchorage, AK 99524-0723



Directors:  
Cecil Bykerk (Chairperson)  
Ross Blaker  
Sandra Cole  
Jeff Davis  
Karl Ideman  
Chester Lozowski  
Robert Niebrugge  
Katherine Campbell (Ex-Officio)

February 2, 1999

The Honorable Jerry Mackie  
Alaska State Senate  
State Capitol Room 427  
Juneau, AK 99801-1182

Dear Senator Mackie:

I was very pleased to hear from your aide, Dave Gray, today regarding the legislation introduced in SB 48. In response to the discussion he and I had concerning this legislation, I would like to indicate in writing the reasons that the Board supports these changes to AS 21.55. In fact, this legislation was developed by the Comprehensive Health Insurance Association's Board of Directors. The Board is composed of five representatives from the top health insurers in Alaska and two consumer members. The Board has spent many hours of basically volunteer time managing this program. Several of us have been with the Board since it was formed in late 1992. We have a passion to make it work the best that it can for the citizens of Alaska.

It is for that reason that we have developed these proposed changes; to make the program work better and more efficiently. I can assure you that these changes will in no way reduce the options provided to the policyholders. In fact it should make it easier for citizens to prove that they qualify while giving the Board greater flexibility in managing the program and reducing the administrative costs.

Specifically, this legislation amends AS 21.55 to

1. Allow the Board greater flexibility to design more cost effective health insurance plans for individuals eligible for coverage under the CHIA plan.
2. Increase the number of potential administrators of the CHIA by eliminating the requirement that the administrator be an insurer.
3. Allow greater flexibility in evaluating an administrator and in setting the terms of the administrative contract.

4. Simplify administration by decreasing the number of declinations required for eligibility.
5. Make technical corrections relating to the determination of premium rates, terminology, premium payment modes, board member terms, definitions and voting at Board meetings.
6. Give the Director of Insurance a more effective and appropriate mechanism to enforce the requirement that members pay their share of the CHIA assessments on a timely basis.

I believe that Director Burke indicated that the Division of Insurance was also in support of this legislation. The Board is appreciative of the assistance that the Division gives it in administering the program.

Finally, it is necessary that I indicate that a few minor changes to the legislation as introduced last year and again this year, are desirable. These changes are described in an attachment. Also enclosed with this letter, please find a Sectional Analysis of the legislation.

The Board is enthused about the advancement of this legislation. We stand ready to aid in whatever way we can. If you would like to have one or more of us testify at any hearings, please let us know so that we can arrange schedules to comply. If you have need of any other information please let us know. My telephone number is (402) 351-2534. My fax is (402) 351-5944 and my e-mail is [cecil.bykerk@mutualofomaha.com](mailto:cecil.bykerk@mutualofomaha.com).

Sincerely,



Cecil D. Bykerk, FSA, MAAA  
Chair, Comprehensive Health Insurance Association

cc: Director Marianne Burke

Attachments

## REQUESTED CHANGES TO SB 48

Please note the items in blue on the attached marked copy of SB48.

In Sections 2, 3, 4 and 20, the indicated changes are of a technical nature so as to properly define or to make proper reference.

The change in the maximum out-of-pocket limit in Section 7 of the bill from \$2,500 to \$1,500 was originally requested by the consumer members of the Board. This change would ensure that at least one plan of insurance would be offered that had a maximum out-of-pocket limit of \$1,500.

The change in Section 14 would provide for more effective and appropriate enforcement of the requirement that members pay their share of the CHIA assessments on a timely basis.

These changes were unanimously endorsed by the Board and fully supported by the Division of Insurance.

We hope that these changes can be made with minimal disruption to the process. We apologize that the original legislation submitted in 1998 failed to incorporate these changes.

SLA 92

AN ACT

1 Relating to pooled health insurance for individuals who are uninsured or denied adequate coverage; and  
2 providing for an effective date.

3  
4 \* Section 1. PURPOSE. It is the purpose of this Act to provide access to health insurance to all  
5 residents of the state who are presently denied adequate health insurance or who are considered  
6 uninsurable.

7 \* Sec. 2. AS 21 is amended by adding a new chapter to read:

8 CHAPTER 55. STATE HEALTH INSURANCE.

9 ARTICLE 1. COMPREHENSIVE HEALTH INSURANCE ASSOCIATION.

10 Sec. 21.55.010. CREATION; MEMBERSHIP. There is established a nonprofit  
11 incorporated legal entity to be known as the Comprehensive Health Insurance Association.  
12 Membership consists of all licensed hospital or medical service corporations in the state that offer  
13 subscriber contracts for major medical coverage and all insurers licensed to transact health  
14 insurance in the state that offer policies for major medical coverage on an expense incurred basis.

**Cross references.** — For statement of legislative purpose in enacting this chapter, see § 1, ch. 126, SLA 1992 in the Temporary and Special Acts.

### Article 1. Comprehensive Health Insurance Association.

**Section**

- 10. Creation; membership
- 20. Board of directors; organization
- 30. General powers

**Section**

- 40. Plan of operation
- 50. Administrative Procedure Act
- 60. Tax exemption

**Sec. 21.55.010. Creation; membership.** There is established a nonprofit incorporated legal entity to be known as the Comprehensive Health Insurance Association. Membership consists of all licensed hospital or medical service corporations in the state that offer subscriber contracts for major medical coverage, all health maintenance organizations or other managed care arrangements approved by the director, and all insurers licensed to transact health insurance in the state that offer policies for major medical coverage on an expense incurred basis. All members shall maintain membership in the association as a condition of doing health insurance business, or being able to offer subscriber contracts or enrollment in a health maintenance organization or managed care arrangement, in the state. (§ 2 ch 126 SLA 1992; am § 2 ch 125 SLA 1994)

**Effect of amendments.** — The 1994 amendment, effective July 1, 1994, inserted “, all health maintenance organizations or other managed care arrangements approved by the director,” in the second sen-

lence and inserted “or enrollment in a health maintenance organization or managed care arrangement” in the last sentence.

**Sec. 21.55.020. Board of directors; organization.** (a) The board of directors of the association shall be made up of seven individuals. Five board members shall be selected by participating members, subject to approval by the director of the division of insurance, and two board members shall be consumers selected by the director of the division of insurance. The director or the director's designee shall serve as a nonvoting ex officio member of the board. In determining voting rights at members' meetings, a member is entitled to vote in person or proxy. The vote shall be a weighted vote based upon the member's premiums for health insurance for major medical coverage on an expense incurred basis, or the member's subscriber fees, derived from or on behalf of state residents in the previous calendar year, as determined by the director. In approving members of the board, the director shall consider, among other things, whether all types of participating members are fairly represented. Members of the board may be reimbursed from the association for expenses incurred by them as members, but may not otherwise be compensated by the association for their services. The costs of conducting meetings of the association and its board of directors shall be borne by members of the association.

(b) The board shall study and prepare a report at least once every three years on the effectiveness of this chapter. The report must include an analysis of the effectiveness of this chapter in promoting rate stability, product availability, and affordability of coverage. The report may contain recommendations for legislative or other regulatory action. The board shall notify the legislature that the report is available. (§ 2 ch 126 SLA 1992; am § 42 ch 21 SLA 1995)

**Effect of amendments.** — The 1995 amendment, effective August 8, 1995, in subsection (b), substituted

“prepare a report” for “report to the legislature” in the first sentence and added the last sentence.

**Sec. 21.55.030. General powers.** The association may  
(1) exercise the powers granted to insurers under the laws of the state;

- (2) sue or be sued;
- (3) enter into contracts with
- other persons for the purpose of
- (4) establish administrative
- association; and
- (5) receive funds from the state (SLA 1992)

**Sec. 21.55.040. Plan of operation.** The plan of operation and any amendments shall become effective upon approval by the director. If the director fails to submit a suitable plan of operation within 60 days after the hearing, the director shall, after a hearing, adopt reasonable provisions of this chapter, or the provisions shall be deemed adopted by the director or superseded by the director.

- (b) All members of the association shall be eligible to vote.
- (c) The plan of operation shall be subject to the following:
  - (1) establish procedure for the adoption of this chapter will be performed;
  - (2) establish procedure for the adoption of this chapter will be performed;
  - (3) establish the amount of the contribution under AS 21.55.020;
  - (4) establish regular plan of operation;
  - (5) establish procedure for the adoption of this association, its agents, and its employees;
  - (6) provide that a member of the association may appeal to the director;
  - (7) establish procedure for the adoption of this chapter to the director;
  - (8) contain additional powers and duties of the association.

**Sec. 21.55.050. Administrative Procedure Act.** 44.62 (Administrative Procedure Act)

**Sec. 21.55.060. Tax exemption.** and taxes levied by the state on the net personal property. (§ 2)

### Article

**Section**

- 100. Types of insurance plans
- 110. Minimum benefits of state health insurance
- 120. Deductibles and copayment

**Sec. 21.55.100. Types of insurance plans.** to residents who are high priority health care recipients. The plan of health insurance shall include deductibles as described in this section.

- (2) sue or be sued;
- (3) enter into contracts with insurers, similar associations in other states, or with other persons for the performance of administrative functions;
- (4) establish administrative and accounting procedures for the operation of the association; and
- (5) receive funds from sources other than members of the association. (§ 2 ch 126 SLA 1992)

**Sec. 21.55.040. Plan of operation.** (a) The association shall submit to the director a plan of operation and amendments necessary or suitable to assure the fair, reasonable, and equitable administration of the association. The plan of operation and amendments become effective upon approval in writing by the director. If the association fails to submit a suitable plan of operation by December 22, 1992, or if at subsequent time the association fails to submit suitable amendments to the plan, the director may, after notice and hearing, adopt reasonable regulations necessary or advisable to effectuate the provisions of this chapter. These regulations shall continue in force until modified by the director or superseded by a plan submitted by the association and approved by the director.

(b) All members of the association shall comply with the plan of operation.

(c) The plan of operation shall

- (1) establish procedures whereby all the powers and duties of the association under this chapter will be performed;
- (2) establish procedures for handling assets of the association;
- (3) establish the amount and method of reimbursing members of the board of directors under AS 21.55.020;
- (4) establish regular places and times for meetings of the board of directors;
- (5) establish procedures for records to be kept of all financial transactions of the association, its agents, and the board of directors;
- (6) provide that a member insurer aggrieved by a final action or decision of the association may appeal to the director within 30 days after the action or decision;
- (7) establish procedures whereby selections for the board of directors will be submitted to the director;
- (8) contain additional provisions necessary or proper for the execution of the powers and duties of the association. (§ 2 ch 126 SLA 1992)

**Sec. 21.55.050. Administrative Procedure Act.** The association is exempt from AS 44.62 (Administrative Procedure Act). (§ 2 ch 126 SLA 1992)

**Sec. 21.55.060. Tax exemption.** The association is exempt from the payment of fees and taxes levied by the state or any of its political subdivisions except taxes levied on real or personal property. (§ 2 ch 126 SLA 1992)

## Article 2. State Health Insurance Plans.

### Section

- 100. Types of insurance plans
- 110. Minimum benefits of state health insurance plan
- 120. Deductibles and copayments

### Section

- 130. Preexisting conditions
- 140. Persons, care, and services not covered
- 150. State plan premiums

**Sec. 21.55.100. Types of insurance plans.** (a) The association shall make available to residents who are high risks or to federally defined eligible individuals an individual health plan of health insurance. The association shall offer three alternatives related to deductibles as described in AS 21.55.120 and may offer additional deductible alterna-

CS SB 48 (NES)

## Sectional Analysis

"An Act relating to the Comprehensive Health Insurance Association"

### Section. 1. AS 21.55.020

Amendments to this section clarify the voting methodology to be used in board and association meetings and establish reasonable terms for members of the board.

Current law defines the voting methodology to be used at association meetings as premium weighted. However, this methodology is not appropriate for board meetings, since the public members would not have a vote and the small insurers would essentially have no vote due to the fact that, Alaska's health insurance market is overwhelmingly dominated by only a few carriers. Therefore, amendments to this section clarify that each member receives only one vote at board meetings giving proper representation of the members of the board.

### Sec. 2. AS 21.55.100(a)

### Sec. 4. AS 21.55.100(d)

### Sec. 6. AS 21.55.120(a)

### Sec. 7. AS 21.55.120(c)

Amendments to these sections allow the board greater flexibility in developing cost-saving health benefit plans for high risk individuals by expanding the deductible, coinsurance and out-of-pocket maximum options and providing for more appropriate out-of-pocket limits in relation to the deductible. These changes will also allow for the development of a structure that encourages more cost-effective use of services.

### Sec. 3. AS 21.55.100(c)

Amendments to this section clarify that coverage under the CHIA plan is available to all persons eligible under the chapter which is consistent with AS 21.55.100(a) and (d).

### Sec. 9. AS 21.55.150

Amendments to this section eliminate the conflict between the requirement that the premium rates not be excessive or inadequate and the requirement that premium rates not be greater than 200% of standard premium rates. CHIA is essentially a pool for uninsurable health insurance risks, which means in general that the premium rates will not be adequate to cover the costs.

Also, the current requirements regarding the calculation of the premium rates are amended to allow additional flexibility in determining the premium rates. Current statute requires that the premium rates be based on standard rates of the top 5 insurers in the state. Since there are fewer than 5 significant individual comprehensive health insurers in the state, this basis for calculating the premium rates results in the use of rates that are not necessarily appropriate for the Alaska market.

### Sec. 10. AS 21.55.200

### Sec. 23. AS 21.55.500

The amendments to these sections allow greater flexibility in selecting an administrator and strengthen the criteria under which a plan administrator will be evaluated.

Since the inception of CHIA, only one insurer has offered to administer the plan. Amendments to these sections will increase the number of potential administrators by eliminating the requirement that the administrator be an insurer. This should result in reduced administrative costs by opening the door to many other entities that have an expertise in administration of individual health insurance type contracts. The greater number of bidders should result in better bargaining power for CHIA in negotiating administrative fees and services. CHIA's administrative expenses are currently the highest in the nation.

**Sec. 11. AS 21.55.210**

Amendments to this section will allow greater flexibility in evaluating an administrator and in setting the terms of the administrative contract.

**Sec. 14. AS 21.55.220(d)**

The first amendment to this subsection will give the director a more effective and appropriate mechanism to enforce the requirement that members pay their share of the CHIA assessments on a timely basis. This amendment establishes a monetary penalty for failure to pay within the established timeframe.

The second amendment will allow the board to excuse members from assessment, if the assessment amount is minimal. This will give the board the flexibility to determine the level of assessment at which it becomes cost prohibitive to assess a member.

**Sec. 17. AS 21.55.330**

The amendment to this section clarifies that monthly premium modes would be acceptable. Allowing a monthly premium mode is particularly important for the individuals in the CHIA plans, since premiums are relatively high.

**Sec. 20. AS 21.55.500(6)**

The amendment to this section corrects a minor error in the definition of a "federally defined eligible individual". The current law does not conform with federal law.

**Sec. 21. AS 21.55.500(18)**

The amendment to this section modifies the definition of "residents who are high risks" in order to simplify the eligibility requirements to allow an individual with only one declination to be eligible for coverage. Under current law individuals must wait to receive two formal declinations in order to prove eligibility under the plan. This often results in a long waiting period for the individual before they can be covered under the CHIA plan.

**Sec. 23. AS 21.55.500(22)**

This amendment defines the term "plan administrator".

**Sec. 24.**

This section repeals unnecessary provisions. AS 21.55.120(d) is no longer needed since reference to the consumer price index has been removed in AS 21.55.120(a) and (c). AS 21.55.120(e) is no longer needed since the provisions in AS 21.55.100(a) and (d) allow this flexibility. AS 21.55.500(21) is no longer needed since it is replaced with the more appropriate term "plan administrator".

**Sec 5.**

**Sec. 8.**

**Sec. 12.**

**Sec. 15.**

**Sec. 16.**

**Sec. 18.**

**Sec. 19.**

**Sec. 22.**

Amendments to these sections simply change the term "writing carrier" to "plan administrator" which is defined in AS 21.55.500(22). The term "writing carrier" is a misnomer as it implies that the administrator of the CHIA is insuring the plan when in fact the CHIA is the "insurer".

**SB**

**50**

# FISCAL NOTE

STATE OF ALASKA  
1999 LEGISLATIVE SESSION

BILL NO. SB 50

Revision Date/Time (Note if correction): \_\_\_\_\_  
 Title: Boiler and Pressure Vessel Inspections  
 Sponsor: Senate Labor and Commerce  
 Requester: Senate Labor and Commerce

Department Affected: Labor  
 BRU: Labor Standards and Safety  
 Component: \_\_\_\_\_  
Mechanical Inspection  
 COMPONENT SERIAL NO. 348

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

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

OPERATING	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						
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CHANGE IN REVENUE	40.0	40.0	40.0	40.0	40.0	40.0
FUND SOURCE #	1005	1005	1005	1005	1005	1005

**FUNDING:** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
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>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY99) impact: \$ None

**ANALYSIS:** (Attach a separate page if necessary)

This change will allow the department to increase efficiency by better utilizing the skills of our existing inspector personnel. These individuals are competent, by virtue of their special training, to perform annual inspections of cast iron boilers and domestic hot water heaters. Those vessels account for an estimated one-half of the current backlog of boilers overdue for inspection. By having certain state employees perform limited boiler inspections on a part-time basis, the current rate of growth in inspection backlog should be stopped and a positive reduction of the existing backlog can be achieved. Inspections performed by these inspectors is expected to generate additional receipts.

Prepared by: Alan W. Dwyer, Director Phone: 465-4855  
 Division: Labor Standards and Safety Date/Time: 2/3/99 1:41 PM  
 Approved by Commissioner: Ed Flanagan, Commissioner  
 Agency: Department of Labor Date: 2/3/99

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# FISCAL NOTE

STATE OF ALASKA  
1999 LEGISLATIVE SESSION

BILL NO. SB 50

Revision Date/Time (Note if correction): \_\_\_\_\_

Department Affected: Labor

Title: Boiler and Pressure Vessel Inspections

BRU: Labor Standards and Safety

Sponsor: Senate Labor and Commerce

Component: \_\_\_\_\_

Requester: Senate Labor and Commerce

Mechanical Inspection

COMPONENT SERIAL NO. 346

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

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

OPERATING	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>

<b>CAPITAL</b>						
----------------	--	--	--	--	--	--

<b>CHANGE IN REVENUE</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>
<b>FUND SOURCE #</b>	<b>1005</b>	<b>1005</b>	<b>1005</b>	<b>1005</b>	<b>1005</b>	<b>1005</b>

**FUNDING:** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
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>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY99) impact: 9 None

**ANALYSIS:** (Attach a separate page if necessary)

This change will allow the department to increase efficiency by better utilizing the skills of our existing inspector personnel. These individuals are competent, by virtue of their special training, to perform annual inspections of cast iron boilers and domestic hot water heaters. Those vessels account for an estimated one-half of the current backlog of boilers overdue for inspection. By having certain state employees perform limited boiler inspections on a part-time basis, the current rate of growth in inspection backlog should be stopped and a positive reduction of the existing backlog can be achieved. Inspections performed by these inspectors is expected to generate additional receipts.

Prepared by: Alan W. Dwyer, Director 

Phone: 468-4855

Division: Labor Standards and Safety

Date/Time: 2/3/99 1:41 PM

Approved by Commissioner: Ed Flanagan, Commissioner 

Agency: Department of Labor

Date: 2/3/99

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# STATE OF ALASKA

TONY KNOWLES, GOVERNOR

**DEPARTMENT OF LABOR**  
**OFFICE OF THE COMMISSIONER**

P.O. BOX 21149  
JUNEAU, ALASKA 99802-1149  
PHONE: (907) 465-2700  
FAX: (907) 465-2784

February 5, 1999

The Honorable Jerry Mackie  
Chair, Senate Labor and Commerce  
State of Alaska  
Room 427, Capitol Building  
Juneau, AK 99801

*Dove*  
*OK*

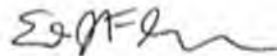
Dear Senator Mackie:

Thank you for introducing S.B. 50, an act relating to Boiler and Pressure Vessel Inspections. I respectfully ask that you schedule a committee hearing for this important piece of legislation.

The Department is currently severely backlogged in its inspections of boilers and pressure vessels. Of the 6,000+ vessels that are overdue for inspection, a large percentage, over half, are of this type. This legislation will allow the Commissioner to identify certain state employees as approved inspectors for the purpose of performing routine annual inspections on this type of overdue vessel. For example, our state plumbing inspectors are journeymen plumbers trained to install and service this type of equipment and could, with a minimal amount of training from a Board certified boiler inspector, be trained to perform annual inspections on this type of equipment.

This will free up the National Board approved boiler inspectors to address those vessels that are of a larger, more complex nature, such as high capacity pressure vessels, and large capacity commercial and industrial boilers. This strategy should greatly assist the Department in addressing the backlog of boilers and pressure vessels that are overdue for inspection. This legislation will allow cross training and more efficient utilization of existing staff to the benefit of the public.

Sincerely,



Ed Flanagan  
Commissioner

EF/DP:ets

cc: Dwight Perkins, Deputy Commissioner  
Al Dwyer, LS&S Director  
Randy Carr, LS&S Chief

*Thanks, Jerry.  
This will be a  
big help in reducing  
backlog & working  
more efficiently  
in the future*  
-ED

# STATE OF ALASKA

TONY KNOWLES, GOVERNOR

**DEPARTMENT OF LABOR**  
**OFFICE OF THE COMMISSIONER**

P.O. BOX 21149  
JUNEAU, ALASKA 99802-1149  
PHONE: (907) 465-2700  
FAX: (907) 465-2784

February 5, 1999

The Honorable Jerry Mackie  
Chair, Senate Labor and Commerce  
State of Alaska  
Room 427, Capitol Building  
Juneau, AK 99801

*Done*  
*OK*

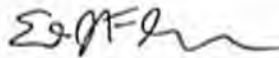
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**S B**

**5 1**

1-LS0378\D  
Lauterbach✓  
2/8/99

CS FOR SENATE BILL NO. 51( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to barbers, hairdressers, manicurists, and cosmetologists; providing  
2 that the only qualification necessary for licensure as a manicurist, other than  
3 payment of fees, is completion of a class that is 12 hours in duration, addresses  
4 relevant health, safety, and hygiene concerns, and is offered through a school  
5 approved by the Board of Barbers and Hairdressers; and providing for an  
6 effective date."

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

8 \* Section 1. AS 08.13.010(b) is amended to read:

9 (b) The board consists of

10 (1) two persons licensed as barbers under this chapter;

11 (2) two persons licensed as hairdressers under this chapter, one of  
12 whom is also licensed as an esthetician [A COSMETOLOGIST] under this chapter;

13 and

1 (3) one public member.

2 \* Sec. 2. AS 08.13.030 is amended to read:

3 **Sec. 08.13.030. Powers and duties of the board.** (a) The board shall  
4 exercise general control over the vocations of barbering, hairdressing, manicuring, and  
5 esthetics [COSMETOLOGY].

6 (b) The board shall

7 (1) examine applicants and approve the issuance of licenses and permits  
8 to practice;

9 (2) authorize the issuance of licenses for schools of barbering,  
10 hairdressing, manicuring, and esthetics [COSMETOLOGY].

11 (c) The board may

12 (1) suspend or revoke a license or permit;

13 (2) on its own motion or upon receipt of a written complaint, conduct  
14 hearings and request the Department of Commerce and Economic Development to  
15 investigate the practices of a person, shop, or school involved in the practice or  
16 teaching of barbering, hairdressing, manicuring, or esthetics [COSMETOLOGY];

17 (3) adopt regulations or do any act necessary to carry out the provisions  
18 of this chapter.

19 \* Sec. 3. AS 08.13.040 is amended to read:

20 **Sec. 08.13.040. Meetings and examinations.** The board shall meet as often  
21 as necessary to conduct its business. It shall conduct separate examinations covering  
22 the following fields [EACH FIELD] of practice: barbering, hairdressing, and esthetics  
23 [COSMETOLOGY]. Examinations shall be given at least twice in every year for each  
24 of these fields [FIELD] of practice for which applications for licensure are pending.  
25 An applicant may take an examination in more than one field during the same testing  
26 session. The board may not require an applicant for licensure as a manicurist to  
27 take or pass an examination for the field of manicuring.

28 \* Sec. 4. AS 08.13.070 is amended to read:

29 **Sec. 08.13.070. License required.** A person may not

30 (1) practice barbering, hairdressing, manicuring, or esthetics  
31 [COSMETOLOGY] without a license, temporary permit, temporary license, or student

1 permit unless exempted under AS 08.13.160(d);

2 (2) practice barbering, hairdressing, manicuring, or esthetics  
3 [COSMETOLOGY] except in a shop or school licensed under this chapter unless  
4 exempted under AS 08.13.160(d) or permitted under AS 08.13.160(e);

5 (3) open or conduct a school of barbering, hairdressing, manicuring,  
6 or esthetics [COSMETOLOGY] without a license;

7 (4) teach in a school of barbering, hairdressing, manicuring, or  
8 esthetics [COSMETOLOGY], or supervise an apprentice without an instructor's  
9 license;

10 (5) operate a shop in violation of AS 08.13.120;

11 (6) permit an employee or other person being supervised who is not  
12 exempted under AS 08.13.160(d) to practice barbering, hairdressing, manicuring, or  
13 esthetics [COSMETOLOGY] without a license, temporary permit, temporary license,  
14 or student permit;

15 (7) permit the use of the person's license, temporary permit, temporary  
16 license, or student permit by another person;

17 (8) obtain or attempt to obtain a license, temporary permit, temporary  
18 license, or student permit by fraudulent means.

19 \* Sec. 5. AS 08.13.080 is amended to read:

20 Sec. 08.13.080. **Qualifications of applicants.** An applicant for an  
21 examination authorized under AS 08.13.040 must

22 (1) have successfully completed all courses that a school with a  
23 curriculum in barbering approved by the board is required to teach in order to be  
24 licensed under AS 08.13.110 if applying for a license to practice barbering;

25 (2) have successfully completed all courses that a school with a  
26 curriculum in hairdressing approved by the board is required to teach to be licensed  
27 under AS 08.13.110 if applying for a license to practice hairdressing;

28 (3) have successfully completed all courses that a school with a  
29 curriculum in esthetics [COSMETOLOGY] approved by the board is required to teach  
30 in order to be licensed under AS 08.13.110 if applying for a license to practice  
31 esthetics [COSMETOLOGY];

1 (4) have served an apprenticeship under AS 08.13.082;

2 (5) specify the field of practice in which the applicant intends to teach  
3 and have held a license to practice in the field for three years or have held a license  
4 in the field for one year and have completed 600 hours of student training as an  
5 instructor in the field of practice from a licensed school with a curriculum approved  
6 by the board if applying for a license as an instructor; or

7 (6) have completed a combination of course work and apprenticeship  
8 acceptable to the board.

9 \* Sec. 6. AS 08.13.080 is amended by adding a new subsection to read:

10 (b) The board shall issue a license to practice manicuring to an applicant who

11 (1) submits documentation that the applicant has completed a  
12 manicuring course from a school licensed under AS 08.13.110 as a school of  
13 manicuring; and

14 (2) pays the appropriate fee.

15 \* Sec. 7. AS 08.13.082(c) is amended to read:

16 (c) The period of apprenticeship required to qualify an applicant for a license  
17 to practice esthetics [COSMETOLOGY] is 350 hours. The apprenticeship must be  
18 served in a shop approved by the board. The apprenticeship may not be completed in  
19 less than six months from the date of its commencement and must be completed in not  
20 more than one year from the date of its commencement.

21 \* Sec. 8. AS 08.13.100(b) is amended to read:

22 (b) A practitioner license must state the areas of practice (barbering,  
23 hairdressing, manicuring, esthetics [COSMETOLOGY], or any combination) that the  
24 practitioner is qualified to perform.

25 \* Sec. 9. AS 08.13.100(c) is amended to read:

26 (c) The board may by regulation create areas of limited professional licensing  
27 in the field of esthetics [COSMETOLOGY, EXCEPT THAT THE BOARD MAY  
28 NOT RESTRICT OR OTHERWISE REGULATE THE PRACTICE OF MANICURE  
29 OR PEDICURE]. Any limitation must be stated on the license.

30 \* Sec. 10. AS 08.13.100(d) is amended to read:

31 (d) A person holding a current valid license from a board of barbering,

1 hairdressing, manicuring, or esthetics [COSMETOLOGY] in another state is entitled  
2 to a license under this chapter without examination in this state. An application must  
3 include

4 (1) proof of a valid license issued by another licensing jurisdiction;

5 (2) proof of completed training, testing, and working experience that  
6 the board finds to meet the minimum requirements of the state; and

7 (3) payment of a credential investigation fee.

8 \* Sec. 11. AS 08.13.100 is amended by adding a new subsection to read:

9 (e) A person licensed as an instructor is considered to be licensed as a  
10 practitioner and is subject to the same requirements that a practitioner is subject to, in  
11 the same area for which the person is licensed as an instructor, except that, for  
12 purposes of setting fees under AS 08.01.065, the department shall consider instructors  
13 to be an occupation separate from practitioners. An instructor license shall state the  
14 areas of practice (barbering, hairdressing, manicuring, esthetics, or any combination)  
15 in which the licensee is qualified to instruct and practice.

16 \* Sec. 12. AS 08.13.110 is amended to read:

17 Sec. 08.13.110. School license. The board shall adopt regulations for the  
18 licensing of schools of barbering, hairdressing, manicuring, and esthetics  
19 [COSMETOLOGY]. The regulations must include details of the curriculum, minimum  
20 hours of instruction, physical condition of the facilities, and financial responsibility of  
21 the owner. The only curriculum the board may require for a school of manicuring  
22 is a curriculum of 12 hours of instruction or training that addresses health, safety,  
23 and hygiene concerns that are relevant to the practice of manicuring. The board  
24 may not issue a license to a school of manicuring if the school requires its  
25 students to complete more than 12 hours of instruction or training before the  
26 school will certify that the student has completed the school's manicuring course  
27 for purposes of AS 08.13.080(b).

28 \* Sec. 13. AS 08.13.130 is amended to read:

29 Sec. 08.13.130. Display of license or permit. A practitioner shall display the  
30 practitioner's license in a conspicuous location in the practitioner's place of business.  
31 Each shop owner is responsible for the display of the licenses of employees. A person

1 holding a student permit, temporary license, or temporary permit shall display the  
2 permit or license in a conspicuous location in the school in which the person is  
3 enrolled or the shop in which the person [APPRENTICE] works. The school or shop  
4 owner is responsible for the display of a permit or license for each enrolled student,  
5 [OR] apprentice, or temporary license holder.

6 \* Sec. 14. AS 08.13.150 is amended to read:

7 **Sec. 08.13.150. Grounds for refusal, suspension, or revocation of a license**  
8 **or permit.** The board may refuse, suspend, or revoke a license, student permit,  
9 temporary license, or temporary permit for failure to comply with this chapter, with  
10 a regulation adopted under this chapter, or with an order of the board.

11 \* Sec. 15. AS 08.13.160(d) is amended to read:

12 (d) The licensing and permit provisions of this chapter do not apply to

13 (1) a person practicing barbering, hairdressing, manicuring, or  
14 esthetics [COSMETOLOGY] in a community having a population of less than 1,000  
15 people that is not within 25 miles of a community of more than 1,000 people and who  
16 uses only chemicals available to the general public;

17 (2) a shampoo person;

18 (3) a licensed health care professional;

19 (4) a person licensed by another licensing jurisdiction in a field of  
20 practice licensed by this chapter while demonstrating techniques or products to persons  
21 holding licenses or permits under this chapter.

22 \* Sec. 16. AS 08.13.170 is amended to read:

23 **Sec. 08.13.170. Temporary permits.** The department shall issue a temporary  
24 permit to an applicant for licensing who holds a license to practice as a barber,  
25 hairdresser, manicurist, or esthetician [COSMETOLOGIST] in another state. The  
26 permit is valid until the board either issues a permanent license or rejects the  
27 application. The board shall act on an application within six months.

28 \* Sec. 17. AS 08.13 is amended by adding a new section to read:

29 **Sec. 08.13.175. Temporary license.** A person who meets the requirements  
30 of AS 08.13.080(a)(1), (2), (3), (4), or (6) is entitled to be temporarily licensed after  
31 applying for examination under this chapter if the applicant works under the direct

1 supervision, and within the physical presence, of a person who is licensed in the area  
2 of practice for which the applicant has applied for examination. A temporary license  
3 issued under this section is valid for 120 days and is nonrenewable. A person may not  
4 receive more than one temporary license for each area of practice licensed under this  
5 chapter. An application for a temporary license must be signed by the supervising  
6 licensee and accompanied by the temporary license fee required under AS 08.13.185.

7 \* Sec. 18. AS 08.13.180 is amended to read:

8       **Sec. 08.13.180. Student permits.** A person attending a licensed school of  
9 barbering, hairdressing, manicuring, or esthetics [COSMETOLOGY] and a person  
10 apprenticed to a licensed instructor in a shop approved by the board shall obtain a  
11 student permit. A student permit to practice barbering or hairdressing is valid for two  
12 years. A student permit to practice manicuring or esthetics [COSMETOLOGY] is  
13 valid for one year. A student permit may not be renewed, but, upon application, the  
14 board may issue a new permit to the same person or extend an expired permit to the  
15 date of the next scheduled examination if the permit is for the practice of barbering,  
16 hairdressing, or esthetics. Credit earned under an expired student permit may be  
17 transferred to a new permit as determined by the board.

18 \* Sec. 19. AS 08.13.185(a) is amended to read:

19       (a) The Department of Commerce and Economic Development shall set fees  
20 under AS 08.01.065 for initial licenses and renewals for the following:

- 21           (1) schools;
- 22           (2) school owners;
- 23           (3) instructor;
- 24           (4) shop owner;
- 25           (5) practitioner of barbering;
- 26           (6) practitioner of hairdressing;
- 27           (7) practitioner of manicuring;
- 28           (8) practitioner of esthetics [COSMETOLOGY];
- 29           (9) [(8)] temporary permit;
- 30           (10) temporary license;
- 31           (11) [(9)] student permit.

1 \* Sec. 20. AS 08.13.190 is amended to read:

2           Sec. 08.13.190. **Failure to possess a license or permit.** A person who  
3 practices barbering, hairdressing, manicuring, or esthetics [COSMETOLOGY], or  
4 operates a shop, or operates a school of barbering, hairdressing, manicuring, or  
5 esthetics [COSMETOLOGY], or teaches in a school of barbering, hairdressing,  
6 manicuring, or esthetics [COSMETOLOGY], without a license, temporary permit,  
7 temporary license, or student permit and who is not exempt under AS 08.13.120 or  
8 under AS 08.13.160(d) is guilty of a class B misdemeanor.

9 \* Sec. 21. AS 08.13.210 is amended to read:

10           Sec. 08.13.210. **Health and sanitary conditions.** Health and sanitary  
11 conditions in shops and schools of barbering, hairdressing, manicuring, and esthetics  
12 [COSMETOLOGY] shall be supervised by the Department of Environmental  
13 Conservation.

14 \* Sec. 22. AS 08.13.220(4) is amended to read:

15           (4) "esthetics" ["COSMETOLOGY"] means the use of the hands,  
16 appliances, cosmetic preparations, antiseptics, or lotions in massaging, cleansing,  
17 stimulating, or similar work on the scalp, face or neck, including skin care, make-up,  
18 and temporary removal of superfluous hair, for cosmetic purposes for a fee;

19 \* Sec. 23. AS 08.13.220(5) is amended to read:

20           (5) "hairdressing" means performing, for a fee, the following services  
21 for cosmetic purposes:

22                   (A) [SHAVING,] trimming [,] or cutting the beard of a living  
23 person; and

24                   (B) arranging, styling, dressing, curling, temporary waving,  
25 permanent waving, cutting, singeing, bleaching, coloring, cleansing,  
26 conditioning, or similar work on the hair of a living person;

27 \* Sec. 24. AS 08.13.220(6) is amended to read:

28           (6) "instructor" means a person who teaches barbering, hairdressing,  
29 manicuring, or esthetics [COSMETOLOGY] in a school or who supervises an  
30 apprentice;

31 \* Sec. 25. AS 08.13.220(7) is amended to read:

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(7) "practitioner" means a person licensed to practice barbering, hairdressing, manicuring, or esthetics [COSMETOLOGY] under this chapter;

\* Sec. 26. AS 08.13.220(9) is amended to read:

(9) "shop" is an establishment operated for the purpose of engaging in barbering, hairdressing, manicuring, or esthetics [COSMETOLOGY].

\* Sec. 27. AS 08.13.220 is amended by adding a new paragraph to read:

- (10) "manicuring"
  - (A) means, for a fee, to
    - (i) cut, trim, polish, color, tint, or cleanse a natural or artificial nail;
    - (ii) affix material by artificial means to a natural nail for the addition to or extension of the natural nail;
    - (iii) cleanse, treat, or beautify the hands or feet for cosmetic purposes; or
    - (iv) otherwise treat the nails of the hand or foot except as provided in (B) of this paragraph;
  - (B) notwithstanding (A) of this paragraph, does not include
    - (i) massage treatment; or
    - (ii) cleansing, treating, or beautifying the hands or feet solely for the treatment of disease or physical or mental ailments.

\* Sec. 28. AS 44.46.020 is amended to read:

**Sec. 44.46.020. Duties of department.** The Department of Environmental Conservation shall

- (1) have primary responsibility for coordination and development of policies, programs, and planning related to the environment of the state and of the various regions of the state;
- (2) have primary responsibility for the adoption and enforcement of regulations setting standards for the prevention and abatement of all water, land, subsurface land, and air pollution, and other sources or potential sources of pollution of the environment, including by way of example only, petroleum and natural gas pipelines;

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

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

5 (5) adopt regulations for

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

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

9 (C) standards of cleanliness and sanitation in connection with  
10 the construction, operation, and maintenance of a camp, cannery, food handling  
11 establishment, food manufacturing plant, mattress manufacturing establishment,  
12 industrial plant, school, barbershop, hairdressing, manicuring, or esthetics  
13 [COSMETOLOGY] establishment, soft drink establishment, beer and wine  
14 dispensaries, and for other similar establishments in which lack of sanitation  
15 may create a condition that causes disease;

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

18 \* Sec. 29. REGULATIONS. The Board of Barbers and Hairdressers and the Department  
19 of Environmental Conservation shall begin the process of developing regulations to implement  
20 this Act. A regulation takes effect under AS 44.62 but not before the effective date of the law  
21 that is implemented by the regulation.

22 \* Sec. 30. Section 29 of this Act takes effect immediately under AS 01.10.070(c).

23 \* Sec. 31. The amendments to AS 08.13.070, as amended by sec. 4 of this Act, and  
24 AS 08.13.190, as amended by sec. 20 of this Act, that add the word "manicuring" take effect  
25 September 1, 2001.