

ALASKA LEGISLATURE COMMITTEES, 2003-2004 86/2

10949 HOUSE LABOR & COMMERCE



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March 10, 2003

The Honorable Tom Anderson
Chair, House Labor and Commerce Committee
Alaska State Legislature
Juneau, Alaska

Subject: HB 111, Extension of the Regulatory Commission of Alaska

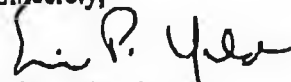
Dear Representative Anderson,

ARECA represents the electric utility industry of Alaska. Our members generate roughly 90 % of the electricity provided to the general public throughout the State. My Board of Directors has taken a very active interest in the efficiency of the Regulatory Commission for Alaska (RCA) and has unanimously adopted the following resolution and white paper on the issue. ARECA cannot support HB 111 as presently written. We strongly believe that the present regulatory process is much too cumbersome, time consuming, and very expensive. My members have called for a one-year sunset extension; and statutory amendments that will streamline the regulatory process. However, we are aware that the Governor and Legislature have been grappling with the RCA issue for two sessions now and would like to get this issue behind them so that other more pressing issues can be resolved. In fact the Governor's staff has indicated to ARECA that the Governor plans to straighten out the RCA issue "administratively." While this level of interest encourages us, the RCA is an independent body and we therefore remain only mildly sanguine about an administrative fix. Nevertheless, my members would like to work with the Governor and therefore are prepared to support a four year sunset extension as requested under HB 111, but we would like to have the legislature pass amendments to the RCA statutes that would help the Governor insure that the RCA gets fixed.

Attached to the ARECA resolution and "white paper" is a summary of issues that we would like to see the legislature address. I am prepared to provide you with statutory language that would implement these ideas.

I request that you make this letter and its attachments available to House Labor and Commerce Committee members for consideration at today's committee hearing.

Sincerely,


Eric P. Yould
Executive Director

Resolution 03-17

A Resolution Regarding the Sunset Review of Regulatory Commission of Alaska and Recommending Changes

The Regulatory Commission of Alaska (RCA) was under sunset review by the 2002 Alaska Legislature it was given a one-year extension by the Legislature and Governor following a special session. The legislation also established an interim committee to review the RCA process and make recommendations on how the functions of the commission can be streamlined.

ARECA members have expressed serious concerns about the RCA's impaired timeliness, duplication of staff effort and poor quality decision-making in some economic and non-economic regulatory cases. The members' concerns have caused both unnecessary expenses and significant lost revenues costing electric ratepayers millions of dollars over the past three years.

Additional staff were given to the RCA over the past three years but several hundred filings remain unresolved many of which are several years old. Alaska's electric ratepayers deserve timely, cost-effective reviews based upon sound regulatory rule-making practices.

Furthermore, the 1999 Legislature, added a new but separate regulatory review staff function known as the "Public Advocacy Section" (PAS) within the RCA to intervene in filings when designated by the chair of the RCA resulting in duplicative staff reviews and audits which have concluded with conflicting analysis and recommendations costing ratepayers unnecessary expenses and lost revenues.

It is ARECA's intention to establish a "white paper" on changes that need to be considered by the legislature to streamline the RCA and to realign the value and effectiveness of the PAS. Pending the changes required to make the RCA a valued and effective regulatory body, ARECA recommends a conditional one-year sunset extension for the RCA.

ALASKA RURAL ELECTRIC COOPERATIVE ASSOCIATION, INC.**White Paper Regarding ARECA Board Resolution 03-17**

The Regulatory Commission of Alaska (RCA) was created in 1999 through passage of the Alaska Public Utilities Regulatory Act, ch. 25 SLA 1999. In 2002, the RCA was under sunset review by the 2002 Alaska Legislature. During that review, the utility industry and some legislators expressed significant concerns about the RCA's inability to process cases in a timely manner and a perceived lack of impartiality in the RCA's decision-making processes. Following a special session, the Legislature and the Governor extended the RCA's termination date by one year, imposed modest statutory timelines for deciding cases, and enacted a statute regarding impartial decision-making. The Legislature also created a task force to analyze the operation of the RCA.

In its sunset review audit of the RCA, dated November 26, 2002, the Alaska Division of Legislative Audit recommended that the RCA's termination date be extended by two years to June 30, 2005. For the reasons stated below, ARECA believes more vigilant legislative oversight is still required and proposes that the RCA's termination date be extended by one year to June 30, 2004.

Despite the efforts expended during the last session and the RCA's recent progress in attending to the case backlog it inherited from the Alaska Public Utilities Commission, ARECA's members have seen little improvement in the RCA's operations. ARECA's members have expressed serious concerns about the RCA's continued lack of timely case processing and order issuance, inefficient use of staff resources, inconsistent application of regulatory principles and precedent, and procedural irregularities in performing rulemaking functions.

Related to these problems, there has been significant delay in the RCA's implementation of a Management Information System (MIS) in the three and one-half years since it was required by Section 26 of the 1999 Act. Despite the Legislative Auditor's charitable finding that the MIS has been "substantially implemented," that implementation was only recently completed and only "on a piecemeal basis spread among a variety of systems rather than on a single, fully-integrated mainframe." This failure to implement an adequate MIS has resulted in inefficiency and non-compliance with state statute.

For example, the RCA has repeatedly failed to comply with AS 42.05.254(h), which the Legislature enacted in 1999. That statute required the RCA to adopt regulations establishing a cost-based methodology for fairly allocating collection of the RCA's annual budget from the various utility industries through regulatory cost charges (RCCs). The RCA has consistently declined to even begin that rulemaking process, despite ARECA's encouragement that it do so. The 1999 Act exempted the RCA from this requirement for the fiscal year 2001 RCC determination. Because of the RCA's failure to adopt the required regulations, its fiscal year 2002 and 2003 RCCs were not determined based on the methodology required by AS 42.05.254(h).

To help address the continuing deficiencies of the RCA, ARECA proposes that the Legislature adopt new statutory amendments that will guide the RCA toward more efficient and fair regulation of Alaska's utilities. ARECA proposes statutory amendments in three general areas: (1) RCA procedure and decision-making; (2) the Public Advocacy Section; and (3) RCA rate making. ARECA's primary proposed amendments are summarized below.

RCA procedure and decision-making

In 2002, the Legislature adopted modest statutory timelines for issuance of RCA orders after a utility makes a complete filing (AS 42.05.175). To enhance and protect the effectiveness of those timelines, ARECA proposes amendments that will: (1) require the RCA to clearly state what documents and additional information are needed for a filing to be considered "complete"; (2) limit what constitutes "good cause" for the RCA to unilaterally extend a statutory timeline; and (3) expand the scope of these and other statutory timelines to also apply to the RCA's processing of power cost equalization filings by unregulated electric utilities.

One of the concerns of ARECA members is that the RCA is inconsistent in its application of regulatory rules and principles and is not guided by its own precedent. To help address these issues, ARECA proposes a new statute requiring the RCA to either adhere to its own precedent or explain its departure from precedent.

The RCA relies heavily on its advisory staff when deciding cases. In some orders, the RCA attaches to its decision a copy of a written advisory staff recommendation. Other times, the RCA does not attach the recommendation or even notify the parties that such a recommendation exists. ARECA proposes amendments that will require the RCA to publish all substantive, written recommendations of its advisory staff and provide a means by which an affected party can file a response prior to the RCA issuing its decision.

Public Advocacy Section

Currently, the Public Advocacy Section (PAS) intervenes in RCA cases whenever directed to do so by the RCA Chair. In theory, the PAS is supposed to be an independent party and the RCA is prohibited from having *ex parte* communications with the PAS. In practice, however, the RCA gives significant deference to the PAS, including special discovery powers that no other parties have. The RCA assigns the PAS as a party to virtually every docket that will result in a hearing, even when the issues are relatively narrow or insignificant, when there are already several adverse parties in a case, or when the PAS' involvement would unduly delay a case. To make the PAS' involvement more efficient and independent, ARECA proposes statutory amendments that will: (1) clarify that the PAS' role is to advocate for the public interest, including both customers' rate interests and reasonable cost recovery for utilities; (2) require that the PAS consider the need for its advocacy, procedural efficiency, and avoidance of case delay before it seeks to intervene in a docket; (3) increase the independence of the PAS by making it reportable to the Commissioner of the Department of Community and Economic Development, instead of to the RCA Chair; and (4) prohibit the RCA from affording the PAS greater rights and powers than those of other independent parties.

RCA Rate Making

ARECA members are concerned about the RCA not following its own precedent and inconsistently applying rules when determining what costs should be recovered in utility rates. These inconsistencies create unwarranted uncertainty regarding what the RCA will or will not allow.

In addition, despite the RCA's backlog of cases and difficulties with issuing timely orders, the RCA has established a pattern of attempting to increase the number of utilities that have to file rate cases, which are very costly and burdensome to litigate. For example, for decades electric utilities have used monthly cost of power adjustment (COPA) surcharges to quickly flow-through fuel, purchased power, and related cost changes (both increases and decreases) to customers without the utility having to spend hundreds of thousands of dollars on a general rate case every year. In 2002, the RCA, on its own initiative, proposed new regulations that would significantly limit the types of costs that a utility could recover through the COPA mechanism. The results would have been increased costs for utilities to file full rate cases more often and an increased number of RCA dockets opened when the RCA already suffers from a significant case backlog.

To address these issues, ARECA proposes statutory amendments to AS 42.05.381 that will require the RCA to (1) allow an electric utility to elect to recover all reasonable fuel, purchased power, and related costs through the COPA mechanism; (2) allow a utility to defer and amortize rate recovery of certain significant, non-recurring costs to better match customer costs with customer benefits; and (3) allow a utility to recover through rates all reasonable costs associated with conducting a rate case before the RCA. Finally, ARECA proposes an amendment that will clarify existing AS 42.05.381(b) to allow a municipally-owned and -operated utility to include a reasonable annual rate of return on investment when calculating its revenue requirement and to do so under a rate base/rate of return methodology.

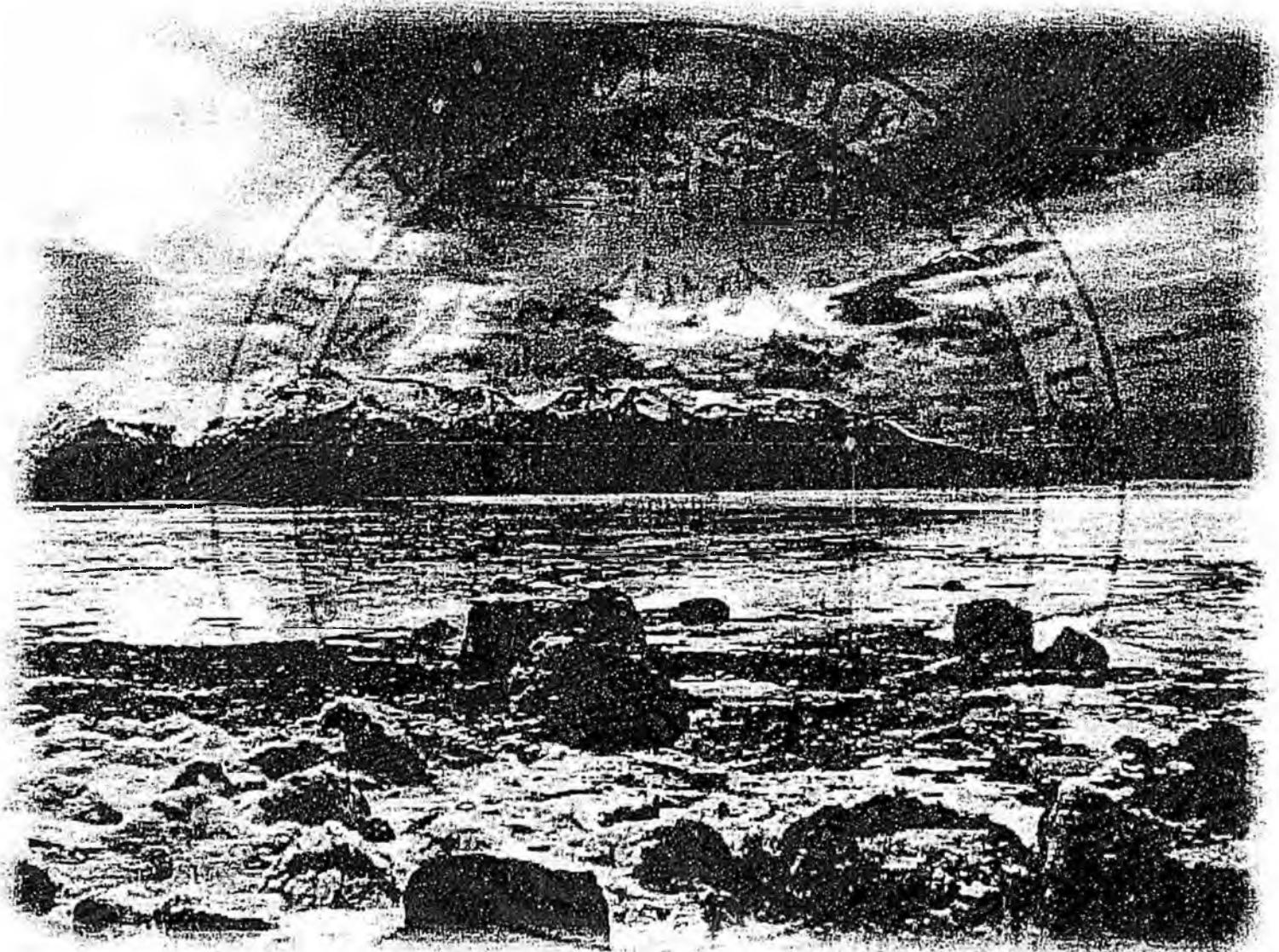
Conclusion

ARECA recommends that its proposed statutory amendments be enacted and that the RCA's termination date be extended by one year to June 30, 2004.

ARECA REVISED STATUTORY AMENDMENTS REGARDING THE RCA
February 25, 2003

- I. Allow RCA to hire non-DOL attorneys as RCA employees [AS 42.04.040]
- II. Provide for an executive director to supervise and manage advisory staff, not the RCA chair [AS 42.04.050]
- III. Restructure the Public Advocacy Section (PAS) [AS 42.04.070(a), (c); AS 42.04.080(c); 42.04.150]
 - A. Move PAS under the direction of the Commissioner of Department of Community and Economic Development
 - B. Clarify PAS' public interest role
 - C. Afford the PAS the same rights and duties as other parties
- IV. Clarify existing timelines statute to apply the timelines to unregulated PCE filings and requests for changes to depreciation rates [AS 42.05.175(b)]
- V. Require RCA to follow its own precedent or explain its departure [AS 42.05.195]
- VI. Increase RCA Staff pay scale to allow RCA to attract and retain qualified professionals [AS ??]

Regulatory Commission 
of Alaska



2002 Annual Report

Regulatory Commission of Alaska

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STATE OF ALASKA

DEPARTMENT OF COMMUNITY
AND ECONOMIC DEVELOPMENT

REGULATORY COMMISSION OF ALASKA

FRANK H. MURKOWSKI,
GOVERNOR

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ANCHORAGE, ALASKA 99501-3469
PHONE: (907) 276-6222
FAX: (907) 276-0160
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WEB SITE: <http://www.state.ak.us/rca>

January 2, 2003

Honorable Pete Kott, Speaker of the House
and
Honorable Gene Therriault, President of the Senate

Dear Speaker Kott and President Therriault:

On behalf of the Regulatory Commission of Alaska we are pleased to submit to the Alaska State Legislature the Thirty-third Annual Report of the Regulatory Commission of Alaska, covering the fiscal year ending June 30, 2002. This is filed pursuant to AS 42.05.211 and AS 42.06.220.

Respectfully yours,

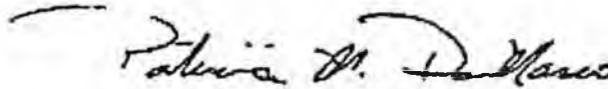
REGULATORY COMMISSION OF ALASKA



Chair



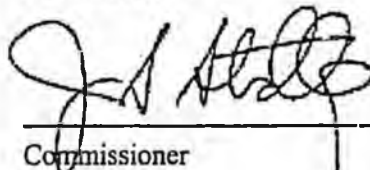
Commissioner



Commissioner



Commissioner



Commissioner



MISSION STATEMENT

"To protect consumer interests by ensuring affordable, reliable utility and pipeline services and ensuring that the utility and pipeline infrastructure is adequate to support community needs."



Chair Thompson (center) is flanked (left to right) by Commissioners Abbott, Smith, DeMarco, and Strandberg.

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Fiscal year 2002 was the third year of operation for the Regulatory Commission of Alaska (RCA). It was another year of significant progress for the agency.

The Regulatory Commission of Alaska significantly reduced the backlog inherited from the Alaska Public Utilities Commission. Since the RCA's inception in 1999, we have closed over 700 dockets, while opening an average of 175 new dockets each year. The number of pending dockets has been substantially reduced, and our active caseload is stabilizing at less than 350 dockets. Overall, the Commission decreased the number of pending cases by 11-percent from fiscal year 2001.

To improve the Commission's operations, we implemented a computerized management information system designed to improve our efficiency. The Commission electronically records all filings submitted to the Commission and links these filings to a daily Mailsheet that is available electronically to the public. This system has increased the agency's productivity and allows the public to access data quickly. We continue to increase the amount and type of information available on our website. In fiscal year 2003, the Commission will begin to incorporate the statutory deadlines and reporting requirements established by the Legislature at the end of the last session.

We held several significant hearings, including proceedings on rate change requests from Golden Heart Utilities, Inc., College Utilities Corporation, Alaska Communications Systems, Inc., ENSTAR Natural Gas Company, a Division of SEMCO, and Chugach Electric Association, Inc. As with all rate cases, we review economically regulated utility's rates to allow providers to recover reasonable costs while protecting consumers' interests.

The telecommunications industry has seen dynamic changes occur at a national level, and in our own Alaskan market. The Commission continues to be actively involved in the federal regulatory process advocating for the interests

of Alaskan telecommunications carriers that deliver services to high cost areas with federal support. By our efforts to balance the Telecommunications Act's dual goals of competition and universal service, we assure that Alaskans have affordable and reliable telecommunications options. During the fiscal year, the agency submitted a successful application to the U.S. Department of Agriculture for a grant program to spread broadband Internet access to Alaskan communities not yet connected to the Internet.

In fiscal year 2002, the Commission adopted several significant sets of regulations. These regulation projects included restructuring long distance telecommunications to protect telephone consumers from slamming (the unauthorized switching of a consumer's long distance or local phone service provider); adopting rules to clarify how utilities compensate each other for pole attachments; and defining the role of the Public Advocacy Section. The Commission started several new regulatory projects during the year, including drafting a new regulatory framework for small rural water and wastewater utilities and considering revisions to the telecommunications access charge process.

The 2001 Legislative Audit analysis stated the Commission operates effectively and efficiently and therefore, recommended that we continue to regulate public utilities and pipeline carriers for the next four fiscal years. After a special session, the Legislature extended the agency and operations for one year and adopted deadlines for the Commission to resolve filings. Legislators also changed the process for nomination of the Commission chair to allow Commissioners to elect a chairperson every year.

The Commission is proud of its accomplishments in fiscal year 2002 and will continue to strive to improve the way the agency conducts business.

Sincerely,

G. Nanette Thompson
Chair



CHAIR G. NANETTE THOMPSON



Chair G. Nanette Thompson was appointed to the Regulatory Commission of Alaska on July 1, 1999, with a term expiring June 30, 2004. Ms. Thompson served on the Alaska Public Utilities Commission from 1995 to 1996.

Ms. Thompson is admitted to the practice of law in Alaska, since 1983, and Washington, since 1982. She has seventeen years of experience as a lawyer in private practice representing business and individual clients and as an Assistant Attorney General for the State of Alaska. After graduating with honors in International Relations from Stanford in 1978, she earned her law degree from the University of Washington in 1982.

Ms. Thompson is an active member of the National Association of Regulatory Utility Commissioners Committee on Telecommunications and was appointed to the Board of Directors in October of 2002, for a two-year term. She was appointed by the Federal Communications Commission (FCC) to serve on the Federal-State Joint Conference on Delivery of Advanced Services in November 1999, and served as State Chair from 1999 to 2001. She was appointed by the FCC to the Universal Service Joint Board in August 2000, and was elected State Chair in 2001.

Ms. Thompson is active in community activities. She served on the Salvation Army's Booth Home Advisory Board from 1989 to 1994, acting as President in 1994, and on the Campfire Boys and Girls Board from 1995 to 2000. She and her husband have five children ranging in age from 13 to 27.

COMMISSIONER BERNIE SMITH



Commissioner Bernie Smith was appointed to the Regulatory Commission of Alaska on July 1, 1999, with a term expiring on June 30, 2003.

Mr. Smith came to the Regulatory Commission of Alaska after serving sixteen years with Tesoro Alaska Petroleum Company. While employed with Tesoro he held positions as Manager of Alaska Government Affairs and Special Projects, Senior Engineer, and Project Engineer. In 1973, Mr. Smith graduated from Texas A&M University, with a Bachelor of Science degree in Engineering Technology. He has been active in several community organizations, currently serving as board member of the Chugiak-Eagle River Chamber of Commerce and a board member of the State Chamber of Commerce. At the time of his appointment, Mr. Smith was a member of the Alaska Board of Marine Pilots. He served as President and board member of the Boys and Girls Club of the Kenai Peninsula, and was a board member of Nikiski Fire Service Board.

Mr. Smith has two sons, ages 18 and 20.

COMMISSIONER PATRICIA M. DEMARCO



COMMISSIONER WILL ABBOTT



Commissioner Patricia M. DeMarco, Ph.D. was appointed to the Regulatory Commission of Alaska on July 1, 1999, with a term ending June 30, 2002. Dr. DeMarco was reappointed by Governor Tony Knowles to serve for six more years. She serves on the National Association of Regulatory Utility Commissioners Committee on Consumer Affairs. Dr. DeMarco previously occupied the position of President of the Anchorage Economic Development Corporation for four years. She brings to the Commission a strong interest in utility infrastructure as a mechanism to expand the economic potential of Alaska. She has a multi-disciplined approach to solving problems and views the role of regulation as a catalyst for change.

Dr. DeMarco came to Alaska in 1995 from Connecticut where her experience included a twenty-year career in various aspects of electric utility regulation, planning, and operation. She also started a nonprofit corporation to diversify the defense dependent economy, especially the area served by the five utilities in the Connecticut Municipal Electric Energy Cooperative.

Dr. DeMarco received formal education at the University of Pittsburgh. She holds a Bachelor of Science and a Doctorate degree in biology and spent seven years in biochemical genetics research. Dr. DeMarco is married with two adult children. She serves as Treasurer of the Anchorage Symphony Orchestra and as Secretary of the Anchorage Downtown Rotary Club.

Commissioner Will Abbott was appointed to the Regulatory Commission of Alaska on July 1, 1999. He was reappointed in 2001 for a term expiring March 1, 2007.

Mr. Abbott previously worked for the Alaska Housing Finance Corporation, Municipality of Anchorage, a local environmental firm, and is retired from the United States Air Force.

Mr. Abbott is married and has two sons.

COMMISSIONER JAMES S. STRANDBERG



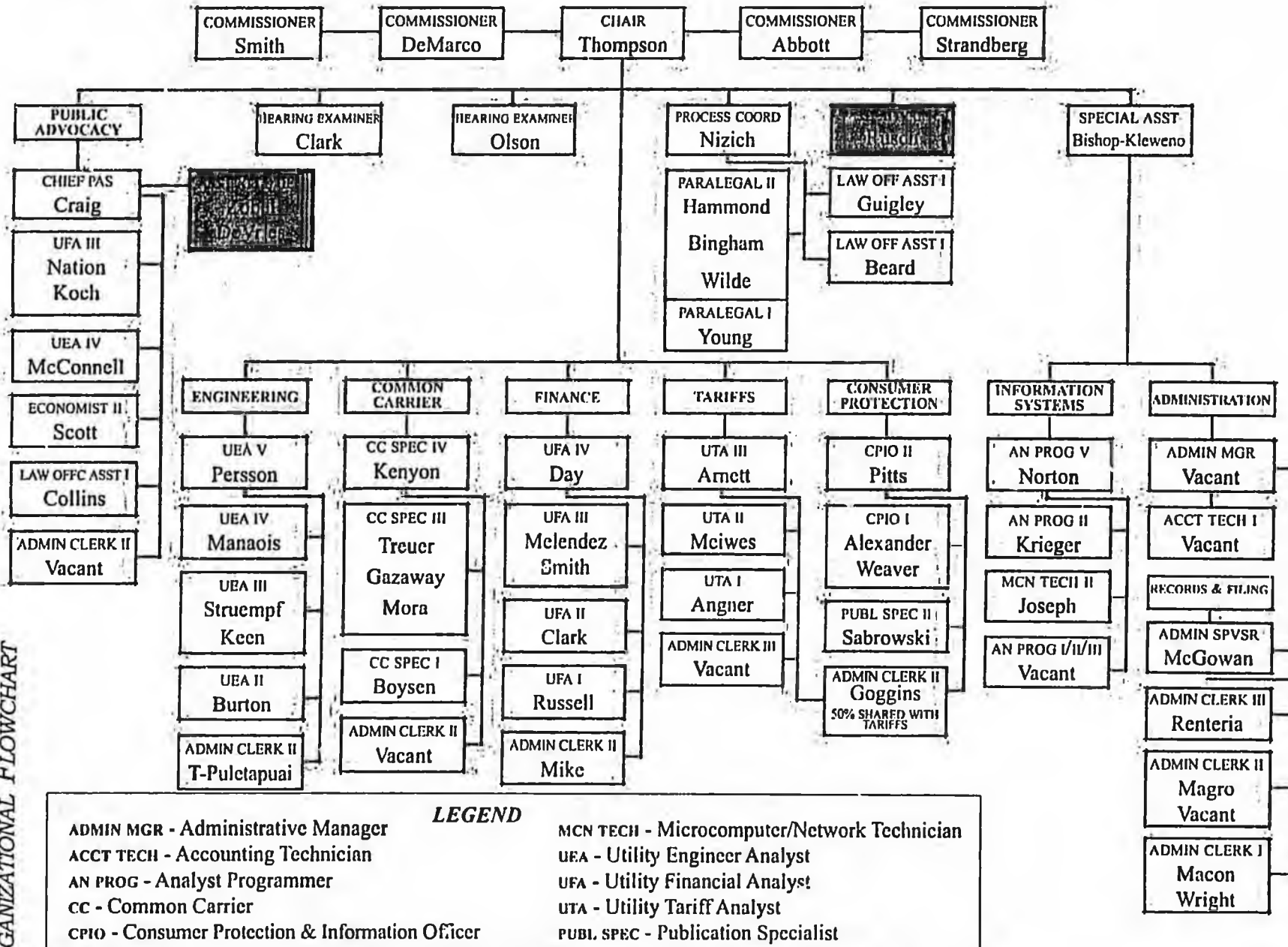
Commissioner James S. Strandberg was appointed to the Regulatory Commission of Alaska on July 1, 1999, and reappointed in 2000 for a six-year term. A life long Alaskan, Mr. Strandberg has twenty-nine years of experience as a Professional Engineer. Born in Anchorage, he attended the University of Alaska, Fairbanks and received a Bachelor of Science degree in Mechanical Engineering in 1970, and a Masters of Science in Arctic Engineering in 1983.

Mr. Strandberg is a registered mechanical and civil engineer in Alaska and has worked in rural and urban areas in his professional practice. Early in his career, Mr. Strandberg worked on the design team for the Trans Alaska Pipeline, and was stationed in Anchorage, Fairbanks, and Houston, Texas. As a Mechanical and Utilities Designer, he worked in private practice designing heating, ventilating and air conditioning, district heating, and power plant systems.

Married for 30 years, Mr. Strandberg and his wife have two grown children.

FORMER COMMISSIONERS

Commissioner	Service Date
James M. Posey	1997 - 1999
Sam Cotten	1995 - 1999
Tim Cook	1994 - 1999
Dwight D. Ornquist	1993 - 1999
Alyce A. Hanley	1993 - 1999
Don Schröer	1991 - 1997
G. Nanette Thompson	1995 - 1996
James E. Carter, Sr.	1992 - 1995
Daniel Patrick O'Tierney	1989 - 1994
Mark A. Foster	1990 - 1993
Susan M. Knowles	1975 - 1993
Don May	1990 - 1992
Peter Sokolov	1987 - 1991
Kathleen E. Whiteaker	1985 - 1990
Louis E. Agi	1983 - 1989
Carolyn S. Guess	1975 - 1989
Marvin R. Weatherly	1975 - 1987
Diana E. Snowden	1981 - 1985
Stuart C. Hall	1976 - 1983
Gordon J. Zerbetz	1963 - 1981
B. Richard Edwards	1974 - 1976
James R. Hendershot	1971 - 1975
John M. Stern, Jr.	1971 - 1973
Loren H. Lounsbury	1967 - 1971
James R. Clouse, Jr.	1967 - 1971
T. Stanton Wilson	1966 - 1966
Harold Moats	1965 - 1966
Maurice Cherkov	1965 - 1965
Joseph Fitzgerald	1964 - 1965
Karl Walter, Jr.	1960 - 1964
Charles Herbert	1960 - 1963
Clyde Gourtnage	1960 - 1963



LEGEND

ADMIN MGR - Administrative Manager	MCN TECH - Microcomputer/Network Technician
ACCT TECH - Accounting Technician	UEA - Utility Engineer Analyst
AN PROG - Analyst Programmer	UFA - Utility Financial Analyst
CC - Common Carrier	UTA - Utility Tariff Analyst
CPIO - Consumer Protection & Information Officer	PUBL. SPEC - Publication Specialist

Positions funded under contract. All positions are located in Anchorage. Last revised November 15, 2002.

RCA ROSTER

The Commission is divided into nine major sections and employs 61 people with an operating budget of \$5,871,300 for the fiscal year 2002. The Chair supervises staff and serves as a liaison between staff and Commissioners, and between the Commission and the Legislature.

Commissioners

Abbott, Will COMMISSIONER
DeMarco, Patricia COMMISSIONER
Smith, Bernie COMMISSIONER
Strandberg, James COMMISSIONER
Thompson, G. Nanette COMMISSIONER, CHAIR

Commission Support Staff

Beard, Brian LAW OFFICE ASSISTANT I
Bingham, Mary Margaret PARALEGAL II
Bishop-Kleweno, Dawn SPECIAL ASSISTANT
Clark, Patricia HEARING EXAMINER
Guigley, Jennifer LAW OFFICE ASSISTANT I
Hammond, Anita PARALEGAL II
Olson, Paul HEARING EXAMINER
Nizich, Rosalie PROCESS COORDINATOR
Rusch, Virginia ASST. ATTORNEY GENERAL¹
Wilde, Ann PARALEGAL II
Young, Yvette PARALEGAL I

Common Carrier Staff

Boysen, Robin COMMON CARRIER SPECIALIST I
Gazaway, Richard COMMON CARRIER SPECIALIST III
Kenyon, Lorraine CHIEF COMMON CARRIER SPEC. IV
Mora, Michael COMMON CARRIER SPECIALIST III
Treuer, Philip COMMON CARRIER SPECIALIST III

Consumer Protection (CP) Staff

Alexander, Tamara CP & INFORMATION OFFICER I
Goggins, Judy ADMINISTRATIVE CLERK II
Pitts, Agnes CHIEF CP & INFORMATION OFFICER II
Sabrowski, Catherine PUBLICATION SPECIALIST II
Weaver, Rose CP & INFORMATION OFFICER I

Engineering Staff

Burton, Jerry UTILITY ENGINEER ANALYST II
Keen, James UTILITY ENGINEER ANALYST III
Persson, Brad CHIEF UTILITY ENGINEER ANALYST V
Manaois, John Paul UTILITY ENGINEER ANALYST IV
Struempf, James UTILITY ENGINEER ANALYST III
Tauaese-Puletapuai, Dorothy ADMINISTRATIVE CLERK II

Finance Staff

Clark, Tyler UTILITY FINANCIAL ANALYST II
Day, Keith CHIEF UTILITY FINANCIAL ANALYST IV
Melendez, Felix UTILITY FINANCIAL ANALYST III
Mike, Laurentia ADMINISTRATIVE CLERK II
Russell, Buell UTILITY FINANCIAL ANALYST I
Smith, Chris UTILITY FINANCIAL ANALYST III

Information Systems Staff

Joseph, Vince MICROCOMPUTER/NETWORK TECH. II
Krieger, Christin ANALYST PROGRAMMER II
Norton, Keith CHIEF ANALYST PROGRAMMER V

Public Advocacy Staff

Collins, Deborah LAW OFFICE ASSISTANT I
Craig, Lew CHIEF PUBLIC ADVOCACY SECTION
DeVries, Steve ASST. ATTORNEY GENERAL¹
Koch, Katherine UTILITY FINANCIAL ANALYST III
McConnell, Tim UTILITY ENGINEER ANALYST IV
Nation, Parker UTILITY FINANCIAL ANALYST III
Scott, Antony ECONOMIST II
Zobel, Ron ASST. ATTORNEY GENERAL¹

Records & Filing Staff

Macon, Leteasha ADMIN. CLERK I, RECEPTIONIST
McGowan, Joyce ADMINISTRATIVE SUPERVISOR
Magro, Holly ADMINISTRATIVE CLERK II
Renteria, Letitia ADMINISTRATIVE CLERK III
Wright, Carolyn ADMINISTRATIVE CLERK I

Tariff Staff

Angner, Matthew UTILITY TARIFF ANALYST I
Arnett, Wendy CHIEF UTILITY TARIFF ANALYST III
Goggins, Judy ADMINISTRATIVE CLERK II
Meiwes, Jennifer UTILITY TARIFF ANALYST III

¹ Employee of the Department of Law contracted to the Commission. Last revised November 15, 2002.



COMMISSION SUPPORT STAFF

Commission Support staff provides legal and administrative assistance to the Chair and Commissioners. The Chair directs these functions with



Leteasha Macon, Receptionist

the aid of a special assistant, assistant attorney general, hearing examiners, paralegal support staff, and clerical support staff.



(Front row, from left) Antony Scott, Rosalie Nizich, Paul Olson, (back row, from left) Mary Margaret Bingham, Jennifer Guigley, Anita Hammond, and Ann Wilde.



COMMON CARRIER STAFF

Common Carrier staff develops and recommends policies concerning local and long distance telephone services, cable, radio, and satellites. Staff administers telecommunication rates, services, and facilities for certificated utilities and presents analyses to the Commission for adjudication. Staff also participates on federal-state joint boards with the Federal Communications Commission and staff from other states.



(Front row, from left) Richard Gazaway, Lorraine Kenyon, Philip Treuer, (back row, from left) Robin Boysen, and Michael Mora.



CONSUMER PROTECTION STAFF

Consumer Protection staff interacts with consumers, utility personnel, members of the media, and staff. Staff investigates and resolves informal consumer complaints, promotes public relations, responds to information requests, and may assist Commission staff with formal complaints. Staff also educates consumers on utility services and rates, and disseminates information to the public and media regarding Commission proceedings.



(Front row, from left) Rose Weaver, Agnes Pitts, Tamara Alexander, (back row, from left) Catherine Sabrowski, and Judy Goggins.

ENGINEERING STAFF

Engineering staff develops and recommends policies concerning utilities for electric, natural gas, steam heat, refuse, water and wastewater, and pipeline carriers. Staff administers rates, services, and facilities for certificated utilities and pipeline carriers. Staff also reviews legal descriptions for service areas, plans for plant expansion, plant-in-service schedules, and depreciation schedules. Staff presents analyses and evaluations to the Commission for adjudication.



(Front row, from left) James Keen, Dorothy Tauaese-Puletapuai, Brad Persson, (back row, from left) James Struempf, John Paul Manaois, and Jerry Burton.

FINANCE STAFF

Finance staff analyzes and evaluates utilities and pipeline carriers financial records, including cost of service studies, Power Cost Equalization, and revenue-requirements. Staff audits utility financial statements, examines historical operating year data, and *pro forma* financial adjustments for all certificated utilities and pipeline carriers.



(Front row, from left) Chris Smith, Tyler Clark, Keith Day, (back row, from left) Felix Melendez, and Buell Russell.

INFORMATION SYSTEMS STAFF

Information Systems staff develops computer programs for the agency's operations, educates staff on software programs, and provides computer support to the Commission. Staff also maintains the Commission's web site and works to automate parts of the Commission's processes.



Vince Joseph, and (seated) Christin Krieger.



PUBLIC ADVOCACY STAFF

Public Advocacy staff provides the Commission with a third party perspective in proceedings to advocate public interest. The Commission assigns cases to the Public Advocacy Section to investigate and participate in proceedings for utilities and pipeline carriers. Staff audits records, engages in settlement discussions, and presents findings with testimony to the Commission.



(Front row, from left) Deborah Collins, Lew Craig, Tim McConnell, (back row, from left) Steve DeVries, Katherine Koch, and Parker Nation.



RECORDS & FILING STAFF

Records & Filing staff manages all of the Commission's public records, orders, and information requests from staff, the public, attorneys, and utilities. Staff processes new filings and documents, maintains current and archive filings, and posts public documents to the Commission's web site.



(Front row) Joyce McGowan, (back row, from left) Letitia Renteria, Holly Magro, and Carolyn Wright.



TARIFF STAFF

Tariff staff investigates and analyzes tariff filings and presents recommendations to the Commission at bimonthly tariff action meetings. Staff coordinates tariff meetings, complies with all public notice requirements for tariff filings, and maintains current master tariffs for all utilities and pipeline carriers.



(Front row, from left) Jennifer Meiwes, Wendy Arnett, Judy Goggins, (back row, from left) Brian Beard, and Matthew Angner.

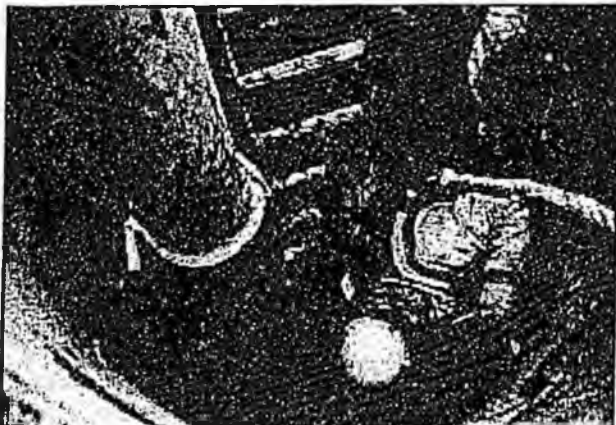
2002 OVERVIEW

The Commission has worked with the hundreds of public utilities in Alaska with the mission to ensure reliable continued service, sound utility management, and fair rates for residents in all communities of the state.

- ⑥ In 1981, the agency's role was expanded to include oversight of pipeline carriers and pipelines when it merged with the Alaska Pipeline Commission.
- ⑥ In 1999, the Legislature reorganized and renamed the agency to the Regulatory Commission of Alaska and established the Public Advocacy Section to advocate public interests.

Utility commissions were originally created to protect consumers, because most utility services are provided by monopolies. Today, commissions are faced with the challenge of evaluating regulations and considering policy changes to encourage telecommunications and refuse competition, while protecting consumer interests.

The Regulatory Commission of Alaska (RCA) strives to balance the utilities' and pipeline carriers' investment recovery and the public's right to receive quality service at a fair price. In doing so, the Commission issues certificates of public convenience and necessity to qualified service providers. The RCA regulates the rates, services, practices, or facilities of 257 utilities and 16 pipeline carriers in Alaska.



A service technician with Anchorage Water and Wastewater Utility (AWWU) works inside a caisson. Photo is courtesy of Municipality of Anchorage d/b/a AWWU.



A "Menzi muck" machine carves out a trench to bury power lines. Photo is courtesy of Alaska Electric Light & Power Company.

- ⑥ The RCA has specific jurisdiction over the operation of electric utilities, natural gas utilities, refuse collection, water and wastewater treatment, steam heat producers, telephone companies (local and instate services), as well as oil and gas pipeline carriers.
- ⑥ The Commission computes the power costs and resultant state assistance amounts for customers of electric utilities participating in the Power Cost Equalization program.
- ⑥ The Commission carries out its regulatory responsibilities through several means. It conducts audits, investigations, public meetings, Tariff Action meetings, informal and formal proceedings, and resolves consumer complaints.
- ⑥ The Commission functions as a quasi-judicial body when rendering decisions in formal proceedings and as a quasi-legislative body when establishing and enforcing its regulations. The statutes and regulations of the state govern the Commission's proceedings and determinations.

OPERATING BUDGET

In 1992, following the mandate of the Legislature, the Commission enacted regulations to recover operating costs through an assessment on the revenues of regulated utilities and pipeline carriers. The Regulatory Cost Charge shows up as a recurring surcharge on the monthly billing statements to consumers and shippers.

The Legislature appropriated and the Governor approved a fiscal year 2003 budget of \$6.04 million, funded entirely from the Regulatory Cost Charge. There are no unrestricted general funds in the fiscal year 2002 appropriation.

<i>Fiscal Year</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>% Change (2001-2002)</i>
<i>Appropriations</i>					
Personal Services	\$2,839,900	\$3,287,000	\$3,422,400	\$3,734,500	
Travel	35,000	35,000	52,200	55,000	
Contractual	1,525,200	1,300,900	1,808,700	2,005,500	
Commodities	62,500	62,500	62,500	62,500	
Equipment	13,800	13,800	13,800	13,800	
<i>Total Appropriations</i>	<i>\$4,476,400</i>	<i>\$4,699,200</i>	<i>\$5,359,600</i>	<i>\$5,871,300</i>	<i>9.5%</i>
<i>Expenditures</i>					
Personal Services	\$2,616,802	\$2,989,089	\$3,402,786	\$3,584,182	
Travel	42,773	56,692	72,359	38,008	
Contractual	1,373,854	1,145,843	1,583,573	1,821,477	
Commodities	64,623	77,919	48,615	82,997	
Equipment	22,421	19,689	10,589	127,401	
Relocation Costs	0	0	140,249	0	
<i>Total Expenditures</i>	<i>\$4,120,473</i>	<i>\$4,289,232</i>	<i>\$5,258,171</i>	<i>\$5,654,065</i>	<i>7.5%</i>
<i>Revenue Receipts¹</i>					
General Fund	\$3,926,597	\$4,289,232	\$5,258,171	\$5,654,065	
Program Receipts ²					
<i>Total Revenues</i>	<i>\$3,926,597³</i>	<i>\$4,289,232</i>	<i>\$5,258,171</i>	<i>\$5,654,065</i>	<i>7.6%</i>

¹ 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 and AS 42.06.610).

² Revenues from the Regulatory Cost Charge user fee are recognized on the modified accrual method of accounting for fiscal years 2000 through 2002. Fourth quarter revenues are generated as of June 30th, but collected in July of the following fiscal year.

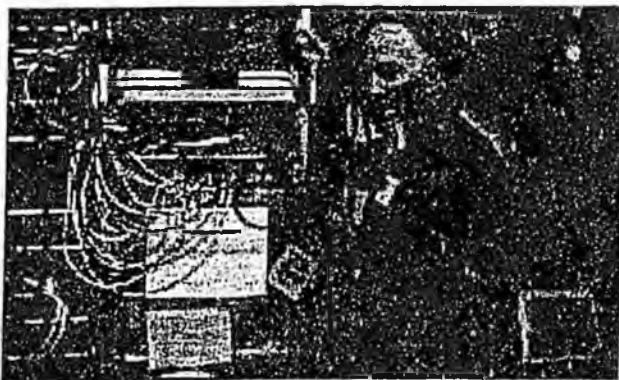
³ Reporting did not include the transfer of \$332,478.63 on August 20, 1999 and \$12,171.32 on November 9, 1999.

ECONOMIC DEVELOPMENT

The Commission supports economic development through the use of the following three tools to ensure reliable utility services at affordable rates:

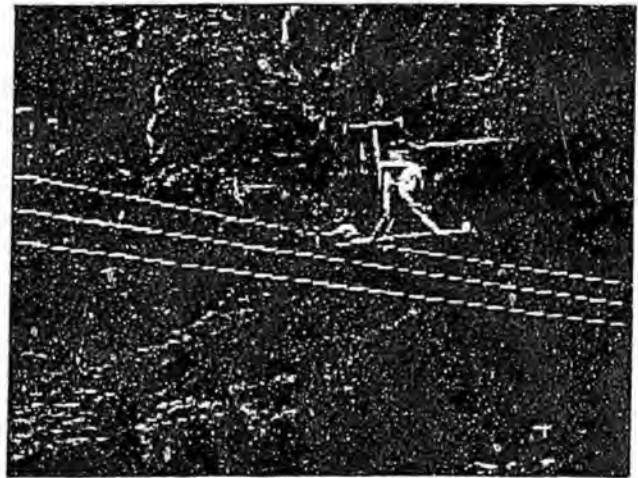
- ⑥ *Comparative Information*
Consumer Protection staff provides public information to consumers about comparative utility services and rates based on filed tariffs.
- ⑥ *Certification Proceedings*
The Commission issues certificates of public convenience and necessity to qualified applicants that possess the financial, technical, and management capabilities to stimulate economic development and meet the present and future demands for services.
- ⑥ *Rate Regulation*
The Commission regulates utilities and pipeline carriers to ensure consumers have reasonable and just rates, with fair rates of return to the utilities. The Commission considers and approves economic development incentive rates, special contracts, and promotions that are in the public interest.

Encouraging rural economic development requires innovative solutions. One of the keys is the improvement of infrastructure to offer advanced telecommunications and energy services in rural areas. Better delivery systems mean a lower cost of power and phone service. Once these communities are linked to the "communications superhighway", there will be more local opportunities for economic interaction in the global marketplace.



Thomas Knight, Network Administrator, grasps the OC3 fiber patch panel "where he will tap light speed". Photo is courtesy of Matanuska Telephone Association, Inc.

2003 COMMISSION PLAN



A helicopter crew replaces old aircraft marker bulls on the 69kv transmission line in Juneau. Photo is courtesy of Alaska Electric Light & Power Company.

The Commission will continue to . . .

- ⑥ Review and approve electric rates charged by regulated electric utilities statewide.
- ⑥ Monitor refuse services statewide and allow competition when it is in the public interest.
- ⑥ Review rates of existing gas utilities and applications to expand the availability of natural gas heating in the state.
- ⑥ Resolve disputes over pipeline tariff rates and participate in the process to develop a regulatory framework to operate a natural gas pipeline from the North Slope.
- ⑥ Fulfill the directives of the 1996 Telecommunications Act to allow competition and to provide choices to consumers.
- ⑥ Support improvements to the statewide network to allow the delivery of affordable high-speed data and voice services to all communities in Alaska.
- ⑥ Coordinate with state and federal agencies to implement the Federal Clean Water Act standards. The Commission will complete its effort to design an alternative regulatory framework for small and government-owned water and wastewater systems.

**FINANCIAL OPERATIONS AND
REPORTED CUSTOMERS**

Prepared by Felix Melendez

Fiscal Year	1998	1999	2000	2001
Net Plant				
Cable Television ²	\$6,751,000	\$6,232,000	\$6,574,000	\$6,380,000
Electric	1,233,579,201	1,307,506,511	1,361,572,213 ¹	1,389,426,622
Natural Gas	179,757,326	180,458,522	186,650,434 ¹	180,965,146
Refuse	6,638,960	5,998,254	3,072,122	3,184,025
Steam Heat	Not reported	1,776,628	7,991,033	8,484,229
Telecommunications ³	417,024,290	660,653,316	625,546,641 ¹	599,831,476
Wastewater	97,823,582	103,568,947	84,272,842	94,340,320
Water	153,698,530	162,073,055	125,579,941	141,494,274
Total Net Plant	\$2,095,272,889	\$2,428,267,233	\$2,401,259,226¹	\$2,424,106,092
Gross Revenue				
Cable Television ²	\$5,372,000	\$5,811,000	\$6,189,000	\$6,563,000
Electric	504,513,606	513,714,260	525,626,713 ¹	557,262,581
Natural Gas	100,365,752	110,451,278	99,580,257	117,028,010
Refuse	26,633,726	31,250,540 ¹	33,077,014 ¹	33,342,330
Steam Heat	Not reported	1,414,788	1,540,413	1,895,793
Telecommunications ³	235,846,988	360,273,606 ¹	357,197,021 ¹	369,760,452
Wastewater	31,473,874	32,343,760	32,518,942	32,488,857
Water	35,647,884	35,503,989	36,029,727	36,959,311
Total Gross Revenue	\$940,353,830	\$1,090,763,221¹	\$1,091,759,087¹	\$1,155,300,334
Net Income				
Cable Television ²	\$784,000	\$972,000	\$981,000	\$757,000
Electric	41,455,886	42,773,482	36,904,719 ¹	31,188,177
Natural Gas	15,710,652	18,010,521	8,789,246	6,580,788
Refuse	2,817,821	3,885,765	2,632,125	3,497,368
Steam Heat	Not reported	(2,796,173)	(1,492,060)	(1,057,779)
Telecommunications ³	24,105,402	32,992,147 ¹	37,839,669 ¹	39,501,928
Wastewater	4,067,810	5,016,028	4,988,554	4,058,481
Water	6,224,657	208,994	6,811,516	5,857,628
Total Net Income	\$95,166,228	\$101,062,764¹	\$97,454,769¹	\$90,383,591
Customers				
Cable Television ²	9,420	7,822	8,130	8,130
Electric	218,621	225,821	229,306 ¹	233,199
Natural Gas	98,220	99,285	103,728	108,487
Refuse	52,116	50,359	51,160	52,315
Steam Heat	Not reported	124	135	148
Telecommunications ³	427,000 ¹	534,555 ¹	592,815	570,216
Wastewater	57,364	62,949	59,219	60,057
Water	58,212	60,586	60,292	60,150
Total Customers	920,953¹	1,041,501¹	1,104,785¹	1,092,702

¹ Figures have been restated to correct compilation errors in summarizing reported data in previous annual reports.

² Cable television is not regulated by the Commission as to rates and services with the exception of GCI Cable, in Juneau, which is rate regulated for basic tier channels.

³ Includes local exchange carriers only.

ELECTRIC EVENTS

Disputed Settlement Agreement Resolved; Chugach Electric Association, Inc.

The Commission issued an order resolving disputes arising under a Settlement Agreement between Chugach Electric Association, Inc. (Chugach), and its two largest wholesale customers, Matanuska Electric Association, Inc. and Homer Electric Association, Inc./Alaska Electric Generation & Transmission Cooperative, Inc. The Settlement Agreement provided for the determination of Chugach's current wholesale rates and the effective rates since 1997 for the two wholesale customers. Docket: U-96-37, pending

Defining the Future Market Structure of Alaska's Electric Industry

Through hearings and extensive comments from interested parties, the Commission examined the electric utility market structure study that was commissioned jointly with the State Legislature. Having considered gathered information and the issues highlighted by the study, the Commission found insufficient evidence in the record to show that retail electric competition would be in Alaska's public interest. There was no compelling evidence that rates would be lowered and pursuing competition would have required an extensive investment to create a well-functioning power market, exposing ratepayers to significant risks. The Commission decided to continue to monitor the dynamics that influence electric utility policy, specifically the natural gas supply and improvements to power transmission up and down the Railbelt, and should the Legislature take up policy concerning electric utility restructuring in the future, the Commission will strive for the greatest public benefit. Docket: R-97-10, closed (9/28/01)

Rate Increase and Methodology Change; Chugach Electric Association, Inc.

After reconsideration, the Commission granted a 3.98 percent interim and refundable rate increase to Chugach Electric Association, Inc. (Chugach), and began proceedings to determine appropriate rates and the recovery of environmental remediation costs related to its Cooper Lake Hydro Project, and to change from a Times Interest Earned Ratio to a Rate Base Rate of Return methodology of establishing rates. The proceeding will constitute the first comprehensive review of Chugach's retail and wholesale rates since 1989. Docket: U-01-108, pending

NATURAL GAS EVENT

Approved Cook Inlet Natural Gas Supply Contract and Review of Base Rates; ENSTAR Natural Gas Company, a Division of SEMCO

The Commission approved a gas supply contract to help satisfy projected long-term supply requirements for the customers of ENSTAR Natural Gas Company (ENSTAR), a Division of SEMCO, to stimulate further Cook Inlet natural gas exploration efforts. Docket: U-01-07, closed (6/10/02)

The Commission investigated ENSTAR's base rates and approved their request to update the revenue-requirement to the 2000 test-year as a result of the 1999 acquisition of ENSTAR by SEMCO Energy Company. The Commission bifurcated the proceeding into two phases. The first phase established an appropriate revenue-requirement and the second phase established the appropriate rate design for ENSTAR to recover its approved revenue-requirement. Dockets: U-00-88, pending



An employee for ENSTAR Natural Gas Company (ENSTAR), a Division of SEMCO, repairs a residential gas meter on a new home. Photo is courtesy of ENSTAR.



"Keep Alaska's bears wild, handle your garbage responsibly." Photo is courtesy of Waste Management of Alaska, Inc.

REFUSE EVENT

Consolidation of Refuse Certificates; Waste Management of Alaska, Inc.

Waste Management of Alaska, Inc. (WMA), a wholly owned subsidiary of USA Waste Management, Inc., filed to consolidate all refuse utilities owned under a single certificate and tariff. The Commission approved WMA's application to merge its refuse public utility operations in Alaska under a single certificate. The Commission also approved an application to change the utility's name to Waste Management of Alaska, Inc. d/b/a Anchorage Refuse, Andersen Services, Arrow Refuse, Peninsula Sanitation, Star Sanitation Service, Tongass Sanitation, Wasilla Refuse, and Williwaw Services. The Commission will review the rate impact of this consolidation in 2003. Docket: U-00-30, pending

TELECOMMUNICATIONS EVENTS

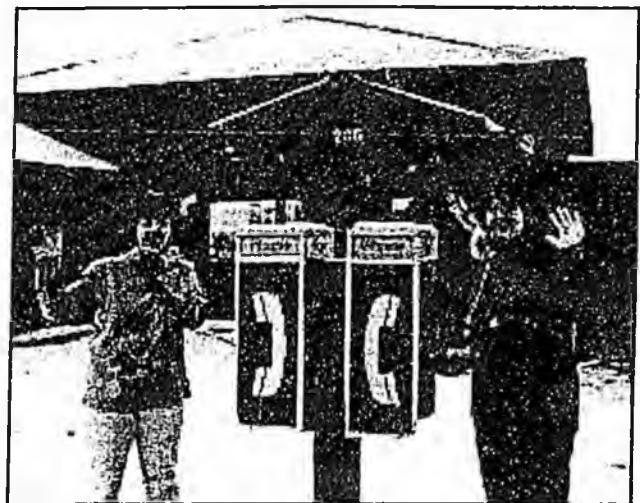
Local Competition in Fairbanks and Juneau

The Commission prevailed on appeals filed by incumbent carriers who seek to overturn the Commission's orders to open up local competition in the Fairbanks and Juneau areas (U-97-82/143/144 and U-99-141/142/143) litigation is still pending. If the incumbent carrier is successful in overturning key Commission decisions in these areas, local competition

in rural Alaska markets could be delayed or halted. The Commission spent significant resources to review and resolve various disputes and requests concerning carrier-to-carrier practices and interconnection agreements. Dockets: U-96-89, U-01-37, U-01-41, U-02-18, pending

Designation of Public Interest Pay Telephones

The Commission requested applications from eligible providers, following the adoption of regulations for the provision of public interest pay telephones in 2000. After final selections are made, at least one public pay telephone will be available in each community where a need for service exists. The public pay telephones will be subsidized through the Alaska Universal Service Fund. Dockets: R-97-03, U-01-124, pending




Alaska Power & Telephone Company (AP&T) customer representatives make a call. Photo is courtesy of AP&T.

Consideration of the Reform of Intrastate Interexchange Telecommunications Market Structure and Regulations

The Commission continued to review regulations governing the intrastate interexchange market, access charge reform, and a variety of other matters. The review of interexchange market rules includes whether to change the responsibilities of the carrier of last resort within the state and what regulations should apply to the rates and services provided by long distance carriers to consumers and to other carriers.

The Commission is considering the appropriate manner for incumbent carriers to recover the cost of using the local network to originate and terminate interexchange services, as part of the access charge reform review. One of the primary issues in the proceeding is whether these access costs should be recovered directly from consumers (e.g., through a flat monthly surcharge) or should the costs continue to be recovered through long distance rates.


The Commission is evaluating options for streamlining the processes for authorizing long distance carriers to operate in Alaska. Such streamlining may improve the agency's efficiency and reduce regulatory burden placed on utilities. Dockets: R-98-01, R-00-04, R-01-01, pending

 *Disaggregate Study Areas for Distributing Federal Universal Service Funds*

The Federal Communications Commission allowed incumbent Eligible Telecommunications Carriers (ETC) to submit plans for distributing Federal Universal Service Funds within a geographic area in order to better target federal funding to high-cost areas and consequently reduce funding to low-cost areas. In 2002, the Commission received plans from each of the regulated incumbent ETCs. These plans were uncontested and have gone into effect as allowed under federal regulation. Docket: R-00-01, pending

 *Universal Service Support for Local Service; GCI Communication Corporation*


The Commission granted GCI Communication Corporation (GCICC) status as an Eligible Telecommunications Carrier (ETC) in Fort Wainwright, Fairbanks, and Juneau study areas of Alaska. Through the ETC status, GCICC is allowed to file and obtain Federal Universal Service Fund support for the provision of local service. Docket: U-01-11, pending

 *Granted Partial Interim and Refundable Rate Relief; Alaska Communications Systems, Inc.*

Alaska Communications Systems, Inc. (ACS) filed for the first time in ten years, a rate increase in the service areas of Anchorage, Fairbanks, Juneau, and Sitka. The Commission granted a 24 percent, interim and refundable rate increase to allow ACS to earn a reasonable rate of return on their investments. Docket: U-01-34, pending



An Arctic Slope Telephone Association Cooperative, Inc. (ASTAC) telephone technician splices wires. Photo is courtesy of ASTAC.

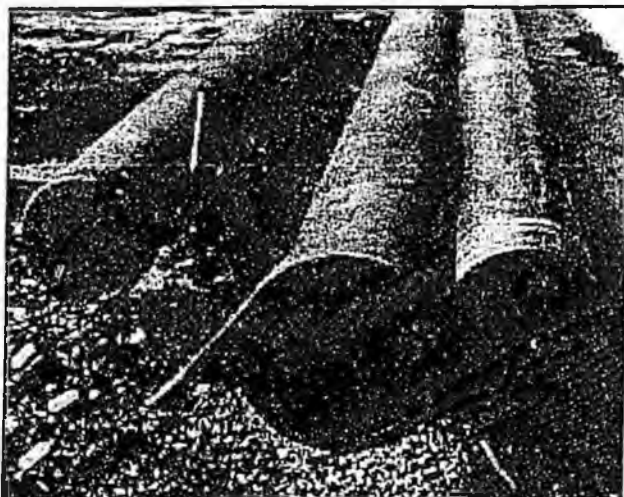
 *Biennial Intrastate Interexchange Access Charge Review Methodology Adopted on a Test Basis*

On a test basis, the Commission adopted a biennial review methodology proposed by utilities that participated in the annual review of intrastate interexchange access charge rates. Under this process, the local exchange carriers (LEC) who participate in the annual pooled rate calculation file their revenue-requirements in alternating years, with approximately half of the LECs filing in a given year. The individual utility revenue-requirement reported in the prior year would be included in the pooled calculation for those LECs not filing in the current year. This methodology is anticipated to provide some overall reduction in costs for the LECs that are required to produce the revenue-requirement studies, while generally improving the quality of each annual regulatory review by reducing workload compression and allowing for a more detailed review of individual company revenue-requirements. Docket: U-01-49, closed (5/31/02)



Appropriate Use of Federal Universal Service Funds by Telecommunications Carriers

As a prerequisite for continued receipt of Federal Universal Service Funds, the Federal Communications Commission (FCC) requires the Commission to annually certify whether Eligible Telecommunications Carriers (ETC) in Alaska will use the funds only for the provision, maintenance, and upgrading of facilities, and services for which the support was intended. The Commission reviewed the information concerning the use of federal funds by each ETC in Alaska and on September 26, 2001, certified to the FCC that the funds received in 2002 would be appropriately used. Docket: U-01-90, pending



New sewer pipes to be installed in Anchorage. Photo is courtesy of Municipality of Anchorage d/b/a Anchorage Water and Wastewater Utility.

WATER & WASTEWATER EVENTS



Water Service Expanded to Girdwood; Municipality of Anchorage d/b/a Anchorage Water and Wastewater Utility

The Commission approved Municipality of Anchorage d/b/a Anchorage Water and Wastewater Utility's (AWWU) application to amend its certificate and expand service into the entire Girdwood area. The Commission found AWWU would meet the fire flow needs of a proposed Girdwood Post Office. Anchorage Water and

Wastewater Utility will also offer a viable alternative to an existing small water utility if the utility experiences financial, managerial, or technical difficulties.

Docket: U-01-35, closed (6/10/02)



Consideration of the Regulations for Certificated Small Public Water and Wastewater Systems

The Commission initiated an inquiry into the development of new regulations for small public water and wastewater systems as part of the State of Alaska's responsibility to the U.S. Environmental Protection Agency to implement the Safe Drinking Water Act. The State must demonstrate an effective strategy with control points to achieve statewide technical, financial, and managerial fitness or available funds could be reduced for Alaska's safe drinking water program. The Alaska Department of Environmental Conservation (ADEC) is pursuing a "Capacity Development Program" to improve the operation of small water and wastewater systems. The Commission has been working closely with ADEC and other stakeholders to develop a unified strategy to effectively implement the Capacity Development Program, so that the U.S. Environmental Protection Agency's requirements are met while minimizing regulatory redundancies. Docket: R-02-04, pending



Denied Request to Recover Acquisition Adjustment and Approved Cost Based Interim and Refundable Rate Relief; Golden Heart Utilities, Inc.

Golden Heart Utilities, Inc. (GHU) water and wastewater divisions was denied a rate relief to recover an amount in excess of the price purchased for the systems acquired from Fairbanks Municipal Utilities System (U-00-115/116). However, GHU was granted an interim and refundable rate relief based on reported increases in actual investment and operating costs for the utility in test-year filings. Dockets: U-02-13, U-02-14, pending

FINANCIAL OPERATIONS

Prepared by Felix Melendez

<i>Fiscal Year</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
<i>Property</i>				
Gross	\$11,143,942,613	\$11,167,509,117	\$11,422,190,371	\$11,531,079,380
Net	4,409,150,310	4,202,504,850	4,169,113,782	4,107,233,114
<i>Revenue</i>				
Gross	\$1,395,820,949	\$1,440,629,200	\$1,307,978,918	\$1,531,197,148
Net	274,453,173	504,581,438	306,261,965	381,926,530
<i>Throughput¹</i>				
(barrels)	686,390,088	668,104,686	722,723,334 ¹	754,350,768
<i>Gross Revenue</i>				
(per barrel)	\$2.03	\$2.16	\$1.81 ¹	\$2.03
<i>Net Revenue</i>				
(per barrel)	\$0.40	\$0.76	\$0.42 ¹	\$0.51

This figure above shows the amount of Property and Revenue for regulated pipeline carriers. The Throughput of oil has increased 4% and \$0.22 per barrel in Gross Revenue from fiscal year 2000 to fiscal year 2001.

COOK INLET PIPE LINE EVENTS

 *Acceptance of Gas Sales Agreement; Alaska Pipeline Company*

The Commission accepted the amended Gas Sales Agreement (GSA) between Alaska Pipeline Company, a wholly-owned subsidiary of SEMCO Energy Inc., of which the ENSTAR Natural Gas Company (ENSTAR) is a Division of the Union Oil Company of California (Unocal). ENSTAR filed a tariff advice letter requesting approval of a new GSA between Unocal and ENSTAR. The tariff was suspended for six months to allow ENSTAR the opportunity to show that the GSA provisions were in the public interest, that a reasonably competitive procurement process was undertaken, and to explain the GSA's impact on long-term regional gas supply. The Commission amended the GSA after reviewing evidence, testimony, and public comments. The GSA serves to provide ENSTAR ratepayers with a reliable supply of reasonably priced gas, and creates an incentive for more than one gas producer to remain in Cook Inlet. Docket: U-01-07, closed (6/10/02)

 *Rate Settlement; Cook Inlet Pipe Line Company*

The Commission approved a multi-year rate settlement based on an agreement between the State of Alaska and Cook Inlet Pipe Line Company. The Commission accepted filed rates for the periods of 1993 through 1997; rates prescribed by the Settlement Agreement for 1998, 1999, and 2000; a settlement methodology, whereby rates were calculated for the years of 2001 and 2002; and will be calculated for future years. Docket: P-92-05, pending

 *Application for Certification; Kenai Kachemak Pipeline Company, LLC*

The Commission processed an application from Kenai Kachemak Pipeline Company, LLC (KKPL) for a certificate to construct and operate a gas pipeline from Ninilchik to Kenai. The pipeline will transport natural gas from supplies near Ninilchik for delivery to connecting pipelines at Kenai. If granted a certificate, KKPL will be the first certificated natural gas pipeline under Alaska Statutes 42.06. Docket: P-02-06, pending

¹ Figures have been restated to correct compilation errors in summarizing reported data.



Salmon Creek Dam in Juneau generates over 10 percent of the city's hydroelectric power. Photo is courtesy of Alaska Electric Light & Power Company.

NORTH SLOPE PIPELINE EVENTS



Transportation Rate Settlement Agreement; Alpine Transportation Company

The Commission accepted the rate settlement for the 2001 transportation rates based on a Settlement Agreement between the State of Alaska and Alpine Transportation Company. The agreement prescribes a methodology under which the pipeline carrier must file rates at or below the maximum calculated rate. Docket: P-00-15, pending



Pipeline Certification; BP Transportation (Alaska) Inc.

The Commission granted, on an interim basis, a connection permit to BP Transportation (Alaska) Inc., to connect the Northstar Oil Pipeline to the Trans Alaska Pipeline System at Pump Station No. 1. The Commission will grant a final permit if specific terms and conditions of the connection are found reasonable. Docket: P-01-06, pending



Pipeline Certification; Milne Point Pipeline Company

The Commission granted, on an interim basis, a connection permit to Milne Point Pipeline Company to connect to the Oliktok Pipeline Company. The Commission will grant a final permit if specific terms and conditions of the connection are found reasonable. Docket: P-01-07, pending

TRANS ALASKA PIPELINE SYSTEM EVENTS



Reopened Quality Bank Proceedings; Trans Alaska Pipeline System Carriers

The Federal Energy Regulatory Commission (FERC) consolidated its Trans Alaska Pipeline System (TAPS) quality bank proceedings and ordered hearings before a FERC administrative law judge. In order to place the Commission's quality bank proceedings in the same procedural status as those of the FERC, the Commission reopened Docket P-98-09; consolidated the Commission's quality bank dockets; directed that concurrent hearings be held with the FERC; and appoint an administrative law judge. Hearings in this docket will be held concurrently with FERC hearings regarding the quality bank proceedings in the fall of 2002. Docket: P-89-02, pending



Transfer of Ownership; Phillips Transportation Alaska, Inc.

The Commission approved the transfer of a 3.0845 percent interest in the Trans Alaska Pipeline System pipeline and terminal assets from BP Pipelines (Alaska) Inc. (BP), to Phillips Transportation Alaska, Inc. In previous years, BP owned approximately 50 percent of the pipeline, but currently owns approximately 47 percent. Phillips Transportation Alaska, Inc. ownership has increased from approximately 24 to 27 percent. Docket: P-01-08, pending

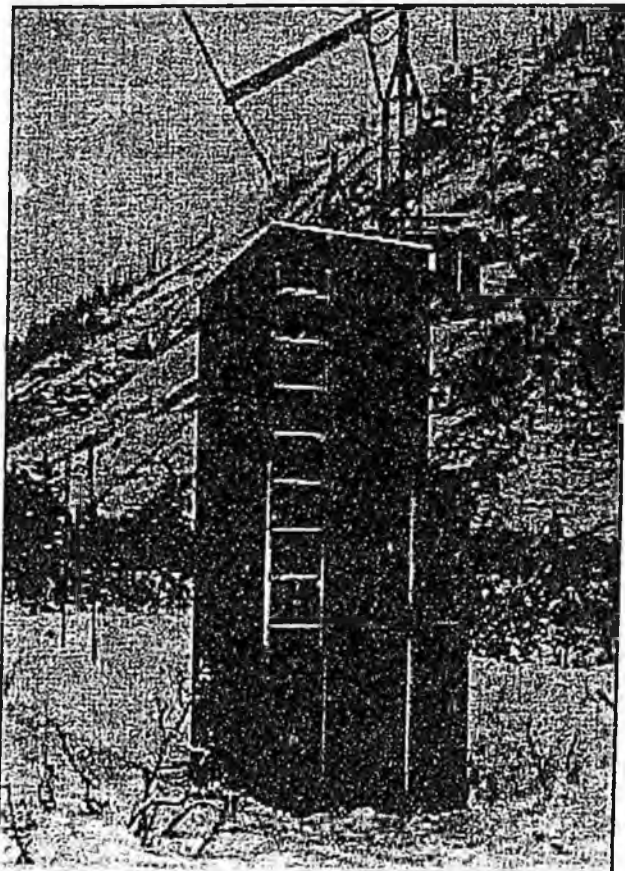


Alaska Power & Telephone Company (AP&T) wireless technician, Dave Pflaum works on the High Mountain Web Camera. Photo is courtesy of AP&T.

ANNUAL REVIEW

The Public Advocacy Section (PAS) was established by the Legislature in 1999 to operate independently from the Commission and represent the public interest. As a party, the PAS investigates all relevant issues; presents the results of its investigation to the Commission, as necessary; and may submit stipulations of agreed upon issues for the Commission's approval. The PAS staff has the responsibility of participating as a party (when named by the Commission) and testifying in proceedings before the Commission.

The PAS generally investigates historical and subject area research of the utility proposal; conducts onsite audits of the utility's records; discovery and pre-filed written testimony; and prepares cross-examinations of utility witnesses at hearings. The PAS may also engage in settlement discussions.



A remote weather station beams weather reports to Anchorage as part of a statewide reporting system. Photo is courtesy of Alaska Electric Light & Power Company.

Public Advocacy Staff

In fiscal year 2002, the PAS staffed two utility financial analysts, utility engineering analyst, law office assistant, and a section chief. Two Assistant Attorneys General provided a combined 150 percent of their time on legal support and representation for the PAS (with 50 percent of time devoted to Commission appeals). Outside consultants were employed for two cases during the fiscal year.

Summary of Utility Dockets

The PAS staff filed testimony, reports or comments in 12 dockets, and participated in nine separate hearings before the Commission. In total, the PAS spent 31 days at hearing. The PAS also attended numerous prehearing and discovery conferences before Commission hearing examiners, and participated in workshops. The PAS regularly participated in settlement conferences to narrow or settle issues, and jointly filed stipulations to resolve issues in eight dockets. The PAS counsel regularly engaged in motion practice, including legal briefs when necessary. Currently, the PAS is named a party to 39 open dockets that are in various stages of investigation.

Summary of Regulation Dockets

The PAS participated in two regulation proceedings. In Docket R-02-02, the PAS proposed to amend existing regulations and add a new section to the Commission's regulations that would define powers and duties of the Public Advocacy Section. The PAS petitioned the Commission to adopt the proposed amendments, presented argument at a public meeting, and filed extensive reply comments.

The PAS also participated in Docket R-02-03, regarding the proposed rules that govern fuel cost adjustment clauses. The PAS filed comments supporting regulations that would allow only costs directly associated with fuel to be passed on to ratepayers. In the proceeding, the PAS joined in a workshop with Commission staff and utilities.

ELECTRIC EVENTS

Transfer Price of Gas Methodology Argued; Municipality of Anchorage d/b/a Municipal Light & Power Department

Municipality of Anchorage d/b/a Municipal Light & Power Department (ML&P) proposed to compute the transfer price of gas (associated with ML&P's purchase of one-third interest) from Beluga River Gas Field using the rate base/rate of return methodology. Subsequently, the PAS proposed using the Debt Service Coverage methodology, which the Commission approved. Docket: U-96-36, pending

Wholesale Rates Determined; Chugach Electric Association, Inc.

Chugach Electric Association, Inc. (Chugach) proposed rates for its wholesale customers Matanuska Electric Association, Inc., Homer Electric Association, Inc./Alaska Electric Generation & Transmission Cooperative, Inc. (AEG&T) under the terms of the Settlement Agreement. The PAS argued that certain costs incurred by Chugach should not be included in the rate and recommended other cost reductions. The Commission agreed and ordered the cost reductions. Matanuska Electric Association, Inc. and AEG&T disputed the cost allocations proposed by Chugach. The PAS argued against changing the allocations, pointing out the Settlement Agreement specified that allocations were to remain unchanged until a general rate case is filed. The Commission agreed and required compliance with the approved Settlement Agreement. Docket: U-96-37, pending

Methodology for Line-Loss Factor Established; Chugach Electric Association, Inc.

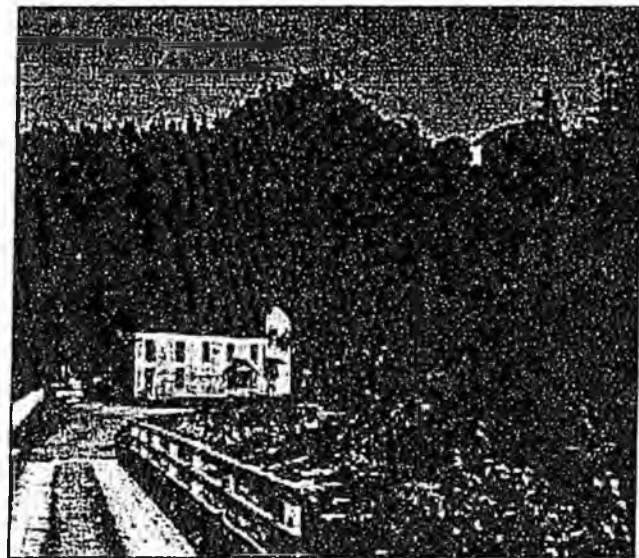
Chugach Electric Association, Inc. (Chugach) and its wholesale customers disagreed on how to measure and allocate line-loss. In fiscal year 2001, the PAS and other parties (Chugach, Alaska Electric Generation & Transmission Cooperative, Inc., Matanuska Electric Association, Inc., and Homer Electric Association, Inc.), presented a panel of experts to agree upon an approach through the use of a consultant. The Commission accepted the consultant's study and all issues have been stipulated with the Commission's approval pending. The PAS participated in numerous technical meetings and negotiations. Docket: U-99-106, pending

Inclusion of Fixed Costs in Cost of Power Adjustment Argued; Homer Electric Association, Inc.

The Commission opened an investigation into the use of Homer Electric Association, Inc.'s (HEA) Cost of Power Adjustment (COPA) to recover the fixed costs of an affiliate, Alaska Electric Generation & Transmission Cooperative, Inc. The PAS argued against the use of HEA's COPA to recover fixed costs. The Commission approved the exclusion and the affiliate's fixed costs will be determined in a pending docket. Docket: U-00-18, pending

Electric Rates Stipulated; Golden Valley Electric Association, Inc.

Golden Valley Electric Association, Inc. (GVEA) filed revenue-requirements, cost of service study, and a rate design study to justify a rate reduction. The PAS reviewed GVEA's financial records and applied general rate making principles to reach a settlement agreement with GVEA. The result was a 2.6 percent reduction in rates. The Commission approved the stipulation and the rate decrease was implemented. Docket: U-00-93, pending



Taken out of service in 1998, this is one of two power houses built to generate power that used water from the Salmon Creek Dam. Photo is courtesy of Alaska Electric Light & Power Company.

**Contributions for Line Extensions;
Chugach Electric Association, Inc.**

Chugach Electric Association, Inc. proposed to reduce contributions to the cost of primary line extensions for residential and commercial construction with the intent to eliminate its line extension credit to new homebuyers. The PAS and the Anchorage Homebuilders Association opposed the change. The Commission accepted a stipulation among the parties to provide continued contributions at reduced levels. Docket: U-01-01, pending

**Policy on Guaranteed Recovery Argued;
Chugach Electric Association, Inc.**

Chugach Electric Association, Inc. (Chugach) filed its first complete general rate case since 1987. The filing include a revenue-requirement, depreciation study, cost of service study, and rate redesign. Chugach requested a rate increase of four percent. The Commission decided some issues in advance of considering the overall rate increases. One issue was a request by Chugach to create two regulatory assets by granting explicit approval for the guaranteed recovery of two specific expenditures. The PAS argued against the creation of a regulatory asset in both instances as being contrary to generally accepted rate making. The Commission approved the creation of the assets. The remainder of the rate increase is being considered in fiscal year 2003. Docket: U-01-108, pending

NATURAL GAS EVENT

**Terms of Gas Sales Agreement Argued;
ENSTAR Natural Gas Company, a
Division of SEMCO Energy, Inc.**

ENSTAR Natural Gas Company (ENSTAR), a Division of SEMCO, Inc. requested approval of the Gas Sales Agreement (GSA) between Union Oil Company of California (Unocal) and Alaska Pipeline Company, a subsidiary of ENSTAR. The proceeding included the price index, peaking and transportation fee, GSA term, and opportunity for arbitrage. The PAS argued for an alternative price, against the peaking and transportation fees, a definition of termination, and a means to limit arbitrage. The Commission granted the existing terms for price, peaking and transportation fees, but set limits on the GSA term and Unocal's ability to arbitrage. ENSTAR filed

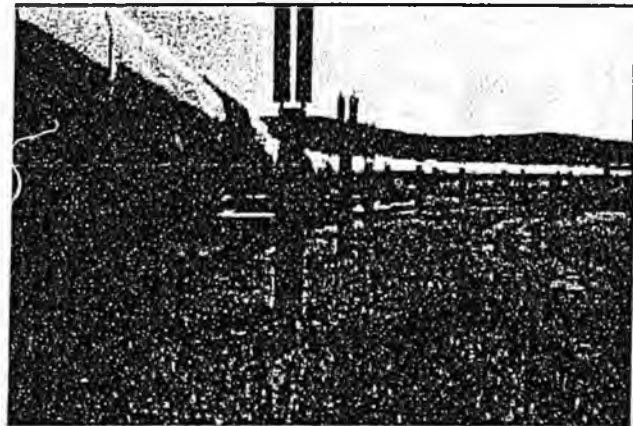
revenue-requirements without proposed rate changes. The PAS supported a decrease of 2.39% and the Commission approved a 1.96% decrease.

Dockets: U-00-88, pending; U-01-07, closed (6/10/02)

PIPELINE EVENT

**Rates for the Trans Alaska Pipeline
System Argued**

The owners of the Trans Alaska Pipeline System, affiliates of Amerada Hess Pipeline Corporation have separate transportation tariffs that have been in contention since 1986. The PAS filed several briefs supporting a cost based transportation rate. Docket: P-97-04, pending




The Alaska pipeline. Photo is courtesy of Alaska Division of Community and Business Development.

REFUSE EVENT


**Revenue-Requirement Studies Argued;
Waste Management of Alaska, Inc.**

Waste Management of Alaska, Inc. (WMA) filed proposed revenue-requirement studies in an attempt to justify rate increases in eight areas they serve. The PAS investigated and recommended the studies be rejected due to critical deficiencies. At hearing, after PAS cross-examined WMA's expert witness, WMA requested that the Commission allow a withdrawal of filings and to submit new studies using a new test-year. The Commission approved a stipulation between WMA and the PAS to allow the submission of new test-year revenue-requirements. Docket: U-00-30, pending

TELECOMMUNICATIONS EVENTS

 *Local Exchange Rates for 75-Percent of Ratepayers Statewide Argued; Alaska Communications Systems, Inc.*

Alaska Communications Systems, Inc. (ACS) local exchange companies filed for rate increases in the service areas of Anchorage, Fairbanks, Juneau, and Sitka. The PAS filed testimony of two outside consultants and a PAS witness. During the proceeding, the PAS, ACS, and GCI Communication Corporation agreed to stipulate operating expenses and to include profits in the rates. A five-day hearing was held on depreciation expense, the largest single expense included in rates. Dockets: U-01-34, U-01-82, U-01-83, U-01-84, U-01-85, U-01-87, pending

 *Rural Exemption for Wireless Service Examined; Alaska Power & Telephone Wireless, Inc.*

Alaska Power & Telephone Wireless, Inc. filed an application to provide local wireless service in Ketchikan. The Commission requested information to evaluate the applicability of the rural exemption. The PAS filed a legal brief regarding rural exemption issues and the utility's requirement to meet eligible telecommunications carrier laws under the Telecommunications Act of 1996. Docket: U-01-109, pending

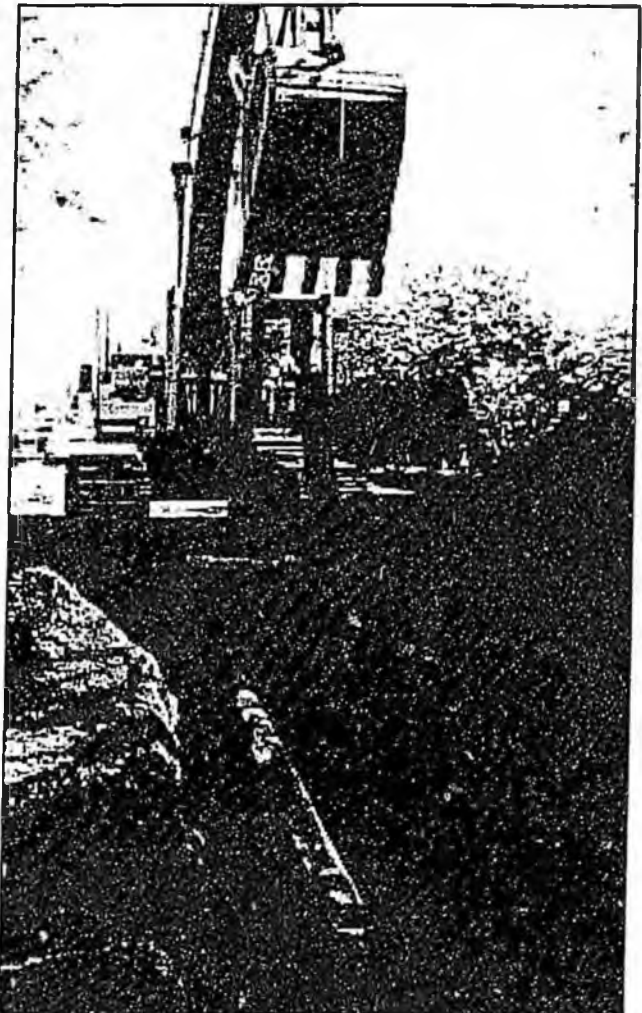


Alaska Power & Telephone Company (AP&T) technician, Celinda Hanson is with the Power Division of Wales Island. Photo is courtesy of AP&T.

WATER & WASTEWATER EVENT

 *Rate Increases Argued; Golden Heart Utilities, Inc.*

Golden Heart Utilities, Inc. (GHU) filed revenue-requirements and rate design studies for a proposed rate increase. The PAS countered with several proposed reductions. The Commission agreed with most of the PAS' reductions in cost and issued an order. Immediately following the Commission's order, GHU filed a second request for an increase in rates, which is still pending. Dockets: U-00-115, U-00-116, U-00-146, closed (5/21/02); U-02-13, U-02-14, pending



Alaska Water and Wastewater Utility (AWWU) replaces old wooden water pipes. Photo is courtesy of Municipality of Anchorage d/b/a AWWU.

INFORMAL COMPLAINTS

Investigating and resolving complaints has become a vital element in the Commission's public protection role. The Commission urges consumers to resolve complaints directly with the utility or pipeline carrier. If the matter cannot be settled with the utility or pipeline carrier, consumers and pipeline shippers may seek relief from the Commission. If Commission Staff determines the complaint results from a violation of a tariff, Staff can require the utility or pipeline carrier to conform to the minimum standards spelled out in the tariff. Staff will investigate the complaint, review the tariff and contact the utility. Staff also reviews Commission orders, applicable statutes and regulations to determine the

validity of the complaint, and then recommend an appropriate course of action. Consumers are notified with a summary of the facts and explanation of the recommended resolution. Although a vast majority of complaints are resolved informally, if consumers are not satisfied with Staff's decision, a formal complaint may be filed directly with the Commission through the appeal process. A formal complaint that is accepted by the Commission for adjudication is assigned a docket number and an investigation is instituted into the issues raised in the complaint. In fiscal year 2002, six informal complaints appealed Staff's decision and were docketed for adjudication.

Prepared by Tamara Alexander

Complaints	1999	2000	2001	2002
Cable Television	1	1	3	0
Electric	77	67	78	72
Natural Gas	26	25	22	19
Pipeline	0	0	0	0
Refuse	5	13	14	25
Steam Heat	0	0	0	0
Telecommunications	638	450	548	
Wastewater	3	2	4	
Water	43	32	13	22
Totals	793	590	682	

The figure above shows the number of informal complaints filed by customers for regulated utilities and pipeline carriers.

Telephone Complaints	
153	Billing Practices
291	Quality of Service
13	Rates and Charges
130	Service Availability and Line Extensions
587	Total

The data demonstrates that electric and telephone utilities 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.

Contact Summary	1999	2000	2001	2002
Telephone	11,198	9,400	10,366	10,350
Conferences	298	383	340	951
Totals	11,496	9,783	10,706	11,301

The figure above shows the number of telephone contacts and personal conferences handled by the Consumer Protection Staff.

Informal Complaints	
234	Billing Practices
313	Quality of Service
44	Rates and Charges
137	Service Availability and Line Extensions
728	Total


(+6.7% change from fiscal year 2001.)

Prepared by Tamara Alexander

Complaints	1999	2000	2001	2002
Complaints Opened	793	590	682	728
Complaints Closed	818	605	670	719
Complaints Pending (start of fiscal year)	47	22	7	19
Complaints Pending (end of fiscal year)	22	7	19	28


The figure to the right shows the number of informal complaints that were opened, processed, and closed. Complaints that were pending during the fiscal year were carried over into the next year.

ELECTRIC EVENT

 *Customer Disputes Utility's Billing Practice; Chugach Electric Association, Inc.*

A customer of Chugach Electric Association, Inc. (Chugach) filed an informal complaint with the Commission disputing the utility's billing practice. The utility had transferred a delinquent balance from the customer's business account to the customer's residential account. Staff investigated the complaint, and notified the customer that Chugach could not disconnect residential service for an outstanding business account balance, nor could Chugach disconnect service for nonpayment of a bill related to another class of service at a different service location. Chugach acknowledged that as the customer kept the residential account current, Chugach could not disconnect residential service for the outstanding business account. However, Chugach would disconnect the residential account if it became delinquent. Additionally, if the residential service was ever permanently disconnected at the customer's request or temporarily disconnected to transfer from one location to another, Chugach would require the delinquent business balance to be paid in full as a condition before starting new service. In review of the customer's account, Chugach found unclaimed capital credits for the business account and together with the customer, reached agreement for the unpaid balance that would be paid over the next few years with the proceeds from the capital credit. The complaint was resolved to the customer's satisfaction when Chugach agreed to remove the balance that was transferred to the residential account. Consumer Protection File: C-02-180, closed (4/29/02)

TELECOMMUNICATIONS EVENT

 *Customers Blocked from Internet Access; Summit Telephone & Telegraph Company d/b/a Summit Telephone Company*

Summit Telephone & Telegraph Company d/b/a Summit Telephone Company (Summit) established a two-way Extended Area Service (EAS) between local exchanges in Chatanika, Haystack, Cleary Summit, and Fairbanks through the Basic Exchange Telecommunications Radio Service (BETRS). The service allows customers to call on the BETRS system, to and from certain communities without incurring long distance charges. Summit became concerned when customers found it difficult to place telephone calls due to the congestion caused by increased Internet usage and the limited capacity of BETRS. Therefore, Summit notified customers and the Commission, that it would immediately block EAS access to Internet providers, causing customers to pay a long distance charge when they connect to the Internet.

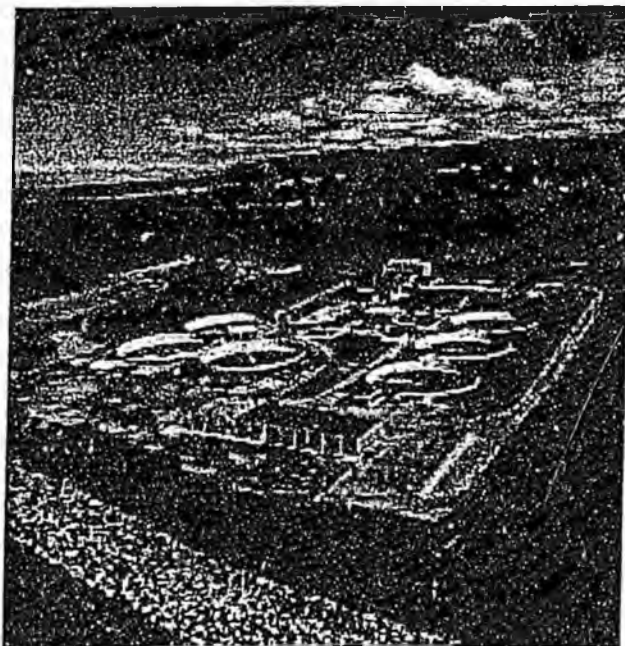
The Commission received complaints opposing Summit's actions blocking EAS and argued that charges for Internet use violated the Commission's approved stipulation providing for two-way EAS. Summit was granted an interim EAS blocking of Internet calls and required to report improvements to the BETRS in the Chatanika, Haystack, and Cleary Summit areas. Docket: U-02-17, pending

WATER & WASTEWATER EVENT

Bulk Water Service Discontinued in Fairbanks; Golden Heart Utilities, Inc.

The Commission granted Golden Heart Utilities, Inc.'s (GHU) request to discontinue bulk water service to customers in Fairbanks who were not connected to GHU's water system. As a result, the Commission received informal complaints from GHU's bulk water customers who stated they had no other source of water supply in terms of the water's quality or rates. Also, customers complained they had not been given adequate notification to find a new bulk water supplier.

The Commission reopened the evidentiary record and scheduled a videoconference to take additional testimony in Fairbanks and Anchorage regarding the provision of bulk water service. The Commission learned that GHU had removed all equipment that would allow continuation of bulk water service at its former location. Golden Heart Utilities, Inc. testified it was not the only available source for bulk water. As a result, a request was filed by another entity, to provide bulk water service. The Commission granted a waiver of the certificate requirement, and approved the new applicant to provide service. Dockets: U-00-115, U-00-116, (closed 5/21/02)



View of Aspund Wastewater treatment facility near Pt. Woronzof in Anchorage. Photo is courtesy of Municipality of Anchorage d/b/a Alaska Water and Wastewater Utility.

TARIFF FILINGS

Tariffs are the written terms, conditions, rules and rates governing a utility's conduct in providing public utility service. They are similar to the bylaws of a corporation. In approving a certificate of public convenience and necessity, the Commission reviews the applicant's tariff. All regulated utilities and pipeline carriers are required to maintain a tariff and to operate under its terms.

Regulated utilities and pipeline carriers must notify the Commission of any proposed changes to its tariffs. In most cases, the Commission must approve tariff revisions before they can take effect. The Commission considers most tariff filings at Tariff Action meetings, which are held in public bi-monthly. For certain kinds of utilities, the Commission allows proposed tariff revisions to take effect automatically at the end of a thirty-day period. The most common occurrence of tariff revisions taking effect automatically is with respect to interexchange telecommunications utilities.

Prepared by Wendy Arnett

Tariff Filings	2002	Percent
Cable Television	1	0%
Electric	154	29%
Natural Gas	9	2%
Pipeline	59	11%
Refuse	13	2%
Steam Heat	8	2%
Telecommunications	253	47%
Wastewater	12	2%
Water	27	5%
Totals	536	100%

The figure above shows the number and percentage of tariff filings by entity. The number of telecommunications tariff filings represents 168 filings made by local exchange carriers and 85 filings made by interexchange telecommunications carriers.



Prepared by Wendy Arnett

Tariff Filings	1999	2000	2001	2002
Processed Routinely	560	411	475	455
Suspended	40	63	63	50
Withdrawn	17	23	23	9
Rejected	8	9	1	0
Pending	8	38	14	22
Totals	633	544	576	536

The figure above the comparison of filed tariffs by category.

Tariff Revisions	1999	2000	2001	2002
General Rate Change ¹	47	49	30	41
General Rate Restructure	0	2	5	0
Simplified Rate Filing	2	0	6	4
New Service/Equipment Offering	168	143	100	91
Nonrecurring Rate	8	5	7	19
Universal Access Surcharge	30	4	1	1
Regulatory Cost Charge	75	107	110	106
Contracts	46	16	24	25
Fuel, gas, and purchased power surcharges; Power Cost Equalization filings; and nonfirm power purchase rates ²	133	85	124	117
Rule Change	76	55	59	40
Miscellaneous	48	78	110	68
Promotions ³	0	0	0	24
Totals	633	544	576	536
Percent Change	+1.4%	-14.0%	+5.9%	-6.9%

The figure above shows the number of requests for tariff changes by category. Each request is counted only once regardless of the number of proposed tariff changes it includes.

- ¹ In previous annual reports, some filings now shown in this category were classified as Miscellaneous. The General Rate Change category does not include simplified rate filings.
- ² There were no Power Cost Equalization (PCE) base rate changes for 2000, one PCE funding level change in 2001, and two PCE funding level changes in 2002.
- ³ In previous annual reports, Promotions were counted under Miscellaneous.

ORDERS & DOCKETS

Prepared by Joyce McGowan

Orders Issued	1999	2000	2001	2002
Substantive	509	566	741	518
Procedural	144	34	33	28
Totals	653	600	774	546

The figure above illustrates the number of orders issued by category.

Orders Issued	Substantive	Procedural
Cable Television	6	0
Electric	99	9
Generic ¹	54	5
Natural Gas	12	0
Pipeline	62	3
Refuse	35	3
Telecommunications	224	8
Wastewater	2	0
Water	24	0
Totals	518	28

The figure above shows the number of orders issued by entity in fiscal year 2002.

Docket Summary	1999	2000	2001	2002
Dockets Opened	171	205	172	152
Dockets Closed	198	206	285	194
Dockets Pending (start of fiscal year)	559	532	531	418
Dockets Pending (end of fiscal year)	532	531	418	376
Percent Change ²	-5.1%	-0.2%	-21.3%	-10.0%

The figure above shows the Commission's docket summary.

The Commission issued 546 decisions or orders in fiscal year 2002. 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.

All formal proceedings before the Commission are identified as "dockets". Dockets are numbered functionally to denote the type of proceeding, the year of its initiation, and numerical sequence in that year.

- Ⓒ "R" represents regulatory dockets,
- Ⓒ "P" represents pipeline dockets, and
- Ⓒ "U" represents utility dockets.

For example, P-01-03 is the third pipeline docket opened by the Commission in the 2001 calendar year. All material, legal pleadings, and decisions are identified by this number and filed in the docket. After the Commission has issued a final order, the docket is closed.



¹ Generic refers to regulatory dockets involving more than one type of entity.

² The percentage figures have been restated to correct compilation errors reported in prior annual reports.

CERTIFICATION PROCEEDINGS

Prepared by Joyce McGowan

Every utility (with limited exceptions) and pipeline carrier must obtain a certificate of public convenience and necessity to provide service to the public for compensation. The Commission must approve all amendments to, or transfers of, certificates, as well as acquisitions of controlling interest in certificate holders. In fiscal year 2002, the Commission processed 63 applications for certificates.

The figure to the right shows the number of certification proceedings by entity.

Certification Proceedings	1999	2000	2001	2002
Cable Television	0	2	3	3
Electric	3	4	7	6
Natural Gas	2	2	1	0
Pipeline	6	11	7	5
Refuse	9	6	3	3
Steam Heat	0	0	0	0
Telecommunications	61	55	42	37
Wastewater	1	2	4	2
Water	5	2	6	7
Totals	87	84	73	63

The criteria for issuing certificates is 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.

Most small electric utilities in the Power Cost Equalization program applied for certificates prior to fiscal year 1989. Several of these applications are still pending approval because of incomplete financial information or system safety considerations.

The figure to the right shows the number of certification proceedings by category.

Certification Proceedings	1999	2000	2001	2002
Acquisitions	7	3	2	4
Amendments	9	13	12	4
New Certificates	50	39	33	34
Certificate Transfers	9	23	13	13
Exemption from Certification	0	0	2	1
Discontinuation of Service	1	0	7	5
Temporary Operating Authority	3	1	0	0
Other	8	5	4	2
Totals	87	84	73	63

SUMMARY OF FILINGS

A substantial part of the Commission's mission is to handle and process tariff filings, formal proceedings, informal complaints, and certification proceedings. Each document filed with the Commission is electronically scanned, categorized, appropriately routed, and filed. All documents received are posted daily to the Mailsheet (Daily Filings) and available to the public for viewing on the Commission's website.



Aerial photo of Haines, Alaska. Photo is courtesy of Alaska Power & Telephone Company.

Prepared by Tamara Alexander, Wendy Arnett, and Joyce McGowan

<i>Utility Type</i>	<i>Informal Complaints</i>	<i>Tariff Filings</i>	<i>Certification Proceedings</i>	<i>Formal Proceedings</i>
Cable Television	0	1	3	0
Electric	72	154	6	8
Generic ¹	0	0	0	6
Natural Gas	19	9	0	4
Pipeline	0	59	5	6
Refuse	25	13	3	5
Steam Heat	0	8	0	0
Telecommunications	587	253	37	54
Wastewater	3	12	2	2
Water	22	27	7	4
<i>Totals</i>	<i>728</i>	<i>536</i>	<i>63</i>	<i>89</i>

The figure above illustrates the distribution of the Commission's workload for filings made in 2002. The table does not include Commission obligations arising from government actions or from initiatives taken by the Commission. Telecommunications represents 168 filings made by Local Exchange Carriers and 85 filings made by Interexchange Telecommunications Carriers.

FORMAL PROCEEDINGS

In addition to tariff and certification filings, the Commission institutes formal proceedings to consider: 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 include or necessitate a restructuring of rates. Formal proceedings impact the Commission's workload due to considerable time and resources required to audit, investigate, prepare prefiled testimony, conduct public hearings, determine and issue decisions, and process requests for reconsideration.

The figure to the right represents categories of formal proceedings, excluding certifications. Rate-related filings continue to dominate the Commission's formal proceedings.

Prepared by Joyce McGowan

<i>Formal Proceedings</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
Access Charge Filing	21	21	19	3
Contracts	2	1	6	2
Generic/Regulations	5	10	5	9
<i>Investigations:</i>				
Complaints	0	7	12	9
Management Practices	0	0	3	2
Interconnection	2	1	4	7
Eligible Carrier				
Designation	0	0	1	3
Investigations: Other	3	7	2	10
<i>Rate & Rule Change:</i>				
General Rate Change	6	18	1	14
Rate Restructure	0	5	9	1
Service/Equipment Offering	12	13	18	14
Rate Change: Other	6	1	2	0
Rule Change	1	0	7	0
<i>Miscellaneous</i>				
Equal Access Ballots	5	3	0	2
Protected/Confidential Status	8	16	3	1
Miscellaneous: Other	0	18	7	12
<i>Totals</i>	<i>71</i>	<i>121</i>	<i>99</i>	<i>89</i>

¹ The act involves more than one type of utility.


ALASKA SUPREME COURT CASES

 *Chugach Electric Association, Inc. v. the Regulatory Commission of Alaska*

In fiscal year 1997, Chugach Electric Association, Inc. (Chugach) attempted to arrange power sales contracts with customers in the exclusive service territory of Municipality of Anchorage d/b/a Municipal Light & Power Department (ML&P). After which ML&P filed a complaint with the Alaska Public Utilities Commission (APUC). After briefing, the APUC issued an order prohibiting Chugach from selling power to customers in ML&P's service territory without obtaining a certificate for that service. The Alaska Supreme Court affirmed the APUC order. Case: S-09692, closed

 *Matanuska Electric Association, Inc. v. Chugach Electric Association, Inc.*

In 1997, Matanuska Electric Association, Inc. (MEA) complained that the Cost of Power Adjustment (COPA) for wholesale power it purchased from Chugach Electric Association, Inc. (Chugach) was unjust and unreasonable because Chugach used an excessive line-loss factor in the computation. The Alaska Public Utilities Commission (APUC) issued U-97-36(13), which required Chugach to recalculate the COPA balancing account for 1995 through 1997 and refund excessive charges to its wholesale customers. The superior court reversed the APUC decision and MEA appealed to the Alaska Supreme Court. The Regulatory Commission of Alaska filed an *amicus curiae* brief asking the court to remand the case to the RCA. Case: S-09839, pending

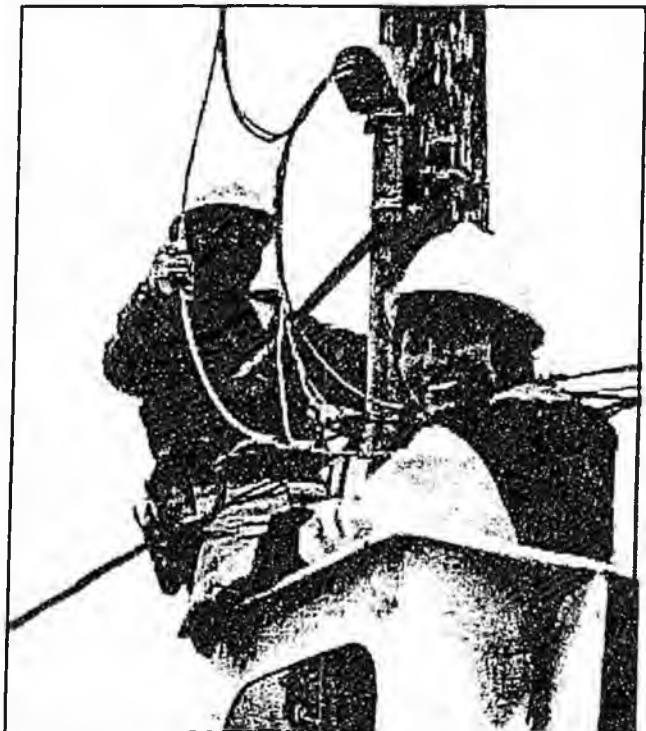
 *ACS of Alaska, Inc., ACS of the Northland, Inc., and ACS of Fairbanks, Inc. v. Regulatory Commission of Alaska and GCI Communication Corporation*

The Alaska Communications Systems, Inc.'s local exchange companies appealed from the superior court decision affirming the Commission's order terminating the rural exemption under the Telecommunications Act of 1996. Case: S-10466, pending

SUPERIOR COURT CASES

 *Chugach Electric Association, Inc. v. Regulatory Commission of Alaska*

After Municipality of Anchorage d/b/a Municipal Light & Power Department (ML&P) filed an application to provide electric service to a non-military customer located on Fort Richardson Army Post, the Regulatory Commission of Alaska (RCA) ruled that ML&P should list its Army Post customers in its tariff rather than in the service area description in its certificate. Municipality of Anchorage d/b/a Municipal Light & Power Department petitioned for reconsideration and Chugach Electric Association, Inc. (Chugach) sought to intervene. After extensive briefing, the RCA ruled that it has concurrent jurisdiction on the military bases so long as there is no conflict with federal law. The RCA held there is no conflict with federal law where no issue of competitive procurement is involved. The RCA determined that it would continue to follow the past practice of listing ML&P's Army Post customers in the service area description of its certificate. The superior court affirmed in the fiscal year of 2002 the RCA's order, holding that the issue Chugach attempted to appeal is not ripe for adjudication. Case: 3AN-01-8288 CI, closed



Alaska Power & Telephone Company (AP&T) Metlakatla crew (Richard Booth and Kathy Brendible) are shown working on a power pole. Photo is courtesy of AP&T.

ACS of Alaska, Inc., ACS of the Northland, Inc., and ACS of Fairbanks, Inc. v. Regulatory Commission of Alaska and GCI Communication Corporation

The local exchange companies now known as the Alaska Communications Systems, Inc. (ACS) companies appealed the Regulatory Commission of Alaska's order terminating its rural exemption under the Telecommunications Act of 1996. After the Iowa Utilities Board II decision by the Eighth Circuit Court of Appeals, the ACS companies moved for a stay of the Commission's order. The superior court denied the stay, and the Alaska Supreme Court rejected a petition for review. The court also denied ACS' motion to vacate the Commission's decision. The superior court issued its substantive order affirming the Commission's decision. Cases: 3AN-98-4759 CI, 3AN-98-4903 CI, 3AN-98-4905 CI (Consolidated); Telephone Utilities of Alaska, Inc. et al. v. RCA, Cases: 3AN-99-3494 CI, 3AN-99-3499 CI (Consolidated), closed

Alaska Exchange Carriers Association, Inc. v. Regulatory Commission of Alaska

Alaska Exchange Carriers Association, Inc. (AECA) filed a proposed tariff revision to change the procedure for modifying the first point of switching. After receiving written comments regarding the proposed tariff revision, the Commission rejected it without holding an evidentiary hearing. Alaska Exchange Carriers Association, Inc. and Alaska Communications Systems, Inc. appealed the order, contending that the Commission could not deny the tariff revision without holding an evidentiary hearing. The superior court remanded these to the Commission for an evidentiary hearing. Case: 3AN-00-3714 CI, pending

ACS of Fairbanks, Inc. et al. v. Regulatory Commission of Alaska and GCI Communication Corporation

Alaska Communications Systems, Inc. filed in the Alaska Superior Court for the same injunctive and declaratory relief it sought in the federal district court. Alaska Communications Systems, Inc. seeks relief from the local exchange interconnection terms arbitrated in U-99-141/142/143. The Superior Court appeal has been stayed while the same issue is litigated in the federal courts. Case: 3AN-00-3725 CI, pending

GTE Communications Corporation v. Regulatory Commission of Alaska

GTE Communications Corporation (GTE) appealed the Commission's order denying petitions to grant confidential status to financial statements filed in compliance with AS 42.05.451(b). Case: 3AN-00-3733 CI, closed

Golden Heart Utilities, Inc. v. Regulatory Commission of Alaska

Golden Heart Utilities, Inc. listed numerous points on appeal of the Commission's decisions in its last rate case. Case: 4FA-02-1444 CI, pending



Manager of Alaska Power & Telephone Co. (AP&T), Wendell Hewes, works in the Wrangell Central Office. Photo is courtesy of AP&T.

9TH CIRCUIT COURT OF APPEALS

ACS of Fairbanks, Inc. et al. v. Regulatory Commission of Alaska and GCI Communication Corporation

These consolidated appeals arose from Alaska Communications Systems, Inc.'s (ACS) original action in federal court seeking injunctive and declaratory relief from the Regulatory Commission of Alaska's decisions approving the results of arbitration in GCI Communication Corporation's request for interconnection under the Telecommunications Act of 1996. The issue in Case No. 01-35344 is whether, by conducting interconnection proceedings under the Telecommunications Act, the Commission has waived the state's 11th amendment immunity from suit in federal court. In the cross-appeal, Case No. 01-35375, ACS appealed the federal district court's grant of a stay of the entire action pending the 9th Circuit's decision on the 11th amendment issue. Cases: 01-35344, 01-35375, pending

STATUTES

The Alaska Legislature reorganized and renamed the Commission to the Regulatory Commission of Alaska (RCA) in 1999 as the state agency responsible for regulation of utilities and pipeline carriers. The RCA exists as an independent agency within the Department of Community and Economic Development under AS 42.04.010. Other provisions in the same chapter of AS 42.04 establish the RCA's structure, provide for the appointment and terms of commissioners and the employment of staff, specify powers and duties of the chair, and describe decision-making procedures for the RCA. The RCA has authority to investigate, hold hearings, prescribe systems of accounts, require the filing of reports, adopt regulations, and take other lawful actions necessary to accomplish the stated purposes of the Alaska Public Utilities Regulatory Act, AS 42.05, and the Pipeline Act, AS 42.06. The RCA's principal regulatory functions are certification and economic regulation (3 AAC 48.820(43)), which includes regulation of rates, quality of service, management practices, and consumer complaints.

The RCA has jurisdiction over public utilities providing electric, telecommunications (interexchange, local exchange, and cable television), steam heat, water and wastewater, natural gas, and refuse.¹ The term "public utility" is defined in AS 42.05.990(4) to mean, in general, an entity that provides any of these utility services to ten or more customers for compensation, or that sells wholesale service to a utility serving ten or more customers.

However, AS 42.05.711 provides statutory exemptions from economic regulation and, in some cases from the certification requirement, for certain kinds of utilities.

- (1) Under AS 42.05.711(b), public utilities owned and operated by a political subdivision of the state are exempt from economic regulation, unless the political subdivision elects to be regulated by the RCA. However, if any utility of a political subdivision is in competition with any other utility, then all that political subdivision's utilities are regulated.²
- (2) Under AS 42.05.711(e), electric and telephone utilities with gross revenues less than \$50,000 are exempt from both certification requirements and economic regulation, unless 25-percent of their customers petition for regulation.
- (3) Under AS 42.05.711(i), refuse utilities with annual gross revenues of \$300,000 or less are exempt from economic regulation, unless customers that pay 25-percent of the utility's gross revenues petition the RCA for regulation under AS 42.05.712(h).
- (4) Under AS 42.05.711(k), cable television utilities are exempt from economic regulation, unless subscribers petition the RCA for regulation under the procedures in AS 42.05.712.
- (5) Under AS 42.05.711(f), (g), and (h), customers of various kinds of utilities may vote for exemption from regulation by the RCA under the procedures in AS 42.05.712.

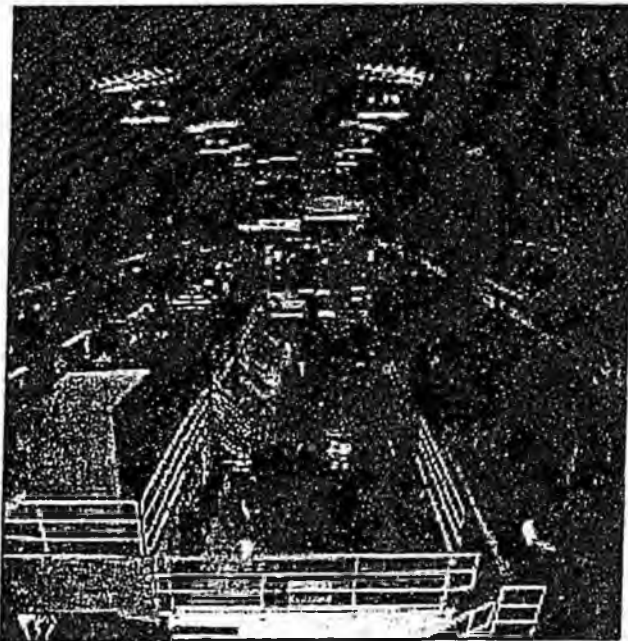
¹ Under AS 42.05.990(4)(E), "public utility" also includes a petroleum or petroleum product distributor "when the consumer has no alternative in the choice of supplier of an alternative product or service at an equal or lesser price;..." No entities meeting this definition of "public utility" are currently certificated or regulated by the Commission.

² 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.

(6) The RCA also has discretion under AS 42.05.711(d) to exempt a utility from all or a portion of AS 42.05 if it determines the exemption is in the public interest. The Alaska Public Utilities Commission and the RCA have exercised discretion under this statute to exempt some utilities particularly small water and competing refuse utilities from economic regulation requirements.

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

Alaska Statutes 42.05.221 requires a public utility to obtain a certificate of public convenience and necessity from the Regulatory Commission of Alaska (RCA) before commencing service to the public. A certificate describes the nature and extent of authority granted to the utility, including, if appropriate, a description of the authorized service area and the scope of operations of the utility. Before issuing a certificate, the RCA must, under AS 42.05.241, find that the applicant is fit, willing, and able to provide the service and that the service is required for the convenience and necessity of the public. Alaska Statutes 42.05.241 also authorizes the RCA to eliminate undesirable duplication of utility service. The RCA has authority under AS 42.05.271 to amend, modify, revoke, or suspend certificates.



Snettisham Powerplant produces 80-percent of Juneau's electricity. Photo is courtesy of Alaska Electric Light & Power Company.

RATE REGULATIONS

The Regulatory Commission of Alaska (RCA) is responsible for making or requiring just, fair, and reasonable rates, classifications, regulations, practices, services, and facilities for public utilities. The rate review process, prescribed by AS 42.05.361-42.05.441, most often begins with a tariff filing by a utility. Within 45-days, the RCA approves the filing or suspends it for further investigation. The RCA may permit an interim and refundable rate increase. If after investigation, the RCA finds the proposed rate or term of service unjust and unreasonable, the RCA will determine a just and reasonable rate or term of service.

The RCA also works with the Alaska Energy Authority in administering the Power Cost Equalization program. The RCA determines the eligibility of electric utilities and the kilowatt-hour amount paid under AS 42.45.100-42.45.190.

PIPELINE CARRIERS

The Regulatory Commission of Alaska (RCA) also regulates the intrastate transportation services of oil and gas pipelines in Alaska. Under AS 42.06.240-42.06.305, the RCA grants certificates of public convenience and necessity for pipeline transportation service, and for construction or operation of any pipeline facilities in the state. The RCA has authority under AS 42.06.350-42.06.420 to review and determine intrastate service rates and charges of pipelines in the state.

The RCA is also authorized under AS 31.15.010-31.15.050 to determine if unjust and unreasonable discrimination has occurred in the sale of oil offered for purchase within Alaska.

ALASKA ADMINISTRATIVE CODE

As authorized under AS 42.05.151 and other statutory provisions, the Regulatory Commission of Alaska 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).

PHOTO CREDITS

The photos presented in this publication are courtesy of the following utilities and businesses:

- ⑥ *Alaska Division of Community and Business Development* (page 28)
- ⑥ *Alaska Division of Tourism* (pages 33, 34, and inside back cover)
- ⑥ *Alaska Electric Light & Power Company* (pages 5, 6, 16, 18, 25, 26, 27, 40, and back cover)
- ⑥ *Arctic Slope Telephone Association Cooperative, Inc.* (pages 22 and back cover)
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- ⑥ *Mark S. McCready, Alaska Power & Telephone Company* (pages front cover, 21, 25, 29, 35, 37, 38, and back cover)
- ⑥ *Matanuska Telephone Association, Inc.* (page 18)
- ⑥ *Municipality of Anchorage d/b/a Anchorage Water and Wastewater Utility* (pages 16, 23, 29, 32, and back cover)
- ⑥ *Rex Melton, Alaska Division of Tourism* (pages 33, 34, and inside back cover)
- ⑥ *Waste Management of Alaska, Inc.* (pages 21 and back cover)

ACKNOWLEDGEMENTS

The Commission sincerely appreciates the hard work of the Consumer Protection Staff editors:

- ⑥ *Agnes Pitts, Chief Consumer Protection & Information Officer*
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HB

515

ANCHORAGE WATER UTILITY
RATE HISTORY
1992 THROUGH 2004

Docket/Order	Type of Rate Increase	Rate Increase Received	Effective Date of Increase	Single Family Rate	Commercial Metered Rate
per U-90-64(4)	Permanent	6.00%	3-Jun-92	\$24.75	\$3.14
per U-94-89(5) COSS	Cost of Service ⁽¹⁾	0.00%	1-Jun-95	\$25.80	\$2.64
per U-04-023(1)	Interim	13.61%	23-Feb-04	\$29.35	\$3.00

⁽¹⁾ Cost of Service rates reallocate costs to customer classes without changing the total revenue to the Utility

ANCHORAGE WASTEWATER UTILITY
RATE HISTORY
 1992 THROUGH 2004

Docket/Order	Type of Rate Increase	Rate Increase Received	Effective Date of Increase	Single Family Rate
per U-90-64()	Permanent	14.89%	8-Jun-92	\$21.65
per U-94-88(5)COSS	Cost of Service ⁽¹⁾	0.00%	1-Jun-95	\$21.80
per LO# L0001127	Permanent	-2.75%	1-Jan-01	\$21.20
per U-04-022(1)	Interim	8.06%	23-Feb-04	\$22.90

⁽¹⁾ Cost of Service rates reallocate costs to customer classes without changing the total revenue to the Utility

Alaska State Legislature

House of Representatives



Official Business

State Capitol
Juneau, AK 99801-1182

SPONSOR STATEMENT FOR HB 515 BY: Representative Tom Anderson

TITLE: "An Act relating to the regulation of municipal water and sewer utilities not in competition with other water and sewer utilities."

House Bill 515 would exempt Anchorage Waste Water Utility from regulation by the Regulatory Commission of Alaska (RCA). Except for the City of Pelican, no other municipal owned water/wastewater utility is regulated by the RCA. (Pelican requested regulation of its water utility by the RCA).

The Municipality of Anchorage believes the current RCA regulation processes are cumbersome, slow, expensive, and non-responsive to local needs. Ratepayers are required to pay for the expensive RCA regulatory process as a surcharge on every bill, whether or not their utility has a case pending. For example, from 1993 until 2003 AWWU never had a rate increase from the RCA or the APUC, yet ratepayers have paid a regulatory assessment to the RCA as part of every bill. In 2004 AWWU ratepayers are projected to pay about \$500,000 to the RCA to cover the costs of regulation. The greatest costs appear in the form of regulatory delay in obtaining approval of a requested change.

The MOA is directly accountable to ratepayers served by the utilities - they are voters. The Municipality has experience successfully regulating enterprise activities. The Port of Anchorage, Solid Waste Services and Merrill Field are all financially sound and provide first class customer service. Municipal public hearings are held on any proposed rate increase and the public is very involved in the hearing process.

HB 515 changes existing law by adding lines 5 thru 8 on Page 2. This language states that a water or sewer utility owned by a political subdivision not directly competing with another water or sewer utility is exempt from RCA regulation.

I would ask for your support on HB 515.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 515
 (H) Publish Date: 3/4/04

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Municipal Water & Sewer Utilities RDU RCA Audits & Investigations (508)
 Component RCA Audits & Investigations
 Sponsor Labor & Commerce
 Requester House Community & Regional Affairs Component No. 2740

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	(45.7)	(61.0)	(61.0)	(61.0)	(61.0)	(61.0)

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES (1141)	(45.7)	(61.0)	(61.0)	(61.0)	(61.0)	(61.0)
------------------------------------	---------------	---------------	---------------	---------------	---------------	---------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1141 - RCA Receipts	(45.7)	(61.0)	(61.0)	(61.0)	(61.0)	(61.0)
TOTAL	(45.7)	(61.0)	(61.0)	(61.0)	(61.0)	(61.0)

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would remove the Municipality of Anchorage d/b/a AWWU (water and sewer utilities) from Regulatory Commission of Alaska (RCA) oversight. The RCA Audits & Investigations component will see a reduced workload as a result of this legislation. The RCA's budget is funded through the Regulatory Cost Charge (RCC) mechanism and direct charge mechanisms. No general funds are allocated for support of the agency.

AWWU is expected to pay a total of approximately \$406,550 in RCCs in FY 2004. The RCA estimates \$45.7 of this reduction would occur in RCA Audits & Investigations. Some RCCs would be realized in FY 2005 if an effective date of July 1, 2004 is assumed.

Prepared by: Mark K. Johnson, Commissioner, Chair Phone (907) 276-6222
 Division Regulatory Commission of Alaska Date/Time 3/3/04 5:38 PM
 Approved by: Edgar Blatchford, Commissioner Date 3/3/2004
 Agency Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: HB 515
 (H) Publish Date: 3/4/04

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Municipal Water & Sewer Utilities RDU Regulatory Commission of Alaska (399)
 Component Regulatory Commission of Alaska
 Sponsor Labor & Commerce
 Requester House Community & Regional Affairs Component No. 2417

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	(258.8)	(345.6)	(345.6)	(345.6)	(345.6)	(345.6)

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES (1141)	(258.6)	(345.6)	(345.6)	(345.6)	(345.6)	(345.6)
------------------------------------	----------------	----------------	----------------	----------------	----------------	----------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1141 - RCA Receipts	(258.8)	(345.6)	(345.6)	(345.6)	(345.6)	(345.6)
TOTAL	(258.8)	(345.6)	(345.6)	(345.6)	(345.6)	(345.6)

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time	-2	-2	-2	-2	-2	-2
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would remove the Municipality of Anchorage d/b/a AWWU (water and sewer utilities) from Regulatory Commission of Alaska (RCA) oversight. The RCA's budget is funded through the Regulatory Cost Charge (RCC) mechanism and direct charge mechanisms. No general funds are allocated for support of the agency. The RCC is recalculated each year and allows the agency to recover its operating costs through an assessment on the revenues of the utilities and pipeline carriers it regulates.

AWWU is expected to pay a total of approximately \$406,550 in RCC's in FY 2004. The RCA estimates loss of this revenue will result in the loss of 2 positions within the agency for a total reduction of \$258.8 in this component. The precise distribution of operating expense reductions has not been determined at this time. Some RCC's would be realized in FY 2005 if an effective date of July 1, 2004 is assumed.

Prepared by: Mark K. Johnson, Commissioner, Chair Phone (907) 276-6222
 Division Regulatory Commission of Alaska Date/Time 3/3/04 5:36 PM
 Approved by: Edgar Blatchford, Commissioner Date 3/3/2004
 Agency Department of Community & Economic Development



Municipality of Anchorage

P.O. Box 196650 • Anchorage, Alaska 99519-6650 • Telephone: (907) 343-4491 • Fax: (907) 343-4499 <http://www.muni.org>


Mayor Mark Begich

Office of the Mayor

MEMORANDUM

DATE: February 3, 2004

TO: The Honorable Tom Anderson, Chair
House Labor & Commerce Committee

FROM: Anchorage Mayor Mark Begich 

SUBJECT: Self-regulation of Anchorage Water and Wastewater Utilities

The Municipality of Anchorage and the Anchorage Assembly have designated "Regulating Anchorage's Own Water/wastewater Utilities" as a top municipal legislative priority for 2004. This would require an exemption from regulation by the Regulatory Commission of Alaska (RCA), something that every other municipally owned utility in Alaska, except one, already enjoys.* Anchorage as the largest, most highly sophisticated city in the state, is fully capable of soundly regulating its own municipally owned utilities. Self-regulating Anchorage's water utility would save rate-payers money and enhance local control.

AWWU has provided its customers excellent service, low, stable rates and sound finances, as well as continuity of management. Over the years, the mayor and assembly have made sound decisions in their oversight of municipally owned utilities. Municipal public hearings are held on any proposed rate increase. Municipal regulation will continue to balance consumer protection with the financial soundness of the public utility. It will allow the utilities to continue to operate on a sound business basis. The process will be accountable to local people, more responsive, timely and economical than current RCA regulation.

Anchorage has extensive experience regulating other municipally owned enterprises. The Port of Anchorage, Merrill Field and Solid Waste Services are all financially sound and provide first class customer service. Actually, Anchorage has self-regulated its public utilities for more years than have state regulators.

RCA regulation is slow, expensive and partially duplicates the review process that the municipal administration and assembly already apply. AWWU ratepayers pay in excess of \$500,000 per year to the RCA to cover the cost of regulation. The greater cost is in the form of regulatory lag, the delay in obtaining approval of a requested rate change.

* The City of Pelican requested continued RCA regulation of its water utility when it was sold.

Community, Security, Prosperity

The Municipality in 1991 petitioned the APUC (predecessor to the RCA) to exempt AWWU and the electric utility from regulation. The Commission denied the request for self-regulation of the electric utility. By a 2-2 vote, the commission split on the question of exempting AWWU. The opinion by the commissioners who opposed self-regulation cited competition by the electric utility with other electric utilities as the reason why AWWU should remain regulated by the state.

To accomplish the exemption from RCA regulation a new section is needed in AS 42.05.711:

“A water/wastewater utility owned by and serving a first class or home rule municipality is exempt from regulation by the Commission, other than AS 42.05.221 - 42.05.281 and 42.05.385.”

This section was amended as recently as the year 2000 by SB 324 to protect Ketchikan's public utilities, which have been self-regulated for 50 years, from the risk of regulatory takeover by the RCA in light of possible telephone competition.

Gina Anderson 1
Rene Romero - 5 years AS chief

**2004 STATE LEGISLATIVE PROGRAM
MUNICIPAL PRIORITY ISSUES
LEGISLATION**

ISSUE/PROJECT NAME: Regulating our own utilities
ISSUE/IMPROVEMENT TYPE: Legislation- Utility
STATE GRANT REQUEST: None
LOCAL MATCH: N/A
PRIORITY: 1

ISSUE/PROJECT DESCRIPTION:

We support state legislation that would include the Municipality of Anchorage utilities in the existing exemption from regulation by the Regulatory Commission of Alaska (RCA) already provided to other municipally owned utilities.

Anchorage utilities are the only municipal utilities in Alaska subjected to state regulation. The sole exception is the City of Pelican's water utility, where Pelican requested to be regulated by the RCA. Anchorage ratepayers pay higher rates for this state "service" but these regulatory charges are not imposed on any other municipal utility, except Pelican. Currently Anchorage ratepayers pay \$930,000 per year.

Municipal regulation would continue to balance consumer protection with the financial soundness of the utilities. It would be:

Directly accountable to local people
More responsive
More timely
More economical
Simpler

The Municipality has extensive experience regulating other municipally owned enterprises. They are all financially sound and also provide first class customer service. For example, the Solid Waste Services Collection Utility has been regulated by the Municipality for many years. Its customers enjoy among the lowest refuse collection rates in the country. The rates for residential and commercial refuse collection have not increased in the past thirteen years.

Voters in the Municipality would hold the Mayor and Assembly members, those elected officials who would set and approve utility rates, fully accountable – and they do vote.

During the recent California energy crisis the utilities regulated by the state public utilities commission got in trouble, with the largest gas and electric utility having to file bankruptcy. On the other hand, municipally owned utilities fared very well.

POLITICAL SUBDIVISIONS:

Community Council: Anchorage

Assembly Section: 9

Legislative District(s):

House: 16-32

Senate: I-P

CONTACT PERSON: Robert Lohr, Management Systems Officer, 343-4467

HB

539

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 539
 () Publish Date: _____

Revision Date/Time (Note if correction): _____
 Title UNIV. STUDENT PRACTICUM LIABILITY/WAGES

Dept. Affected: University of Alaska
 RDU _____
 Component _____

Sponsor Judiciary
 Requester _____

Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would have no fiscal impact on the University.

Prepared by: Pat Pitney
 Division: University of Alaska
 Approved by: Pat Pitney
 Agency: University of Alaska

Phone: 907-474-7958
 Date/Time: 4/12/04 10:47 AM
 Date: 4/12/2004

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB539-DOLWD-WH-04-12-04
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
 Title: Univ. Student Practicum Liability/Wages RDU: Labor Standards & Safety
 Component: Wage & Hour
 Sponsor: House Judiciary
 Requester: House L&C Component Number: 345

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: None
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There is no anticipated fiscal impact to the department as a result of this legislation.

Prepared by: Grey Mitchell, Director Phone 465-4855
 Division: Labor Standards & Safety Date/Time 4/12/04 7:55 AM
 Approved by: Greg O'Claray, Commissioner Date 4/12/2004
 Agency: Department of Labor and Workforce Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB539-DOLWD-WC-04-12-04
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
Title: Univ. Student Practicum Liability/Wages RDU: Workers' Compensation
Sponsor: House Judiciary Component: Workers' Compensation
Requester: House L&C Component Number: 344

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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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--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: None
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There is no anticipated fiscal impact to the department as a result of this legislation.

Prepared by: Paul Lisankle, Director Phone 465-2790
Division: Division of Workers' Compensation Date/Time 4/12/04 9:47 AM
Approved by: Greg O'Clary, Commissioner Date 4/12/2004
Agency: Department of Labor and Workforce Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: HB539-LAW-T&WC-4-14
 Bill Version: HB539
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: LAW
 Title "An Act excepting a person who allows a student RDU CIVIL
of the University of Alaska...from liability as an employer..." Component Torts and Workers' Compensation
 Sponsor House Judiciary Committee
 Requester House Labor and Commerce Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill allows an employer to allow a university student to gain practical work experience as part of the student's curriculum without incurring vicarious liability as an employer, and exempting the student from the Alaska Wage and Hour Act and workers' compensation coverage.

Passage of this legislation will have no foreseeable fiscal impact on the Department of Law.

Prepared by: Kathryn A. Daughhete, Director Phone 465-3673
 Division Administrative Services Date/Time 4/14/04 11:52 AM
 Approved by: Kathryn Daughhete for Gregg D. Renkes, Attorney General Date 4/14/2004
 Agency Department of Law

23-LS1837D
Craver
4/16/04

CS FOR HOUSE BILL NO. 539()

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION**

BY

**Offered:
Referred:**

Sponsor(s): HOUSE JUDICIARY COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act exempting a person who allows a student of the University of Alaska to gain**
2 **practical work experience with the person while participating in a practicum from**
3 **vicarious liability as an employer, and exempting the student participating in a**
4 **practicum from the Alaska Wage and Hour Act; and providing for an effective date."**

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

6 *** Section 1. AS 14.40 is amended by adding a new section to read:**

7 **Sec. 14.40.065. Student practicums immunity. A person is not considered**
8 **to be an employer of a student of the University of Alaska in a civil action based on**
9 **the vicarious liability of an employer for the acts or omissions of an employee if the**
10 **person**

11 **(1) has agreed to allow the student to gain practical work experience**
12 **with the person in a practicum that is part of the student's curriculum; and**

13 **(2) pays no compensation to the student.**

14 *** Sec. 2. AS 23.10.055 is amended to read:**

1 **Sec. 23.10.055. Exemptions.** The provisions of AS 23.10.050 - 23.10.150 do
2 not apply to

3 (1) an individual employed in agriculture, which includes farming in
4 all its branches and, among other things, includes the cultivation and tillage of the soil,
5 dairying, the production, cultivation, growing, and harvesting of any agricultural or
6 horticultural commodities, the raising of livestock, bees, fur-bearing animals, or
7 poultry, and any practices, including forestry and lumbering operations, performed by
8 a farmer or on a farm as an incident to or in conjunction with the farming operations,
9 including preparation for market, delivery to storage or to market or to carriers for
10 transportation to market;

11 (2) an individual employed in the catching, trapping, cultivating or
12 farming, netting, or taking of any kind of fish, shellfish, or other aquatic forms of
13 animal and vegetable life;

14 (3) an individual employed in the hand picking of shrimp;

15 (4) an individual employed in domestic service, including a baby-
16 sitter, in or about a private home;

17 (5) an individual employed by the United States or by the state or
18 political subdivision of the state, except as provided in AS 23.10.065(b), including
19 prisoners not on furlough detained or confined in prison facilities;

20 (6) an individual engaged in the nonprofit activities of a nonprofit
21 religious, charitable, cemetery, or educational organization or other nonprofit
22 organization where the employer-employee relationship does not, in fact, exist, and
23 where services rendered to the organization are on a voluntary basis and are related
24 only to the organization's nonprofit activities; for purposes of this paragraph,
25 "nonprofit activities" means activities for which the nonprofit organization does not
26 incur a liability for unrelated business income tax under 26 U.S.C. 513, as amended;

27 (7) an employee engaged in the delivery of newspapers to the
28 consumer;

29 (8) an individual employed solely as a watchman or caretaker of a
30 plant or property that is not in productive use for a period of four months or more;

31 (9) an individual employed in a bona fide executive, administrative, or

1 professional capacity or in the capacity of an outside salesman or a salesman who is
2 employed on a straight commission basis;

3 (10) an individual employed in the search for placer or hard rock
4 minerals;

5 (11) an individual under 18 years of age employed on a part-time basis
6 not more than 30 hours in a week;

7 (12) employment by a nonprofit educational or child care facility to
8 serve as a parent of children while the children are in residence at the facility if the
9 employment requires residence at the facility and is compensated on a cash basis
10 exclusive of room and board at an annual rate of not less than

11 (A) \$10,000 for an unmarried person; or

12 (B) \$15,000 for a married couple;

13 (13) an individual who drives a taxicab, is compensated for taxicab
14 services exclusively by customers of the service, whose written contractual
15 arrangements with owners of taxicab vehicles, taxicab permits, or radio dispatch
16 services are based upon flat contractual rates and not based on a percentage share of
17 the individual's receipts from customers, and whose written contract with owners of
18 taxicab vehicles, taxicab permits, or radio dispatch services specifically provides that
19 the contract places no restrictions on hours worked by the individual or on areas in
20 which the individual may work except to comply with local ordinances;

21 (14) a person who holds a license under AS 08.54 and who is
22 employed by a registered guide or master guide licensed under AS 08.54, for the first
23 60 work days in which the person is employed by the registered guide or master guide
24 during a calendar year;

25 (15) an individual engaged in activities for a nonprofit religious,
26 charitable, civic, cemetery, recreational, or educational organization where the
27 employer-employee relationship does not, in fact, exist, and where services are
28 rendered to the organization under a work activity requirement of AS 47.27 (Alaska
29 temporary assistance program); [OR]

30 (16) an individual who

31 (A) provides emergency medical services only on a voluntary

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basis;

(B) serves with a full-time fire department only on a voluntary

basis; or

(C) provides ski patrol services on a voluntary basis; or

(17) a student participating in a University of Alaska practicum
described under AS 14.40.065.

* Sec. 3. This Act takes effect July 1, 2004.

Alaska State Legislature

Session:
State Capitol
Juneau, AK 99801
Phone: (907) 465-2995
Fax: (907) 465-6592



Interim:
716 W 4th Avenue, Suite 430
Anchorage, AK 99501-2133
Phone: (907) 269-0250
Fax: (907) 269-0249

Representative Lesil McGuire

Chair, Judiciary Committee

SPONSOR STATEMENT

HB 539

"An Act exempting a person who allows a student of the University of Alaska to gain practical work experience with the person while participating in a practicum from vicarious liability as an employer, and exempting the student participating in a practicum from the Alaska Wage and Hour Act and workers' compensation coverage."

HB 539 provides the same employment liability for university intern programs that already exist in statute for high schools throughout the state.

University health and construction programs have had difficulty obtaining sites for unpaid practicum placement positions, more commonly known as interns. This has been especially problematic with dental students, but can be expected to also be a problem with other professions, especially medical professions where the risk of serious injury is a potential. The legitimate concern of placement sites is that without statutory clarification students could be considered as employees of the site for:

- 1.) Negligence liability;
- 2.) Fair Labor Standards Act responsibility for minimum wage and overtime compensation; and
- 3.) Workers compensation responsibility

Though they are unpaid, intern positions need the exemption from the Fair Labor Standards Act and Workers Compensation to ensure that experimental benefits, which accrue to the intern, cannot be equated to wages for purposes of compensation, liability and Workers comp.

Given the current legal structure, practicum placement sites have suggested that the university agree to indemnify the site for claims based on the acts of the students, or to agree that the students will be the employees of the university for liability purposes. From the university's perspective, neither of these suggestions is realistic. The university does not supervise the students. There is a substantial risk that indemnity could be interpreted to cover damages which are caused by the negligence of the site. The time required to negotiate around these potential liabilities is substantial. All of which is counterproductive to training Alaskans for good in-state jobs.

HB 539 proposes three cumulative statutory fixes designed to protect the sites that offer their services to UA interns on an unpaid basis. The threshold requirement that the students not be paid ensures that sites will not use practicum placement immunity to take advantage of employees who are also students.

From a liability perspective, this proposal is designed to leave each participant—the university, the student, and the site—responsible for its own fault. Thus, this proposal does not alter a party's responsibility for its own negligence, but it does limit vicarious liability of one party for the fault of another.

As enrollments rise across the UA system, more students are entering fields of study which require placements in the work world as a portion of their study. Two such courses of study are construction and health education.

For instance, enrollment in health education programs such as nursing, dental, medical laboratory, and radiology are growing rapidly. As a portion of their study, students must complete clinical practicum with providers in their offices, clinics and hospitals.

Health providers have been hosting UA students for many years, and with great success. To date there have not been any liability claims against providers for actions that students have taken while working with providers. UA has long-standing and successful partnerships with hospitals, doctors, dentists and many other health care professionals. These are formalized in agreements between the University and the provider which state that the providers are not responsible or liable for any malpractice claims, workers compensation claims, or fair labor standards actions of the student.

Why do we need legislation to address liability if we have not had problems and if we have provider agreements? As more students are enrolled in programs and as programs branch out to more communities, UA is finding that potential new providers are reluctant to participate in practicum programs due to liability concerns. UA can no longer rely on historic arrangements that were put in place when liability concerns of providers were not as critical as they are today.

This last year, for instance, UAF needed clinical sites for its dental assisting students. The dental assisting program is growing rapidly in Fairbanks and new dentists needed to be recruited into the practicum program. While dentists were very interested in taking students, many declined. A bare minimum of practicum were obtained so existing students could graduate. Without this legislation, it is unlikely the dental education programs across the state will continue and grow to meet community needs. Lack of clarity about liability is having a negative impact on the private sector's willingness to be involved in vital practicum programs.

Legislation is needed to state clearly what the University believes is existing policy. The legislation clarifies that students are not employees, and therefore not subject to negligence liability, fair labor standards for minimum wage and overtime compensation.

This legislation is intended to give providers and placement sites the clarity in statute to protect them when offering their facilities and services to University students. The threshold requirement that students not be paid ensures that the sites will not use practicum students immunity to take advantage of employees who are also students. From a liability perspective, this proposal is designed to leave each entity - the university, the student, and the site responsible for their own liability.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 16, 2004

SUBJECT: Student Practicum Immunity, CSHB 539(),
(Work Order No. 23-LS1837D)

TO: Representative Lesil McGuire
Attn: Heath Halyard

FROM: Barbara R. Craver *BRC*
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. This section adds a new section to the University of Alaska title, AS 14.40, to define a student practicum and to state that a person who provides the practical experience is not considered to be an employer of the student in a lawsuit based on the vicarious liability of the employer for an employee.

Section 2. This section adds a student who is participating in a student practicum to the list of exemptions to the Alaska Wage and Hour Act.

Section 3. This sets an effective date for this bill.

BRC:mdr
04-157.mdr

HB

542

Alaska State Legislature

Rep. Tom Anderson, Chair
Rep. Carl Gatto, Vice - Chair
Rep. Norman Rokeberg, Member
Rep. Nancy Dahlstrom, Member
Rep. Bob Lynn, Member
Rep. Harry Crawford, Member
Rep. David Guttenberg, Member



State Capitol
Juneau, Ak 99801-1182
(907) 465-4954
Fax: (907) 465-2418

House Labor & Commerce Committee

SPONSOR STATEMENT

HB 542

"An Act relating to specialty construction contractors and to construction contractor exemptions."

HB 542 lowers the limit of a project cost from \$10,000 to \$5,000, and expands the work that can be done by a specialty contractor. Under current law, exemptions allowed under AS 08.18.161(8) allows unlicensed persons to act as contractors, when they are not. In fact, they compete with contractors and are not required to have a bond or insurance. The \$10,000 limit on the value of work they can do makes this an attractive alternative. However, having no bond or insurance gives the consumer no protection from faulty work.

Occupational Licensing issues these individuals a business licensed under a 2360 code, which says their license is "Construction related Exempt from contractors registration". If they were to show their license to someone, they would probably get the idea that they were licensed contractors.

To help alleviate the problem, Occupational Licensing has created category under the 8101 code, and called them Handymen, which is what they have always been called, yet there is nothing in law or regulations that use that name.

The changes provided in HB 542 will go a long way toward resolving the issue and provide a greater level of consumer protection.

LINES OF BUSINESS AND ACTIVITIES

The business classification system has been updated.

A single license enables your business to engage in any activity within the assigned Line of Business.

If your business works in more than one line, you will need more than one business license.

The Line of Business assigned to a business license cannot be changed. To change a Line of Business, you must obtain a new business license.

LINES OF BUSINESS

- 11 - Agriculture, Forestry, Fishing and Hunting
- 21 - Mining
- 22 - Utilities
- 23 - Construction
- 31 - Manufacturing
- 42 - Trade
- 48 - Transportation and Warehousing
- 51 - Information
- 52 - Finance and Insurance
- 53 - Real Estate, Rental, and Leasing
- 54 - Professional, Scientific, and Technical Services
- 55 - Management of Companies and Enterprises
- 56 - Administrative, Support, Waste Management, and Remediation Services
- 61 - Educational Services
- 62 - Health Care and Social Assistance
- 71 - Arts, Entertainment, and Recreation
- 72 - Accommodation and Food Services
- 81 - Services
- 92 - Public Administration

NEED HELP?

For assistance or for information about the Business License program, contact the business license office nearest you in person or by telephone. If you prefer to write, send your letter to the headquarters office in Juneau, or E-mail to: License@dced.state.ak.us.

JUNEAU HEADQUARTERS

Division of Occupational Licensing
P.O. Box 110806, Juneau, AK 99811-0806

Physical Location in Juneau

Location: 9th Floor, State Office Building, 333 Willoughby Avenue
Telephone: (907) 465-2550

ANCHORAGE

Atwood Building, 550 W 7th Avenue, Suite 1500
Telephone: (907) 269-8173

WEBSITE: www.dced.state.ak.us/occ/buslic.htm

BUSINESS ACTIVITIES

1. Select the Activity Code from the list below your Line of Business which best describes your primary business activity and write the code number on your application.
2. You may select one additional Activity Code from the list below your Line of Business to describe a significant secondary activity.

If you engage in an activity with a six-digit code, an occupational license is required before a business license will be issued.

If your business activities are not listed under the Line of Business you have selected, you must either change your Line of Business, or obtain an additional business license.

AGRICULTURE, FORESTRY, FISHING & HUNTING

1111	Oilseed & Grain Farming
1112	Vegetable & Melon Farming
1113	Fruit & Tree Nut Farming
1114	Greenhouse, Nursery & Floriculture Production
1119	Other Crop Farming
1121	Cattle Ranching & Farming
1122	Hog & Pig Farming
1123	Poultry & Egg Production
1124	Sheep & Goat Farming
1125	Animal Aquaculture
1129	Other Animal Production (breed/raise sled dogs)
1131	Timber Tract Operations
1132	Forest Nurseries & Gathering Forest Products
1133	Logging
1141	Fishing (commercial, <i>not guides</i>)
1142	Hunting & Trapping (commercial, <i>not guides</i>)
1151	Crop Production Support
1152	Animal Production Support
1153	Forestry Support

MINING

2111	Oil & Gas Extraction
2121	Coal Mining
2122	Metal Ore Mining
2123	Nonmetallic Mineral Mining & Quarrying
2131	Mining Support Activities

UTILITIES

2211	Electric Power Generation, Transmission & Distribution
2212	Natural Gas Distribution
2213	Water, Sewage & Other Systems

CONSTRUCTION

2331	Land Subdivision & Land Development (no const. or site prep.)
233200	<i>General Contractors</i>
233300	<i>General Contractors (excluding residential)</i>
Specialty Construction Contractors:	
234100	<i>Road Construction</i>
235100	<i>Plumbing, Heating & Air Conditioning</i>
235200	<i>Painting & Wall Covering</i>
235300	<i>Electrical Contractors</i>
235400	<i>Masonry, Drywall, Insulation, Tile</i>
235500	<i>Carpentry & Floor</i>
235500	<i>Roofing, Siding, & Sheet Metal</i>
235700	<i>Concrete Contractors</i>
235800	<i>Water Well Drilling</i>
235900	<i>Other Special Trade Contractors (excavation, glazing, - plaster, welding, gas tank & sewer systems, etc.)</i>
235991	<i>Underground Storage Tank Workers</i>

MANUFACTURING

3111	Animal Food Manufacturing
3112	Grain & Oilseed Milling
3113	Sugar & Confectionery Product Manufacturing
3114	Fruit & Vegetable Preservatives & Specialty Food Mfg.
3115	Dairy Product Manufacturing
3116	Animal Slaughtering & Processing
3117	Seafood Product Preparation & Packaging

Manufacturing, continued

3118	Bakeries & Tortilla Manufacturing
3119	Other Food Manufacturing
3121	Beverage Manufacturing
3122	Tobacco Manufacturing
3131	Fiber, Yarn & Thread Mills
3132	Fabric Mills
3133	Textile/Fabric Finishing/Fabric Coating Mills
3141	Textile Furnishings Mills
3149	Other Textile Product Mills
3151	Textile Furnishings Mills
3152	Cut & Sew Apparel Manufacturing
3159	Apparel Accessories & Other Apparel Manufacturing
3161	Leather & Hide Tanning & Finishing
3162	Footwear Manufacturing
3169	Other Leather & Allied Product Manufacturing
3211	Sawmills & Wood Preservation
3212	Veneer, Plywood & Engineered Wood Product
3219	Other Wood Product Mfg. (manufactured homes)
3221	Pulp, Paper & Paperboard Mills
3222	Converted Paper Product Manufacturing
3231	Printing & Related Support Activities
3241	Petroleum & Coal Products Manufacturing
3251	Basic Chemical Manufacturing
3252	Resin, Synthetic Rubber, Artificial & Synthetic
3253	Pesticide, Fertilizer & Other Agricultural Chemical Mfg.
3254*2	Pharmaceutical & Medicine Manufacturing
3255	Paint, Coating & Adhesive Manufacturing
3256	Soap, Cleaners & Toilet Preparation Manufacturing
3259	Other Chemical Product & Preparation
3261	Plastics Product Mfg.
3262	Rubber Product Mfg.
3271	Clay Product & Refractory Mfg.
3272	Glass & Glass Product Mfg.
3273	Cement & Concrete Produce Mfg.
3274	Lime & Gypsum Product Mfg.
3311	Iron & Steel Mills & Ferroalloy Mfg.
3312	Steel Product Mfg. From Purchased Steel
3313	Alumina & Aluminum Production & Processing
3314	Nonferrous (excluding Alum) Production & Processing
3315	Foundries
3321	Forging & Stamping
3322	Cutlery & Hand tool Mfg.
3323	Architectural & Structural Metals Mfg.
3324	Boiler, Tank & Shipping Container Mfg.
3325	Hardware Mfg.
3326	Spring & Wire Product Mfg.
3327	Machine Shops, Turn Products, Screw, Nut, Bolt Mfg.
3328	Coating, Engrave, Heat Treating & Other Activity
3329	Other Fabricated Metal Product Mfg. (welding)
3331	Agriculture, Construction & Mining Machinery Mfg.
3332	Industrial Machinery Mfg.
3333	Commercial & Service Industry Machinery Mfg.
3334	HVAC & Commercial Refrigeration Equipment Mfg.
3335	Metalworking Machinery Mfg.
3336	Engine, Turbine & Power Transmission Equipment Mfg.
3339	Other General Purpose Machinery Mfg.
3341	Computer & Peripheral Equipment Mfg.
3342	Communications Equipment Mfg.
3343	Audio & Video Equipment Mfg.
3344	Semiconductor & Other Electronic Component Mfg.

Manufacturing, continued

3345	Navigational, Measuring, Medical, Control Instruments Mfg
3346	Mfg. & Reproducing Magnetic & Optical Media
3351	Electric Lighting Equipment Mfg.
3352	Household Appliance Mfg
3353	Electrical Equipment Mfg.
3359	Other Electrical Equipment & Component Mfg
3361	Motor Vehicle Mfg.
3362	Motor Vehicle Body & Trailer Mfg
3363	Motor Vehicle Parts Mfg.
3364	Aerospace Product & Parts Mfg. (restoration & rebuilding)
3365	Railroad Rolling Stock Mfg
3366	Ship & Boat Building
3369	Other Transportation Equipment Mfg.
3371	Household & Institutional Furniture & Kitchen Cabinet Mfg
3372	Office Furniture (including Fixtures) Mfg.
3379	Other Furniture Related Product Mfg.
3391	Medical Equipment & Supplies Mfg
3399	Other Miscellaneous Manufacturing (i.e., jewelry, silverware, dolls, etc.)

TRADEWHOLESALE:

4211	Motor Vehicle, Motor Vehicle Parts & Supplies
4212	Furniture & Home Furnishings
4213	Lumber & Other Construction Materials
4214	Professional & Commercial Equipment & Supplies
4215	Metal & Mineral (except Petroleum)
4216	Electrical Goods
4217	Hardware, Plumbing & Heating Equipment & Supplies
4218	Machinery, Equipment & Supplies
4219	Miscellaneous Durable Goods
4221	Paper & Paper Products
4222	Drugs and Druggists' Sundries Wholesalers
422210	Pharmaceuticals wholesale
4223	Apparel, Piece Goods & Notions
4224	Grocery & Related Products
4225	Farm Product Raw Materials
4226	Chemical & Allied Products
4227	Petroleum & Petroleum Products
4228	Beer, Wine, Distilled Alcoholic Beverages
4229	Miscellaneous Nondurable Goods

RETAIL:

4411	Automobile Dealers (cars)
4412	Other Motor Vehicle Dealers (except cars)
4421	Furniture Stores
4422	Home Furnishings Stores
4431	Electronics & Appliance Stores
4441	Building Material & Supplies Dealers
4442	Lawn & Garden Equipment & Supplies Stores
4451	Grocery Stores
4452	Specially Food Stores
4453	Beer, Wine & Liquor Stores
4461	Health & Personal Care Stores
446110	Pharmacies
446130	Dispensing Opticians
446192	Hearing Aid Dealers
4471	Gasoline Stations
4481	Clothing Stores
4482	Shoe Stores
4483	Jewelry, Luggage & Leather Goods Stores
4511	Sporting Goods, Hobby, Musical Instrument, Craft Stores
4512	Book, Periodical & Music Stores
4521	Department Stores
4529	Other General Merchandise Stores
4531	Florists
4532	Office Supplies, Stationery & Gift Stores
4533	Used Merchandise Stores
4539	Other Miscellaneous Retailers
4538	Mobile Home Dealers
4541	Electronic Shopping & Mail-order Houses
4542	Vending Machine Operators
4543	Direct Selling Establishments

TRANSPORTATION AND WAREHOUSING

4811	Scheduled Air Transportation
4812	Nonscheduled (private) Air Transportation
4821	Rail Transportation
4831	Deep Sea, Coastal & Great Lakes Water Transportation
4832	Inland Water Transportation

Transportation and Warehousing, continued

4841	General Freight Trucking
4842	Specialized Freight Trucking
4851	Urban Transit Systems
4852	Intrurban & Rural Bus Transportation
4853	Taxi & Limousine Service
4854	School & Employee Bus Transportation
4855	Charter Bus Industry
4859	Other Transit & Ground Passenger Transportation
4861	Pipeline Transportation of Crude Oil
4862	Pipeline Transportation of Natural Gas
4869	Other Pipeline Transportation
4871	Scenic & Sightseeing Transportation, Land
4872	Scenic & Sightseeing Transportation, Water (boat charter not fishing)
4879	Scenic & Sightseeing Transportation, Other
4881	Air Transportation Support Activities (runway maint., aircraft R & A)
4882	Rail Transportation Support Activities
4883	Water Transportation Support Activities
488330	Marine Pilots and Agents
4884	Road Transportation Support Activities (towing)
4885	Freight Transportation Arrangement
4889	Other Transportation Support Activities
4911	Postal Service, Postal Delivery Service:
4921	Couriers
4922	Local Messengers & Local Delivery
4931	Warehousing & Storage

INFORMATION

5111	Newspaper, Periodical, Book, Database Publishers
5112	Software Publishers
5121	Motion Picture & Video Industries
5122	Sound Recording Industries
5131	Radio & Television Broadcasting
5132	Cable Networks & Program Distribution
5133	Telecommunications
5141	Information Services (internet service providers)
5142	Data Processing Services

FINANCE

5211	Monetary Authorities - Central Bank
5221	Depository Credit Intermediation
5222	Non-depository Credit Intermediation - (mortgage companies, consumer lending, pawn shops, etc.)
5223	Activities Related to Credit Intermediation (mortgage brokers)
5231	Security & Commodity Contracts Intermed & Brokerage
5232	Securities & Commodity Exchanges
5239	Other Financial Investment Activities
5241	Insurance Carriers
5242	Agencies & Other Insurance Related Activities
5251	Insurance & Employee Benefit Funds
5259	Other Investment Pools & Funds

REAL ESTATE, RENTAL, AND LEASING

5311	Lessors of Real Estate
5312	Offices of Real Estate Agents and Brokers
5313	Activities related to Real Estate
531210	Real Estate Brokers
531211	Real Estate Sales People
531312	Real Estate Property Managers
531320	Certified Real Estate Appraisers
5314	Appraisers (non-certified)
5321	Automotive Equipment Rental & Leasing
5322	Consumer Goods Rental (video rentals, etc.)
5323	General Rental Centers (shop owners, etc.)
5324	Commercial/Industrial Equipment Rental & Leasing
5331	Lessors of Other Nonfinancial Intangible Asset

PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES

5411	Legal Services
5412	Accounting, Tax Prep, Bookkeeping, Payroll Services
5413	Architectural, Engineering & Related Services (except)
541211	Public Accountants (CPAs)
541310	Architects
541320	Landscape Architects
541330	Engineers
541360	Geologists (registered)
541370	Land Surveyors
5414	Specialized Design Services (interior design services)
5415	Computer Systems Design & Related Svcs (web design)

Professional, Scientific, and Technical Services, continued

- 5416 Management, Science, Technical Consulting, Environ. Svc
- 5417 Scientific Research & Development Service
- 5418 Advertising & Related Service:
- 5419 Other Professional, Scientific, Technical Svcs (diving svcs)
- 541940 Veterinarians

MANAGEMENT OF COMPANIES & ENTERPRISES

- 5511 Management of Companies & Enterprise

ADMINISTRATIVE, SUPPORT, WASTE MANAGEMENT, AND REMEDIATION SERVICES

- 5611 Office Administrative Service:
- 5612 Facilities Support Service:
- 5613 Employment Service:
- 5614 Business Support Services (transcription services)
- 561440 Collection Agencies
- 5615 Travel Arrangement & Reservation Service
- 5616 Investigation & Security Services (locksmiths, private inv)
- 5617 Services to Buildings & Dwellings (janitorial, snow plowing lawn services,)
- 5619 Other Support Services (packaging, labeling, flagging, trade show organizers)
- 5621 Waste Collection
- 5622 Waste Treatment & Disposal
- 5629 Remediation & Other Waste Management Service

EDUCATIONAL SERVICES

- 6111 Elementary & Secondary School:
- 6112 Junior Colleges
- 6113 Colleges, Universities & Professional School
- 6114 Business Schools, Computer, & Management Training
- 6115 Technical & Trade School:
- 611511 Barber, Hairdresser, Manicurist, Esthetician Schools
- 6116 Other Schools & Instruction (fine arts, language, piano sports & recreation instruction)
- 6117 Educational Support Services (preschools)

HEALTH CARE AND SOCIAL ASSISTANCE

- 621111 Physicians, Osteopaths (medical doctors);
- 621210 Dentists
- 6213 Offices of Other Health Practitioners (exempt from prof lic)
- 621310 Chiropractors
- 621320 Optometrists
- 621330 Psychologists
- 621340 Speech Pathologists
- 621341 Audiologists
- 621342 Physical Therapists
- 621343 Occupational Therapists
- 621389 Dietitians
- 621390 Nutritionists
- 621391 Podiatrists
- 621392 Acupuncturists
- 621393 Dental Hygienists
- 621394 Direct Entry Midwives
- 621395 Naturopaths
- 621396 Registered Nurses, ANPs, RNAs
- 621397 Practical Nurses
- 621398 Nurse Aides
- 621399 Physicians' Assistants, Paramedics
- 6214 Outpatient Care Centers (Family Planning Ctrs, Medical Clinics, Substance Abuse Ctrs, Kidney Dialysis Ctrs)
- 621411 Professional Counselors
- 6215 Medical & Diagnostic Laboratories
- 621513 Dental X-Ray Equipment (ownership)
- 6216 Home Health Care Services (skilled health svcs in home)
- 6219 Other Ambulatory Health Care Service (Ambulance Svcs, Blood & Organ Banks)
- 6221 General Medical & Surgical Hospital
- 6222 Psychiatric & Substance Abuse Hospital:
- 6223 Other Specialty Hospital:
- 6231 Nursing Care Facilities:
- 623111 Nursing Home Administrators
- 6232 Residential Mental Retardation/Health Facility

- 6233 Community Care Facilities for the Elderly
- 6239 Other Residential Care Facilities (halfway homes, orphanage)
- 6241 Individual & Family Services (drug prevention, life skills training)
- 624191 Marital & Family Therapists
- 624192 Social Workers
- 6242 Community, Emergency & Other Relief Service
- 6243 Vocational Rehabilitation Service
- 6244 Child Day Care Service:

ARTS, ENTERTAINMENT, AND RECREATION

- 7111 Performing Arts Companies:
- 7112 Spectator Sports:
- 711310 Concert Promoters
- 7114 Agents, Managers for Artists & Other Public Figure
- 7115 Independent Artists, Writers & Performers (photographers taxidermy)
- 7121 Museums, Historical Sites & Like Institution:
- 7131 Amusement Parks & Arcade:
- 7132 Gambling Industries:
- 7139 Other Amusement & Recreation Industries (golf course, country clubs, skiing facilities, marinas, tourist guide):
- 713991 Hunting Guides
- 713992 Transporters (for hunting guides)
- 7140 Fishing Guides and Fishing Charter:

ACCOMMODATION & FOOD SERVICES

- 7211 Traveler Accommodation (hotels, motels, bed & breakfast)
- 7212 RV Parks & Recreational Camp:
- 7213 Rooming & Boarding House:
- 7221 Full-Service Restaurants
- 7222 Limited-Service Eating Places (snack bars, cafeteria):
- 7223 Special Food Services (caterers, mobile food service)
- 7224 Drinking Places (alcoholic beverages)

SERVICES

- 8101 Handyman
- 8111 Automotive Repair & Maintenance
- 8112 Electronic & Precision Equipment R & M
- 8113 Commercial Equipment (excluding auto & electronic) R & M
- 8114 Personal & Household Goods R & M (alterations)
- 8121 Personal Care Services (diet & weight ctrs, massage therapy)
- 812110 Esthetician, Skin Care
- 812111 Barber
- 812112 Hairdresser
- 812113 Manicurists
- 812198 Body Piercing practitioners
- 812199 Tattoo & Perm. Cosmetic Coloring practitioners
- 812210 Morticians
- 812211 Embalmers
- 812212 Funeral Directors
- 812213 Funeral Establishments
- 8123 Dry-cleaning & Laundry Service:
- 8129 Other Personal Services (pet care (except veterinary) photofinishing, parking lots, escort services)
- 8131 Religious Organization:
- 8132 Grantmaking & Giving Service:
- 8133 Social Advocacy Organization:
- 8134 Civic & Social Organization:
- 8141 Private Household Services (cooks, maids, butlers gardeners, caretakers)

PUBLIC ADMINISTRATION

- 9211 General Government Administration (public finance activities)
- 9221 Justice, Public Order & Safety Activities (courts, police protection, fire protection)
- 9231 Administration of Human Resource Program (education programs, public health program)
- 9241 Administration of Environmental Quality Program (air, water, solid waste)
- 9251 Administration of Housing, Urban Planning, Community Development
- 9261 Administration of Economic Program (transportation, utilities, agriculture)
- 9271 Space & Research Technology
- 9281 National Security & International Affairs

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 542
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Construction Contractors RDU Occupational Licensing (117)
 Component Occupational Licensing
 Sponsor House Labor and Commerce
 Requester House Labor and Commerce Component No. 2360

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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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 1156 - Receipt Supported Services						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

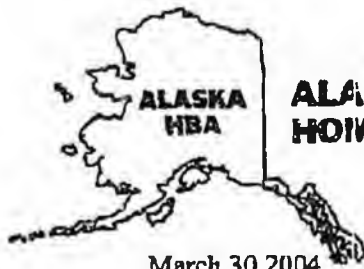
Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 542 makes amendments to the specialty contractors license requirements and contractor exemptions. New funds are not required to implement these amendments.

Prepared by: Jennifer Strickler, Administrative Manager Phone (907) 465-2144
 Division Occupational Licensing Date/Time 3/29/04 1:40 PM
 Approved by: Edgar Blatchford, Commissioner Date 3/29/2004
 Agency Department of Community and Economic Development

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**ALASKA STATE
HOMEBUILDERS ASSOCIATION**

March 30, 2004

Representative Tom Anderson, Chairman
House Labor & Commerce Committee
State Capital Building
Juneau, Alaska

Subject: HB542 - comments by ASHBA

Dear Representative Anderson:

Thank you for this opportunity to offer comments regarding HB542, an Act relating specialty construction contractor and construction contractor exemptions.

The Alaska State Home Building Association (ASHBA) has made it a top priority to support legislation that addresses the growing problem of unregistered contractors providing services beyond the limitations allowed by state law. HB542 helps to address this problem by lowering the threshold cost of a construction project that can be performed by an unregistered contractor from \$10,000 down to \$5,000.

ASHBA supports the intent of HB542, but our members feel that additional provisions should be included in this legislation that can further strengthen our laws in a way that helps protect consumers.

There is a growing problem in the residential construction industry with individuals who offer construction services without meeting any of the registration requirements under state law. Records at the Division of Occupational Licensing show over 1,600 business licenses in Alaska for "Construction-related EXEMPT from contractor registration." These businesses are not required to carry any insurance for general liability, and often are sole-proprietors without worker's compensation insurance. While they are limited by law in the amount and scope of work they can do, enforcement of these laws is minimal and difficult to prosecute.

As insurance rates have skyrocketed over the past year, registered construction contractors around the state are seeing more and more violations of unregistered contractors performing work beyond the limitations imposed by state law. In many instances, we are finding out that the consumer is either unaware that the contractor is not registered with the state, or they are willingly contracting for work that is in violation of the law.



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While lowering the threshold project amount down to \$5,000 will help, our belief is that there already exists a big problem of unregistered contractors performing on projects that exceed the current limitations. In addition to lowering the contract amount, ASHBA believes that enforcement tools should be included in the bill to help allow the state to crack down on contractors that disregard the law.

Attached is bill language that would allow enforcement officials within the Division of Occupational Licensing to issue citations and prosecute fines for initial violations. Hearing officers within the Department would oversee this process. We believe this type of enforcement for initial violations will go further to crack down on unregistered contractors violating state law. Under current law, these types of violations must be prosecuted by the District Attorney's office, and often are given a very low priority when compared to the many other duties of our state prosecutors.

ASHBA also believes that the threshold should be even lower than \$5,000. We have discussed and are willing to support lowering the amount to \$2,500.

Again, ASHBA supports HB542. We ask that you consider including the provisions we have suggested, and what you to know that we are prepared to speak to them if they are included in this bill.

Thank you for your time and consideration of these provisions.

Sincerely,



Rita Hamilton, President
Alaska State Home Building Association

attachment