

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By **CHAIRMAN BERV KIMBERLEY**, on January 11, 1991,
at 8:00 A.M.

ROLL CALL

Members Present:

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

Staff Present: Roger Lloyd, Associate Fiscal Analyst, (LFA)
Bill Mandeville, Budget Analyst (OBPP)
Theda Rossberg, Secretary.

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

EXECUTIVE ACTION

Motion/Vote: **SEN. DEVLIN** moved to approve the \$3,599,161
supplemental for the Department of State Lands. Motion **CARRIED**
unanimously.

Motion/Vote: **SEN. BENGTON** moved to approve the \$13,527
supplemental for the Department of Commerce. Motion **CARRIED**
unanimously. **Roll Call Vote CARRIED** unanimously.

HEARING ON THE PUBLIC SERVICE COMMISSION (PSC)

Mr. Lloyd, discussed the difference between the LFA and Executive
budgets. For 1992 the LFA budget was \$1,834,131 and the
Executive Budget was \$1,938,614. In 1993 the LFA has a similar
budget of \$1,836,040 and the Executive budget is \$1,941,660, a
difference of \$105,620. **EXHIBIT 1**

CURRENT LEVEL ISSUES:

(1) **FTE REDUCTION** - The LFA level represents two positions which
have been vacant over six months in the 1991 biennium. These
positions were a Word Processor and a Rate Analyst.

(2) **BIENNIAL APPROPRIATION** - In 1989 the Legislature authorized a
\$50,000 appropriation for consulting services. The actual
expenditures in 1990 were only \$6,114 and the Executive was

\$25,000. Therefore, the difference of \$18,886 was the amount used for FY92 and FY93.

(3) EQUIPMENT - There is \$5,000 included in the budget for computer software.

(4) BUDGET BASE DIFFERENCES - This is due to the different bases of the Executive budget and the LFA budget. The LFA used the FY 90 appropriation as its base and the Executive Budget used the FY91 base. The difference between \$33,932 and \$35,172 is \$1,240.

EXECUTIVE BUDGET MODIFICATIONS:

(1) TRAVEL/REGISTRATIONS FEES - The agency is requesting an additional \$5,000 for travel and registration funds to enhance participation in local and interstate conferences and commission hearings.

(2) UTILITY MANAGEMENT AUDIT - The Management Audit will allow the agencies to audit management practices of the utility companies. Through their audits they find ways of saving the company and the consumer money.

ELECTED OFFICIAL MODIFICATIONS:

(1) RELOCATION OF PSC - This is due to the reorganization proposed in the Executive Budget of the formation of the Department of Transportation (DOT). The Transportation Program within the Department of Commerce and the Motor Fuel Program in the Department of Revenue (DOR) may move into the Highway Building. If the Commerce moves out of its current building, there would be additional rental costs of \$160,000 for FY93. This represents about \$40,000 rent currently paid or \$120,000 additional rent.

(2) EXEMPT POSITIONS: The agency has requested \$15,000 each year for authority to fund salaries for ten exempt positions within the PSC.

Bill Mandeville, OBPP, discussed the difference in the bases which is divided into six different areas: consulting fees, gasoline, advertising, travel, education and training.

Relocation of the PSC was not included in the Executive Budget because action should be deferred until passage of the DOT bill. The exempt positions are not included in the Executive Budget because it pertained to personnel which is the prerogative of the elected officials who govern the PSC.

Howard Ellis, Chairman, PSC, introduced the following commissioners: Bob Anderson, Wally Mercer, John Driscoll and Dan Oberg. The four Division Administrators are: Wayne Budt, Transportation Division; Robin McHugh, Legal Division; Dan Elliott, Utility Division; and Madeline Cottrill, Centralized Services Division.

EXHIBIT 2 details functions of the division agencies.

Mr. Ellis stated that the PSC is funded through a utility tax that is directed through the General Fund to cover its appropriation. That fund is adjusted to the utility volume by the DOR. It is earmarked within the General Fund and cannot be used for other expenditures. The Transportation Division sells stamps to the truckers nationwide which generates about \$1,300,000 per year that goes into the General Fund.

Dan Elliott, stated that of the two positions to be eliminated in the budget, the Utility Rate Analyst position was not broken out on the budget sheet. This would amount to approximately \$27,500 per year. Page 3 of **EXHIBIT 2** gives the justification for funding a Utility Rate Analyst.

Personnel accumulated overtime and comptime due to covering for Commissioner Mercer when he was ill. The PSC is busy with rate cases; all eight analysts are needed. The PSC did not want to fill the analyst position before Commissioner Mercer returned.

CHAIRMAN KIMBERLEY asked if the PSC was able to function without those two positions for nearly a year, why would both persons be needed now. **Mr. Elliott** explained that position was in the Transportation Division and **Wayne Budt** would elaborate.

SEN. BENGTON asked what was meant by caseload. **Mr. Elliott** said the PSC deals with large policy level issues, for example: the PSC implemented a Least Cost Plan which will involve all major utilities in the State; a US West Rate Incentive Plan; several Montana Power Company cases, i.e. a general rate case which involves \$70,000,000 for applied new rates and the reconfiguration of the Natural Gas business for Montana Power; a number of telephone tariff filings each week; a natural gas filing through the Montana Dakota Utilities; and a number of ongoing municipal water and sewer cases. The Butte water situation has required the PSC's participation for months and a filing from Pacific Lights was just received.

SEN. BENGTON commented it would get to be routine after awhile. **Mr. Elliott** said much of it is routine. However, businesses change and factors affect each one of these major companies in Montana. These have to be reviewed by the PSC in order to advise the PSC on activities that affect utilities.

Major policy decisions currently before the PSC are: an early retirement option for several utilities; reconfiguration of the natural gas utility from a vertically integrated system to a group of systems. These would be comprised of a Distribution Company and Transmission Company.

SEN. WEEDING asked if the illness of Commissioner Mercer was a factor in the 12% budget reduction. **Mr. Elliott** answered due to Mr. Mercer's absence, the PSC did not want to consider partial

reorganization. **SEN. WEEDING** asked if 12% is not approved, what are the consequences. **Mr. Elliott** answered, to perhaps eliminate that position and consequently not have good quality advice.

Mr. Wayne Budt said the second FTE is a Word Processing Operator. **EXHIBIT 2- Page 4** The LFA's budget recommends eliminating this position. The duties include: the bingo stamp function, insurance area, notices for hearings, rate increases and all word processing. If the bingo stamp is transferred to DOT, some of the duties would no longer exist. The position would be utilized as Compliance Officer in conjunction with personnel who conduct carrier audits, insurance, consumer complaints and annual reports. The PSC requests the subcommittee adopt the Executive Budget recommendation and reinstate this position in the FY92 and FY93 base.

SEN. DEVLIN asked where the money came from to hire the temporary help. **Mr. Budt** answered that due to the position being vacant, the temporary help cost less than a full-time person.

SEN. BENGTON asked how much of the operation would be transferred to the DOT. **Mr. Budt** answered none.

Exhibit 2, Page 5. **Robin McHugh** explained why the PSC needs \$50,000 for the next biennium for outside consultants. The PSC spent approximately \$6,000 on consultant fees in FY90. Based on that amount, the LFA recommended approximately \$12,000 be appropriated in the next biennium. The Budget Office recommends \$50,000 based on FY89 appropriation.

Reasons for level of appropriation:

(1) Most funds were spent for representation before the Federal Energy Regulatory Commission (FERC) involving Williston Basin Interstate Pipeline Co. (WBIP). Because of the reorganization of Montana Dakota Utilities (MDU), Williston Basin sells or transports nearly all gas consumed by customers in central and eastern Montana. Therefore, the price Williston Basin charges has a direct bearing on the price MDU ratepayers pay. FERC sets Williston's rates so it is important the PSC has representation at FERC. This involves extensive travel and it is not practical for the PSC's staff to participate at FERC. Therefore, the Montana Consumers Counsel, North Dakota, South Dakota, Wyoming and the PSC has hired consultants with knowledge of economics, accounting and law to represent them at FERC. These consultants have saved MDU ratepayers millions of dollars.

(2) The consultants assist farmers and ranchers in northeastern Montana in opposing the abandonment of Scobey-Opheim rail line. The PSC hired a Chicago attorney who was successful in persuading the ICC Administrative Judge that the line should not be abandoned. The decision is pending before the ICC.

(3) The PSC will be considering other major policy issues which

include proposals for alternative regulation, competitive bidding, and regulatory treatment of conservation investment and environmental entities.

SEN. BENGTSON asked what was the average amount spent on consultant fees. **Mr. Oberg** said there was very little money spent on consultant fees until the last two sessions. After MDU was reorganized as a utility, Montana Consumers Counsel funded most of it through their budget. This was difficult for the PSC because of the five active partners of the coalition. Montana has two representatives, Montana Consumer Counsel and the PSC. In the past session this committee agreed the PSC should start funding part of this. We paid a small portion to the Consumer Counsel, who funded most of it.

SEN. BENGTSON asked how this interfaces with MDU going before FERC. **Mr. Oberg** explained the PSC sets retail rates for MDU customers. Because of the bulk costs for natural gas services, the PSC will have some say in the cost of gas, but someone has to intervene on the FERC level. The PSC and Consumer Counsel both participate in the cost estimate.

SEN. BENGTSON said when MDU goes before FERC, isn't it their responsibility to intervene and the PSC works on the state level to set rates. Isn't this doubling up? **Mr. Oberg** said MDU does not go before FERC. Natural gas is purchased from Williston Basin, the retail company, who sets the rate and MDU pays that price for the natural gas. In return, the PSC collects the money from the rate payers.

SEN. DEVLIN stated two years ago there was discussion about money appropriated to the Consumer Counsel and PSC for a consultant. **Mr. Oberg** said it was a shared cost, and the only way the PSC can intervene is with expert witnesses and lawyers.

Mr. Driscoll stated the PSC thought MDU would actively dispute what Williston Basin wanted to charge for gas. One record after another clearly demonstrates MDU has not been doing that. It is a source of contention between the PSC and MDU because the PSC feels the Williston Basin is too high. The president of MDU is on the Board of MDU resources which are affiliate companies, so the mother company benefits from the transactions between the two companies.

Mr. Lloyd stated the five year average is \$17,543 for consulting fees. The first third of FY91 expenditures was \$5,687. The LFA budgeted \$17,102 for consulting services of which \$6,100 is from the \$50,000 appropriation. Therefore, the LFA has budgeted \$6,000 out of the \$50,000 biennium appropriation plus an additional \$11,000.

John Alke, Attorney, stated he was a lobbyist for MDU and also represents the PSC. MDU supports the \$50,000 request by the PSC. Roughly 80% of the total cost of gas in Montana is charged to the

customer by Williston Basin. That 80% is solely under the jurisdiction of the FERC. Once FERC enters a rate order, it is binding as equally upon the PSC as MDU. Therefore, if one doesn't have the funds to participate at FERC, one doesn't participate at all because one doesn't get to pick a finding-field. Usually the FERC decision in a particular case is fairer than the PSC.

EXHIBIT 2, Page 6, Madeline Cottrill gave testimony supporting the Computer Software budget of \$5,000 which is not recommended by the LFA. Table I shows the software and upgrades the PSC has invested in. The \$5,000 is not an additional cost but was in the FY90 appropriation. \$5,100 was spent to purchase software and upgrades. The cost of purchasing the software is \$6,691 and the new software is \$2,590 for two new PCs, one in FY92 and one in FY93 for a total of \$9,281.

There are five issues regarding the budget base differences of \$33,932 FY92 and \$35,172 for FY93:

(1) Court Reporter Costs - the PSC has budgeted \$15,000 each year of the biennium for Court Reporter costs. The reporters are contracted and not on the PSC staff. A new contract was negotiated with the reporters in 1990 for fees. They were not previously paid for an appearance fee, \$100 to \$200 per day depending upon the reporter and where recruited from. The current contract reads, whether a hearing is held or canceled, the reporter will be paid for each scheduled day. **SEN. WEEDING** asked for clarification of "appearance fee." **Ms. Cottrill** answered it is a fee paid when a reporter is requested to appear for a case. Not all cases require a transcript but if required, the charge is in addition to the appearance fee. Transcripts cost from \$3 to \$4 per page, plus a fee for copies. The PSC or another party requesting a transcript pays for it. **CHAIRMAN KIMBERLEY** asked how it's determined who earns \$100 or \$200. **Ms. Cottrill** stated each reporter sets her own appearance fee. A legal contract is drawn up with the dollar amount left blank. Reporters are hired locally whenever possible to save additional travel and lodging costs.

(2) National Association of Regulatory Commissioners (NARUC): **EXHIBIT 2, Page 8** is an overview of membership benefits. The NARUC is a non-profit organization composed of governmental agencies engaged in the regulation of public utilities and carriers. The membership fee is \$1,908 per year which entitles the PSC to all services and benefits of the Association. Members of the PSC serve on several NARUC committees to represent Montana interests, locally and nationally.

(3) PSC Advertising: PSC legal advertising is based on the number of cases which come before the PSC. The PSC is required by law to notice all public filings and hearings in the newspaper. This notice is also for public participation. The PSC bills the applicant for the cost of the ad and that money

goes back into the General Fund.

(4) PSC Travel Budget: The Proprietary Fund is a \$20,000 appropriation, which is reimbursable. The PSC audits books of the major utilities outside the state and meetings with Bonneville Power Administration, Northwest Power, etc.

Pipeline Safety Program - Travel is the largest budget item. A total of \$50,000 is received, half of which is federal funds. Remaining funds go into the operation of the PSC. Last year only \$9,000 was appropriated for the Pipeline Safety Program. The money was not spent because a commissioner was gone for six months due to illness and the PSC was not able to do the inspections. Without these funds, The Pipeline Safety Program cannot operate.

Bob Warner, Gas Engineer with Montana Power Co, stated MPC's support for the Pipeline Safety Program. If the inspections are not completed, the federal government will take over. The federal pipeline staff of three inspectors covers about eleven states which do not operate their own safety program. All three inspectors show up at once on a three- or four-year cycle. They tend to be punitive to prove their value. This does not enhance Pipeline safety. The interpretation of the regulations is written in performance language. For example, if someone is digging in the street, the utilities are required to inspect the excavation as often as necessary to insure there is no damage. If someone damages a utility and it wasn't inspected, the utility company is subject to a fine. It is impossible to follow every backhoe around. They are supposed to contact the utility to find out where the lines are located.

Montana Utilities Coordinating Counsel is a group of companies such as the Telephone Co., Montana Power, MDU, Telephone Coops, Cities & Towns, Highway Dept. and the Public Service Commission. It is difficult to get a pro-active approach if this program is taken over on the federal level. The PSC tries to get information to people that one phone call to the utility will bring that company's employee out to locate lines for them. The committee's support is needed on the inspection program.

CHAIRMAN KIMBERLEY asked if that inspection situation was in 1988. **Ms. Cottrill** replied that it was FY90. The Commissioner became ill in January of 1990 and was not able to return until the end of the year. **SEN. WEEDING** asked if that was why there were no listings for 1990 inspections in the Pipeline Safety Program.

Mr. Warner stated when those performance indicators were compiled the tabulated results for 1990 weren't available but could be provided now.

(5) Education and Training: Some FY90 training budget funds reverted back. Waiver of some registration fees helped the next biennium. The PSC will have a new Commissioner and some new

staff who will require training and continued education in both the utility and transportation programs.

The PSC requests \$25,507 in FY92 and \$26,140 in FY93. Other categories include supplies, field person's clothing etc. \$5,000 each year for the contract but in FY91 this contract was done for under \$3,000. Two more years would continue this program. Therefore, the PSC gave a little that year and would appreciate the Committee considering its request

REP. NESBIT asked if those differences are contribute to the Pipeline Safety Program. Ms. Cottrill answered yes. The Pipeline Safety Program is funded 50% federal funds and 50% General Fund. The \$9,000 in each fiscal year comes from the General Fund. Dan Oberg said, in reference to the vacant position, that Dan Elliott proposed major restructuring of that division. Due to absences and illnesses for six to eight months, reorganization was delayed, so funds were saved.

The PSC is asking for an additional \$25,000 in travel money to be used basically to participate in NARUC. EXHIBIT 2, Page 8 Mr. Oberg is on the Board of Directors of an Institute at New Mexico State University that reviews current issues in utility regulations. He is unable to attend meetings because of the cost but he helps plan the agendas. He also is on a committee that oversees US West, a 14-state utility, that meets to share information, again participation is limited due to lack of travel funds. For example, US West paid expenses for some PSC staff to attend a seminar in Washington DC last year on telephone costing to discuss common issues. Travel and hotel expenses in major cities are quite expensive and \$25,000 is not an excessive amount. PSC is trying to establish an energy and telecommunications policy with the utilities to help better understand the issues in Montana. For the process to work the PSC and staff have to be up-to-date on what is happening in the country.

SEN. DEVLIN asked if this was in addition to the modification requested, the \$25,000 for FY92 and \$25,000 for FY93. Ms. Cottrill answered no.

EXHIBIT 3 - Dan Elliott stated that the budget Modification for Utility Management Audit is \$48,286 for FY92 and \$175,516 for FY93. Exhibit 3, Page 3 The Diagnostic Guidelines for Customer Services and Information questionnaire includes some of the questions the PSC would ask if the Process Audit Program was approved. The questionnaire relates to utility customer service operations. When the PSC reviews the results of past operations for rate-making and if some don't look reasonable the PSC may disallow those rates. The Process Audit Program would focus more on the future and the process the utilities use to make decisions.

In December the PSC requested the larger utilities to provide

feedback on the Process Audit Proposal. A letter received from George D. Ruff, Montana Vice President of US West Communications, Exhibit 3, Page 5 - favors the PSC entering this program. Mr. Ruff did ask some questions which the PSC will answer if this program is approved.

The PSC's process audit performance indicators provided to the Governor for FY92 said the PSC would conduct a study to determine the feasibility for privatizing the program. That was a commitment made to the Governor. Groundrules will be established for the program such as identifying the most significant areas where audit expertise could be usefully applied and prioritized them; hire consultants or employees to perform the audits in the most significant areas.

In FY93 the PSC would perform one comprehensive management audit and one selective review of a discreet utility function or perform three selective reviews. And collaborate with utility management to insure the recommendations would be implemented. See conclusion. Exhibit 3, Page 2

CHAIRMAN KIMBERLEY asked Mr. Elliott to comment on the last paragraph of Mr. Ruff's letter which reads: "US WEST would provide support to the PSC's proposal of placing the PSC in an advisory position, but could not support any initiative which does not leave the final decisions where they belong, within the bounds and discretion of the utility."

Mr. Elliott stated this was fair and the PSC would comply with this request. This constitutes an early warning system, hopefully the issues which would surface in the course of an audit would be addressed and be a collaborative effort between the PSC, staff and perhaps the Consumer Counsel and the utility and would be settled there. The issues which could not be resolved would simply serve as an early warning system for both the utilities and the PSC, so when costs actually came through the process which had been audited, the company and PSC would know they would be subject to increased scrutiny in the course of a rate case. The PSC does not intend to get into the management of the utilities.

SEN. DEVLIN asked in this on-going program, does the auditing ever end or just continues on with the three FTEs. Mr. Elliott stated it is two FTEs as modified by the Governor's Budget. As long as there are regulations the PSC would hope the auditing would continue. The PSC would report back in two years or as often as requested to continually justify the program.

SEN. BENGTON asked how the PSC could justify comparing the Legislative Auditor's Office auditing governmental functions and the PSC auditing private corporations. Mr. Elliott answered that he didn't have any opinion on the Legislative Auditor's Office. The PSC program is significantly smaller. The PSC, like the Legislature, is charged with looking after the public interest as

it relates to monopoly regulations. There is a similarity, and the PSC can be thought of as an extension of the Legislature. The public interest questions are essentially the same.

SEN. DEVLIN asked if the second year of this appropriation would include \$100,000 for consultants. Mr. Elliott replied yes, the original intent of the program was modeled after the State of Florida, which was to use consultants in the first two years of the program with experience in process auditing to help the hired staff wean itself away from that consultant money. The Modification by the Governor's office is for the second year. The actual hiring would be for two people starting January first so that is equivalent to one person for the full year. In the first six months of the program, priorities as read from the Governor's Budget, would be setting up the groundrules of the program. Hopefully the training experience would be "hands on" with the consultant doing the work and the staff assisting.

SEN. DEVLIN asked if the PSC had investigated the cost of the consultants. Mr. Elliott replied they compared the cost with other states and they are significantly higher than the \$100,000.

SEN. BENGTSON asked if this was a new policy direction determined by the PSC and who came up with the idea. Mr. Elliott replied that it operates in about thirty states, a list of states could be provided.

CHAIRMAN KIMBERLEY asked if there would be more FTEs needed to replace the \$100,000 appropriation. Mr. Elliott replied no additional FTEs have been projected. It would be difficult to wean them away from the \$100,000 after one year. The original program was for \$75,000 for consultants the first year and \$50,000 in the second.

SEN. BENGTSON asked if these were new responsibilities and job descriptions for the PSC members to take a proactive position. Don't they have enough to do now? Mr. Elliott stated they do have enough to do now but there is continuing friction when utilities submit the results of their past operations and the PSC disallows those. Another area which has provided new insight is the Least Cost Planning Advisory Committee which operated the past two years. That Committee and MPC looked at how to plan their resource abilities over the next several years. That was a real positive approach. The Committee issued its report in October.

Elected Official Modifications: Relocation of PSC. Wayne Budt gave testimony on moving the PSC. EXHIBIT⁴. The PSC is located in the Highway Building. The DOT may be moving into the Highway Building. If the Department of Highways decides to reorganize, there will not be enough space for the PSC.

There are two possibilities for relocating the PSC offices: (1)

the Vista Building under construction on Prospect Ave. located near the Capitol complex and (2) the old Thriftway Building located on north Montana Ave. There is no space available in the Capitol Complex at present. The PSC would need approximately 15,000 sq. ft. The cost to lease the Vista Building would be \$9.50 per sq. ft. and the Thriftway Building would be \$8.50 per sq. ft. However, the building nearest the Capitol Complex would be more suitable. The costs at both locations include janitorial, remodeling and utilities.

The relocation modification is \$191,650 for FY92 and \$160,000 for FY93. The PSC would like to amend these figures to \$179,850 for FY92 and \$148,200 for FY93. A one-time relocation charge of \$31,650 is included in the FY92 proposal.

Executive Action on this modification will be withheld until the DOT proposal is determined.

Exempt Positions: Mr. Ellis said the PSC has five elected officials. The Legislature allowed ten exempt officials, currently nine are filled. Four of those are division administrators. The highest salary is the attorney's at \$43,981 and the lowest is \$41,022. Of the remaining five, the salaries are in the lower \$30,000 range.

SEN. WEEDING requested Wayne Budt to provide information on offsetting savings if they move out of Highways. Mr. Budt will provide information on Monday.

ADJOURNMENT

Adjournment: 10:25 A.M.



REP. BERV. KIMBERLEY, Chair



THEDA ROSSBERG, Secretary

bk/tr

HOUSE OF REPRESENTATIVES

NATURAL RESOURCES SUBCOMMITTEE

ROLL CALL

DATE 1-11-91

| NAME | PRESENT | ABSENT | EXCUSED |
|----------------------------------|---------|--------|---------|
| SEN. ESTHER BENGTSOM, VICE-CHAIR | ✓ | | |
| REP. ED GRADY | ✓ | ✗ | |
| REP SEN. JERRY NISBET | ✓ | | |
| SEN REP. GERRY DEVLIN | ✓ | | |
| SEN. CECIL WEEDING | ✓ | | |
| REP. "BERV" KIMBERLY, CHAIRMAN | ✓ | | |

HOUSE OF REPRESENTATIVES
NATURAL RESOURCES SUBCOMMITTEE

ROLL CALL VOTE

DATE 1-11-91 AGENCY Nat Resources NUMBER 1

MOTION: Sen Devlin moved to accept 3,599,161 for
Dept of State Lands.
All Present Voted Yes
Passed

NAME

AYE

NO

SEN. ESTHER BENGTSOM, VICE-CHAIR

REP. ED GRADY

SEN. JERRY NISBET

REP. GERRY DEVLIN

SEN. CECIL WEEDING

REP. "BERV" KIMBERLY, CHAIRMAN

TOTAL

✓

✓

✓

✓

✓

5

HOUSE OF REPRESENTATIVES

NATURAL RESOURCES SUBCOMMITTEE

ROLL CALL VOTE

DATE 1-11-91 AGENCY Nat Resources NUMBER 2

MOTION: Sen. Bengtson moved to pass
Supplement in Title of Budget & Measures
to 13,527
CC present voted Yes Motion Pass

NAME

AYE

NO

SEN. ESTHER BENGTSOM, VICE-CHAIR

| | | |
|--------------------------------|---|--|
| REP. ED GRADY | ✓ | |
| SEN. JERRY NISBET | ✓ | |
| REP. GERRY DEVLIN | ✓ | |
| SEN. CECIL WEEDING | ✓ | |
| REP. "BERV" KIMBERLY, CHAIRMAN | ✓ | |
| TOTAL | 5 | |

Exhibit 1

4201 PUBLIC SERVICE REGULATION
01 PUBLIC SERVICE REGULATION PROG
00000

DATE : 01/08/91
TIME : 21/29/24
CURRENT LEVEL COMPARISONS

| Budget Item | Actual Fiscal 1990 | Executive Fiscal 1992 | LFA Fiscal 1992 | Difference Fiscal 1992 | Executive Fiscal 1993 | LFA Fiscal 1993 | Difference Fiscal 1993 |
|----------------------|--------------------------|-----------------------------|-----------------------|------------------------------|-----------------------------|-----------------------|------------------------------|
| FTE | 46.00 | 46.00 | 44.00 | 2.00 | 46.00 | 44.00 | 2.00 |
| Personal Services | 1,372,335 | 1,528,660 | 1,481,995 | 46,665 | 1,527,623 | 1,481,061 | 46,562 |
| Operating Expenses | 304,111 | 371,349 | 318,531 | 52,818 | 371,958 | 317,900 | 54,058 |
| Equipment | 45,910 | 38,605 | 33,605 | 5,000 | 42,079 | 37,079 | 5,000 |
| Total Expend. | \$1,722,356 | \$1,938,614 | \$1,834,131 | \$104,483 | \$1,941,660 | \$1,836,040 | \$105,620 |
| Fund Sources | | | | | | | |
| General Fund | 1,683,400 | 1,892,696 | 1,788,213 | 104,483 | 1,895,742 | 1,790,122 | 105,620 |
| Federal Revenue Fund | 21,780 | 25,918 | 25,918 | 0 | 25,918 | 25,918 | 0 |
| Proprietary Fund | 17,176 | 20,000 | 20,000 | 0 | 20,000 | 20,000 | 0 |
| Total Funds | \$1,722,356 | \$1,938,614 | \$1,834,131 | \$104,483 | \$1,941,660 | \$1,836,040 | \$105,620 |

CURRENT LEVEL ISSUES:

--EXEC OVER (UNDER) LFA--
FY 92 FY 93

1. FTE REDUCTION - LFA current level eliminates 2.0 FTE that had been vacant over 6 months in the 1991 biennium. \$46,665 \$46,562
2. BIENNIAL APPROPRIATION - The Executive Budget includes a \$50,000 biennial appropriation for consultants, whereas the LFA current level is based on actual expenses. \$18,886 \$18,886
3. EQUIPMENT - The Executive Budget includes additional computer software. \$5,000 \$5,000
4. BUDGET BASE DIFFERENCES - The Executive Budget is higher due to using the FY 1991 appropriation as a base, whereas the LFA current level is based on FY 1990 actual expenses. \$33,932 \$35,172

TOTAL CURRENT LEVEL ISSUES

\$104,483 \$105,620
=====

EXECUTIVE BUDGET MODIFICATIONS:

1. TRAVEL/REGISTRATION FEES \$25,000 \$25,000
2. UTILITY MANAGEMENT AUDIT \$48,286 \$175,516

TOTAL EXECUTIVE BUDGET MODIFICATIONS

\$73,286 \$200,516
=====

ELECTED OFFICIAL MODIFICATIONS:

1. RELOCATION OF PSC \$191,650 \$160,000
2. EXEMPT POSITIONS \$15,000 \$15,000

TOTAL ELECTED OFFICIAL MODIFICATIONS

\$206,650 \$175,000
=====

EXHIBIT 1
DATE 1-11-91
Natural Gas, Sub.

Exh: 2

EXHIBIT

2

DATE

1-11-91

HE Natural Res. Sub

CURRENT LEVEL ISSUES

MONTANA PUBLIC SERVICE COMMISSION

1991

ORDER OF PRESENTATION

1. Howard Ellis, Chairman
Introduction
2. Dan Elliott, Administrator of Utility Division
FTE
3. Wayne Budt, Administrator of Transportation Division
FTE
4. Robin McHugh, Administrator of Legal Division
Consultants
5. Madeline Cottrill, Administrator of Centralized Services
Computer Software
6. Madeline Cottrill, Administrator of Centralized Services
Base Differences
7. Danny Oberg, Commissioner
Travel
8. Dan Elliott, Administrator of Utility Division
Utility Management Audit
9. Wayne Budt, Administrator of Transportation Division
Relocation of PSC
10. Howard Ellis, Chairman
Exempt Positions

EXHIBIT 2
DATE 1-11-91
HCY Natural Res. Div.

Utility Rate Analyst Position Justification for Funding

- The PSC regulates utilities which collect over \$500 million annually from Montana citizens.
- As it stands, only 8 analysts are available to the PSC to help it analyze the complex monopolies which collect these monies.
- The LFA recommendation to eliminate 1 Utility Rate Analyst cuts the PSC analytical capability by 12%.
- The position was not advertised from October 23, 1989, when it was vacated, until July, 1990---because of mitigating circumstances. The position is now filled.
- The mitigating circumstances were a proposed staff reorganization, which was partially implemented by the PSC, as well as Commissioner Mercer's life threatening surgery and subsequent absence from the PSC to convalesce.
- After Commissioner Mercer returned to the office in July, 1990, the PSC met and concluded that this Rate Analyst's duties should be modified as part of a small reorganization. The position was then immediately advertised, as modified.
- The PSC should not have 12% of its analytical capability eliminated. It was properly managing its operations. Additionally, the circumstances of the vacancy were unusual.
- The PSC is exceptionally busy with rate case activities. It needs all eight of the analysts which it presently employs.

POSITION #00027 - WORD PROCESSING OPERATOR III

The LFA's budget for the Public Service Commission recommends eliminating Position #27. The Commission requests reinstatement of this position.

This clerical position was vacated in December of 1989. Shortly before that time, Governor Stephens issued a call for a review of various agency functions that possibly could be transferred to a proposed Department of Transportation. The Public Service Commission, in an effort to cooperate with the Governor's call, reviewed its functions and determined the "bingo" stamp process now in the PSC transportation division might be an area considered for transfer.

The decision was subsequently made not to permanently fill position 27 at that time. The reasons for this are as follows:

1. If the bingo stamp functions were moved to a DOT, portions of job duties for this position would no longer exist. Other duties of course would remain. If the bingo stamp transfer occurred, this position could be better utilized as a Compliance Officer in conjunction with other personnel who now conduct carrier audits, as well as handling insurance, consumer complaints, annual reports, etc. The job description for position 27 is not that of a compliance officer, so hiring a person full time for the present clerical position 27 job description did not seem to be in the best interest of this agency.

It should be made clear that the bingo stamp function is not the only duty of this position. In addition, it is involved in the insurance area, notices for hearings and rate increases and over all word processing on an as needed basis.

2. Faced with the division's need for this position, and aware of the Governor Stephen's proposal for the establishment of a D.O.T., the PSC opted to fill the position with a temporary employee. We chose to hire that employee from the private sector. This temporary employee worked 1071 hours from February 1990 until the middle of December 1990. At the present time Position #27 is filled on a full time temporary basis.

3. If the bingo stamp function is not moved to a DOT, the PSC needs to fill position 27 on a full time basis. It should be noted that the drafts of the DOT proposal the Commission has reviewed do not recommend the transfer of this function to a DOT.

The Commission requests that the subcommittee adopt the Executive Budget recommendation which includes this position and reinstate position 27 in our base budget for FY 92 and 93.

MONTANA PUBLIC SERVICE COMMISSION
POSITION STATEMENT ON CONSULTANT MONEY

EXHIBIT 2
DATE 1-11-91
45 Natural Res. Div.

As you know, the 1989 legislature appropriated \$50,000 for the biennium for outside consultants. This money is line-itemed and cannot be spent for other purposes. The appropriation that is not spent reverts to the general fund and results in a reduced PSC tax the next year. The Commission spent approximately \$6,000 on consultants in fiscal year 1990. Based on this actual figure the LFA is recommending that approximately \$12,000 be appropriated for Commission consultants for the next biennium. The budget office is recommending \$50,000, the same as was appropriated by the 1989 legislature.

The Commission requests that this committee approve \$50,000 of line-itemed consultant money for the next biennium. As you know, the great majority of Commission business is handled by the Commission itself and its staff. However, there are occasions when, for the Commission to do its job most effectively, it is necessary to hire outside consultants who specialize in particular areas of Commission concern. For example, the bulk of the Commission's consultant money has been spent on representation before the Federal Energy Regulatory Commission (FERC) on matters involving Williston Basin Interstate Pipeline Company. Williston Basin either sells or transports virtually all natural gas consumed by customers of Montana-Dakota Utilities in central and eastern Montana. Therefore, the price that Williston charges has a direct bearing on the price that MDU ratepayers pay for gas. Since FERC sets Williston's rates, it is very important that the Commission have some voice at FERC. Because of the specialized nature of FERC practice, not to mention the travel involved, it is not practical for the Commission's own staff to participate at FERC. Therefore, the Commission, along with the Montana Consumer Counsel, and the states of North Dakota, South Dakota and Wyoming, has hired very able consultants in the fields of law, accounting, and economics, to represent the Commission before FERC. The Commission believes that this participation at FERC has helped to save MDU ratepayers in Montana millions of dollars.

Another example of the use of consultant money by the Commission has been to assist certain farmers and ranchers in northeastern Montana in opposing the abandonment of the Scobey-Opheim rail line. The Commission contributed money toward the hiring of a Chicago attorney, who was successful in persuading an Interstate Commerce Commission (ICC) Administrative Law Judge to rule that the line should not be abandoned. That decision is now pending before the ICC.

As you can tell from the actual expenditures, the Commission has been, and will continue to be, careful about spending consultant money. However, the Commission believes that it is absolutely essential that money be available when it is necessary to hire a consultant. In addition to issues that may have to be addressed before federal agencies, in the next few years the Commission will be considering some major policy issues that have not typically been considered in rate cases. These include proposals for alternative regulation, competitive bidding, and regulatory treatment of conservation investment and environmental externalities. Therefore, the Commission believes that its need for outside consultants will grow. The Commission submits that the \$50,000 approved by the 1989 legislature is a reasonable, and modest, amount given the potential expense involved.

Thank you very much.

PUBLIC SERVICE COMMISSION

January 11, 1991

SOFTWARE UPGRADES

| SOFTWARE | UPGRADES | PRICE | TOTAL |
|-----------------------|----------|--------|-------------------|
| Word Perfect | 17 | 91.00 | 1,547.00 |
| Lotus 1-2-3 | 17 | 150.00 | 2,550.00 |
| dBase | 1 | 181.00 | 181.00 |
| R:Base | 2 | 125.00 | 250.00 |
| DOS | 17 | 75.00 | 1,275.00 |
| MS.DOS | 3 | 130.00 | 390.00 |
| Crosstalk | 1 | 60.00 | 60.00 |
| PC Tools | 1 | 80.00 | 80.00 |
| Harvard Graphics | 1 | 49.00 | 49.00 |
| Pagemaker | 1 | 15.00 | 15.00 |
| Formtools | 1 | 95.00 | 95.00 |
| PFS Professional File | 1 | 199.00 | 199.00 |
| TOTAL | | | <u>\$6,691.00</u> |

NEW SOFTWARE
FISCAL YEAR 92 & 93

| | | | |
|------------------|---|--------|-----------------|
| Word Perfect | 2 | 265.00 | 530.00 |
| Lotus 1-2-3 | 2 | 340.00 | 680.00 |
| Quarterdeck * | 2 | 99.00 | 198.00 |
| 5250 Emulation * | 2 | 591.00 | <u>1,182.00</u> |
| TOTAL | | | <u>2,590.00</u> |

| | | | |
|-------------|--|--|----------|
| GRAND TOTAL | | | 9,281.00 |
|-------------|--|--|----------|

* Quarterdeck or equivalent memory manager software to access expanded and extended memory, which Word Perfect and Lotus both now require.

* 5250 Emulation software so that the personal computers may communicate with the IBM System/36 minicomputer, particularly to access data from the Case Management system.

EXHIBIT 2
 DATE 1-11-91
 by Natural Res. Sub.

PUBLIC SERVICE COMMISSION
 January 11, 1991
 BUDGET ISSUES

| | <u>FY 92</u> | | | <u>FY 93</u> | | |
|-------------------------|------------------|----------------|-------------------|------------------|----------------|-------------------|
| | <u>Executive</u> | <u>LFA</u> | <u>Difference</u> | <u>Executive</u> | <u>LFA</u> | <u>Difference</u> |
| 1. Contracted Services | | | | | | |
| Courtreporters | 15,000 | 6,176 | 8,824 | 15,000 | 6,176 | 8,824 |
| NARUC | 1,908 | 1,675 | 233 | 1,908 | 1,675 | 233 |
| 2. Communications | | | | | | |
| Advertising | 15,558 | 13,477 | 2,081 | 15,558 | 13,477 | 2,081 |
| 3. Travel | 98,205 | 88,972 | 9,233 | 98,838 | 88,972 | 9,866 |
| 4. Education & Training | 15,000 | 9,864 | 5,136 | 15,000 | 9,864 | 5,136 |
| | <u>145,671</u> | <u>120,164</u> | <u>25,507</u> | <u>146,304</u> | <u>120,164</u> | <u>26,140</u> |
| | | | <u>8,425*</u> | | | <u>9,032*</u> |
| | | | <u>33,932</u> | | | <u>35,172</u> |

* The Commission will attempt to live within the remaining categories for the balance of the difference.

NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS (NARUC):

NARUC is a quasi-governmental nonprofit organization composed of governmental agencies engaged in the regulation of public utilities and carriers. Its primary mission is to serve the consumer's interest by seeking to improve the quality and effectiveness of public regulation in America.

The Association: a) keeps the Commission informed of current developments of regulatory interest by furnishing a weekly Blue Bulletin, special reports and other material; b) sponsors a spring, summer, fall, and winter committee meeting, an annual convention, various other regulatory meetings and workshops, which the registration fee for member commissioners is considerably less than nonmembers; c) present Commissioners and staff are appointed to serve on different NARUC Committees and Subcommittees to represent Montana's interests; d) NARUC Staff represents the interests of the Association before Congress, federal regulatory agencies and the courts; and e) maintain liaison with other organizations, both public and private, as necessary to further the objectives of the Association.

Membership is \$1,908.00 per year, which entitles the Commission to all services and benefits of the Association.

PUBLIC SERVICE COMMISSION
UTILITY MANAGEMENT AUDIT PROGRAM

The Program...

The easiest way to understand the PSC's request for a utility management or process audit program, is to look at an analogy. The analogy I have in mind is the Legislative Auditor. The Legislative Auditor has a financial compliance section. This is roughly equivalent to the auditing that the PSC presently does with respect to public utilities. In rate cases, the PSC looks at the historic results of utility operations and judges whether or not those past actions are reasonable. If so, a utility's rates are found to be reasonable. If not, a portion of a rate request may be denied. The Legislative Auditor's financial audits also look at the results of historic operations.

The PSC's process audit program request, however, is akin to the Legislative Auditor's performance audit section. Processes, systems, staffing patterns, procedures and so on are the focus, rather than historic results, of operations. I'd like to distribute a few pages from a process audit manual developed by the National Association of Regulatory Utility Commissioners as examples of the kinds of questions that a process audit would seek to answer.

Why the need...

The Commission presently has the capability, which is stretched very thin, to review results of historic utility operations. As you may guess, if the Commission disallows monies associated with questionable past actions, utilities may claim that the PSC is second guessing their decisions. The Commission, through the process audit program, wouldn't intend to climb into management's shoes. However, the process audit program would allow the PSC to give utilities feed-back on the reasonableness of their operating processes before irreversible decisions are made.

Utility sentiment...

In early December, the Commission requested that large utilities provide feed-back on the process audit proposal. The PSC used the example of the U S West Incentive Regulatory Plan as one potential use of the process audit program. Accordingly, I will provide you U S West's response. I think it is very constructive. Other utilities raised various questions. One common theme among several utilities is the desire to tie their agreement with any process audit program to other regulatory reforms which the PSC is considering, and which are within the present jurisdiction of the PSC. The PSC is certainly open to these ideas if the process audit program is approved.

Program logistics...

The process audit program agreed to by the PSC is bare bones. Originally, 3 FTEs and consulting monies were requested. The Governor, through the OBPP, trimmed that to 1 FTE in FY'92 and 2 FTEs and \$100,000 of consulting money in FY'93. One utility wondered how the PSC would do its audits "given the small size of the proposed staff and the scale of PSC responsibilities." Also, as a test of reasonableness, the Legislative Auditor has 13 process or program auditors.

The PSC's process audit performance indicators provided to the Governor for FY'92 stated: (read) and for FY'93 they stated: (read).

In conclusion

As with implementation of any new program, there will be challenges to get the process audit program up and running. I think, however, that more thorough Commission oversight, which also focuses on the future, rather than just past operations, will be a step in the right direction. Identification of potential problem areas before problematic decisions are made means that utilities and their customers can both be winners. I ask that you approve this constructive new program.

DIAGNOSTIC GUIDELINES FOR
CUSTOMER SERVICES AND INFORMATION

| | Yes/ No | Weight | Score |
|---|------------|--------|-------|
| <u>I. Policy and Philosophy</u> | | | |
| A. Does Company have a "service philosophy" and a <u>clear</u> definition(s) of its role in customer services? (I.1) | _____ | _____ | _____ |
| <u>II. Plan and Forecast</u> | | | |
| A. Are there quality standards for types of services? (II.1) | _____ | _____ | _____ |
| B. Has the customer service division been given <u>explicit</u> responsibilities or the resources required to develop and monitor uniform policies, procedures and systems for managing? (II.2) | _____ | _____ | _____ |
| C. Does Company consider individual customer usage or weather patterns when it is unable to get an actual reading rather than using an algorithm to estimate customer bills? (II.3) | _____ | _____ | _____ |
| <u>III. Scope of Function</u> | | | |
| A. Is there <u>sufficient</u> functional direction and oversight in provision of customer operation activities? (III.1) | _____ | _____ | _____ |
| <u>IV. Priorities</u> | | | |
| A. Does preventive maintenance carry a priority classification <u>strong enough</u> to ensure that the program functions in practice as well as theory? (IV.1) | _____ | _____ | _____ |
| B. Does customer service management make a <u>significant commitment</u> to train and develop its personnel? (IV.2) | _____ | _____ | _____ |
| C. Is management <u>concerned</u> with quality of service and use monitoring tools to evaluate service? (IV.3) | _____ | _____ | _____ |

DIAGNOSTIC GUIDELINES FOR
CUSTOMER SERVICES AND INFORMATION

| | Yes/ No | Weight | Score |
|--|------------|--------|-------|
| <u>V. Roles and Responsibilities</u> | | | |
| A. Is there an <u>effective</u> working relationship between local operating units, field management and general office staff? (V.1) | _____ | _____ | _____ |
| B. Are reports prepared <u>frequently</u> which are comparative in nature and established along responsibility lines? (V.2) | _____ | _____ | _____ |
| C. Do customer service personnel operate within a <u>clear</u> set of objectives established by the general office? (V.3) | _____ | _____ | _____ |
| D. Are Company's field dispatch and control systems <u>effective</u> ? (V.4) | _____ | _____ | _____ |
| E. Does Company have <u>good</u> customer and community relations? (V.5) | _____ | _____ | _____ |
| <u>VI. Resource capabilities</u> | | | |
| A. Have <u>significant</u> efforts been made to <u>strengthen</u> the training and development of customer service personnel? (VI.1, VI.2, VI.9) | _____ | _____ | _____ |
| B. Have additional instructors been hired and are <u>advanced</u> instructional techniques used? (VI.3) | _____ | _____ | _____ |
| C. Are meter readers <u>adequately</u> trained in meter reading and customer relations? (VI.4) | _____ | _____ | _____ |
| D. Has Company taken advantage of recent improvements in the electronic field? (VI.5, VI.6, VI.10) | _____ | _____ | _____ |
| E. Have efforts been made for meter standardization? (VI.7) | _____ | _____ | _____ |
| F. Is maintenance management <u>routinely</u> supplied with current and <u>suitable</u> cost information? (VI.8) | _____ | _____ | _____ |

U S WEST Communications
560 North Park Avenue, Room 400
P.O. Box 1716
Helena, Montana 59624
406-441-2211

EXHIBIT 3

DATE 1-11-91

~~BY Natural Gas~~

USWEST

COMMUNICATIONS @

George D. Ruff
Montana Vice President and
Chief Executive Officer

December 14, 1990

RECEIVED

DEC 17 1990

MONT. P. S. COMMISSION

Howard Ellis, Chairman
Montana Public Service Commission
2701 Prospect Avenue
Helena, MT 59620

Dear Howard,

Thank you for the opportunity to comment on the Commission's request to the Governor's office regarding a management or process auditor program.

As you probably know, U S WEST Communications has discussed this broad subject with the commission staff and the Montana Consumer Counsel several years ago and again during our informal meetings after filing our draft revenue sharing plan earlier this year.

Specifically, your proposal contains two separate elements. The first element discussed is management audits. The second relates to process analysis. Each of these subjects will be discussed individually in the following paragraphs.

The idea of providing the Commission with its own means of better understanding the operations and management systems of U S WEST is attractive and we think that this process would be productive. The exchange of information and ideas regarding operations and management systems could certainly improve existing information exchanges, which rely far too heavily on contested proceedings. Certainly your input would be considered carefully by U S WEST if this process was undertaken. And I'm sure as this process continues over a period of time, improvements could be implemented which would result in cost savings for both the company and the rate payer.

One note of caution is that, to the extent that this information would be utilized in the ratemaking process, all of the concerns we have advanced in the Commission's due process inquiry are relevant here.

Another concern is that operating policies, practices and procedures vary from company to company, and it would be difficult for anyone except a very experienced auditor to determine which of these is most prudent in each individual circumstance and for each individual utility.

We are sure you would agree, final decisions as to policies, practices and procedures must remain with the utility. However, a dialogue directed at improving these procedures could certainly be beneficial.

5

Howard Ellis
Page 2
December 14, 1990

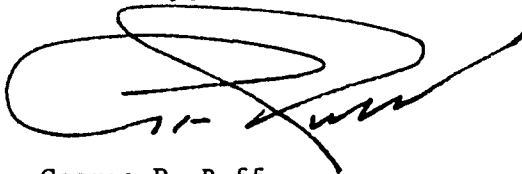
As far as the process area is concerned, I couldn't agree more that this area could provide the appropriate balance in utility regulation. I believe that the regulatory framework within which the Commission and the utilities operate could become a far more powerful tool to improve the processes upon which decisions are made. A prime example would be U S WEST's current alternate form of regulation filing before the commission. This filing attempts to align the objectives of U S WEST with those of the commission. In so doing, as U S WEST strives to meet its objectives, the objectives of the commission are also achieved. As U S WEST becomes more efficient (a direction the regulatory plan would encourage), the rate payer also receives benefits. A far stronger commitment can be achieved through this process as compared to an audit function conducted by either the Commission staff or an expert consultant.

I believe to the extent that the Commission understands and is fully knowledgeable of the processes, practices and procedures that the utilities use in their daily operations, a better regulatory balance will result. On-going meetings among U S WEST Communications, the Commission staff and its auditors could provide this exchange of information and knowledge. This appears to be simply an extension (and improvement) of the existing utility quarterly meeting process. However, it takes the process one step further in that the commission staff would be more involved in identifying the subjects to be examined and the degree of detail to be presented.

U S WEST would provide support to the Commission's proposal of placing the Commission in an advisory position, but could not support any initiative which does not leave the final decisions where they belong, within the bounds and discretion of the utility.

If I can offer additional information, please feel free to call me.

Sincerely,

A handwritten signature in black ink, appearing to read "G. D. Ruff", with a large, sweeping loop at the beginning and a long, horizontal stroke extending to the right.

George D. Ruff
Montana Vice President and
Chief Executive Officer

DATE 1-11-91 Exhibit #1
Natural Resources

RELOCATION OF PUBLIC SERVICE COMMISSION OFFICES

At the present time the Public Service Commission offices are located in Building D of the Department of Highways Complex. The Commission is aware that the creation of a Department of Transportation which is pending before this Legislature may necessitate the relocation of the Commission offices. Early in the process of reviewing the DOT proposal, the Commission expressed its willingness to cooperate if a suitable office location could be found. With this in mind, the Commission has contacted the Department of Administration to determine the space requirements needed by the PSC, as well as possible locations and potential costs.

There are two locations at this time identified by the Department of Administration as meeting the space requirement needs for the operation of the Public Service Commission. The first location is the Vista Building presently under construction on Prospect Avenue. The second is the old Thriftway Building located on North Montana Avenue near the north Helena city limits.

It is the Commission's opinion that the Prospect Avenue building is far superior to the other location. This location is more easily accessible to the public, closer to the Capitol Complex and the other state agencies with whom the PSC has a close working relationship. It should also be noted that the Commissioners are the only elected officials not located in the Capitol Complex.

The Department of Administration's review of space requirements for the Commission indicates approximately 15,000 square feet would be needed. Both locations meet those needs with the Prospect Avenue location having 15,600 square feet of space and the North Montana Avenue building having 25,000 square feet available for use.

The costs associated with these two locations are \$9.50 per sq. ft. in the Prospect Avenue Building and \$8.50 per sq. ft. in the North Montana Avenue location. Both costs include remodeling, utilities, and janitorial services. The \$9.50 cost factor at the Prospect Avenue location is the maximum sq.ft. charge. However, since it is still under construction, this cost is only an estimate and could be lower depending on the length of the lease, amount of space leased (PSC would propose to lease the entire space) and the architectural needs of the Commission. In our discussions with the Department of Administration, it is our understanding the \$8.50 cost at the North Montana Avenue building is what another state agency has negotiated and we assume that our cost would not be less.

When the present modification was prepared, it was based on the assumption of 16,000 sq. ft. at a cost of \$10.00 per sq. ft. In addition, the modification includes a one time cost of \$31,650 in FY 92 for the physical office move and relocation of the Commission's phones. This one time cost was calculated based on estimates from a local transfer company and the Telecommunications Bureau of the Department of Administration.

Combining the calculated rent factor of \$160,000 and the one time cost factor of \$31,650, the modification totaled to \$191,650 in FY 92 and \$160,000 in FY 93.

Given the continuing efforts to define these numbers, the Commission at this time would propose to amend the amounts as follows.

| | | | |
|-------|-----------|-------|-----------|
| Fy 92 | \$179,850 | FY 93 | \$148,200 |
|-------|-----------|-------|-----------|

These numbers are based on 15,600 sq. ft. at \$9.50 per sq. ft. for a rent charge of \$148,200 each year and the \$31,650 one time relocation cost in fiscal year 92.

It is our understanding from discussions with Roger and Bill that executive action on this modification request will be withheld until the progress of the Department of Transportation proposal is determined. We will keep both Roger and Bill apprised of any changes as we continue our negotiations through the Department of Administration .

If you desire we are ready to discuss this modification again before you take executive action.

DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION

DRAFT



STAN STEPHENS, GOVERNOR

CAPITOL STATION

STATE OF MONTANA

(406) 444-3060

HELENA, MONTANA 59620

EXHIBIT

DATE

4

1-11-91

TO: Madeline L. Cottrill, Administrator
Centralized Services Division

Wayne W. Budt, Administrator
Transportation Division ✓

cc: Bill Mandeville, O.B.P.P.

FROM: Grant W. Hiesterman, Facilities Manager *GH*
General Services Division

SUBJECT: Space requirements

DATE: January 8, 1991

Summary

At the request of the Public Service Commission, a space analysis survey was conducted at their present facilities.

This analysis of present and future PSC space requirements suggests a maximum of 15,000 square feet is adequate. Such space is available in Helena. The rate charged for this space including remodeling, utilities and janitorial services is \$8.50 / sqft.

Background

The Public Service Commission (PSC) currently occupies space in building D of the Department of Highways complex. It has been informed of potential reorganization within the Department of Highways which would necessitate a relocation of the PSC.

The PSC has requested a survey and analysis of their space requirements in addition to cost-effective parameters for acquiring new space in the event of their relocation.

OBSERVATIONS

The survey and analysis of the PSC facilities involved the following areas:

1. General office space
2. Commissioner's office space
3. Conference room
4. Law library
5. Storage

The PSC presently occupies 11,893 square feet. The general office space and law library space is observed adequate. The commissioner's office space, conference room space and storage space is observed inadequate.

Space Recommendations

Additional space is recommended in the following areas:

- | | |
|----------------------------|----------|
| 1. Commissioner's Offices | 850 sqft |
| 2. Conference/hearing room | 1,030 |
| 3. Storage space | 600 |
| 4. Two additional FTE | 600 |

| | |
|------------------------|------------|
| Additional Space Total | 2,480 sqft |
|------------------------|------------|

| | |
|---------------|-------------|
| Present Space | 11,893 |
| Total | 14,973 sqft |

Cost Parameters

Adequate space is available in the Helena-area for PSC relocation. The maximum rate General Services Division will approve is \$8.50 per square foot. This rate includes janitorial services and utilities provided by the landlord.

Conclusion

In the event the Public Service Commission is relocated, the following maximum parameters are suggested:

1. 15,000 square feet of space.
2. Rate less than or equal to \$8.50 / ft.

VISITORS' REGISTER

Natural Resources

COMMITTEE

BILL NO. _____

DATE

1-11-91

SPONSOR _____

| NAME (please print) | RESIDENCE | SUPPORT | OPPOSE |
|---------------------|-------------------------|---------|--------|
| Don Artley | DSL | | |
| Jim Kembel | Public Safety Div / DOC | | |
| BOB WARNER | MONTANA POWER - BUTTE | | |
| Vicki Armstrong | MONTANA POWER - BUTTE | | |
| Robin McHugh | PSC | | |
| Don Elliott | PSC | | |
| Wally Mercer | PSC | | |
| Bob Anderson | PSC | | |
| Mike Pichette | MPC | | |
| GENE PHILLIPS | PP&L + NTS | | |
| John Arnesen | PSC | | |
| HOWARD ELLIS | PSC | | |
| Maui Arnesen | Commerce | | |
| Wayne Buech | PSC | | |
| | | | |
| | | | |
| | | | |
| | | | |

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.