

MINUTES OF THE MEETING  
AGENCIES II SUBCOMMITTEE

January 18, 1979  
8:15 A.M.  
Room 343  
State Capitol Building

Subject: Public Service  
Commission Hearing

Tape 1; Side 2, Track 3 (500)

Meeting was called to order by Vice Chairman Smith. Roll call was taken, all members were present with the exception of Rep. Manuel and Sen. Stimatz who were excused. Also present were Bob Robinson, LFA; Les Simkins, OEP; Les Loble, Montana, Dakota Utilities Company, and from the Public Service Commission: Madeline L. Cottrill, William J. Opitz and G. E. Bollinger.

Les Loble was present to make a short statement in support of the PSC budget request. He stated that with continuing inflation, the cases by major utilities are being brought almost on an annual basis. For this reason the commission is seeking a work load they did not have a few years back. In addition, the federal government is taking an increased interest toward federalization of the Public Service Commissions. He sees this happening because states are not able to get the staff and the funding to get the job done. He stated the opinion that the Montana Public Service Commission staff is a hard working crew, working long hours and getting the job done. He felt that it was frustrating that they did not have the staff to handle the work load. He requested the subcommittee to give very serious and favorable consideration to the department's budget request.

Mr. Bollinger made the statement that his department could be taken out of the general fund if the legislature would recommend it. The department raises approximately  $\frac{1}{2}$  million dollars from fees. They could raise the rest of the amount through fees and charges on the utilities.

Four years ago the PSC asked for nine people and they got one. Last year they were given six people, without whom they could not have done their job. They were also given a bill which stated major cases must be out in nine months. They are not getting their work done in nine months. They were given six professionals but did not get any clerical help to go with them. For this reason, the department found it necessary to purchase a System 6 machine. Two people can now do the work of 5 or 6 with this machine.

The department is dealing with cases that run from 75 to 100 million a year. If they can save the consumer 40 million in this way, it is a small amount to spend. This is their justification for the large budget requested.

Bob Robinson asked if by placing the department on earmarked funds there wasn't a tendency to become owned by the people paying the bill. Mr. Bollinger stated that these were not earmarked funds but went into the general fund. This gives the legislature absolute control.

Bill Opitz, Executive Director, Public Service Commission, took over the presentation at this point.

Monthly Report (585)

Mr. Opitz presented a prepared monthly report. The budget for 1979 was \$838,000. To date the department has spent 52% of the budget with only 50% of the period over. They felt that they were right on target because part of the expenditures are encumbrances. The statement shows that 84% of the total budget goes to employee salaries and benefits. Another 6% goes to rent and janitorial services. This does not give the department a great deal of flexibility as far as operating expenses are concerned.

Also included in rent is \$11,000 on the System 6 and \$36,000 plus on rent for the building.

The department is requesting \$914,181; plus an additional \$16,400 for a total of \$930,581 for 1980 and \$946,778 for 1981. This would be with the present staff of 38 FTEs. The department estimated fringe benefits at 15% and the Executive estimated at 13.33%. Mr. Opitz pointed out that for the last pay period the actual fringes were 14.14%, and it should have been higher because they had some people who were beyond the Social Security liability limit and did not take social security for those 6 months. Social security has risen and is expected to rise again in January 1980. Mr. Opitz stated that their request of 15% was valid.

Contracted Services (635)

For 1980 the department is asking for \$31,060 to cover consultant and professional services, insurance and bonds, printing and microfilming. The biggest increase was in printing; from \$1,800 to \$13,000 which goes back to the purchase of an IBM copier that was sold to the Department of Administration. They received credit for this so there were no expenses for copying. The actual expenses averaged \$628 a month.

Last years books recorded \$1,880 for printing because of this credit. Bob Robinson explained that the LFA recommendation was arrived at in accordance with the actual expenditures shown in the books.

The department was asked to address the purchase of the copier. Ms. Cottrill stated that the department would have liked to have kept the

copier. The machine was purchased without legislative authorization, but at the suggestion of the Department of Administration. They were advised to go ahead and buy the machine, not for the department, but for the state and they would give them the credit. Mr. Opitz stated that the department would accept responsibility for this action. They purchased the machine with the idea that they would cut expenses from 4 cents per copy to about 2 cents per copy. In reality, they are still paying up to 4 cents per copy.

Travel (700)

The department requested \$26,214 for 1980 and \$27,608 for 1981. They went back to the base year and increased it with the guide lines from the OBPP. Travel for 1978 was \$29,000. This year was an abnormal year because they added 6 new positions and brought in a number of people from out of state for interviews.

The number of hearings has not decreased. In 1976 the commission issued 447 orders; 529 in 1977; 562 in 1978 and estimate 600 for 1979. They estimate 120 in 1980 and 650 in 1981. This would represent almost a 50% increase.

Representative Hurwitz asked about the impact of doing sewer rates for local government. Mr. Opitz stated that if they become controversial it is significant. Major cases are ending up in court more often. This ties up their legal staff. Mr. Opitz felt that the majority of local governments do an excellent job of setting sewer rates. Mr. Hurwitz felt it was a poor use of the commission's time to have to examine these local issues.

The thing that concerns the department is the chance that local government could lose an EPA grant because the commission could not get a hearing finished within the proper amount of time. Mr. Opitz felt that with the number of hearings they have and the number of people on their staff, the figures requested are valid and sufficient.

Supplies and Materials (759)

The department requested \$16,125 which is an increase from \$12,000 and is primarily an increase in gasoline for one of their enforcement cars. They estimated 25,000 miles for each person in the field at 70 cents per gallon.

Communication and Transportation (766)

The department requested \$21,518. This increase is in accordance with OBPP guidelines. The department stated that these rates have gone up and did not feel the recommendations would be sufficient if the telephone rates were increased. Increases could be anywhere from 40 to 60% which should be a substantial increase.

Rent (785)

This includes rent for the building and the IBM System 6 and the IBM Mag-Card II. The department feels that the System 6 has proven its worth to the department. They would like to have this expense included in the budget.

Another idea would be to purchase the System for almost the total cost of leasing. The department could receive 65% of what they had paid so far. Rent could be applied towards the purchase. If one front end payment were made in 1980, the System 6 would be owned by PSC. The lease per year is \$12,440. They did not feel that the system would become obsolete in their operation. Maintenance costs have been about \$44 a month.

For rent of the building, the authorized figure in 1979 was \$36,660 and the same for 1980. In 1981 it will go to \$37,760. There is also a clause in their contract which states that if property taxes go up, they must pay the additional taxes over base year. This year they received a bill for about \$400.

Utilities (828)

The department has requested \$3,780 in 1980 and \$4,083 in 1981. They used the guidelines in reaching these figures.

Repair and Maintenance (844)

The department has requested \$3,604 which consists of office equipment, all repair and maintenance of vehicles -- 300 quarts of oil, 6 two-way radios. These have been increased in accordance with OBPP guidelines.

Other Expenses and Legals (860)

For 1979, the expenditures are understated. This is due to the practice of charging the utility companies for printing fees. There is no legal base for charging these fees. Either there should be a statute that says the utilities pay these fees or this should be funded out of the general fund. It was agreed that this would be further discussed by the committee later. The department is sitting on a potential time bomb by continuing to do this without the legal authority.

If this were to be appropriated from the general fund, it would amount to about \$7,000. Representative Hurwitz made the motion that the PSC provide the committee with some language that would take care of this, should the committee decide to go this way. Representative Manning seconded the motion. Motion carried.

Equipment (939)

The department would concur with the OBPP recommendations. This would include one car for 1980 and one for 1981. The LFA recommended 2 cars for 1980. This was what the department requested, they now feel they can get by with one new car each year, because in the past they have been able to cut travel costs.

Gas Pipeline Safety Program (965)

The department has contracted with Thomas, Dean and Hauskins, which has asked for a  $2\frac{1}{2}\%$  increase per year. They felt this was a modest request, in view of the fine job they are doing. Last year there was not one natural gas explosion in the state of Montana.

The department felt that the use of this company was justified because it provides a more objective evaluation and are better able to justify making the utility companies spend more money. The department sees no end to the federal money being made available to them.

The department was asked who is responsible should an explosion occur. The commission believes the responsibility lies with the operator. But, this could come back to the commission and this is why they are asking for the budget modification.

Wages (1055)

Wages have been decreased 4%. Mr. Opitz pointed out that in 1978 all positions were filled all the time, and he did not see where there was a possibility that they could have a 4% savings. They have a turnover ratio for 1978 of  $8\frac{1}{2}$  years which is very good for a state agency. In conclusion, they did not see that this was a valid recommendation.

Modification Requests (1085)

One FTE Receptionist at \$8,168 at a Grade 5. The present funds are out of CETA. It is a position that they need and is a position that gives the centralized services people a lot of problems, given the uncertainty of funding. An alternative would be that they be authorized \$2,000 of training money to assist that person to go to school, and bring in temporary help while she is gone. The department would like to make this a full time position.

One FTE Gas Pipe Line Engineer, Grade 13, step 1. PSC has adopted minimum rules and regulations concerning safety requirements in the Department of Transportation and need a safety inspector. PSC general rules and regulations address the BTR content of natural gas and also should be monitored.

An alternative to the additional FTE would be to expand contracts from \$25,000 up to \$30,000. This would then cover the master meter inspection program.

One Electrical Engineer, Grade 14, step 1. PSC needs a qualified individual for assessing state and regional power needs, and to act as a commission representative at such meetings. State statutes also state that electrical standards be set and monitored. PSC has insufficient staff to accomplish these requirements. The only alternative is to continue to ignore certain statutory requirements.

Four FTE Auditors, grade 12, step 1. PSC Utility Division presently has 1 FTE auditor. The PSC regulates over 200 utilities. Additional auditors are needed to insure proper rates and charges are being made and proper accounting procedures are followed. The additional staff would also be a potential source for promotion within the department.

The department does not audit Montana Power's books. This could be one of the most important things this department could be doing. At the present they have to accept the figures the company gives them.

Tape 2; Side 1, Track 1 (000)

One Communication Engineer would help make sure that rates to the customer are fair, just and equitable and not discriminatory. They must have someone on their technical staff who understands the ins and outs of the various services that they have. The department has to have some expertise as to what these companies are talking about.

One Clerk Typist will be needed should the additional professional staff positions be granted.

Computer Capability will be necessary. If the department is ever going to get to the position where they can really analyze data they will need approximately \$15,000.

Training GVW - Highway. \$4,000 will be needed to train GVW personnel to help enforce rules and regulations. The department does not feel that a one day seminar to train on their rules and regulations is sufficient to keep the GVW people up. The GVW people put into the fund about \$85,000 in fines in the last year. The department brought in \$100,000.

Hearings Officer was recommended by the OBPP, but the department did not feel they had included enough expenses. There could be savings if the hearings officer could go to the hearings with the commissioner. This way all 5 would not have to go. This position would also be assisting in the preparation of legal cases.

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Three Rail Inspectors -- two rail track inspectors and 1 rail equipment inspector. Cost of this program will be half paid by the federal government. Personnel will inspect the railroad companies in cooperation with the federal requirements. They will be responsible for seeing that track and equipment meet minimum standards for certain users. They would deal with hazards in material and other railroad problems. The department did not feel that one inspector which they now have could adequately inspect the railroads.

One Assistant Transportation Supervisor and Clerk Typist to insure this person would be well trained should the present Supervisor decide to leave.

Environmental Impact Statement requirement involves the addition of 7 positions to the staff. If the department must write these statements, the 7 positions will be necessary. An alternative would be a bill that would exempt the PSC from writing environmental impact statements.

#### Executive Session

At this point the subcommittee went into executive session. Representative Hurwitz made motion that a bill be introduced, to make the PSC exempt from writing environmental statements. Representative Manning seconded the motion. Motion passed unanimously.

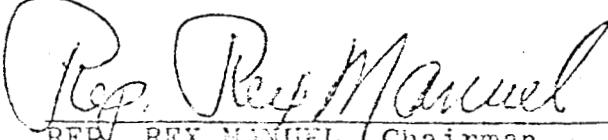
The department was asked to give a priority list on the modifications, to be made available to the subcommittee.

Transportation Study was to analyze transportation systems in the state. They would get an overall picture of the market and the needs. This would be a one-time cost.

This concluded the Public Service testimony.

Bob Robinson handed out fact sheets worked up for the subcommittee members by Les Alke.

The meeting was adjourned until 8:15 A.M., January 19, 1979.

  
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REP. REX MANUEL, Chairman

Mary Flanagan  
Secretary