

MINUTES OF THE MEETING  
BUSINESS & INDUSTRY COMMITTEE  
MONTANA STATE SENATE

March 6, 1987

The twenty-ninth meeting of the Business and Industry Committee was called to order by Chairman Allen C. Kolstad at 10 a.m. on Friday, March 6, 1987, in Room 410 of the Capitol.

ROLL CALL: Seven committee members were present with Sens. McLane, Thayer and Walker excused.

CONSIDERATION OF HOUSE BILL NO. 570: Rep. Ray Brandewie, District 49, Bigfork, sponsor of the bill, said the bill provides that if a golf course has an all-beverages liquor license it may sell beverages in the clubhouse and on the course from a portable vehicle or device.

PROPONENTS: Gene Phillips, Kalispell Buffalo Hills Golf Club expressed support for the bill because their ninth hole is about two miles from the clubhouse.

Howard Johnson, representing the University golf course, supported the bill but would like it amended to include also those that serve only beer and wine.

OPPONENTS: Bob Durkee, Montana Tavern Association, felt the language in the bill is too broad and could present problems. He also was against the proposed amendment to include those with the beer and wine license.

DISCUSSION OF HOUSE BILL NO. 570: Chairman Kolstad asked for questions from the committee and Sen. Neuman asked if players could bring their own liquor onto the course, as some now do. Rep. Brandewie responded that probably would be optional as it is now.

Chairman Kolstad asked if the House committee had attempted to amend the bill to include beer and wine. Rep. Brandewie replied that they had not but it would be no problem.

The hearing on House Bill 570 was closed.

CONSIDERATION OF HOUSE BILL NO. 654: Rep. Kelly Addy, District 94, Billings, sponsor of the bill said it creates a special beer and table wine liquor license for certain non-profit arts organizations. The special license may be used at artistic or cultural exhibitions, and the annual fee is \$250. The object of this is to provide revenue for the groups and that would enable them to provide more cultural events.

PROPONENTS: Rep. Addy left written testimony supporting this legislation from the Billings Chamber of Commerce and the Billings City Administrator. (EXHIBITS 1 and 2)

Brenda Schye, representing the Montana Cultural Advocacy, expressed support for several cultural groups.

OPPONENTS: Bob Durkee, representing the Montana Tavern Association, could see no need for this bill because existing law provides what is needed as a group may obtain a special license or permit for an event.

DISCUSSION OF HOUSE BILL NO. 654: Chairman Kolstad asked for questions from the Committee. Sen. Weeding asked the cost of one of those special licenses and the answer was \$30.

Rep. Addy closed the hearing stating that under present law one would be limited to twelve permits per year. He stressed that the object is to allow non-profit organizations an opportunity to make money.

CONSIDERATION OF HOUSE BILL NO. 585: Rep. Dorothy Bradley, sponsor of the bill, stated that the bill provides that a telephone cooperative is not restricted by population of the area served or other criteria to any area of service. This means a cooperative is no longer limited to serving rural areas.

PROPONENTS: Jay Downen, representing the Montana Telephone Association, said that this kind of legislation is standard in all other states. They are now restricted by federal law from serving areas over 3500 population. House Bill 585 protects the consumer in those cooperatives.

Ralph Parker, vice-chairman of Three Rivers Telephone, asked that they have a right to serve some of the main towns that are in their areas.

David M. Billehus, Nemont Telephone Cooperative, felt this bill would be an equalizer and would be very important to the cooperative.

Donald Kimmel, Mid-Rivers Telephone Company, favored the bill because it gives them a chance to compete equally.

Vernon Stoner, Nemont Telephone Cooperative, felt that both sides should be playing under the same rules and felt that the 1500 stipulation is unfair.

Earl Owens, Blackfoot Telephone Cooperative, said the bill is vital to the industry because cooperatives do not enjoy the benefits of territorial integrity. The cooperatives now seek territorial or service-area parity with the investor-owned utilities in Montana and urged passage. (EXHIBIT 3)

Sharon Swanson, representing her small family corporation from Ravalli County, supported the bill because it would assure them of a telephone that works.

Rick Pokorny, representing Triangle Telephone Cooperative, supported the bill because it would give them equal opportunity. (EXHIBIT 4)

Further proponents were Olaf Hanger, Project Telephone, Billings area and Cal Simshaw, Montana Telephone Association and representing Montana's Rural Cooperatives and small telephone companies, who briefly testified for the same reasons stated above. A number of other proponents signed the visitors' register.

OPPONENTS: Gene Phillips, Kalispell, representing Northwestern Telephone Systems, contested the bill because his organization is subject to regulation by the Public Service Commission and this would provide competition from those who are not subject to the same regulations. He said they were never contacted and suspect mischief in the bill.

DISCUSSION OF HOUSE BILL NO. 585: Chairman Kolstad then called for questions from the committee.

Sen. Weeding asked Mr. Phillips and he agreed that the most important aspect is what would benefit the customer, consumer, and subscribers as well as the public.

Sen. Williams asked if they had been in contact with the Public Service Commission and Mr. Phillips replied that they had not. The staff attorney for the Public Service Commission, Geralyn Driscoll remarked that her group neither opposed nor supported the bill. They cannot give territorial protection to the companies that they regulate.

Chairman Kolstad asked Mr. Downen to clarify whether or not a cooperative can go into any urban area over 1500 and he replied they could not go into any area over 3500.

Rep. Bradley closed the hearing stating she had not meant there is a compromise but that they are trying to create good competition. She responded to predatory pricing by saying the anti-trust laws apply to everybody and that provides security.

The hearing was closed on HB 585.

CONSIDERATION OF HOUSE BILL NO. 691: Rep. Dorothy Bradley, District 79, Bozeman, sponsor, handed out proposed amendments by AT&T that were endorsed by all the supporters of the bill. (EXHIBIT 5) Rep. Bradley said the bill provides for reduced rate regulation for certain small telecommunications providers. A small provider (one serving fewer than 5,000 subscribers) could give notice of a rate increase to the public service commission, subscribers and the consumer counsel.

The PSC would review and determine the rates only if affected subscribers petition the commission for review of the proposed increase. A proposed rate increase would be effective unless within 60 days of notice by the utility the commission receives petitions with signatures of at least 10% of the affected subscribers seeking review by the commission of the proposed rate increase. She also went through the amendments which had been distributed.

PROPONENTS: Cal Simshaw, Montana Telephone Association, said the bill provides flexibility in the process to identify those instances where a full-scale regulatory oversight is necessary. An important point in the bill is that the Montana Consumer Counsel, which is the constitutionally established body designed to protect the ratepayer interest in the utility area, is very capable and will retain that discretion.

Jay Preston, representing Ronan Telephone Company and Hot Springs Telephone Company, distributed EXHIBITS 6 and 7.

Robert Helming, representing Southern Montana Telephone, Wisdom, felt this bill would save taxpayers and his customers money and would also save time for the Commission and his office. They would still be policed by the PSC.

Olaf Hanger, Project Telephone, expressed support.

Jay Downen, representing the small independent telephone companies, said the bill is written in the most part through the suggestions of the Public Service Commission, although they are opposing it. They would like AT&T, the Consumer Counsel and everyone to be as helpful as they can with this bill. He feels "where there is a public interest served, there is a need for regulation." He said this also applied to the bill and provides more protection for the consumer than they sometimes now have. This is not a de-regulating bill; it is a detariffing bill and is for the small rate increases only.

OPPONENTS: Joan Mandeville, rate analyst for the Public Service Commission, submitted EXHIBIT 8 in opposition to the bill.

DISCUSSION OF HOUSE BILL NO. 691: Chairman Kolstad then called for questions from the committee.

Sen. Williams asked Ms. Mandeville what the "strong majority" of the Public Service Commission was and she replied that she thought it was a 4-1 vote in opposition.

Sen. Neuman questioned about the cost - one person testified the cost would be prohibitive and Geralyn said it would go to as brief a process as possible. He asked for some figures and they ranged from \$33,000 to \$75,000.

Sen. Williams asked about the Ronan case in 1980 where it cost them \$9500 for the study, what would be the guess as to what it might have cost the State or the PSC for their part of the study. Ms. Driscoll said they were in sort of a neutral role so as far as putting on a case on the consumer's side, a whole lot of that cost is borne by Consumer Counsel which would continue under this bill if they chose to. At that time it would not have been a tremendous amount.

Sen. Meyer asked Mr. Downen about his statement that an individual could protest a rate increase but the testimony from the PSC said 10% of the affected customers would have to petition. Mr. Downen said 10% of the consumers could do that and in another instance, the Consumer Counsel could initiate a case upon receipt of a call from one consumer.

There being no further questions, Rep. Bradley closed her presentation on HB 691 said it is absurd to go through a process that is as costly as the rate increase for which they are asking. She felt the PSC opposed the bill because they were very concerned about consumer protection but the bill had been meticulously drawn to give consumer protection; the 10% petitioning - it is known how many subscribers there are and exactly how many 10% would be.

The hearing was closed on HB 691.

#### EXECUTIVE ACTION

DISPOSITION OF HOUSE BILL NO. 691: Sen. Neuman MOVED ADOPTION OF THE AMENDMENTS proposed by Rep. Bradley on HB 691, seconded by Sen. Meyer. The MOTION PASSED UNANIMOUSLY. Sen. Neuman MOVED HB 691 BE CONCURRED IN AS AMENDED, seconded by Sen. Meyer. The MOTION PASSED UNANIMOUSLY and Sen. Neuman will carry the bill.

DISPOSITION OF HOUSE BILL NO. 585: Sen. Weeding MOVED HB 585 BE CONCURRED IN, seconded by Sen. Williams. The MOTION CARRIED UNANIMOUSLY. Sen Williams will carry the bill in the Senate.

DISPOSITION OF HOUSE BILL NO. 654: Sen. Hager moved that HB 654 BE CONCURRED IN, but following discussion by the committee, the MOTION WAS WITHDRAWN. Ms. McCue said on page 2 there is a reference to a statute that refers to all beverages and she did not understand how the beer and table wine situation fits into the all beverages quota. She also referred to another statute that deals with retail beer licenses. She suggested they wait on this bill until she could work on an amendment.

DISPOSITION OF HOUSE BILL NO. 570: Sen. Williams MOVED ADOPTION OF THE AMENDMENT to extend it to any public place with a beer and wine license, seconded by Sen. Neuman. It was pointed out that the golf course has to have the beer and wine license in

hand before they ask for this to enable them to sell it on the course. At the present time they can only sell it in the clubhouse. Ms. McCue mentioned a technical amendment which was needed on line 21; "of" should be "or". The MOTION PASSED with a majority vote, with Sen. Weeding voting "no". Sen. Williams then MOVED HB 570 BE CONCURRED IN AS AMENDED, seconded by Sen. Meyer.

Sen. Neuman asked a question about people bringing their own drinks onto the golf course property. Mr. Johnson said they want to be able to control what goes on on their property and this would allow them to do that. He said heavy drinking on the golf course can cause problems and if they can control what goes on out there that can be eliminated. He said they also have to be more aware of underage persons on the course.

The question was called. Because of several members of the committee being excused the Secretary was instructed to poll the members on their vote.

The meeting was adjourned as there was no further business.

  
SEN. ALLEN C. KOLSTAD, CHAIRMAN

ADDENDEUM TO THE MINUTES:

Following a poll of the committee members HB 570 resulted in a tie vote on the MOTION TO BE CONCURRED IN AS AMENDED. The votes were as follows: Yes: Kolstad, Neuman, Hager, Williams and Walker. No: Thayer, Boylan, Weeding, Meyer and McLane.

Business & Industry COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 3/6/87

NAME	PRESENT	ABSENT	EXCUSED
ALLEN C. KOLSTAD, CHAIRMAN	✓		
TED NEUMAN, VICE CHAIRMAN	✓		
PAUL BOYLAN	✓		
TOM HAGER	✓		
HARRY H. McLANE			✓
DARRYL MEYER	✓		
GENE THAYER			✓
MIKE WALKER			✓
CECIL WEEDING	✓		
BOB WILLIAMS	✓		

Each day attach to minutes.

DATE

3/6/87

COMMITTEE ON

Business &amp; Industry

## VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Jay Wilson Preston	Ronan Telephone Company & Hot Springs Telephone Company	HB691	✓	
JOAN MANDEVILLE	PSC	HB691		✓
David M. Billehus	Nemont telephone Cooperative	HB585	✓	
Burl Miner	Triangle Tel. Coop. Assoc.	HB585 HB691	✓	
Buck Harnies	Lincoln Tel. Coop.	HB691	✓	
Cal Samslaw	Montana Telephone Association	HB585 HB691	✓	
Robert Helmig	Southern Montana Tel. Co.	HB585 HB691	✓	
Earl Owens	Blackfoot Tele. Corp., Inc.	HB585 HB691	✓	
William R. TEBUE	Blackfoot TELE. COO.	HB585 HB691	✓	
Bob Durkee	MTA	576 654		X
GENE PHILLIPS	BUFFALO HILL CC	HB570	X	
GENE PHILLIPS	NORTHWESTERN TELEPHONE	HB585		X
Ralph Barber	3 Rivers Tele.	HB585	✓	
Edith Barber	3 Rivers Tel.	HB585	✓	
Kenneth Saunders	Nemont Telephone Coop.	HB691 HB585	✓	
Carl J. Remus	Nemont Telephone Coop.	HB585	✓	
Chas. Saenger	Project Tel.	HB585 HB691	✓	
Brenda Selge	Montana Cultural Alliance	HB654	X	
Vernon J. Stone	Nemont Telephone Coop.	HB585 HB691	✓	
Howard Johnson	UNIVERSITY GOLF COURSE	HB570	✓	
Donald Kimmel	Mid-Rivers Telephone Coop.	HB585 HB691	✓	
Ruby, Elsie	Mid-Rivers Telephone Co.	HB585 HB691	✓	
Shawn Glen	MTA Administration	570 654 691	X	
James Thompson		HB691	✓	





SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 1

DATE 3-6-87

BILL NO. HB-654

March 5, 1987

TESTIMONY IN SUPPORT OF HB654

My name is Kay Foster. This testimony is submitted on behalf of the Billings Area Chamber of Commerce in support of HB654.

The Billings Chamber recognizes the immense value to the Billings business community of the many nonprofit arts organizations in our area. Through public-private partnership and investment we have built or preserved such regional attractions as the Alberta Bair Theater, Yellowstone Art Center, Western Heritage Center and Moss Mansion. Each of these not only serves our local area but the Eastern Montana/Wyoming region and brings many visitors for overnight stays in our community.

The allowance of this special beer and wine license offers them one more opportunity to attract people to a variety of cultural programs and remain profitable. The special restrictions on the use of the license should not adversely impact other alcohol licensees. To the contrary, we have seen greatly increased restaurant and bar use before and after such exhibitions and performances.

We urge passage of HB654.

## TESTIMONY IN SUPPORT OF HB654

Mr. chairman and members of the committee:

This statement is being submitted by Alan Tandy, City Administrator of Billings, on behalf of the City.

The City of Billings supports HB654 due to the potential beneficial impact the bill provides for the operation of the Alberta Bair Theatre in Billings.

The City of Billings has invested in excess of \$1.5 million of Tax Increment funds in this theatre. The purpose of that investment is to provide a cultural resource in the community to keep downtown Billings economically viable and to serve as a regional attraction to visitors.

HB654 can assist the private sector operators of the theatre by providing them with one additional source of generating revenue to help cover operating costs. The City works closely with the theatre and is totally comfortable with them operating with this type of license.

*Alan Tandy*  
3/4/87

NAME: Earl Owens

DATE: 3/6/87

ADDRESS: 1112 N. Russell

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 3

PHONE: 406/721-2121

DATE 3-6-87

BILL NO. HB-585

REPRESENTING WHOM? Blackfoot Telephone Coop, Inc.

APPEARING ON WHICH PROPOSAL: HB 585

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: Since telephone cooperatives do not enjoy the benefits of territorial integrity, this bill is considered vital to the interests of the cooperatives and their members. Cooperatives were formed to serve rural consumers and have successfully accomplished that for over 30 years. Now, years after the cooperatives were formed, their service areas, because of growth in these areas at least partially due to the availability of cooperative provided telecommunications, are becoming increasingly attractive to investor owned utilities. In the interest of equity and fair-play the cooperatives <sup>now</sup> seek territorial or service area parity with the investor owned utilities in Montana and urge the passage of HB 585.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: \_\_\_\_\_ DATE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

PHONE: \_\_\_\_\_

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 4

DATE 3-6-87

BILL NO. 4B 585

REPRESENTING WHOM? \_\_\_\_\_

APPEARING ON WHICH PROPOSAL: 4B 585

DO YOU: SUPPORT? \_\_\_\_\_ AMEND? \_\_\_\_\_ OPPOSE? \_\_\_\_\_

COMMENTS: \_\_\_\_\_

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

3/6/87

TESTOMONY ON HOUSE BILL 691 - REVISE RATE REGULATION OF SMALL

TELEPHONE COMPANIES

- SPONSOR, DOROTHY BRADLEY, BOZEMAN

MS. BRADLEY DISTRIBUTED AMENDMENTS SUGGESTED BY AT&T AND THAT WERE ENDORSED BY ALL THE SUPPORTERS OF THE BILL. SHE THEN EXPLAINED THAT HB691 REDUCES RATE REGULATION OF SMALL TELEPHONE COMPANIES, OF WHICH THERE 5 (SMALL BEING DEFINED AS UNDER 5,000 SUBSCRIBERS). SHE STATED THAT THE REASON FOR THE BILL WAS TO TRY TO REDUCE THE COST TO THOSE SUBSCRIBERS IN THE WHOLE REGULATORY SCHEME ESPECIALLY REGARDING GOING THROUGH ANY FAIRLY LEGAL PROCESS INVOLVING LAWYERS AND ACCOUNTANTS. SHE STATED THAT SOMETIMES THESE FEES CAN BE MORE THAN THE INCREASE WHICH IS BEING SOUGHT THROUGH THESE LEGAL PROCESSES. WHAT HB691 DOES AS AN ALTERNATIVE IS SET UP A NOTICE PROCESS WHEREBY A NOTICE GOES TO THE SUBSCRIBER, THE CONSUMER COUNCIL AND THE PUBLIC SERVICE COMMISSION. FOLLOWING THAT NOTICE PROCESS, THE PSC MUST REVIEW THE REQUEST IF THERE IS A PETITION WHICH HAS BEEN SIGNED BY THE APPROPRIATE NUMBER OF SUBSCRIBERS, IF IT IS RAISED BY THE CONSUMER COULCIL, OR IF THE PSC HAS A QUESTION THEMSELVES ABOUT THE REQUEST. SHE THEN NOTED THE BILLS KEY PROVISIONS WHICH ARE AS FOLLOWS:

1. Page 2, line 3 - definition of a small telecommunications provider
2. Page 2, bottom - notice process
3. Page 2, lines 23 & 24 - it states specifically, affected subscribers, commission, and consumer council.

MS. BRADLEY FELT THAT THIS WAS PARTICULARLY IMPORTANT BECAUSE IF THE BILL TAKES AWAY THE AUTOMATIC REVIEW OF THE PSC, IT SHOULD BE REPLACED WITH NOTICE TO MAKE SURE THAT THE AFFECTED PEOPLE ARE AWARE OF EXACTLY WHAT IS GOING ON.

4. Page 3 - states contents of what those individuals will be given notice of
5. Page 3, line 21 - gives the PSC the mandate to review if they are petitioned by the proper number, if the provider requests it, if the consumer council petitions it. They can't go through this process on lines 9 & 10, page 4, for an increase until 6 months have passed since the last requested increase.

TESTIMONY ON HOUSE BILL 691 continued...

6. Section 5, line 13 - nothing in this section limits the authority of the PSC to investigate any time on its own motion.
7. Section 6 - discusses the number of petitioners (subscribers) who can petition (which is 10%).

MS. BRADLEY CITED AN EXAMPLE WHICH SHE FELT SHOWED THE NEED FOR HB691. SOUTHERN MOUNTAIN BROUGHT TO THE COMMITTEES' ATTENTION THAT THEY NEEDED A 50¢ INCREASE BECAUSE THEIR SUBSCRIBERS ARE NOW PAYING \$4.95 PER MONTH. SM FEELS THAT IF THEY GO THROUGH A FAIRLY EXPENSIVE PROCESS TO GET THIS INCREASE, THEY WILL PROBABLY GET IT, BUT THEY WILL ALSO HAVE TO HAVE MORE MONEY TO PAY FOR THE COST OF ACHIEVING THAT INCREASE. SHE EXPLAINED THAT THE AMENDMENT THAT SHE DISTRIBUTED DEALS WITH THE SECTION ON PAGE 5 AND THE TOP OF PAGE 6. THIS AMENDMENT WOULD ALLOW THE SUBSCRIBERS TO OPEN UP AN INQUIRY MORE EASILY IN CASE THEY FALL BELOW THE 10% AMOUNT.

PROPONENTS:

THERE WERE SEVERAL OTHER PERSONS WHO DID NOT TESTIFY ON THIS BILL BUT WHO WERE RECOGNIZED AND WHO SIGNED THE VISITORS' REGISTER IN SUPPORT OF THIS BILL.

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 5

DATE 3-6-87

BILL NO. H.B. 691

NAME: Jay Wilson Preston DATE: 3-6-87  
ADDRESS: 312 Main St. S.W. Ronan MT 55864  
PHONE: (406) 676-2751 SENATE BUSINESS & INDUSTRY  
EXHIBIT NO. 6  
DATE 3-6-87  
REPRESENTING WHOM? Ronan Telephone Co & Hot Springs Telephone Co BILL NO. HB 691  
APPEARING ON WHICH PROPOSAL: HB 691 - An Act Reducing Rate Regulation for Small Telephone Companies  
DO YOU: SUPPORT? X AMEND? \_\_\_\_\_ OPPOSE? \_\_\_\_\_  
COMMENTS: See Attached Exhibits

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

HB 691

TESTEMONY OF JAY WILSON PRESTON BEFORE  
THE MONTANA SENATE BUSINESS & INDUSTRY COMMITTEE  
CONCERNING HOUSE BILL 691

MARCH 6, 1987

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE,

MY NAME IS JAY PRESTON, AND I AM ASSISTANT GENERAL  
MANAGER FOR RONAN TELEPHONE COMPANY IN LAKE COUNTY. I  
STAND BEFORE YOU TODAY REPRESENTING RONAN TELEPHONE COMPANY  
AND HOT SPRINGS TELEPHONE COMPANY TO URGE YOU TO GIVE HOUSE  
BILL 691 A DO PASS RECOMENDATION.

BEFORE I START, I WISH TO PRESENT THE COMMITTEE WITH  
THIS EXHIBIT, WHICH CONSISTS OF LETTERS OF SUPPORT FROM 4  
PROMINENT MEMBERS OF THE RONAN COMMUNITY WHO SUBSCRIBE TO  
TELEPHONE SERVICE FROM RONAN TELEPHONE AND A BRIEF SUMMARY  
OF THE RATE CASES HISTORY AND ASSOCIATED COSTS FOR RONAN  
TEL. PLEASE NOTICE THE ESCALATION OF THESE COSTS AND THE  
MAGNITUDE OF THE ESTIMATED COST OF THE REGULATORY ~~PROCEDURE~~ <sup>PROCESS</sup>  
TODAY ON THE LAST PAGE.

THE GOAL OF HOUSE BILL 691 IS TO ALLOW SMALL TELEPHONE  
COMPANIES AND OUR CUSTOMERS THE OPPORTUNITY TO EXPERIENCE  
MORE COST EFFECTIVE RATE REGULATION BY THE PUBLIC SERVICE  
COMMISSION.

UNDER CURRENT LAW, THE P.S.C. IS REQUIRED TO REGULATE ALL  
UTILITIES IN A VERY EXPENSIVE MANNER. ANY PRICING CHANGE  
BEYOND THE TRIVIAL MUST BE TAKEN THROUGH THE LENGTHY PUBLIC  
HEARING PROCESS; A PROCESS THAT CAN COST AS MUCH AS \$75,000  
FOR MANAGEMENT TIME, LEGAL, ACCOUNTING, & CONSULTING FEES.

SENATE BUSINESS & INDUSTRY  
EXHIBIT NO. 6  
DATE 3-6-87  
BILL NO. H.B. 691



*who serve only 500 customers*

FOR HOT SPRINGS TELEPHONE COMPANY, THIS MEANS A POTENTIAL DIRECT COST OF REGULATION OF \$150 PER CUSTOMER TO PURSUE A RATE CHANGE REQUEST. PUT ANOTHER WAY, THIS FULL BLOWN RATE CASE CAN COST A COMPANY LIKE HOT SPRINGS AS MUCH AS 50 TO 70% OF ITS' TOTAL ANNUAL OPERATING REVENUES.

HOUSE BILL 691 WILL ALLOW CONSUMERS OF SMALL TELEPHONE COMPANIES TO AVOID THIS COST BY PERMITTING THE P.S.C. TO BYPASS THE PUBLIC HEARING PROCESS WHEN A REASONABLE REQUEST IS FILED. THE REASONABLENESS OF A REQUEST WILL BE JUDGED ~~BY THE P.S.C.~~ *BY* THE MONTANA CONSUMER COUNCIL, AND, MOST IMPORTANTLY, BY THE CUSTOMERS THEMSELVES. ~~ANY ONE OF THESE THREE~~ *ANY ONE OF THESE* CAN INITIATE A PUBLIC HEARING IF THEY JUDGE THE REQUEST UNREASONABLE. ~~THE P.S.C. OR~~ *THE* CONSUMER COUNCIL CAN REQUIRE FULL PROCESS FOR ANY REASON AT THEIR OWN INITIATIVE, AND THE SUBSCRIBERS CAN INITIATE A HEARING BY PETITION TO THE P.S.C. WITH 10% OR MORE OF THE CUSTOMERS REQUESTING A REVIEW.

AT LEAST SEVEN OTHER STATES HAVE ENACTED REGULATORY REFORM FOR SMALL TELEPHONE COMPANIES, INCLUDING IOWA, MINNISOTA, ILLINOIS, AND NEBRASKA. THE RESULTS IN THESE STATES HAVE BEEN UNIFORMLY POSITIVE, WITH VIRTUALLY NO CASES OF ABUSE.

I BELEIVE THIS BILL WILL ALLOW THE FIVE SMALL TELEPHONE COMPANIES IN MONTANA TO WORK WITH THEIR CUSTOMERS TO DEVELOPE RATES THAT WILL BE A BENEFIT TO BOTH PARTIES, THE COMPANY AND THE SUBSCRIBERS.

*a*

PLEASE TAKE THIS OPPORTUNITY TO VOTE FOR RATIONAL REGULATORY POLICY. ~~AND SEND OUT THE MESSAGE THAT IN HERE IN MONTANA, COMMON SENSE CAN TRIUMPH OVER THE MINDLESS BUREAUCRATIC PROCESS THAT SO CRIPPLES SO MUCH OF OUR ECONOMY.~~ *For small Telephone Co's* YOU CAN DO THAT BY GIVING HOUSE BILL 691 A DO PASS RECOMMENDATION. MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I WOULD BE DELIGHTED TO ANSWER ANY QUESTIONS YOU MAY HAVE, AND I THANK YOU FOR THE OPPORTUNITY TO TESTIFY.

## RONAN TELEPHONE COMPANY

## DIRECT COSTS OF RATE MAKING PROCESS

Ronan Telephone Company has petitioned for increases in its basic rates only 3 times since 1960. Below are summaries these rate cases and the direct costs associated with them.

1st Rate Petition - 1961

The company was purchased by the present owners on Jan. 1, 1960. At that time the system utilized a manual switchboard, all calls had to be completed with operator assistance, and the standard rural service was 20 subscribers on each line. In the fall of the year of purchase, dial switching was introduced and the service was upgraded to only 8 parties on each rural line.

In 1961, the company filed for its first rate increase under the new management. All work associated with this rate case was done in house.

Direct Cost of Filing - Not Available

2nd Rate Petition - July 1976

Legal Fees Incured: (Local Attorney) \$600.00

Most of the exhibit preperation was done by RTC staff with the aid of our local attorney.

The case asked for increases to fund upgraded service for the area. Basic service was upgraded from 4 & 8 party service to 1 & 2 party service. The entire process consumed the better part of 1.5 years from the time the case was filed until the case was completed.

A very minor technical mistake was made in accounting for ITC in the rate case exhibits. After the rates had been implemented, RTC was audited by the IRS, and the result was a claim against RTC to repay all ITC taken by RTC in the service expansion investment period of 1972 to 1976. Thus, as a result of RTC's desire to save its subscribers the cost of a sophisticated rate case prepared by expensive professionals, RTC had to deal with a \$60,000 IRS claim for ITC repayment + interest that consumed 5 years to resolve and cost \$40,000 in legal fees and \$10,000 in accounting fees. During this 5 year period, the fate of the company was in question, management was unable to plan for the future in any meaningful way, and the total cost, both in human terms and financially, is impossible to estimate.

RONAN TELEPHONE COMPANY  
DIRECT COSTS OF RATE MAKING PROCESS  
(Continued)

3rd Rate Petition - July 1980

Legal & Accounting Fees incurred:	\$9500.00
(Not Local Firms- Both firms were in Helena.)	
1829 Subscribers- Cost per Subscriber for Prof.	\$5.20 per Sub.
Estimated RTC in house expense:	\$15,000.00
(Includes the cost of time & travel to Helena on many occasions to confer with Professionals, print exhibits for case, and miscellaneous expenses.)	
Total Direct cost per subscriber	\$13.40 per Sub.

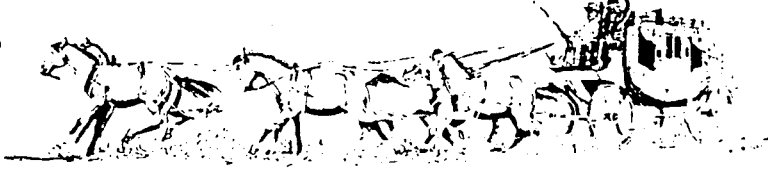
Estimated Cost for Rate Case Today - 1987

Legal & Accounting Costs	\$20,000
Consulting Costs	\$25,000
In House Expenses	\$30,000
Total Estimated Cost of Rate Petition	\$75,000
Total Estimated Cost per Subscriber for RTC	\$36.62

This estimate does not account for the continuing expense of monitoring the regulatory process and fulfilling the post-divestiture requirements of the FCC & PSC for rate averaging activities. RTC estimates the ongoing cost for this process, which did not exist before the divestiture of the Bell System, is between \$1.50 and \$3.00 per subscriber per month. This is the most damaging cost, because it is continuous and ongoing. It is RTC's current opinion that this cost will only rise over time. Nothing on the telecommunications horizon reveals any abatement of this unproductive unnecessary cost in the foreseeable future.

For RTC, this activity represents perhaps an ongoing expense of \$75,000 per year.

# MISSION VALLEY NEWS



February 14, 1987

Montana State Legislature  
Helena, Montana

Ladies and Gentlemen:


My name is Dwight Tracy. I own and operate a weekly newspaper in Ronan, Montana, and after talking with the owners of Ronan Telephone Company I want to support House Bill 691.

The Bill would eliminate the requirement of Public Service Commission hearings for rate changes. It does contain provision for PSC approval upon request of 10 percent or more of a small rural telephone company's customers after they have been notified of a pending increase. Rate regulation by the PSC would also be required when requested by the Consumer Council.

Even without those safeguards, I have great confidence in the integrity and community loyalty of our locally owned telephone company. We receive fine service here, and I suspect that removing some of the increasingly expensive governmental requirements of operating a business will be in the best interests of both the company and its customers.

Thank you for considering support of House Bill 691.

Sincerely,

  
Dwight Tracy,  
Publisher

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 7

DATE 3-6-87

BILL NO. H.B. 691

23 3rd Ave. S.W.  
Ronan, Montana 59864

302 Main St. P.O. Box 1212  
Polson, Montana 59860

P.O. Box 490  
St. Ignatius, Montana 59865

Printers & Publishers



# RONAN STATE BANK

February 11, 1987

Montana State Legislature  
Helena, Montana

Re: House Bill 691

Dear Legislators:

Ronan State Bank would like to take this opportunity to support House Bill 691, An Act Reducing Rate Regulation of Small Telephone Companies.

In reviewing this proposed legislation with our local telephone company, it appears the costs associated with a general rate review are excessive as they apply to minor modifications of rates. We believe the protection is available through the proposed legislation to require a full review if the public comment is not favorable to the proposed changes.

Thank you for the opportunity to present our support of this issue.

Sincerely,

Martin M. Olsson  
Vice-President

11

# WESTERN SEED & SUPPLY, INC.

1308 ROUND BUTTE RD. W.

RONAN, MONTANA 59864

**WESTLAND SEED INC.**



Feb. 12, 1987

Les Kitselman  
Chairman  
Montana House of Representatives  
Business & Labor Committee  
State Capital  
Helena, MT 59601

Dear Mr. Kitselman:

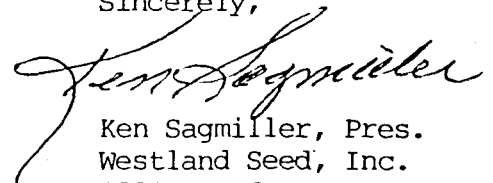
I am writing to express my support of HB 691, "AN ACT REDUCING RATE REGULATION OF SMALL TELEPHONE COMPANIES: ETS."

I am presently a resident and business man in Ronan, Montana, and am served by Ronan Telephone Company for both my business and residential telephone service. My experience dealing with our locally-owned and operated telephone system has convinced me that service here is of the highest quality and comparable to, or better than the service I have experienced in other communities, namely Bozeman, MT. and Bismark, ND.

I am also convinced that the regulatory burden small telephone companies are required to submit to, is an expensive process that raises the cost of telephone service to our local residents above what it could be if the process were simplified. The owners of our local system, the Preston family, live in the community they serve, and have demonstrated a long term interest in the communities well being.

Being in business myself, I can well understand the burden, bureaucratic regulations cause. Therefore I strongly support HB 691.

Sincerely,



Ken Sagmiller, Pres.  
Westland Seed, Inc.  
1308 Round Butte Rd W  
Ronan, MT 59864

SENATE BUSINESS & INDUSTRY  
EXHIBIT NO. 7  
DATE 3-6-87  
BILL NO. H.B. 691

## NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

NORTHWESTERN FINANCIAL SERVICES, INC.  
ART AYLESWORTH - REPRESENTATIVE

OFF: (406) 676-0300

RES: (406) 676-8100

2/13/87

Les Kitzelman  
 Chairman  
 Montana House of Representatives  
 Business & Labor Committee  
 Sub Capital  
 Helena MT 5601

SENATE BUSINESS &amp; INDUSTRY

EXHIBIT NO. 7

DATE 3-6-87

BILL NO. H.B. 691

Dr Mr Kitzelman,

I would like to offer my support of H.B. 691 "Act Reducing Rate Regulation of Small Telephone Companies."

I am a rural resident & business man in Ronan. Both phones are served by Ronan Telephone Co. I can report excellent service at both locations & far superior service than I have at a summer residence in St Regis MT.

This legislation appears to be aimed at reducing costs associated with general rate reviews. Also adequate protection exists for abuse of pricing offered. Any changes such as this, that will reduce bureaucratic interference with good government should be supported.

Sincerely  
 Art Aylesworth

NAME: LOAN MANDEVILLE DATE: 3/6/87

ADDRESS: 2701 PROSPECT AVE HELENA MT 59602 SENATE BUSINESS & INDUSTRY

PHONE: 444-6181 EXHIBIT NO. 8

REPRESENTING WHOM? PUBLIC SERVICE COMMISSION DATE: 3-6-87

APPEARING ON WHICH PROPOSAL: HB 691 BILL NO. HB 691

DO YOU: SUPPORT? \_\_\_\_\_ AMEND? \_\_\_\_\_ OPPOSE? ☒

COMMENTS: TESTIMONY SUBMITTED.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.



**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

**SENATE BUSINESS & INDUSTRY**

EXHIBIT NO. 8

DATE 3-6-87

BILL NO. H.R. 691

WRITTEN TESTIMONY OF THE PUBLIC SERVICE COMMISSION IN OPPOSITION

TO HB 691

If enacted this legislation would reduce rate regulation of privately owned telephone companies with less than 5,000 customers. That means that 6,000 customers, including 1,000 business lines, in the territories of 5 telephone companies in the state would be effected. The Companies are:

Hot Springs Telephone  
Lincoln Telephone Company  
Project Telephone Company  
Ronan Telephone Company  
Southern Montana Telephone

The bill would remove the Public Service Commission's automatic review of rate increases. The Commission could review rate increases (including the formation of new rates) only in the following instances:

- 1) If 10% of affected customers have petitioned the Commission to review the rate increase;
- 2) If the telephone company requests the Commission review the increase;
- 3) If the Consumer Counsel petitions the Commission to review the case.

A strong majority of the Commission voted to oppose this bill.

We feel that the current regulatory process works well. Under

existing law the Commission is required to provide an opportunity for hearing before rates are increased. The Commission reviews each request to determine the fairness and necessity for the increase. This is a system where monopoly ratepayers have the right to point out problem areas for themselves and have a hearing before the Commission to express their views. The Commission also has a responsibility to the monopoly ratepayers to use their expertise to assure just and reasonable rates.

The purpose of the Commission is to provide oversight to utilities offering monopoly services. We do not think the Commission should be relieved from the responsibilities it currently has to protect customers of monopolies. These customers should not be expected to have the expertise to decide whether or not an increase is cost justified and if the total of all increases represent a reasonable increase in revenues. Customers should be able to rely on this Commission to protect their interests.

Utility customers should have the same rights and protection regardless of the area of the state in which they reside. Customers in Huntley, with Project Telephone service, should have the same rights as customers in Billings with Mountain Bell service. This bill takes away the rights of individual customers in the state.

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 8

DATE 3-6-87

BILL NO. H.B. 691

The Commission wants to make it clear that the rates that this bill seeks to remove from Commission review are not competitive services. This bill would affect basic telephone services. Services such as your monthly local rate, the amount you're charged to get a telephone installed, and the amount you pay for directory assistance. The Commission has the flexibility to relieve companies from unnecessary rate regulation of competitive services. We were given this flexibility when the 1985 legislature passed the Montana Telecommunications Act. The Commission testified in favor of that legislation. However, the services that would be affected by this bill are offered by PRIVATELY OWNED UTILITIES and are NOT COMPETITIVE.

The Commission feels that if this bill passed it would be unworkable. The bill requires companies to file a "summary of the justification for the proposed rate increase". This is very vague and may not give enough information for customers and consumer counsel to decide whether or not an increase is reasonable or the Commission to determine rates should a review under Section 4 take place. The bill also requires review if 10% of affected customers petition the Commission. How will the number of affected customers be determined for construction charges, installation charges, late payment charges, and new services?

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 8

DATE 3-6-87

BILL NO. 112 / 101

We feel that the Commission has been and continues to be sensitive to the needs of the small utilities it regulates. In June of 1986 the Commission enacted a rule, on its own motion, that exempts these companies from most of the minimum filing requirements. The Commission keeps minimum filing requirements to the minimum that will provide sufficient information for effective regulation. The MTA was present at the hearings on the minimum filing requirements and did not testify that they would cause unnecessary burdens. The Commission has offered to further amend its rules to solve any perceived problems with the burden imposed on smaller companies, but that proposal has been rejected by these companies. Until there is a good faith effort to address perceived problems through the established process, we shouldn't resort to the more drastic approach of limiting jurisdictional authority.

The Commission is ahead of the Federal Communications Commission in amending its rules to reduce the filing requirements for small telephone companies. The FCC is only now considering reduced filing requirements, not reduced regulation. This committee should be aware of the note of caution sounded by the FCC in announcing its proposed rulemaking to reduce filing requirements: "local exchange carriers ... have a monopoly regarding the provision of ubiquitous access to the subscribers in their service area".

SENATE BUSINESS & INDUST

EXHIBIT NO. 8

DATE 3-6-87

BILL NO. H.B. 691

There has been attempts all across the country to deregulate the provision of telephone services, many of which are still offered on a monopoly basis. The Commission sees this bill as a premier to further unwarranted deregulation of monopoly services.

In summary, this Commission has a responsibility to regulate the provision of monopoly services. Customers have certain rights to express their views that would be eliminated under this bill. The Commission strongly opposes this type of legislation.

SENATE BUSINESS & INDUSTRY  
EXHIBIT NO. 8  
DATE 3-6-87  
BILL NO. H.B. 691

# STANDING COMMITTEE REPORT

MARCH 6, 1937

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration HOUSE BILL No. 585

THIRD reading copy ( BLUE )  
color

BRADLEY ( WILLIAMS )

REMOVE AREA RESTRICTIONS ON TELEPHONE COOPERATIVES

Respectfully report as follows: That HOUSE BILL No. 585

BE CONCURRED IN

~~XXXXXX~~  
DO PASS

~~XXXXXXXXXX~~  
DO NOT PASS

SENATOR KOLSTAD, Chairman.

# STANDING COMMITTEE REPORT

MARCH 6, 1967

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration HOUSE BILL No. 691

THIRD reading copy ( BLUE )  
color

BRADLEY ( NEUMAN )

## REVISE RATE REGULATION OF SMALL TELEPHONE COMPANIES

Respectfully report as follows: That HOUSE BILL No. 691

be amended as follows:

1. Line 24 on page 5 through line 1 on page 6.  
Strike: "signatures of" on line 24 of page 5 through  
"generated from" on line 1 of page 6  
Insert: "a signature of an authorized representative of  
any interexchange carrier that would be affected by"

AND AS AMENDED,

BE CONCURRED IN

XXXXXX  
DO PASS

XXXXXXXXXX  
DO NOT PASS

SENATOR KOLSTAD, Chairman.