MINUTES OF THE REGULAR MEETING OF THE ADMINISTRATIVE RULES REVIEW COMMITTEE

Time of Meeting: Tuesday and Wednesday, September 11 and

12, 1984.

Place of Meeting: Senate Committee Room 24 and House Chamber, State Capitol, Des Moines, Iowa.

Representative Laverne Schroeder, Vice Chair-Members Present:

> man; Senators Donald V. Doyle and Dale L. Tieden; Representatives Ned Chiodo and James D. O'Kane arrived later. Not present

for Tuesday meeting, Senator Berl Priebe,

Chairman.

Also present: Joseph Royce, Committee Counsel; Kathryn Graf, Governor's Coordinator; Phyllis Barry, Deputy Code Editor, and Vivian Haag,

Administrative Assistant.

Meeting convened Vice Chairman Schroeder convened the meeting at 10:05 a.m., Room 24, and noted that a quorum was

not present. It was decided that informal discussion should commence but no formal action could

be taken.

CORRECTIONS DEPARTMENT

Chiropractors

The Chair recognized Tim Gibson, representing Iowa Medical Society, who voiced opposition to Corrections Department adopted amendments to chapter 20, 8/15/84 IAB, ARC 4879. The definition of "medical practitioner" was revised from the Notice to include chiropractors. Gibson maintained this was a significant change and should be subject to an additional comment period. Royce was of the opinion the Department would be amendable to placing the matter under Notice.

135.1

20.3(9)b

Doyle referred to the statutory definition of "physician" in Ia Code §135.1 which includes chiropractor. Gibson responded that the Medical Society contends that chiropractors are not competent to conduct the search, in particular, vaginal searches—20.3(9)b. Registered nurses were acceptable since they function under auspices of a physician. Also, physicians assistants are on the staff at correctional facilities. Doyle was surprised this would be controversial since it was his understanding M.D.'s and P.A.'s were not readily available. Royce agreed to discuss the procedural questions with the department. No formal action was taken.

CONSERVATION COMMISSION

Marion Conover, Fisheries Supervisor, was present to review:

20.1

In re 20.1, Conover said the area open to trotlines would be expanded. Tieden called attention to a change in the location of Highway 13 near the Turkey River and he wondered if people who usually have lines all the way to the bridge would be affected. He recommended rewording to read "to the dam in Elkader." Conover was amenable.

Tieden raised a technical question as to where the legal limit would be for the mouth of a river and Conover said the trotline must be attached to the bank of the authorized stream.

ch 108

Conover indicated that changes in chapter 108 revolve around black bass fish and reflect information gained from a 3-year research project--primarily on the Mississippi. Tieden questioned need for a limit on bull frogs. Conover, responding to Schroeder, said that over harvest of bass was a problem in Iowa with respect to management, and fishermen prefer regulation. Conover reported that following the Notice, Conservation had observed, with the high waters this year, paddlefish had migrated to areas where they had not been previously. As a result, the Commission plans to open paddlefish season statewide. After brief discussion, the Committee concurred it would be appropriate to make the change when the rules are adopted and include an explanation in the preamble.

EMPLOYMENT SECURITY

The following agenda was before ARRC:

Present for the discussion were James A. Hunsaker III, Joe Bervid and Paul Moran.

3.6(2)c

Bervid reviewed the amendments which included minor alterations directed by 1983 Acts, chapter 190. Schroeder referred to 3.6(2)c, and expressed the opinion the rate should be "dropped down" at two years instead of five. He thought there could be an incentive to prevent "getting into a red-line situation." Schroeder wanted assurance the 9 percent would not be added to the cost of construction. Bervid said new construction employment commences at the highest rate--9 percent. Schroeder suggested that the Department recommend legislative study of the area.

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EMPLOYMENT SECURITY Continued

4.28 (5)<u>b</u>
3.6

Bervid indicated that $4.28(5)\underline{b}$ would be clarified and \underline{c} would be deleted in the adopted version. Moran gave brief explanation of $3.6(1)\underline{a}(1)$ for Tieden. Discussion of $3.6(1)\underline{d}$. Moran knew of no reciprocity between states.

Graf brought up the matter of "employer" and "employee" definition. She had been informed by the Industrial Commissioner that there was no definition of employeremployee vs independent contractor. Bervid referred to rule 3.19(96), which relates to employer-employee and independent contractor relationship. He added that the Department encourages employers to present their questions in this area in the form of a declaratory ruling request and a ruling is then made as to whether the employer is covered. Schroeder recalled problems whenever the legislature has attempted to address this issue. He suggested that a request for a definition could be made by the Governor. Moran said direction and control were key factors and there were applicable definitions. General discussion.

AGRICULTURE DEPARTMENT

Elizabeth Duncan represented the Department for the following:

ch 4

Duncan said the rule pertaining to multiflora rose eradication was promulgated to implement 1983 Iowa Acts, H.F. 2520, which appropriated some \$50,000 to be distributed to counties. The rule set out forms and procedures for the program. Public input was received from counties prior to the notice, but no one appeared at the public hearing. Funds are to be used within a one-year time frame, but Duncan was uncertain as to the status at this time. Duncan explained that chapter 36 established basic sanitation criteria for bulk food operations. The rules reflect FDA suggestions. Also, there was a great deal of input from the industry. A public hearing was held on September 6. However, no one appeared and no written comments or telephone communications were received. Schroeder had observed inconsistencies in health food store labeling practices. Duncan indicated that general labeling laws (ch 189) did not address this or the area of bulk foods. She was willing to forward Schroeder's comments to Department officials. emphasized the importance of sanitation in this new concept of marketing where customers serve them-

ch 189

ch 36

selves from bulk displays of food. No action.

VETERINARY MEDICINE EXAMINERS Dr. Merle Lang, State Veterinarian, appeared on behalf of the Board for review of:

VETERINARY MEDICINE, BOARD OF[842]
Standards of practice, ch 9 ARC 4881

N. B/15/84

Also present: Norman Johnson, Board of Pharmacy Examiners.

Lang said the Board has been concerned about certain standards of practice in sale and distribution of certain drugs and certain restricted immunization products used in the veterinarian's practice. In the past, there has been confusion as to what constituted a proper doctor-client relationship for dispensing purposes. Recently, FDA has defined this relationship and the rules will provide guidelines for acceptable practice. Tieden was told that controlled substances would be included.

Lang cited the problem of some veterinarians who had been willing to lend their names for blanket presciptions drugs to a pharmacy or animal health store when the veterinarians had no knowledge of how the drugs would be used. Lang said the Board of Pharmacy had assisted with the investigation.

9.1(2)

Graf interpreted 9.1(2) to require the veterinarian to be present whenever dugs were administered. She pointed out that the physician is not necessarily present when a patient takes a prescribed medicine. Schroeder thought a good point had been raised. Lang disagreed that the veterinarian would have to be present. added that many of those questions are addressed by the FDA and these rules were copied from FDA require-Lang responded to Graf that "supervising" means that the veterinarian has adequate knowledge of the drug's use, the condition of the animals, and the particular situation--9.1(3)c makes that clear. Tieden wanted assurance that the rules would not force the veterinarian to be on location. Lang reiterated the rules were intended to place responsibility on the veterinarians for drugs they dispense. He explained that mail order would be restricted to over-the-counter items.

Johnson spoke in support of the measure although it did not answer the full question.

9.1(3)b

Graf called attention to 9.1(3)b, which would require the veterinarian to see the animal. Lang emphasized this was not a problem except for a few instances of abuse. Also, the rule will help alleviate the problem food producing industries are facing with residues because of drug use. Graf mentioned a possible "escape clause" for an emergency situation. Lang did not envision problems and was unwilling to provide such a clause unless the FDA would recognize it.

HUMAN SERVICES Mary Ann Walker, Linda Dennis and Margaret O. Ward appeared on behalf of Human Services to review:

- ch 35 Walker indicated that Noticed chapter 35 would be withdrawn and rewritten to address enforcement. She noted that the fifteen-member Mental Health and Mental Retardation Health Commission was involved in the draft.
- Under 40.7(2) and (4), recipients of ADC and medical assistance programs must cooperate with project integrity when they conduct special studies of problem cases. Dennis, responding to Schroeder, said some cases are selected at random. Schroeder preferred more specifics such as every 100th or 200th individual, except where there is cause for other action. He thought another line should be added, "If information isn't submitted in a timely manner, the Department may proceed with an indepth review." Walker responded that the Department could not do an in-depth review unless the client cooperates by providing information.
- 78.1(13) Walker distributed a draft of subrule 78.1(13) which will clarify the criteria which must be met for Medicaid payment to be allowed for auxiliary personnel providing services under a physician's supervision. This change is in response to a selective review by the ARRC on May 9, 1984.

INSURANCE Kim O'Hara, Attorney, represented Insurance Department for DEPT. the following:

O'Hara said that 57.1(4), 57.1(5) were written in response to ARRC request. The state and political subdivisions will be exempt from surety bond requirement. No questions.

PHARMACY Norman Johnson appeared to review filed emergency 8.20, temporary designation as a controlled substance, ARC 4922, IAB 8/29/84. Iowa Code section 204.201(4) allows the Board to temporarily designate drugs as controlled substances. In this instance, the federal government has permitted a Schedule 1 substance to be administered for medical use.

In reply to Doyle, Johnson said strict interpretation of the statute would probably limit the designation to a new drug. He continued that this was a new schedule II substance which formerly was a schedule I and it is being allowed for medical purposes in Iowa. Federal law on the subject supersedes state law. More recently, Congress changed a schedule II drug to schedule I and Johnson indicated they would reflect this by rule also. General discussion.

Johnson also commended the Veterinarian Board for their

PHARMACY BOARD

rule which was reviewed earlier. He declared, "There is a need for control over the distribution of those drugs-there are so many out there--no control over sale across state lines into Iowa." Veterinarian distributors in Iowa can even purchase human drugs, ostensibly for veterinarian purposes. There is no control!"

Bill Request Doyle asked Royce to request the Legislative Service Bureau to draft a bill to transfer Sufentanil to Code section 204.206(3)u. He also asked Johnson to prepare pharmacy bills for early consideration by the next GA. Johnson was amenable.

Recess

Recessed for lunch at 11:35 a.m. Reconvene Committee was reconvened at 1:45 p.m. with Chiodo in the chair.

PLANNING

Richard Webb, Jim Lynch, and Lane Palmer were present for the following:

PROGAM-MING

PLANNING AND PROGRAMMING[630]

Lynch discussed the Community development Block Grant Program and noted that it is often confused with other block grants and programs which the Department administers. is a \$25 million federally funded program, with recipients being small cities and counties water and sewer systems, streets and bridges. The program has been operational since 1981. Lynch reviewed significant changes from past practices, including a set-aside of \$3.6 million for economic development projects to generate jobs by negotiating directly with the industry with minimal amount of public funds.

General discussion of the procedure followed by the Department. Lynch said an amoritization book is utilized to help with the complicated calculations. State and local officials are being trained in this area also. spent \$45,000 on the project; sound business and banking practices are followed. Lynch reported opposition to the economic development--23.8.

23.8(1)c

Chiodo referred to 23.8(1)c and questioned prime interest rate. He was advised that the Wall Street Journal prime rate is used. He suggested that fact be included in the rule. Lynch was amenable. He said a second major change would be reduction of the number of "up-front" points in determining a community's relative need for funds. emphasis will be placed on the actual merits of a project with less consideration for economic problems of a com-According to Lynch, the Council and Staff were divided as to proper method to follow in reducing "upfront points." The rules set out three different ways to accomplish this.

A third major change restricts multiyear funding and a chart was used to explain the proposed change.

PLANNING & PROGRAMMING Continued

Lynch concluded with the statement that if OPP does not "clamp down" on multiyear commitments, there will be less than \$5 million available.

ch 26

Department officials explained that chapter 26 was intended to implement a new federal program for rehabilitating rental housing units in nonentitlement areas.

Webb stated that eligible communities were notifed as were all locally affected agencies. Lynch had met three times with 29 cities and they have been kept current on the program. An estimated 15 to 18 cities will receive funds—Des Moines is ineligible under the state—administered program.

26.10(2)

Chiodo raised question re waiver provisions in 26.10(2), and learned it was not a federal requirement, but a safe-guard for the program. Question was also raised as to the sole authority for the waiver being vested in the Governor. After discussion, Lynch was requested to review the matter with Graf.

Graf to review

ABUSE

SUBSTANCE

Janet Zwick appeared on behalf of the Department of Substance Abuse for review of:

According to Zwick, the Department had adopted rules covering safety and personal possessions of children admitted to substance abuse programs.

3.25(1)e

Discussion of 3.25(1)e--firearms and ammunition in facilities. Graf thought "inaccessbile" should be succinctly defined. Chiodo reasoned that firearms should not be allowed except with permission of the program administrator and then, firearms should be kept under lock and key.

AGING COMMISSION Ron Beane was present for Commission on the Aging. The following was before ARRC:

Discussion of 9.22(2) pertaining to reporting requirements. Royce referenced a letter from Older Iowans Legislature recommending that "requirements approved by the Commissioner" be substituted for "requirements established by the executive director."

Tieden preferred inclusion of specific due dates for reports. The department was willing to consider his comment.

BOARD OF NURSING Dorothy Jackson and Lorinda Inman were present to review:

No recommendations.

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PUBLIC

John Martin, Director, Instruction and Curriculum Divi-INSTRUCTION sion, Larry Bartlett, Consultant, and Frank Vance, Special Education Director, represented the Public Instruction Department for review of:

> PUBLIC INSTRUCTION DEPARTMENT[670]

Also present: Jim Sutton, representing the Iowa State Education Association.

ch 59, 60 Martin explained that chapters 59 and 60 were filed without notice to speed up the process since the legislature changed from open-ended to annual appropriation this year for school districts. In that process, potential for prorating the funds exists and the rules are noncontroversial.

> Royce advised Chiodo that legal problems could result if the rules are not promulgated in a timely manner. Schroeder questioned spending limitation. He thought the school that was doing an extraordinary job was being penalized. Martin agreed that might be true, but there was no supplant language in the law. However, he did not envision problems. He added that chapter 60 allows a school district to raise, in addition to regular school budget, up to one percent of their budget for school improvement efforts, defined under law. One-fourth of that one percent must come from the existing budget. The law specifies a November 1 deadline for applications.

Schroeder wondered if Polk County schools would have an advantage but Martin emphasized there was uniform notification to all schools. The Legislature appropriated \$150,000 for implementing the program. Since the Governor vetoed that, the applications are for the next FY. A new appropriation will be necessary for the \$5,000 grants. Local districts have the option of applying for all the money to be raised by allowable growth or the first \$5,000 to be for those incentive grants.

Recess

Committee in recess for 15 minutes. Reconvened with Chiodo in the Chair.

ch 12

Vance said that rules 12.44 to 12.57 contain procedures regarding appeals filed on behalf of children requiring special education. The rules will implement a new federal interpretation received in January 1984. Previously, state boards of education could sit in review of hearing officers' decisions. Under rule 12.56, the decision of the hearing officer will be final subject to the courts. Fourteen million dollars are available in entitlement for special education.

Responding to Doyle, Vance said the hearing officer is contracted by DPI and is not an employee of the Department and has no special interest in the case to be heard. Vance added that the critical element here is that the

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PUBLIC Continued

hearing officer's decision be final rather than being INSTRUCTION subject to review, amendment or reversal. tion has been that the state board would have a vested interest and would be responsible for general supervision of the programs for handicapped students in our public schools.

> Royce saw the rules as straying from the administrative procedures Act. It provides appeal first, having a hearing officer's decision which you can appeal to the head of an agency and is then appealed to the court. Bartlett reminded ARRC that the federal statute gives jurisdiction in the federal district courts. several minor issues--differences between Code chapter 17A and federal law.

12.48

Schroeder questioned rule 12.48. Bartlett said that several types of hearings were being addressed. right to full evidentiary hearing is provided along with a procedure for submitting briefs. Doyle recommended that the appropriate committee review this law for possible change.

Bartlett stated that, in six or seven years, special education hearings have been evidentiary. Some of the other appeal hearings have chosen stipulated record. He suggested that the Legislature review the amendment to §281.6, adopted by it last year.

Motion to

Doyle moved that Royce send copies of rules 12.44 to Refer to GA 12.57 along with pertinent Code sections to the Speaker of the House and the Lieutenant Governor for referral to appropriate committees. Motion carried. asked for clarification, "Is that for general or specific review" and Doyle said "both." Doyle was advised that, without the rules, federal money would be lost.

> Sutton distributed copies of alletter directed to the Department wherein ISEA was critical of the rules in that there is no procedure for teacher involvement in the appeal process. ISEA did not oppose the rules in general but requested addition to 12.46 to allow a teacher to be heard and to provide evidence.

Bartlett recalled he had attended 30 or 40 hearings with an average of 10 professionals giving evidence; all had involved the classroom teacher. In terms of the practice, he could see no problem but had questions as to both state and federal authority. Bartlett asked for specific examples of problems so the Department could review the matter.

PUBLIC SAFETY Peter Green, Engineer, state building code, submitted the following for consideration and indicated there were no changes since the Notice:

State of lowa building code, 16.121(1), 16.200, 16.600, 16.622, 16.623(3), 16.626(1)"a," 16.626(2)"g," 16.705(1"d"(2), PUBLIC SAFETY DEPT.

Cont'd

Royce, speaking for Schroeder, interpreted 16.622 as "rather akin to being a licensed professional" and he questioned authority for this. Green responded that Assistant AG Gary Haworth has advised that listing approved installers would not be synonymous with licensing. It is not necessary to be on the list to be an installer. The Department makes recommendations for mobile home installers from the list. Doyle could foresee possible liability.

16.623(3) Tieden wondered what would be considered as an "appropriate fee" in 16.623(3). Green responded there were established fees for installers. However, Tieden thought specifics should be included when the rules are updated. Green noted that "appropriate" was used quite extensively in administration of building codes. No formal action.

COMMERCE COMMIS-SION The following agenda was before the Committee:

COMMERCE COMMISSION[250] Organization. 1.5(1), filed without notice ARC 4910	Ele/AM purio
Complaint procedures, ch 6, seventy-day delay imposed at July 11 meeting	IAC
Alternate energy production, 15.1, 15.2(1), 15.3 to 15.16 ARC 4911 Practice and procedure, responsive filings, 7.8(2)"c" ARC 4935	A/ @:20/04
Customer deposits for gas and electric service. 19.4(2)"a" and "d." 19.4(6). 20.4(3)"a" and "d." 20.4(7) Credit procedures and accounting practices for uncollectibles, 19.4(2)"a" through "d." 20.4(3)"a" through "d." 20.4(15)"k." 22.4(15)"k." 22.4(15)"k	ADC 4010 Al oution
Director) assistance energes, 22.4(10) ARC 4914	A/ R15.81
Intrastate access charge elements. 22.14(1) h." 22.14(3) ARC 4915 Management efficiency standards. ch 29 ARC 4936	A/ 0.15 p.

Department representatives present were Ray Vawter, David Lynch, Diane Munns, Shane Bock, Twila Morris, John Pearce, and Maureen Scott.

- 1.51(1) No questions re 1.5(1). Department officials reminded ARRC that amendments to chapter 6 would be forthcoming as a result of recommendation by the Office of Consumer Advocate. It was agreed that the 70-day delay would stand and the new amendments would be adopted on an emergency basis. Lynch was amenable to following Notice procedure as requested by Tieden.
- 7.8, No questions on amendments to 19.4(2)a and \underline{d} , 19.4(6), ch 19 20.4(3), 7.8(2) and 20.4(7).
- Credit & Scott reviewed credit procedures and accounting practices and said that modifications would be made regarding customer deposits to ensure the utility is employing adequate credit screening practices.

Lynch told Chiodo that after twelve months of timely payments, the deposit would be refunded. Chiodo raised question re 19.4(2)c(4), last paragraph, and Munns said the individual customer, rather than the ratepayers, would

applicant's credit worthiness. According to Bock, subrule 22.3(10) was promulgated in response to HF 2338. No questions.

be charged for credit checks when there is question of the

22.14(3) Amendments to 22.14(3) and 22.14(1)b clarify the Commission's access charge rules in response to FCC changes.

COMMERCE COMMISSION Continued

Comments have been received and the hearing will be held September 13. No questions.

Brief review of chapter 29. Chiodo referred to 29.2(3) pertaining to performance rating. He observed that, perceptually, A, B, and C were not meaningful--in his opinion, A, C and F would be more appropriate. Lynch agreed to consider using excellent, average and poor.

Recess

Acting Chairman Chiodo recessed the Committee at 3:45 p.m. Reconvened Reconvened at 4:00 p.m. in the House Chamber.

ch 15 Alternate energy

The following were present for review of amendments to chapter 15--alternate energy: B. J. Prairie, Iowa Power; Sheila K. Tipton and Terry Hancock, Bradshaw Law Firm; Johnathan Rogoff, Iowa Electric; Winifred D. Carr, Iowa ACLD; Bob Harbour, Iowa Southern Utility; Brent E. Gale, Iowa-Illinois Gas and Electric Company; Bob Latham, Iowa Electric Light & Power; J. B. Fleming, Iowa Power and Light Co.; John M. Lewis, Iowa Utility Association; Gene Kennedy, Iowa Association of Municipal Utilities; Senator Charles Bruner; Representative David Osterberg; Susan Johnson, Peoples Natural Gas; Barbara Fisher, United Telephone; Bill Molison, City of Des Moines; Roger Colton, CARG, Iowa Consumer Groups; Uarrell K. Fullmer, Alan R. Borden, John P. Quirk, Geoge M. Knapp, Michael R. May, Ottumwa Water Works; Jean-Pierre Bourgeacq, Page Hydra & Iowa Hydro Power Department; Wesley Ling, Beling Consultants, INc.

Lynch explained that the rules were adopted under the authority of Iowa Code Supplement sections 476.41 to 476.45. [amended by SF 380] The Commission is directed to determine the full avoided costs buy-back rate in longer terms in view of avoided costs rather than previous rules which defined avoided costs essentially in terms of avoided fuel costs only.

The Commission established a base rate of 6.5¢ per kilowatt hour for investor-owned utilities and some municipals to qualify as alternate energy production facilities. This rate was partially based on the Louisa Generating Station data--the statute directs the Commission to use data from the next generating plant to go into service, which may be in the mid 1990's. The Commission set a single statewide rate in recognition of current circumstances. The 6.5¢ rate does not apply to REC's or to most municipal utilities because Code section 476.43(5) provides that they should pay an amount equal to the current cost of similar types of electrical service.

Latham spoke on behalf of Iowa investor-owned electric utilities. It was his opinion that legislation required the Commission to consider both the interests of the alternate energy producers as well as those of ratepayers. - 3157 -

COMMERCE COMMISSION Continued ch 15 He contended that the Commission simply ignored ratepayer interests and looked only at "What would it take
to encourage certain alternate energy production?"
The previous rule was not energy-only consideration.
He was concerned that 6.5¢ per kilowatt hour was substantially greater than the cost of alternative energy
to them. Latham reasoned that ratepayers would be
paying a full direct subsidy to these producers. Their
interpretation of the legislative intent was that this
would be designed to avoid new generation plants but the
rules ignored this completely. The ratepayer will ultimately pay for the cost of a new power plant—a double
subsidy. Latham urged the Committee to object to the
rules.

Gale, also representing investor-owned utilities, mentioned three problems of a legal nature and took the position the rules were invalid. New York and Kansas have held that similar rules are unconstitutional. Gale recalled a supremacy clause in the U. S. Constitution--"if Congress acts, the state cannot act inconsistently with the congressional action." It was his belief that the Commission, and to an extent, SF 380, were inconsistent. He cited the 1978 Public Utilities Regulatory Policy Act which provided that a utility must purchase from a qualifying facility at a rate no greater than its incremental The investor-owned utilities contend that PURPA rules apply to alternate energy producers and hydro electric facilities. Gale provided a copy of their detailed arguments. He reiterated that SF 380 contemplated the Commission would determine appropriate rates on a caseby-case basis. Instead, they have adopted a minimum single rate for all. Gale asked that the ARRC object to the rules or delay the effective date.

Colton reported that major consumer organizations have banded together in support of the rules and the 6.5¢ rate. Quirk also spoke in support of the rules and urged Committee approval of them. Without the rules he anticipated increase in water rates. The Ottumwa Water Works has been negotiating with Iowa Southern since 1980, to no avail, to gain fair and reasonable rates for their power. Their efforts were hampered due to lack of policies, laws, guidelines and rules at state level.

Quirk continued that the 1978 federal law permitted hydro electric producers to gain firm buyers of power for the first time. Previously, they were at the mercy of power utilities who often viewed them as onerous competitors. In 1980, Ottumwa Water Works was granted PURPA qualifying standards—one of the first in the nation. Federal law left it up to the states to develop methodology, regulation and rates conforming to PURPA guide—lines. As a result, many states who used methodology similar to the Commerce Commission have flourishing hydro electric and AEP developments. Power companies in those states have not challenged those methods.

COMMERCE COMMISSION Continued

Quirk added that the Ottumwa Water Company has a costeffective five million dollar, 1.6-megawatt project which will produce additional clean moving power and give new life to their 3-megawatt existing plant.

Ling commented that the City of Des Moines supports the final rules and takes the position that approval is crucial for successful development of the three proposed hydro power projects.

Lynch responded that the statute redefined "full avoided cost! in terms of a longer view than had been previously used. Chiodo asked why dependability and source of energy were not addressed in the rules. Lynch said that the rules had been through Notice and comment period twice--those points were included the first time but were eliminated the second time as result of the policy in Code §476.41. An individual utility's reliability or availability would not rate very high on the scale. But a combined large and diverse group of alternate energy production facilities, in total, might have greater reliability and availability characteristics. Lynch concluded that a synergistic effect was not possible without the large and diverse body of alternate energy producers. Chiodo was told that a typical REC is probably paying 4¢ a kilowatt-hour for pool power.

Harbour estimated that during the course of an entire year, it would average 1.7¢ to 2¢ per kilowatt-hour, highest paid would seldom exceed 5¢. He made the point that wind energy was worth very little if it can't be depended upon. Normally, a peak would occur on muggy, summer days when the wind was not blowing. Quirk said the last time they were shut down was the second time in 112 years—the other time was in 1947. He stated that with the exception of two days when they were down for maintenance, they were able to produce power.

Osterberg discussed "individual plants" vs "systems" and spoke of the Louisa "failure." He referenced the 1978 federal law encouraging small power producers with the idea that a number of different kinds of plants would result in a good reliability factor. Osterberg emphasized that the rules were implementing the law--SF 380--with respect to reliability and capacity factors. He declared it was too late to debate the bill if these factors were not acceptable. He noted the rules were long overdue. Osterberg pointed out it was the law, not the rules, that was thrown out in the New York case. As far as he was concerned, law and rules were consistent and he maintained it was the responsibility of the ARRC to make this determination. Osterberg pointed out that costs of the nonproductive Louisa plant were being paid by Iowa-Illinois customers.

Chiodo concurred with Osterberg as to the role of the ARRC but questioned whether or not the 6.5¢ figure was

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COMMERCE COMMISSION Continued arbitrary and capricious and whether municipals should be included under the rules. Lynch quoted from the law and explained that 6.5¢ per kilowatt-hour would be paid by those municipals which generate their own power.

Speaking on behalf of 35 municipals, Bart Rule asked that the rules be delayed. Bruner concurred with Osterberg's comments and recalled minimal opposition to the legislation when it was being considered. He commended the Commerce Commission for an "admirable job."

Lynch advised that the Office for Consumer Advocate had expressed concern that the uniform rate ignores the reliability and availability factors in arriving at purchase price. He agreed to provide copies of the comments for the Committee.

Recess

Acting Chairman Chiodo recessed the meeting at 4:50 p.m. with the understanding that alternate energy rules would be considered by the full committee on Wednesday.

Reconvened

Reconvened by Chairman Priebe Wednesday September 12, 8:50 a.m. in the House Chamber. All members and staff present.

Commerce Ch 15 Continued Priebe apologized for his absence on Tuesday and announced there would be continued review of alternate energy rules of the Commerce Commission. Lynch repeated his introductory remarks of yesterday and took the position that the rules agree with the statute.

Ling, representing a wide divergence of developers, both public and private, saw the real issue as "monopoly vs deregulation." He cited telephone and airline industries where benefits are obvious. Delay of rules would result in no activity for their firm.

Quirk spoke in support of the rules which will enable Ottumwa to proceed with their project and avert a plant shutdown. In response to question by Tieden, Quirk said they sell to Iowa Southern Utilities—averaging about 11,000 megawatt hours per year. Their maintenance costs were "cut to the bone and reduced over the last four years by sixty-eight percent." Quirk added that they are at the point of breaking even—a new plant will produce additional power, an estimated unit cost in the range of 6.5¢ to 8¢.

Osterberg reiterated his comments from Tuesday and was hopeful the rules would be accepted. He was aware of imminent litigation. Gale planned to present figures to the ARRC reflecting Iowa-Illinois cost. He recapped comments made Tuesday and reiterated that the rules adopted by Commerce were unconstitutional. He argued that the Commission has not considered reliability or availability of power from these qualifying facilities. Utilities also believe the rules exceed statutory authority granted in SF 380, §4(4). He discussed costs at

COMMERCE COMMISSION Continued length which will be "borne by our customers--not by shareholders. The Utilities are neither winners nor losers." Gale asked for an objection to the rules on grounds they are arbitrary and capricious.

Doyle wondered what cost would be reflected in an average customer's bill. Gale had not made a calculation but said Iowa-Illinois customers would subsidize \$37 million, assuming a 13 percent escalation of fuel costs.

Lynch discussed Code section 467.43(2) [SF 380,§4(2)] and noted that the first time rules were proposed, there was a provision for case-by-case decision. It was pointed out that in that sort of interpretation, it would almost certainly be unconstitutional--pre-empted by PURPA. One aim of that legislation was to reduce the administrative burden on the alternate energy facilities. Historically, they have been financially unable to present cases before the Commission. The provision would have served to basically "gut" the legislation.

There was discussion between Tieden and Lynch as to whether or not the legislation was flawed. Lynch contended that when the legislation appears unconstitutional, they look for another interpretation. The 6.5¢ is a background for negotiation, to the extent that a particular facility would require more. Application to the Commission for redetermination of the rate is an option.

Knapp viewed the Commission's approach as "a rational basis" for determining rates. In Colton's judgment, the purpose to be served by these rules was to look at marginal units. He quoted costs of various plants ranging from 7.1¢ to 12.9¢. He contended that the 6.5¢ rate was reasonable and urged that it be sustained. The consumer groups represented by Colton supported the Commission. Chiodo asked for an estimate on power purchased by the investor-owned utilities. Lynch responded it was less than one percent of energy.

Osterberg recalled the reason for PURPA in 1978 was to aid small power producers in coming on line. He concluded, the Senate File clarifies "avoided cost" as a "long-run avoided cost--6.5¢ is not too high.

Doyle observed that the Consumer Advocate opposes the 6.5¢ as a floor—the bill provides for maximum. Lynch responded that the Commission was not precluding setting different rates between 6.5¢ and the 8¢ on an individual basis—6.5¢ represented a very conservative estimate of full avoided cost and there was no point in going through separate proceeding for every wind generator, methane digester, etc. The Commission took the position that was a reasonable approach. Doyle recalled the Commission, after Iowa Public Service determined a reasonable rate for methane and sewer gas in opposite fashion of the rule, cut that rate almost in half.

COMMERCE COMMISSION Continued

Responding to Doyle, Lynch said the Commission felt SF 380 was clear in dividing electric utilities into two groups—those which generate their own needs and those which do not. To the extent municipals contend they should be excluded, the Commission would be happy to respond to petition for declaratory ruling. About 45 days' time is needed.

Lynch explained to Tieden that §476.43(5) provides that electric utilities which purchase all or substantially all of their electricity requirements shall pay rates equal to the current cost of electric utilities in similar types of quantity and service. Essentially, there will be no change.

Discussion of how costs would be allocated in case of litigation.

Chairman Priebe reviewed available options for disposition of the alternate energy rules with decision being made to defer final action until after lunch.

Recess

The Committee was in recess to return to Committee Room 24.

Reconvened REVENUE

Chairman Priebe reconvened the meeting at 10:10 a.m. and called for review of the following:

REVENUE DEPARTMENT[730]		ı
Various special problems relating to public utilities, 16.50 ARC 4924	8/29 8	1
Administration, determination of net income, determination of taxable income, withholding, 38.10(3) to 88.10(5), 40.4, 41.544°c, 46.3(3°a°(1) ARC 4899	0/12 0	
Small husiness defined, interest on refunds due, statute of limitations for claiming a refund, 40.21, 40.21(2)"b" and "e,"	6/15 6	•
43 3(6), 44.4(3), 52.6(8), 53.11, 53.11(2)"b" and "c," 65.3(4), 58.6(7), 59.8, 59.8(2)"b" and "c," 60.3(4) ARC 4900	. 8/15 B	ı
Determination of net income, determination of taxable income, assessments and refunds, 40.22, 40.23, 41.4(1), 43.4(1), 43.4(2) ARC 4925		
43 42) ARC 4925	8 29 8	
Corporations and financial institutions, overpayment of estimated tax, 56.6, 61.6 ARC 4926	. 8 29 8	
Motor fuel, exemptions, 64.3 ARC 4901	8 15 8	ı
Forest and fruit tree reservations, 71.1(7), 80.9 ARC 4927	8.29 8	ı
Reimbursement to the elderly and disabled for property tax paid and rent constituting property tax paid, audit of claim, 73.30 ARC 4903		
of claim, 73:30 ARC 4903	8/15 8	j
Property tax exemption, military service 80.2(1)"a" ARC 4904	8/15 #	ı
Property tax exemption, industrial, 80.6(1) to 80.6(5), 80.6(7) ARC 4905	8, 15 8	i

Carl Castelda, Clair Cramer, Michael Cox and John Christensen represented the Department. Department officials outlined changes from Notices of Intended Action.

40.22(5)

Schroeder referred to 40.22(5) and asked about possible conflict with federal regulations as to forced retirement. Cramer did not anticipate that. If industry practices change, the rule would be perused to ensure consistency with that practice. The Department will monitor this situation. Cramer said that 40.23 would be amended to clarify Tier 1 railroad retirement benefits exemption for Iowa tax purposes.

80.2

Re 80.2(1)a, Royce had received letters of protest to the statute from county assessors. The law, basically, allows military personnel to apply for their tax exemption after July 1 for retroactive application. This has created extra paper work for the assessors. In addition, the fact that homestead exemptions are handled differently has created problems in explaining that to taxpayers.

REVENUE

O'Kane recalled the purpose of the bill was to eliminate DEPARTMENT the tight deadline for the military who are subject to frequent moves. He was of the opinion the problem would be eliminated within a couple of years. Cox pointed out that assessors are not legally required to notify taxpayers of anything.

80.6(3) O'Kane questioned 80.6(3). Cox said the City Council or Board of Supervisors, at any time, can repeal an authority for exemption. New construction projects cannot receive Under new legislation, industrial property the exemption. can take advantage of this exemption for five years.

> Doyle asked if DOT receives interest on a cash bond. Castelda indicated a choice of methods is offered when bonds are posted with the Revenue Department. Generally, interest is not paid on cash bonds. No action taken.

GENERAL SERVICES ch 10

The Department of General Services was represented by Cindy Morton and Nancy Webb, who presented review of parking rules, chapter 10, ARC 4923, Notice, IAB 8/29/84. Morton said the parking rules were rewritten for clarity and were acceptable to Capitol Security.

O'Kane referred to Code section 18.11 and reasoned that it contained adequate authority to regulate parking. He was doubtful that such extensive rules were necessary. Morton pointed out that a few violators make it necessary to regulate all. Schroeder recommended possible exception re car pools in situations with various out-of-town locations such as Adel, Winterset, etc. Morton said the point was well taken.

Schroeder was informed that the fee for replacing cards, 10.10(3) etc. was not included in the rules. Re 10.10(3), unpaid parking ticket, Schroeder thought thirty days would be preferable.

> Graf brought up the problem of sufficient parking for the handicapped when legislature is in session. Access to the Capitol lot is not even available. General discussion. Morton admitted that the state has been criticized in this respect but usually a Capitol Security guard will admit an individual. An effort will be made to establish more parking on the NW bay. Priebe suggested possible relocation of court personnel. He noticed the fact that wheelchair handicapped cannot obtain access to the Senate Chamber or committee rooms. Priebe had a problem with the parking lots' gates being down after the legislature is adjourned, expecially before and after normal working hours when there is no attendant. Mention was made of possible reinstallation of the handicapped lift in the Capitol.

Graf asked why state employees were restricted from the legislative lot during the summer months. Morton replied that some employees of the Fiscal and Service Bureaus were assigned there to ease congestion in the south lots.

GENERAL SERVICES Continued

Doyle brought up complaints of legislative secretaries who find lot 14 full when they arrive. Morton had no easy solution but indicated those who cannot get into the gravel lot are moved to lots west of the Capitol.

10.10(10) Doyle voiced opposition to new language in 10.10(10)f "The failure of the complaining officer to appear... will result in a finding that the defendant did not commit the violation if:...". Doyle maintained that if the officer failed to appear at the hearing, the charge should be dismissed. He thought it was the duty of every Capitol Security guard to speak for his case. Doyle also requested clarification of new language in f, top of the second colum, page 328, in the same rule.

There was brief discussion of decals issued for vehicles.

& WASTE MANAGEMENT

WATER, AIR Mark Landa and Jerry Tonneson appeared on behalf of Water, Air & Waste Management to review:

> WATER, AIR AND WASTE MANAGEMENT(900) Controlling pollution, 22.3(3)"g" 22.5(1"c," 22.5(1"d"(2), 22.5(1)"f'(5), 22.5(1"m," 22.5(2"d" to "f," 22.5(4"b," "c," "f," "g," "f," "g," "f," 22.5(5), 22.5(8), 22.

Landa said the rules are commonly called the "offset" rules and are part of the state implementation plan to conform to EPA guidelines at their direct request. He summarized changes since Notice was published. Landa said the rules reflect goals of EPA--protecting the environment but also trying to "accommodate" business growth. He explained the EPA "bubble concept" where an increase in emissions with a piece of equipment and a subsequent or corresponding decrease at the same plant would be offset internally. This would provide an "accommodation" to plants. Landa pointed out that provision for alternate site analysis was new--22.5(8). Members questioned rating of Mason City and learned it was a nonattainment area--has been out of compliance since monitoring began. Two cement plants contribute to the problem.

Priebe asked if there were different application of rules for cities and rural areas such as for wastewater. neson said that policies for nonattainment areas were built by EPA and there is a recognized difference between urban and rural dust. Priebe wondered if there would be similar enforcement for both city and rural areas. advised that discretion is the same. Priebe cited Redfield with 14 violations and a \$100 fine and a farmer, with one violation, who was fined \$4250. He asked for statutory authority for "different treatment" to which the DWAWM "chief" had alluded. According to Landa, enforcement action may have different effects for different situations and the Department tries to weigh the factors, e. g., enforcement discretion might be different for a landfill, because we are affecting all of the surrounding communities.

Priebe discussed Iowa and Minnesota landfills which seem to have different restrictions. Landa commented that a

WATER, AIR number of other states are more restrictive than EPA,

& WASTE which is acceptable. Iowa's program meets EPA requirements.

MANAGEMENT Priebe assured Landa that Lake Mills residents were most un
Doncluded happy over Iowa allowing Minnesota residents to use the

landfills for dumping paint. Landa stated that landfills

were designed for different types of waste.

Floodplain In a matter not before the Committee, O'Kane raised question about authority to regulate building on floodplains.

Landa agreed to provide information.

SECRETARY Louise Whitcome was present to review election forms, 4.3, OF STATE filed emergency, ARC 4919, IAB 8/29/84. The amendments reflect the repeal of the requirement that the affidavit of an absentee voter be notarized. No action.

HEALTH John Goodrich, T. D. Scurletis, Peter Fox, Irene Howard, DEPARTMENT Mark Wheeler and Gerald Jorgensen, Board of Psychology Examiners, represented the Health Department for review of:

HEALTH DEPARTMENT[470]	•
Medical examiners, peer review committees, 185.206 to 135.208 ARC 4830	
Postintry examiners, fees, 139.3(1) ARC 4934	
Barber examiners, continuing education, 162 (02(4) ARC 4894	8/15.84
Sexual assault examination and reimbursement, on 8 Anti-4932. Special examination and program for woman inforts and children 72.7.73.79°h" and 7-73.19(1). 72.19(1).	/٧ 8,29,84
Special supplemental food program for women, infants and children, 78.7, 73.7(2)"b" and "e," 73.12(1), 78.12(2), 73.12(6) ARC 4891, also filed emergency ARC 4890	V. Nr. F.S 8/16/84
Physician's assistants, 136.312"a" ARC 4931	W 8 29 84
Podiatry examiners, application fees, 139.1(2), 139.3(6) ARC 4988	
Psychology examiners, educational qualifications, 140.6(10) to 140.6(12) ARC 4892	AV 8 15/84
s sychology examinets, specially set till cannot 140.11, 140.12 Atto 4008	

No recommendations were offered for chapter 8. There was brief discussion of the WIC program.

73.12(5) O'Kane, in re 73.12(5), wondered if the community action agency director were included in those who serve as hearing officers. Department officials said there has been opposition to the director serving as hearing officer, but the former language had been opposed by some, also.

Defer Med. Chairman Priebe asked that rules of the Board of Medical Examiners Examiners be reviewed at the October meeting.

Recess Brief recess was called so the Committee could move to the Legislative Dining Room for the remainder of Health Department rules.

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Reconvened Reconvened and reviewed chapter 139 amendments. Fox said that, upon advice of the AG, 139.3(1) would be withdrawn since it might be "restraint of trade." A similar Cosmetology Board rule was also rescinded. Fox explained that fees are now placed in one rule.

ch 140 In review of chapter 140, Priebe inquired if all fees were nonreturnable--answer was in the affirmative.

Minutes O'Kane moved approval of the August minutes as submitted.
Motion carried.

Recess Recessed at 11:55 a.m. Reconvened at 1:15 p.m. in Committee Room 24.

COMMERCE

Alternate energy production rules, which had been COMMISSION deferred, were before the Committee. Chairman Priebe offered opportunity for further discussion or motions.

Motion ch 15

Schroeder moved that the Committee refer amendments to chapter 15 to the General Assembly for review and if no action is taken by the fifteenth of March 1985, these rules would be in full force and effect.

O'Kane opposed the motion contending the General Assembly had already spoken on the issue by giving rulemaking authority to the Commerce Commission who has developed rules that mirror the intent of the statute. He could see no reason to delay.

Lynch interjected the rules would not be final until they have been to the Supreme Court and any delay would merely hold up that process.

Chiodo had mixed emotions but concluded the rules should be allowed to go into effect. He continued that though he had some philosophical disagreement with the rules, and probably the bill itself, the rules were within the framework of reasonableness--the only issue before the Committee.

Doyle commented that, originally, he had agreed with Schroeder but recognized that the issue would probably have to be settled in court, so he would oppose the motion.

Vote

Priebe favored a 70-day delay with the "hopes of a middle ground being reached to avoid going to court." He called for disposition of Schroeder's motion. Motion failed on voice vote.

Schroeder then moved to place a 70-day delay to see if a compromise could be reached. O'Kane expressed opposition to the motion for 70-day delay -- pointing out that the bill passed two years ago; this was the third filing on these rules and if a compromise were possible, it would have been reached before now.

Tieden agreed that the bill passed a year and a half ago, but thought hone of us knew the circumstances and consequences of the bill until we had these rules before us." He had strongly opposed implementation of the minimum because the Commission far exceeded authority specifically outlined in §4.[SF 380]. He saw the purpose of this Committee as one of ensuring that the Commission stay within the realm of the law. He continued that the bill as amended, did not go through full legislative Committee process. He felt strongly that "we are allowing the Department to promulgate rules for efficiency of operation" and circumventing the wording of the law. He concluded that the rules were beyond the intent of the law.

COMMERCE Continued

On roll call, the Schroeder motion to delay 70-days was COMMISSION defeated. Nays-Doyle, Chiodo and O'Kane; ayes-Priebe, Schroeder and Tieden. Priebe reminded ARRC that the Governor had until September 19 to veto the rules.

OF TRANS-PORTATION

DEPARTMENT Tom McElherne, Specifications Engineer, Robert Pratt, Assistant Controls Engineer, Ruth Sklezacek, Carol Padgett and John Kelly appeared to review the following:

> TRANSPORTATION, DEPARTMENT OF 1820] General requirements for highway construction, (06,G) 1.1. filed emergency after notice ARC 4876 ... FEAN, 8/15/84 Signing manual, (06,K) 2.1. ARC 4884 8/15/84 General requirements for highway construction, ton, to the state of title, (07,D) 11.2(11), 11.2(12), 11.38 ARC 4875, also filed emergency ARC 4874 ... 8/15/84 We hicle registration and certificate of title, (07,D) 11.2(11), 11.2(12), 11.38 ARC 4875, also filed emergency ARC 4874 ... 8/15/84

- McElherne presented a copy of the new specifications book-a portion of which is covered by rules = (06,K)2.1 (06,K)2.1questions. O'Kane observed that the signing manual in 2.1 was being adopted by reference and requested that the matter be placed on the October agenda when the Department representative could be present. Priebe asked that the Department officials present today relay the message that rule (06,K)2.1 should not be adopted until after ARRC review.
- Sklezacek stated that the Department of Transportation is proposing to rescind subrule 11.2(11) because it 11.2(11) implements a restricted title, which was repealed by SF 2330. A new 11.2(11) will provide for conversion of salvage and restricted titles to regulate title through a vehicle check. Subrule 11.3(8), which allows for conversion of motorcycles for offroad use, will be rescinded. Priebe inquired as to definition of a "peace officer"-referencing "shall have vehicle checked by the peace officer." Sklezacek said it was any officer of the police force, sheriff, state patrol, Conservation or Department of Transportation. Schroeder asked if that eliminated DOT driver's license personnel who inspect cars as part of the driving test. Priebe wondered about small community peace officers who have not attended the Law Enforcement Academy. Each officer will have the form which was revised after consultation with legal staff. This will provide consistency throughout the state. The Department of Transportation would withhold registration for noncompli-
- 321.101(2) ance under authority 321.30(2). Under §321.101(2), they have authority to suspend registration if the vehicle is Tieden suggested a disclaimer on the form with respect to responsibility of peace officers. Sklezacek read a statement which was added to the form and stated that thirty-nine percent of over 1000 vehicles going through the Department since July were found to be unsafe. Responding to Schroeder, Kelly said almost every officer carries a pamphlet containing motor vehicle laws. Kelly agreed to check lighting requirements on truck trailers and provide information to Doyle.

No other comments.

Motion -Mileage

Schroeder moved that the Committee approve \$56.64 mileage for Barry for a trip to Iowa City Law Library. Motion carried.

NO AGENCY **ATIVES**

No agency representatives were requested to appear for the REPRESENT- following:

> CITIZENS' AIDE[210]

CORRECTIONS, DEPARTMENT OF [291]

FAIR BOARD[430] Dismantling, 4.17 ARC 4897
 Dismantling, 4.17 ARC 4897
 F. 8/15/84

 Pets, 2.9. filed emergency after notice
 ARC 4896
 F.E.AN. 8/15/84

Adjourned Chairman Priebe adjourned the meeting at 4:40 p.m.

Next Meeting

The next regular meeting will be Tuesday and Wednesday, September 11 and 12, 1984.

Respectfully submitted,

Phyllis Barry, Secretary Assisted by Vivian Haag

CHAIRMAN