

MINUTES

MONTANA HOUSE OF REPRESENTATIVES  
51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By Chairman Gary Spaeth, on February 10, 1989, at  
8:00 a.m.

ROLL CALL

Members Present: All members were present.

Members Excused: None

Members Absent: None

Staff Present: Carl Schweitzer, LFA  
Jane Hamman, OBPP  
Donna Grace, Committee Secretary

HEARING ON PUBLIC SERVICE COMMISSION

List of Proponents and Group they Represent Tape 61:A (001)

Matt Pepar, BMWE  
James T. Mular, TCU  
John Lahr, Montana Power Co.  
Danny Oberg, PSC  
Howard Ellis, PSC  
Clyde Jarvis, PSC  
Wally Mercer, PSC  
Raymond R. West, UTU  
Madeline Cottrill, PSC  
Wayne Budt, PSC  
John Driscoll, PSC  
Dan Elliott, PSC  
Mike Pichette, Montana Power Co.

Clyde Jarvis, Chairman of the Public Service Commission, stated that he and the entire Commission had reviewed the budget to be presented and urged the committee to accept the LFA recommendation. Mr. Jarvis introduced Dan Elliott, Wayne Budt and Madeline Cottrill of the PSC staff and stated that they would be happy to answer any questions. He then introduced Commissioner Howard Ellis who presented an overview of the Professional Development and Training Program; Interstate Coordination; Federal Regulatory Participation; and the Audit Function. Mr. Ellis' comments are contained in Exhibit 1. He placed emphasis on the Professional Development and Training Program and said that as the Commission faces the challenges of the 1990's and beyond, regulators need these tools to insure the public interest is served well.

Executive Action:

The LFA analysis is attached as Exhibit 2.

Issue No. 1. Adjustment in Longevity and Benefits. Mr. Schweitzer said that the LFA had \$15,060 more in the budget for this item than the executive did. In a meeting with the department it was determined that the LFA figures were correct and necessary to fully fund this item.

MOTION: Senator Jergeson moved the adoption of the LFA recommendation.

VOTE: MOTION PASSED. All committee members voted in favor.

Issue No. 2. Consultant Services. The LFA reflects what was spent in 1988 for consultants and the executive has recommended less. However, the executive had included some of this expense in a budget modification. Since the modification was related directly to this item, the decision was made to consider Issue No. 2 and the modification at the same time. Mrs. Cottrill presented some information relative to the budget modification request for consultant funds (Exhibit 3) and a worksheet (Exhibit 4) for the committee's consideration. Because of the confusion over what items were included in each of the LFA, the executive and the department's requests, Chairman Spaeth asked that these people meet and develop a recommendation that would outline more clearly the issues included in each proposal.

Issue No. 3. Secretary of State Filing Fees. Mr. Schweitzer stated that he had given them an increase of \$1,400 per year for increased fees and the executive had given them only \$544 per year. Mrs. Cottrill stated that there would be an increase in these fees during the next two years.

MOTION: Senator Jergeson moved the adoption of the LFA recommendation.

VOTE: All present voted yes.

Issue No. 4. Travel. Mr. Schweitzer stated that the executive had given the department \$79,516 per year, the LFA had given them \$86,247 per year. The division has also prepared a proposal for the committee in which it requests \$175,076 in 1990 and \$171,841 in 1991 for out of state travel. Commissioner Ellis stated that the increased request would cover the cost of out of state travel, including registration fees, for attending meetings of the National Association of Regulatory Utility Commissioners (NARUC), coordination with other states and participation in federal regulatory proceedings as these issues become more critical. He stated that the interests of Montana citizens are often substantially impacted by the actions of federal regulatory

bodies such as the FERC, ICC, DOT and FCC. Mr. Ellis explained that at the present time other states and organizations have been assisting Montana with travel expenses so that people from the Montana commission may attend.

Commissioner John Driscoll representing southwestern Montana explained the coordination efforts with other states relative to moving electricity. Currently they are dealing with some major legislation relative to the Public Utility Holding Act. He had been asked to go to Washington to suggest some amendments and he had to ask other states to present his arguments because he did not have travel funds to take part in the hearings. He commented that he had "slept on the floor of the Ohio delegation's hotel room in an effort to save money" and also accepted donations of airline tickets and funds for accommodations from other states to enable him to represent Montana at various meetings.

Commissioner Danny Oberg stated that he is a member of the U.S. West Oversight Committee. The regulators from the 14 states where U.S. West operates has formed this committee to discuss issues and they share very important information. They meet twice a year. However, because of limited travel funds, Montana has not been able to participate. He also said that he has been asked by legislators what they can do to improve the regulator process, and he has told them to improve the ability to participate in technical training programs so that they are better prepared to make decisions. Mr. Oberg said that in the past the states of California and Ohio have paid his way to meetings because they feel it is important to have Montana participate.

Commissioner Ellis testified that he had to decline to participate in any programs which would require out of state travel.

Mike Pichette, representing the Montana Power Company, spoke in support of the Commission's travel budget. He said that in order for the Commission to make informed decisions, it was extremely necessary for the Commissioners to be fully informed when making regulatory decisions.

**MOTION:** Representative Kimberley made a motion to accept the LFA recommendation on in state travel. Mr. Schweitzer stated that he had given them a slight increase in travel because they pointed out that one of the persons on the PSC staff had been ill and not been able to travel the entire year so some money was built back into the base for that purpose. Senator Devlin pointed out that the issue currently being discussed related to in-state travel only and the out of state travel would be dealt with in a budget modification.

**VOTE:** MOTION PASSED. All present voted yes.

Issue No. 5. Rent. The LFA recommended accepting the executive recommendation because the figures were correct.

MOTION: Senator Devlin made a motion to accept the executive recommendation.

VOTE: MOTION PASSED. All present voted yes.

Issue No. 6. Vehicle Maintenance. The LFA gave the department the same amount they spent in 1988. The OBPP cut the budget about \$3,000.

MOTION: Representative Iverson moved the LFA recommendation.

VOTE: MOTION PASSED. All present voted in favor.

Issue No. 7. Recruitment of New Employees. The LFA recommendation represents the same amount of funds that were expended in 1988. The executive budget did not contain any money for this activity.

MOTION: Senator Devlin moved the adoption of the executive recommendation.

VOTE: MOTION PASSED. The vote was unanimous in favor.

Issue No. 8. Equipment. This item was broken down between autos, computers, office equipment and software. It was the decision of the committee to consider each item individually.

Automobiles: The LFA has money for two cars, the executive for one. Mr. Schweitzer approved the two cars because it was within the three-year average expenditure.

MOTION: Senator Jergeson made a motion to accept the LFA recommendation.

VOTE: MOTION PASSED. All present voted in favor.

Computers, Office Equipment and Software: Mrs. Cottrill stated that the computers they have are five or six years old and are beginning to need maintenance. The Commission felt it would be a good idea to begin a replacement schedule so that they didn't have to replace all of them in one year. The executive had allowed \$5,847 for computers and the LFA had allowed \$16,465. The executive allowed \$2,628 for office equipment and the LFA allowed \$7,095. Items included in the office equipment budget were bookcases, filing cabinets, chairs, etc. The department also requested software to upgrade their computer system. Currently their computer storage areas won't handle the custom packages they have on their system.

MOTION: Senator Devlin made a motion to accept the executive recommendation on office equipment and the LFA recommendation on computers and software.

VOTE: motion passed. All present voted in favor.

Budget Modification - Consultant Services. Mr. Schweitzer stated that the executive budget recommended a \$30,000 biennial budget modification for specialized contracted services such as expert witnesses, National Association of Regulatory Utilities Commissioners professional services, data analysis of MPC natural gas pipeline monitoring, issue development in cases where the Montana Consumer Counsel is unable or declines to hire consultants for certain proceedings and consultants to assist in representing the interests of Montana rate payers before federal regulatory bodies.

Because of the confusion in determining what issues were contained in this budget modification and which were included in Issue No. 2, discussion on this budget modification will be postponed until a later date when more information is available.

LFA Issue: Rail Inspection Program. Mr. Schweitzer advised that this issue was outlined in detail on pages C-4 and C-5 of the LFA Budget Analysis Book. Mr. Wayne Budt stated that the Commission requests permission to continue the Track Inspection Program. His comments are contained in Exhibit 5.

Briefly, Mr. Schweitzer said he had developed this issue because the railroads were interested in maintaining their own trackage because they have a financial interest in insuring that the trackage is continuously maintained. Also, there are two federal track inspectors working in Montana. Therefore, he felt the legislature might want to consider removing the state from the railroad track inspection business which would also reduce the budget for the Commission by \$32,000 per year. In his analysis of this matter Mr. Schweitzer said that he had compared Montana with states having comparable trackage, some of which have no state inspection and depend entirely on federal inspection.

Senator Jergeson said he would resist the recommended action. He did not feel it was fair to compare Montana to other states like Wisconsin which are considerably smaller. He stated he did not think Montana would get full service from the federal inspectors. Senator Iverson stated he would also resist.

Matt Pepar testified that he works for the Burlington Northern as a bridge inspector and also represents the Brotherhood of Maintenance of Way Employees of Great Falls, Montana. He stated that BN does maintain their track fairly well but they concentrate mainly on big projects, capital money.

They do inspect their track but the State inspector makes sure it is done and, where they might bypass some areas, they don't with the state track inspector there.

James T. Mular, Chairman of the Joint Rail Legislative Board which is comprised of four major unions, support this particular funding because there has been a substantial reduction in track forces and there are over 900 miles of branch lines that the FRA does not get to unless an incident occurs that requires their presence.

MOTION: After further discussion, Senator Devlin made a motion to eliminate the Rail Inspection Program.

VOTE: The Chairman called for a roll call vote. MOTION FAILED. Senator Devlin and Representative Swift voted yes; all others voted no. As a result of this vote, the Rail Inspection Program will be continued.

Modification - Travel. The in-state travel budget was approved earlier. Mr. Schweitzer stated that the Commission had requested additional out of state travel and registration fees. Mr. Elliott stated they had asked for the increase for additional training for commissioners and this was the item which was outlined in Commissioner Ellis' testimony and attached as Exhibit 1.

Mr. Driscoll stated that he would like to draw the committee's attention to the fact that the commissioners are elected and are often accused of not being fully prepared. Whether prepared by training or not, the nature of this industry is that no one is prepared unless they keep up on it all the time. He felt it would be advisable to make sure these people have the knowledge to do the job they are elected to do. There is a tremendous responsibility and all the commissioners feel that if this modification is improved it would allow them to do a better job.

Chairman Spaeth indicated that the LFA and executive are not too far apart. The recommendation is for \$93,000 for travel and \$25,000 for registration fees. Senator Jergeson asked Commissioner Ellis if they had made a list of priorities as to which professional development programs and which symposiums were most important and, if so, perhaps there might be a figure somewhere between the request and the LFA. Mr. Ellis said there could be. He said that when the plan was put together they had each division make a list of what they would like to attend. He also stated that all out of state travel has to be approved by the entire Commission. He did feel that the NARUC meetings were probably the most important. Commissioner Oberg stated that they would furnish the committee with a list. Chairman Spaeth stated that in view of the substantial change in the travel budget it would be scrutinized carefully by the Appropriations Committee and he would have to have facts to back up any

increase they might give. The department's request would nearly triple the expenses appearing in the LFA budget. Mrs. Cottrill pointed out that even with the increase, the budget for the 1990-91 biennium is still less than the budget for the 1988-89 biennium.

MOTION: Senator Jergeson made a motion to approve the agency's request.

Representative Swift stated that the proposal could possibly result in drastic cuts being made in the Appropriations Committee which could even affect their base funding. Discussion followed.

SUBSTITUTE MOTION: Representative Swift made a substitute motion to provide funding for attending NARUC, federal regulatory and coordination meetings. This would be approximately \$60,000 and would give them some flexibility within the framework provided.

VOTE: SUBSTITUTE MOTION PASSED. All present voted yes. Chairman Spaeth asked Mr. Schweitzer to meet with the department and obtain the exact figures to be plugged into the appropriations bill.

This concluded discussion on the PSC budget with the exception of consultant services which will be discussed at a later date when more information is available.

#### Noxious Weed Management Funding (500)

Senator Jergeson passed out a flow chart prepared by John Northey, the attorney in the Legislative Auditor's Office. Exhibit 6. He stated that he thought this would help give some answers to some of the questions posed when this program was discussed at a previous meeting of the committee. There are three sources of revenue: the herbicide surcharge, the 50 cent vehicle weed control fee and the issue at the present time is what can be done with the money in the Noxious Weed Trust Fund. According to Mr. Northey's analysis it can be used for grants and contracts, demonstration projects, cost share with local special grants and also up to 3% of the surcharge can be used for collecting the surcharge, administrative expenses of noxious weed council and "other recommended projects". Senator Jergeson then said he assumed the weed coordinator could be paid if her responsibility was to be the collector. However, a half time FTE will have this responsibility. It is Mr. Northey's opinion that these funds cannot be used for any other administration as the law is very well-defined and limited.

Chairman Spaeth suggested that Carl and Jane look at this and see what the money can be used for. Some of the money has already been used for administration and it is possible that

this action was not acceptable. This matter will be reconsidered when the information is received.

State Parks (674)

Representative Iverson stated that the committee from the Natural Resources Committee and the Long Range Planning Committee would be meeting one more time and would then be ready to present their recommendation to the joint meeting of the committees. He said they would probably be recommending the fee system but would ask the department to take out some of the less effective parks where they would not make enough money to pay for the expense of collecting fees. They would de-emphasize or do away with completely the Model Parks program. Senator Jergeson stated that they had advised the Parks Department that they should not hold out any hope for getting any bed tax money. He also stated that they had asked the department to provide more detail on the costs and expenses on the federal sites.

**Announcements/Discussion:** There will be a joint meeting with the Lang Range Planning Committee to discuss RIT funds and state parks on Tuesday, February 14. On February 15, the committee will meet with the Daniels County Commissioners to discuss payment in lieu of taxes on state lands.

ADJOURNMENT

Adjournment At: 12:00 noon

  
REP. GARY SPAETH, Chairman

GS/dg

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EXHIBIT 1  
DATE 2-10-89  
HB 100

**THE PROFESSIONAL DEVELOPMENT AND TRAINING PROGRAM;  
INTERSTATE COORDINATION; FEDERAL REGULATORY PARTICIPATION;  
AND THE AUDIT FUNCTION**

## INTRODUCTION

### EXECUTIVE

### SUMMARY...

"As we face the challenges of the 1990's and beyond, regulators need the tools to insure the public interest is served well. The Professional Development and Training Program is a key ingredient in that process."

...Clyde Jarvis  
Chairman  
MPSC

The MPSC is proposing a Professional Development and Training Program to help equip the Commissioners and professional staff with information they need to fulfill their statutory mandates, in the best interest of both ratepayers and utilities.

The electric, gas, and telecommunications industries are in the midst of a period of transition that began in the late 1960's. Railroads and motor carriers, too, operate in a new environment. These industries have undergone significant changes in structure, operating characteristics, and regulatory guidelines. Industries once considered stable and mature in nature are now subject to varying degrees of competition which has brought into question whether they currently conform to a classic textbook model of a public utility.

Both government and industry have had to learn to adapt to this environment. Montana utilities have been under the jurisdiction of the Montana Public Service Commission for 75 years. Yet since the late 1960's regulation has been broadened so that all or portions of Montana utilities are subject to review by several agencies, such as the Federal Energy Regulatory Commissioner (FERC), the Federal Communications Commission (FCC), the Interstate Commerce Commission (ICC), and the Department of Transportation (DOT). During this time period both the US Congress and the state legislature took a more active role in developing public policy over regulated industries. This sharing of power requires Commissions to be informed of decisions that have or will effect Montana. It also means that in order to protect Montana interests the PSC must have the ability to participate in cases at the federal level.

Most of the cost of the Professional Development and Training Program is for travel and accommodation expenses at out of state conferences, schools, and symposiums. There simply are no in state sources for information of this nature.

The request for travel expenses for the 1990-1991 fiscal year includes funds that can be separated into 5 categories for easier review by the Legislature. These categories include those associated with the professional development and training program, as well as federal regulatory participation, interstate coordination, and the audit function.

Professional Development, Interstate Coordination, Federal Regulatory  
Participation and the Audit Function

FY90

	<u>NARUC</u>	<u>Training</u>	<u>Coordination Other States</u>	<u>Federal Regulatory</u>	<u>Audit</u>	<u>Total</u>
Commissioner's	24,387.50	14,830.50	4,895.50	2,356.00	0	46,469.50
Staff	22,432.00	28,528.50	9,512.00	9,914.50	2,091.00	72,478.00
Total	46,819.50	43,359.00	14,407.50	12,270.50	2,091.00	118,947.50*

FY91

Commissioner's	24,537.50	14,830.50	4,895.50	2,356.00	0	46,619.50
Staff	23,220.50	21,006.00	9,483.00	8,665.50	6,270.50	68,645.50
Total	47,758.00	35,836.50	14,378.50	11,021.50	6,270.50	115,265.00*

\*See attachment A, which reconciles the Public Service Commission request with the LFA and OBPP recommendation.

RUC...

A. NATIONAL ASSN. OF REGULATORY  
UTILITY COMMISSIONERS  
(NARUC)

"For 100 years NARUC has served the ratepayers and utilities as a forum for progress. Montana needs to be part of that working partnership."

...Howard Ellis  
Vice Chairman  
MPSC

NARUC celebrates its 100 birthday this year. Its longevity reflects its usefulness and proud record in promoting the public interest in the regulation of energy, telecommunication, transportation, and municipal water and sewer companies. It is a force that works with the public, legislative bodies, federal agencies, and the affected companies to insure that sound public policies are implemented to assure customers reasonable rates and reliable service. As an organization it stands on the cutting edge of the new issues facing regulators.

Individual states through their full participation in NARUC gain access to information available nowhere else. By the time this information is published in journals or books it is no longer timely, as the state Commissions have probably already had to confront the issue. In addition state regulators are able to use NARUC to influence events that will have an affect on the states.

Due to budgetary constraints the MPSC has found itself unable to participate fully in the NARUC programs. The Legislature now has an opportunity to address a situation we consider adverse to the interests of both the utilities we regulate and the consumers they serve.

B. TRAINING

This includes both the basic minimum in training that is required just to be "functionally literate" in the field of utility regulation, as well as advanced professional development to insure progressive utility regulation. Accordingly, items under this category range from the broad, introductory courses to very specialized and focused seminars.

With a new Commissioner and several new staff members, it is imperative that funds be provided for these people to receive the basic "hands on" training that is required to be employed in the field of utility regulation. For the existing Commissioners and staff, ongoing professional development is necessary to revitalize and modernize past training. By its very nature, the utility business has been in such a state of change that these opportunities for continuing education are critical.

C. COORDINATION WITH OTHER STATES

The MPSC has found that its effectiveness in impacting the federal regulatory, judicial and legislative process can be maximized by careful coordination and close contact with other states in the region. Such activities also promote a more informed regulatory process in dealing with those issues of local concern.

For example, the 14 states that comprise the service territory of US West Communications have formed a regional oversight committee to meet twice yearly for the discussion of common telephone issues. Similar regional committees exist for railroad safety, electricity, natural gas, and other relevant topics.

D. FEDERAL REGULATORY

Active participation in federal regulatory proceedings is becoming more critical as the federal government seeks to play a definite role in matters thought to be of local concern. The interests of Montana citizens are often substantially impacted by the actions of federal regulatory bodies such as the FERC, ICC, DOT and FCC. Currently among these proceedings are those related to the Montana-Dakota Utilities/Williston Basin Interstate Pipeline reorganization, and those concerning the continuing relationship between those two entities. At the very minimum, participation in a federal proceeding typically involves at least one trip to Washington D.C. for hearings, settlement conferences, etc. For many of these proceedings, the Commission would be required to send two staff personnel.

Also included under this category is an amount which will allow one Commissioner to attend each of the four quarterly meetings held by the Bonneville Power Administration, in Portland, Oregon. In the past, BPA has graciously paid for a Commissioner's attendance out of its own budget. It is critical for the Commission to remain abreast of the regional implications of BPA activities.

E. AUDIT

All intrastate class A and B motor carriers are required to file and maintain a tariff with the Montana Public Service Commission. Audits of those carriers are performed on a regular basis by staff

at the carriers offices to insure that only approved rates are being charged to the public.

Not all of the carriers holding intrastate authority are based in Montana. Those located outside of Montana are still subject to periodic review, whenever possible and practical staff will request that audit material be forwarded to the Commission's office. When such arrangements cannot be made staff will be required to travel to neighboring states to complete the audit.

Montana  
consumers  
and business  
are the  
losers if  
Commissioners  
do not have  
access to  
the latest  
developments  
in assuring  
reasonably  
priced utility  
service.  
In conjunction  
with NARUC,  
these programs  
represent  
the best  
forums from  
academia  
and the  
private  
sector."

#### CLOSING - SUPPORT FROM OTHER STATES AND AGENCIES

Past Commission participation in all of these activities has sometimes been accomplished only by the generous support from other states and agencies. Fellow Commissioners around the country have expressed amazement at the Commission's inability to fund participation in activities taken for granted in their own states. For example, the Commission has participated in several out of state conferences through the generosity of the Western Conference and on occasion by funding direct from other states. The Commission's involvement in certain Bonneville Power Administration meetings takes place only because of special arrangements by which BPA picks up the tab for Montana. Certain Commissioners have had participation funded by their appointment to organizations such as the Electric Power Research Institute, which is funded nationally by ratepayer money. While appreciative of such opportunities, the MPSC recognizes that pleas of poverty will eventually fall on deaf ears and the Commission will be foreclosed from participating in these important activities and functions.

.Danny Oberg  
Commissioner  
MPSC

ATTACHMENT A

Travel & Registration

FY90

	<u>Agency Request</u>	<u>LFA</u>	<u>Executive</u>
In State Travel	35,815	35,815	29,100
Audit Reimbursement	20,000	20,000	20,000
Inflation	314	314	319
Total	<u>56,129</u>	<u>56,129</u>	<u>49,149</u>
Professional Development	93,097	30,432	30,416
Registration	25,850	6,817	6,817
Total	<u>118,947*</u>	<u>37,249</u>	<u>37,233</u>
Total Travel	175,076	93,378	86,652

FY91

In State Travel	35,815	35,815	29,100
Audit Reimbursement	20,000	20,000	20,000
Inflation	761	761	774
Total	<u>56,576</u>	<u>56,576</u>	<u>49,874</u>
Professional Development	91,000	30,432	30,416
Registration	24,265	6,817	6,817
Total	<u>115,265*</u>	<u>37,249</u>	<u>37,233</u>
Total Travel	171,841	93,825	87,107

\* Public Service Commission request from page 3

AGENCY: DEPT OF PUBLIC SERVICE REGULATION      LEGISLATIVE ACTION      PROGRAM: Public Service Commission

BUDGET ITEM	Fiscal 1990		Fiscal 1991		Difference
	Executive	LFA Curr Lvl	Executive	LFA Curr Lvl	
FTE	46.00	46.00	46.00	46.00	0.00
Personal Services	\$1,379,924	\$1,362,919	\$1,381,649	\$1,365,549	\$(16,100)
Operating Expenses	308,055	335,041	294,199	321,058	26,859
Equipment	18,273	53,582	25,458	23,470	(1,988)
Non-Operating	0	0	0	0	0
<b>TOTAL EXPENSES</b>	<b>\$1,706,252</b>	<b>\$1,751,542</b>	<b>\$1,701,306</b>	<b>\$1,710,077</b>	<b>\$ 8,771</b>
FUNDING					
General Fund	\$1,660,450	\$1,705,740	\$1,657,004	\$1,665,775	\$ 8,771
Federal Revenue	25,802	25,802	24,302	24,302	0
Other Revenue	20,000	20,000	20,000	20,000	0
<b>TOTAL FUNDING</b>	<b>\$1,706,252</b>	<b>\$1,751,542</b>	<b>\$1,701,306</b>	<b>\$1,710,077</b>	<b>\$ 8,771</b>

	FTE	General Fund	Gross
1. Adjustment in Longevity and Benefits	0.00	\$(15,060)	\$(15,060)
2. Consultant Services - Exec. \$10,800/year - LFA \$23,633/year	0.00	(25,666)	(25,666)
3. Secretary of State Filing Fees Exec. - \$544/year LFA - \$1,400/year	0.00	(1,700)	(1,700)

	<u>FTE</u>	<u>General Fund</u>	<u>Gross</u>
4. Travel	0.00	(13,462)	(13,462)
Exec. - \$79,516/year			
LFA - \$86,247/year			
5. Rent	0.00	2,737	2,737
6. Vehicle - Maintenance	0.00	(3,000)	(3,000)
7. Recruitment of New Employees	0.00	(11,008)	(11,008)
8. Equipment	0.00	(33,321)	(33,321)

	<u>Exec.</u>	<u>LFA</u>
Autos (Exec-1, LFA-2)	\$10,246	\$20,492
Computers	5,847	16,465
Office	2,628	7,095
Software	<u>2,000</u>	<u>10,000</u>
Total	<u>\$43,731</u>	<u>\$77,052</u>

### Budget Modification

### Consultants Modified

The executive budget has a \$30,000 biennial budget modification for specialized contracted services such as: expert witness; National Association of Regulatory Utilities Commissioners professional services; data analysis of MPC natural gas pipeline monitoring; issue development in cases where the Montana Consumer Counsel is unable or declines to hire consultants for certain proceedings; and consultants to assist in representing the interests of Montana rate payers before federal regulatory bodies.

LFA Issue: Rail Inspection Program

Please refer to page C-4 of the LFA Budget Analysis book.

CSS:rs:dpsr

EXHIBIT 3  
DATE 2-10-89  
HB 100

**BUDGET MODIFICATION REQUEST**

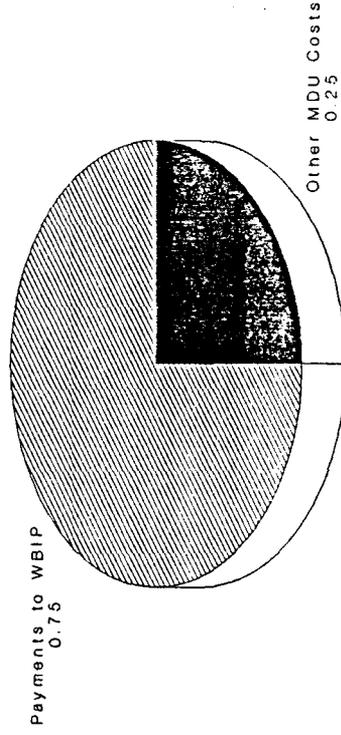
**CONSULTANT FUNDS**

## CONSULTANTS BUDGET MODIFICATION

- \$100,000 biennial line item, rather than \$50,000 per year.
- To be used for consultants and counsel, mainly on Federal Energy Regulatory Commission (FERC) rate cases for Williston Basin Interstate Pipeline ( WBIP) .

- WBIP was formed in 1982
- Montana Dakota Utilities (MDU) transmission and production facilities, formerly regulated by the PSC, were transferred to WBIP and are now regulated by FERC.
- Of every \$1.00 MDU collects from Montana customers, \$.75 is paid to WBIP pursuant to FERC orders.

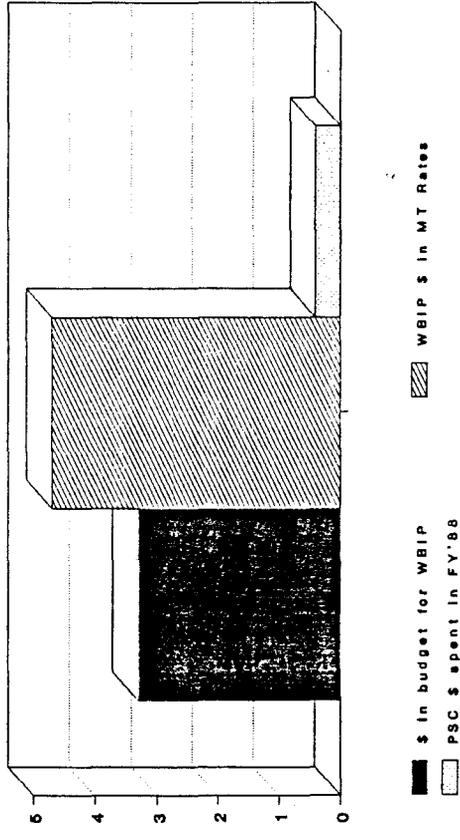
Collections from MDU Gas Customers



- PSC has cooperated with North Dakota, South Dakota, Wyoming, and the Montana Consumer Counsel to hire consultants and legal counsel to participate in FERC rate cases on "common" issues.
- We have not had money to pursue issues specific only to Montana. For example, PSC staff felt that \$500,000 to \$1,000,000 of revenue requirement should have been allocated to other states in a recent FERC proceeding, but money was not available for a consultant or legal counsel.

- The PSC was recently asked by MDU to intervene in a FERC case. Holly Sugar wants to bypass the MDU system and use WBIP facilities to access third party natural gas. The PSC does not have the funds to hire consultants in this type of case.

- If the \$100,000 biennial appropriation is approved, it will be about 3.3% of the total PSC budget spent on all regulatory activities.
- WBIP sales to MDU, which are part of MDU rates, are about 4.4% of total PSC regulated sales for all utilities and railroads.
- Given this test, the \$100,000 is very reasonable.



<u>Contracted Services</u>	<u>Actual FY88</u>	<u>FY90</u>	<u>FY91</u>
1. Financial Audit FY88-89	13,404	13,836	0
✓ 2. NARUC Membership Fees	1,764	1,764	1,764
✓ 3. Court Reporter Costs <i>10,000</i>	9,101	15,000	15,000
4. Contract to monitor BTU <i>Exec.</i> content of natural gas distributed by regulated utilities	800	800	800
✓ 5. Contract to monitor MPC's natural gas pipeline 50% paid with Federal Funds	1,480	5,000	5,000
6. Insurance - Paid to D of A	1,575	2,857	2,931
7. Payroll Fee - Paid to State Auditor	36	43	44
8. Microfilm Costs	1,047	1,047	1,047
9. Secretary of State Publish rules at \$35.00 per page 40 pages	435	1,400	1,400
10. Input & processing SBAS forms using Online Entry & Edit	0	763	763
11. Computer Processing - using State Mainframe	14,394	14,394	14,394
12. Xerox, Printing, Records Storage	<u>21,382</u>	<u>21,382</u>	<u>21,382</u>
SUB TOTAL	<u>65,418</u>	<u>78,286</u>	<u>64,525</u>
✓ 13. Contract for professional services in Federal Energy Regulatory Commission (FERC) Docket	<u>11,967*</u>	<u>14,000*</u>	<u>14,000*</u>
TOTAL	77,385	92,286	78,525

\* \$14,000 was requested as part of the base for an ongoing FERC case - FY88 we spent \$11,967.

EXHIBIT 5

DATE 2-10-89

HB 100

**MONTANA STATE TRACK INSPECTOR**

## MONTANA STATE TRACK INSPECTOR

The LFA proposed budget on page C-5 sets out two options concerning the state track inspection program. The Montana Public Service Commission strongly urges support of Option B which is the continuation of the Railroad Track Safety Inspection Program.

This program is an ongoing effort that is staffed by a highly qualified former railroad employee with over 30 years experience in the maintenance of track in Montana.

As stated in the LFA report, the federal government ceased contributing to this program effective October 1, 1988. The cost to the state to continue this program would be less than \$5,000, which would be funded from the same source as set out on page C-4 of the LFA report.

The Montana Public Service Commission views the state track inspection efforts as a positive factor in ensuring adequate compliance with rail safety standards. One must consider not only the volume of trackage in Montana (nearly 5,000 miles of track), but also the distances and travel required for review of those trackage.

There is maximum coordination by state and federal inspectors to assure adequate coverage, while not tying up railroad personnel for an extended period. In addition contacts are made with railroad personnel well in advance to an inspection, allowing the carrier time to arrange his schedule.

At the present time there are 2,933 miles of main line, 971 miles of branch line, and 895 miles of yard track for a total of 4,799 miles of track in Montana. In addition to the state track inspector, there is a federal inspector located in Billings who has responsibility for trackage in Montana, North Dakota, South Dakota, and Wyoming. Another federal inspector is located in Spokane who has responsibility for trackage in Montana, Washington, Idaho, and Oregon.

For the past 12 month period ending December 1988, the state inspector and the federal inspectors reviewed the following miles of trackage in Montana.

	Main/Branch	Yard
State Inspector*	2,329	238
Billings Federal	1,710	123
Spokane Federal	748	76
Totals	4,787	437

\* The state inspector was on leave from July-October with a broken ankle. For calendar year 1987 he inspected 3,270 miles of main/branch line track and 316 miles of yard track.

## INSPECTION PROCEDURES

These general track inspection procedures are followed by all inspectors.

1. Inspections are made at 15 mph maximum. (carriers equipment)
2. Inspector walks all switches during an inspection.
3. All yard tracks are inspected by a walking inspection.

Track inspections also include a review of the carriers records to ensure that the industry is complying with the inspections required by regulation for tracks that have equipment operating at certain speeds.

## MONTANA RAIL LINK ASSISTANCE

During the past calendar year, the state track inspector in conjunction with the federal inspectors have at MRL's request presented track safety classes to MRL's employees. During these classes the inspectors reviewed the regulations and record keeping requirements as they relate to track maintenance. These classes were held in Laurel, Big Timber, Trident, Livingston, Missoula, and Thompson Falls. The Montana Public Service Commission supported this undertaking to assist this new short line carrier in getting up and running in a safe manner with minimum hassle and misunderstanding.

In addition the Program was presented to employees of the RARUS railroad (which operates between Butte and Anaconda) again at the carriers request.

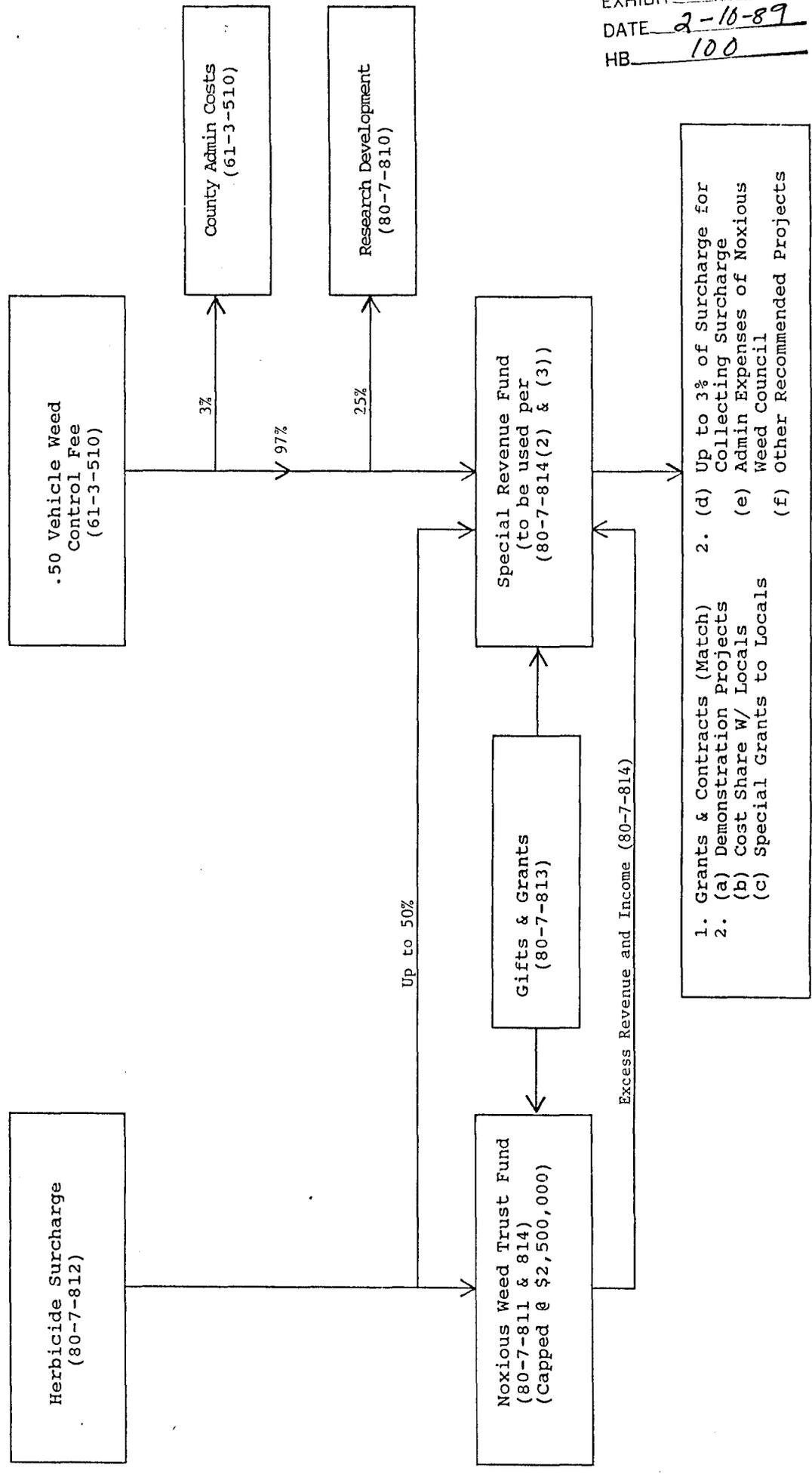
## OTHER DUTIES

In addition to the track and records inspections, the Montana state inspector also:

1. Handles complaints from the public concerning railroad matters.
2. Reviews and reports to the Commission on requests by the Counties for the installation of crossing and signaling devices.
3. Inspects the Butte-Anaconda Historical Parks and Railroad Company to ensure safe operation.
4. Presents operation lifesaver classes to driver education and 4-H groups concerning the dangers of railroad operations at crossings and around operating trains.

As of this time the Commission has not received any complaints from any railroad operating in Montana concerning this track inspection program.

NOXIOUS WEED MANAGEMENT FUNDING



VISITOR'S REGISTER

SUBCOMMITTEE \_\_\_\_\_

AGENCY (S) \_\_\_\_\_

DATE 2-10-89

DEPARTMENT \_\_\_\_\_

NAME	REPRESENTING	SUP- PORT	OP- POSE
Matt Regan	BMW E	X	
JAMES T. MULAR	TCH	X	
JOHN LAHR	MPC	V	
Danny Oberg	PSC	X	
HOWARD ELLIS	PSC	X	
CLYDE JARVIS	PSC	X	
WALLY MERCER	PSC	X	
Raymond R. West	U.T.U. STATE DIRECTOR	X	
Maureen L. Citrini	PSC	X	
Wayne Beed	PSC	X	
John Driscoll	PSC	X	
Don Elliott	PSC staff	X	
Mike Pichette	Mt. Power	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT.  
 IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.