

MINUTES
NATURAL RESOURCES SUBCOMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

February 11, 1987

The meeting of the Natural Resources Subcommittee was called to order by Chairman Swift on February 11, 1987, at 8:10 a.m. in room 317 of the State Capitol.

ROLL CALL: All subcommittee members were present with the exception of Rep. Manuel who was excused. Also present were Carl Schweitzer, Senior Fiscal Analyst, from the Office of the Legislative Fiscal Analyst (LFA) and Karen Vollstedt, Budget Analyst, from the Office of Budget and Program Planning (OBPP).

Tape 71A

HB 86 EXHIBIT 1

Rep. Asay presented his bill establishing a Montana Agricultural Marketing Program. Keith Kelly, Director, Department of Agriculture, and Rep. Asay answered questions from the subcommittee.

Chairman Swift said there presently are livestock, wheat research, and other boards. He asked if these activities could be coordinated without an additional statutory procedure. Rep. Asay said Montana needs centralized authority for these programs.

Sen. Smith asked if the beef council was contributing anything to the Department of Agriculture to promote their product. Mr. Kelly replied that there was a grant proposal with the beef council two years ago. That proposal was equally shared between the Governor's Council of Economic Development, U.S. Department of Agriculture, and the Montana Beef Council for a total of \$100,000 specific to beef market development. Mr. Kelly said that there was no contribution from the beef council at this time.

Rep. Devlin asked Mr. Kelly and Rep. Asay if any producers had approached them. Rep. Asay replied that he had not had contact with the producers. Rep. Asay said that he feels strongly about this program.

Mr. Kelly said that his department had been contacted by the hay, cherry, and potato industries. Mr. Kelly

said that in the beef area there are contracts in place to import Montana beef products.

Rep. Asay closed on his presentation. He said there is a need for consistency in any kind of marketing effort. Rep. Asay said he had no intention of Montana becoming the marketers of products, but rather facilitate and help those who need assistance.

HB 189 EXHIBIT 2

Rep. Pavlovich presented his bill to transfer administration of the video draw poker machine from the Department of Revenue to the Department of Commerce. The bill allow the Department of Revenue to retain five percent of the licensee fee to administer the law.

Andy Poole, Administrator, Management Services Division, Department of Commerce, spoke for the bill. He explained that this bill would consolidate all of the game programs in Montana--lottery, horse racing, and video poker. Mr. Poole said the 5% level was important, because without it there would be examinations or investigations of video poker machines in Montana.

Chairman Swift reminded members that this subcommittee had recommended approval of the transfer.

Sen. Smith asked if the transfer of video poker to the Department of Commerce would eliminate problems people have had with the Department of Revenue conviscating machines. Rep. Pavlovich answered that the transfer should clear up the problem. Sen. Smith said that some counties in his area still had not received the money from the Department of Revenue due them from the machines. John Willems, Video Poker Control Bureau, Department of Revenue, answered that the distribution of the machine money has been completed, however, there were some delays in distribution through data processing problems. Sen. Smith asked where the duties of reimbursement to counties would be after the transfer. Mr. Willems replied that that function would go to the Department of Commerce.

Rep. Devlin asked how much money was involved in the contract with the Department of Revenue. Mr. Poole said that the Department of Commerce had put together a budget based on the 5% level. The investigation portion of that arrangement would be about \$63,000 in FY 88 and \$73,000 in FY 89. Mr. Poole said that without the five percent level, the Department would

not have money for investigations. Also, one FTE in the administration of the program would be lost.

Rep. Devlin asked about the FTEs that are being transferred to the Department of Commerce, and what their duties would be. Mr. Willems answered that the administration will take care of licensing machines and distributing money back to counties. One FTE will be a tester.

Tape 71B

Sen. Boylan introduced Larry Lipon from Bozeman who demonstrated an electronic video machine, a built in Montana project.

Sen. Smith asked Larry if he intended to bid to provide the machines for Montana's lottery. Larry replied that the way he understood the current lottery system, there would be two Requests for Purchase (RFP). The first one is for tickets, hardware, and software necessary to produce over the counter tickets. Larry said he is not bidding on that RFP for two reasons: 1) There is a requirement in the RFP to have five existing applications or five past applications for the hardware and software. 2) Larry said that nobody in Montana manufactures the tickets.

Sen. Smith asked Mr. Poole if there were limits put on people that could bid on equipment for Montana. Mr. Poole answered that if any of the vendors were concerned with the bid process, they could sue. Mr. Poole reminded the subcommittee that the lottery was required to be operating by July 1, 1987.

Tape 72B

Executive Action

HB 86

Chairman Swift said that he had no problem with the concept with marketing, but this bill has a \$100,000 general fund appropriation. He felt that other departments could coordinate the marketing program.

Sen. Smith recommended putting the program in the Department of Commerce. Rep. Devlin said this could be a problem. Rep. Devlin said that the beef industry put money into this program and they would not want their money used to promote hay.

Sen. Story MOVED to accept HB 86, with the following amendment:

Amend page 6, line 9 after "from" by striking "the general fund" and inserting "from a check-off system or other non general fund source".

Motion passed unanimously.

HB 189

Chairman Swift explained that the subcommittee needs to consider the increase in the administrative cost from three to five percent.

John Willems explained the administrative makeup: 1) 1 administrative clerk, 2) licensing certification technician, and 3) and the administrator. Mr. Willems said that the staff has no slack time.

Sen. Smith said that if Montana is going to have the program, they will have to see that it is funded adequately.

Rep. Devlin MOVED to recommend do pass on HB 189.
Motion passed unanimously.

Public Service Commission

- EXHIBIT 3 Organizational Rule
- EXHIBIT 4 Department of Public Service Regulation
Current Level Budget Request
- EXHIBIT 5 Department of Public Service Regulation
- EXHIBIT 6 Equipment Inspection for 1986

Howard Ellis, Public Service Commissioner, introduced the staff present:

Madeline Cottrill, Administrator, Centralized
Services Division
Robert Nelson, Administrator, Legal Division
Wayne Budt, Administrator, Transportation Division
Dan Elliott, Administrator, Utility Division and
Dennis Crawford, Assistant Administrator, Utility
Division.

Madeline Cottrill explained the current level budget requests as set out in Exhibit 4.

5. Natural Gas Safety Program The subcommittee discussed this program. Ms. Cottrill referred to page 4 of Exhibit 4 which explained the Pipeline Safety Program. Chairman Swift said that his understanding is that the pipeline safety program is back on track. Mr. Ellis said that the construction of the south end of the Montana Power Pipeline is completed and there has been agreement at a revenue level for payment of that pipeline. Mr. Ellis said it is desirable to have ample upfront inspection on the north end, which is now under construction. It should be completed in fall of 1987.

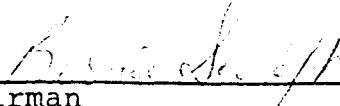
Bob Gannon, Montana Power Company (MPC), said that MPC endorses this program (Natural Gas Safety Program) and feels that it is a necessary part of MPC's pipeline construction.

Sen. Smith asked if there would be a reduction in this program when the pipeline is completed. Mr. Elliott said that 1986 calendar year actual expenses were \$59,000. PSC has requested \$51,000, which is about a 13 percent reduction. Sen. Smith asked if the program would be eliminated when the pipeline is completed. Mr. Elliott replied that the Pipeline Safety Program could be broken down into two parts. There is an ongoing program that concerns 13 operators and 23 inspection points. Mr. Elliott said that part of the program would continue. The \$51,000 does recognize the completion of the MPC pipeline, with the exception of \$10,00 in that figure included for a consultant.

Ms. Cottrill outlined five MODs requested by the Commission, as detailed on page 2 of Exhibit 5.

- 1) Consultants
- 2) Railroad Equipment Inspector
- 3) Utility Consumer Toll Free Hotline
- 4) Case Management System

The meeting adjourned at 11:30 a.m.



Chairman
Natural Resources Subcommittee

DAILY ROLL CALL

NATURAL RESOURCES

SUBCOMMITTEE

DATE 2-11-87

[illegible]

SUBCOMMITTEE ACTION REPORT

THE FOLLOWING BILL WAS REFERRED TO MY SUBCOMMITTEE ON _____
AND WAS HEARD ON 2/11/87. THE RECOMMENDED ACTION FOLLOWS:

HB 189 HJR _____ HR _____ SB _____ SR _____ SJR _____ OTHER _____

THE SUBCOMMITTEE RECOMMENDED:

DO PASS x DO NOT PASS _____ DO PASS AS AMENDED _____

TABLED _____ POSTPONED _____

OTHER ACTION _____

Ellen Garrity
Secretary

2/11/87
Date

SUBCOMMITTEE ACTION REPORT

THE FOLLOWING BILL WAS REFERRED TO MY SUBCOMMITTEE ON _____
AND WAS HEARD ON 2/11/87. THE RECOMMENDED ACTION FOLLOWS:

HB 86 HJR _____ HR _____ SB _____ SR _____ SJR _____ OTHER _____

THE SUBCOMMITTEE RECOMMENDED:

DO PASS _____ DO NOT PASS _____ DO PASS AS AMENDED X

TABLED _____ POSTPONED _____

OTHER ACTION _____

Ellen Garrity
Secretary

2/11/87
Date

Amendment: Amend page 6, line 9 after "from" by striking
"the general fund" and inserting "from a check-off system
or other non general fund sources."

50th Legislature

HB 0086/02

HB 0086/02

APPROVED BY COMMITTEE
ON AGRICULTURE LIVESTOCK
AND IRRIGATION

1 HOUSE BILL NO. 86

2 INTRODUCED BY ASAY

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A MONTANA
5 AGRICULTURAL MARKETING PROGRAM; AUTHORIZING THE DEPARTMENT
6 OF AGRICULTURE TO ADMINISTER THE PROGRAM; APPROPRIATING
7 FUNDS; ~~AND PROVIDING AN EFFECTIVE DATE.~~"

8
9 WHEREAS, the export of Montana agricultural products
10 contributes substantial benefits to the state economy,
11 provides jobs, generates sizable revenues for state and
12 local governments, and contributes to the balance of United
13 States trade; and

14 WHEREAS, the value of Montana agricultural exports
15 dropped 55% during the year ending September 30, 1985,
16 resulting in the loss of \$290.3 million in export sales in
17 one year alone; and

18 WHEREAS, the United States' share of the world grain
19 and feed trade declined 23% between 1985 and 1986,
20 exemplifying a continuation of the trend experienced in
21 Montana agriculture; and

22 WHEREAS, new market opportunities in foreign and
23 domestic trade must be sought if Montana producers are to
24 increase farm income and profit; and

25 WHEREAS, international markets, especially Asian

1 markets, represent an important opportunity for the
2 expansion of Montana agricultural trade; and

3 WHEREAS, most Montana producers and shippers have
4 little expertise or knowledge in export trade, and many are
5 unaware of national and state trade programs and are not
6 organized to initiate meaningful marketing programs; and

7 WHEREAS, Montana producers could penetrate foreign and
8 domestic markets if they received assistance in identifying
9 and entering these markets; and

10 WHEREAS, the marketing of Montana agricultural products
11 is conducted in a fragmented manner, with marketing being
12 performed by the Montana Pork Research and Marketing
13 Committee, the Montana Beef Council, the Montana Wheat
14 Research and Marketing Committee, and the Montana Department
15 of Commerce, in addition to the Montana Department of
16 Agriculture; and

17 WHEREAS, without an improvement in the state's
18 agricultural marketing effort, Montana's share of the market
19 will be eroded by other states and foreign nations that are
20 aggressively marketing their agricultural products in an
21 effort to expand their market share; and

22 WHEREAS, Montana agricultural products do not have a
23 strong identity in either foreign or domestic markets, and
24 the efforts of the state to improve market identity for its
25 products are often overshadowed by states with greater

1 resources; and

2 WHEREAS, in order to maintain and expand Montana's
3 market share, Montana must be willing to spend time, money,
4 and effort to market Montana agricultural products.

5 THEREFORE, the Legislature of the State of Montana
6 finds it appropriate and necessary to establish an
7 adequately staffed and funded program to assist producers
8 and marketers in marketing agricultural products, without
9 duplicating established public or private marketing efforts.

10
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 Section 1. Legislative declaration:--The legislature
13 hereby declares that, as the constitutionally mandated
14 agency responsible for protecting, enhancing, and developing
15 all agriculture in Montana, the department of agriculture is
16 the agency of state government having primary authority for
17 the promotion and development of markets for Montana
18 agricultural commodities and products.

19 Section 1. Agricultural marketing program -- purpose.

20 (1) The department of agriculture shall establish and
21 administer an agricultural marketing program. IN
22 ESTABLISHING THE PROGRAM, THE DEPARTMENT SHALL DEVISE
23 SPECIFIC, MEASURABLE GOALS AND OBJECTIVES FOR EACH ASPECT OF
24 THE PROGRAM.

25 (2) The purpose of the agricultural marketing program

1 is to:

2 (a) assist Montana producers and marketers in
3 developing and carrying out effective marketing for their
4 commodities and products;

5 (b) promote the purchase of Montana agricultural
6 commodities and products in both foreign and domestic
7 markets; and

8 (c) develop and expand markets for Montana
9 agricultural commodities and products.

10 Section 2. Powers and duties. In addition to the
11 powers and duties provided in 80-1-102, 80-11-102, and
12 80-11-103, the department of agriculture has the following
13 powers and duties with regard to administration of an
14 agricultural marketing program:

15 (1) to study the potential marketability of various
16 Montana agricultural commodities and products in foreign and
17 domestic trade;

18 (2) to collect, prepare, and analyze foreign and
19 domestic market data;

20 (3) to maintain close interaction with foreign firms
21 and foreign governmental agencies;

22 (4) to act as an effective intermediary between
23 foreign nations and Montana producers, distributors, and
24 dealers;

25 (5) to conduct an active market development program by

1 sending representatives to, or engaging representatives in,
2 foreign countries to promote the state's agricultural
3 commodities and products;

4 (6) to assist and make agricultural producers and
5 businesses more aware of the potentials of foreign trade and
6 to encourage production of those commodities and products
7 that have high export market potential;

8 (7) to organize and participate in trade missions,
9 trade shows, and trade exhibits;

10 (8) to coordinate the trade promotional activities of
11 appropriate federal, state, and local public agencies, as
12 well as private organizations;

13 (9) to identify problems in agricultural marketing;

14 (10) to prepare information on marketing opportunities
15 and make it available to the public; and

16 (11) to develop an electronic marketing service that
17 will allow the immediate transfer of trade leads and
18 referrals from the department to participating Montana
19 agricultural firms and businesses.

20 Section 3. Coordination of marketing effort. In
21 accordance with the declaration of policy contained in
22 2-15-101, the department of agriculture shall coordinate its
23 marketing program with the department of commerce to
24 minimize ELIMINATE overlapping and duplication of marketing
25 effort.

1 Section 4. Cooperation of state agencies. In
2 accordance with the provisions of 80-11-104 and ~~section 11~~,
3 all agencies OF STATE GOVERNMENT engaged in the marketing of
4 agricultural commodities and products shall cooperate with
5 the department of agriculture in carrying out their
6 marketing functions.

7 Section 5. Appropriation. For the purpose of
8 administering the program provided for in ~~section 2 11~~,
9 there is appropriated ~~from the general fund~~ ^{from the general fund} to the
10 department of agriculture the sum of \$100,000 for each
11 fiscal year in the biennium ending June 30, 1989.

12 Section 6. Effective date. This act is effective July
13 1, 1987.

-End-

*to the
department
from the general
fund
V source*

HB 189
Bill No. 189
Robert C. Carver

BY REQUEST OF THE DEPARTMENT OF COMMERCE

FOR AN ACT ENTITLED: "AN ACT TO TRANSFER ADMINISTRATION OF THE VIDEO DRAW POKER MACHINE CONTROL LAW OF 1985 TO THE DEPARTMENT OF COMMERCE FROM THE DEPARTMENT OF REVENUE; TO ALLOW THE DEPARTMENT TO RETAIN 5 PERCENT OF THE LICENSE FEE TO ADMINISTER THE LAW; AMENDING SECTIONS 23-5-602 AND 23-5-612, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 23-5-602, MCA, is amended to read:
"23-5-602. Definitions. As used in this part, the following definitions apply:

(1) "Department" means the department of revenue commerce.

(2) "Licensed establishment" means an establishment that is licensed to sell alcoholic beverages for consumption on the premises.

(3) "Licensee" means an individual, partnership, or corporation that has been issued a license by the department for the placement and operation of video draw poker machines in the licensed establishment of the individual,

partnership, or corporation.

(4) "Used video draw poker machine" means a video draw poker machine, as that term is defined in this section, which is owned or possessed by an applicant on the day he applies for a license for the used machine and which was owned or operated in the state prior to February 3, 1984.

(5) "Video draw poker machine" means an electronic video game machine that, upon insertion of cash, is available to play or simulate the play of the game of draw poker, as provided in this part, utilizing a video display and microprocessors in which, by the skill of the player or by chance, or both, the player may receive free games or credits that can be redeemed for cash. The term does not include a machine that directly dispenses coins, cash, tokens, or anything else of value."

Section 2. Section 23-5-612, MCA, is amended to read:

"23-5-612. State license -- fee -- used video draw poker machines. (1) (a) The department of--revenue, upon payment of the fee provided in subsection (1)(b) and in conformance with rules adopted under 23-5-605, shall issue to the licensee a license for each video draw poker machine.

(b) The department shall charge an annual license fee of \$1,500 for each machine. The department shall retain 51 of the total license fee collected in fiscal years 1986 and 1987--and--shall--retain--31--thereafter for purposes of

THIRD READING

HB-189



1 administering this part, except 23-5-615. The department
 2 shall deposit one-third of the remaining fee in the state
 3 general fund and forward two-thirds of the remaining fee to
 4 the treasurer of the county or the clerk, finance officer,
 5 or treasurer of the city or town in which the licensed
 6 machine is located, for deposit to the county or municipal
 7 treasury. Counties are not entitled to proceeds from fees
 8 on licensed machines located in cities and towns. The
 9 license expires on June 30 of each year, and the fee is
 10 prorated. The two-thirds portion of the annual fee is
 11 statutorily appropriated to the department as provided in
 12 17-7-502 for deposit to the county or municipal treasury.

13 (2) A used video draw poker machine may be licensed
 14 under subsection (1) without meeting the requirements of
 15 23-5-606 (4)(j), (4)(k), and (4)(o) if the applicant for
 16 licensure can establish to the satisfaction of the
 17 department that, on the date of application, he owns or
 18 possesses a machine which was owned or operated in the state
 19 prior to February 3, 1984. A license issued under this
 20 subsection expires 1 year from the date of issuance or on
 21 July 1, 1987, whichever occurs first."

22 NEW SECTION. Section 3. Extension of authority. Any
 23 existing authority to make rules on the subject of the
 24 provisions of this act is extended to the provisions of this
 25 act.

1 NEW SECTION. Section 4. Name change. In all
 2 provisions passed by the 50th legislature wherein reference
 3 is made to administration of the Video Draw Poker Machine
 4 Control Law of 1985 by the department of revenue, the code
 5 commissioner shall change the reference to reflect this act.

6 NEW SECTION. Section 5. Effective date. This act is
 7 effective on passage and approval.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

in compliance with a written request, there is hereby submitted a Fiscal Note for HB189, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

transfers the administration of the video poker program from the Department of Revenue to the Department of Commerce; allows the Department of Commerce to retain 5% of the license fee to administer the law.

ASSUMPTIONS:

1. The licensing fees will generate \$4,255,670 in FY88 and \$4,298,969 in FY89.
2. The video poker investigation function will remain in its current physical location, and will be contracted for by the video poker program.

FISCAL IMPACT:Expenditures:

This legislation will make available additional funds for administrative purposes totalling \$85,113 in FY88 and \$85,979 in FY89. The appropriations committee will have the option of allowing these funds to be used for administrative purposes rather than to be passed through to local governments.

Revenues:

FY88				FY89			
Current		Proposed		Current		Proposed	
Law		Law	Difference	Law		Law	Difference
\$4,225,670		\$4,255,670	\$ 0	\$4,298,969		\$4,298,969	\$ 0

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

If administrative costs are increased in the appropriations process, local government allotments will be reduced by a like amount.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

David L. Hunter DATE 1/20/87

DAVID L. HUNTER, BUDGET DIRECTOR

Office of Budget and Program Planning

Don L. Pavlovich DATE 1/24/87

ROBERT J. PAVLOVICH, PRIMARY SPONSOR

Fiscal Note for HB189, as introduced.

HP 189

CHAPTER 1

38.1.101

ORGANIZATIONAL RULE

38.1.101 ORGANIZATIONAL RULE (1) Organization of the Department of Public Service Regulation.

(a) History: The department was created by Sec. 2-15-2601, MCA. The department head is the Public Service Commission.

(b) Board of Public Service Commissioners: The Board of Public Service Commissioners consists of five members elected by the people at the general election. One of the Commissioners shall be designated Chairman by approval and consent of a majority of the commissioners. Any vacancy occurring in the Commission shall be filled by appointment by the Governor, and such appointee shall hold office until the next general election.

(c) Divisions: The Commission consists of the following four divisions:

- (i) Centralized Services Division
- (ii) Legal Division
- (iii) Transportation Division
- (iv) Utility Division

(2) Functions of the Department of Public Service Regulation:

(a) Centralized Services Division: The Centralized Services Division performs the general fiscal administrative support functions of the department. Its activities include purchasing, accounting, budgeting, payroll, personnel, statistics, reports, records management, and revenue collecting, data processing, and providing a court reporter for hearings.

(b) Legal Division: The Legal Division advises the Commission in all matters requiring a legal interpretation or opinion. Its activities include court appearances, the drafting of orders issued by the Commission, ARM management, providing legal counsel to the Commission, legal research, court docket management and act as hearings officers for the Commission.

(c) Transportation Division: The Transportation Division exercises general supervisory control over the activities of all motor carriers and railroads. Its activities include rate determination, safety standards, and supervision and enforcement of the Motor Carrier Act and rules and regulations promulgated thereunder.

(d) Utility Division: The Utility Division exercises general supervisory control over all public utilities, including rate determination safety standards and utility auditing.

(3) Information on Submissions: General inquiries regarding the Commission may be addressed to the Chairman. Specific inquiries regarding the functions of each division may be addressed to the administrator of that particular division. Any Utility or Transportation complaint should be directed to the Customer Service Representative for help by calling 444-6150.

(4) Personnel Roster:

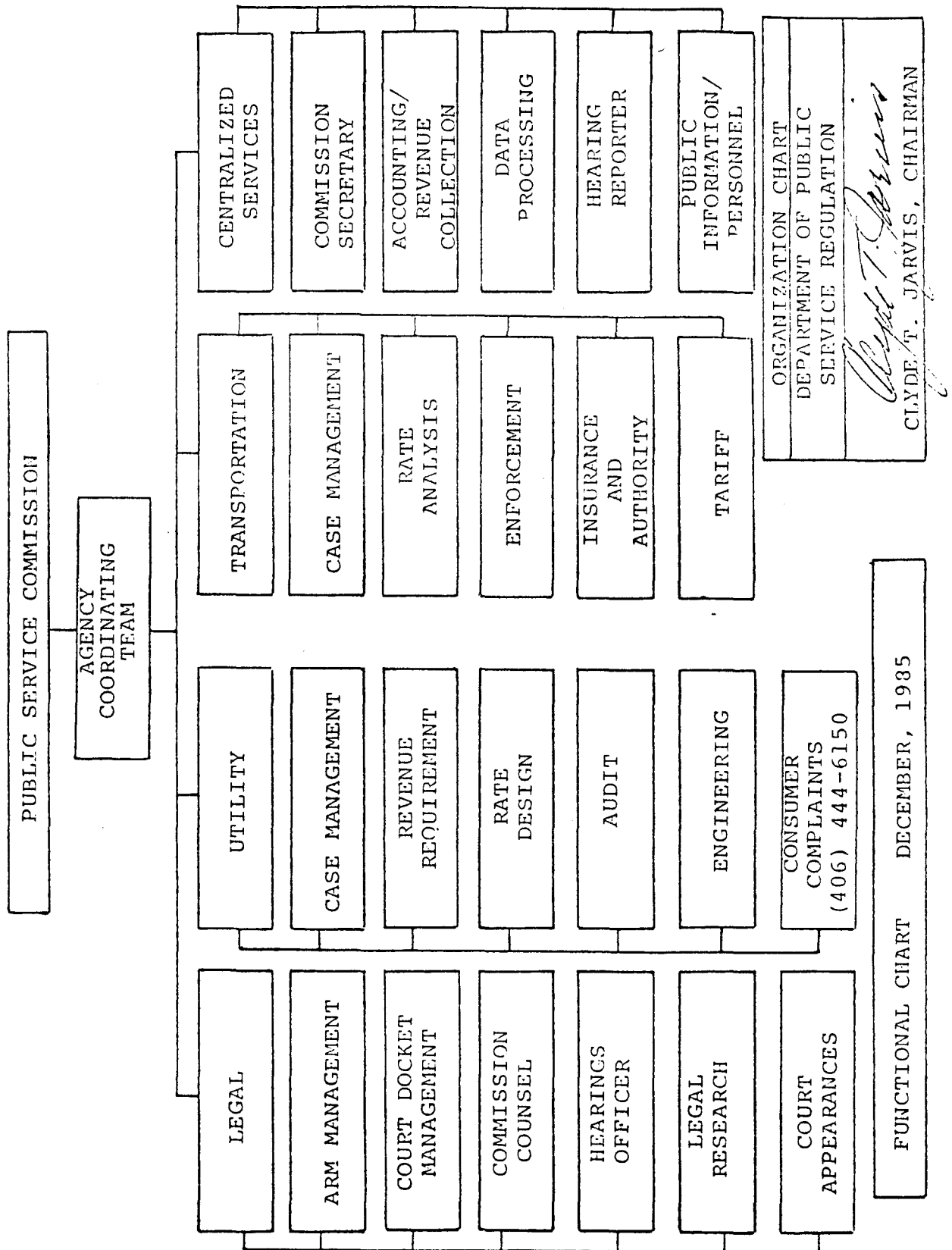
Clyde Jarvis, Chairman (District 3)
John B. Driscoll, Commissioner (District 4)
Howard L. Ellis, Commissioner (District 5)
Danny Oberg, Commissioner (District 1)
Tom Monahan, Commissioner (District 2)

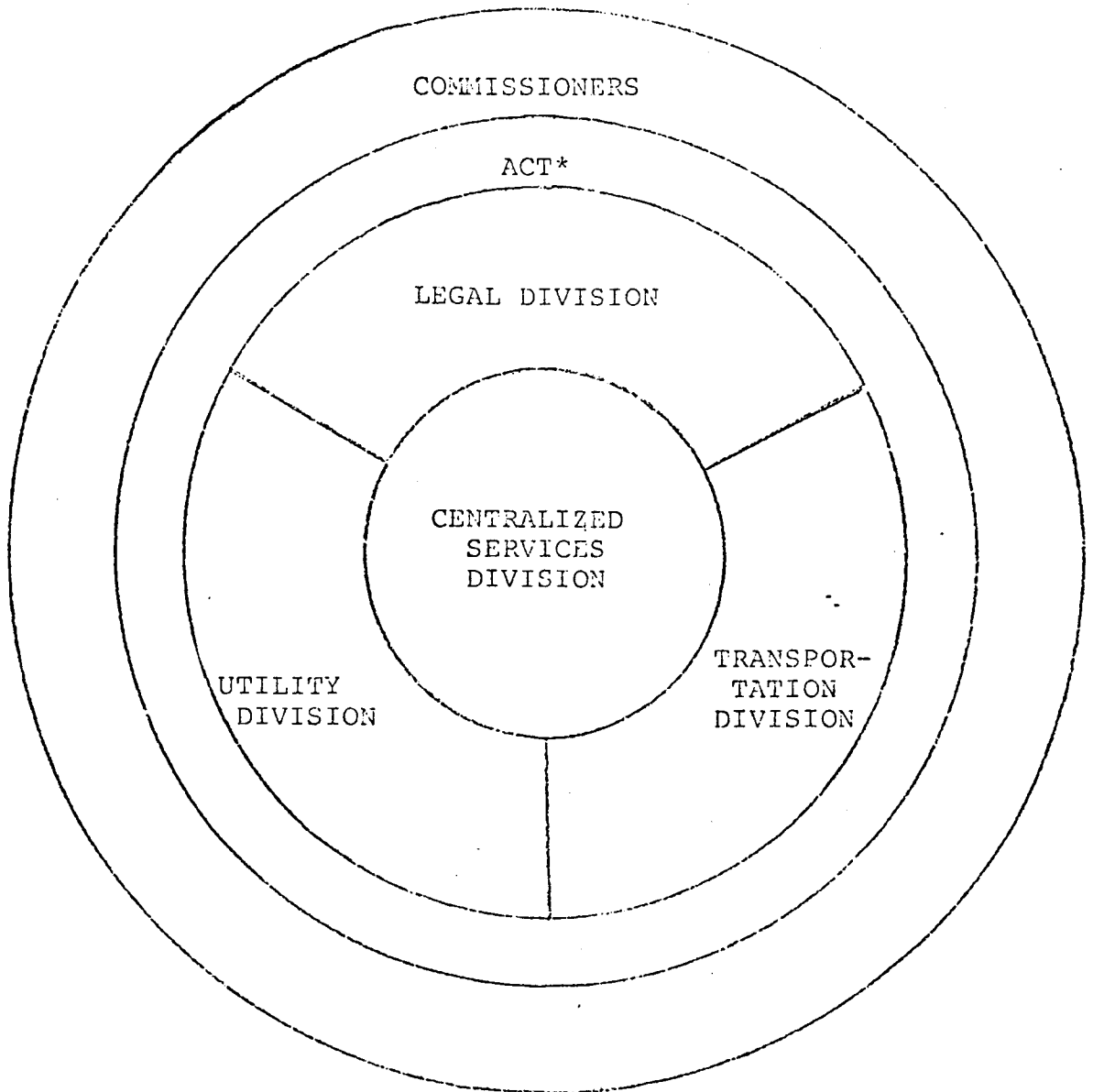
Madeline Cottrill, Administrator, Centralized Services Division
Robert A. Nelson, Administrator/Chief Counsel, Legal Division
Wayne W. Budt, Administrator, Transportation Division
Dan Elliott, Administrator, Utility Division

The address of the Chairman, each commissioner, and the administrator of each division is as follows:

Public Service Commission
2701 Prospect Avenue
Helena, MT 59620

(5) Charts of Agency Organization: Descriptive charts of the department of Public Service Regulation are attached as the following two pages of this rule and by reference are here incorporated. (History: Sec. 2-15-2601, MCA; IMP, Sec. 2-4-201, MCA; NEW, Eff. 12/31/72; AMD, Eff. 1/27/75; AMD, Eff. 6/6/77; AMD, Eff. 7/27/78; AMD, Eff. 7/2/79; AMD, Eff. 3/31/81; AMD, Eff. 1/3/83; AMD, Eff. 6/30/83; AMD, Eff. 9/30/84; AMD, Eff. 9/30/85.)





ORGANIZATION CHART
DEPARTMENT OF PUBLIC SERVICE REGULATION
June, 1933

*Agency Coordinating Team (ACT) consists of the four Division Administrators.

DEPARTMENT OF PUBLIC SERVICE REGULATION
CURRENT LEVEL BUDGET REQUEST

1. Personnel Services

- A. OBPP deleted 1 FTE \$33,328 Salaries and Benefits. The PSC requests that this FTE, representing a lawyer position, be retained in personal services as reflected in the LFA's recommended budget.

Based on testimony from the Commission, as well as those whose activities are affected by the Commission, the 1985 Legislature approved the PSC's request for an additional lawyer. However due to budget cuts, vacancy savings and a 75 percent turnover in the legal staff, there is currently a vacant lawyer position. This situation has an adverse effect on timeliness and quality of the Commission's work.

During 1986, the Commission held 100 days of administrative hearings (excluding travel time), with 65 of those out of town. There are currently 43 administrative and 28 court cases pending. This does not account for other routine work such as rulemaking, declaratory rulings, ICC, FERC, and FCC dockets, responding to inquiries, etc.

In addition, the Commission is currently experiencing a marked increase in workload due to rate filings by every major utility in the State. Passage of HB302 (railroad station closing) would create an additional 100 days of workload in each of the next two years.

PSC lawyers are required to represent the state in what is commonly recognized as one of the most complicated areas of law. Those who come before the PSC in its own administrative cases and in lawsuits, usually have resources that make ours look totally inadequate. That situation will continue to exist even if this FTE is retained. Consumers and utilities alike have recognized the importance of this FTE to expedite Commission work, and protect their respective financial interests with the thoroughness, consistency and accuracy they deserve.

- B. LFA took vacancy savings out of the Commissioners's salaries in the amount of \$8,707. The PSC request this be added back in Commissioner's salaries and benefits since their salaries are set by statute.

2. Contracted Services

- A. The OBPP added \$3,286 for FY 88 and \$2,195 for FY 89. The PSC requests the funding be allowed for Department of Administration, computer services that was not added in LFA Budget.
- B. If HB302 passes granting PSC authority to allow closure of certain railroad facilities the Commission will need an addition \$3,750 each year of the biennium for Court Reporter fees. The Commission is assuming 25 hearings each year of the biennium.

The PSC request \$3,750 each year of the biennium.

3. Travel

The PSC requests funding at LFA budget level of \$69,950 plus another \$6,430 each year of the biennium for hearings held in compliance with HB302.

4. Equipment

The LFA did not include a car in FY 89.

The PSC furnishes its 5 Motor Carrier Enforcement Officers with a state vehicle furnished with lights and radio equipment for enforcement purposes. These vehicles are replaced on a 5 year rotation system with one vehicle being replaced each year of the biennium. These cars average 25,000 miles a year.

The PSC will have two cars in FY 89 with 100,000 plus miles.

5. Natural Gas Safety Program

	<u>FY 88</u>	<u>FY 89</u>
Agency Request	51,604	51,604
OBPP Recommendation	51,604	51,604
LFA Recommendation	40,370	40,278

PSC Request's funding at OBPP recommendation. Additional information on Pipeline Safety Program can be found on page 4 with attachments of this packet.

6. Railroad Safety Program

	<u>FY 88</u>	<u>FY 89</u>
Agency Request	40,466	49,118
OBPP Recommendation	40,466	49,118
LFA Recommendation	29,174	38,516

Request funding at OBPP recommendation with language in the bill allowing for Federal Spending Authority upon approval of the Department of Transportation.

The Commission has through Oral and Written Correspondence requested information concerning what the Federal allowable share will be for 1988-1989 biennium. As of this date we have not heard back from the Department of Transportation. Additional information on Railroad Safety Program can be found on page 5 of this packet.

The authorized legislative appropriation for the Natural Gas Pipeline Safety and Railroad Safety are each set up in a separate center with State and Federal funds allocate in these centers and used for these programs.

PIPELINE SAFETY PROGRAM
(A 50% Federal - 50% State Match Program)

	<u>Per Year</u>	
A. Appropriation Requested	\$51,604	(\$25,802 is state portion)
OBPP Recommendations	\$51,604	
LFA Recommendation	\$40,370	<u>(\$20,185 is state portion)</u>
State Impact of LFA Recommendations		<u>\$ 5,617</u>

B. Background:

The Natural Gas Pipeline Safety Act of 1968 provided that states would enforce pipeline safety standards. Funding would be 50% federal - 50% state. For nearly 20 years Montana has successfully carried out yearly pipeline safety inspections, as well as investigations of natural gas explosions. The federal guidelines call for 150 inspector days per year, and is administered on a calendar year basis.

The difference between the LFA and PSC request arises because LFA used a fiscal year (1986) to measure program expenditures. One-half of the fiscal year had low expenditures due to uncertainty regarding construction of MPC's 16" pipeline. This was an unusual, nonrecurring factor.

C. Other Considerations:

- An average of the two calendar years 1985, 1986 (which straddle the LFA fiscal year 1986) produces 146 inspector days and an expenditure level of \$49,175.
- Calendar year 1986 expenditures were \$59,190. The PSC's request of \$51,604 is 13% below actual 1986 calendar year expenditures.
- The PSC's recommendation includes expenditures to accomplish 150 inspector days, the federal guideline. It also includes \$10,000 to hire a consultant to review Strain Gauge and Ultrasonic testing on MPC's new 16" natural gas pipeline. The PSC would likely not hire the consultant under the LFA recommendation.
- See attachments for reports from a few affected utilities.



403 EAST MAIN STREET
PHONE (406) 873-5531

CUT BANK, MONTANA 59427

February 6, 1987

Chairman Clyde Jarvis
Montana Public Service Commission
2701 Prospect Avenue
Helena, MT 59620

Dear Commissioner Jarvis:

It has been brought to my attention that it has been recommended by the Legislative Fiscal Analyst of the Legislative Budget Sub-Committee on Natural Resources to reduce the budget of the Office of Pipeline Safety from approximately \$51,000.00 to \$40,000.00 annually. It is my understanding that the Federal Government matches the funds dollar for dollar that the State appropriates for this program and we are only talking approximately \$5,000.00 for the State of Montana to continue this most important and valuable program at its' current level.

For the last few years Dennis Crawford and Jim Watson of the Montana Public Service Commission have been doing an excellent job in the Office of Pipeline Safety Program which has been extremely valuable to the Cut Bank Gas Company. They have put on an educational and infomative seminar in conjunction with the Department of Transportation that has brought us into compliance with the codes and regulations that are so vital to the safety of our employees, customers and the general public. They are also reviewing our records and plant on an annual basis to bring to our attention any violations of code and providing recommendations to alleviate problems in the future.

I can't stress enough the importance of continuing this program in the capacity that has been carried out in the past. I would be the first to admit there are areas to cut budgeting but I do believe strongly that this is not one of them. I have been advised that if this budget is cut in the manner recommended by the Legislative Fiscal Analyst that we may lose these informative and educational programs.

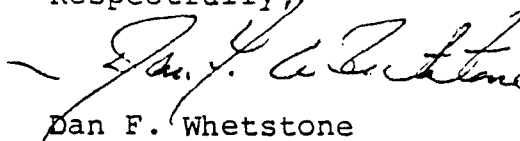
Page 2
February 6, 1987
Chairman Clyde Jarvis

I must put you of notice that it is vital to the safety and health of all concerned to maintain this program.

Due to the time frame of the Budget Sub-Committee on Natural Resource's meeting I am sending this letter to you to represent my feelings on this issue. Please give this most important program your utmost consideration and voice this to our Legislature.

Thank you for your helpfulness and consideration in this matter.

Respectfully,

A handwritten signature in dark ink, appearing to read "Dan F. Whetstone", written in a cursive style.

Dan F. Whetstone

copy: Dan Elliott ✓
Jim Watson
Dennis Crawford
Danny Oberg



GREAT FALLS GAS COMPANY

P.O. Box 2229 • Great Falls, Montana • 59403

RECEIVED

FEB 10 1987

MONT. P. S. COMMISSION

February 5, 1987

Commissioner Clyde Jarvis
Montana Public Service Commission
Helena, MT. 59601

Dear Commissioner Jarvis,

Please consider this letter one of support of the Public Service Commission legislative request for funding for the Department of Transportation Pipeline Safety Program.

As you know, your employees involved in the Pipeline Safety Program have worked well with the Montana utilities over the past years; both from the standpoint of customer safety and utility education regarding the DOT guidelines for pipeline operation.

I would like to go on record for Great Falls Gas Company as in support of the entire request for the program's requested allocation. Even in these days of tight budgets, we cannot let the Pipeline Safety Program be underfunded.

Sheila Rice
Superintendent of Operations

cc: Larry Geske
Rep. Gene Donaldson

RAILROAD SAFETY PROGRAM
FY 88 and FY 89

	<u>FY 88</u>	<u>FY 89</u>
Salaries and Benefits (1)	30,186	30,186
Operating (2)	10,280	10,280
Equipment (3)	<u>0</u>	<u>8,652</u>
Total	40,466	49,118

(1) 1 Inspector \$24,480 &
Supervision/Administration \$5,706

(2) Travel - 4 day/week for 45 weeks
6,930 - Gas 1,250, Xerox,
Communications, Rent, Repair &
Maintenance 2,100

(3) Car - \$8,652

	<u>FY 88</u>	<u>FY 89</u>
A. Agency Request	\$40,466	\$49,118
OBPP Recommendation	\$40,466	\$49,118
LFA Recommendation	\$29,174	\$38,516

B. Background:

The Railroad Track Safety Inspector position was approved by the 1983 legislature. This program was established to ensure employee safety, as set out by statute, over the nearly 4,800 miles of track in Montana.

The difference between the LFA and the PSC request is that this position was vacant for the first six months of FY'86 being filed January 6, 1986. In addition, the new inspector is required to be certified by the Federal Department of Transportation before being allowed to conduct an independent inspection. During this training period there is limited travel which is a major operating expense for this position. The inspector was certified May 1, 1986.

DEPARTMENT OF PUBLIC SERVICE REGULATION

Data Processing Consultant and
Uninterruptible Power Supply
FY88 \$57,000 FY89 \$0

The Commission has made some accomplishments in the area of Office Automation, but there is still a lot to be done.

Below is a list of accomplishments, and two goals that need legislative consideration.

FY86-87 ACCOMPLISHMENTS

1. The Commission has purchased an IBM System/36 and most of the hardware needed in the FY 86-87 biennium.
2. An application was implemented to keep track of complaints filed with the Public Service Commission against utilities in the State of Montana. The application produces a number of management reports.
3. The Transportation Division developed procedures for maintaining accurate and timely information regarding motor carriers. The system has helped to uphold regulations and enforce laws.
4. A procedure was also developed to archive inactive records stored on the departmental computer system, and maintain accurate historical records.
5. A backup procedure was implemented to save data created on system onto diskette for retrieval if necessary.

FY88-89 GOALS

1. To implement applications to include case management, docket control, and document search and retrieval.

The 1985 legislature appropriated \$50,000 to the Commission to do a case management application, but when faced with a 5% reduction in our operations in FY87 the Commission had no choice but to give back the \$50,000.

Again the Commission is requesting \$50,000 to implement applications to include case management, docket control, document search and retrieval.

Because these applications are PSC specific applications they will have to be developed by the Information Services Division of the Department of Administration or by outside consul-

tants, as there is no marketed software available for the application.

The Department of Administration, Computer Services Division in 1984 did a needs assessment for Office Automation of the PSC. The following are the benefits from a case management system as set out in that needs assessment.

CASE MANAGEMENT - BENEFITS

The benefits of a custom case management system include automated maintenance of notes, lists, and calendars to monitor case dates and provide status information; the ability to retrieve up-to-date information on the status of a case; the ability to retrieve a list identifying all data requests on a case; the ability to identify all cases, with status, description, order(s), and litigation history for a particular utility or Motor Carrier. Formalizing and implementing a system for numbering data requests should allow the professional staff to more accurately retrieve rate case information.

Reporting capabilities should reduce the amount of professional time spent compiling fact sheet and historical information and improve the ability of the Commissioners and staff to readily retrieve this information.

Reporting capabilities to support administrative activities such as calendaring and scheduling should encourage better organization of this activity, improving productivity.

We are currently working with ISD to send out a Request for Proposal.

2. Purchase an uninterruptible power supply for the IBM System/36 computer to protect against brown-outs and power failures, \$7,000.

There have been a number of power fluctuations in the office and this has caused minor loss of data as well as hardware and software problems. The power problem is attributed to an overload on the transformer that services the Commission's area.

In event of a power failure, an uninterruptible power supply would allow the PSC to shut down the IBM System/36 in a manner preserving data and safeguarding hardware. It includes a ten minute battery for necessary back-up time. A UPS also protects against brown-outs and electrical noise, and can include an emergency system shut down feature.

DEPARTMENT OF PUBLIC SERVICE REGULATION

Consultants			
FY88	\$50,000	FY89	\$50,000

The Commission requests funds to continue to hire consultants for: 1) situations when the Consumer Counsel is unable or declines to develop certain issues; 2) to protect the State's interests in regard to federal regulatory bodies.

The 1985 Legislature appropriated \$20,000 to enable the Commission to participate in Montana-Dakota Utilities Co. (MDU) cases before the Federal Energy Regulatory Commission (FERC). In FY86 we spent \$8,032.20 for consultants and carried over into FY87 \$11,967.80.

Because of unforeseen delays, significant portions of the FERC cases are still pending. The Commission requests authority to carry the unspent portion of the original \$20,000 appropriation over into the next biennium, so that it may continue to participate in and contribute to these proceedings.

FERC decisions have an enormous impact on MDU customers. Eighty-two percent of an MDU gas bill is attributable to rates set by FERC. The return on the \$8,000 already spent by the Commission has exceeded 1,000 to 1. This low cost of participation is due partly to strict economizing, and partly to the fact that the PSC and Consumer Counsel have coordinated our activities and split the costs with North Dakota, South Dakota and Wyoming.

Although participating in these cases is somewhat costly, the alternative is to simply be a "no show" and risk the distinct possibility of far greater costs to Montana ratepayers. The annual benefits from recent participation already amount to millions of dollars. Failure to continue participating would only generate false savings, and could be very costly in the long run. It is important that all Montana customer classes be represented, and that state jurisdiction be protected, in the current scramble for supply and market reorganization.

Aside from savings which might flow directly from these cases, the Commission has also discovered, during the course of the MDU reorganization, that participation in certain Federal cases is vital to efficient and informed implementation of resulting retail rates - a function still exclusively within state jurisdiction.

DEPARTMENT OF PUBLIC SERVICE REGULATION

Railroad Equipment Inspector
FY'88 \$43,691 FY'89 \$34,217

The railroad industry in Montana is in a state of change. One section of the Burlington Northern has been sold and at the present time BN is negotiating to sell the line between Laurel and Sand Point Idaho. As these and other sales take place the Commission believes that there is a growing necessity to monitor these short line operations as well as the present operating railroads in Montana. In addition the Commission has great concerns as to the amount of hazardous materials handled by the rail carriers which includes hazardous and nuclear waste being transported to disposal sites in Washington and other western states.

The Commission is therefore requesting an FTE and necessary funds for a railroad equipment inspector. This position will inspect railroad rolling stock operating in and through Montana for compliance with federal and state safety regulations. This program will be funded on the same basis as the track inspection program presently on line at the Commission with partial funding coming from the state and partial funding from the federal government.

DEPARTMENT OF PUBLIC SERVICE REGULATION

Utility Consumer Toll Free Hotline
FY88 \$10,152 FY89 \$10,072

One of the least visible but most important functions of the Public Service Commission is to act as an intermediary between a utility and its customers. The Commission fields hundreds of complaints and inquiries from the consuming public. Many are only questions about tariffs and PSC rules that utilities are required to comply with. However, in recent years, the Commission, through our consumer representative contact, has handled upwards of 500 consumer complaints that have required negotiations with the utility. Consumer disputes are varied but the bulk deal with disputed bills, terminations, arranging payment schedules and quality of service. The common denominator is that generally we are dealing with people who are in a crisis situation due to a problem over an essential utility service. Our consumer representative seeks to resolve the complaint in accordance with rules and rates established by the Commission for consumer protection from monopoly abuses.

The Commission is troubled that only a small portion of the public need in this area is being met, due to accessibility problems. Most consumers have to make long distance calls during the most expensive hours of the day, in order to pursue a complaint against a regulated utility. The installation of a toll free consumer complaint hot line into the Commission would give Montana consumers accessibility to information and assistance.

In order for the Commission to be effective in protecting the rights of all regulated utility consumers, a toll free line is a necessary tool that consumers deserve.

Equipment inspections for 1986

FREIGHT CARS

Part 215 CFR (wheels, axles, etc.)

Cars inspected	7,810
Cars defective	379
Percent defective	5%
Total defects	426

Part 231/232 CFR (Air brakes and Safety Appliances)

Cars inspected	7,810
Cars defective	663
Percent defective	8%
Total defects	802

LOCOMOTIVES

Part 229 CFR (All locomotive regulations except safety appliances,
this part includes air brake requirements)

Locomotives inspected	587
Locomotives defective	236
Percent defective	40%
Total defects	692

Part 223/232 (Safety appliances)

Locomotives inspected	587
Locomotives defective	59
Percent defective	10%
Total Defects	86

VISITOR'S REGISTER

Natural Resources

SUBCOMMITTEE

AGENCY (S) _____

DATE February 11, 1987

DEPARTMENT _____

[illegible]

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

Natural Resources Subcommittee
February 11, 1987

NAME: _____ DATE: _____

ADDRESS: _____

PHONE: _____

REPRESENTING WHOM? _____

APPEARING ON WHICH PROPOSAL: _____

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE? _____

COMMENTS: _____

Maurice L. Cottrell

Denise Crawford

Bob Nelson

Wayne Reed

Jim MULAR Mont. RAIL UNION (Track & Equipment Inspector)

Bob Lamm Montana Power Co (Pipeline Safety Program)

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.