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Payments lead to PUC resignation

NW Bell paid more than \$30,000 to Hanson while he was off panel

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Staff Writers

Public Utilities Commissioner Roger Hanson received more than \$30,000 in payments from Northwestern Bell Telephone Co. last year. Confronted by the Star and Tribune about the payments, Hanson said Saturday that he will resign from the PUC.

The money was passed to Hanson through a friend, St. Paul attorney Robert W. Johnson. The Bell payments, which amounted to between \$30,000 and \$41,250, were uncovered during a Star and Tribune investigation of the PUC.

Most of the money went to Hanson during an 11-month period when he

was not a commission member. He finished a six-year term on the PUC in late 1984 and was reappointed to fill a one-year vacancy on the panel beginning Nov. 25, 1985. Bell's final payment of \$3,750 was received by Hanson in December.

When asked about the payments, Hanson said he planned to submit a letter of resignation from his \$47,000 job on Tuesday. "Some of my votes (on the PUC) might be perceived as less than objective and I wish to remove even the appearance of impropriety," he said.

Hanson and telephone company officials defended the payments because Hanson was off the commission when they were initiated.

But they disagreed about the purpose of the payments. Bell officials say they were for lobbying on telephone issues. Hanson said the payments were for consulting work for the telephone industry, not for Bell alone, but he said he didn't do very much.

"I feel a degree of frustration; I was a consultant and hardly anyone consulted me," he said.

The unorthodox payment to Hanson is the second report in the past week of commissioners facing conflicts of interest involving the state's two largest utilities companies.

Former Commissioner Leo Adams negotiated for a job with Northern States Power Co. (NSP) during the

time he was casting deciding votes on an NSP rate request in December. Disclosure of his job negotiations led to calls for a refund of the rate increase.

Hanson, too, was a swing vote on a utility-rate question. Hanson voted for a \$57 million rate increase for the phone company in July 1984. He was part of the 2-1 majority that rejected an administrative law judge's recommendation to throw out the rate request. Unlike the Adams case, there is no evidence Hanson had job discussions with the utility before the vote, which occurred six months before he began receiving money from Bell.

Hanson said the payments were made for work done before he re-

joined the commission and did not influence his votes. However, the payments raise questions about whether Hanson conformed with state laws that require lobbyists to register and public officials to disclose their sources of income.

Johnson sent 10 monthly bills to Bell during 1985 "for consulting charges on legislative matters." When Johnson received payment each month, he wrote a check for the full amount to Hanson, Johnson said.

A Bell executive proposed the payment procedure after first attempting to persuade the Minnesota Telephone Association to hire Hanson directly. The association's executive



Roger Hanson

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director rejected the idea because of budget considerations and concern about the public perception of hiring a former commissioner.

Bell's top Minnesota executive, Eugene Bler, said he did not know the details of the payment procedure when he approved it. He said he thought Bell's payment was to be part of an industry effort to influence legislation.

"It didn't smell to me," he said.

The commission begins hearing a case next month that could mean \$55 million to the telephone industry depending which way the commission rules. Some independent telephone company executives expressed concern about Hanson's ability to be impartial in that case.

Hanson said he will stay on the commission only a few more days and won't participate in telephone matters.

"Last night, after I became aware of all these checks, where they came from, I said, 'Heck, this is an untenable situation. I am going home.' Hanson said his records showed he received \$33,850 from Johnson, but Bell's records show Johnson was paid \$41,250.

Johnson, who is out of town and didn't have access to his records when questioned, said if there is any unpaid balance in the account from Bell, he will return it to the company.

Roy Weir, the Bell official who set up the arrangement to pay Hanson, said he wanted to hire Hanson to lobby for tax legislation that benefited all utilities. The legislation, which passed last session, will provide Bell Telephone with \$26 million a year in tax savings by 1990.

Whether Hanson was lobbying is a key issue. The Ethics in Government Act says anyone who is paid to influence legislation by communicating with public officials must register as a lobbyist.

The Star and Tribune could find no lobbyist registration statement by Hanson at the Minnesota Ethical Practices Board.

Weir said that Hanson did a good lobbying job for the industry and that Hanson told him about his contacts with legislators. Richard Bartley, a veteran Bell lobbyist, also said tax data collected by Hanson was used in the lobbying effort.

Johnson denied that his old friend

was hired to do any work on the tax bill or to lobby. He said Hanson was hired as a consultant in anticipation of the drafting of new telephone laws in an era of deregulation. The issue didn't come up extensively in the last legislative session, so Hanson didn't have much to do while he was on retainer, Johnson said.

What exactly did Hanson do for the money? Hanson said he spent most of the summer in semi-retirement at his home in Vergas, Minn. He said he worked a better part of month closing up a bankruptcy case worked for my brother who is a plumber, fixed up the house, and came out during the legislature may be a dozen times. I was available to visit with (Johnson) but I never lobbied.

In addition to lobbying disclosure, state law also requires that a newly appointed public official must report the source of any compensation in excess of \$50 received during the month preceding the appointment and while serving in office. Hanson's disclosure statement included no mention of the money from Johnson or Northwestern Bell.

The participants in the Hanson payment procedure provide different accounts of why it was set up the way it was.

Johnson says he hired Hanson, who was his running mate for the Independent-Republican Party's gubernatorial nomination in 1978, at the suggestion of Weir, who was in charge of regulatory matters for Bell.

Johnson, who serves, among other things, as counsel to the Minnesota Telephone Association, said that Weir's suggestion "made good sense from an industry point of view" because issues related to telephone deregulation were expected to come before the Legislature.

What did Johnson think was the reason for the payment method in which he would serve as middleman?

"I have no idea what would motivate these things. I'm a naive sort of guy, I guess. It smacks to me to be something really kind of dumb. If they wanted to hire him they could just hire him."

Weir's version of hiring Hanson differs from Johnson's account. Weir said he was trying to assemble an especially strong lobbying team in late 1984 for the tax bill to be voted on in the 1985 legislative session. In November 1984, when Hanson's term was coming to a close, Weir

Statement by Public Utilities Commissioner Roger Hanson:

"On retiring from the commission at the end of 1984, I was approached about the possibility of doing consultant work for the telephone industry as a whole by working with my long-time friend Bob Johnson on telephone matters.

"I received pay from Mr. Johnson for the first nine months of 1985 at the rate of \$3,750 a month. The total pay I received was \$33,850 and I paid my own commuting expenses for those nine months, leaving a net salary of about \$25,000 before taxes. This is all I have received or will accept. In my own mind I am confident this was honorable employment, perfectly proper, and of some length.

"When I learned of my reappointment to the commission for an unexpired term my consultant services ceased.

"During the last eight weeks I have now served on the commission no utility has approached me on any issue and the record will, I believe, support my objectivity on all issues that have come before us.

"However, I have now become aware that only one utility was billed for my services rather than a cross section of the industry, as was my understanding, and for that reason I am choosing to not continue to serve on the commission because some of my votes might be perceived as less than objective and I wish to remove even the appearance of impropriety.

"I make this decision even though the record will support my six years on the commission, as having been the protector of the small rural telephone companies and the rural customers they serve.

"I will return to St. Paul on Tuesday and notify the governor's office of my resignation from the commission."

"This has been very painful to me because if you take time to talk to others, I am confident you will find I served the public well."

said he approached the Minnesota Telephone Association to hire Hanson when he left the PUC.

When the association's executive director, Edmund Teaman, said the association could not hire him, Weir went to Johnson and suggested the formation of an industry consortium to pay Hanson's salary, according to Weir.

Johnson said he recalled some discussion about other companies contributing to Hanson's fee, but he never heard anything more about it from Bell or any other company. Weir insists he talked to other interested companies about joining the industry lobbying group, but he would not name the companies.

Teaman said he didn't like Weir's suggestion that the association hire Hanson, for both budgetary and ethical reasons, when Weir first discussed it at a California meeting in 1984.

Teaman said he admired Hanson but had reservations about the propriety of hiring him because of discussions in the Legislature about prohibiting commissioners from getting jobs in industry immediately after they retire.

Hanson's fee from Bell caused con-

cern for some independent phone company executives such as John Rose, manager of Albany Telephone Company and president of the Minnesota Telephone Association. Rose said he has high regard for Hanson's character and knowledge of telephone issues. But, he added, "I have some concern that the arrangement might present some bias."

Bler, Bell's top Minnesota executive, said in an interview Friday he had little knowledge of Hanson's activities. He said he was told by Weir that the telephone association was hiring Hanson and that Bell would pay its share. He said he was surprised that Bell was the only company paying Hanson's fee and mystified at the conflicting accounts of Hanson's role.

"I wonder why there were so many conflicting stories because fundamentally I don't see anything wrong with the MTA (Minnesota Telephone Association) or, if not the MTA, us hiring Roger for that kind of an effort," Bler said.

In retrospect, does Bler think there is an ethical problem in the hiring of Hanson? "I don't know the dates of the checks or when he took his position. I don't know. I don't know," Bler said.

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November 6, 1985.

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Consulting charges on legislative matters for October, 1985 \$3,750.00

A copy of a bill from attorney Robert Johnson to Northwestern Bell for a monthly payment to Roger Hanson. The copy was obtained from Northwestern Bell.