

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By CHAIRMAN BERV KIMBERLEY on January 10, 1991,
at 8:00 A.M.

ROLL CALL

Members Present:

Rep. Berv Kimberley, Chair (D)
Sen. Esther Bengtson, Vice Chair (D)
Sen. Gerry Devlin (R)
Rep. Ed Grady (R)
Rep. Jerry Nisbet (D)
Sen. Cecil Weeding (D)

Staff Present: Roger Lloyd, Legislative Fiscal Analyst, (LFA),
Carl Schweitzer, Office of Budget and Program Planning,
(OBPP), and Theda Rossberg, Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Announcements/Discussion: CHAIRMAN KIMBERLEY suggested that
large volumes of testimony be summarized. A field trip may
be a possibility depending on distance. REP. BARDANOUVE
agreed.

HEARING ON DEPARTMENT OF STATE LANDS

Tape No. 1A

Roger Lloyd, LFA, stated the supplementals for Dept. of State
Lands (DSL), have changed in HB 3 and will require an amendment.
The supplemental for the Dept. of Commerce is not in the bill.
This subcommittee will have to sponsor the amendments before
presented to the Appropriations Committee.

A letter from Rep. Bardanouve was distributed to the members
outlining the general guidelines for subcommittees. **EXHIBIT 1**

Mr. Lloyd has a tentative schedule for the committee. Chairman
Kimberley suggested the following order to hear agency programs:
Mr. Lloyd would present LFA's budget; OBPP would present
Executive Budget; and each agency would give its presentation.

Mr. Lloyd reviewed change, adding or deleting Personal Services;
it was decided to make those changes in FTE and not in the dollar
figure. He suggested thinking in terms of changing FTEs and let
the system take care of the dollar amounts. Mr. Lloyd has all

personnel by FTE grade and step and will make that available to the committee.

The second issue discussed was inflation. It was agreed that in discussing amounts to be added or subtracted from the budget, any inflation will be in addition to those amounts. So, in effect, if \$10,000 is added to a budget in a particular category it may be inflated or deflated by a certain amount. The final figure may be slightly different than what had been agreed upon.

It was a general consensus that the subcommittee will use the fiscal 1990 expenditures as the base. **Mr. Lloyd** stated that he will keep track of all the "Cat and Dog" bills. Chairman **Kimberly** stated they need to work on these to come up with a better system. They should have started in subcommittees. Very few ever got to a subcommittee so that may be why they get killed. The system is to just kill these bills.

SEN. GERRY DEVLIN stated when lengthy testimony is given, and if there is any doubt as to the testimony during Executive Action, they could refer back to the agency to refresh their memories.

EXHIBIT 2 - Mr. Lloyd's overview on Natural Resources subcommittee was presented as discussed in the LFA'S budget book.

Mr. Schweitzer, OBPP, explained that he handles five of the seven departments, another budget analyst handles the Department of Commerce and Public Service Commission and will be present tomorrow. The major difference between the Executive Budget and the LFA budget is the starting point. Originally OBPP worked out an agreement with the Finance Committee to start from the same base, which was the 1991 appropriations. OBPP followed through on that and developed its budget from the appropriations. The LFA used the 1990 expenditures as its starting point as was done in prior years. The difference in the starting point and how that affects the Executive recommendations compared to the LFA's will have to be identified.

For programs where reorganization is proposed, the existing budget will be reviewed. **Mr. Schweitzer** suggested meeting with the Human Services Subcommittee, because if Dept. of Health and Environmental Services programs do come into the Natural Resources Subcommittee, questions such as indirect charges and many other issues will need to be resolved. The environmental programs are transferred during FY 92 or at the beginning of FY 93. There will be many unanswered questions as to how it will appear in the appropriations bill. Depending upon how reorganization is faring in the legislature, this may be something this committee may consider.

Chairman Kimberley suggested taking a field trip to view places which may be environmentally impacted.

Mr. Schweitzer said they took a trip to the Montana Tunnels mining operation at Jefferson City four years ago to see how the reclamation division was working with the permitting process. This is a possibility since there are many new members. Another possibility would be to visit some of the dams, such as Toston. The third trip could include state parks. Two gentlemen here are on the Parks Future Committee, and the members could visit Canyon Ferry and Black Sandy to view the conditions.

EXHIBIT 3 - Department of State Lands, Wildfire suppression: **Mr. Lloyd** gave a cost breakdown of HB 3 as currently written and as the Department now has its supplemental request: a difference of \$1,082,053 from original request of \$2,517,108 to \$3,599,161. The request includes an appropriation for fire suppression which is not included in the agency's budget.

EXHIBIT 4 - Hearing on Fire Supplemental: **DENNIS CASEY, Commissioner**, testified on behalf of a request for reimbursement for wildfire suppression. **Mr. Casey** introduced **Bob Kuchenbrod, Administrator, Central Management Division; Don Artley, Deputy Administrator, Forestry Division; and Randy Mosley, Administrator, Operations Division.**

The Legislature does not provide an appropriation to pay for fire suppression costs. The Dept. borrows against other department appropriations in order to pay bills during the biennium and then requests reimbursement from the Legislature through the budget process. The reason for this is because the cost of fire varies from one biennium to another.

Mr. Kuchenbrod presented a breakdown of costs as submitted to the Budget Office in preparation of the executive budget; including the costs anticipated and final costs request. The budget shows an additional \$1,082,053 was requested. **EXHIBIT 5**

Mr. Artley suggested, if time allowed, the Subcommittee take a field trip to Missoula to tour the Forestry Division. The nursery is interesting, as is the Fire Control Center.

Costs of the Townsend sawdust fire will be reimbursed by the National Guard; the total request is for \$3,599,161. This also includes the Beartooth Wildlife Management Area Fire which is estimated at \$700,000.

Sen. Bengtson asked how costs of a fire are apportioned. **Mr. Artley** stated cost share was in direct proportion to the acreage that the agency protects. In many cases the state has agreements with the federal government to protect areas which are more convenient for one agency than another. So in many cases the Department of State Lands (DSL), protects federal land and the government also protects some state and private land.

The cost share is based on the percentage of each agency's acreage. When another agency sends equipment or people to help,

they pay their people and bill DSL for reimbursement. If we assist another agency in a fire, DSL pays the people and are reimbursed from that agency. The bill to other agencies is about \$700,000 and will net less General Fund than the \$3,599,161.

Sen. Bengtson asked who is responsible to suppress fires. **Sen. Devlin** stated that language was included by the 1989 Legislature to clarify any misunderstandings between the federal government and DSL.

Mr. Artley said the 1988 fires were the worst on record in Montana. One difficulty was the USFS had a policy with the Wilderness Area to allow fires to burn as long as the fires met management objectives. Because of drought conditions the USFS miscalculated and the fires burned beyond the Wilderness Area onto lands which the state protects. Difficulties developed with cost share. DSL refused to cost share all of that fire. Some of the language included in the House Bill last session read the DSL would review fire management plans of the Forest Service on any wilderness or back country area that adjoined state-owned protected areas so the Forest Service plan for protecting wildfires would be taken care of before they spread.

If fires can be contained within ten acres, the costs are relatively low. It is worth spending more money for a quick, initial attack, even with the use of helicopters or sending two engines as opposed to one engine. The costs escalate dramatically if over ten acres, so it is important to have the resources to make an aggressive initial attack. In times of tight budgets, that approach becomes more difficult.

Rep. Grady stated the "Let Burn Policy" in which the state ends up picking up the tab is an issue. There are preventative methods to consider rather than just going out and fighting the fires.

Chair. Kimberley asked how much money came from the Governor's Disaster Fund. Does the money flow back from this fund? Does it go to the DSL or the General Fund? **Mr. Schweitzer** stated that the money reimbursed would revert back to the General Fund as well as any money received from billing negligent parties.

Chairman Kimberley inquired about the recovery of money from the persons who started the Beartooth Fire. **Mr. Artley** stated that the Beartooth Fire was two combined fires. Upon investigation, the cause could not be determined but started at a campground. No negligence was determined by the campers as their stove was in good working order; therefore, it was probably caused by a spark. They tried to put it out and were not successful with the high winds, so they reported it as quickly as possible. The investigation clearly indicated it was not due to negligence so there was no cause for action.

Rep. Grady asked why the reimbursed amount reverted to the General Fund instead of to DSL from which it came. **Mr. Artley** stated the amount goes to the General Fund with no offset to the DSL. In addition, a supplemental was requested because other DSL funds were to take care of normal costs. The 1988 fires cost more than was appropriated so DSL borrowed from other funds to continue operation until the supplemental was received. The DSL will be reimbursed between \$700,000 and \$750,000 from federal agencies and about \$16,000 from small individual claims.

DSL has a cooperative agreement with the counties to provide fire training. Federal surplus equipment acquired by the state is re-worked and provided to the counties. The county takes primary responsibility for control of its fires and if the fires go beyond the county's control, there is a process in which the state provides assistance. Montana is required by law to protect those acreages from fire. DSL has approximately half of the state and so does the Forest Service, BLM and BIA.

Chair. Kimberley asked if Fish and Game is billed for fire assistance or is DSL always responsible. **Mr. Artley** stated that the only reimbursement received from Fish and Game is the fire assessment acreage charge.

HEARING ON THE DEPARTMENT OF COMMERCE

Weights and Measures Bureau: **Mr. Lloyd** presented information on the Department of Commerce. There is \$13,527 of the General Fund to pay for unforeseen costs in the Weights and Measures Program. The three areas are emergency vehicle repairs of \$6,162, increased fuel cost of \$6,300 and \$1,065 for a vehicle costing more than the projected amount. This request is not contained in HB 3.

Jim Kimble, Administrator, Public Safety Division, stated the Weights & Measures Bureau is required to inspect, test and license all weighing and measuring devices used in commercial transactions and in some cases, even those in non-commercial activities. The Bureau insures quality and quantity control of all petroleum products, regulates all packaged goods and their labels and licenses all dealers. The Bureau investigates all consumer complaints pertaining to current regulations. In performance of these duties, vehicles and testing devices are used extensively. In many cases, the equipment is old and worn out; for example, forty to fifty year old hoists result in many breakdowns. With approximately 17,000 devices to inspect, breakdowns hamper the operation tremendously. The majority of work takes place on scales in outlying areas and the inspectors are handling 2500 pounds at a time with these hoists. Failure of weights causes extensive travel as it is not always possible to obtain repairs in the area of breakdown.

EXHIBIT 6 - Since the list of vehicle maintenance in the handout was printed, a generator on a hoist went down and cost \$400.

The Bureau has \$14,384 in the budget for repairs and with experience to date, the budget is 85% expended in half the allotted time. The FY 91 estimated total cost for this category is \$14,397 (repairs) + \$2,949 (tires) + \$2,500 (van) which equals \$19,846. This amounts to \$5,462 over expenditure.

During the year some immediate safety hazards were discovered that need to be corrected. One van has a temporary five gallon fuel can used as a source for the generator. There should be a permanent fuel tank installed for a cost of \$200. Some trailers have been operating without proper tail lights due to electrical plug connections not being standardized; the cost to correct this is \$200. Several scale-testing vans with generators have exhaust pipes that are not protected; the estimated cost to correct this is \$300 for a total cost of \$700 to correct the immediate safety hazards.

The Bureau has experienced a 40% increase in fuel costs. Last year the Bureau spent \$7,652 for gasoline; \$3,670 for diesel fuel; and, \$4,429 for LPG for a total cost of \$15,751. Based on this, the projected FY 91 fuel cost will be \$22,052, an increase of \$6,300. The purchase of a new vehicle this year was over the bid by \$1,065. As of November, due to not filling a position \$31,995 was returned to the General Fund.

Sen. Devlin asked if fees collected from customers for use of scales go to the General Fund. **Mr. Kimble** said yes. Petroleum devices bring in approximately \$76,000; weighing devices approximately \$138,995. Increased petroleum device fees have been proposed to offset the cost of new equipment which will bring in about \$153,000.

Rep. Grady asked if there was another bill proposed that pertained to fees. **Mr. Kimble** stated the only bill at this time pertains to petroleum.

Chairman Kimberley asked why General Fund money couldn't be recovered if over \$5,000 operating money was reverted back in FY 90. **Mr. Kimble** said Personal Services can't be used for operating expenses. **Mr. Schweitzer** explained the language in last year's bill doesn't allow small agencies like the Weights and Measures Bureau flexibility. The money has to stay in Personal Services. That operating money can be used for Personal Services but not vice versa.

Sen. Weeding asked if a fuel supplemental was possible from all the high transportation agencies that run trucks. **Mr. Schweitzer** stated the supplements go to the General Fund and cannot be used because this was a general fund supplemental nor be included in the Budget Amendment bill, but rather would be in HB3. Other departments requesting fuel supplementals are financing their supplementals with state special or federal funds and their fuel supplemental requests will be in the Budget Amendment Appropriations bill.

HOUSE NATURAL RESOURCES SUBCOMMITTEE

January 10, 1991

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ADJOURNMENT

Adjournment: 9:15 A.M.

Berv Kimberley
REP. BERV KIMBERLEY, Chair.

Theda Rossberg
THEDA ROSSBERG, Secretary

BK/tr

HOUSE OF REPRESENTATIVES

NATURAL RESOURCES SUBCOMMITTEE

ROLL CALL

DATE 1-10-91

NAME	PRESENT	ABSENT	EXCUSED
SEN. ESTHER BENGTSOM, VICE-CHAIR	<input checked="" type="checkbox"/>		
REP. ED GRADY	<input checked="" type="checkbox"/>		
SEN. JERRY NISBET	<input checked="" type="checkbox"/>		
REP. GERRY DEVLIN	<input checked="" type="checkbox"/>		
SEN. CECIL WEEDING	<input checked="" type="checkbox"/>		
REP. "BERV" KIMBERLY, CHAIRMAN	<input checked="" type="checkbox"/>		



The Big Sky Country

1-10-91
Exhibit 1

MONTANA HOUSE OF REPRESENTATIVES

EXHIBIT 1

DATE 1-10-91

January 9, 1991

HB Natural Res. Subc.

TO: Appropriations Subcommittee Chairs
FROM: Representative Francis Bardanoue
Chairman of House Appropriations Committee
RE: General Guidelines for Subcommittees

At the January 8, 1991 meeting, we agreed to the following guidelines for subcommittee action:

1) Reorganizations

Budgets for programs that are proposed for reorganization in the Executive Budget will be heard as part of the agency in which they currently exist. Thus, the Aeronautics and Transportation programs will be heard in the Natural Resources and Commerce subcommittee, all Department of Health programs will be heard in the Human Service subcommittee, and the Fire Services Training School budget will be heard in the Education subcommittee. If the bills to reorganize these state agencies pass, the relevant subcommittees will work together to incorporate the transferred programs in the new agency.

The State Fund budget will be heard in the General Government and Highways subcommittee.

2) Subcommittee Worksheets

The LFA staff will prepare worksheets for subcommittee action comparing the Executive Budget and LFA current levels by first level for each program. These worksheets will identify major differences in the

for each program. In addition, the Executive Budget proposes a new organizational structure for the Department of Institutions with fewer line-items. Subcommittees will discuss how they would like program/agency appropriations included in House Bill 2.

7) Budget Modifications

No budget modification will receive final approval until the full committee has reviewed it.

8) Technical Issues

In order to make most efficient use of the computer budgeting system, subcommittees will direct staff to delete/add/modify positions by grade and step, rather than specifying a specific dollar amount. Similarly, in taking action on operating expenses, the subcommittee will specify the amount to be added or subtracted from the fiscal 1992 and 1993 base of the expenditure item, with the understanding that the agreed upon inflation factor will be applied against this revised base.

9) Use of Fiscal Year 1990 Base

In general, subcommittees will use fiscal 1990 expenditures as the base.

10) Cat and Dog Bills

The LFA staff will maintain and distribute to the chairman and subcommittee chairs a list of "cat and dog" bills by subcommittee area. This will allow subcommittees and the full committee to have a sense of the full range of requests. The subcommittee chairs will discuss at future meetings ways to improve the procedure for handling these bills.

Exhibit 2

EXHIBIT 2
DATE 1-10-91
RE Natural Res. &

DEPARTMENT OF PUBLIC SERVICE REGULATION
PUBLIC SERVICE COMMISSION

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DEPARTMENT OF PUBLIC SERVICE REGULATION
PUBLIC SERVICE COMMISSION
NARRATIVE BUDGET JUSTIFICATION

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	Fiscal 1990 Actual	Fiscal 1991 Appropriated	----- Base	Fiscal 1992 Incr/Decr	----- Recommended	----- Base	Fiscal 1993 Incr/Decr	----- Recommended
Full Time Equivalent Employees	46.00	46.00	46.00	1.00	47.00	46.00	2.00	48.00
Personal Services	1,372,336.06	1,372,335	1,525,671	33,087	1,558,758	1,524,640	63,043	1,587,683
Operating Expenses	304,111.47	304,111	388,150	13,176	401,326	389,550	122,864	512,414
Equipment	45,910.82	45,910	21,520	30,296	51,816	21,520	20,559	42,079
Total Agency Costs	\$1,722,358.35	\$1,722,356	\$1,935,341	\$76,559	\$2,011,900	\$1,935,710	\$206,466	\$2,142,176
General Fund	1,683,402.36	1,683,400	1,889,823	76,159	1,965,982	1,890,192	206,066	2,096,258
Federal Special Revenue Fund	21,780.03	21,780	25,518	400	25,918	25,518	400	25,918
Proprietary Fund	17,175.96	17,176	20,000	0	20,000	20,000	0	20,000
Total Funding Costs	\$1,722,358.35	\$1,722,356	\$1,935,341	\$76,559	\$2,011,900	\$1,935,710	\$206,466	\$2,142,176

The Department of Public Service Regulation regulates the public utility, motor carrier, and railroad industries to provide safe, reliable, and adequate services at the lowest achievable cost to the consumers while concurrently providing the regulated industries with a fair and reasonable return on their investment for the services rendered.

The Department of Public Service Regulation consists of five Commissioners, elected by district by the people at a general election. Statute mandates one of the Commissioners be designated Chairman by approval and consent of a majority of the Commissioners. Any vacancy occurring in the Commission shall be filled through appointment by the Governor, and such appointee shall hold office until the next general election.

Commissioner Danny Oberg	(District No. 1)
Commissioner Wallace W. "Wally" Mercer	(District No. 2)
Commissioner Robert Anderson	(District No. 3)

The Commission's operations consist of the following four divisions:

Each division has an administrator which form the Agency Coordinating Team (ACT). The ACT is responsible for the budget and overall operation of the Commission.

Centralized Services Division Goals:

- Provide general fiscal administrative support services to the Public Service Commission (PSC).
- Provide high quality training for Commissioners and staff so their services are as effective and efficient

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AGENCY NARRATIVE

as possible.

- Provide computerization and information systems for efficient processing of information for:

- a) daily operations of staff and management and
- b) the support of an informed, timely and professional decision-making process by the Agency.

- Design and develop library and periodical support to Commissioners and staff.

- Seek ways to improve public understanding of the PSC and its responsibilities.

Utility Division Goals:

- Assist the Commissioners in the regulation of the several hundred private electric, gas, telephone and water utilities as well as municipal water and sewer departments throughout the state.

- Provide accounting, economic and engineering expertise to the Commission.

- Advise the Commission on whether rate levels are reasonable and efficient.

- Advise the Commission on whether customer cross-subsidy exists.

- Advise the Commission on whether certain services are competitive and should be deregulated.

- Advise the Commission on whether utilities are financially capable of attracting sufficient capital to provide adequate service, both presently and in the future.

- Provide the general public with consumer representation by investigating complaints of regulated utility actions and provide

general information on approved rates, tariffs and policies having to do with regulated utilities.

- Implement the Natural Gas Pipeline Safety Program (NGPSP) as established under Section 5 of the Natural Gas Pipeline Safety Act of 1968, as amended (49 U.S.C. 1674).

- Accomplish the necessary inspections and investigations relative to the purpose of the NGPSP.

- Investigate all serious incidents and each explosion as soon as possible after the incident has been reported to the PSC.

- Hire outside consultants to evaluate the technical data resulting from the monitoring program for Montana Power Company's natural gas pipeline project. The Commission, through an order, requires Montana Power Company to develop a monitoring procedure to monitor possible growth in girth weld cracks, to monitor pipeline stability using a caliper pig and to monitor for corrosion control. Monitoring will be performed through 1993 by Commission Order.

Legal Division Goals:

- Provide legal representation and advice to the Commissioners and staff in all matters requiring a legal interpretation or opinion.

- Represent the Commission in cases before the Montana District Courts, the Montana Supreme and the Federal Court System; and in contested cases at the administrative level.

- Advise the Commission in their decision-making process and administrative matters and draft orders for regulated utility and transportation cases; draft, review and testify on proposed legislation affecting the Commission; and draft rules affecting the PSC's regulations, statutes and policies.

- Respond to public and press inquiries; act as hearings

1-10-91
for PSC

examiners or as advocacy attorneys.

- Enforce the motor carrier statutes and to monitor Federal Agencies and other State Commissions' activities and participate in certain dockets or cases.
- Hire consultants to advise and represent the PSC in matters before the Federal Energy Regulatory Commission (F.E.R.C.), the Interstate Commerce Commission (ICC) and in major proceedings before the Commission.

Transportation Division Goals:

- Assist the Commissioners in the regulation of all surface transportation, motor carrier and rail, within the State of Montana pursuant to Montana statutes and rules of the PSC.
- Investigate regulated motor carrier companies and business establishments to assure compliance with federal, state and other applicable laws and/or regulations.
- Enforce the state laws and regulations pertaining to commercial transportation of persons and property.
- Implement the Railroad Safety Program pursuant to Section 206(d) of the Federal Railroad Safety Act of 1970 (45 U.S.C. 435(d)) and 49 CFR 212.33.
- Provide the shipping public with consumer representation by investigating complaints of regulated motor carrier actions concerning service, freight claims, and rate charges.

AUTHORIZATION

Statutes MCA 2-15-2601 and MCA 2-14-2602.

BASE FUNDING

The Public Service Commission has one program and is funded with general fund. The amount of general fund appropriated for Commission operations is refunded by a utility tax. The amount of utility tax collected is based upon the general fund appropriated to finance the Commission.

The Public Service Commission also receives Federal funds from the Department of Transportation to fund the Natural Gas Pipeline Safety Program. This program is a 50/50 split by Federal and State Governments.

The Proprietary Funds are revenue the State receives from out-of-state utilities for reimbursable auditing expenses. There is no increase from the Fiscal Year 1991 biennium.

PERFORMANCE INDICATORS

Transportation Division Performance Indicators

	FY90 Actual	FY91 Enacted	FY92 Base	FY93 Base
<u>DOCKETS</u>				
Sale and Transfer Rail	38	40	40	40
Tariff		24	20	20
Authority Requests	38	28	35	30
Declaratory Rulings	3	35	35	35
		3	3	3
<u>MOTOR CARRIER COMPLIANCE</u>				
Trucks Checked For Compliance	5,536	5,700	5,800	5,800
Carrier Contacts (Carrier Office)	443	450	450	450
Vehicle Identification				
Stamps Issued	266,884	270,000	270,000	270,000
ICC Certificates Issued	1,823	1,850	1,850	1,850
Rate Reduction Requests	23	20	20	20
Annual Reports Reviewed	540	550	550	550
Compliance Reviews Conducted (Carrier Office)		85	100	100
Revenue Collected				
Stamps				
ICC Certificates	\$45,575	\$46,250	\$1,334,420	\$1,350,000
			\$46,250	\$46,250
<u>RAIL SAFETY</u>				
Miles of Main and Yard Track Inspected	3,251	3,300	3,300	3,300
Switches Inspected				
Main and Yard Records	1,336	1,350	1,350	1,350
		2,191	2,200	2,200

Utility Program Performance Indicators

Statutory History

The Utilities program was created in 1913 (Subsection 69-3-101, et seq., MCA). Since that time, there have been numerous statutory changes increasing program responsibility. Significant legislative changes include the grant of authority and responsibility to implement provisions of the Public Utility Regulatory Policy Act of 1978 (Subsection 69-3-601, et seq., MCA) and to implement the Montana Telecommunications Act (Subsection 69-3-801, et seq., MCA). Authority was also granted to enforce certain provision of the Natural Gas Pipeline Safety Act of 1968 (Subsection 69-3-207, MCA).

Program Operations

The Utility Division assists the Public Service Commission in regulating 306 utilities operating within Montana. These utilities render public access to gas, electricity, water, sewer and communications service. Their rates, as well as other aspects of their operations, are controlled by the Commission. The staff of the Utility Division reviews requests for rate relief received from regulated utilities, and provides advice to the Commission regarding appropriate rates and service.

The Utility Division has four operation sections: Revenue Requirements-Accounting-Audits; Rate Design-Economics; Water-Sewer; and Case Management-Customer Complaints-Pipeline Safety.

The Revenue Requirements-Accounting-Audits section assists the Commission in determining the reasonable return to be allowed a public utility that has applied to the Commission for rate relief. This section seeks to determine the cost of service of a public utility, including proper operating expenses, depreciation, taxes and a reasonable return on investments.

The Rate Design-Economics section assists the Commission in determining a reasonable method of pricing utility service in order that utility revenue recovery is assured, each customer class is fairly treated and that economic principles are preserved.

The Water-Sewer section assists the Commission in regulating water and sewer utilities, including a large number of municipal utilities. This section is also frequently called upon to provide assistance to cities and towns to aid them in compiling rate filings.

The advice given the Commission by the above sections is mainly technical/public policy advice. Seven of the Division's fourteen employees are directly involved in giving such advice. A measure of the quality of this advice is the percentage of total Division time which is devoted to studying utility and intervenor testimony and auditing their technical exhibits to prepare for Public Service Commission hearings and "work sessions". The following table displays recent history, and projected targets:

	Calendar		Fiscal Year	
	1986	1987	1988	1989
Percentage of Total Division Time	24.69	25.12	22.97	23.17
			24.25	24.25

Utility Program Performance Indicators (cont.)

Another measure of the quality of the Division's technical advice is the time which is able to be devoted to professional development. (Consultants in the public utility business estimate that a maximum of 75% of their time is available for billable hours; the balance is professional development to insure credibility.) The following table displays recent history, and projected targets:

	Calendar		Fiscal Year	
	1986	1987 1988	1989	1992 1993
Percentage of Total Division Time	1.82	2.10 2.47	1.81	2.25* 2.25*

* To equal the time consultants spend on professional development, the 2.25% would need to be 11.15%.

The quantity of work processed is measured by dockets filed during each annual period, and "work sessions" participated in with the Commission. The following table depicts recent historical experience, and expectations for the future.

	Calendar		Fiscal Year	
	1987	1987 1988	1989	1992 1993
Utility Related Dockets	79	87 64	58	70 70
Utility Related Work Sessions	150	207 227	239	250 250

Case Management-Customer Complaints-Pipeline Safety:

The Case Management-Customer Complaints-Pipeline Safety section provides clerical support for the Utilities program. Additionally, it processes informal customer complaints filed by utility customers throughout Montana, as well as assuring that all natural gas pipelines in Montana meet the standards of the Natural Gas Pipeline Safety Act of 1968. It also investigates accidents and fatalities involving utilities.

The Pipeline Safety personnel attempt to inspect each natural gas pipeline inspection unit one time per year for compliance with Federal pipeline safety regulations. The following table displays recent history, and projected targets:

	Calendar		Fiscal Year	
	1986	1987 1988	1989	1992 1993
Times Each Unit Was Inspected	1	1 1 .5	1	1.25 1.25

Federal regulations suggest two inspections per year, plus regulation of master meter operators. Pipeline Safety personnel anticipate beginning to gauge the scope of master meter regulation during Fiscal Years 1991 and 1992, with the expectation that the 1993 Legislature would be asked whether or not personnel or consulting money should be appropriated for such regulation. Additionally, to achieve the suggested two inspections per unit per year would require one additional employee; 50% of whose salary would be reimbursed by the Federal Government.

Utility Program Performance Indicators (Cont.)

The primary responsibility of Customer Complaints personnel is to courteously, efficiently, and fairly process informal complaints lodged against public utility monopolies. The number of complaints has remained relatively constant over four prior years, and they are expected to continue within the historic boundaries.

	Calendar		Fiscal Year	
	1986	1987 1988	1992	1993
Number of Complaints	474	494 378	475	475

Clerical time to support the other professional endeavors of the Division allows those employees' to concentrate more closely on their intended purposes. New or additional clerical duties mean other professionals must devote more of their time to clerical functions. Other professionals in the Division presently perform many clerical duties. This is not expected to change. The following table displays the percentage of time which clerical employees have devoted to the Division, and expected future allocations:

	Calendar		Fiscal Year	
	1986	1987 1988	1992	1993
Percentage of Total Division Time	12.91	11.58 8.52	12.00	12.00

Management Audit Program Performance Indicators -- Fiscal Year 1992 and Fiscal Year 1993

"The overall purpose of a management audit program is to promote and encourage efficient and effective utility management. In order to accomplish this, a management audit evaluates the management and operations for a company. Such an evaluation will help assure that ratepayers receive safe and adequate service at the lowest reasonable cost and assist utilities in earning their allowed rate of return on investments. A management audit program strives to achieve these purposes by performing the following functions:

Give a source of information to the responsible regulatory body describing the operations and management systems of the various types of regulated utility companies.

Providing the regulatory body, company and the public with a composite view of the relative strengths and weaknesses of the company's organization, policies, practices and procedures.

Recommending improvement in those operating policies, practices and procedures where necessary, resulting in improvements in the company's operations and achievement of cost savings for the company and ultimately the ratepayer.

Management audits have proved to be a useful regulatory tool to achieve economy and efficiency of operations and a means to enhance the regulatory commission's understanding of the utility's management process. Additionally, the audit process could be used in Montana as a vehicle for utilities and regulatory bodies to work together outside the contested case forum."

Management Audit Program Performance Indicators (continued)

Fiscal Year 1992:

- Conduct a study to determine the feasibility for privatizing the program.
- Establish ground rules for the program.
- Identify the most significant areas where audit expertise would be usefully applied; and prioritized them.
- Hire consultants or employees and consultants to perform audits on the most significant areas needing review.

Fiscal Year 1993:

- Perform one comprehensive management audit and perform one selective review of a discrete utility function/process; or
- Perform three selective reviews of a discrete utility functions/processes.
- Collaborate with utility management to insure that recommendations are implemented.

Increase or Decrease from Base

The recommended \$283,065 increase represents \$273,696 for two (2) modification requests and \$9,369 for fixed costs and inflation, which includes \$1,948 for a Legislative Financial Audit cost and \$6,892 for adjustment to rent cost.

Equipment is \$51,816 in Fiscal Year 1992 and includes the following:

- \$12,412 to replace one (1) high-mileage vehicle;
- \$4,460 to replace one (1) 1976 Motorola low-band two-way radio to allow P.S.C. enforcement officers to communicate with other enforcement agencies;
- \$8,808 for two (2) Laser Printers and Data Switches to attach to PS/2s because of speed and to take the word processing burden off the Commission's S/36, which is currently running at capacity;
- \$299 for one (1) Hayes Smart Modem 2400 to replace the 1200 to allow more efficient use with Westlaw, EPRINET, and the Michigan Public Service Commission Bulletin Board. The 1200 would be used for the State Electronic Bulletin Board;
- \$636 to replace one (1) 1982 typewriter because the Commission can no longer obtain a maintenance contract and maintenance calls and parts are expensive;

Increase or Decrease from Base: (continued):

- \$4,450 to replace one (1) 1986 Leading Edge PC XT that is not meeting Commission needs for RAM, memory and software requirements; and
- \$2,090 three (3) RAM upgrades for PS/2s to efficiently run present software and programs;
- \$450 color monitor;
- \$5,000 for software and software upgrades; and
- \$13,211 for computers, software and office equipment for two new FTE's.

Equipment is \$42,079 in Fiscal Year 1993 and includes the following:

- \$23,709 to replace two (2) high-mileage vehicles;
- \$8,920 to replace two (2) Motorola low-band two-way radios;
- \$4,450 to replace one (1) 1986 Leading Edge PC XT; and
- \$5,000 for software and software upgrades.

The executive budget includes an increase of \$25,000 each year of the 1993 biennium for travel and registration fees. The department and its commissioners propose to increase their participation in regional and national associations, local and interstate conferences, federal hearings before the Federal Regulatory Commission, and commission hearings around the state.

The executive budget adds 1.00 FTE in Fiscal Year 1992 and 2.00 FTE in Fiscal Year 1993 along with \$48,218 in Fiscal Year 1992 and \$175,380 in Fiscal Year 1993 to promote and encourage efficient and effective utility management. A variety of management initiatives are available which promote cost-effective delivery and/or consumption of public utilities. For instance, various technological changes can enhance the delivery and/or cost effectiveness of public utilities. The department proposes to broaden its analysis to include the operation and management systems of public utilities. The Commission plans to explore the feasibility to privatize this program. In the event privatization is a more cost-effective approach, the Commission will request the authority to transfer appropriation from personnel services to contracted services.

Other Budget Issues

The Public Service Commissioners intend to present for legislative consideration the following issues which were not included in the Executive Budget Request:

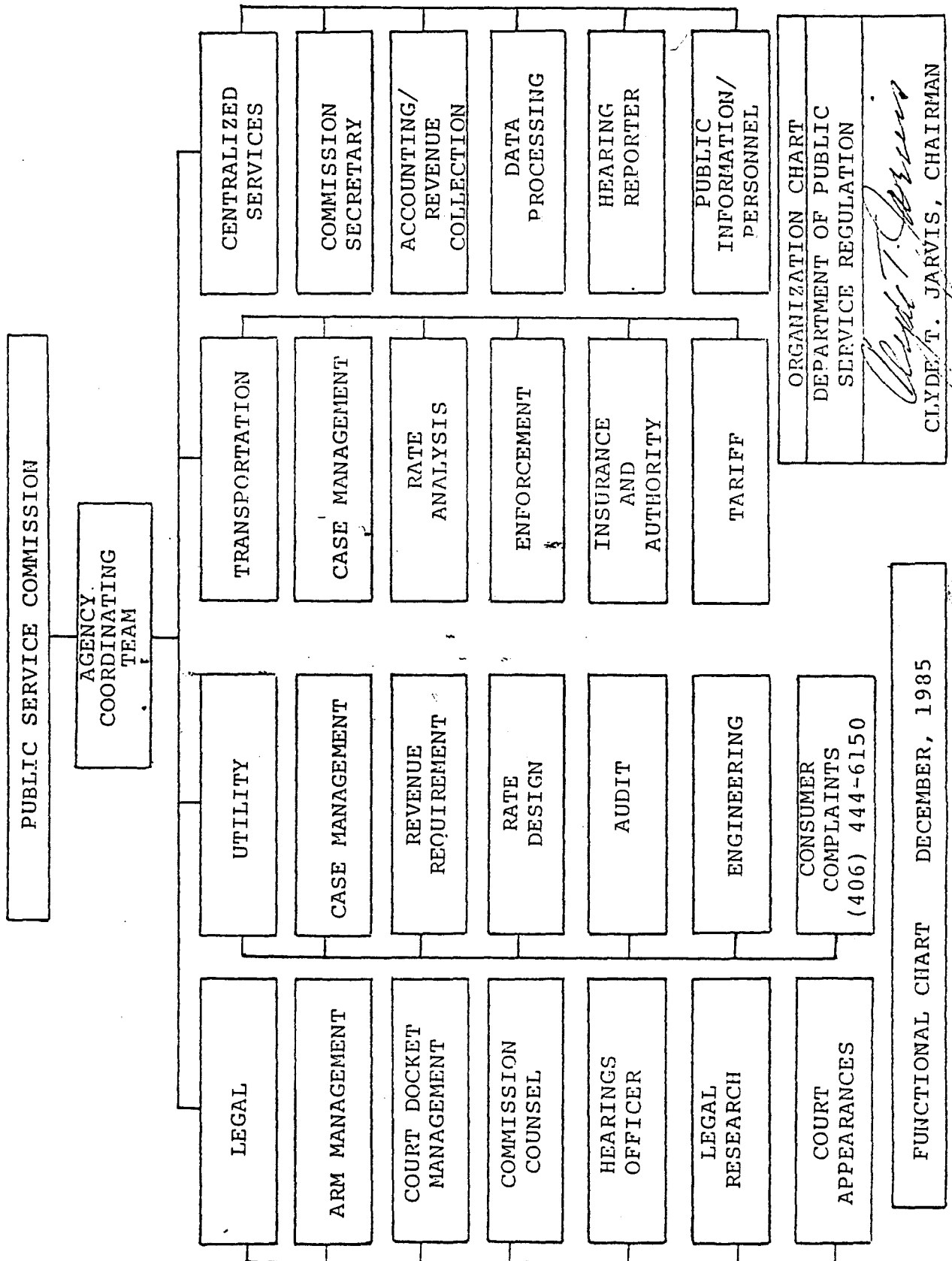
(1) Relocation of the Public Service Commission:

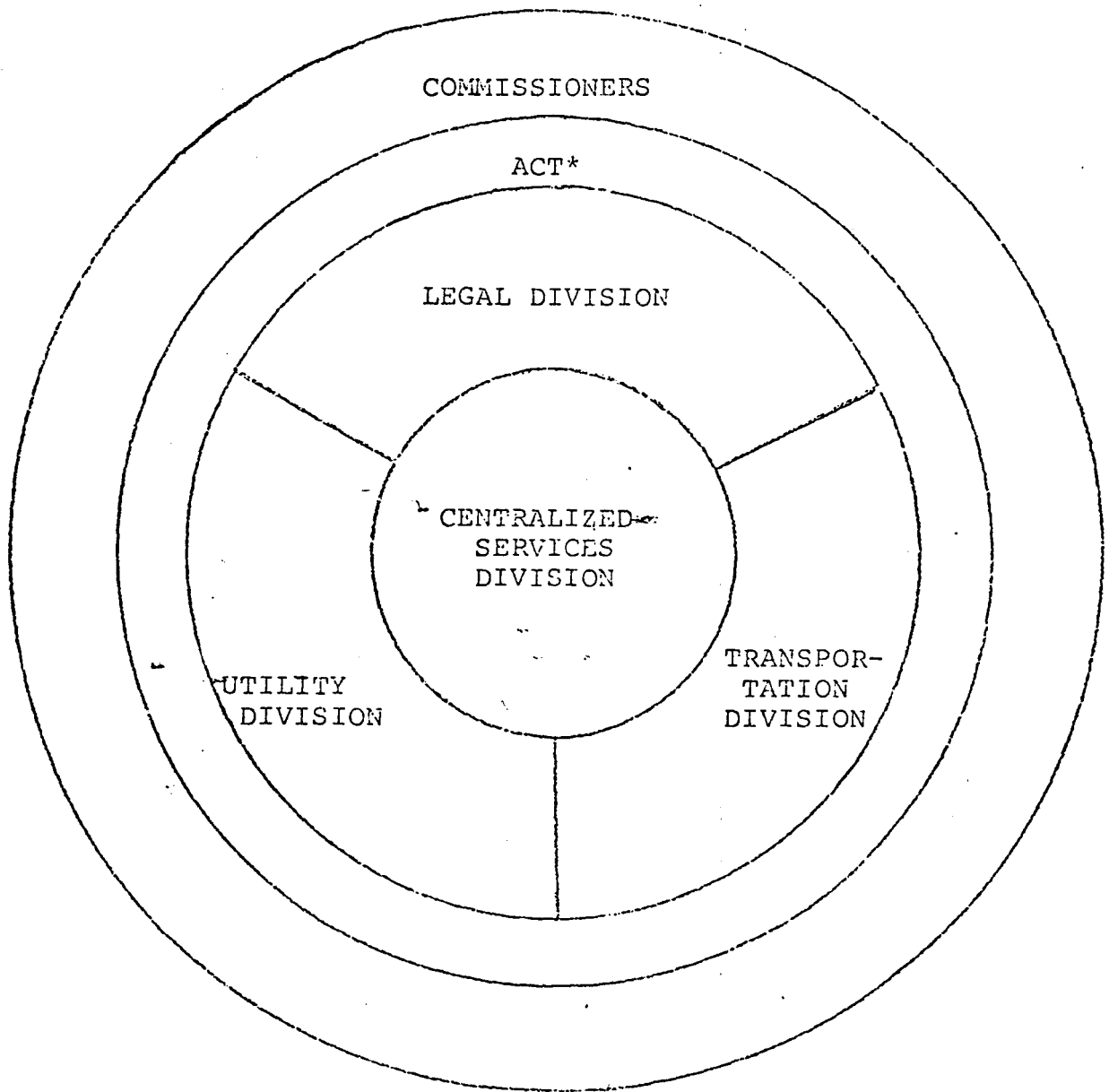
The Commission requests \$272,210 above the present \$79,440 already in our budget, to move the Commission offices to a new location if a Department of Transportation is created.

(2) Exempt Positions:

The Commission requests \$15,000 each year of the biennium for additional pay for ten exempt positions above whatever pay is authorized for state employees through the pay process. The commission is requesting this increase to retain our present staff and pay them appropriately.

EX-18.7 2
DATE 1-10-91
HEMPHILL Res. Sub.





ORGANIZATION CHART
DEPARTMENT OF PUBLIC SERVICE REGULATION
June, 1933

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

NEXT PAGE IS 38-21

◆NATURAL RESOURCES SUBCOMMITTEE◆

Overview of Major Issues 1991 Session

EX 2

EXHIBIT 2
DATE 1-10-91

Page 18

Department of Public Service Regulation

- | | |
|------------------------------------|------|
| 1. Executive Budget Modifications | C-49 |
| 2. Elected Officials Modifications | |

Department of Livestock

- | | |
|-----------------------------------|------|
| 1. Executive Budget Modifications | C-85 |
|-----------------------------------|------|

Department of Agriculture

- | | |
|---|--------------|
| 1. Pesticide Registration Fee Increases | C-106 |
| 2. Diversion of General Fund to State Special | C-106, C-107 |
| 3. Executive Budget Modifications | C-99 |

Department of State Lands

- | | |
|--|-----------------|
| 1. Proposed Reorganization | C-1 to C-5, C-6 |
| 2. Proposed Use of State School Revenue to Fund Budget | C-8 to C-10 |
| 3. Consulting and Professional Services | C-7, C-8 |
| 4. New Fees and Taxes | C-8 |
| 5. Executive Budget Modifications | C-12 |

Department of Fish, Wildlife and Parks

- | | |
|---|--------------|
| 1. General License Account Fund Balance | C-55 to C-57 |
| 2. Executive Budget Modifications | C-53 to C-55 |
| 3. Legislative Contract Authority | C-57, C-58 |

Department of Commerce

- | | |
|-----------------------------------|-------|
| 1. Proposed Reorganization | C-111 |
| 2. Executive Budget Modifications | C-114 |

Cx #2

EXHIBIT 2
DATE 1-10-91
#6 Natural Des. N.L.

OFFICE OF BUDGET & PROGRAM PLANNING
EXECUTIVE BUDGET SYSTEM
BUDGET WORKSHEET -- IMPORT SKELETON

4201 PUBLIC SERVICE REGULATION	Import	E0192003.IMP	Run Date == >	01/01/80
01 PUBLIC SERVICE COMMISSION	Export	E0192003.PRN	Run Time == >	12:16 AM
02003 COMMISSION RELOCATION	Worksheet	E0192003.WK1	Version == >	2.20.1

P	Act	Obj	Actual	Request	Request	Factor C	Factor C	Inf Req	Inf Req	Bud	
Agcy G Cntl	Ent	Exp	FY 90	FY 92	FY 93	FY 92 I	FY 93 I	FY 92	FY 93	Lev	Entity/object Description
2010192003	01100	2372	0	25,000		0	1.0000 0	1.0000 0	25,000	0	ML TELEPHONE ADD/MOVE/CHANGE
2010192003	01100	2529	0	160,000	160,000	1.0000 0	1.0000 0	160,000	160,000	ML	RENT/NGN-STATE BLDGS.
2010192003	01100	4214	0	6,650		0	1.0000 0	1.0000 0	6,650	0	ML MOVING COSTS
2010192003	01100	0000	0	191,650	160,000	1.0000 0	1.0000 0	191,650	160,000	ML	GENERAL FUND

1-10-91
exhibit 3

EXHIBIT 3

1-10-91

HE

NATURAL RESOURCES SUBCOMMITTEE

AGENCY SUPPLEMENTAL REQUESTS

1991 Session

Ex 3

Department of State Lands

Wildfire Suppression

The Department of State Lands is requesting \$3,599,161 general fund to pay wildfire suppression costs incurred in fiscal years 1990 and 1991. In addition, the request includes estimates of future costs for fiscal 1991. Appropriations for fire suppression are not included in the agency's operations budget and are requested through the supplemental process. Known net costs are \$966,989 for fiscal 1990 and \$1,687,487 for fiscal 1991. Estimated costs, for past as well as future suppression activity, are \$944,685. This request is included in House Bill 3 at \$2,517,108, but the agency has requested \$1,082,053 additional authority. The federal government reimburses a portion of the state expenses.

Department of Commerce

Weights & Measures

The Department of Commerce is requesting \$13,527 general fund to pay "unforeseen costs" in the Weights & Measures Program. The department states that there does not appear to be sufficient funds to cover the following costs: 1) \$6,162 for emergency vehicle repairs; 2) \$6,300 for increased fuel costs; and 3) a vehicle purchased for \$1,065 more than the projected amount. This request is not included in House Bill 3.

Ex 27

DSL
Supplemental Information

Request per HB 3:	\$2,517,108
Additional Request:	\$1,082,053
SUPPLEMENTAL TOTAL	<u>\$3,599,161</u>

COST BREAKDOWN

	House Bill 3	As Amended
FY 1991 Known Costs	\$1,450,119 *	\$1,932,175
Budgeted Fire FTE Costs		(\$161,784)
Townsend Sawdust Fire		(\$82,904)
Sub-Total	<u>\$1,450,119</u>	<u>\$1,687,487</u>
FY 1990	\$966,989	\$966,989
Sub-Total	<u>\$966,989</u>	<u>\$966,989</u>
Estimated Future Costs		
BLM		\$97,228
USFS		\$650,000
Spring Fires	\$100,000	\$120,000
National Guard		\$54,942
Prison		\$22,515
Sub-Total	<u>\$100,000</u>	<u>\$944,685</u>
TOTAL SUPPLEMENTAL	<u>=====</u> \$2,517,108	<u>=====</u> \$3,599,161

* Includes an estimated \$700,000 for the Beartooth Wildlife Management Area fire.

HEARING ON FIRE SUPPLEMENTAL
January 10, 1991

EXHIBIT 4
DATE 1-10-91
- Natural Res. Sub.

Introductory Remarks: Dennis Casey

Good morning, Mr. Chairman, members of the committee. My name is Dennis Casey and I am the Commissioner of the Department of State Lands. This morning I am here to testify on behalf of our request for a budget supplemental to reimburse the Department for wildfire suppression expenditures that we have made over the current biennium. With me are Bob Kuchenbrod, Administrator of the Central Management Division, and Don Artley, Deputy Administrator of the Forestry Division.

As many of you are aware, the Legislature does not give the Department an appropriation from which to pay for fire suppression costs. We borrow against other Department appropriations in order to pay our fire bills during the biennium, and then request reimbursement from the legislature through the budget supplemental process. This is primarily because of the great variation in our fire suppression costs from one biennium to the next.

Now, I'd like to introduce Bob Kuchenbrod who will testify in regard to the specifics of our supplemental request.

Exhibit 5

DEPARTMENT OF STATE LANDS

EXHIBIT 5
DATE 1-10-91
HB _____
CAPITOL STATION



STAN STEPHENS, GOVERNOR

STATE OF MONTANA

(406) 444-2074

1625 ELEVENTH AVENUE
HELENA, MONTANA 59620

The Department of State Lands requests a general fund supplemental appropriation of \$3,599,161 for the wildfire suppression costs incurred in FY 1990 and FY 1991. Department operations do not include funding for fire suppression and are requested through the supplemental appropriation process as provided in section 17-7-301, MCA

The following is a breakdown of costs:

	Original Request Per Exec. Budget	Inc/Dec	Total Req.
FY 1990 Expense	\$ 966,989		\$ 966,989
FY 1991 Expense	1,450,119	482,056	1,932,175
<u>Less:</u>			
Budgeted Fire FTE Costs		<161,784>	<161,784>
Townsend Sawdust Fire		<82,904>	<82,904>
<u>Add</u>			
BLM Expenses (Est)		97,228	97,228
USFS Expenses (Est)		650,000	650,000
Unpaid Spring Fires (Est)	100,000	20,000	120,000
Unpaid National Guard		54,942	54,942
Unpaid Prison Costs		<u>22,515</u>	<u>22,515</u>
TOTAL FY 91 EXPENSE	1,550,119	1,082,053	2,632,172
TOTAL SUPPLEMENTAL	\$2,517,108	\$1,082,053	\$3,599,161

The Department requests amending HB 3 as follows:

Page 4, Line 16 Strike: \$2,517,108
Insert: \$3,599,161

1-1-91

EXHIBIT 6
DATE 1-10-91
-5

WEIGHTS & MEASURES BUREAU
PUBLIC SAFETY DIVISION
DEPARTMENT OF COMMERCE

ADDITIONAL APPROPRIATION NEEDS FOR FY91

The Weights & Measures Bureau is required to inspect, test and license all weighing and measuring devices used in commercial transactions and in some circumstances noncommercial devices when requested. In addition the Bureau is to ensure quality and quantity control of all petroleum products; regulate all packaged goods including their labels; license all petroleum dealers and investigate consumer complaints concerning all applicable regulations.

In the performance of its duties the Bureau makes extensive use of vehicles and testing devices. The equipment is in a lot of cases old and worn to the point there are numerous failures. When equipment fails the impact is disruptive to the program. With 17,000 devices to inspect, the work efforts must keep moving in order to complete the inspections within a years time.

In addition, since a majority of the work takes place in out lying areas, the break downs have an added dimension. If the equipment fails with heavy weights, up to 2,500 pounds, there is no way to move a vehicle and in many instances there is no one around to assist. At the very least, staff have had a number of instances where weights had to be left and a return trip made to retrieve the weights. This is not cost or time effective. It is not always possible to obtain repairs in the areas of the break down further complicating the situation. In summary the loss of time and funds to repairs has impacted the program greatly.

The following information is intended to give a picture of what the Bureau is working with.

VEHICLE MAINTENANCE

Vehicle	Description	Mileage
M4160	1979 2t International 5,000# Scale Trk	155,028
M4309	1988 1/2t Chevy Pickup	32,879
M4413	1984 1/2t Chevy Pickup	77,665
M4414	1986 2 1/2t GMC 10,000# Scale Trk	78,875
M4418	1982 3 1/2t Ford 10,000# Scale Trk	35,434
M4419	1983 1/2t Ford Pickup	111,900
M4433	1980 2 1/2t GMC 5,000# Scale Trk	126,880
M4434	1980 1/2t Dodge Pickup	135,892
M5437	1977 Tractor Inter. 20,000# Scale Trk	83,590
M5841	1985 3/4t Ford Pickup	123,722
M6034	1988 1/2t Chevy Pickup	37,880
M6073	1889 1/2t Chevy Pickup	34,268

FY91 Repair History (\$100 and over)

	Cost	Description of Repair
M4160	275	heater hoses, install new coil, ignition module
M4414	1,069	remove trans. & clutch, replace pressure plate, throw out bearing
	195	replace transmission range valve
	242	repair weight dolly
	330	replace voltage regulator
	298	replace belts and needed towing to repair shop
	140	normal service
	1,250	replace belts, adjust clutch, brake shoes, air compressor service, radiator repair
	569	replace starter
	114	tire repair
M4418	1,044	remove drive line, remove and replace heads, tune up, also towing service
M5437	2,683	tires for the 20,000# scale truck
M5841	266	tires
	181	replace thermostat and all belts
	572	repair the brakes
Total	9,228	

The Bureau has \$14,384 budget for repair and with the experience to date the budget is 85% expended in 50% of the time elapsed. In addition to the current expenditure history the Bureau has a new vehicle that needs to have the van transferred to it. The estimated cost for the transfer is \$2,500. Using last years repair and maintenance experience the estimated FY91 expenditure would equal \$14,397. The FY91 estimated total cost for this category is \$14,397 (repairs) + \$2,949 (tires) + \$2,500 (van) = \$19,846. This equates to a budget over expenditure of \$5,462.

The Bureau has discovered several safety hazards that require correction. One of the scale test vans has a temporary five gallon fuel cans being used as a permanent source of fuel supply for the generator. There needs to be a permanent fuel tank installed in the van at a cost of \$200. In addition, some of the trailers containing equipment have been operating without proper tail lights partially due to electrical plug connections not being standardized and the cost to correct is estimated to be \$200. Finally, several of the scale testing vans having generators have exhaust pipes that are not protected and located in a position where they can be readily contacted by staff. The estimated cost to correct is \$300. The total cost for correcting the immediate safety hazards \$700.

FUEL COSTS

The Bureau, as everyone else, has experienced a 40% increase in fuel costs. Last year the Bureau expended \$7,652 for gasoline, \$3,670 for diesel fuel, and \$4,429 for LPG, for a total cost of \$15,751. Based on this experience the projected FY91 fuel cost will be \$22,051 or an increase of \$6,300.

EXHIBIT 6
DATE 1-10-91
-B-

EQUIPMENT

The Bureau purchased a new 2&1/2 ton vehicle in 1990, for a 5000 pound scale test van. The bid for the vehicle exceeded the budget by \$1,065.

ADDITIONAL APPROPRIATION AUTHORITY NEEDED

Category	Amount
Supplies (Fuel)	6,300
Repair & Maintenance	6,162
Equipment	1,065
TOTAL	13,527

WITNESS STATEMENT

PRINT

NAME

Dennis Casey

BILL NO. _____

ADDRESS _____

DATE

1-10-91

WHOM DO YOU REPRESENT?

DSL

SUPPORT _____

OPPOSE _____

AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

VISITORS' REGISTER

COMMITTEE

BILL NO. DSDATE 1-10-90

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Dennis Casey			
Gandy Mosley	DSL		
Don Antley	DSL		
Bob LUCHENBROD	DSL		

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.