

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
53rd LEGISLATURE - REGULAR SESSION**

JOINT SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By CHAIRMAN ROGER DEBRUYCKER, on February 6, 1993, at 9:30 A.M.

ROLL CALL

Members Present:

Rep. Roger DeBruycker, Chairman (R)
Sen. Cecil Weeding, Vice Chairman (D)
Sen. Gerry Devlin (R)
Sen. Greg Jergeson (D)
Rep. John Johnson (D)
Rep. William Wiseman (R)

Members Excused: None

Members Absent: None

Staff Present: Roger Lloyd, Legislative Fiscal Analyst
Florine Smith, Office of Budget & Program
Planning
Theda Rossberg, Committee Secretary

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

Committee Business Summary:

Hearing: PUBLIC SERVICE COMMISSION
DEPARTMENT OF LIVESTOCK

Executive Action: PUBLIC SERVICE COMMISSION

Please Note: SEN. WEEDING presiding.

Motion/Vote: REP. WISEMAN moved to reopen the hearings on the Public Service Commission and the Department of Livestock.
MOTION CARRIED UNANIMOUSLY.

**HEARING ON
PUBLIC SERVICE COMMISSION**

Bob Anderson, Chairman of the Public Service Commission, referred to memorandums dated January 21, 1993 and February 2, 1993.
EXHIBITS 1 and 2.

He said on January 11, 1993 this subcommittee reduced the PSC staff by 4.00 FTE. In addition to that, the subcommittee approved modifications for \$374,116. On January 21st the commission was asked to specify programs that could be reduced.

Funding at the target level of \$4.107 million for the biennium would result in elimination of the 4.00 FTE and the modifications that were approved by the subcommittee. Consequences of those reductions - see EXHIBIT 1.

On February 2nd they received CHAIRMAN DEBRUYCKER'S memorandum asking for more detail of their proposed budget cuts. EXHIBIT 2.

Statutory changes would have to be made to reach their target. Municipal water and sewer utilities and Class E (log) carriers would have to be deregulated. Any reductions in the Public Service Commission's budget reduces general fund as well as revenue.

To reach \$3,901,975 the budget level cuts would be \$206,367. The following reductions would be necessary: Travel - \$100,000, Court Reporter - \$10,000, Mail - \$10,000, Car - \$12,412, Equipment - \$20,776, Telephone - \$5,960 and Vacancy Savings - \$46,219. See Page 2 of EXHIBIT 2.

SEN. WEEDING asked where the \$3,901,975 figure came from.

Mr. Anderson said that figure was in CHAIRMAN DEBRUYCKER'S memoranda. The committee was asking for another 5% below the target.

REP. DEBRUYCKER said he hoped they wouldn't have to take the 5% vacancy reduction if the target was met.

CHAIRMAN WEEDING asked what their direction was: the \$3.9 million or the \$4.1 million.

REP. DEBRUYCKER said the \$4.1 million is the target amount.

SEN. JERGESON said if the budget is reduced, the revenue and expenses will be reduced and nothing will be accomplished.

REP. WISEMAN asked what the timing would be if the cost was cut and the revenue came in later.

Mr. Lloyd said about six months.

Mr. Anderson said under the current law there is an adjustment that takes place every quarter, and essentially there is about a six month lag. HB 413 would shorten the adjustment from a quarterly adjustment to a 30-day adjustment.

REP. WISEMAN said he would like a list of all the supervisors of the department and their salaries.

Mr. Anderson said the department has five commissioners and four administrators. The legal administrator is an attorney. Centralized Services takes care of the budget and accounting; the utility administrator handles rate cases; and there is a transportation administrator.

The commission does not have a director; the administrators act as a team. They do not report to anyone above them.

REP. WISEMAN asked could if they could get by with two administrators.

Mr. Anderson said in utilities and transportation it takes a different administrator for each division. The legal administrator has to be an attorney, and there has to be an administrator for centralized services. This system works pretty well.

He said the committee's budget reduction request would require some statutory changes in municipal utilities and Class E log carriers. EXHIBIT 3.

CHAIRMAN WEEDING said he didn't disagree with what REP. WISEMAN was saying, but by reducing staff it wouldn't bring them any closer to the general fund relief. He said he didn't believe they could do anything with the budget.

Mr. Lloyd said every time there is a decrease in the budget there is a decrease in revenue.

Mr. Anderson said as a solution, they would recommend that the legislature remove the Public Service Commission from the general fund and place their budget in a special revenue account. HB 413 would accomplish that if it passes.

He reminded the committee that if they had to meet the \$4.1 million target, they would lose all the modifications that were passed by this Subcommittee on January 11th. See EXHIBIT 2.

EXECUTIVE ACTION
PUBLIC SERVICE COMMISSION

Motion/Vote: SEN. DEVLIN moved to leave the PCS budget as is. Motion CARRIED 5 to 1 with REP. DEBRUYCKER voting no.

HEARING
DEPARTMENT OF LIVESTOCK

(CHAIRMAN DEBRUYCKER, presiding)

Mr. Lloyd gave the committee a copy of the Department of Livestock's response to CHAIRMAN DEBRUYCKER'S memo dated 1-21-93.

EXHIBIT 4.

He said because the LFA level was considerably lower than the target amount, their spending cut target was zero. The LFA used some state special revenue to reduce general fund. Agriculture and Livestock were both at zero. The blue sheet compares the target to the appropriated level to date, not the LFA level.

EXHIBIT 5.

John Skufca, Administrator of Centralized Services, said that since their target was zero, he didn't feel they should respond to any further reductions. Because of the committee action it put them over the target level by \$510,667.

He said if the funding switches had not occurred at the special sessions, they would be at a higher level by about \$335,000 and the target would be closer to \$1.6 million.

SEN. DEVLIN asked where he got the \$520,667 figure.

Mr. Skufca said the committee funded general fund at the Executive level which is about 15% of Centralized Services general fund. The rest was state special revenue. The Diagnostic Laboratory was funded at the 1993 level instead of the 1992 level which is about 41% general fund. There was a reduction in general fund from the Milk and Egg Program. The LFA had that program funded with general fund.

The only change in the Meat Inspection Program was that the committee approved the modification for about \$30,000 general fund per year. Those are the areas where the subcommittee increased the general fund.

Tape 1, B.

SEN. JERGESON said if the funding switches did count, they would be looking at \$184,000 target. The agency indicated it was not \$184,000 but a zero target. He said it would be hard for the department to come up with \$184,000 when they thought their target was zero.

He asked the department if they were prepared with a list of priorities.

Mr. Skufca asked **SEN. JERGESON** if he was talking about FTE, programs or parts of programs.

SEN. JERGESON said the committee is requesting a list of priorities where the department can cut.

Mr. Skufca said they would need to have a board meeting to decide where those cuts might be made. It would take about a week for the commission to respond.

SEN. JERGESON said he could not vote for any reductions in the

Department of Livestock to try to achieve either target amount, given the fact that the Board didn't know until today that their target was other than zero.

SEN. DEVLIN asked what target they were going to have them work towards.

SEN. WEEDING said because of HR 2 they were looking at the target of \$510,667.

Mr. Lloyd said it was his understanding that funding switches and increased fees do not count towards the target. LC1331 does increase fees.

SEN. JERGESON said if the funding transfers were to count under HR 2, they would be coming out of the revenue side of the ledger.

Mr. Skufca said it would show an increase in State Revenue and a decrease in general fund.

SEN. JERGESON said the department should come up with a series of responses for both the \$184,674 and \$510,667.

Motion: **SEN. JERGESON** moved to postpone any reductions to the Department of Livestock and instructed them to come up with an itemized response to those two figures within a week.

Mr. Skufca said the Board would be meeting next week and they will come up with a response to **SEN. JERGESON'S** motion. He said he would let the committee know as soon as possible.

CHAIRMAN DEBRUYCKER said he would try to iron out the funding switch issue with the Speaker of the House before the committee meets on Monday.

Vote: Motion **CARRIED** unanimously.

ADJOURNMENT

Adjournment: 12:00 P.M.

Roger DeBruycker
ROGER DEBRUYCKER, Chairman

Theda Rossberg
THEDA ROSSBERG, Secretary

by Mervyn Miller

RD/tr

HOUSE OF REPRESENTATIVES

NATURAL RESOURCES SUB-COMMITTEE

ROLL CALL

DATE

2-6-93

NAME	PRESENT	ABSENT	EXCUSED
REP. ROGER DEBRUYCKER, CHAIRMAN	X		
SEN. CECIL WEEDING, VICE CHAIRMAN	X		
SEN. GERRY DEVLIN	X		
REP. WILLIAM WISEMAN	X		
REP. JOHN JOHNSON	X		
SEN. GREG JERGESON	X		



PUBLIC SERVICE COMMISSION

2701 Prospect Avenue • Helena, Montana 59620
Telephone: (406) 444-6169

EXHIBIT 1
DATE 2-6-93
HB _____

Bob Anderson, Commissioner
District 3

January 21, 1993

MEMO

To: Rep. Roger DeBruycker, Chairman
Joint Subcommittee on Natural Resources

From: Public Service Commission
Bob Anderson, Chairman

BA

RE: Proposed spending cuts

In his memo of January 12, OBPP Director Dave Lewis asked us to submit information that will allow the subcommittee to achieve the overall spending target established by the House Select Committee on Budget/Revenue. This memo responds to that request and suggests some ways the legislature could help meet its needs and those of ratepayers and utilities.

We recognize the extremely difficult task the legislature has before it. We recognize the numerous legitimate demands on precious general fund dollars for services by all agencies and their constituents. And we recognize that it is the proper role of the legislature to specify the PSC's job and to provide resources to do it.

Introduction

The Public Service Commission is charged with the regulation of utilities, motor carriers and railroads operating within the state of Montana. In doing so, the commission must strike a delicate balance between the interests of ratepayers and utilities and between shippers and carriers.

The Commission's many duties, delegated by the legislature, are set out in Title 69, MCA. Our submission to the budget office lists these statutory responsibilities, which comprise one program. Our budget has three categories: salaries, operating expenses and equipment.

Funding at the subcommittee-approved level (\$4,528,771)

On January 11, the subcommittee considered the PSC's budget request (and our top priority of maintaining the staff at the level it has been for the last decade) and the recommendations of the OBPP and the LFA. The subcommittee approved a 1994-95 biennium budget of 4,528,771, which included staff cuts of about 10% (4 FTEs out of 42).

A staff reduction of this magnitude will have adverse impacts on utility and transportation cases:

- slower processing and/or
- less careful scrutiny.

How much slower and less careful? It's hard to say, but it will be significant.

Funding at the Select Committee target (\$4,107,343)

At this level of funding, the PSC staff would be cut by an additional FTE, so the speed and care of processing cases would suffer even more. In addition:

- The PSC could not appear before federal agencies such as the FCC, the ICC or the FERC.
- No special projects (such as the Butte Water situation) could be undertaken.
- The PSC could not enforce its integrated least cost planning rules.
- The PSC's obsolete computer could not be replaced in the coming biennium (in accordance with the state plan).
- The PSC will be less able to defend its actions and orders which are challenged in court.
- The PSC could not initiate policy.
- Commissioners could not travel for unique training and continuing education. This would be especially limiting for the three new commissioners.
- Pay increases would not be available to retain exempt staff.
- The natural gas master meter program would be discontinued. Public safety of those customers could be threatened.

Perspective

The PSC has an extremely difficult charge from the legislature: balancing the interests of investor-owned utilities and their customers.

If that delicate balance tips too far in favor of the ratepayers, the utilities' earnings will drop, their cost of borrowing capital will go up, and their cost of serving customers will rise. Service quality will suffer. The companies would probably challenge PSC orders in court and/or seek legislative relief.

If that balance tips too far in favor of the companies, ratepayers will pay too much. They now pay about \$1 billion each year to these regulated utilities.

If the PSC's budget were cut by 10%, ratepayers would save about \$200,000 per year in the utility tax. If, as a result of this budget cut and the resulting lowered scrutiny of rate cases, rates rose by only 1%, the total increase in utility bills would be \$10 million each year.

If utility rates rose by only one tenth of one percent, total bills would increase by \$1 million each year, five times the magnitude of the savings that would result from our budget decrease.

This is not a prediction. It's an attempt to illustrate the potential impact cuts in the PSC budget could have on the utility bills paid by Montanans.

Solutions

We're fully aware of the legislature's difficult task and the many legitimate demands on precious general fund dollars.

With these things in mind we respectfully suggest some ways the legislature could help meet its needs to balance the general fund budget and, at the same time, fulfill its duty to specify the PSC's job and to provide resources to do that job. These suggestions are not mutually exclusive—any or all could be done.

- The PSC could be switched from the general fund to a special revenue account (like the Consumer Counsel's). Because of our funding mechanism (a utility tax which is adjusted according to our appropriation), there would be no net effect on the general fund and no net effect on the people who pay our bills—the ratepayers.
- At whatever budget is established, the PSC could be granted flexibility (a lump sum appropriation) to provide the best regulation for the amount appropriated.
- The legislature could relieve some of the PSC's statutory responsibilities. For example, our deadlines (nine months for utility cases and 180 days for transportation filings) could be eased.

Summary and conclusion

Because of the magnitude of utility bills paid by Montanans, cutting the PSC budget and reducing its staff could actually cost ratepayers more. As it faces the difficult chore of balancing the general fund budget, we hope the legislature keeps in mind the job it expects the PSC to do and considers the solutions we have suggested.



PUBLIC SERVICE COMMISSION

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Bob Anderson, Chairman
Bob Rowe, Vice Chairman
Dave Fisher
Nancy McCaffree
Danny Oberg

February 2, 1993

EXHIBIT # 2
DATE 2-6-93
HB _____

To: Rep. Roger DeBruycker, Chairman
Natural Resources and Commerce Subcommittee on Appropriations

From: Public Service Commission
Bob Anderson, Chairman *Bob Anderson*

RE: Proposed spending cuts

This is in response to your memo of January 21, 1993, which asks us to provide specific reductions necessary to achieve the current level target (\$4,107,342) and an additional 5% reduction to achieve a revised target (\$3,901,975).

In executive action on January 11, the subcommittee approved a 1994-95 general fund biennium budget of \$4,481,044, which included a reduction of 4 FTEs (\$117,708 per year, \$235,534 for the biennium) and the approval of several modifications:

Master meter program	\$10,000
NRRI dues	13,356
Consultant funds	100,000
LAN	200,000
Data network	5,760
Travel	15,000
Exempt pay	<u>30,000</u>
	\$374,116

Consequences of reductions to the \$4,107,343 target

The difference between the subcommittee-approved \$4,481,044 and the \$4,107,342 target is \$373,701 -- approximately equal to the modifications listed above. In other words, to achieve the target, staff would be reduced by four FTEs and all modifications eliminated. The four FTEs would be reduced as follows:

municipal deregulation	1 rate analyst	\$75,027
Class E deregulation	1 word processor operator	39,038
	.5 compliance specialist	26,849
general	1 rate analyst	72,654
	<u>.5 Commission Secretary</u>	<u>21,966</u>
	4 FTEs	\$235,534

To cut the first 2.5 FTEs, deregulation of municipal water and sewer utilities and Class E log haulers is recommended, although the PSC does not support this as a matter of public policy.

Under current statutes, municipalities can raise annual utility revenues up to 12% in any year. Increases over 12% require PSC approval, which is granted only after a formal rate case. Typical filings are from municipal utilities which are in dire straits, needing massive increases to pay for neglected maintenance and capital improvements. Deregulating these utilities would place the regulatory burden solely on local elected officials.

The 1991 legislature regulated log haulers (Class E) for the first time and added one FTE to our staff. In the current session, there are bills to both eliminate and expand this regulation.

Reducing our staff by an additional 1.5 FTEs would affect the handling of rate cases. Our memo of January 21, 1993, explained the consequences of staff reductions on the quality and speed of regulatory proceedings.

Consequences of reductions to \$3,901,975

This budget level would require additional reductions of \$205,367. These cuts would directly affect the PSC's ability to carry out its statutory duties. We would attempt to meet this target by reducing our operating budget as follows:

Travel	Most hearings would be held in Helena. Commissioners would attend very few out-of-state educational meetings.	\$100,000
Court Reporter	Tape recordings would be used instead of court reporters. The accuracy of rate case transcripts would be reduced.	10,000
Mail	This reduction is dependent on deregulation of Class E log haulers.	10,000
Car	Field cars are rotated at approximately 120,000 miles. The car scheduled for replacement would be kept on the road. Maintenance costs would increase with reliability and safety being diminished.	12,412
Equipment	All equipment, including that needed to bring the PSC office compliance with the American Disabilities Act would be forgone. Replacement of the Pipeline Safety Program computer (with 50% federal matching) would be dropped.	20,776
Telephone	Phones placed for the convenience of the public would be eliminated. Long distance calls would not be returned.	5,960
Vacancy Savings	This is consistent with the historical pattern.	46,219

General fund revenue reduction

Your memo of January 21st asks that we avoid recommending any reductions that would decrease general fund revenues. Because of our statutory funding mechanism, any and all reductions in the PSC's budget reduce general fund revenues by the same amounts.

Statutory changes

Certain statutory changes should be made to reduce the budget to the subcommittee approved level (\$4,481,044, with a reduction of four FTEs) or to the next target (\$4,107,342). In particular, municipal water and sewer utilities and Class E (log) carriers should be deregulated, although we do not advocate this as a matter of public policy. In addition, we recommend easing the deadlines for processing rate cases (9 months for utilities, 180 days for transportation carriers).

Final thought

The utility tax is automatically adjusted according to our appropriation. Every reduction in our budget reduces general fund revenues by a like amount. Our budget should be based on a policy decision about what our job is and what that job costs to accomplish. Reducing the PSC budget cannot be justified as an attempt to balance the general fund.

Our decisions mean real money to utility customers. Our budget has a direct effect on the pocketbooks of the people who pay the utility tax which comprises our budget. A small decrease in the PSC budget could result in a large increase in utility bills (see our January 21st memo).

At present, the PSC does its job at an annual cost of about \$3.40 to each household served by regulated utilities. In addition, regulated motor carriers contribute about \$1.3 million each year directly to the general fund. That money offsets other sources of general fund revenues.

We recommend that the legislature remove the PSC from the general fund and place our budget in a special revenue account. We therefore ask your support of HB 413, which would do just that. The net effect on the general fund would be zero and the net effect on the consumers who pay the tax that supports us would be zero. The PSC budget would then be set as it is now, by the legislature.

Finally, we recommend the subcommittee restore the PSC's staffing level approved for the last decade. That way, no deregulation would be needed and the pocketbooks of the people who pay both our supporting tax and utility bills would be protected to the maximum extent possible.

MEMORANDUM

EXHIBIT # 3
DATE 2-6-93
HB

TO: Chairman Anderson
FR: Robin McHugh, Staff Attorney *R*
RE: Description of statutory changes recommended in the
Commission's February 2, 1993 memo to Rep. Roger DeBruycker

You requested that I provide you with a description of the statutory changes recommended by the Commission to its Budget Subcommittee. Those changes, and the necessary legislative action are described as follows:

ACTION

REQUIRED LEGISLATION

- | | |
|--|---|
| 1. Deregulate Municipal Utilities | Amend Section 69-3-101, MCA;
Repeal Sections 69-7-101-201, MCA. |
| 2. Deregulate Class E Log Carriers | Amend Section 69-12-301;
Repeal Section 69-12-315;
Amend Section 69-12-321;
Repeal Sections 69-12-333-334-335;
Amend Section 69-12-407. |
| 3. Extend 9 Month Deadline for Processing Utility Cases | Amend Sections 69-3-302-303. |
| 4. Extend 180 Day Deadline for Processing Motor Carrier Applications | Amend Section 69-12-323. |

MONTANA DEPARTMENT OF LIVESTOCK
Capitol Station
Helena, Montana 59620
444-2023

GOPY

EXHIBIT # 4
DATE 2-6-93
HB _____

January 28, 1993

TO: Representative Roger DeBruycker, Chairman
Natural Resources & Commerce Subcommittee

FROM: E.E. "Cork" Mortensen, Executive Secretary
To the Board of Livestock

RE: Proposed Spending Cuts

In response to your memo dated 1-21-93 on the above subject, it appears that it is not necessary for the Department of Livestock to submit any further budget reduction. The reduction targets, as they are denoted on the scheduled attached to your memo, are zero (0) for this Department. The LFA staff was contacted and agrees with our analysis.

If I can be of further assistance, or if you have any questions, please contact me at 444-2023.

✓ c. Legislative Fiscal Analyst

NATURAL RESOURCES AND COMMERCE
 GENERAL FUND EXPENDITURE TARGETS
 1995 BIENNIUM

Agy. #	Agency/Contingency Bill	(A) -- Target -- Current Level Fiscal 1992-93	(B) LFA Current Level Fiscal 1994-95	(C) -- Difference -- LFA C/L Dollar Cut	(D) Legislative Action To Date*	(E) Over(Under) Target (D-A)	(F) Contingent GF Impact	(G) E + F
4201	Public Service Regulation	\$4,107,342	\$4,345,112	\$237,770	\$4,481,044	\$373,702		\$373,702
5201	Fish, Wildlife, & Parks Senate Bill 235 or other legislation	778,023	846,110	68,087	1,382,071	604,048	(597,542)	6,506
5501	State Lands LC1404	17,830,506	18,700,093	869,587	18,479,582	649,076	(750,000)	(100,924)
5603	Livestock LC1341	1,334,708	1,148,509	0	1,845,375	510,667	(325,993)	184,674
5706	Natural Resources & Conservation LC1404	8,687,976	10,375,645	1,687,669	9,517,299	829,323	(1,737,302)	(907,979)
6201	Agriculture LC1249 House Bill 167 House Bill 193 Senate Bill 98	2,124,606	1,942,467	0	2,019,207	(105,399)	(141,111) (119,663) (697,179) (122,705)	(1,186,057)
6501	Commerce *	5,129,278	5,441,618	312,340	5,441,618	312,340		312,340
	Unallocated	(368,439)	0	368,439		368,439		368,439
	Totals	\$39,624,000	\$42,799,554	\$3,543,892	\$43,166,196	\$3,542,196	\$4,491,495	(\$949,299)
		Subcommittee Target Budget			Subcommittee Action	Difference		

The LFA General Fund Status Sheet reflects column D less column B (Legislative action less LFA): \$366,642

* Shaded areas reflect LFA current level. The subcommittee has not yet completed action on general fund portions of these agencies.

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

NATURAL RESOURCES ^{Sub} COMMITTEE

~~BILL NO.~~ _____

DATE 2-6-93 SPONSOR(S) _____

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NAME M. CHASSE	Pub Serv Comm.		
Bob Anderson	PSC		
Gerry Chasse	PSC		
Don Elliott	PSC		
Wayne Best	PSC		
Robin McHugh	PSC		
William Couriel	PSC		
William J. Quinn	DEPT LIVESTOCK		
John Skufca	" "		
DON FERLICKA	" "		
Pork Martensen	" "		
LORRAUE DRESSLER	" "		
JACK SEDGWICK	" "		
JANE SUINN	Self		

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