

HOUSE BUSINESS AND INDUSTRY COMMITTEE

February 12, 1981

SUMMARIES OF

HOUSE BILL 492 -

HB 492, introduced by Rep. Meyer and others, allows open-end loans by the holder of a supplementary license under the Montana Consumer Loan Act. Interest rates may not exceed 1-1/2% per month. Charges may not be payable in advance or compounded.

HOUSE BILL 510 -

HB 510, introduced by Rep. Lory and others, allows a contractor with the state or other government entity to post, in lieu of a surety bond, cash, cashier's or certified check, bank draft, certificates of deposit or money market certificates equal to the contract sum. On a bond, the bill limits the surety to a licensed surety company.

HOUSE BILL 515 -

HB 515, introduced by Rep. Manning and others, gives the Public Service Commission power to require the furnishing of all information needed for an independent audit of a regulated utility, and appropriates \$200,000 for the biennium.

HOUSE BILL 569 -

HB 569, introduced by Rep. Kemmis and others, equalizes at 7% per year interest a public utility may charge for installing and paying for energy conservation materials or non-fossil forms of energy generation systems in a dwelling. Under present law, rate is 7% for energy conservation materials and between 5% and 7% for energy generation systems. Maximum tax credit for a utility under this bill would be raised to \$500,000 per year from \$200,000 on the difference between the interest it actually receives and the interest it would receive at the prevailing rate.

HOUSE BUSINESS AND INDUSTRY COMMITTEE

Rep. W. J. Fabrega, Chairman, called the committee to order at 8:00 a.m., February 12, 1981, in room 129 Capitol Building, Helena. All members of the committee were present. Bills to be heard were HBs 492, 510, 515, 569.

HOUSE BILL 569 -

REP. DANIEL KEMMIS, House District #94, Missoula, and many others sponsored HB 569 extending a program which has been in effect since 1975. This program makes it possible for utilities in Montana to install energy conservation materials in customer's homes and the company recovers the cost as part of their bill. These are no-interest loans and the company gets a tax credit of the amount of difference between what interest was charged and the going rate of interest for improvement loans.

The Montana Power had started that program. There is a \$200,000 limit ceiling that any utility could claim under that statute. That ceiling is now preventing them from installing insulation in homes where people would like to have conservation measures installed. HB 569 would raise that limit to \$500,000. This type of program will be extended to installation of non-fossil forms of energy generation - solar or wind - to be installed on the same basis except they would be loans at 5-7% interest. The conservation program has been a success. They have been able to insulate hundreds of Montana homes. He encouraged the committee to continue support of this program.

MARK A. CLARK, Montana Power Company, Helena, endorses HB 569 which raises the tax credit on conservation loans from \$200,000 to \$500,000. This would encourage customers to install insulation by allowing low interest loans for energy conservation. It presents two obstacles. In 1979 the company implemented an energy audit program, and as of January 1, 1981, they have completed audits on almost 8% of their residential and natural gas heating customers. The average loan is about \$800. DOE thought there would be a 3-4% response, so MPC is running ahead of DOE estimates. The response by customers has been very encouraging.

The present ceiling for tax credit of \$200,000 will be reached very shortly since they have \$192,000 of such credit allowance reached as of now. It will be insufficient on an annual basis. He urged the committee to raise the tax limit and authorize the utilities to make zero-interest loans rather than use 5-7% interest rates. He feels it is imperative that the zero-interest loan incentive be provided in the generation area as well as for energy conservation. It is their intention to work with the RCS federal program under which they will have to determine the cost effectiveness of the program. He strongly endorses HB 569 and recommends giving it a Do Pass.

GENE PHILLIPS, Pacific Power and Light, Kalispell, supports HB 569. They already have a program relating to the portion of the bill which

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allows a no-interest loan for renewable programs. The loan is payable when the premises are transferred. They loan the money for conservation purposes at no interest, and when the premises are transferred, the loan is repaid. The tax credit limitation will not affect them. He recommends a Do Pass.

GENE PIGEON, Montana-Dakota Utilities, Glendive, agrees with MPC and Gene Phillips. Approves HB 569.

ANN WILSON, Alternative Resources Association, supports HB 569, and hopes the committee would include passive solar and other non-fossil forms of energy. This would create many new jobs. It is a step in the right direction. Urges support.

JIM KOONTZ, Sun Wise Solar, Great Falls, supports HB 569. This Great Falls based company is represented by 15 dealers. They have an interest in renewable energy resources programs. He has talked with the company about the existing interest requirement on loans and feels that has been a stumbling block because of excessive interest rates being charged now. Interest rates of 19-20% today are not making for people to install energy conservation or generation measures.

PAT OSBORNE, NPRC, Glendive, supports energy conservation and alternative energy generation by expanding two of their loan programs. He feels the private sector should underwrite the program. This is sound management policy for the utility companies. They do support HB 569 as a means of encouraging conservation.

DALE ERICKSON, Suntana Solar, Inc., Helena, said they have four different retail operations in the cities throughout the state and have installed 150 solar installations. They have encountered many, many difficulties. This is a fantastic idea. It has been a very difficult situation for them to do this. This bill will encourage what they want to have done to conserve our natural resources.

TOM SCHNEIDER, Public Service Commission, Helena, strongly supports HB 569. This ought to be given an immediate effective date because of the current limitation MPC is facing. This is an important contributor to conservation.

JAMES PAINE, Montana Consumers Council, Helena, endorsed the statements of the previous persons. This is one means of slowing the increased use of fossil forms of energy. Conservation is the cheapest means of energy generation.

OPPONENTS: None

QUESTIONS -

Rep. O'Hara asked Mr. Clark if they looked at this as a public relations matter? Mr. Clark said in the long term interest of the state they are a long term electricity supplier, and if it is not wasted they can stay in business longer.

Rep. Robbins asked why businesses are not included in this. Rep. Kemmis

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said for the long term this is to promote energy conservation. This has been geared as a pilot program to see if it will work. If we are going to be serious about energy conservation, we have to look at the other side also.

Rep. Ellison mentioned the last section on page 3 allowed the PSC rule making power. Mr. Schneider said these are cost-effective methods and need to be examined on a periodic basis. They have not been in effect long enough to know what the actual effect is, but he thought they are a positive effect.

Rep. Andreason was told by Mr. Clark that there are four energy alternatives at Colstrip. They are looking at passive solar hot water heating which will save energy. Photovoltaic cells will be looked at. Solar energy and conservation devices have really been accepted. They will be looking at commercial buildings through the RCS program.

Rep. Vincent asked if they anticipate increasing audits? Eileen Shore said this gives the DNRC authority to pursue a RCS program, and this is compatible. They are interested in saving energy and it would be worthwhile if it is cost effective and is appropriate for the PSC to do it.

Randy Beavers, Sun Wise Solar, Helena, said in Helena they have over 60 homes that have solar systems installed, all of which are customers of MPC. At any time they would be willing to show you the savings. They have checked for a year and know what their savings are. Solar does work. MPC is talking about water systems, and they do conserve. There are other ways to do this than those done in Colstrip. They need a helping hand. Other people would like to use solar.

Rep. Metcalf said it seems financial institutions can only take a tax credit of \$2,000. Are they not participating very much? Rep. Kemmis there isn't much participation by lending institutions. Utilities were not interested in the beginning.

Sonny Hansen, Executive Director of Savings and Loan in Billings, said the tax credit isn't there for them. They are losing money since they have been forced into this position. Rep. Fabrega mentioned the financial institutions tax goes 80% back to the local government.

Rep. Fabrega remarked to Mr. Clark you have been making all of your energy conservation loans at zero. Under this you would have to charge 5-7%. Mr. Clark said it isn't an incentive to the consumer, and it isn't an incentive to them because of the lack of difference in interest charges. The repayment schedule is up to 36 months.

Rep. Kemmis closed.

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HOUSE BILL 515 -

Rep. Richard Manning, District #35, Cascade County, explained as co-sponsor of HB 515, that this bill is an act to give the PSC authority to compile the information needed for an independent audit of a regulated utility, and the money to do it with. People are concerned about the constantly escalating costs of utilities. Consumers are captive and have no alternatives. The cost of natural gas has risen by some 2,000% since 1973. The Canadian border price for natural gas will increase to \$4.94. The PSC is completely reliant on the data of utilities. The Commission would now have the authority to go through the books of the utilities, but doesn't have the money. The utilities took the case to court and won. An independent audit would be an added assurance of accuracy. The PSC has a monumental task but they need all the facts. Those facts should come from an independent audit rather than from the staff of a regulated utility. HB 515 is to finance an audit for each independent case. It is the responsibility of the legislature to make this opportunity available to the PSC so the Commission has all the facts and only the facts on which to base its decisions. See EXHIBIT A.

EILEEN SHORE, chief legal counsel for PSC, supports this bill. One person is available for auditing in their office. They have 3 CPAs managing rate cases for 288 utilities. They could use the money very well.

James Paine, Montana Consumers Council, Helena, supports HB 515. They have no reason to believe there is anything grossly wrong with the books of any utility. The PSC nor his office have any available figures other than those of the utilities. They are more concerned with adjusting figures rather than getting into their books. He urges passage.

OPPONENTS -

MARK CLARK, Montana Power Company, Helena, feels there is no need for such an audit to get the job done. HB 515 doesn't give to the PSC any new substantive authority. The present law is shown on EXHIBIT B. The only difference is the appropriation. They have no objection to any committee which appropriately has the authority to do so. The utilities are much better off using highly-qualified PSC. There is nothing wrong with giving them more money and giving them the ability to audit more completely. Not sure, in view of the existence of the audit requirement of federal authorities of all utilities and the participants of those 3-4 month long audits of the books and records of natural gas utilities, that those funds should be expended on a duplication and reflected in Montana. It is essentially an appropriation bill. The utilities are better off if the Commission is better funded.

GENE PHILLIPS, Pacific Power and Light, opposes HB 515. He commented this bill allows the PSC no more power than it has. He endorses giving the PSC more money.

QUESTIONS -

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In answer to what an audit would cost, Eileen Shore said it would depend on the level of the audit. A full-blown audit would cost in the neighborhood of \$175,000.

Mr. Clark advised the utilities were audited by the Federal Regulatory Commission every second year. The Federal Regulatory Energy Commission conducts compliance audits and they spend 2-3-4 months going over their books since the last audit. They were audited federally with the cooperation of the company. The Commission could sit in. Rep. Jensen asked if the PSC would include anything the federal audit did not include. Mr. Clark said they would involve themselves in a special area.

Mr. Schneider said the statutory authority is there. It is very clearly an attempt to rectify an existing problem.

Rep. Kitselman asked how the money would be used and Ms. Shore said they would try to cover as much ground as they could. She didn't think they would go into a full blown audit, but would use the money on spot checks in order to spread it around. Water and sewers have problems that they could rectify. They would try to cover more than one utility.

Mr. Schneider said an independent audit would be done by a third party and would not be done by the utility nor the PSC. Rep. Vincent said the present law as outlined here does not include an independent audit. Information shall be supplied to you to do the audit. Under an independent audit it could be given to someone else. The PSC cannot order a company to have an independent audit made. The FERC only does audits on interstate companies. Mr. Schneider said there is no way the Commission staff could participate in the ongoing FERC audits. The main difficulty they see with the FERC audits is that it is done on a 3-year basis and is outdated by the time they get to a proceeding. They need a spot check. They rely on consumer councils' expert witnesses. They are not even spot checked. The \$200,000 would be used to fund FTEs. The PSC needs audit capability to do audits on an annual basis.

Ms. Shore told Rep. Wallin some of the other utilities the PSC audits are 90 private utilities as well as telephone companies; 198 municipalities having 107 water and 91 sewer utilities. They have been working with the DCA. Since they have one FTE to do the work required, they do rely on the Consumer Councils for the large cases. They have a rate analyst. Rep. Wallin thought they should have asked for more than \$200,000.

Rep. Ellison asked if there is a particular target area the PSC would like to audit with this money. Ms. Shore said they have several problem areas. This bill came up quite suddenly. They have a lot of very small towns and don't have the people who are able to make rate hearings. They want to be able to assure consumers they are getting their money's worth. The DCA does have an audit requirement for them, but their audits have not satisfied the information required for rate making cases. The Commission does need more information. Rep. Ellison was trying to find out if this is enough money. Mr. Schneider advised the \$200,000 is 20% of their total budget. This would extend their capability by roughly 20%. Their present budget is split with the Transportation Division.

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Rep. Fabrega reminded HB 515 allows \$200,000 for independent audits. Mr. Clark said the independent auditor is Price Waterhouse. Because of the Securities and Exchange Act they have to make audits. Those independent auditors provide several different services.

Rep. Ellerd asked if there is something suspected of being wrong when an audit is made? Mr. Schneider said not necessarily. They want facts and figures that go into a rate case. There was \$200,000 allocated two years ago. It was a matter of presenting a case to the Commission that would go into details. Rep. Ellerd asked Mr. Paine if the consumers feel there is a necessity to run a private audit. Mr. Paine said he didn't know of any. Certainly the subscribers out there want some assurance there is nothing wrong with the books of the utilities. They do not look at the invoices and the back up documents to those figures. They visit their offices and go over their books and records, but it is not in depth as to what they take from their invoices into the main books.

Rep. Fabrega asked if it is a different kind of information other than what is normally shown that satisfies corporate profit and loss requirements. Mr. Schneider said it is not so much the difference but the time it is done. Rate cases are filed 2-3 times a year. They need ongoing and immediate capability to assure it is cost-effective.

Rep. Andreason said with inflation as it is and companies filing frequently you must have to check very frequently on an ongoing basis. What would an audit get at that you seek very frequently? Mr. Schneider said it is the big lags that they are working with. The Consumers Council does not have computer capability. They are not pleased with either the depth or quality of information supplied in order to do what should be done.

FERC audits are already a year out of date when they are available. Mr. Schneider thinks full time employees provide a more cost effective way to go. This is an important addition to the process. He supports this bill.

Rep. Vincent asked if some of the \$200,000 would be used on water and sewer cases. Mr. Schneider advised telephone, water and sewer would take a big chunk of it. They are going into a \$15.8 million rate case. The \$200,000 will do a substantial job and will be used on a priority basis.

Rep. Manning closed saying the problem he ran into while campaigning was the high cost of energy. His district has a lot of poor people, middle income and older people. An independent audit might reflect something, but he didn't know for sure.

HOUSE BILL 492 -

REP. DARRYL MEYER, District #42, Cascade County, chief sponsor explained HB 492 provides for open-end loans by the holder of a supplementary license under the Montana Consumer Loan Act. It allows a person to set up a line of credit at a credit institution and he can draw on that credit at

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periodic times.

JERRY LOENDORF, Montana Consumer Finance Association, Helena, supports HB 492. It would permit a loan company to offer open-end loans. Consumer loan companies are authorized to make this kind of loans all over the country. Retailers are now authorized to use this type of credit. In closed-end transactions you apply for a loan for say \$10,000 and you disperse that loan, whereas an open-end loan allows you to apply that amount as a credit and you can withdraw on that amount over a period of time if you so desire. It works favorably for everybody. Interest begins running on the entire amount immediately even though some of the money might still be in the bank for awhile on a closed-end loan. In the open-end situation he can take out the money when he needs it, at which time interest begins on the amount taken out. This would save making out several loan applications, and paying additional filing fees, and other related expenses for everybody involved. The terms are about the same on both types of loans as is the security.

Section 1 authorizes the making of loans in amounts now permitted for closed-end loans, and on interest charged. There is no provision for additional charges to be made. It allows amounts paid to public officials to be made part of the loan and charged to the borrower. There are three methods for computing charges. If you utilized the 30-day monthly account, the amount will come out the same no matter which method is used. Line 15 refers to a monthly billing cycle and allows that billing cycle if it doesn't vary more than 4 days. Section 3 provides for the payment over a term provided in the contract.

Consumer loan companies have certain restrictions placed on them and those restrictions would be carried over to this bill for open-end loans. Section 4 - additional charges - is not very descriptive. Charges for insurance in cases where insurance is required in an amount large enough to pay off a loan in case of a disability or a death could be required. Really should apply to all if you require property insurance and you have property worth \$10,000, you wouldn't require \$20,000 of insurance or if you make a \$5,000 loan, even if the property is worth \$10,000, only \$5,000 would be required.

Section 5 provides for security taking for a loan. Home improvement loans would probably take a second mortgage. Section 6 - certain things are not applicable for open-end loans. It provides for a method of making refunds for add-on loans as well as for default charges. 32-5-304 to which reference is made would apply to open-end loans and receipt for payment. If any additional amount is taken in that month, that would also be shown.

OPPONENTS: None

QUESTIONS -

Rep. Ellison was told consumer loan companies are the only institutions that are prevented from having open-end loans. Rep. Fabrega said this has 18% rate, so this basically gives the consumer loans the same flexibility as those that can give charge cards, but it is pre-arranged at one level. This would be the same concept.

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Rep. Robbins asked whether credit liability would be forced upon a person who has such insurance in another state. Mr. Loendorf said that could be made a part of the loan. The truth in lending has nothing to do with this. If you do this, you disclose it. There is a federal requirement that you allow a person an opportunity to get insurance wherever they want. They would have that opportunity. This would entail consumer finance companies. Savings and loans already have the same authority. When this was originally enacted, it required a license and then required a supplementary license if loans over \$1,000 were made. Consumer loans were exempted before because they were closed-end transactions. The 1-1/2% interest rate would be on the unpaid balance for the month. When a payment is credited, interest costs are credited first. Mr. Loendorf recommended an amendment on page 1, line 20 following "the" to strike: "additional charges" and insert: "fees paid to third parties as".

Rep. Meyer closed.

EXECUTIVE SESSION -

Rep. Kitselman moved HOUSE BILL 569 DO PASS. He further moved an immediate effective date be added. Both motions were unanimously adopted.

Rep. Manning moved HOUSE BILL 515 DO PASS. He said the reason for this bill was that the PSC was given \$200,000 to perform a private audit on the MPC books because of a trade or transfer of property that was made back in the 1900s. It was originally supposed sold to MPC and the federal government came along in later years because the figures that were used in the original sale were way too high. The Supreme Court said the PSC would have the right to audit their books for this one transaction.

They have negotiated and Montana Power wants to amortize this \$15 million and PSC wants them to wipe it off right now because they aren't entitled to it. It will mean a great deal of savings to Montana ratepayers. They must assure consumers that they are honest and that the PSC is doing the very best they can within their power to keep them honest and that everything that should be allowed is being allowed.

Rep. Andreason spoke against the motion saying he thinks the more efficient way would be to give the PSC more money for audits. He thinks the appropriations committee should be looking at this - he felt this was a backdoor way of going into the appropriations committee. He has nothing against checking on the utilities, but it should be done through the proper channels in terms of the appropriations committee and using online staff and not paying for a very much more expensive third party. This doesn't give any substantive powers to PSC.

Rep. Ellison made a substitute motion that HOUSE BILL 515 DO NOT PASS.

Rep. Harper made a substitute motion for all motions pending that HOUSE BILL 515 BE TABLED. Reps. Ellerd, O'Hara, Andreason, Ellison voted No. Motion carried 15-4. Because this is an appropriation bill, this could go out after transmittal date. This would provide funding for an independent audit and if they don't get additional staff, this would be available.

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The hearing was reopened to hear HOUSE BILL 510.

HOUSE BILL 510 -

REP. EARL LORY, House District #99, Missoula, co-sponsored HB 510 at the request of the Department of Administration, Architecture and Engineering Division. This bill relies on 18-2-201 and 202, bonding requirements for persons contracting with a governmental agency. The difficulty with the former requiring two cosigners was in finding out their background. HB 510 allows other ways for providing sureties, such as cash, cashiers check, bank drafts, certificates of deposit, bank money orders, money market certificates issued by any bank or savings and loan associations licensed to do business in Montana.

PHILIP HAUCK, State Architect, Department of Administration, asked to have HB 510 introduced to make handling of around 100 contracts a week under the state contracting procedures and competitive bidding easier. It appeals to small contractors. See his testimony EXHIBIT C. They are getting more and more into individual sureties and have had quite a few in the past few years and apparently will be getting more and more, and are having difficulties with these in checking their assets so would like to have securities that are more positive for assurance that the job can be finished.

JIM BECK, Department of Highways, proposed two amendments EXHIBIT D. This would allow the contracting entity to choose which kind of surety they would like to have so if you were letting a multi-million dollar contract, the insurance company extends beyond that of security, they also provide you with the assurance that the job will be done. If the contract goes sour, the surety takes over the job of riding herd on the contractor to see that the contractor pays his bills. If there are no sureties, the money sits there and there is no way a large company can disperse this money. If you have to wait until everything goes to heck and suits are brought, and then the money can be dispersed, completion of the project is greatly delayed.

LARRY HUSS, Montana Contractors Association, appeared to express the same concerns expressed by Mr. Beck. He mentioned that a large parking ramp in downtown Helena would not have been finished had not a bonding company stepped in and hired the completing contractor. This type of alternate security is probably more beneficial for bidding than for contracting. He suggested providing similar language for the security as well as the contractor. He believed that all bidding contracts already accept cashiers checks, cash, and bank drafts.

OPPONENTS: None

QUESTIONS -

Rep. Robbins asked if security checks are cashed or just held in the department until something happens. Mr. Beck said they do not accept anything but surety bonds. Mr. Hauck said these checks are made out to the State Treasurer but are just held. They are certified checks made out in the name of the state and the person who is surety. CDs are used extensively for payment of unemployment compensation expenses. Mr. Hauck said they want securities in lieu of 10% of payment on jobs. Cost of the bond is 1% of the cost of the contract so there is a cost for the bonding which is included

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in the cost of the project.

Rep. Manning remarked this law doesn't do away with the right of the government to require a bond, it is permitting other means.

Rep. Wallin thought it would be an extra unnecessary cost to provide a surety bond. On a big job, the cost could be \$60-\$70,000. Mr. Huss said there was a question of the utilization of certificates of deposit so that the money would not be lying around idle, so anybody that has to put in a bid bond or the security, in order that that person may be earning some interest on his money, certificates of deposit is the one they are concerned about.

Rep. Lory closed thinking it would be in trouble in the bidding process of which Mr. Huss speaks.

EXECUTIVE SESSION -

Rep. Kitselman moved HOUSE BILL 510 DO PASS. He moved proposed amendments be adopted, which motion was adopted unanimously. He reworded his first motion to HOUSE BILL 510 DO PASS AS AMENDED. This motion also carried unanimously.

Rep. Jensen moved HOUSE BILL 283 DO PASS. Motion was adopted unanimously.

Rep. Hal Harper moved HOUSE BILL 407 DO PASS - motion carried unanimously.

Rep. Meyer moved proposed amendments to HOUSE BILL 448 be adopted, and Rep. Metcalf proposed section 501 be removed from the title also. The proposed amendments were unanimously adopted. Rep. O'Hara moved HOUSE BILL 448 DO PASS AS AMENDED. Motion carried 18-1. Rep. Kitselman voted No.

Rep. Meyer moved HOUSE BILL 485 DO PASS. Rep. Metcalf moved proposed amendments be adopted, and they were unanimously adopted. Rep. Meyer reworded his motion to HOUSE BILL 485 DO PASS AS AMENDED, which motion carried unanimously.

Rep. Ellison moved HOUSE BILL 495 DO PASS. Rep. Harper moved an amendment to add MCA at the end of line 12 - amendment was adopted unanimously. Rep. Harper then moved HOUSE BILL 495 DO PASS AS AMENDED - motion carried 17-2 with Reps. Kitselman and Andreason voting No.

Rep. Jensen moved HOUSE BILLS 240, 241, 242, 243, 244 which he had sponsored, BE TABLED. Motion carried unanimously.

Meeting adjourned at 11:15 a.m.

Jo Lahti
Jo Lahti, Secretary

W. J. Fabrega
REP. W. J. FABREGA, Chairman

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COMMITTEE

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Date _____

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SPONSOR

Ken M.S

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IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

NAME MARK A. CLARK BILL No. 561
ADDRESS 40 E BROADWAY DATE 2/12/81
WHOM DO YOU REPRESENT MONTANA POWER CO.
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Eileen Shore BILL No. 569
ADDRESS 1227 11th Ave, Helena DATE 2/12/81
WHOM DO YOU REPRESENT PSC
SUPPORT ☒ OPPOSE ☐ AMEND ☐

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

VISITORS' REGISTER

HOUSE *R 9 2*

COMMITTEE

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Date 2/12/81

SPONSOR Manning

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Remarks Pertinent to House Bill 515

I've introduced House Bill 515 as its chief sponsor because I am very concerned about the constantly escalating prices we are being forced to pay for our utilities.

Basically, what really concerns me is the fact that we, as consumers, are a captive market for a monopoly if we need natural gas and electric service. There are no alternatives for us if we need those services.

Statistics show that the cost of natural gas has risen by some 2000% since 1973, when it was selling for around 22¢ mcf. The current Canadian border price is \$4.47 mcf, but will increase to \$4.94 mcf according ~~to~~^{to} information from Canadian energy officials.

Currently the Public Service Commission is completely reliant upon data supplied by the regulated utilities in the hearing of any rate case. The Commission now has the authority to go through the books of the utility, however, because of budget restrictions the Commission does not have sufficient staff to permit this to be done.

At one time the Commission ordered a regulated utility to furnish to the Commission ~~an~~^a independent audit, the utility took the case to court and the Montana Supreme Court ruled that the Commission does not have the authority to order such an independent audit.

I believe an independent audit would be an added ~~as~~^{as}urance that consumers aren't merely taking the word of the utility, to many, that is

Remarks Pertinent to House Bill 515

much the same as having a fox guard the chicken house.

I realize that the Public Service Commission wants to be as fair as possible in determining rates, since I have visited with Commissioners I also realize they are facing a monumental task. At the present, the Commission has major rate cases pending for Montana Power Company, Montana Dakota Utilities and Pacific Power and Light, all major suppliers of natural gas and electric services to Montanans.

I for one would like the assurance that our Public Service Commissioners have all of the facts to consider in making its determinations. I personally believe that most consumers would join me in stating that those facts and calculations should come from an independent audit, rather than from the staff of a regulated utility.

I realize too that the \$200,000.00 requested in House Bill 515 is far too little to permit an independent audit in each case, but it will permit the Commission, at its discretion, ^{to} have an independent audit when it is deemed advisable.

I believe, as Legislators, it is our responsibility to make this opportunity available to the Commission so that our constituents have the assurance that the Commission has all of the facts and only the facts on which to base its decisions.

NAME Eileen Shore BILL No. 515
ADDRESS 1227 11th Ave Helena DATE 2/12/81
WHOM DO YOU REPRESENT PSC
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME MARK A. CLARK BILL No. 1315
ADDRESS 40 E BROADWAY DATE 2/12/81
WHOM DO YOU REPRESENT MONTANA POWER CO
SUPPORT _____ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Present Law :

69-3-106. Supervision of management of public utilities. (1) The commission shall have authority to inquire into the management of the business of all public utilities, shall keep itself informed as to the manner and method in which the same is conducted, and shall have the right to obtain from any public utility all necessary information to enable the commission to perform its duties.

(2) The commission, any commissioner, or any person or persons employed by the commission for that purpose shall, upon demand, have the right to inspect the books, accounts, papers, records, and memoranda of any public utility and to examine, under oath, any officer, agent, or employee of such public utility in relation to its business and affairs. Any person, other than one of said commissioners, who shall make such demand shall produce his authority to make such inspection.

(3) The commission may require by order or subpoena, to be served on any public utility in the same manner that a summons is served in a civil action in the district court, the production, within this state and at such time and place as it may designate, of any books, accounts, papers, or records kept by such public utility in any office or place without the state or verified copies in lieu thereof, if the commission shall so order, in order that an examination thereof may be made by the commission or under its direction. Any public utility failing or refusing to comply with any such order or subpoena shall be subject to the liability named in 69-3-206.

History: En. Sec. 15, Ch. 52, L. 1913; re-en. Sec. 3895, R.C.M. 1921; re-en. Sec. 3895, R.C.M. 1935; R.C.M. 1947, 70-117.

Proposed Law:

11 Section 1. Production of Information. (1) Whenever the
12 commission considers an independent audit of a public
13 utility necessary, it may, for purposes of conducting the
14 audit, require, by order or subpoena, the production within
15 this state of any:

16 (a) books;

17 (b) accounts;

18 (c) papers;

19 (d) records;

20 (e) verified copies of the material listed in items

21 (1)(a) through (1)(d); or

22 (f) other information, including information
23 pertaining to the method used by the utility in collecting
24 requested information.

25 (2) A subpoena issued pursuant to subsection (1) shall

1 be served in the same manner as a summons in a civil action

2 in district court.

NAME GENE PHILLIPS BILL No. 515
ADDRESS KALISPELL DATE 2/12/81
WHOM DO YOU REPRESENT PACIFIC POWER & LIGHT
SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

VISITORS' REGISTER

HOUSE

COMMITTEE

BILL

Date 2/12

SPONSOR

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE

Bus. \$ 140.

COMMITTEE

BILL

510

Date _____

2.12.81

SPONSOR

Leafy

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

FACT SHEET

HOUSE BILL 510

The purpose of this bill will amend Sections 18-2-201 and 18-2-202 MCA to remove the provision in State Law allowing two or more individuals to provide bond in lieu of a surety company. It will add a provision to State Law permitting any person, partnership or corporations contracting for work with the State or other political subdivision, to provide bond in the form of cash, cashier's checks, certified checks, bank money orders, bank drafts or certificates of deposit.

The reason for the change is that many small contractors are unable to obtain bonding from surety companies and have provided bonding in the form of individuals acting as surety. This really boils down to the individuals acting as cosigner guaranteeing the performance of the contractor and that all of the contractor's bills relating to State projects will be paid. It is extremely difficult for a contracting office to verify that an individual acting as surety has sufficient assets or that those assets will be available should the contractor default on his contract or fail to pay all bills arising from the contract.

Because of the foregoing, it would be advantageous to disallow the use of individuals as surety. However, the State of Montana and its political subdivisions would not want to preclude this sizeable and needed group of small contractors from public work, so the alternate forms of surety are proposed.

PROPOSED AMENDMENTS TO: H.B. 510

On line 16 after the word "above" strike the words ", any person or corporation contracting for work with"

On line 18, after the comma insert the words "permit the".