MINUTES

MONTANA HOUSE OF REPRESENTATIVES
53rd LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By **CHAIRMAN ROGER DEBRUYCKER,** on January 11, 1993, at 8:00 A.M.

ROLL CALL

Members Present:
Rep. Roger DeBruycker, Chairman (R)
Sen. Cecil Weeding, Vice Chairman (D)
Sen. Gerry Devlin (R)
Sen. Greg Jergeson (D)
Rep. John Johnson (D)
Rep. William Wiseman (R)

Members Excused: None

Members Absent: None

Staff Present: Roger Lloyd, Legislative Fiscal Analyst
Florine Smith, Office of Budget & Program Planning
Theda Rossberg, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:
Hearing: **PUBLIC SERVICE REGULATIONS**

Executive Action: **PUBLIC SERVICE REGULATIONS**

HEARING ON PUBLIC SERVICE REGULATIONS

TAPE 1, A

Roger Lloyd, Legislative Fiscal Analyst, reviewed the budget differences. **EXHIBIT 1 See the LFA Budget Analysis(Vol.II), Pages C 1-6 and Stephens Executive Budget, Pages C 1-2.** Due to joint committee action 3.0 FTE were eliminated from the legislative budget.

SEN. DEVLIN asked why the tax has not kept up with expenditures. **Mr. Lloyd** responded that last year he had done an analysis of this tax. There were some problems with the Department of Revenue and the determination of how the tax would be collected.

There will always be about a six-month lag between the time the tax rate is set and the revenues deposited in the general fund.

SEN. DEVLIN asked the what the amount was that had to be made up over the last biennium from the general fund which was not part of the tax levied on the utilities. **Mr. Lloyd** said he was not certain of the exact amount but for the last three years the general fund had picked up some extra expenditures. The statutes require that if there are any over-deposits to the general fund the tax rates must be adjusted the next time to reflect that. Therefore, if more revenue is collected than expended, the general fund would decrease and vice versa.

SEN. DEVLIN said the graph 2 on Page C-4 for '90, '91 and '92 shows that revenue was less than expenditures for those years. **Mr. Lloyd** explained that in '87, '88 and '89 revenue was more than expenditures. Therefore, for FY 93 when the tax rate was set, that difference was taken into account and the tax rate was increased to collect more to make up for the difference in FY 92.

SEN WEEDING said graph 1 indicates $3.7 million general fund and subtracting the amount on graph 2 would only show a $.6 million difference. **Mr. Lloyd** replied that graph 1 shows the amount the Legislature appropriated for the department and graph 2 shows: 1) expenditures, which are usually less than appropriations; and 2) revenues collected from the tax that go into the general fund.

Florine Smith, Office of Budget Program and Planning, brought to the committee's attention the $6,678 for the National Regulatory Research Institute dues which the executive has put into their budget. Previously this was a direct billing from the utility company, but the department thinks it is more appropriate to be included in this budget. **EXHIBIT 2**

The executive is supporting three modifications: 1) a $100,000 biennial appropriation for Technical Advisory Services and Consultants; 2) a recommended $200,000 line item appropriation in FY 94 for replacement of obsolete computer systems; and 3) data network fees. There is a misunderstanding with this last item because it was originally thought this was connected with the replacement of the computer system. However, it is a fixed cost for computers for ISD which were replaced for FY 92 and FY 93. Also, the Executive did not recommend re-establishment of the 5%.

Bob Anderson, Chairman of the Public Service Commission (PSC), introduced several members of the Commission. He reviewed the history of the PSC for the committee. **EXHIBIT 3**

Mr. Anderson said the commission regulates utilities to achieve just and reasonable rates for utility companies. Utilities collect more than $1 billion per year from the people of Montana. The cost to each household for these services is about $3.40 per year or 28 cents per month. **EXHIBIT 4**

Mr Anderson reviewed a PSC report which shows the increases from 1990 to 1992 which an average family pays. Rates have increased less than the rate of inflation.

He also reviewed the budget with the committee. He said that, referring to page C-3, the PSC moved from the Highway Department building which was completed in 1971. At that time they realized their computer system was rapidly becoming obsolete and needed to be replaced. The PSC decided to change from the mini-computer to the area network system.

The tax imposed on the utilities is based on the appropriations established by the legislature. Master meters are in other categories such as colleges, hospitals, housing authorities and mobile parks, etc. Some off the 141 master meters around the state are in need of repair. Public safety is threatened if they are not maintained properly. He stated there was a serious problem at Northern Montana College (NMC) in Havre where natural gas was leaking, but because of the PSC inspection, that situation was corrected.

NRRI Dues:
Dues are paid to the National Association of Regulatory Utility Commissioners which provides research on state regulatory commissions. The dues should be paid from the PSC budget from the tax levied on the utilities and passed on to all ratepayers. There would be no effect on the general fund.

One-Time Expenses:
Mr. Anderson said this expenditure is needed to recruit a utility rate analyst. The commission is requesting $5,018 for each year of the biennium for that FTE.

Equipment:
The equipment request is for office furniture, computer software and vehicle light bars.

Budget Modifications:
Consultant Fees: For the last several bienniums the PSC has had a line-item biennial consulting budget of $50,000 which is for participation in cases affecting Montana ratepayers at the Federal Energy Regulatory Commission (FERC); participation in cases affecting Montana shippers at the Interstate Commerce Commission; and resolving the difficult problems of the former Butte Water Company. He said the commission is also asking for a $50,000 increase for the biennium in order to ensure effective implementation of least cost planning by Montana's owned electric utilities.

Local Area Network: He stated they were requesting $200,000 for the biennium to purchase hardware and software to convert data from a mini-computer to a local area network (LAN). The mini-computer cannot meet the current user needs. Also, the maintenance cost is increasing because IBM no longer supports this computer.

Data Network Services: This modification is to pay for additional network fees.

Tape 1, B

Restore 5% Reductions: One rate analyst and the commission secretary positions have been temporarily filled. The PSC requests that the positions and the corresponding fund eliminated under the 5% cut be restored. These positions are essential in order to maintain the ability to regulate the industries. **EXHIBIT 4A**

Travel: The travel request is for travel to national meetings such as the National Association of Regulatory Utility Commissioners. New commissioners need the training, and this modification for $25,000 was approved by the 1991 Legislature.

Pay Increase for Exempt Staff: The modification is for a pay increase for exempt staff approved by the 1991 legislature for $30,000 each year of the biennium.

Bob Rowe, Vice Chairman, PSC, reviewed the Public Information Program and the Toll-Free Number modifications with the committee, pages 11 and 12. **EXHIBIT 5**

The Public Information Program and Toll-Free Number provide the following: 1. maintaining and improving the quality of work product; and 2. increasing accountability and accessibility to utility customers. He reviewed some of the complaints received from customers. **EXHIBIT 5A**

Mr. Anderson reviewed the summary, Page 13 of **EXHIBIT 4**, with the committee. He said the legislature has given the PSC an imperative to ensure that utilities provide adequate service at just and reasonable rates. The PSC has done this well, but its ability to continue to do so in the future depends on its resources, especially the staff.

John Alke, attorney, said he had represented Montana utilities for about 13 years and during that time had sued the PSC at least 10 times. He said he does not always agree with the PSC, but he strongly supports the budget presented. A well-run, well-funded well-educated staff is absolutely essential.

SEN. DEVLIN asked why the general fund was supporting the PSC.

Montana Consumer Counsel. It is critical that the general fund not make money off this tax. The utility industry pays a massive amount of tax dollars in corporate license tax, natural resource tax and property tax. This tax was intended to fund the PSC only. It is a matter of law that the excess must be credited to the next year's payment. The general fund should not make money on the PSC tax. This tax originally went to a special revenue account. When the Legislature removed the sunset provision in 1991 the committee wanted it specified as general fund money.

He stated he believes that least cost planning is in the state's best interest, and asked the committee to support the PSC budget.

Bob Warner, Gas Engineer, Montana Power Company, spoke in support of the natural gas master meter budget. He maintained this is a small amount to ensure the safety of those people. The gas inspector who found the leak at NMC in Havre was able to correct the difficulty before any serious problems occurred.

Jack Haffey, Montana Power Company (MPC), said the PSC has made an extremely conservative request. The MPC must provide power and gas to people across the state and provide it competently and efficiently. He said he has been involved in suits against the PSC for 17 or 18 years and could attest to the committee that the PSC is fiscally conservative and work very hard. They definitely are not over-staffed. The PSC must be able to interact with the MPC to reach the right decisions for Montanans. He urged the committee's support for this conservative budget request.

Gerald Mueller, Missoula, testified in support of the $50,000 increase in the PSC's consulting budget to ensure effective implementation of the least cost planning process. He stated that least cost planning is a means of reducing costs to rate payers and society. He reviewed a list of people involved in a Least Cost Resource Planning and Acquisition Working Group. **EXHIBIT 6**

Dan Walker, U S West Communications, stated that while U S West has not always agreed with the PSC, the staff and needs which have been requested are vital. The staffing problem the PSC was experiencing did not make it easier for utilities. The PSC need for experienced and qualified staff cannot be overstated. The turnover which has been experienced underscores the problem the PSC faces. Each time U S West goes before the PSC there are new faces. He expressed U S West's support of the PSC budget request.

Tape 2, A

Howard Ellis, former Public Service Commissioner, emphasized the importance of restoring the 5% reduction in vacancy savings and pay increases for exempt staff. He explained the PSC has used exempt positions to retain professional and critical staff people.

Leon Stalcup, Chairman, Human Resource Council, Missoula, said

there are a great number of people that are having difficulty paying utility bills. If there was a toll free number they probably would not have been in trouble. Most of these people do not have the money to make a long distance telephone call.

Tom Schneider, former PSC Chairman, said the commission has an essential role in investor-owned monopolies. This agency is not over-staffed; every study has shown a need for more professional staff. The 3.0 FTE vacant positions approved in FY 93 are needed. It is important to recognize the groups of people that are supporting this appropriation. The list on the back of **Mr. Mueller's** testimony is very indicative of the importance of least cost planning and all of the different people who have testified at this committee.

Mr. Lloyd said that **SEN. DEVLIN** raised a point about funding the department with this tax. He stated he presented a report on the tax to the committee in June of last year. It points out some minor problems as to how this tax is levied; from 1987 to 1989 more funds were collected and deposited in the general fund than were expended; from 1990 to 1992 more funds were expended than were collected. In setting the rate for 1993, the Department of Revenue added up all the pluses and minuses and applied the difference to the FY 93 rate. After this fiscal year there should be no changes in the general fund as it should even out. Therefore, whatever action the committee takes on the budget, will have no impact on the general fund. Any increase in the PSC budget will be a tax to utility customers. **EXHIBIT 1**

Consulting and Professional Services:
The department is requesting $5,000 each year instead of $7,859 each year.

One-Time Expenses:
The department is requesting $5,018 each year instead of $5,653 each year.

Equipment:
In the first year the department is requesting $6,304 instead of $7,054.

Consultant Fund Budget Modifications:
The department is asking for $100,000 which is a $50,000 biennial increase from a modification approved by the last legislative session. In FY 92 the department spent $5,726 of the $50,000 biennial appropriation.

Elected Officials Budget Modifications
Pay Increase for Exempt Staff:
The modification approved in FY 91 was for $15,000. Even though the department was given the money, that appropriation was not used for pay raises; it was used for vacancy savings.

SEN. DEVLIN asked whether the PSC used the $15,000 each year for vacancy savings and not for pay increases for exempt staff. **Ms. Cottrill** said that was correct, the exempt staff did not get a pay raise.

SEN. WEEDING asked if the PSC anticipates a greater exempt pool this time because of the $30,000 instead of the $15,000. **Ms. Cottrill** replied the $15,000 was for administrative staff for four positions and this time it is for 10 positions.

REP. WISEMAN asked her to review what those 10 positions are. **Ms. Cottrill** replied there are four administrators, four rate analysts, one attorney and one staff position in the transportation division that is exempt by statute.

SEN. DEVLIN asked what the interval of inspections is on the master meters. **Mr. Anderson** said originally there were 140 of them; the PSC has dealt with 120. He stated the PSC really doesn't have any interval inspections.

SEN. DEVLIN asked for an explanation of why the PSC asked for $50,000 spending authority in the last biennium and only spent 10% of that. **Mr. Anderson** said the important thing is to have the authority so that when proceedings occur, the PSC can be adequately represented on behalf of the rate-payers.

Ms. Smith said they originally asked for $50,000 for experts to testify. The other $50,000 request is for the least cost planning guidelines.

Tape 2, B

Mr. Alke said in a state rate-making procedure the Montana Consumer Counsel appears before the PSC. The FERC is the federal rate-making entity. When the PSC goes to Washington, D.C. to work on these federal rate cases, they do not have the same relationship as in a state rate-making case. Rate-making is a highly technical process.

SEN. DEVLIN inquired about the two vacant positions that were removed due to being vacant, how long these positions were vacant and if the PSC was in the process of filling those vacancies when the motion was passed to remove them. **Mr. Anderson** said both of those positions were in the process of being filled.

Ms. Cottrill said both of those positions had been filled prior to the action taken in joint committee. One had been filled around Thanksgiving and the other one was being interviewed for. In addition to the two filled positions, there is another to be filled. The position was offered the 23rd of December, but the person could not start until the 16th of January.

REP. JOHNSON asked if the $3.40 per household would increase? **Mr. Lloyd** said the agency request of $4.5 million for the biennium from the FY 93 biennium appropriation amounts to about a

28% increase. Multiplying that by $3.40 it would be about a seventy-seven cent increase.

REP. WISEMAN asked if the master meters would increase. **Mr. Anderson** replied he didn't see any reason why they should.

Mr. Elliott explained the utilities were asked to identify existing master meters and 140 had been identified. In the last two years that number has not grown.

Mr. Warner said there has actually been a decrease in the number of master meters. It used to be, the more you bought through one meter the cheaper the rate. That is why they are mostly in trailer courts, hospitals, colleges, etc.

He said the role of the commission is the enforcement agency for public safety of the Pipeline Safety Act. They don't have to inspect the lines, but make sure the operator did. Like Northern Montana College, they do not have the staff to inspect the lines to comply with the regulations and record-keeping.

Mr. Lloyd said the list that **SEN. SWYSGOOD** had when he made the vacancy savings was generated by the Legislative Auditor on December 28th. However, the positions represent those that were vacant as of the pay period ending December 11th.

SEN. DEVLIN asked for a copy of when the positions were advertised and when the contract was made. **Mr. Anderson** said one position was filled; an offer was made and was accepted in December. The other position has been interviewed for. The PSC was prepared to make an offer last week when we were informed of **SEN SWYSGOOD'S** action. The advertisements for both positions closed about the 1st of December.

EXECUTIVE ACTION
PUBLIC SERVICE COMMISSION

Consulting and Professional Services:
Motion/Vote: **SEN. JERGESON** moved to increase the LFA current level by $5,000 each year. Motion **CARRIED** 4-1 with **SEN. DEVLIN** voting no.

NRRI Dues:
Motion/Vote: **SEN. JERGESON** moved to accept the Executive Budget of $6,678 each year. Motion **CARRIED** 4-1 with **CHAIRMAN DEBRUYCKER** voting no.

One-Time Expenses:
Motion/Vote: **SEN. WEEDING** moved to approve the Executive Budget at the agency amendment level of $5,018 each year instead of $5,653 less than the LFA current level. Motion **CARRIED** unanimously.

VOICE MAIL:
Mr. Lloyd stated the agency did not list this in their discussion and believes it was their intent to give this up.

MINOR DIFFERENCES:
Mr. Lloyd said this is the same as the Voice Mail since the agency did not discuss this item.

EQUIPMENT:
Motion/Vote: **REP. JOHNSON** moved to approve the budget of $6,304 for FY 94 and $1,473 for FY 95. Motion **FAILED** 3-3.

Substitute Motion/Vote: **SEN. DEVLIN** moved to approve the LFA budget of zero for FY 94 and $1,473 for FY 95. Motion **FAILED** 3-3.

Tape 3, A

CONSULTANT FUNDS:
Motion: **REP. JERGESON** moved to approve the executive budget of $100,000 for FY 94. **Motion withdrawn.**

Substitute Motion/Vote: **SEN. DEVLIN** moved to lower the consultant funds to $50,000 for FY 94. **Motion Withdrawn.**

ADJOURNMENT

Adjournment: 11:15 A.M.

Roger DeBruycker
ROGER DEBRUYCKER, Chairman

Theda Rossberg
THEDA ROSSBERG, Secretary
by Shirley Hervin

RD/tr

HOUSE OF REPRESENTATIVES

NATURAL RESOURCES SUB-COMMITTEE

ROLL CALL DATE 1-11-93

NAME	PRESENT	ABSENT	EXCUSED
REP. ROGER DEBRUYCKER, CHAIRMAN	X		
SEN. CECIL WEEDING, VICE CHAIRMAN	X		
SEN. GERRY DEVLIN	X		
REP. WILLIAM WISEMAN	X		
REP. JOHN JOHNSON	X		
SEN. GREG JERGESON	X		

HR:1993
wp:rollcalls.man
CS-10

EXHIBIT _____
DATE 1-11-93
SB _____

DEPARTMENT OF PUBLIC SERVICE REGULATION

Positions Removed by Joint Committee Action
House Appropriations & Senate Finance and Claims
January 6, 1993

Position #	Position Description	Total Personal Services Fiscal 1994	Total Personal Services Fiscal 1995	FTE Removed by 5% Reduction	FTE Removed by Being Vacant	Total FTE Removed	Non-Approp. FTE
All or Partial General Fund Positions							
36	Utility Rate Analyst	39,337	39,378		1.00	1.00	
50	Utility Rate Analyst	37,494	37,533		1.00	1.00	
5	Administrative Secretary	10,976	10,990	0.50		0.50	
26	Utility Rate Analyst	36,304	36,350	1.00		1.00	
27	Word Processor Operator	19,507	19,531	1.00		1.00	
42	Compliance Specialist	13,427	13,442	0.50		0.50	
	Sub-Total	157,045	157,224	3.00	2.00	5.00	0.00
Non-General Fund Positions							
	None					0.00	
	Sub-Total	0	0	0.00	0.00	0.00	0.00
	TOTAL	157,045	157,224	3.00	2.00	5.00	0.00

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EXHIBIT 2
DATE 1-11-93
SB

Public Service Commission

	FY1992 Actual	FY1993 Appropriated	Fiscal Year 1994 Current Level	Fiscal Year 1994 Mods/Policy	Fiscal Year 1994 Total	Fiscal Year 1995 Current Level	Fiscal Year 1995 Mods/Policy	Fiscal Year 1995 Total
Full Time Equivalent Employees	47.00	47.00	44.00	.00	44.00	44.00	.00	44.00
Personal Services	1,599,153.49	1,643,327	1,656,044	0	1,656,044	1,658,836	0	1,658,836
Operating Expenses	459,004.84	521,688	454,840	205,410	660,250	442,240	2,880	445,120
Equipment	77,753.20	39,579	34,583	97,470	132,053	16,114	0	16,114
Total Agency Costs	**$2,135,911.53**	**$2,204,594**	**$2,145,467**	**$302,880**	**$2,448,347**	**$2,117,190**	**$2,880**	**$2,120,070**
General Fund	2,091,853.05	2,158,114	2,115,740	302,880	2,418,620	2,089,022	2,880	2,091,902
Federal Special Revenue Fund	24,679.68	27,100	29,727	0	29,727	28,168	0	28,168
Proprietary Fund	19,378.80	19,380	0	0	0	0	0	0
Total Funding	**$2,135,911.53**	**$2,204,594**	**$2,145,467**	**$302,880**	**$2,448,347**	**$2,117,190**	**$2,880**	**$2,120,070**
Public Service Regulation	$2,135,911.53	2,204,594	2,145,467	302,880	2,448,347	2,117,190	2,880	2,120,070
Total Program Costs	**$2,135,911.53**	**$2,204,594**	**$2,145,467**	**$302,880**	**$2,448,347**	**$2,117,190**	**$2,880**	**$2,120,070**

MISSION STATEMENT: To provide the equivalent of responsible competition to regulated industries by (a) just and reasonable rates which shall be the minimum necessary considering adequate service and safety, environmental and social costs, and sufficient return on investment; (b) fair processes; and (c) formulation of appropriate public policies.

CURRENT LEVEL SERVICES: The 47.00 FTE authorized in FY92 have been reduced by three for the HB2 5% personal service reduction. This will amount to a reduction of $82,167 in each year of the biennium.

The current level operating expenses increase from FY92 to FY94 and FY95 due to fixed costs increasing and the addition of National Regulatory Research Institute dues of $6,678 each year. The commission has been a member for a number of years, with major utility companies paying the dues through a direct billing arrangement. It would be more appropriate to pay these dues from this budget.

The equipment requests of $34,583 in FY94 and $16,114 in FY95 are below the three year average of $37,858. Included in the request are the replacement of two vehicles, one in each year of the biennium; light bars for the five enforcement vehicles in FY94; $10,412 for office equipment in FY94; $2,364 for the replacement of the Natural Gas Pipeline Safety Program computer in FY94; and $6,220 in FY94 and $3,330 in FY95 for software upgrades.

The Public Service Regulation Program is funded primarily by a fee on regulated companies equal to the amount appropriated to the commission by the legislature for a particular fiscal year, which is deposited directly into the general fund. The fee paid by regulated companies is determined in a manner similar to that of the consumer counsel fee. In addition federal funds from the U.S. Department of Transportation are available to help support the Natural Gas Pipeline Safety Program - $29,727 in FY94 and $28,168 in FY95.

DATE 1-11-93
SB

Public Service Commission

January 11, 1993

The PSC's **mission** is to provide the equivalent of responsible competition to regulated industries by: (a) just and reasonable rates which shall be the minimum necessary considering adequate service and safety, environmental and social costs, and sufficient return on investment; (b) fair processes; and (c) formulation of appropriate public policies.

Introduction

Changing the PSC's budget does not affect the general fund. The PSC is funded by a tax on utilities which is passed on to ratepayers. The general fund is a temporary repository for this tax.

Legislation enacted in the June, 1986, special session eliminated the general fund in the PSC's fiscal 1987 budget and replaced it with state special revenue generated by a tax on the gross operating revenue of utilities regulated by the PSC (excluding motor carriers).

The tax was scheduled to sunset after one year (fiscal 1987). However, in 1987 the legislature eliminated the sunset provision, directed the fees collected be deposited into the general fund, and approved a general fund dollar-for-dollar appropriation for the PSC. By statute, the tax is set by the Department of Revenue to be sufficient to produce an amount equal to the PSC's general fund appropriation approved by the legislature. The tax is automatically adjusted by the Department of Revenue to account for any over- or under-collections.

The tax paid by a regulated utility is immediately recoverable in charges to consumers. The statute directs the PSC to authorize, under separate order, each company to fully recover the tax through rates. In its order, the PSC notes that the filing of the authorized tariffs is permissive and not mandatory. A utility may choose to implement the increased tariff at a later date to coincide with other tariff changes or, if the utility considers the tax small in comparison to its overall charges, it may choose not to file an additional tariff.

Any reduction in the PSC's budget, whether through vacancy savings, across-the-board personnel services cuts, elimination of vacant positions, a hiring freeze, or the like, will not help reduce the general fund deficit.

Regulated utilities collect more than <u>one billion dollars per year</u> from the people and businesses of Montana. An average household in Helena, Billings, or Missoula spends nearly 8% of its yearly gross income on utility services regulated by the PSC. The cost to each household of regulating the prices and quality of these services is about $3.40 per year, or 28 cents per month.

If the staff were cut below FY 1993 levels, the legislative charge to the PSC – reasonably adequate service at just and reasonable rates – could be seriously affected.

Consulting and professional services

This item includes the natural gas master meter program, court reporter fees, and natural gas BTU analysis.

Natural gas master meter program

The PSC requests an appropriation for a 50% match ($2,500 state, $2,500 federal in each fiscal year) for a federal pipeline safety program.

A master meter system is a pipeline system for distributing gas within a definable area such as a university, college, hospital, mobile home park or housing project. The operator of a master meter system purchases metered gas for resale through a gas distribution system to the ultimate consumer. There are at least 141 of these systems in Montana and many are in areas with a high concentration of people. Public safety is threatened if they are not properly maintained.

The PSC has safety jurisdiction over master meter operators because it enforces the federal Natural Gas Pipeline Safety Act of 1968. The Federal Department of Transportation has encouraged the PSC to devote more time to the safety of master meter systems.

The PSC has inspected the master meter operations on the campuses of colleges and universities. At Northern Montana College in Havre a serious situation was found and corrected.

There are 119 master meter operators in other categories, such as hospitals, housing authorities, and mobile parks. None of their operations have yet been reviewed for compliance with master meter operator standards. Approval of this appropriation request will be necessary in order to review these systems.

Request:	FY 1994	FY 1995
	$5,000 ($2,500 state)	$5,000 ($2,500 state)

NRRI dues

The PSC proposes to change the funding arrangement for the National Regulatory Research Institute (NRRI). The net effect on the general fund and on utility ratepayers would be zero.

NRRI, part of Ohio State University in Columbus, Ohio, is the research and academic arm of the National Association of Regulatory Utility Commissioners (NARUC). It provides independent research on issues of current interest to state regulatory commissions. The PSC has been a member since the mid-1980s.

When the PSC joined NRRI, the legislature was not in session. The PSC felt the need was so great for independent research it asked the major Montana utilities to pay the dues under a direct billing arrangement, which continues today. These dues are passed on to the utilities' ratepayers. However, the allocation of dues among the major utilities is somewhat arbitrary and their ratepayers support research that benefits ratepayers of other utilities.

The PSC believes these dues should be paid from its budget and become part of the tax levied on the utilities and passed on to all ratepayers.

Request:	FY 1994	FY 1995
	$6,678	$6,678

One-time expenses

This item includes expenditures for recruiting staff and making telephone hookups, considered by the executive budget to be one-time expenses.

Recruiting.

The PSC requests restoration of its appropriation for recruiting.

The PSC has traditionally had a high turnover rate, especially in the hard-to-find rate analyst profession. For example, in 1992, three (out of eight) rate analysts resigned from the Commission.

Staff turnover in FY 1994-95 cannot be accurately predicted. However, the PSC needs the ability to fill these important positions when they are vacant and their services are needed to respond to the work load. The 1992 recruiting expense was $5,018.

Request:	FY 1994	FY 1995
	$5,018	$5,018

Equipment

Desks and Conference room chairs.

Three commissioners' desks were purchased in 1966, two in 1975. Now, after many years of service, several moves, and the advent of computers, these desks are in disrepair and have exceeded their useful lives. The PSC's conference room has too few chairs. Our supplier of first choice is the prison.

The PSC requests funds to replace these desks with functional furniture and to purchase chairs.

Request:	FY 1994	FY 1995
	$4,304	

Filing cabinets and calculators.

The PSC requests funds to purchase three file cabinets and replace calculators.

Request:	FY 1994	FY 1995
		$1,473

Local Area Network (LAN) software.

This request is for an upgrade of the Novell operating system from version 3.11 to version 4.0. This software is the main component for operating the agency's LAN file server. See also p.7.

Request:	FY 1994	FY 1995
	$2,000	

Consultant funds

The PSC requests a $50,000 increase in its biennial consulting budget, to ensure effective implementation of the least cost planning process.

For the last several bienniums the PSC has had a line-item biennial consulting budget of $50,000. Uses have included:

- participation in cases affecting Montana ratepayers at the Federal Energy Regulatory Commission (FERC) ;
- participation in cases affecting Montana shippers at the Interstate Commerce Commission;
- resolving the difficult problems of the former Butte Water Company.

The PSC has used these consultant funds with care, spending only the amount to perform necessary functions. At times the PSC has used the entire appropriation; usually, however, some consultant money has reverted to the general fund.

For the 1994-95 biennium the PSC is requesting a line-item consulting budget of $100,000, a $50,000 increase over the current biennium. The PSC requests this increase to ensure effective implementation of least cost planning by Montana's investor-owned electric utilities. This planning process has enormous potential benefits for utility ratepayers.

The PSC has recently adopted rules that require these utilities to file least cost plans every two years, starting this March. Reviewing and analyzing least cost plans will require additional work by the PSC. At some point, the least cost planning process may require the PSC to hire additional staff. For the next biennium, however, and until the nature and amount of work required by least cost planning is known more precisely, the PSC believes that having additional consultant funds is the best way to meet its least cost planning responsibilities.

Consultants can be hired to train existing staff or to perform some of the review and analysis. Additional consultant funds will give the PSC the necessary flexibility to develop and perform its proper role in the least cost planning process.

Request:	1994-95 biennium
	$100,000

Local area network

The requested appropriation will enable the PSC to purchase hardware and software and to convert data from its minicomputer to a local area network (LAN) microcomputer platform.

The PSC's System 36 minicomputer is rapidly becoming obsolete and more and more expensive to maintain. The PSC considered three options: doing nothing; upgrading to a contemporary minicomputer; or replacing it with a LAN. Based on both cost-effectiveness and functionality, the PSC decided to replace it, in a timely fashion, with a local area network (LAN). The reasons for opting for a LAN instead of upgrading to a new minicomputer are many:

- Conversion to a LAN will be in conformance with the Department of Administration's plan to develop a statewide network (Information Services Division: "Personal Computer Directions." June, 1991. pp 2-4).
- A minicomputer cannot meet current end-user needs for spreadsheets, graphics, electronic mail, database inquiry, imaging, and presentations.
- The LAN will provide more efficient use of staff time and resources. Data and peripheral equipment (printers, modems, CD-ROMs, etc.) could be shared with a LAN. Maintenance, training and administration will be easier.
- A LAN will afford an opportunity for networking, not only within the PSC office and the state network, but also with regulated utilities. Electronic data exchange will improve the efficiency of regulation.

Request:	1994-95 biennium
	$200,000

Restore 5% reductions and vacancy eliminations

The PSC requests that the staffing level be maintained at least at the FY 1993 level.

The legislature, during the last special session, required that all agencies identify for the budget office a reduction of 5% in personnel services. The PSC chose to identify positions that were vacant at that time (these positions have since been temporarily filled) so as to ease the stress on the staff. They include one rate analyst and the commission secretary, a position required by statute.

In addition, the legislative fiscal analyst has indicated that positions vacant in December, 1992, will be eliminated. Two rate analyst positions were identified as vacant at that time.

The PSC is a small agency with a present staff of 42 (plus the five commissioners). Except for minor changes that resulted from changes in responsibility specified by the legislature, the staff has been at this level since 1983. Eight utility rate analysts advise the PSC on the setting of utility rates. With both the 5% reduction and the vacancy cuts, the number of analysts would be trimmed to five.

The PSC needs all eight rate analysts to maintain its ability to regulate the industries under its charge in a professional and timely manner. A staff shortage would affect:

- the scrutiny given rate cases;
- the ability to meet decision deadlines (regulatory lag);
- the quality of complex analysis;
- the quality of decisions;
- the ability to keep up with rapidly-changing industries;
- the ability to develop energy, telecommunications, and transportation policies benefiting ratepayers, shippers, and the Montana economy.

The PSC requests that the positions and the corresponding funds eliminated under the 5% cut and vacant position elimination be restored to the base budget.

Request:	FY 1994	FY 1995
	$157,045	$157,224

Travel

The PSC requests an appropriation for commissioner travel and training.

Utility regulation is a difficult, complex, and ever-changing responsibility. In order to have a competent and knowledgeable commission, travel to national meetings, such as those of the National Association of Regulatory Utility Commissioners (NARUC), is vital to expose commissioners to the most advanced and accepted ideas and methods.

This year, the PSC has three new commissioners. Despite their outstanding qualifications and skills, their training needs are immense. Conventional wisdom is that it takes two years of on-the-job training to learn the basics of utility regulation.

This modification was approved by the 1991 legislature.

Request:	1994-95 biennium
	$25,000

Pay increase for exempt staff

The PSC requests an appropriation to keep highly-skilled professional staff salaries somewhat competitive with those of similar positions in other states and private industry.

This appropriation will be used to increase the salaries of exempt positions above those paid at the end of fiscal year 1993. This modification was approved by the 1991 legislature but vacancy savings absorbed the appropriation.

By statute the PSC may exempt ten employees from the state pay plan. The PSC has used this authority to exempt employees who have the necessary experience and education to advise the PSC on important public policy decisions.

These employees are strong candidates for recruitment by the private sector and other states' regulatory agencies. Unfortunately, budgetary constraints have historically not allowed the PSC to adequately reward these employees. The PSC would use this modification to try to retain its best staff by increasing the compensation of its exempt employees.

Request:	FY 1994	FY 1995
	$30,000	$30,000

Public information program

The PSC requests an appropriation for a public information program.

The PSC belongs to, and is elected by, the public. Its decisions affect Montanans daily. Montanans have a constitutional right to participate in their government. This program will help the PSC make that right more meaningful by informing ratepayers about utility regulation.

In at least 44 states, including most of Montana's neighbors, utility commissions have public information programs. Their purpose is to inform the rate-paying public about the PSC, the way it works, and its decisions.

The public has a poor understanding of the PSC, its purpose, and its ways of operating. Written materials and presentations could explain these basics, among them:

- purpose of the PSC
- role of the PSC and the Montana Consumer Counsel
- winter shutoff policies
- low income energy assistance program, energy share program
- deposits and collections
- extended area service for telephone customers
- winter/summer rate differentials
- fundamentals of a rate case
- utility planning
- how to make complaints about service
- how to participate in PSC cases.

Request:	FY 1994	FY 1995
	$39,813	$30,480

Toll-free number

The PSC requests an appropriation for a toll-free phone number to allow utility customers to contact the Commission with complaints without having to pay for a long distance call.

Each year the PSC fields hundreds of complaints about utility service, bills, and shut-offs, as well as inquiries and requests for information, from customers of regulated utilities. Last year, for instance, the PSC's consumer representative handled 511 complaints and inquiries which required utility involvement to resolve. This total does not count the many general information requests concerning utilities.

Most of these consumers contact the PSC by phone. For Helena customers, the call is a local one; others must make a long-distance call to Helena during the most expensive calling hours of the day. As a result, Helena calls are far more numerous than those from any other city. The conclusion is obvious: the long distance charges deter many callers.

A toll-free number would provide all Montanans with equal access to PSC consumer assistance.

Request:	FY 1994	FY 1995
	$15,689	$26,297 (1 FTE)

Summary

- The PSC regulates over one billion dollars of utility bills every year at a cost of about $3.40 to a typical household.
- Changes in the PSC's budget will not affect the general fund budget deficit.
- Cutting the staff below FY 1993 levels will hurt utility and transportation regulation.
- Current level differences:
  - Master meter program
  - NRRI dues
  - Recruiting
  - Equipment
- Budget modifications will improve regulation.
- Budget modification priorities:
  - √ Maintaining the FY 1993 staff level
  - √ Consultant funds
    Local area network
  - √ Toll free number
    Pay increase for exempt staff
    Travel
    Public information program

The bottom line:

> The legislature has given the PSC an imperative to ensure that the utilities provide adequate service at just and reasonable rates. The PSC has done this well. Its ability to continue to do so in the future depends on its resources, especially its staff.

Thank you!

PUBLIC SERVICE COMMISSION - 1992

COMMISSIONERS

Danny Oberg (chairman 4/13-12/31) - District 1 (northeastern Montana)
Wally Mercer - District 2 (southeastern Montana)
Bob Anderson - District 3 (central Montana)
John B. Driscoll - District 4 (southwestern Montana)
Howard Ellis (retired; chairman until 2/28) - District 5 (northwestern Montana)
Ted B. Macy - District 5 (3/23-12/31)

TRANSPORTATION

Wayne Budt
Bonnie Lorang
Dave Burchett
Nickie Eck
Vicki Lofthouse
Lori Van Donsel
Robin Baker
Dallas Adkins
Al Bonnarens
Bob Charles
Jim Casey
Steve Berube
Lee Snow
Jeanne Domme (resigned)
Nina Wines
Dennis Melosi (resigned)
Buzz Sadorf (resigned)

UTILITY

Dan Elliott
Dennis Crawford
Eric Eck
Mike Lee
Mark Lee (resigned)
Jasper Li (resigned)
Will Rosquist
Ron Woods
Sandra Barrows
Joel Tierney
Kate Whitney
Joyce Baumberger
Tina Shorten
Joe Holliman (resigned)
Mike Sheard
Keri Upham (temporary)
Angie Waren (temporary)

LEGAL

Robin McHugh
Chuck Evilsizer
Martin Jacobson
Denise Peterson
Tim Sweeney
Debbie Pellegrini

CENTRALIZED SERVICES

Madeline Cottrill
Laura Calkin
Rachel Thompson
Gerry Chasse
Ann Purcell
Edie Wheat
Kathy Anderson
Ann Peck (resigned)

The PSC is funded by a tax on utilities which was set at 0.24% in 1992. ($3.40/year for a typical family)

PSC budget costs for FY 1993 are:
$1,643,327 - salaries
$ 445,285 - operating expenses
$ 39,579 - equipment
= = = = = = = = =
$2,128,191 - total

The Montana PSC is located at:

1701 Prospect Ave.
PO Box 202601
Helena, MT 59620-2601

Phone: 406-444-6199
Fax: 406-444-7618

200 copies of this document were printed at an estimated cost of 3.5 cents per copy, for a total cost of $7.00.

EXHIBIT 4
DATE 1-11-93
SB

PSC A LOOK AT 1992

THE MONTANA PUBLIC SERVICE COMMISSION

UTILITY HIGHLIGHTS

• **Concluded complex cases with Montana's two largest utility companies:**

o Approved increased gas and electric rates for **Montana Power Company.**

o Issued a final order in a **US West Communications** case that resulted in a net operating revenue reduction for the company of $6,138,000. In addition, US West agreed to modernize its remaining electromechanical telephone switches in Montana by 1995.

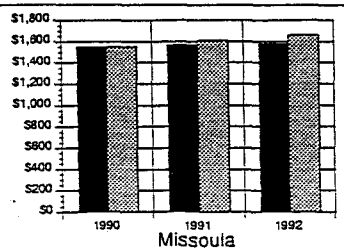
• Decided not to grant a gas rate increase in a **Montana-Dakota Utilities Co.** docket until the results of a review of MDU's gas acquisition practices are in.

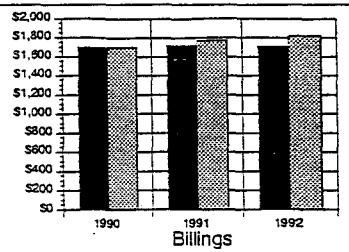
• **Adopted rules to require electric utilities to implement integrated least-cost resource planning.** The rules are a result of a collaborative effort among groups interested in energy/regulatory policies.

• **Began work on PTI Communications' proposal for a restructured rate design** that would include a service option for toll-free calling between exchanges in the Flathead Valley.

• **Monitored the sale of Butte Water Co.** to Butte-Silver Bow, Anaconda-Deer Lodge and MERDI, a Butte economic development group.

• **Considered Mountain Water Co.'s request for rate hikes for its Missoula and Superior customers.** Hearing and order pending.





Average annual utility bills (electricity, natural gas, telephone, water, and sewer) ■

compared with the Consumer Price Index ▒

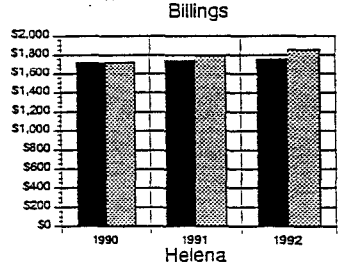


EXHIBIT 4
DATE 1-11-93

1992 Chronological Highlights

January
1 PSC operating authority required for transportation of logs
6 Order on reconsideration of Great Falls water & sewer case
27 Approved sale of assets of Butte Water Co.
29 Order on reconsideration on cost of service issues in MPC rate case

February
12 Final order - Great Falls Gas case (90.3.20)
18 Denied MCI request to repeal "slamming" rule, but changing effective date of rule to 1/1/93
19 Final order - Pacific Power & Light electric case (90.11.78)
Hearing on Burlington Northern Railroad's Sidney agency - Sidney
20 Hearing on Burlington Northern's Terry agency - Terry
21 1st order on reconsideration in case to determine the regulatory status of telecommunications carriers in Montana
28 PSC Chairman Howard Ellis retires

March
20 Order on reconciliation, rate moderation and rate design in MPC rate case (90.6.39)
23 Ted Macy of Polson replaces former commissioner Ellis
31 Adopted optional filing standards for energy, water and sewer utilities

April
13 Commissioner Danny Oberg elected PSC chairman; Wally Mercer elected vice chairman
Approved sale of Consumers Gas to Town of Saco
14 Phase 1 hearing in US West case (90.12.86)
15 Telecommunications modernization forum
24 Staff presentation to household carriers

May
18 2nd order on reconsideration in case to determine the regulatory status of telecommunications carriers in Montana
Rail track inspection training
19 Hearing in Thompson Falls - water case
27 Hearing in Helena - La Casa Grande water complaint

June
1 Phase 2 hearing in US West case (90.12.86)
11 PSC Girls' State presentation
22 Hearing in Fairview - water case
23 Hearing in Flaxville - water case

July
1 Hearing in East Glacier re: Sun Tours
9 Conference re: telecommunications open network architecture
10 Conference re: future of extended area phone service
14 MPC 90.6.39 reserved issues hearing - Helena
20 Phase 3 hearing in US West case (90.12.86)
29 Hearing in Ryegate - water case
30 Hearings in Billings - taxi complaints

August
12 Hearing in Whitehall - water case
17 Integrated least cost planning rules formally proposed
27 Hearing in Florence re: L&B Busing
28 Hearing in Missoula re: Beach Transportation

September
3 Hearing in Missoula re: Spencer's Vintage Car Service
4 Transportation hearing in St. Ignatius re: Plouffe Disposal
30 Pictorial rules adopted

October
5-7 Hearings in Colstrip - water and sewer case
15 Hearing in Wolf Point - Burlington Northern agency closure
16 Hearing in Malta - Burlington Northern agency closure

November
3 General election
18 Transportation hearing in Plentywood - Vern Justice
23 Final order - US West docket (90.12.86)

December
10 Order on reserved issues from MPC case (90.6.39)
14 Integrated least cost planning rules adopted
15 Final order - MDU case (91.5.18)
23 Stayed enforcement of "slamming" rule until 7/1/93
30 Order in PSC-initiated docket to address due process concerns of utilities

MAJOR UTILITY CASE REVIEW

MONTANA POWER CO. - DOCKET 90.6.39

MPC filed for increased natural gas and electric rates in June 1990. The company requested revenue increases of $60,700,000 for electricity and $9,600,000 for natural gas.

The PSC granted MPC interim gas and electric rate increases in 1990; held seven hearings on the case in 1991; and issued a final order in August 1991, with rates to take effect in November 1991. The PSC authorized increased electric revenues of $39,835,297 and increased gas revenues of $6,165,188.

In October 1991 the PSC delayed implementation of the electric rate hikes to reconsider several issues raised by MPC and some of its large industrial customers and ordered a 2 percent electric rate increase in the meantime. In March 1992 the PSC made its final decision regarding how much each of MPC's electric customer classes must contribute to the company's revenue requirement, but delayed the effective date of the new rates until November 1, 1992.

The PSC held a hearing in July 1992 on two reserved issues. The first concerned whether or not MPC had been adequately compensated by Telecommunications Resources, Inc., an MPC affiliate, for TRI's use of some of the MPC transmission system to facilitate placement of a fiberoptic telecommunications cable. The PSC determined that MPC had received $2.3 million from TRI for this project, and that this compensation was adequate.

The second reserved issue regarded a reciprocal sharing agreement between MPC and Colstrip 4 Lease Management Division. MPC proposed a $650,000 reduction in its revenue requirement as a result of the RSA. The Montana Consumer Counsel believed ratepayers had not received adequate benefits from the RSA, and in fact had been harmed by the agreement. The PSC accepted MPC's proposed reduction and further ordered MPC to reduce expenses by $151,449.

This docket was wrapped up in December 1992.

PSC decisions in this case also included:

- New rate design features for electric rates: 1) an inverted block rate structure to encourage conservation, under which residential customers pay a lower rate in the winter for their first 600 kwhs than for usage over 600; and 2) a narrowing of the gap between MPC's winter and summer rates from 40 percent to 30 percent.
- Implementation of a 10-percent rate discount for low-income heating customers.

US WEST COMMUNICATIONS - DOCKET 90.12.86

This case was filed in 1990 and went through many changes before the PSC concluded work on it in 1992. The heart of US West's original proposal was a "rate stability plan," which included profit-sharing and pricing flexibility, and a company commitment to invest $91 million to upgrade 114 electromechanical switches in Montana. The rate stability plan was withdrawn as part of a March 1992 stipulated agreement between US West and Montana Consumer Counsel; the modernization commitment remained.

This case was the subject of three separate hearings by the PSC in 1992. In the final order, issued November 23, the PSC:

- Approved the stipulation between US West and Consumer Counsel, which resulted in a $6.14 million reduction in US West's revenue; rate changes for many phone services, but no increase in the monthly charge for basic service; and a one-time credit for customers.
- Addressed issues such as intraLATA equal access capability; percentage of interstate usage reporting by carriers; and marginal cost of service studies.
- Decided to use the full accrual method of accounting for certain US West post-employment benefits, which resulted in increased company expenses of $3.686 million.

MONTANA-DAKOTA UTILITIES - DOCKET 91.5.18

This MDU gas case was filed in May 1991 and was concluded with a December 1992 final order.

The PSC decided not to grant MDU's request for an additional $4.8 million in gas revenues pending the completion of a prudence review of the company's gas acquisition procedures.

The PSC agreed with MDU on these issues:

- inclusion of take-or-pay charges in consideration of gas tracking adjustments;
- MDU does not have to absorb against shareholder equity a portion of take-or-pay charges billed the company by its interstate pipeline carrier;
- MDU does not have to interconnect with MPC at Billings to receive natural gas;
- Retention of the existing gas cost tracking mechanism.

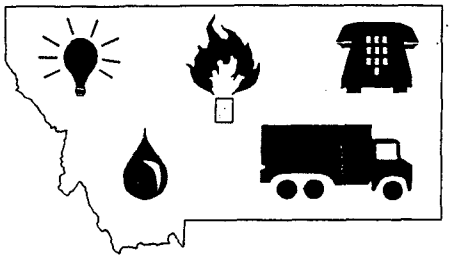
TRANSPORTATION HIGHLIGHTS

The PSC responded to **log haulers' requests for regulation** and issued permits to over 500 log carriers, requiring written contracts between haulers and shippers.

A notice of inquiry was issued in April to begin development of a public policy for administration of existing and proposed laws relating to **transportation of waste and products of waste reduction/recyclables.**

The PSC implemented a **fuel surcharge rule** which allows motor carriers to adjust their rates in an expedited manner depending on fluctuating fuel costs.

Rail safety work included inspections of approximately 4,000 miles of main line track; more than 800 main line switches; and 500 rail yard switches. Two hundred derailments were investigated.



1992 Workload Summary

3.40 of county

- *Opened 80 utility dockets requiring contested case procedures; closed 86 dockets (includes leftovers from previous years).*
- *Handled 84 utility filings (such as tariff revisions) that required PSC action, but not formal case procedures.*
- *Received 155 motor carrier filings that required contested case procedures and 29 that required PSC action but not formal procedure.*
- *Held 47 public hearings throughout the state.*
- *Investigated 1,104 utility- and transportation-related complaints.*
- *Conducted 766 compliance reviews/motor carrier contacts and enforcement officers covered over 100,000 miles, inspecting more than 6,000 vehicles.*
- *Sold 271,398 vehicle identification stamps, resulting in $1,356,990 general fund revenue. In addition, 1,659 motor carriers completed interstate registration with Montana, for general fund revenue of $41,475.* 04%
- *Received 10 rail applications requiring notice and opportunity for hearing.*
- *Maintained over 1,200 insurance filings for regulated carriers.*

EXHIBIT 4A
DATE 1-17-93

Montana Public Service Commission
Subcommittee Request-Utility Rate Analyst Positions

	Position #36	Position #50
Date the position was vacated	11/13/92	10/30/92
Date that vacation & sick time was used up	01/01/93	10/30/92
Closing date of the job announcement	11/19/92	11/27/92
Date that a job offer was accepted	11/20/92	Interviews have been conducted & a candidate choosen. Offer will be made upon a subcommittee motion.
Date that the new hire started work	01/08/93	

Positions affected by joint committee action--1/6/93

EXHIBIT 5
DATE 1-11-93
SB

5

TESTIMONY OF BOB ROWE IN SUPPORT OF TOLL-FREE CUSTOMER COMPLAINT LINE

JANUARY 11, 1992

Mr. Chairman and Members of the Committee:

Before joining the Commission, I worked as a public interest lawyer representing utility customers in front of the Commission. I have followed the Montana Commission closely since 1980.

I am extremely impressed by the quality and commitment of the staff, and of my fellow Commissioners. For many years, Montana had a deserved reputation for one of the very best commissions in the country. After having worked with the staff and commissioners, including the other two new commissioners, I am convinced this Commission will be able to honor that tradition.

We all appreciate the difficult task facing you. As a result, we organized our requests around two principles:

1. **Maintaining and improving the quality of our work product.**

2. **Increasing our accountability and accessability to utility customers.**

Both the **Public Information Program** and the **Toll Free Line** are intended to increase our accountability and accessibility.

Over the years, I have personally helped hundreds of people with serious utility problems, and have referred many hundreds more to the Commission's customer service staff. Kate Whitney, the customer service representative, does outstanding work. She solves problems no one else could solve. Nonetheless, there are perhaps hundreds of people each year, with crisis utility problems, who are unable to have those problems solved because they cannot make a long distance toll call.

The Commission handles over five hundred individual customer problems every year which require more than simply providing information. Records are maintained on each case. When a problem is successfully resolved, the customer, the utility, and other ratepayers all benefit.

EXHIBIT 2
DATE 1-11-93
SB 5

A disproportionate number of complaints which reach the Commission come from the local Helena area. From my experience, I know many people in Western Montana - with legitimate problems - are doing without important assistance resolving these problems.

The reasons include:

1. **Phone calls must be made during the most-costly business hours.**

2. **Many of those with problems are elderly, disabled, or single parents, least able to afford a long distance call.**

3. **Many are experiencing extreme financial problems, including payment problems with more than one utility.**

4. **From studies in other states, there is a high correlation between the absence of a phone and termination of other utilities.**

5. **As a result, many customers are calling from a pay phone.**

The Idaho Commission faced a similar problem. Most calls came from Boise. After installing a toll free line, customer complaints increased thirty-five percent. We expect similarly good results in Montana. Many other state commissions have also installed toll free lines.

Increased numbers of complaints will place greater demands on already stretched staff. We will need to work even harder and smarter. Initially, we are exploring voice mail or voice menu ("press 1 if you have a complaint about a utility"). However, we expect to require additional staff in order to resolve all the new complaints. Idaho is considering expanded computer connections with the major utilities more efficiently to share information about customer problems. Idaho is also revising its **existing** Public Information Program to meet the consumer needs identified through its toll free line.

Thank you for your thoughtful attention to our budget proposals.

J.B. 1-11-93

MONTANA PSC

UTILITY CONSUMER COMPLAINTS REPORT

EXHIBIT 5A
DATE 1-11-93
SB

October through December, 1992

ENERGY UTILITIES

The changes to Montana Power Company's electric rate structure that took effect November 1 prompted several complaints.

Residential customers now pay a higher rate for any kilowatt-hours of electricity used in excess of 600. Two customers called to dispute MPC's method of prorating usage for billing periods that included both the pre-November 1 rate structure and the subsequent revised rate structure.

Some demand-metered commercial customers whose bills were higher as a result of a change in the general service tariffs called the commission. It used to be that these customers paid no demand charge for the first 10 kilowatts of electric demand, but that's no longer the case.

The customers who called believed MPC's criteria for placing demand meters in the first place were suspect, and wanted MPC to remove their meters. MPC agreed to review its demand meter policy and will attempt to develop consistent company-wide guidelines for installing them.

The three complaints received this quarter from Pacific Power & Light Co. customers all concerned delays in service connection.

A former Montana-Dakota Utilities Co. customer complained when a collection agency threatened legal action in order to collect from him $12.74 on MDU's behalf.

He said he did not owe anything to MDU because he had closed out his MDU account in Joliet and had paid the final balance in full.

According to MDU, the company had mistakenly posted another customer's payment to this man's account before he left Joliet, leaving him with a credit balance of $12.74, which MDU then refunded to him by check. When MDU discovered its error, a letter was sent to the former customer to explain what had happened and to request payment of $12.74. (My caller, who now lives in Oklahoma, said he did not receive this letter.) When no payment was forthcoming, MDU turned the account over to a collection agency.

The MDU representative I talked to did not know why a collection agency had been asked to collect this insignificant amount of money, but MDU agreed to cease collection efforts and leave the poor guy alone.

An East Helena couple called when they discovered MPC had classified their electric service as general service rather than residential during the 5-1/2 years they lived in their previous residence. They believed they had overpaid MPC and were entitled to a refund, but it turned out that they actually would have paid $544 more if they had paid residential rates.

MPC will not attempt to collect any part of this amount from these customers.

TELEPHONE UTILITIES

A few AT&T customers in PTI Communications' service area called the commission because they were just receiving bills for AT&T calls made last winter and spring. They were concerned, naturally, that these bills might include duplicate call charges that had already been paid.

AT&T explained that the company had experienced unspecified "processing delays" which caused this late-billing problem, but that the late-billed charges were legitimate and not previously billed duplicates. Affected customers were given as long a period to pay these AT&T charges as it took for them to receive their bills.

A Great Falls woman wrote to complain that her 13-year-old son's response to a Ruffles potato chip taste survey had resulted in his receipt of an MCI calling card and a switch in the household's long-distance carrier to MCI.

MCI acknowledged that its joint promotion with the potato chip company had caused this problem, and explained that survey respondents were supposed to have been eligible for 15 minutes of free long-distance calling from MCI. MCI said once it was aware minors were responding to the survey, its procedures were revised to prevent recurrences of the situation experienced by the Great Falls family.

A Livingston parish pastor contacted the commission when US West Communications demanded a $350 deposit on the church parsonage's phone account.

The pastor had a private line in the parsonage under his own name, but it was disconnected for nonpayment. The church had its own, separate line with an extension in the parsonage, and it was on this account that US West wanted a deposit.

US West agreed to drop the deposit request in light of the fact the two accounts were separate.

I continue to hear complaints about excessive charges by inmate phone companies at county jails.

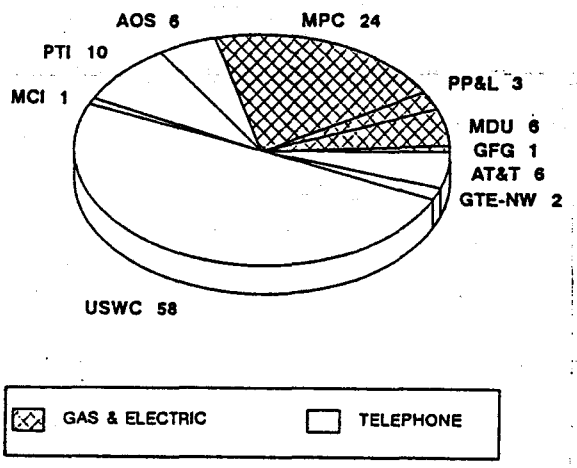
Strange but true phone complaints ...

- A Hobson man said he and about 20 other US West customers in his area had experienced a phone service outage. The good news was that US West had been able to restore service after a few hours. The bad news was that the affected customers' phone numbers had somehow gotten mixed up. For instance, my caller claimed that people who dialed the number for his business would reach instead someone else in the area, and he, in turn, received calls meant for one of his neighbors. After some delay, US West straightened out the mixup in the central office.

- A Great Falls woman called to complain that her phone service was driving her crazy. She said whenever she used the phone, she couldn't hear anything except the phone conversations of the employees of the car dealership located across the street from her apartment. US West diagnosed her problem as "crosstalk" and eventually fixed it.

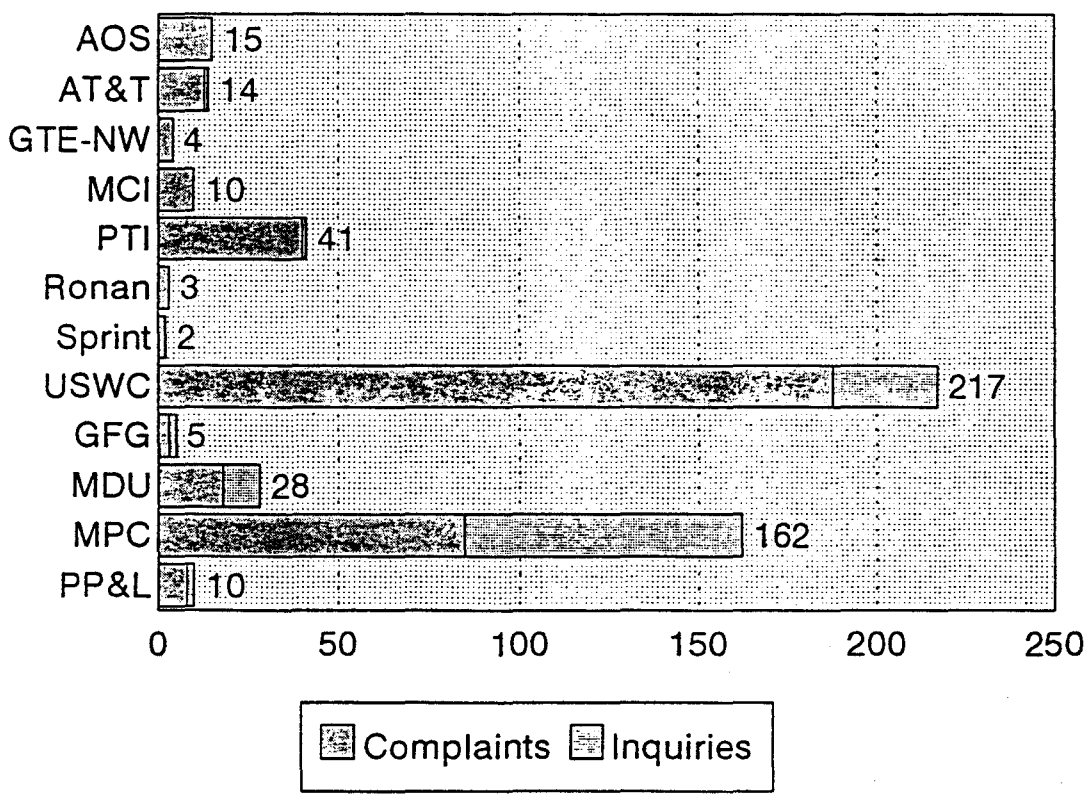
- Kate Whitney

4th Quarter 1992 Complaints & Inquiries
Total = 117



AOS = Alternative Operator Services

1992 Complaints & Inquiries



* 1992 total = 511; last year's total was 541

DATE 1-11-93

TESTIMONY BY GERALD MUELLER
ON THE PUBLIC SERVICE COMMISSION APPROPRIATION REQUEST
January 11, 1993

1-11-93

I. INTRODUCTION

Mr. Chairman and members of the committee, my name is Gerald Mueller. I live at 7165 Old Grant Creek Road in Missoula. My testimony is directed towards the request by the Public Service Commission for a $50,000 increase to its consulting budget to ensure effective implementation of the least cost planning process.

For the last two years, I have served as the facilitator for the Regulation and Integrated Least Cost Resource Planning and Acquisition Working Group. This Working Group was formed voluntarily by its participants in November 1990 to explore issues surrounding utility regulation and the implementation of integrated least cost resource planning and acquisition by Montana's utilities. Working Group participants include representatives of most of the interests in utility regulation and energy policy in Montana, including: investor-owned and customer-owned utilities; environmental and low-income organizations; state and regional utility regulatory and planning agencies; and an independent power producer. The list of participants is attached.

II. WORKING GROUP ACCOMPLISHMENTS rep Quilici

The Working Group has achieved two significant results. First, it developed consensus recommendations regarding the role of the Montana Public Service Commission and the application of its used-and-useful rate-making standard in resource planning and acquisition. The Working Group's recommendations were largely adopted by the Commission in its integrated least cost planning rules. Second, it developed a consensus draft of legislation that we understand will be introduced by Representative Quilici to clarify the authority of the Commission regarding integrated least cost resource planning and acquisition and to provide for coordination of the Commission utility planning requirements with those of the Major Facility Siting Act.

III. WORKING GROUP INTEREST IN INTEGRATED LEAST COST PLANNING

As you may have noticed, several of the Working Group participants make "strange bedfellows". Several are traditional adversaries. This group spent so much time and effort working together to reach consensus because of one shared conviction. They are convinced that least cost planning will reduce costs born by ratepayers and society for reasons I will speak to shortly.

Utilities usually point out that while their planning probably can be improved, they have not historically engaged in most cost planning. Too often in the past, however, utility planning has resulted in maximizing disputes and litigation lasting years and costing millions of dollars. Many of the Working Group participants were parties to those disputes in administrative and state and federal court hearings regarding facility siting and/or rate cases during the 1970's and 1980's.

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IV. PURPOSES OF INTEGRATED LEAST COST PLANNING

Integrated least cost planning will reduce costs and conflict by changing traditional utility planning in three ways. First, it ensures that utilities seek out the least costly means of meeting electricity demands from among all resource alternatives, including power plants and conservation and utility-owned resources and the competitive market place. Second, it explicitly takes into account uncertainty in projecting future electricity needs and resource availability and cost and the risk that arises from that uncertainty. And third, it involves all interested parties, utility customers, environmental organizations and regulators, in the utility planning before resource acquisition decisions are made. I want to emphasize that this involvement does not transfer resource decisions from utility management to the state or the public. It does provide information about the interests and concerns of potential intervenors in regulatory processes as well as the regulators themselves at an early stage so that the utility if it chooses to do so can avoid regulatory conflict.

V. COMMISSION PLAN REVIEWS

The Working Group unanimously came to the conclusion that for investor-owned utilities such as Montana Power Company, the Commission can and should provide both guidance for the development of utility resource plans and a forum for a review of the plans by the public and state agencies. The guidance and public plan review would help the utility to avoid unnecessary, costly and time consuming conflict and to win approval for specific resources in the facility siting and rate making regulatory processes. Failure to win approval in either can prove devastating for utilities.

VI. ADDITIONAL PSC RESOURCES

The Working Group discussed and agreed that to take on this additional plan review role the Commission would need additional staff and or fiscal resources. The Working Group did not attempt to determine what those additional resources should be. It has not had an opportunity to formally discuss and reach a position on the decision by the Commission to seek to expand its consulting budget to afford itself of the additional resources. On behalf of the Working Group, therefore, I am taking no position on the Commission's specific $50,000 request. Had sufficient time been available, I believe the Working Group would have supported the Commission's specific request.

VII. SUMMARY

The purpose of my testimony is to indicate the importance of integrated least cost planning as a means of reducing costs to rate payers and society, and the broad base of support for the Commission's involvement in it. The broad base of support includes an understanding that the Commission would need additional resources to make these benefits in the form of reduced costs real.

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REGULATION
AND
INTEGRATED LEAST COST RESOURCE PLANNING AND ACQUISITION
WORKING GROUP

ORGANIZATION	PARTICIPANTS
Montana Power Company	Jack Haffey, Tom Worring, & Dave Houser
Montana Dakota Utilities	C. Wayne Fox, Don Ball, & John Alke
Western Montana Generation & Transmission Co-op	Ron Wilkerson
Central Montana Electric Co-operative	Jim Eskeridge
Montana Environmental Information Center	Sam Toole
Northern Plains Resource Council	Tom Schneider
District XI Human Resource Council	Jim Morton & Thomas M. Power
Montana Department of Natural Resources & Conservation	Van Jamison, Alan Davis, Larry Nordel
Montana Consumer Counsel	Robert Nelsen & Frank Buckley
Montana Public Service Commission Staff	Dan Elliott & Robin McHugh
Northwest Power Planning Council	John Hines
Boulder Hydro	Lee Tavener
Committee Facilitator	Gerald Mueller

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

NATURAL RESOURCES SUBCOMMITTEE DATE 1-11-92

DEPARTMENT(S) _____ DIVISION _____

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NAME	REPRESENTING	
Norma McCaffree	PSC	
Dave Fisher	PSC	
Maureen Cureton	PSC	
Gerry Chase	PSC	
BOB WARNER	MONTANA POWER Co	
Leon Stalcup	Human Rsc Council	
HOWARD ELLIS	PSC	
DAN WALKER	US WEST	
Tom Schneider	Self	
John Alke	MDU	
Jack Haffey	MPCo.	
Gerald Mueller	self	
Bob Anderson	PSC	
Bob Rowe	PSC	

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