

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

February 18, 1985

The meeting of the Business and Labor Committee was called to order by Chairman Bob Pavlovich, on February 18, 1985 at 7:30 a.m., in Room 312-2 of the State Capitol.

ROLL CALL: All members were present.

ACTION ON HOUSE BILL 354: Rep. Brandewie moved that House Bill 354 DO PASS. Rep. Glaser explained that more is at stake than seaplanes, smaller airports could be forced out of business if fees are to be charged. A roll call vote resulted in 11 members voting yes and 8 members voted no. House Bill 354 DO PASS.

ACTION ON HOUSE BILL 668: Rep. Kitselman told the committee that this bill will effect 1/10 of 1% of the premium market. Rep. Glaser suggested that the committee defer action until Rep. Kitselman's House Bill 817 is heard. Rep. Thomas added that this bill is not able to work financially. House Bill 668 will be held until House Bill 817 is heard.

ACTION ON HOUSE BILL 691: Rep. Kitselman made a motion that House Bill 691 be TABLED. Rep. Ellerd made a substitute motion that House Bill 691 DO NOT PASS. A roll call vote resulted in 12 members voting yes and 8 members voting no. House Bill 691 DO NOT PASS.

ACTION ON HOUSE BILL 568: Chairman Pavlovich explained to the committee that the sponsor of the bill requested the committee reconsider their action. Rep. Driscoll moved that the committee reconsider. The motion did fail, House Bill 568 will not be reconsidered.

ACTION ON HOUSE BILL 338: Rep. Brandewie moved that House Bill 338 be taken from the TABLE. Rep. Hansen offered a substitute motion that House Bill 338 remain TABLED. The motion did fail, with 9 members voting yes and 11 members voting no. Rep. Thomas moved that House Bill 338 DO PASS. Rep. Jones moved the amendments which are attached hereto as Exhibit 1. The amendments DO PASS unanimously. Rep. Kadas added that House Bill 338 as amended will answer the big problems in the industry, but not the little problems. A roll call vote found 13 members voting yes and 7 members voting no. House Bill 338 DO PASS AS AMENDED.

HOUSE BILL 634: Hearing commenced on House Bill 634. Rep. Earl Lory, District #59, sponsor of the bill by request of the Securities Division, stated this sets up a special revenue account in which to deposit fees, examination charges and miscellaneous charges collected by the division while fines and penalties are deposited in the general fund.

Proponent Andrea Bennett, State Auditor, supplied written testimony which is attached hereto as Exhibit 2.

There being no further discussion by proponents and no opponents to the bill, all were excused by the chairman and the hearing on House Bill 634 was closed.

HOUSE BILL 817: Hearing commenced on House Bill 817. Rep. Les Kitselman, District #95, sponsor of the bill, explained this authorizes establishment of a comprehensive health association and plan to provide health insurance coverage to certain persons ineligible for coverage from traditional providers of health care benefits.

Proponent Marie Deonier, representing Montana Association of Health Underwriters, supplied written testimony which is attached hereto as Exhibit 3.

Proponent Steve Davis, representing the Disabilities Coalition, offered his support.

Proponent Stanlee Dau, Executive Director, American Diabetes Association, Montana Affiliate, Inc., supplied written testimony which is attached hereto as Exhibit 4.

Proponents Marilyn Moore, representing the American Diabetes Association, Barbara Penner, representing the American Heart Association, Elmer Hansken, representing Montana Association of Life Underwriters and Riley Johnson, representing Professional Insurance Agents, all offered their support of the bill.

Proponent John Alke, representing the Montana Physicians Surgeons and Blue Shield offered his support of the bill as amended.

Proponent Bill Jensen, representing Blue Cross, explained that House Bill 817 creates a good, workable solution.

Proponent Rick Bach, representing the Insurance Commission, proposed amendments to the bill which are attached hereto as Exhibit 5.

Proponent Robert Steil, representing Health Insurance Association of American, explained that there are problems with self-insured plans. Approximately 88% of insureds are covered under a group plan, added Mr. Steil.

In closing, Rep. Kitselman read to committee members a letter from Ms. Kathy Barkell, which is attached hereto as Exhibit 6.

Rep. Glaser asked John Alke if a person has existing coverage and is a high risk individual, can they be dropped from the group. Mr. Alke explained that they can and they would be able to convert their policy. Rep. Glaser then raised a question concerning a state resident, as provided in the bill. A state resident is as defined by the election laws was the clarification.

Rep. Schultz asked Bill Jensen if the bill will enable a group insurance plan to strip those high risk individuals from the plan. Mr. Jensen replied that they cannot.

There being no further discussion by proponents or opponents, all were excused by the chairman and the hearing on House Bill 817 was closed.

HOUSE BILL 694: Hearing commenced on House Bill 694. Rep. Tom Asay, District #27, sponsor of the bill explained this revises the law on utility purchases from qualifying small power production facilities at avoided cost. If the utility is able to buy power from a power pool, the avoided cost is the price charged by the power pool. If the utility has excess generating capacity, the avoided cost of capacity is zero and the avoided cost of energy is equal to the utility's incremental running cost, added Rep. Asay.

Proponent Dick Cromer, Director, Resource Planning, Montana Power Company, supplied written testimony which is attached hereto as Exhibit 7. Mr. Cromer also supplied a visual aid depicting a motel which illustrated the scenario of House Bill 694.

Proponent Gene Phillips, representing Pacific Power and Light, stated that this electric utility operates in 6 western states and the effects on Pacific Power and Light would be different.

Proponent Thomas Nelson, representing Pacific Power and Light, supplied written testimony, which is attached hereto as Exhibit 8.

Proponent John Alke, representing Montana/Dakota Utilities, explained that a problem exists with Montana rates and these must be brought into line with the other states who MDU serves.

Opponent John Driscoll, representing the Public Service Commission, distributed to committee members, Exhibit 9 which is attached hereto. Mr. Driscoll stated the consequences of energy were not known 12 years ago and only now are the consequences of a surplus being understood. An avoided cost rate is required to enable the rate payer to purchase energy at a lower cost than offered by a utility. It is to the advantage of the rate payer, but creates problems for the utility owner, added Mr. Driscoll.

Opponent Ted Doney, an attorney specializing in water rights, stated the promotion of small power production is needed. House Bill 694 will destroy most projects that are currently underway for small power production. A mix of large and small power plants is needed. Utilities will always have excess capacity and are not concerned with short term profits, added Mr. Doney.

Opponent Jerry Nypen, Manager, Greenfields Irrigation District, supplied written testimony which is attached hereto as Exhibit 10.

Opponent Alan Okagaki, representing Alternative Energy Resources, explained that Montana Power Company has a surplus and also power pool energy. There will always be electricity available through power pools. Electricity from small power plants is cheaper and rate payers are better off if the least expensive source is purchased. House Bill 694 undercuts the mechanism for decision making and destroys the Public Service Commissions' ability to bring the lowest cost resource on line first, added Mr. Okagaki.

Opponent Steve Brown, representing PLM Financial Service, Inc., stated this is not a debate between in state and out of state power owners. A mix in development and power production is the issue, added Mr. Brown. Exhibit 11 was distributed to the committee.

Opponent Don Reed, Montana Environmental Information Center, supplied written testimony which is attached hereto as Exhibit 12.

Opponents Ken Toole, representing Northern Plains Resource Council, Sam Ryan, representing Montana Senior Citizen Center, Jim Paine, representing the Consumer Council and Lisa Lechie all voiced their opposition to the bill.

In closing, Rep. Asay explained that this bill was not designed to get Colstrip 3 involved in the rate and this will not void the federal law or the projects that are now contracted for. We must recognize what is going on and face it, power pools will reduce rates, added Rep. Asay.

Rep. Kadas asked John Driscoll if there is value in having a wide variety of resources and an advantage to having many small plants other than one large plant. Mr. Driscoll explained that there is value only if it is the cheapest source and it is advantageous to have many small plants.

Rep. Kadas asked Rep. Asay if there is no power in a system and none available in a pool, how are the rates set. Rep. Asay explained that the Public Service Commission is studying this and that utilities are mandated to have power available.

There being no further discussion by proponents or opponents, all were excused by the chairman and the hearing on House Bill 694 was closed.

HOUSE BILL 728: Hearing commenced on House Bill 728. Rep. Harry Fritz, District #56, sponsor of the bill by request of the Public Service Commission, stated this bill provides a complete corporate reorganization of a public utility must be approved by the PSC. It gives the PSC the authority to monitor and review said reorganizations. Holding companies are bad for free enterprise and the consumer. The supreme court directed the legislature to provide statutory authority for a communities actions, added Rep. Fritz.

Proponent Eileen Shore, representing the Public Service Commission, supplied written testimony which is attached hereto as Exhibit 13.

Proponent Toni Kelley, past chair, Northern Plains Council, stated this will give the Public Service Commission the authority to make sure a reorganization is not harmful and that steps are taken to assure reliability.

Proponents Jim Paine, representing the Consumer Council & Sam Ryan, representing Montana Senior Citizen Center, offered their support of the bill.

Proponent Joe Brand, representing the Montana Transportation Union, explained that his experience with holding companies has not been good. They are monopolies and are not competitive in free enterprise. Holding companies take assets from the parent company and purchase other products, they should not diverse into another company, stated Mr. Brand.

Proponent Ann Swisher, representing Montana Environmental Information Center, stated that holding companies have a bad record of abuse.

Proponent Julie DalSoglio, representing Montana Public Interest Research Group, supplied written testimony which is attached hereto as Exhibit 14.

Opponent Mike Zimmerman, representing Montana Power Company, explained that the atmosphere today is not conducive to holding company abuses. The Public Service Commission exercises their power aggressively and they are trying to gain regulatory control of assets that are distinctly removed from the utility. The PSC does not own the entity, but regulates it. The PSC has access to look at records of non-utility enterprises and to demand that costs from all transactions be fully justified. Montana Power Company has been diversified since the 1950's, which benefits the investors, rate payers and all Montanan's. The PSC has full power to protect the interest of rate payers in reorganization, currently, added Mr. Zimmerman.

Opponent Larry Huss, representing Mountain Bell, supplied written testimony which is attached hereto as Exhibit 15.

Opponent Russell Williams, representing International Brotherhood of Electrical Workers, supplied testimony as shown on Exhibit 16 attached hereto.

Opponent Gene Phillips, representing Pacific Power and Light, stated that Montana and Florida are not the only

states that do not have authority over sale of utility property, consolidations and mergers, as testified. Wyoming does not have this authority. There is no provision for judicial review in the bill, added Mr. Phillips.

Opponent John Alke, representing Montana/Dakota Utilities, explained that this is not a holding company bill. The power wanted is unprecedented in the United States. The community wants the power to approve and it should be in the best interest of the investors. Management should decide what is good for investors, added Mr. Alke.

In closing, Rep. Fritz, stated that abuses have lessened and times have changed. The Public Service Commission has the interest of investors and rate payers at heart. When the supreme court denied the PSC the power they are now seeking, it was by a 4 to 3 margin. House Bill 728 provides statutory power, this is a broad power and the PSC needs it, added Rep. Fritz.

Rep. Kadas asked Mike Zimmerman if, in his opinion, the Public Service Commission abuses their authority. Mr. Zimmerman stated that he did not say that they do or don't, but they should not have the authority they are seeking.

Rep. Kadas then asked Mr. Zimmerman if this bill will cause abuses for rate payers if passed. Mr. Zimmerman explained that 50% of Montana Power Company income is generated by non-utility companies.

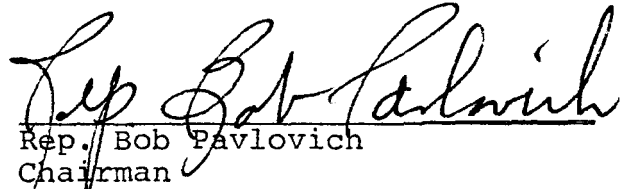
Rep. Jones asked Rep. Fritz, if the intent is to make the Public Service Commission the chairman of the board of all utilities. Rep. Fritz explained that it is not the intent. Rep. Jones then asked if the PSC make rules, if they must stay with them. Rep. Fritz stated that they would be forced to do so.

Rep. Kitselman asked Russell Williams if the lack of managerial skills could cause a loss of jobs, to which Mr. Williams answered yes.

Rep. Kitselman then asked Eileen Shore if any member has skills in making utility management decisions, to which the answer was no.

Business and Labor Committee
February 18, 1985
Page 8

ADJOURN: There being no further business before the
committee, the meeting was adjourned at 10:40 a.m.


Rep. Bob Pavlovich
Chairman

DAILY ROLL CALL
BUSINESS AND LABOR COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date February 18, 1985

NAME	PRESENT	ABSENT	EXCUSED
Bob Pavlovich	✓		
Les Kitselman	✓		
Bob Bachini	✓		
Ray Brandewie	✓		
Jan Brown	✓		
Jerry Driscoll	✓		
Robert Ellerd	✓		
William Glaser	✓		
Stella Jean Hansen	✓		
Marjorie Hart	✓		
Ramona Howe	✓		
Tom Jones	✓		
Mike Kadas	✓		
Vernon Keller	✓		
Lloyd McCormich	✓		
Jerry Nisbet	✓		
James Schultz	✓		
Bruce Simon	✓		
Fred Thomas	✓		
Norm Wallin	✓		

STANDING COMMITTEE REPORT

February 18

19 25

MR. SPEAKER

We, your committee on BUSINESS AND LABOR

having had under consideration HOUSE Bill No. 354

FIRST reading copy (WHITE)
color

ABOLISHING STATE LICENSING OF AIRPORTS AND AIR NAVIGATION FACILITIES

Respectfully report as follows: That HOUSE Bill No. 354

DO PASS

STANDING COMMITTEE REPORT

February 19

19 85

MR. SPEAKER

We, your committee on BUSINESS AND LABOR

having had under consideration HOUSE Bill No. 591

FIRST reading copy (WHITE)
color

PROVIDE AUTO LIABILITY INSURANCE ON A PERSON INSTEAD OF
ON THE AUTO

Respectfully report as follows: That HOUSE Bill No. 591

DO PASS

DO NOT PASS

STANDING COMMITTEE REPORT

February 19

85

19

page 1 of 2

MR. SPEAKER

We, your committee on BUSINESS AND LABOR

having had under consideration HOUSE Bill No. 338

FIRST reading copy (WHITE)
color

GENERALLY REVISE TITLE INSURANCE LAWS

Respectfully report as follows: That HOUSE Bill No. 338

BE AMENDED AS FOLLOWS:

- 1) Title, line 6
Following: "AGENTS,"
Strike: the remainder of line 6, line 7 in its entirety and line 8
through "THEREFOR,"
- 2) Page 17, line 4, through page 20, line 3
Strike: Sections 16, 17, 18 and 19 in their entirety
Renumber: subsequent sections
- 3) Page 26, line 15
Following: "through"
Strike: "19"
Insert: "15"

DO: PASS.

- 4) Page 26, line 17
Following: "through"
Strike: "19"
Insert: "15"
- 5) Renumber internal references as follows:
Strike: "19"
Insert: "15"
On: page 1, line 15
page 1, line 18
page 7, line 3
page 7, line 9
page 7, line 11

AND AS AMENDED,
DO PASS

ROLL CALL VOTE

HOUSE COMMITTEE BUSINESS AND LABOR

DATE Feb. 18, 1985 BILL NO. 354 TIME _____

NAME	AYE	NAY
Bob Pavlovich		✓
Les Kitseiman	✓	
Bob Bachini	✓	
Ray Brandewie	✓	
Jan Brown	✓	
Jerry Driscoll		
Robert Ellerd	✓	
William Glaser	✓	
Stella Jean Hansen		✓
Marjorie Hart		✓
Ramona Howe		✓
Tom Jones	✓	
Mike Kadas		✓
Vernon Keller	✓	
Lloyd McCormick		✓
Jerry Nisbet	✓	
James Schultz		✓
Bruce Simon	✓	
Fred Thomas	✓	
Norm Wallin		✓

Secretary Debbie Aqui

Chairman Bob Pavlovich

Motion: 11-8 DO PASS

ROLL CALL VOTE

HOUSE COMMITTEE BUSINESS AND LABOR

DATE February 18th BILL NO. 691 TIME _____

NAME	AYE	NAY
Bob Pavlovich		
Les Kitzelman	✓	✓
Bob Bachini		✓
Ray Brandewie	✓	
Jan Brown	✓	
Jerry Driscoll		✓
Robert Ellerd	✓	
William Glaser	✓	
Stella Jean Hansen		✓
Marjorie Hart		✓
Ramona Howe		✓
Tom Jones	✓	
Mike Kadas		✓
Vernon Keller	✓	
Lloyd McCormick		✓
Jerry Nisbet	✓	
James Schultz	✓	
Bruce Simon	✓	
Fred Thomas	✓	
Norm Wallin	✓	

Secretary Debbie Aquil

Chairman Bob Pavlovich

Motion: 12-8 Do Not Pass

ROLL CALL VOTE

HOUSE COMMITTEE BUSINESS AND LABOR

DATE Feb. 18, 1985 BILL NO. 338 TIME _____

NAME	AYE	NAY
Bob Pavlovich	✓	
Les Kitseiman		✓
Bob Bachini	✓	✓
Ray Brandewie		✓
Jan Brown		✓
Jerry Driscoll		✓
Robert Ellerd	✓	
William Glaser		✓
Stella Jean Hansen	✓	
Marjorie Hart	✓	
Ramona Howe	✓	
Tom Jones		✓
Mike Kadas	✓	
Vernon Keller		✓
Lloyd McCormick	✓	
Jerry Nisbet	✓	
James Schultz		✓
Bruce Simon		✓
Fred Thomas		✓
Norm Wallin		✓

Secretary Debbie Aqui

Chairman Bob Pavlovich

Motion: 9-11 Leave TABLED

ROLL CALL VOTE

HOUSE COMMITTEE BUSINESS AND LABOR

DATE Feb. 18th BILL NO. 338 TIME _____

NAME	AYE	NAY
Bob Pavlovich	✓	
Les Kitseiman	✓	
Bob Bachini	✓	
Ray Brandewie	✓	
Jan Brown	✓	
Jerry Driscoll	✓	
Robert Ellerd	✓	
William Glaser	✓	
Stella Jean Hansen		✓
Marjorie Hart		✓
Ramona Howe		✓
Tom Jones	✓	
Mike Kadas		✓
Vernon Keller	✓	
Lloyd McCormick		✓
Jerry Nisbet		✓
James Schultz	✓	
Bruce Simon	✓	
Fred Thomas		✓
Norm Wallin	✓	

Secretary Debbie Aquil Chairman Bob Pavlovich

Motion: 13-7 Do Pass As Amended

Amendment to House Bill 338, Introduced Bill

1. Title, line 6.
Following: "AGENTS,"
Strike: the remainder of line 6, line 7 in its entirety, and
line 8 through "THEREFOR,"
2. . Page 17, line 4, through page 20, line 8.
Strike: Sections 16, 17, 18, and 19 in their entirety
Renumber: subsequent sections
3. Page 26, line 15.
Following: "through"
Strike: "19"
Insert: "15"
4. Page 26, line ¹⁷~~18~~.
Following: "through"
Strike: "19"
Insert: "15"

TO: BUSINESS AND LABOR COMMITTEE

AT THE REQUEST OF THE STATE AUDITOR

RE: HB 634

This bill creates a special revenue account within the State Treasury to provide for the operations of the Securities Department of the State Auditor's Office.

The State Auditor takes the position that the burden of funding the Securities regulatory operations should fall upon the securities industry, and not the taxpayers of Montana.

It is important to vote that fines and penalties collected by the Securities Commissioner are to be deposited into the general fund. Only fees, examination charges and miscellaneous charges such as copying costs, are to be deposited into the special account.

Section 1 amends the basic fee section of the Securities Act of Montana. The added language on page 3 at lines 20-25 and on page 4 at lines 1-4, simply provides that fees, examination charges and miscellaneous charges will comprise the securities regulatory trust account. Fines and penalties collected under the Act will be deposited into the general fund.

Section 2 is a new section which creates the securities regulatory trust account. The monies deposited into that account shall only be paid out on appropriation by the legislature. At the end of the fiscal year, any remaining balance in the account must be transferred to the general fund.

Section 3 is a new section which states that the securities commissioner shall make the money in the securities regulatory trust account available for investment by the board of investments. Such investment earnings shall be credited to the securities account.

Section 4 is a new section which provides that if the trust account becomes insufficient to meet the securities department funding requirements, the treasurer may order a transfer of money from another fund. Such amount must be repaid not later than the end of the fiscal year in which the transfer is made.

Section 5 is a new section which provides that any expenses incurred by the Securities Commissioner which are paid out of the general fund, shall be reimbursed to the general fund.

TESTIMONY OF MARIE DEONIER, RHU

ON

HOUSE BILL # 817

"AN ACT TO PROVIDE HEALTH INSURANCE COVERAGE TO CERTAIN PERSONS INELIGIBLE FOR COVERAGE FROM TRADITIONAL PROVIDERS OF HEALTH CARE BENEFITS BY ESTABLISHING A COMPREHENSIVE HEALTH ASSOCIATION AND PLAN; TO REQUIRE PARTICIPATION IN THE ASSOCIATION BY EACH HEALTH SERVICE CORPORATION, FRATERNAL BENEFIT SOCIETY, AND INSURER PROVIDING HEALTH CARE BENEFITS IN THIS STATE; AND PROVIDING AN EFFECTIVE DATE."

ON BEHALF OF

MONTANA ASSOCIATION OF HEALTH UNDERWRITERS

MY NAME IS MARIE DEONIER, RHU (REGISTERED HEALTH UNDERWRITER). I AM A MEMBER OF THE MONTANA ASSOCIATION OF HEALTH UNDERWRITERS OF WHICH I AM THE CURRENT PRESIDENT ELECT AND CHAIRMAN OF THE LEGISLATIVE COMMITTEE. I AM ALSO A MEMEBER OF THE MONTANA ASSOCIATION OF LIFE UNDERWRITERS, AND LEGISLATIVE CO-CHAIRMAN OF THE SOUTHEASTERN MONTANA ASSOCIATION OF LIFE UNDERWRITERS.

I AM APPEARING ON BEHALF OF THE MONTANA ASSOCIATION OF HEALTH UNDERWRITERS AND MYSELF, AN INFORMED INSURANCE AGENT WHO IS CONCERNED ABOUT THE HEALTH INSURANCE NEEDS OF ALL PERSONS RESIDING IN THE STATE OF MONTANA.

MANY MONTANAN'S ARE PRESENTLY UNABLE TO PURCHASE MEDICAL INSURANCE BECAUSE OF MEDICAL PROBLEMS SUCH AS DIABETES, CANCER, HEART, EPILEPSY, PHYSICAL HANDICAPS, LUNG DISEASES, CEREBRAL PALSY, TO NAME A FEW.

MOST OF US HERE TODAY KNOW OR KNOW OF SOMEONE WHO WOULD FALL INTO THE CATEGORY OF "UNINSURABLE DUE TO MEDICAL REASONS".

AS AN INSURANCE AGENT SPECIALIZING IN THE HEALTH INSURANCE MARKET I FREQUENTLY RECIEVE CALLS FROM PERSONS WHO HAVE BEEN

DECLINED BY INSURANCE COMPANIES FOR MEDICAL INSURANCE OR WHO HAVE BEEN ISSUED A POLICY WITH EXCLUSIONS FOR THE CONDITION FOR WHICH THEY NEED THE INSURANCE COVERAGE THE MOST. A TYPICAL EXAMPLE BEING: EXCLUSION OF HEART AND CIRCULATORY SYSTEM FOR A PERSON WHO HAS HAD A HEART ATTACK OR WHO HAS HIGH BLOOD PRESSURE.

IT IS THEREFORE MY FEELING AS A CONCERNED PERSON AND INSURANCE AGENT THAT THERE NEEDS TO BE A WAY TO OFFER MEDICAL INSURANCE COVERAGE TO THESE PERSONS WHICH WILL NOT ONLY OFFER THAT PERSON A MEDICAL INSURANCE POLICY, BUT ONE THAT WILL NOT ISSUE EXCLUSIONS. THEREFORE, THE MONTANA ASSOCIATION OF HEALTH UNDERWRITERS DECIDED TO BACK THIS BILL WHICH IS BEING PRESENTED TO YOU TODAY.

BY MAKING A PLAN OF INSURANCE AVAILABLE TO THESE PEOPLE IT IS POSSIBLE THAT IT WILL PREVENT THOSE SAME PERSONS FROM THE LOSS OF SAVINGS, FAMILY HOME OR FARM DUE TO EXCESSIVE MEDICAL COSTS. UNDER THE CURRENT LAWS, PEOPLE LIKE YOU AND I COULD BE FACED WITH FINANCIAL DEVASTATION FROM MEDICAL BILLS AS WE ARE "TOO WELL OFF TO BE ELIGIBLE FOR MEDICAID OR OTHER GOVERNMENT PLANS". THOSE OF US WHO WANT TO TAKE CARE OF OUR EARTHLY OBLIGATIONS, BUT DUE TO INCREASING MEDICAL COSTS FIND IT INCREASINGLY DIFFICULTY TO DO SO. PASSAGE OF THIS BILL WILL

GREATLY HELP THESE PEOPLE TO BE FREE FROM FINANCIAL WORRIES CAUSED BY HIGH MEDICAL COSTS AND THE UNAVAILABILITY OF MEDICAL INSURANCE TO ASSIST WITH THOSE BILLS.

ANOTHER PERSON WHO MAY FIND THEMSELVES LOOKING FOR INSURANCE AND NO PLACE TO FIND IT IS A YOUNG PERSON WHO IS NO LONGER ABLE TO REMAIN ON THE PARENTS PLAN BECAUSE OF AGE OR DEPENDENCY REASONS. SOME OF THESE YOUNG PEOPLE ARE NOT FULLY AWARE OF THE NEED FOR INSURANCE COVERAGE AND DO NOT PURCHASE A PLAN RIGHT AWAY THINKING THAT THEY ARE YOUNG AND HEALTHY AND NOTHING CAN HAPPEN TO THEM ONLY TO FIND THEMSELVES THE VICTIM OF AN ACCIDENT OR ILLNESS WHICH LEAVES THEM "UNINSURABLE". SUCH A CASE COMES TO MIND WITH A CLIENT OF MINE: THIS IS A MAN IN HIS EARLY 20S WHO WAS THE VICTIM OF A GUN SHOT WOUND IN WHICH THE MAJOR ARTERY IN HIS LEG WAS DAMAGED RESULTING IN GRAFTING OF THE ARTERY; TO DATE HE HAS UNDERGONE 15 SURGERIES, THE MOST RECENT WITHIN THE PAST 6 MONTHS AND HE WILL BE ON A BLOOD THINNING MEDICATION FOR THE REMAINDER OF HIS LIFE. THIS HUNTING ACCIDENT HAS NOT ONLY LEFT HIM UNINSURABLE, BUT DUE TO HIS UNINSURABILITY, EMPLOYERS ARE RELECTANT TO HIRE HIM AS AN EMPLOYEE, THEREFORE NO GROUP COVERAGE IS AVAILABLE EITHER.

IN CHECKING THE NEED FOR SUCH A PLAN TO TO IMPLEMENTED IN THE STATE OF MONTANA OUR COMMITTEE VISITED WITH VARIOUS ORGANIZATIONS SUCH AS DIABESTES, HEART FUND, CRIPPLED CHILDREN, CANCER SOCIETY, MENTAL HEALTH, MUSCULAR DYSTROPHY, TO NAME A FEW. ALL EXPRESSED A VERY REAL NEED FOR THIS TYPE OF INSURANCE PLAN. FROM INFORMATION GAINED FROM THESE SOURCES IT IS ESTIMATED THAT THERE COULD BE FROM 2,000 TO 5,000 PERSONS IN MONTANA WHO WOULD BE ELIGIBLE FOR COVERAGE UNDER THIS PLAN WHO ARE CURRENTLY NOT COVERED UNDER ANY OTHER FORM OF MEDICAL INSURANCE COVERAGE. IT IS TRUE THAT SOME OF THESE PEOPLE ARE BORDERLINE POVERTY AND POSSIBLY WOULD NOT BE ABLE TO AFFORD THE PREMIUMS FOR ANY POLICY, BUT SOME OF THOSE HAVE INDICATED THEY WOULD RATHER HAVE THE INSURANCE PROTECTION THAN CHANCE LOSING THEIR HOME AND BE FORCED TO GO ON WELFARE OR MEDICAID - THESE ARE PROUD PEOPLE WHO ARE RESPONSIBLE CITIZENS WHO WANT TO BE ABLE TO TAKE CARE OF THEIR OWN OBLIGATIONS IN LIFE. THIS BILL WILL GIVE THEM THAT CHANCE.

ADDITIONAL CHECKING AND COMPARING OF PLANS WAS DONE BY EXAMINING SIMILAR PLANS OFFERED BY OTHER STATES.

IN SUMMARY: UNDER CURRENT INSURANCE PRACTICES IN THE INDIVIDUAL HEALTH INSURANCE MARKETS, AND IN SMALL GROUP PLANS UNDERWRITING FOR CAUSE PREVENTS MANY PERSONS FROM BEING ACCEPTED FOR MEDICAL INSURANCE COVERAGE FOR MEDICAL REASONS. BY MEANS OF THIS BILL, THOSE SAME PERSONS WOULD HAVE A PLAN OF INSURANCE AVAILABLE TO THEM.

WOULDN'T YOU AGREE THAT IT IS FAR BETTER TO OFFER A PLAN OF INSURANCE AVAILABLE TO THIS SPECIAL GROUP OF PEOPLE THAN TO HAVE THEM FINANCIALLY DEVASTATED BY MEDICAL COSTS TO THE POINT THAT THAT PERSON WOULD BE ELIGIBLE FOR MEDICAID AND WELFARE WHICH WOULD IN TURN PLACE A LARGER BURDEN ON THE STATE OF MONTANA?

THE MONTANA ASSOCIATION OF HEALTH UNDERWRITERS AND MYSELF URGE YOU TO CONSIDER THIS BILL AND VOTE FAVORABLY FOR ITS PASSAGE.



**American
Diabetes
Association**

MONTANA AFFILIATE, INC.

Exhibit 4

2/18/85

House Bill 817

Submitted by: Stanlee
Dau

600 Central Plaza

• Box 2411 •

Great Falls, Montana 59403

• (406) 761-0908

February, 1985

The American Diabetes Association, Montana Affiliate, and its members is pleased that the Montana Legislature is considering a bill to guarantee health insurance coverage for the citizens of the state who presently cannot obtain this protection because of current or past illness and disease.

Speaking from our own experience, there are 23,000 persons with diabetes in Montana. Most of these people are in good health, living with daily exercise regimens and an excellent diet. Yet, because they have diabetes, it is impossible for many of them to obtain health insurance coverage. It is our concern that these people will be able to purchase insurance coverage for reasons unrelated to diabetes as well, without facing financial hardship.

Our offices have received many calls from people across the state who are unable to obtain insurance coverage for themselves or their children. A family from Eureka recently called to tell us that they could not obtain health insurance for their 15 year old son even with an offer to pay the premiums one year in advance. It is a common underwriting practice to deny anyone under 35 years of age who has Type I, Juvenile, or Insulin Dependent diabetes.

It is our hope that persons with diabetes and other chronic illnesses may be able to obtain affordable health insurance coverage as a result of this legislation.

Thank you for your consideration of the needs of uninsurable citizens of Montana.

7/16 Insurance Commission's Proposed Amendment

PROPOSED AMENDMENTS TO HB 817

Section 4 subsection 2 found on page 5 is amended to read as follows:

(2) Each of the seven board members representing the association members is entitled to vote, in person or by proxy, based on the association member's annual Montana premium volume, in accordance with the following schedule:

\$ 100,000 -- \$ 4,999,999	1 vote
5,000,000 -- 9,999,999	2 votes
10,000,000 -- 14,999,999	3 votes
15,000,000 or more	4 votes

page 9 Section 6 subsection 3(b)(i) found on page 9 is amended to read as follows:

(i) care or for any injury or disease either arising out of an injury in the course of employment and subject to a workers' compensation or similar law, ~~for which benefits are payable without regard to fault under coverage statutorily required to be contained in any motor vehicle or other liability insurance policy or equivalent self insurance,~~ or for which benefits are payable under another policy of disability insurance or medicare;

Section 9 subsection 6 found on page 13 is amended to read as follows:

(6) Any annual fiscal yearend or interim assessment levied against an association member may be offset, in an amount equal to the assessment paid to the association, against the premium tax payable by that association member pursuant to 33-2-705 for the year in which the annual fiscal yearend or interim assessment is levied. The ~~department of revenue~~ insurance commissioner shall, each year the legislature meets in regular session, on or before January 15, report to the legislature the total amount of premium tax offset claimed by association members during the preceding biennium.

Exhibit 6
2/18/85
House Bill 817
February 14, 1985

Submitted by: Rep.
Kitselman

Kathy-E. Barkell
1439 Barrett Road
Billings, MT. 59105

Representative Les Kitselman
Capitol Station
Helena, MT. 59601

RE: HB 817 Pooled Risk Health Insurance Bill
Business and Labor Committee

Dear Representative Kitselman:

Please have the following letter read as testimony in favor of House Bill 817 when it comes before the Business and Labor Committee for consideration. Unfortunately, I am unable to come to Helena to testify in person.

I am the single parent of an eleven-year-old son, Ryan. In January, 1984, Ryan was diagnosed as having Juvenile Diabetes Mellitus. I am enclosing a copy of the prognosis given to me by his Doctor shortly after the diagnosis.

The financial impact of the disease is considerable at best and could be catastrophic. I am on a very fixed budget and receive no child support whatsoever from his father. On a regular basis, we must purchase insulin, syringes, blood and urine chemical testing strips and miscellaneous supplies. In addition to this, frequent visits to the Doctor and Diabetes Educator and expensive laboratory tests are necessary. The average cost is \$125.00 per month for the above necessities.

To this point, we have been extremely fortunate in that Ryan has not suffered any major complications nor required hospitalization. Even a bad case of the flu could require a hospital stay, which I have no idea how I would pay for.

I implore you to support HB 817 which would make affordable health insurance available to high risk individuals such as my son. At this time, Ryan is not covered by any health insurance, nor can I find a company that will insure him. I have contacted numerous insurance companies and have not been able to find one to cover Ryan, even as a dependent. Please note the attached example of this denial of coverage from MT. Physicians Service.

I urge the Committee to give a due pass recommendation for HB 817. It is vitally important for families and individuals to be able to acquire affordable, quality health care coverage to combat sky-rocketing medical costs and to insure that medical services will be available when needed.

Yours Truly,

Kathy - E. Barkell

THE BILLINGS CLINIC

THE BILLINGS CLINIC — HEIGHTS OFFICE

NINTH AVE. NORTH AT BROADWAY
MAILING ADDRESS: P.O. BOX 35100
BILLINGS, MONTANA 59107-5100
(406) 256-2500

WICKS LANE AT BABCOCK BOULEVARD
MAILING ADDRESS: P.O. BOX 35104
BILLINGS, MONTANA 59107-5104
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- DERMATOLOGY**
Thomas P. Gormley, MD
William H. Smoot, MD
- IMMEDIATE CARE**
Oscar W. Halkrusch, MD
Gene V. Holden, MD
- INTERNAL MEDICINE**
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Donald L. Hicks, MD
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- PSYCHIATRY**
William H. Hague, MD
- PSYCHOLOGY**
Robert E. Tompkins, Ed D
- OBSTETRICS AND GYNCOLOGY**
William H. Deschner, MD, PC
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Mark L. Randak, MD, PC
James R. Harris, MD
- GYNCOLOGY AND INFERTILITY**
Edward F. Randak, MD, PC
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O. Adrian Johnson, MD, PC
Hewes D. Agnew, MD, PC
Paul F. Grmolez, MD, PC
Robert N. Hurd, MD
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C. Dale Vermilion, MD
John J. Martin, MD
- RADIOLOGY**
Jerry D. Wolf, MD
V. Paul Johnson, MD
Bruce C. Pinkerton, MD
Dean A. Bruschwein, MD
- CONSULTANTS**
- MEDICAL DIRECTOR**
Paul V. Hoyer, MD
- ADMINISTRATOR**
William R. Nicholson

February 15, 1984

Mrs. Kathy E. Barkell
1439 Barrett Road
Billings, MT 59105

RYAN BARKELL
BC# 273321-0

Dear Mrs. Barkell:

As you well know, Ryan has developed juvenile diabetes mellitus within the last month. He is currently on insulin and is in the process of stabilization of his diabetes. Diabetes is a chronic day-to-day illness that does not go away. He will be on insulin the rest of his life. The ultimate prognosis, I think, depends on what develops in the future for treatment and management of diabetes. There is also the factor of how stable Ryan's control of his diabetes is as he gets older.

Currently, there are such new changes in diabetes in terms of portable infusion pumps and a number of other still somewhat experimental modes of treatment that hopefully as Ryan grows older his prognosis will be better than that of diabetics in the past. There are certainly always the prognostic problems of eye trouble, kidney problems and other complications of diabetes.

I hope this letter will be of some help. As I have mentioned, this is a chronic day-to-day, long-term struggle to manage and regulate diabetes.

Sincerely,


PATRICK SAUER, M.D.

go

MONTANA PHYSICIANS' SERVICE

404 Fuller Avenue • P.O. Box 4309 • Helena, Montana 59604 • (406) 442-5450



BLUE SHIELD

Medical • Surgical • Hospital

April 27, 1984

Kathe Barkell
1439 Barrett Road
Billings, MT 59105

Group No. 02-3429
Cert. No. 343007
Effective Date: 5-1-84

Dear Ms. Barkell:

We are pleased to accept your Blue Shield membership application which will become effective as shown above.

Coverage will not, however, include your son, Ryan who our Medical Review Consultants were unable to accept for medical reasons.

Your Identification cards will be sent to you shortly. We look forward to serving you as a new member of Blue Shield.

Sincerely,

Colleen Teberg
Colleen Teberg
Service Representative
Member Accounting

cc: Group

Testimony of The Montana Power Company in
Support of House Bill 694

RFC - February 18, 1985

We support House Bill 694 because it serves to give assurance to the ratepayer that he won't be saddled with unnecessarily high resource costs as the result of untimely acquisition of Qualifying Facility (QF) production. This legislation proposes to provide a price adjustment mechanism which recognizes the critical need to consider the proper timing of resource acquisitions as a necessary part of the resource planning and acquisition process. It will serve to correctly reflect the electricity supply situation as it relates to demand. This bill is truly in the best interest of the utility consumer.

When a utility has excess generating capacity, further aggravation of the surplus condition by unrestrained development of QF capacity would be precluded by the acquisition price adjustment mechanism. That is, when surplus generating capacity is determined to be apparent, further QF development would be restricted to that which can profitably develop at a low price equivalent to incremental running cost (or power pool purchase price).

This will serve to allow time for the utility's load to "grow" into the surplus before new QF capacity is added at a higher price, thus properly reflecting the value of resources which would otherwise have been added by the utility to meet growing demands.

Perhaps, a brief description of the recent situation pertaining to QF acquisitions and avoided cost as they relate to MPC is in order. In late 1983 the PSC set the avoided cost for Montana Power (under fully levelized contracts) at about 7.4¢/kWh.

Later the PSC denied recognition of Colstrip Unit #3 in MPC's rate base and effectively declared it to have zero value. This was done in the face of the fact that Colstrip Unit #3 was actually in use and serving MPC load. This failure of the PSC to recognize Colstrip Unit #3 resulted in a substantial amount of consumer demand being supplied at no cost to the consumer, but to the severe economic detriment of the utility shareholder.

At the same time the PSC was, through the avoided cost rate orders, requiring MPC to commit to the purchase of any and all QF resources developed, without limitation. By doing so, the PSC had effectively declared that QF resources, to be developed long after Colstrip Unit #3 is in substantial use in serving MPC customer loads, to have a value of 7.4¢/kWh as compared to the PSC's zero value determination for Colstrip Unit #3.

Through its action the PSC demonstrated a clear preference for higher cost QF resources of unproven reliability and dependability, and of uncertain availability, over a proven resource (Colstrip Unit #3) with proven and demonstrated availability, reliability and dependability, which was already on line, and serving load at a lower cost.

As an example of QF lack of dependability, the Perkins Power facility under development in Northern Wyoming (consisting of the refurbishment of a retired MDU coal-fired generation facility which had been retired after serving load for its 65-year useful life, in combination with a greenhouse operation) was scheduled to add 12,000 kW of production capacity to the MPC system on March 1, 1985. We were informed by a source unrelated to the developers, only last week, that this facility cannot possibly be on line before a year from now.

Other QF resources also have an inherent lack of reliability for serving MPC load at these high rates. Wind-powered generation, for example, is construed by the payment formulas to be available on a reliable basis during peak requirements; when in fact, the utility must plan resources to completely take the place of wind-powered resources, since the wind may not blow during certain peak periods.

When contemplating the reliability and dependability of resources, one must look with suspicion at the motives of many of those involved in the development of QF resources. As a point of fact, 47% of QF capacity currently under contract with MPC will be developed by out-of-state corporations, 33% by Montana developers associated with out-of-state investors and 14% entirely by out-of-state investors. This accounts for 94% of the QF capacity currently under contract.

MPC now has 39 projects under contract for a total capacity of nearly 91,000 kW, almost half the capacity of Colstrip Unit #3. This QF capacity will cost the MPC ratepayers approximately \$43 million/Year in purchased power cost.

Therefore, the PSC has turned its back on the ratepayers and MPC investors who have a long history of providing necessary capital to provide the generating facilities which are required to meet the needs of the electrical consumer; and turned in favor of the wide variety of often wealthy QF developers, all of which get involved in QF development merely to seize an opportunity to make a substantial profit (often in the range of 30% to 40% on invested capital), with resources of questionable reliability, constructed and operated by inexperienced non-utility people, who have no statutory commitment to serve the requirements of the consumer.

House Bill 694 at least would assure that the high cost of QF resources is not imposed on utility ratepayers when there are adequate supplies of generation capacity available.

DC/mc

MEMORANDUM

TO : John Lahr

FROM: Dick Cromer

DATE: December 26, 1984

RE : Cogeneration and Small Power Production Development in Montana

In response to your recent request for information regarding the development of PURPA resources in Montana, I offer the following:

1. Section 210 of the Public Utility Regulatory Policy act of 1978 (PURPA) required FERC as well as State regulatory authorities to adopt rules to encourage development of cogeneration and small power production (COG/SPP) and requiring electric utilities to purchase production from COG/SPP facilities. The rules were to ensure that rates for purchases of electric energy from Qualifying Facilities (QF) be just and reasonable to utility consumers, in the public interest, and not to exceed the utilities avoided cost of alternative resources of energy.
2. On May 4, 1981, the MPSC adopted the final rules governing purchases and sales between public utilities and QFs. The MPSC's rules promogated under ARM 38.5.1901 through 38.5.1908 were modelled under FERC regulations implementing Section 201 and 210 of PURPA, and provided the general obligations of QFs and regulated public utilities, leaving the establishment of tariff rates for purchases by utilities to contested case proceedings.
3. The MPSC has since held two rounds of rate hearings under Dockets numbered 81.2.15 and 83.1.2, both of which resulted in orders establishing purchase rates for Montana regulated utilities. The current rates for purchases of QF production by MPC under fully levelized long-term contracts range from about 4.4¢/kWh to 7.4¢/kWh.
4. MPC currently has a total of 38 projects under contract, which, in the aggregate, contemplate the installation of production capacity of 90,117 kW at an annual (first year) cost (when all projects are in operation) of approximately \$43.4 million.

Attached is a recent letter to Mike Lee (with attached sheets) which provides a more detailed listing of the projects under contract and their associated contract generation characteristics.

DC/mc
Attachments

December 12, 1984

Mr Michael H Lee
Economist
Utility Division
Public Service Commission
State of Montana
2701 Prospect
Helena, MT 59620

Re: Prospective Cogeneration/Small Power Production (COG/SPP)
Development on the MPC System

Dear Mike:

In response to your December 11, 1984 telephone request, I am providing herewith tabulations of prospective COG/SPP development potential on the MPC system in each of several categories described below. The figures provided reflect the generating characteristics and operation dates expected to be achieved by the developers of each of the projects contemplated for development, and therefore, are our current best estimates of the upper bounds of production amounts and annual cost based on the representations of the developers who have signed or are seeking power purchase agreements with MPC.

Category 1 (9 Projects)

This Category encompasses projects which are under contract with MPC and presently in operation. The combined generation characteristics and estimated purchased power cost for resource acquisitions in this Category are as follows:

Peak Capability	1,283 kW
Contract Capacity	1,193 kW
Annual Energy Production	5,489,611 kWh
Annual Cost (First Year)	\$ 289,465

Category 2 (3 Projects)

This Category encompasses projects for which we have committed to enter a purchase power agreement, although the agreement is pending completion, and for which operation

LETTER - Mr Michael H Lee
December 12, 1984
Page 2

under pending agreements is imminent. The combined generation characteristics and estimated purchased power costs for resource acquisitions in this Category are as follows:

Peak Capability	195 kW
Contract Capacity	195 kW
Annual Energy Production	569,400 kWh
Annual Cost (First Year)	\$ 33,917

Category 3 (5 Projects)

This Category encompasses projects which are under contract for future operation. The combined generation characteristics and estimated purchased power cost for resource acquisitions in this Category are as follows:

Peak Capability	27,749 kW
Contract Capacity	27,600 kW
Annual Energy Production	194,341,651 kWh
Annual Cost (First Year)	\$13,398,753

Category 4 (21 Projects)

This Category encompasses projects for which contracts have been "fully negotiated"; that is, the contracts have been executed by the prospective producer and await only execution by MPC for completion. (We presume these projects fall in the category of those having contracts pending, which MPC is directed to sign by Order No. 5091a.) The combined generation characteristics and estimated purchased power cost for resource acquisitions in this Category are as follows:

Peak Capability	60,950 kW
Contract Capacity	60,030 kW
Annual Energy Production	439,007,400 kWh
Annual Cost (First Year)	\$29,707,462

Category 5 (5 Projects)

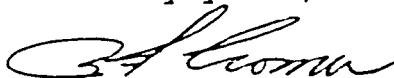
This Category encompasses projects for which contract negotiations are in progress, and for which final contract agreements have not been reached. The combined generation characteristics and estimated purchased power cost for resource acquisitions in this Category are as follows:

Peak Capability	35,120 kW
Contract Capacity	26,120 kW
Annual Energy Production	179,550,136 kWh
Annual Cost (First Year)	\$12,264,688

COG/SPP projects in all of the above Categories should be considered to have a very high probability for ultimate development, especially if rates under Tariff QFLT-84, Supplement #1 are applied to the contracts for these projects through their proposed contract life. In my September 20, 1984 letter to you on this subject, I indicated that we anticipated at that time a possible exposure of the MPC ratepayer to a range of COG/SPP development from 29 MW to 325 MW. I would update this indication at this time, to reflect the changes which have occurred since the writing of my September 20 letter, and indicate that we now see the potential for near-term development of COG/SPP projects on the MPC system (if QFLT-84, Supplement #1 rates were to continue indefinitely) to be in the range of 120 MW to 325 MW. I must emphasize that the caveats contained in my September 20 letter will apply equally to this updated forecast.

In summary, we presently have before us, either in the form of signed contracts or for consideration by MPC to enter power purchase agreements, a total of 43 projects for a combined peak capability of approximately 125 MW, a combined contract capacity of approximately 115 MW and combined annual energy production of approximately 819,000 MWh (93 average MW). The aggregate capacity factor of this known potential for development is 74.6%, the aggregate cost/kWh of energy production is 6.80¢/kWh, and the combined purchased power cost associated with development to this level, with production as currently contemplated in proposed power purchase agreements, now totals approximately \$55.7 million annually when and if all projects in the above five categories are in operation.

Sincerely yours,



Richard F Cromer
Director, Power Contracts

RFC/jd
Enclosures

cc: JD Haffey
Service List (w/o Enclosures)

December 11, 1984

Page 1 of 2

COG/SPP Development Up-Date

RF Cromer

The Montana Power Company

Project Name/Type	Peak Capacity (kW)	Contract Capacity (kW)	Contract Capacity Factor	Annual Energy Production (kWh)	Operation Date	Term (Yrs)	Payment Option	Rate (¢/kWh)	Estimated First Year Power Cost \$	Remarks
<u>Category I</u>										
(Under Contract and Operating)										
City of Livingston (Wind)	125	125	20%	219,000	12/81	4	LTPP	6.12	13,403	
Phillipsburg Water System (Hydro)	155	155	85%	1,154,130	3/83, 7/83	10	LTPP	6.12	70,635	
Cascade Creek Hydro (Budde)	68	68	84%	500,371	5/83	35	OFLT-FL	7.38	36,939	Converted Original Contract to New
Montana Wind Powered Assoc Great Falls	125	125	33%	361,350	8/83	4	LTPP	6.12	22,115	
Nord Wind Livingston	54.9	54.9	26%	125,040	9/83	4	LTPP	6.12	7,653	

December 11, 1984

Page 2 of 2

COG/SPP Development Up-Date

RF Cromer

The Montana Power Company

<u>Project Name/Type</u>	<u>Peak Capacity (kW)</u>	<u>Contract Capacity (kW)</u>	<u>Contract Capacity Factor</u>	<u>Annual Energy Production (kWh)</u>	<u>Operation Date</u>	<u>Term (Yrs)</u>	<u>Payment Option</u>	<u>Rate (¢/kWh)</u>	<u>Estimated First Year Power Cost \$</u>	<u>Remarks</u>
<u>Category I</u>										
(Under Contract and Operating)										
Healow #1 Wind - Livingston	54.9	54.9	26%	125,040	11/83	4	LTPP	6.12	7,653	
Pan Aero Wind - Livingston	200	200	33%	578,160	12/83	4	OFLT Esc	4.41	25,490	
Boulder Creek Hydro Flathead	350	260	65%	1,992,900	12/84	4	OFLT Esc	4.21	83,942	
Helena Waste Water Treatment (En Gen)	150	150	33%	433,620	12/84	4	OFLT-FL	4.99	21,635	
TOTAL	1283	1193		5,489,611					\$289,465	

December 11, 1984

COG/SPP Development Up-Date

RF Cromer

The Montana Power Company

Project Name/Type	Peak Capacity (kW)	Contract Capacity (kW)	Contract Capacity Factor	Annual Energy Production (kWh)	Operation Date	Term (Yrs)	Payment Option	Rate (¢/kWh)	Estimated First Year Power Cost \$	Remark
<u>Category III</u>										
(Under Contract for Future Operation)										
Perkins Power - Coal Cogen	12,000	12,000	75%	78,840,000	3/85	25	OFLT-FL	6.52	5,140,174	
Big Horn Energy Partners - Coal Cogen	15,000	15,000	85%	111,690,000	10/86	30		7.17	8,014,040	Final Pay- ment Option Reserved
Ohs Hydro - Pony	300	300	75%	1,971,000	9/85	20	OFLT-PL	5.86	115,444	
Barney Creek Hydro (Budde)	65	60	75%	394,200	5/85	35	OFLT-FL	7.38	29,101	
Potosi Power Hydro - Pony	384	240	43%	1,446,451	1/87	35		6.91	99,994	Final Pay- ment Option Reserved
TOTALS	27,749	27,600		194,341,651					\$13,398,753	

December 11, 1984

Page 1 of 4

COG/SPP Development Up-Date

RF Cromer

The Montana Power Company

Project Name/Type	Peak Capacity (kW)	Contract Capacity (kW)	Contract Capacity Factor	Annual Energy Production (kWh)	Operation Date	Term (Yrs)	Payment Option	Rate (¢/kWh)	Estimated First Year Power Cost \$	Rem.
<u>Category IV</u>										
(Contracts "Fully Negotiated", Pending Execution by MPC, Future Operation)										
AEM - Coal Cogen	30,000	30,000	85%	223,380,000	3/86	35	QFLT-PL	6.41	14,329,414	
Bozeman Wood Waste	12,000	12,000	90%	94,608,000	2/86	30	QFLT-FL	7.17	6,788,363	
Hydrodynamics Hydro:										
Strawberry Creek	275	190	70%	1,686,300	9/85	35	QFLT-PL	6.03	101,695	
Bridger Creek	320	320	95%	2,663,040	9/85	35	QFLT-PL	6.41	170,829	
Rock Creek Ditch	250	170	60%	1,314,000	9/85	35	QFLT-PL	6.02	79,064	
Washoe Project	250	170	60%	1,314,000	9/85	35	QFLT-PL	6.02	79,064	
South Dry Creek	1,800	1,200	60%	9,460,800	9/85	35	QFLT-PL	6.00	567,700	

COG/SPP Development Up-Date

RF Cromer

The Montana Power Company

<u>Project Name/Type</u>	<u>Peak Capacity (kw)</u>	<u>Contract Capacity (kw)</u>	<u>Contract Capacity Factor</u>	<u>Annual Energy Production (kWh)</u>	<u>Operation Date</u>	<u>Term (Yrs)</u>	<u>Payment Option</u>	<u>Rate (\$/kWh)</u>	<u>Estimated First Year Power Cost</u>	<u>Rem. s</u>
<u>Category IV</u>										
(Contracts "Fully Negotiated", Pending Execution by MPC, Future Operation)										
Other Hydro Projects:										
George Creek - McPherson	100	90	75%	657,000	9/85	35	QFLT-PL	6.29	41,329	
Pine Creek - Carter	340	300	75%	2,233,800	9/85	35	QFLT-PL	6.27	140,028	
Blue Water Creek - Ragland	250	250	95%	2,080,500	9/85	35	QFLT-PL	6.41	133,460	
East Fork Mill Creek - Landers	45	40	75%	295,650	9/85	35	QFLT-PL	6.28	18,557	
South Fork Deep Creek - Nelson	230	210	75%	1,511,100	9/85	35	QFLT-PL	6.31	95,301	

December 11, 1984

Page 3 of 4

COG/SPP Development Up-Date

RF Cromer

The Montana Power Company

<u>Project Name/Type</u>	<u>Peak Capacity (kW)</u>	<u>Contract Capacity (kW)</u>	<u>Contract Capacity Factor</u>	<u>Annual Energy Production (kWh)</u>	<u>Operation Date</u>	<u>Term (Yrs)</u>	<u>Payment Option</u>	<u>Rate (¢/kWh)</u>	<u>Estimated First Year Power Cost</u>	<u>Rema.</u>
<u>Category IV (Cont)</u>										
(Contracts "Fully Negotiated", Pending Execution by MPC, Future Operation)										
Montana Ventures Inc										
Hydro:										
Lima Reservoir	450	450	48%	1,892,160	12/87	35		7.38	139,684	Rate Reserved
Ruby Reservoir	907	907	67%	5,323,364	1/87	35		7.38	392,985	Rate Reserved
Tongue River Reservoir	1335	1335	68%	7,952,328	1/87	35		7.38	587,063	Rate Reserved
Willow Creek Reservoir	340	340	53%	1,578,552	1/87	35		7.38	116,533	Rate Reserved
Painted Rocks Reservoir	1,458	1,458	57%	7,280,086	1/87	35		7.38	537,436	Rate Reserved

December 11, 1984

Page 4 of 4

COG/SPP Development Up-Date

RF Cromer

The Montana Power Company

<u>Project Name/Type</u>	<u>Peak Capacity (kW)</u>	<u>Contract Capacity (kW)</u>	<u>Contract Capacity Factor</u>	<u>Annual Energy Production (kWh)</u>	<u>Operation Date</u>	<u>Term (Yrs)</u>	<u>Payment Option</u>	<u>Rate (¢/kWh)</u>	<u>Estimated First Year Power Cost</u>	<u>Rema 3</u>
<u>Category IV (Cont)</u>									\$	
(Contracts "Fully Negotiated", Pending Execution by MPC, Future Operation)										
Red Lodge - Waste Coal	10,000	10,000	80%	70,080,000	5/86	35		7.38	5,173,499	Rate Reserved
Don Quixote Wind - Livingston	160	160	15%	210,240	11/85	10	QFLT-FL	5.66	11,894	
Donald Jenni - Artesian Well	240	240	95%	1,997,280	11/85	25	QFLT-PL	6.90	137,910	
Young Electric - Waste Gas	200	200	85%	1,489,200	1/85	4	QFLT-Esc	4.41	65,654	
TOTALS	60,950	60,030		439,007,400					29,707,462	

September 11, 1984

COG/SPP Development Up-Date

RF Cromer

The Montana Power Company

Project Name/Type	Peak Capacity (kW)	Contract Capacity (kW)	Contract Capacity Factor	Annual Energy Production (kWh)	Operation Date	Term (Yrs)	Payment Option	Rate (\$/kWh)	Estimated First Year Power Cost	Remarks
Category V										
Contract negotiations in progress)										
Johnson Dam Hydro - MITEC	12,000	9,000	33%	35,000,000	7/87	35		7.06	2,471,397	(Preliminary Statistics)
Goodwater Dam - DNRC	10,000	8,500	66%	57,816,000	4/89	35	OFLT-FL	7.19	4,159,621	
Billings Waste Water - Eng Gen	420	420	33%	1,214,136	7/85			4.41	53,528	(Preliminary Cost Based on 4-Year OFLT-Esc)
Farland Canal Hydro - Wyo	2,700	2,700	44%	10,500,000	7/85			4.41	462,202	Preliminary
Deer Dam Hydro	10,000	5,500	86%	75,020,000	?	35			5,117,940	Preliminary
TOTALS	35,120	26,120		179,550,136					\$12,264,688	

Committee on Business and Labor
Comments on House Bill 694
Submitted by: Thomas H. Nelson
Pacific Power & Light Company
February 18, 1985

Pacific Power serves Kalispell and Libby areas in Montana, and also provides retail electric service in Oregon, Washington, Idaho, California, and Wyoming. Approximately three percent (3%) of Pacific Power's electric operations are in Montana, and Pacific owns a ten percent (10%) share of Colstrip Units 3 and 4; together, the power from those units aggregates to 140 megawatts.

Pacific Power is a leader in the utility industry in providing assistance to the development of alternative generation projects, including "qualifying facilities" under the provisions of Section 210 of the Public Utility Regulatory Policies Act of 1978 ("PURPA"). Pacific has over 85 signed contracts with alternative energy facilities, and is currently providing assistance to projects which aggregate over 1000 megawatts of power. Over 165 of those megawatts are located in Montana.

Pacific Power strongly supports H.B. 694, and so should Pacific Power's customers. This is because --

1. Pacific Power's customers -- not its shareholders -- bear the risk of loss in transactions with qualifying facilities.

2. Because of the sufficient regional supply of power, Montana prices to qualifying facilities are grossly excessive. Recently established avoided-cost prices in Oregon, using the methodology set forth in H.B. 694, are at 1.7¢/kilowatt-hour, whereas in Montana power from the same source would cost 6.4¢/kilowatt-hour.

3. Other states probably will not allow Pacific Power's customers in those states to pick up excessive Montana prices, which means that the brunt of high Montana prices will be borne by Montana citizens. If such happens, Pacific Power's "system" power (which costs approximately 2.5¢/kilowatt-hour) would be entirely displaced by much more expensive power from qualifying facilities.

4. The concept behind the bill -- that prices should be lower in a period of resource sufficiency, and that prices of purchases from power pools are an appropriate measure of "avoided costs" -- is entirely consistent with federal law and regulations, and has been explicitly adopted by the Oregon Public Utility Commissioner.

Once again, support for H.B. 694 is not to be equated with hostility to qualifying facilities. Pacific Power continues to support those facilities. But the question is whether purchases from such facilities should leave Pacific Power's Montana customers in a worse position than they would have been without such purchases; without H.B. 694, Montana citizens could face unwarranted electric rate increases.

Thank you for this opportunity to comment. I would be more than happy to respond to any questions.

Service Date: JAN 17 1985

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER of the Commission's) UTILITY DIVISION
Investigation of Electric Avoided Cost) DOCKET NO. 84.10.64
Rates.)

* * * * *

PROCEDURAL ORDER

* * * * *

On October 16, 1984, the Commission issued Order No. 5091, Notice of Commission Action and Order Inviting Comments. On December 10, 1984, the Commission issued Order No. 5091a, Interim Order and Notice of Prehearing Conference. On December 19, 1984, the Commission staff conducted a prehearing conference. Pursuant to these previous orders and the prehearing conference the Commission has established the following procedures and deadlines for this docket.

1. In this order, the term "parties" includes the Montana Power Company (MPC), Pacific Power & Light Company (PP&L), Montana Dakota Utilities (MDU) and all intervenors. Individuals or entities listed on the "service list" for this docket are not "parties" to this docket unless they have been granted intervention by the Commission.

2. Copies of all pleadings, motions, discovery requests, prefiled testimony suggestions for changes in rules and briefs filed with the Commission shall be served on all parties to this docket. In submitting prefiled testimony, the original and ten copies must be filed with the Commission.

Failure to provide the requisite number of copies will constitute a defective filing and may result in testimony not being allowed into the record.

3. The Commission intends to examine issues related to avoided costs in both a rulemaking proceeding and in a contested case proceeding. The rulemaking proceeding will focus on changes that should be made in existing rules, 38.5.1901 through 1908, A.R.M., and new rules that should be adopted. Suggestions for rule changes should be made in a rulemaking format and should address such areas as contract terms and other subjects of general applicability. To the degree possible, the Commission wishes to focus the contested case hearing on the issue of the appropriate method by which avoided cost rates should be determined.

4. In its consideration of avoided cost methodology, the Commission wishes to have the following issues addressed; of course, parties are entirely free to raise others:

I. Costing Methodology

A. Generation Related Marginal Costs

i - Energy Related:

- (a) How should energy-related marginal costs be computed (e.g., using the current base-peak, the peak method, running costs, opportunity purchases and/or sales)?

ii - Demand Related:

- (a) How should demand-related marginal costs be computed (e.g., based on the costs of a combustion turbine, hydro upgrade, fuel offset, the resource plan, opportunity purchases and/or sales)?
- (b) How do shortage/curtailment costs fit in with ii(a) above?

iii Market Value Concepts:

- (a) In the recent MPC electric retail rate case, the Commission expressed its interest (Order No. 5051c, Finding Nos. 142, 143, 144 and 198) in knowledge of MPC's supply curve for new resources including conservation, firm purchases, QF purchases, and investor owned facilities. The Commission deferred to the next avoided cost docket the resolution of this issue for MPC.
1. Is a "life cycle analysis", an analysis based on "total costs", or a marginal cost analysis the appropriate criteria for comparing supply alternatives?
 2. The Commission requests each utility to provide a supply curve of future resource acquisitions based on the "appropriate criteria" (A iii (a) 1 above). Quantity and price information for each resource option must be indicated along with the on-line or availability dates of each. Other interested parties may respond to 1 and 2 above if they desire.
 3. Also, in Order 5051c, the Commission made the following request of MPC: "MPC is therefore directed to assemble a tabulation of all in place or contemplated long-term sales which it is aware of both within the Northwest region and to or from the Northwest region and present them in the next rate case" (Finding No. 14). To the extent MPC has this data it must now file it with this Commission. To the extent PP&L has any such data it also must report it to the Commission. MDU is requested to report the same, but not of course for the Pacific Northwest region. Rather, MDU should report any such data it may have for the integrated region (e.g., MAPP, WAPA) in which it operates. Each utility must report any such data not covered by protective orders, and indicate any such data that may be subject to protective orders in other jurisdictions.
- iv. One possibility for minimizing the costs of meeting a utility's future -- incremental -- load growth is a "bidding process". This process would allow a utility and any other interested supplier to bid for the opportunity to provide the resources necessary to meet increments in a utility's load growth. The party with the lowest bid would in effect establish a price signal that could in turn be the basis of an avoided cost rate. In this regard, please respond to the following:

1. Please analyze the "bidding process" concept for setting avoided cost rates.
2. Does PURPA (FERC Order 69 part 292.101(c)) prohibit a state regulatory commission from using the "bidding process" as a means of setting avoided cost rates?
3. Would the "bidding process" minimize ratepayer costs?

B. Transmission Related Marginal Costs

i - Energy Related:

- (a) Should a short-run or long-run approach be taken? Short-run costs could be based on \$/KWH/mile/voltage level/time period; long-run costs could be based on capital investments combined with assumed load factors. In the case of MPC, for example, the Company has two distinct categories of transmission investment. One is the 500 KV transmission line; the other is for upgrades and reliability purposes (see Exhibit Nos. D through F of MPC's 1984 Long Range Plan).

ii - Demand Related

- (a) See A i (a) above.

iii - Other

- (a) Do FERC regulations prohibit marginal cost pricing?
- (b) Do various inter-company power pooling agreements, or otherwise, recognize the value of qualifying facility (QF) power vis-a-vis a utility's own transmission investments; that is, do such contractual agreements prohibit the avoidance of, for example, MPC's projected transmission investments? Reserve requirements?

C. Distribution Related Marginal Costs

i - Energy Related:

- (a) Are there any avoidable distribution-related energy costs?
- (b) How would these (i (a) above) be computed and tarified e.g., regression analyses, minimum distribution costs, etc.?

ii - Demand Related

- (a) (See C i (a) and (b) above)

D. Other Costs

- (a) Are there any costs that QFs impose on a utility for which they should be charged e.g., customer billing (and not interconnection costs) and line losses which are not included in interconnection costs?

- E. (a) With respect to I A, B and C, above, why shouldn't whatever avoided cost method(s) that the Commission adopts equally apply to electric retail cost of service and rate design? That is, why shouldn't producers and consumers face precisely identical price signals (identical except for voltage level, time of delivery and differences in say customer costs)?

II. The Current Base Peak Method

- (a) Since MPC and PP&L do not have coal-fired baseload plants in their resource plans, should Colstrip 3 and 4 costs be used as a baseload cost data base?
- (b) Should the actual resources in a utility's resource plan be used as the basis of baseload costs in the base peak calculation?
- (c) If a resource(s) in a Company's resource plan is used, should the future cost be discounted back to the present (by discounting, the Commission means converting cash flows occurring over time to time-equivalent values, adjusting for the time-value of money; by "time-value of money", the Commission means the time dependent value of money that may stem both from price inflation and from the real earning power of investments over time).
- (d) Some possibilities for either baseload or peakload costs include BPA's 7(F) rate, MDU's Big Stone costs and opportunity purchases.
 - 1. Does the 7(F) rate reflect true social costs?
 - 2. With regard to the 7(F) rate please comment on the opinion that when a utility increases its requirements on a resource pool and forces the pool to acquire new higher cost resources the rate for all the utility's purchases will increase; that is, should the incremental resource in the 7(F) pool be the basis of marginal costs?
 - 3. MDU's Big Stone is not a new plant; how should its costs be adjusted if used in the Base-Peak calculation?
 - 4. What capacity factor should be used with the 7(f) rate?

- (e) If Colstrip 3 and/or 4 continue to be used in the avoided cost calculation, should the actual book costs (AFUDC and plant investment) be adjusted to be in, for example, 1985 dollars? Why?
- (f) Should real or nominal carrying charges be used to annualize capital costs?
- (g) Should carrying charges reflect tax or service lives?
- (h) Should equity costs in the carrying charge calculation be computed on a before or after tax basis?
- (i) Provide a list of all components that should be included in a carrying charge.

III. Avoided Cost Adders

- (a) Should general and common costs be added to the cost per KWH and per KW?
- (b) Should fixed or variable operation and maintenance expenses be added to the cost per KWH or per KW?
- (c) Should working capital adders be included in the cost per KWH and per KW?
- (d) Should property taxes, state and federal taxes or any other tax be included in marginal cost calculations?
- (e) Should any other adders be included?
- (f) How should each of III (a) through III (e) be computed e.g., regression analyses, cost ratios, etc.? Why?

IV. Related Issues

- (a) In MPC Docket No. 83.9.67, a Company witness proposed a "Fuel Offset" approach to computing generation-related demand costs. This method looks at the capital costs of a future resource in each year of the resource's operation and subtracts from this estimate fuel savings (\$) due to the same resource's addition, resulting in a net cost.
 - 1. If the Commission adopted this method, should the discounted present value of the actual resource cost or net resource cost be the basis of an avoided cost per KW? Why?
 - 2. How should the fuel savings in the Fuel Offset be computed?
- (b) AFUDC is a cost incurred by utilities in constructing generation plants.

1. If historic costs are the basis of current avoided costs, how should AFUDC be treated? Why?
 2. If future costs are the basis of current avoided costs, how should AFUDC be treated? Why?
 3. In their Michigan State University text, Authors Suelflow and Pomerantz hold that AFUDC should be compounded. Please comment (Allowance for Funds Used During Construction, 1975).
- (c) In Docket No. 83.9.68, MDU's staff economist proposed using a slippage -- perturbation -- concept to compute avoided generation-related demand costs.
1. Please comment on the appropriateness of using this method for purposes of avoided cost rates.
- V. (a) Alternative methods exist for computing marginal generation-related running costs. One method relies on production modeling programs such as MPC's PROMOD III. This method looks at the running cost of the marginal generation plant in each hour of the year.
1. Because QF power is not dispatchable by a utility, shouldn't all QF power be excluded in this calculation of marginal running costs?
 2. Should larger than a one KW decrement be used in this calculation e.g., a decrement equal to say one or ten MWs?
 3. Should the avoided cost be QF specific to reflect QF size, and QF willingness and ability to follow load?
 4. Given a constant rate of load growth (4%), and a constant rate of inflation (5%), will the average revenue requirement per kwhr from rate payers of your utility be higher in 1990? in 2000? (in real dollars).
 5. How much of the trend that you see (up or down) will be influenced by the cost of new or replacement energy resources.
 6. If you expect the average cost of electricity to rate payers to decrease, explain which sources of energy will have a cost less than the average cost of embedded energy resources?
 7. Should non-utility sources of energy including Conservation and QF production (non-dispatchable) be modeled as resources or as load reductions in the various utilities load and resources forecasts?

8. Is it more difficult to predict a decrease in load than an increase in load?

(b) Because utilities are required by PURPA to pay full utility avoided costs, it is difficult to achieve supply/demand equilibrium; this is because a utility's avoided cost may bring on "x" units of power at cost "p"; but the same cost "p" could attract sufficient QF power to render the utility surplus for many years into the future.

1. Due to this problem, should the PSC set annual limits on QF power purchases so that surpluses are avoided?
2. Or, is there a way to make this process of setting avoided cost rates a dynamic process so that the Commission determined avoided cost rates change as necessary to balance supply and demand? (Different processes may be required for the various methods of computing generation and transmission avoided costs.)
3. Given that large amount of energy appear to be present in the state from non-utility sources, is the commission under any obligation to give utility resources some kind of preference?

VI. Other Issues

A. Conservation

- i - In Order No. 5051c of Docket No. 83.9.67, the Commission stated that it would "...withhold detailed evaluation of MPC's various conservation programs, and their relative cost effectiveness until the next avoided cost docket" (Finding of Fact 141). The Commission also noted that "...the record is not adequate to establish a least cost resource strategy. A comprehensive analysis is required." (Finding 135). The Commission further stated that the objective of minimizing the "present value of the revenue requirement "...is most appropriately handled in "a comprehensive avoided cost proceeding" (Finding 145). The Commission also stated: "...The Commission intends to evaluate future resource additions to the utility system on a basis directly comparable to the alternatives. The Commission expects that the most appropriate technique is a comprehensive avoided cost proceeding." (Finding 143)
 - (a) For each utility, should avoided costs rates be based on cost effective conservation, or should conservation receive the avoided cost rate?
 - (b) Each utility must provide a supply curve of conservation investment opportunities. (This supply curve should break down the aggregate conservation contribution

reported in I A iii (a) 2 above into its constituent parts to the extent data exists (e.g., residential, commercial, etc.).

- B. The past two avoided cost dockets have created an obligation on the part of utilities and the PSC to develop and administer a variety of QF tariffs. This practice is a burden on taxpayers and ratepayers. For example, the Commission maintains different avoided costs from Docket Nos. 81.2.15, 83.1.2, and will likely have a third set out of the instant docket. Please provide comments on means by which these administrative costs can be minimized or avoided.
- C. If this PSC allows MPC to, for example, rate base a portion of Colstrip 3 at original cost less depreciation (OC-D), does it naturally follow that OC-D for Colstrip 3 is the avoided cost rate? Why or why not?
- D. Time Varying Avoided Cost Rates
 - i - Energy and Demand Costs
 - (a) Should the Commission tariff seasonal and time of day avoided costs rates to be consistent with electric retail rates? How?
 - (b) Should electric retail rates be the avoided cost rates? Why?
- E. Levelized Rates
 - i -
 - (a) Should avoided energy cost rates be levelized?
 - (b) Should avoided demand (capacity) cost rates be levelized?
 - (c) (RE(a) and (b) above) How (i.e., in real or nominal terms)?
- F.
 - 1. In contrast to VI. C. above, if this Commission bases avoided cost rates on Colstrip 3 and 4 costs, does it naturally follow that the avoided cost rate is the appropriate rate for purposes of ratebasing a utility's plant investments?
 - 2. In electric retail rate cases nominal weighted costs of capital are used to compute a portion of the utility revenue requirement. In avoided cost dockets, however, real weighted costs of capital are used to annualize capital costs. Economists argue for the use of real carrying charges. Please comment on the effects of and solutions to this inconsistency.

- G. Given the latest FERC declaratory ruling on wheeling regulation, can you propose a means for arriving at a generic proposal by Montana utilities and QFs to present to FERC for approval of a wheeling "policy"?

VII. Standardized Reporting Requirements

To the extent utilities and parties file cost data pursuant to the above issue outline the Commission finds, as did the Pacific Northwest Power Planning Council, that such cost data must be standardized:

1. All cost data must be in January 1, 1986 dollars (note that each utilities June 1, 1985 annual avoided cost update will be in the same year's dollars).
2. Any life cycle cost analyses, carrying charge calculations, discounted present value analyses, cost levelization analyses by a single party must use consistent discount rate and price escalation rate assumptions.
3. Any cost levelizations must be reported in both constant January 1, 1986 dollars and in current dollars.
4. The Commission may consider tariffing avoided cost rates for power production in latter years (e.g., 1986-1995). Each utility and interested party should indicate how these future estimates should be developed and annually revised to reflect a changing load/resource balance.

Schedule

5. All dates listed in the following schedule are mailing dates. Parties must mail all material by the most expeditious method available at reasonable cost.
6. The following schedule shall apply in Docket 84.10.64:
 - a) January 25, 1985: Final day for intervention petitions to be filed with the Commission.
 - b) January 30, 1985: All utilities and intervenors shall file general statements describing the position they will take in their testimony.
 - c) February 13, 1985: Final day for:
 - Filing of initial testimony.
 - Filing any suggested amendments or additions to Rules 38.5.1901 through 1908, A.R.M.

- d) March 1, 1985: Final day for submission of discovery.
- e) March 22, 1985: Final day for responses to discovery.
- f) April 12, 1985: Final day for filing rebuttal testimony.
- g) April 30, 1985: Opening day of hearing.

Prehearing Conference

7. A prehearing conference will be conducted on April 22, 1985, at 2 p.m. in the Commission's Conference Room, 2701 Prospect Avenue, Helena, Montana 59620. At that time potential issues ripe for settlement will be discussed, as well as witness sequence and other procedural matters.

Intervention

8. Parties seeking to intervene after January 25, 1985, must file a Petition to Intervene with the Commission. The petition shall demonstrate (A) the position that the intervenor will take if the intervention is granted, (B) that the proposed intervenor has an interest in and is directly affected by this Docket, (C) that the intervention, if granted, will not delay or prejudice the proceeding in the Docket, and (D) good cause why the petition was not timely filed. (ARM Section 38.2.2401 et seq.).

Discovery

9. The term "discovery" as used in this order includes all forms of discovery authorized by the Montana Rules of Civil Procedure, as well as informal "data requests." The Commission urges all parties to conduct their discovery through the use of data requests as much as possible.

10. Written discovery and data requests will be served on all parties. Hopefully this will serve to reduce the number of duplicate requests. Unless otherwise agreed between individual parties, copies of answers to all written

discovery and data requests will be served only on parties specifically requesting them and on the Commission. In this connection the term "parties" includes the parties, their attorneys, and witnesses testifying on matters to which the answers relate, who are not located in the same town as the party. If any party wants material requested by any other party, it should so inform the party to whom the data request or written discovery was directed.

11. The party receiving discovery or a data request has five (5) days from receipt of the same within which to voice any objections it has to the request. The objection and notice thereof shall be served upon the Commission and all parties of record. The Commission may dispose of such objections by prompt ruling, or may schedule arguments on the objections. Failure to object promptly will be deemed acceptance of the request.

12. In the event any requesting party is dissatisfied with the response to any written discovery or data request, such party must, within five (5) days after receipt of such response, serve in writing upon the Commission, and simultaneously upon all parties of record, its objections to such response. The Commission may dispose of such objections by prompt ruling, or may schedule argument on the objections. The Commission will issue its order either sustaining or overruling the objections. If objections are sustained, a time period will be set within which a satisfactory response must be made.

13. Submission of written discovery or data requests after the period established for the same will be allowed by leave of the Commission only. Such requests will not be permitted unless the party making the request shows good cause as to why the request was not submitted within the time period allowed.

14. Unless excused by the Commission, failure by a party to answer data requests or other discovery from any party may result in:

- (a) An order refusing to allow the disobedient party to support or oppose related claims, or prohibiting him from introducing related matters in evidence;
- (b) An order striking pleadings, testimony or parts thereof, or staying further proceedings until the requests are satisfied.

Testimony and Evidence

15. The Commission contemplates a progressive narrowing of issues as prefiled testimony proceeds. Introduction of new issues or data in new areas will be carefully scrutinized and disallowed unless extenuating circumstances are clearly demonstrated.

16. At the hearing, prefiled direct, answer and rebuttal testimony will be adopted into the record without recitation by the witness.

17. All proposed exhibits and prefiled written testimony shall be marked for the purposes of identification prior to the start of the hearing. Parties shall arrange in advance with the court reporter the manner of identifying their exhibits.

18. When cross-examination is based on a document, not previously filed with the Commission, copies of the document will be made available to the Commission unless good cause is shown why copies are not available. Parties introducing data requests or other discovery must have copies of each request and response available at the hearing for the court reporter, each Commissioner, the Commission staff and all parties.

19. Parties may be permitted to present "live" rebuttal testimony only if it is in direct response to an issue raised for the first time in cross-examination or the testimony of a public witness. Such testimony will be allowed only by leave of the presiding officer.

20. Citizens and citizen groups will, in the discretion of the Commission, be allowed to make statements without having submitted prepared written testimony; in addition, if they have prepared written testimony they may read it if they desire, or they may have it adopted directly into the record.


21. The rules of evidence applicable in the District Courts of the State of Montana at the time of the hearings in this Docket will be used at the hearings.

Prehearing Motions and Conferences

22. Motions by any party, including motions to strike prefiled testimony and motions concerning any procedural matter connected with this docket shall be raised at the earliest possible time. Prehearing motions shall be submitted on briefs unless otherwise requested by a party. If oral argument is requested, and the request is granted, the party requesting oral argument shall notice the same for hearing before the Commission.


DONE AND DATED THIS 10th day of January, 1985 by a vote of 4-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.


CLYDE JARVIS, Chairman


HOWARD L. ELLIS, Commissioner


JOHN B. DRISCOLL, Commissioner


TOM MONAHAN, Commissioner

ATTEST:


Trena Scofield
Secretary

(SEAL)

GREENFIELDS IRRIGATION DISTRICT

P.O. Box 157 Phone (406) 467-2533

FAIRFIELD, MONTANA 59436

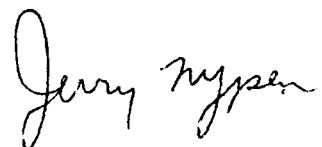
February 18, 1985

TO: House Business and Labor Committee
FROM: Jerry Nypen, Manager, Greenfields Irrigation District, Fairfield, Montana
SUBJECT: TESTIMONY OPPOSING HB 694 - An act specifying avoided cost for utility purchases under certain circumstances.

Greenfields Irrigation District consists of 83,000 acres of irrigated land located northwest of Great Falls, diverting $\frac{1}{4}$ million acre-feet of water annually and generating about \$15 million in crop revenue annually. We, like all irrigation districts in Montana, badly need to protect, develop and conserve our existing water resources. It is no new news that because of our limited crop revenues, we cannot support water resource projects. This dilemma continues to keep our state behind the times as far as water resource development is concerned. We must look at hydro-power development as an avenue for bettering our projects.

Hydropower is an investment in the future - accomplishing water and soil conservation projects for ourselves and for the State and providing insurance for all rate-payers in Montana.

We realize that we cannot impose an unrealistic avoided cost rate which may influence rate-payers. However, we believe it is possible to establish rates which will protect rate-payers and allow worthy projects to get underway. This bill slams the door shut and appears to perpetuate our present near-sightedness as far as future energy demand is concerned. We don't believe that there is a surplus of power in the region, but rather a lull in power demand. Regardless of what situation is actually the truth, we believe that the Public Service Commission is best suited to make that decision - not ourselves or parties involved with the introduction of this bill.



Thank you for hearing these comments.

PROJECT DESCRIPTION

Project Name: Bighorn Energy Partners

Project Location: Hardin, Montana

Products:

- 10 million gallons per year anhydrous ethyl alcohol
- 50,000 tons per year Distillers Dried Grains and Solubles (DDGS), a high-protein livestock feed
- 10,000 tons per year raw carbon dioxide gas
- 15,000 kilowatts electricity

Feedstocks:

- 5.25 million bushels barley
- 150,000 tons coal
- Chemicals and water

Markets:

- Ethanol - Montana, Wyoming, Colorado, Washington
- DDGS - Montana, Wyoming, Washington, Japan
- Carbon Dioxide - Montana

Capital Investment: \$55 million

Employment:

- 60 to 65 full-time employees
- Average 90 construction employees; peak 115

Construction Time: Two years

BENEFITS TO MONTANA STATE

Employment: 60 to 65 full-time employees
Average 90 construction employees; peak 115.

Payroll: Annual payroll including fringes, \$1.4 million.
Construction payroll, over two years, \$5.5 million.

**State Coal
Severance Tax:** \$550,000 per annum on 150,000 tons coal

**State Personal
Income Tax:** Includes multiplier of 2.32 (estimate provided by
Montana Department of Administration) - \$340,000 in the
first year and escalates by 6% per year for full time
employees (assume the taxpayer is in the 10% bracket).

Construction multiplier is 1.75 - \$500,000 per year for
two year construction time.

**State Business
Income Tax:** Taxes will be paid by all suppliers of additional materials
(including coal). Additional tax will be paid by farmers
and growers for increased profits due to lower transportation
costs of barley.

**State
Ad-Valorem Tax:** 2/10 of a mill per kilowatthour generated, or \$210,000.

**Industrial
Facility Taxes:** \$560,000 (\$70,000 for first three years).

Other Benefits: Usage of 5.25 million bushels of barley, or close to
10% of annual crop.

Use of alcohol instead of lead as an octane enhancer
will be a non-pollutant from automobile engines.

**Total Montana
State Financial
Benefits:**

From Coal Severance:	\$16,500,000
From Personal Income Taxes:	26,500,000
From Ad-Valorem Taxes:	6,300,000
From Facility Taxes:	<u>15,300,000</u>
Total Over 30 Years	\$64,600,000

TESTIMONY IN OPPOSITION TO HB 694

By Don Reed, Montana Environmental Information Center
February 18, 1985

Mr. Chairman and members of the House Business and Labor Committee, I'm Don Reed and I'm here on behalf of the members of the Montana Environmental Information Center in opposition to HB 694.

Montana EIC opposes the radical reform of Montana's "mini-PURPA" proposed in HB 694. We can agree with Representative Asay that the purchasing of electricity from small-scale resources has not been without problems. The industry is new. Developing policy for independent power production has taken time.

HB 694, however, throws out the baby with the bath water. For that matter, it throws out the entire basinette. HB 694 would mean the end to small-scale power production.

Montana EIC's concern with HB 694 is that its passage would kill the independent power industry and forever lock us into centralized power plant generation. This directly contradicts the purposes of the federal PURPA. More importantly, it contradicts the good sense of diversifying our generating network and emphasizing power production technologies which are based on renewable resources, like small hydro, biomass and wind.

The independent power industry is only now beginning to take shape some seven years after the passage of PURPA. New industries do not blossom overnight. HB 694 would prevent that industry from ever blossoming. Utilities would offer only short windows between the time when they had excess generating capacity and the times when they did not before the utility would build a new centralized power plant. That means that the independent power producers would face widely fluctuating prices and very short markets.

More logical and stable solutions are likely to flow from the current "avoided cost" docket before the Public Service Commission (PSC). The solution offered in HB 694 is to say that there is essentially no economic value to independently produced power in a time of surplus. This is an unfair test. New generating capacity brought on line by a utility would not be built if it had to meet the same test.

HB 694 is well-intentioned but clumsy legislation. It addresses a problem which is currently being addressed before the PSC. Moreover, it would unnecessarily wipe out a whole new sector of our economy, independent power production.

Please vote "Do Not Pass" on HB 694.



Exhibit 13

2/18/85

HB728

Submitted by: Eilee Shore

PUBLIC SERVICE COMMISSION

2701 Prospect Avenue • Helena, Montana 59620

Telephone: (406) 444-6199

Clyde Jarvis, Chairman
Howard Ellis, Vice Chairman
John Driscoll
Tom Monahan
Danny Oberg

HB 728

Position Statement of the Public Service Commission

This bill addresses problems that came to light when the Montana Power Company decided to reorganize into a holding company. The Company claimed that the Public Service Commission had no authority to regulate the reorganization. The PSC started an investigation to determine whether it had jurisdiction over the reorganization and whether the reorganization would adversely affect the Company's rates and service. The PSC also told the Company to suspend its plans until the PSC had investigated the matter. MPC took the case directly to the Supreme Court, who returned it to the District Court. The District Court affirmed the PSC's decision, which the Supreme Court subsequently reversed.

By the time the Supreme Court handed down the decision, MPC had decided not to reorganize as a holding company. The Company and the PSC agreed that a less drastic form of reorganization would accomplish the Company's goals and satisfy the PSC's concerns. MPC kept the PSC fully informed of the reorganization as it was implemented.

The PSC injected itself into MPC's reorganization for the following reasons:

- 1) Public utility holding companies have a bad history of abuses, which resulted in a comprehensive federal law. Holding companies, at their worst, managed to avoid state regulation.

2) The PSC believed that MPC's decision could result in the Company avoiding existing regulation, including approval of securities and access to records of nonutility subsidiaries.

3) The PSC believed that a holding company corporate form could invite spin offs of coal and natural gas properties upon which ratepayers depend for their utility service.

4) Formation of a holding company has often been used by utilities to diversify extensively into nonutility businesses, which can increase the risk of the entire company.

5) Some Montanans expressed their belief that the Burlington Northern Railroad Company's and the Milwaukee Railroad's reorganizations into holding companies resulted in a decline in service and higher rates.

6) Formation of holding companies by utilities is a national issue. Many other state commissions have concerns similar to the Montana PSC.

7) There have been several attempts to amend or repeal the federal Public Utility Holding Company Act. Thus far, those attempts have been unsuccessful, although repeal is supported by the Securities and Exchange Commission (SEC).

8) The SEC seems to be moving toward a substantial relaxation of its oversight of public utility holding companies. The PSC believes that federal regulation of holding companies is the primary reason Pacific Power & Light has not reorganized into a holding company.

9) The federal Act is most rigorous with interstate companies. Its provisions contemplate a minimal oversight of intrastate companies assuming that state regulation is adequate to address the issues involved.

Holding companies are but one form of reorganization that can be instituted, usually by some sort of property transfer. A 1982 publication of the National Association of Regulatory Utility Commissions shows that, of the 50 states, only Florida and Montana do not have explicit authority over sales of utility property, consolidations and mergers. Therefore, such authority is a well accepted area of utility regulation, which is viewed by the vast majority of states as necessary to a public service commission carrying out its duties. Until MPC's holding company proposal, the issue had been, for the most part, dormant in Montana.

Every major utility in the state has recently reorganized. In addition to its involvement in MPC's changes, the PSC was also actively involved in the reorganization of the Bell System and Montana-Dakota Utilities Co., along with the other commissions in states served by MDU. That involvement resulted in an immediate \$300,000 decrease in rates and other favorable concessions.

This recent experience with all the major utilities proves that there are ratepayer interests at stake when major public utilities undertake major reorganizations.

Because of these recent utility actions, the PSC believes now is the right time to fill a statutory gap. Passage of the bill should have no effect on any ongoing utility activities. Since, presumably, the utilities do not plan reorganizations in the immediate future, there will be adequate time for rulemaking proceedings that will allow fair implementation of the bill.

The bill looks very broad in its scope, and it is. This is typical of such statutes in other states, all of which attempt to

anticipate the many forms reorganization might take. Much of the language in the bill was taken from a recently passed Maine statute and reflects some of the experience commissions have gained in recent years.



Montana Public Interest Research Group

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TESTIMONY BEFORE THE HOUSE
BUSINESS AND LABOR COMMITTEE
IN SUPPORT OF HB728

Mr Chairman and members of the committee, my name is Julie DalSoglio. I am speaking on behalf of the Montana Public Interest Research Group(MontPIRG). MontPIRG is a non-profit, non-partisan, research and advocacy organization. Today, I would like to voice MontPIRG's support of HB728.

We support HB728 because we believe there is a potential for harm to ratepayers interests if utility reorganiztion goes unregulated. Recently when Montana Power Company proposed reorganization into a holding company, the Public Service Commission was unable to regulate the reorganization due to lack of authority. Recent experience with Montana-Dakota Utilities Co. and the Bell System in Montana demonstrate that major reorganization of utilities affects ratepayers. An example of potential harm can be seen in Illinois where a holding company spun off its two utility subsidiaries, and according to Cook County State's Attorney, by using utility resources the holding company weakened the two utilities so drastically that both utilities had to ask for significant rate increases in the first year. Another example involved Virginia Electric Power Company (VEPCO) which formed a holding company called Dominion Resources, Inc. Dominion Resources established another utility subsidaary called GENCO-Generating Company. VEPCO's generating capacity was transferred to GENCO by the holding company. VEPCO retained transmission and distribution operations. The holding company claims that GENCO as a wholesaler, is not subject to Public Service Commission regulation, but subject only to

Federal Energy Regulatory Commission(FERC) jurisdiction.

These are two examples of what could happen in Montana.
We strongly urge the committee to act to prevent potential
problems from occurring by voting in favor of HB728.

Thank you for your consideration.

MOUNTAIN BELL PUBLIC AFFAIRS DEPARTMENT

HOUSE BILL 728

House Bill 728 has been introduced at the request of the Public Service Commission to remedy what they perceive to be a gap in their powers to deal with reorganizations recently undertaken by Montana Power Company. It is Mountain Bell's position that the Public Service Commission already has more than adequate authority to regulate the provision of utility service and the effects, if any, of organizational changes and intracorporate transactions between utility and non-utility affiliates.

On February 7, 1985, the Commission authorized the publication of a "position paper" in support of House Bill 728 which has been distributed to the members of this Committee. The "position paper" attempts to set forth the justifications for the requested expansion of their regulatory powers. The papers sets forth nine reasons that the Commission injected itself into Montana Power Company's attempted reorganization. Presumably these nine reasons also serve as justification for House Bill 728. If the Public Service Commission already possesses sufficient powers to remedy these nine "reasons" or the "reasons" prove to be beyond the legitimate scope of regulation, we contend the bill should fail. In the following discussion we will identify those existing powers and thus hopefully persuade this committee that the bill is in essence "hunting mosquitoes with elephant guns".

ITEM 1. "Public utility holding companies have a bad history of abuses, which resulted in very comprehensive federal law. Holding companies, at their worst, managed to avoid state regulation."

The principal abuse of "public utility holding companies" was the use of pyramid stacking schemes in which minority interests in each succeeding layer of the pyramid were sold at greatly inflated prices resulting in eventual collapse of the pyramid and resulting loss to the investors. Securities regulation by the SEC has resulted in halting such abuses not only by utility holding companies but by others, such as the great pyramid schemes engendered by Dare to Be Great. Additionally the "very comprehensive federal law" referenced by the Commission continues to exist and has effectively ended such abuses.

Finally, despite the "evils" of holding companies professed by the PSC, Judge Greene, in breaking up the Bell

system, ordered the holding company structure currently in place and under which Mountain Bell must now operate.

ITEM 2. "The PSC believed that MPC's decision could result in the Company avoiding existing regulation, including approval of securities and access to records of non-utility subsidiaries."

At the inception, the PSC's "belief" is unfounded. Under Section 69-3-101, MCA, the PSC exercises jurisdiction and authority over:

" . . . every corporation, both public and private, company, individual, association of individuals, their lessee, trustees, or receivers appointed by any court whatsoever, that now or hereafter may own, operate, or control any plant or equipment, any part of a plant or equipment, or any water right within the state for the production, delivery, or furnishing for or to other persons, firms, associations, or corporation, private or municipal:

(a) heat;

* * *

(c) light;

(d) power in any form or by any agency;

"

(Emphasis supplied)

Regardless of the corporate structure, the PSC will exercise jurisdiction over the provision of such services.

The purpose of Title 69, Chapter 3, Part 5, MCA, (relating to the issuance of securities) was to permit the PSC an oversight function relating to the capital structure, i.e. to insure that the ratio between debt and equity was reasonable as compared to other like utilities. It is interesting to note that such authority extends only to gas and electric utilities and not to the myriad of other utilities such as telephone, water, and sewer. These notable exceptions call into question whether such power is vital to the exercise of the PSC's regulatory authority. Further calling into question the need for the exercise of this specific authority is the fact that the PSC has exercised its existing regulatory authority with regard to the telephone industry in determining the reasonableness of its capital structure without need of "securities approval" authority. In Docket 82.2.8 (Mountain Bell's 1982 general rate case) the PSC utilized "double leverage" on Mountain Bell's capital structure to impute a structure and cost other than actually borne by the company. In Docket Nos. 83.3.18 and 84.4.19, (Mountain Bell's '83 and '84 general rate cases respectively) the PSC

applied an artificial capital structure to Mountain Bell which they perceived to be more reflective of a "reasonable" capital structure than the actual capital structure of the company.

The PSC's expressed concern over their ability to inspect the books and records of utility subsidiaries is, quite simply, a concern that is beyond the scope of the regulation of the provision of utility service. If the PSC's concern is really to determine whether transactions between the utility and its non-utility affiliates are not unreasonably priced to the detriment of the ratepayers, the PSC already has and exercises just such power when determining the "reasonableness" of expenses incurred in the provision of utility service. The Supreme Court of Montana has upheld the use of such power as noted in Montana-Dakota Utilities vs. Bollinger, et al., 632 P2d 1086. Efforts beyond that are simply an attempt to regulate lines of business not contemplated under our statutes or constitution.

3. ITEM 3. "The PSC believed that a holding company corporate form could invite spin offs of coal and natural gas properties upon which ratepayers depend for their utility service."

The ability to "spin-off" or sell of coal and natural gas properties is no different under a "holding company" structure than under existing structures such a Montana Power and Western Energy. Unless ratepayer funds have been utilized to acquire, develop and maintain such coal and natural gas properties, neither the ratepayers nor the PSC have any legitimate right to exercise oversight. If ratepayers funds have been utilized the ratepayers may, under existing law, be entitled to some "equitable" portion of the proceeds of such sale. See: Democratic Central Committee vs. Metropolitan Transit Authority, 485 F2d 786 (1973). If the utility disposes of such coal and natural gas properties and is thus left to acquire supplies at higher rates, the PSC has existing authority to make disallowances as to excess expenses in determining the "reasonableness" of expenses incurred by the utility. Montana-Dakota Utilities v. Bollinger, et al, supra. Again, if the purpose is to regulate the provision of utility service, the interests of the ratepayers are adequately protected and the legitimate role of the regulator is accomplished. If the purpose is to control non-utility activities, it simply beyond the legitimate scope of regulatory authority.

ITEM 4. "Formation of a holding company has often been used by utilities to diversify extensively into nonutility business which can increase the risk of the entire company"

If the PSC is concerned about the relative risk of a diversified utility driving up the cost of capital, it already exercises sufficient authority to determine the "reasonable" cost of capital by reference to similar utilities and thus avoid any such relative risk. The PSC has already stated this in several Mountain Bell general rate cases and has, in fact, pursued just such a power in its orders. See: Dockets 83.3.18 and 84.4.19.

If the PSC is concerned that diversification may cause the continuation of utility service to be jeopardized, we would remind this committee that current law permits the PSC to regulate, and thus mandate, the continuation of such utility service regardless of the financial burden on the utility. The United State Supreme Court has likewise acknowledged that utility service must continue and that a utilities only remedy is to request new rate structures to meet is "utility" needs. On the other hand, as competition begins to invade traditional monopoly services such as telecommunications, diversification may mean the difference between corporate survival or failure. Judge Greene in one of his decisions relating to the break up of the Bell System specifically rejected a ban on diversification by the local operating companies because such a ban could be potentially damaging to their long term economic health.

ITEM 5. "Some Montanans believe the Burlington Northern Railroad Company's and the Milwaukee Railroad's reorganizations into holding companies resulted in a decline in service and higher rates."

Whether such a belief is well founded or not is irrelevant. The PSC has specific authority over the quality of service and the determination of rates for all intrastate utilities - something it lacks over railroads. See: Sections 69-3-108 and 69-3-201, MCA. So long as the PSC exercises its existing authority, structure cannot have any impact on the level of rates or the quality of service.

ITEM 6. "Formation of holding companies by utilities is a national issue. Many other state commissions have concerns similar to the Montana PSC."

We are certain that others have reached for this type of unwarranted power as does this PSC in this instance. But more important than the quest for power, is whether any

other legislature has seen fit to give a regulatory commission such unlimited power requested in this bill. The PSC cites none and we are unaware of any.

ITEM 7. "There have been several attempts to amend or repeal the federal Public Utility Holding Company Act. Thus far, those attempts have been unsuccessful, although repeal is supported by the Securities and Exchange Commission (SEC)."

The single most important aspect of this "reason" is that the attempts have been unsuccessful. The very comprehensive act continues to exist and the "concern" expressed by the PSC is unsupported.

ITEM 8. "The SEC seems to be moving toward a substantial relaxation of its oversight of public utility holding companies. The PSC believes that federal regulation of holding companies is the primary reason Pacific Power & Light has not reorganized into a holding company."

The PSC makes this bold assertion without one, single, supporting fact or example. In fact, the assertion is internally inconsistent. If PP&L has not reorganized solely because of federal regulation, then it would appear that the "anticipated" relaxation has not, in fact, occurred.

ITEM 9. "The Federal Act is most rigorous with interstate companies. Its provisions contemplate a minimal oversight of intrastate, assuming that state regulation is adequate to address the issues involved."

We are uncertain as to what the PSC means in this "reason", but we are reminded that the federal act (Public Utility Holding Company Act) has been in effect for these many years and obviously state regulation has proven to be more than adequate.

Item 9, however, touches on one of the most difficult problems with this bill and the intent of the PSC. Mountain Bell is a telecommunications utility which provides services in seven states, including Montana, Idaho, Wyoming, Colorado, Utah, New Mexico and Arizona. The provision of intrastate telecommunications services in each state is subject to regulation by that state's regulatory commission. In addition, Mountain Bell is subject to the regulatory jurisdiction of the Federal Communications Commission for interstate telecommunications purposes. Pacific Power & Light and Montana-Dakota Utilities are likewise multi-jurisdictional utilities subject to both multi-state and federal regulatory jurisdiction.

If each state commission was to seek and obtain the authority requested under House Bill 728 from their individual state legislatures, the resulting exercise could create utter chaos. For instance, if Mountain Bell decided to issue securities to finance the construction of an "earth station" (the ground link for satellite communications) in Phoenix, Arizona, the Montana PSC could bar the issuance of such securities rather than simply disallow the cost in the rate base. In the energy utility field, it would be possible that the Montana PSC could order PP&L to divest itself of its interest in Colstrips 3&4 while the Washington regulatory commission could enter a similar order barring PP&L from divesting itself of the same interest.

Such conflicts have previously arisen between the exercise of state and federal regulatory jurisdiction in the telecommunications arena. Congress has wisely provided for federal pre-emption or jurisdictional superiority in such instance. What provision can be made in an instance where the conflict is between states attempting to exercise extra-territorial authority? If, as the PSC has asserted, this problem has become a national issue, it must be addressed on a national basis to avoid the inherent conflicts for multi-jurisdictional utilities which are present within this bill. Conflicting applications of such requested powers by state regulatory commissions will most certainly produce an unlawful burden on interstate commerce.



International

Brotherhood of

Electrical Workers

A.F.L.-C.I.O.-C.L.C.

Exhibit 16
2/18/85
HB728

CHARLES H. PILLARD
International President

RALPH A. LEIGON
International Secretary

Jon F. Walters
International Vice President
Eighth District

February 18, 1985

Colorado Members of the Business & Labor House Committee

Idaho

Montana Dear Member:

Utah

Wyoming

I am writing you in regards to opposition of House Bill #728.

As an International Representative of the International Brotherhood of Electrical Workers I have become quite concerned when reviewing the Bill. I find that the passage of this bill would effect decisions and authority over Utility management decisions.

A year ago on this date we had members employed by Electrical Contractors throughout the State of Montana. Those Electrical Contractors were doing necessary repairs and alteration work on Montana Power Company property throughout the State of Montana.

For example: Williams Construction Co. of Helena, Montana had as of this date forty five (45) lineman, groundman, apprentices and equipment operators performing the various mentioned work. Today, because of a decision by the Public Service Commission, that Contractor has "no people" employed working on Montana Power Company property. There is one small crew doing some electrical line work for the unregulated Vigilante Electric Co-op. The same holds true for Contractors in the Billings and Missoula area.

Because of those decisions that have been made by the Public Service Commission, it is very obvious that the opportunities of providing a living working at lineman trade in the State of Montana does not have a bright future.

It is because of those decisions of the Public Service Commission we do not feel that they have the proper expertise, knowledge or background experience to be in a position of overturning sound management positions that effect the utility, the employees and other related necessary decisions that are required to operate efficiently.

I earnestly urge your cooperation in applying a "do not pass" to House Bill #728.

Thank you for your cooperation. Best wishes.

Sincerely yours,

Russell Williams

Russell Williams

Int. Representative, IBEW

BUSINESS AND LABOR

BILL NO. House Bill 634

DATE February 18, 1985

SPONSOR Representative Lory

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

BUSINESS AND LABOR

COMMITTEE

BILL NO. House Bill 817

DATE February 18, 1985

SPONSOR Representative Kitselman

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
ROBERT STEIL	CHICAGO, ILL	✓	in person
Rdy Johnson	PIA	X	
Don Allen	Helena	✓	
Eric Bach	Helena	✓	
John Allen	MPS	✓	
Willie Jones	Blue Cross	✓	
Steve Davis	Disab. ^{B. H. ngv} & Coalition	X	
Judy Olson	MWA	✓	
Max & Leona	Billings	✓	
J. Daniel	Blg	✓	
Stanice sluss	Great Falls	✓	
Barbara Penner	Helena	✓	
Marilyn J. Morgan	Cascade	✓	
General Hansen	Masson Leg send	✓	
Tom Mullaney	4195 Blue Shield	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM

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VISITORS' REGISTER

BUSINESS AND LABOR

COMMITTEE

BILL NO. House Bill 694DATE February 18, 1985SPONSOR Representative Asay

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
DON REED	Helena, MEIC		✓
GENE PHILLIPS	KALISPELL, MT.	X	
Jim Tedie	Helena		✓
Sta Kellogg	HELENA		α
Sonya Wendt	KALISPELL MT	x	
Tamara Clark	KALISPELL MT	X	
John Alke	MDU	X	X
LETA LIVOTI	Helena (Energy Services)	X	
John Braunbeck	Helena - Energy Services	X	
Carl Knudsen	Polatki, mt	X	
ALAN OKABAKI	MISSOULA, MT		X
Ken Taab	Helena, mt		X
Steve Brown	Helena MT.		X
J. PETER GROSS	POUY, MT		X
Steve Browning	Helena, MT		X
Jerry Nyssen	Fairfield, mt		✓
Paul Roger Brown	Helena, MT		✓
Sam Bepko	Helena MT		✓
EARL REILLY			X

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VISITORS' REGISTER

Business & Labor

COMMITTEE

BILL NO. HB no 694DATE Feb 18, 1985SPONSOR Rep Asay

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Ron Oetting	Fairfield		X
Fred J. Doney	Helena		✓
James Krause	Fairfield		✓
Dan Andrews	Power		✓
Francis Faldut	Fairfield		X
Nick Komen	Fairfield		✓
Tom Daubert	Helena, MT		X
John Williams	Billing	XX	
Thomas A. Nelson	Portland, OR	X	
Jim Paine	Helena		
John Driscoll	Helena	X	
DICK CROMER	BUTTE	X	

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BUSINESS AND LABOR

COMMITTEE

BILL NO. House Bill 728DATE February 18, 1985SPONSOR Representative Fritz

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Russ Williams	Butte MT		X
Ann Swisher	Missoula, MT. MEIC	X	
GENE PHILLIPS	KALISPELL, MT.		X
John Ailke	MDY		X
Ken Williams	Butte - WFECA		X
ION, KELLEY	IN YELLOWSTONE TR - DEERHORN	X	
Russ Brown	Helena, NPR C	X	
Sam Ryan	Helena Mont	X	
Julio Saloglio	Helena MT	X	
EARL REILLY	HELENA, MT.	X	
Joc BRAND	Helena, MT.	X	
Jim Poni	Helena	X	
Eileen Shore	Helena	X	

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