

Energy and Telecommunications Interim Committee

An Overview of the Montana PSC

June 21, 2013

Vice Chairman Bob Lake
Montana Public Service Commission



History of Regulation in Montana

- 1907 Legislature creates “Board of Railroad Commissioners” made up of three at-large commissioners serving six-year staggered terms.
- 1913 Legislature changes name to “Public Service Commission” and adds task of regulating and controlling certain public utilities.
- Montana Consumer Counsel created during the 1972 Constitutional Convention – charged with representing ratepayers in the state:



“The Legislature shall provide for an office of Consumer Counsel which shall have the duty of representing consumer interests in hearings before the Public Service Commission or any other successor agency...” – Language approved during Convention, creating the MCC.

The PSC's Role

- One of 14 elected commissions, it's the PSC's responsibility to ensure that Montana's public utilities provide adequate service at reasonable rates.
- As a quasi-judicial body, the Commission tries to balance the interests of ratepayers who are concerned about utility costs with the utilities' need to have the opportunity to earn a fair rate of return on their investment.
- Public utility rate regulation can be complex because the utility business is complex. However, as long as utility service is provided by private monopolies, the public interest must be protected through regulation.



Who We Are?



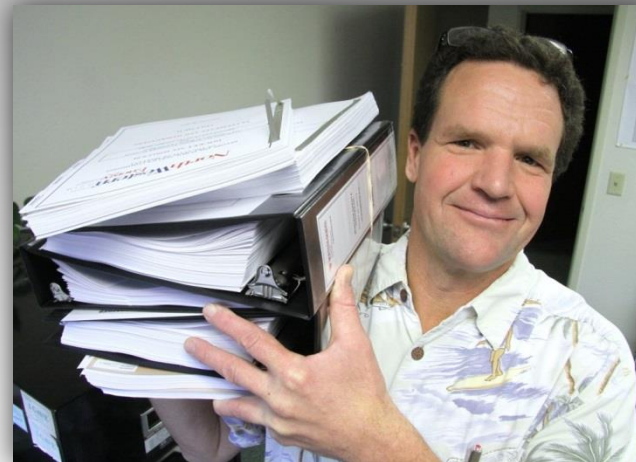
- ✓ Five member Commission elected from geographic districts across Montana.
- ✓ Each commissioner represents approximately 200,000 Montanans.
- ✓ Four-year staggered terms.
- ✓ Members elect chair every two years.
- ✓ Works to ensure public utilities provide adequate service to customers at reasonable rates.
- ✓ Regulates private, investor-owned natural gas, electric, water and private sewer companies.

- ✓ Regulates intrastate railroads and certain motor carriers hauling regulated commodities.
- ✓ Oversees natural gas pipeline safety regulations.
- ✓ PSC employees include economists, accountants, attorneys, rate analysts, enforcement and compliance personnel and support staff.
- ✓ PSC divisions: Utility, Legal and Transportation/Centralized Services.





PSC STAFF



The agency's consumer staff assists Montanans with their utility issues. The staff logging more than 7,000 consumer contacts in 2012. The staff's efforts are detailed in a recent report posted at psc.mt.gov

Employee Title	Number of Employees	Average % of Market
Commission Division Administrators	4	N/A
Regulatory Program Manager	3	84.84%
Compliance Specialist	2	82.18%
Business Operations Supervisor	2	108.25%
Utility Rate/Policy Analyst	8	81.94%
Financial Specialist	1	100.16%
Computer Support Specialist	1	94.39%
Computer Systems Analyst	1	79.47%
Utility Engineering Specialist	3	96.60%
Lawyer	3	71.65%
Secretarial, Admin. Support	4	105.91%
Paralegal	1	99.89%
Railroad Inspector	2	95.34%
Total Employees	<u>35</u>	89.80%

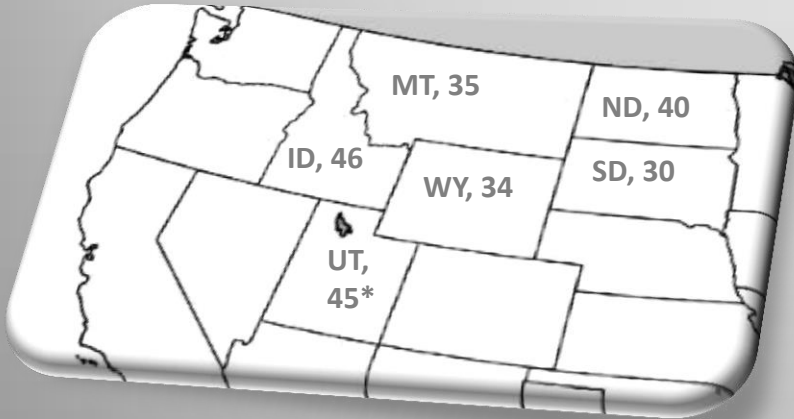




1 In 1990, the Montana Public Service Commission had 41 full-time equivalent positions. Today, the PSC has 35 positions.

2

Regional PSC Staffing Levels:

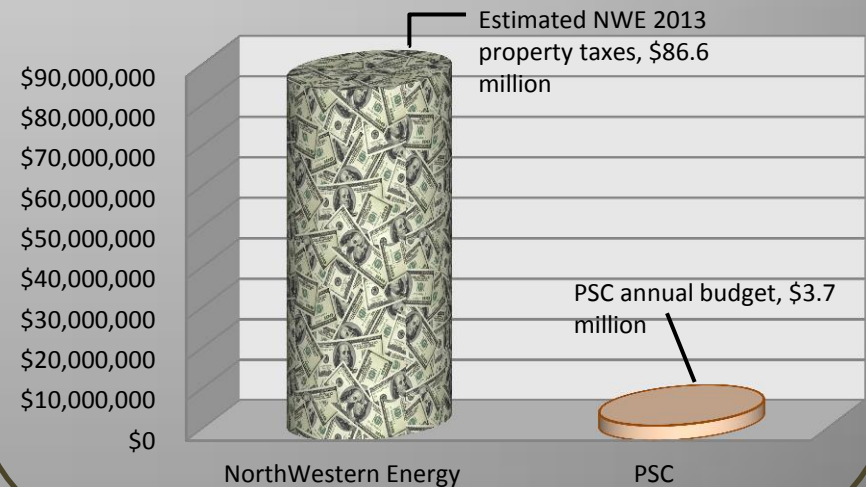


*The Utah PSC employs 16 people and another 29 employees work for the Utah Division of Public Utilities, which makes recommendations to the Utah Public Service Commission for ratemaking purposes, hearings, applications, and other quality-of-service issues. The Division further oversees and investigates consumer complaints and monitors utility operations to ensure compliance with Public Service Commission rules, regulations and orders – all tasks handled under one roof at the **Montana Public Service Commission**.

3

How the Commission is funded:

- The Public Service Commission tax is 0.23% of a utility bill. Consumer Counsel also funded by a utility tax.
- State taxes are about 10 percent of a NorthWestern Energy bill.



PSC Pending Cases/Issues

Energy Issues

- DSM-USB Investigation
- Ongoing Distribution System Infrastructure Project, DSIP
- NorthWestern in the process of purchasing gas fields from Devon Energy Production Co. (Including Devon's 82% interest in Havre Pipeline Co.)
 - May require a waiver of the bankruptcy stipulation
 - Filing expected soon
- Dave Gates Generating Station, DGGs
- EPA letter (New Source Performance Standards)

Telecommunications Issues

- 406 area code and number pooling
- Two recent Eligible Telecommunications Carrier Lifeline apps
- Annual ETC recertification due Oct. 1
- Broadband survey (School system, MT Virtual Academy)

PSC Pending Cases/Issues



Hearings

- Mountain Water (hearing beginning July 10 in Missoula).
- MDU Gas Rate Case (hearing beginning Aug. 5 in Billings).
- New utility electricity and gas trackers filed earlier this year.
- Difference between rate case/tracker.

➤ Rules

- QFs/Administrative Rule proposal.
- Executive Pay

How can the PSC work with you on SJ 6?



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Montana Public Service
Commission

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April 23, 2013

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Docket EPA-HQ-OAR-2011-0660

Dear Ms. McCarthy:

As members of the regulatory body responsible for ensuring that Montanans have access to a safe, reliable, and affordable energy supply, we have grave concerns about your agency's proposed rules for New Source Performance Standards (NSPS) in the above-numbered docket.

Coal remains an extremely important fuel source and ensures that Montana's and other states' electric supply portfolios have a sufficiently diverse mix to hedge against price spikes in other fuels, such as natural gas. Yet, the NSPS would make it impracticable to construct any new coal-fired electrical generation in the United States.

Considerable progress has been made to making coal-fired generation more efficient and cleaner. Incremental progress is important, and a total transformation of coal-fired technology cannot be achieved overnight. By establishing standards such as those envisioned by the NSPS, we worry that virtually all investment in further refining coal technologies will evaporate.

Building new generators also allows our country to be at the forefront of developing new technology to build power plants that are cleaner and more efficient. If the NSPS standards move forward as proposed, we lose that opportunity to develop new technology through new construction.

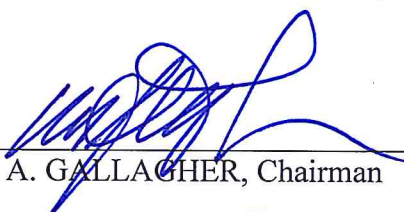
The proposed NSPS rules would set emission standards for coal-fired generators at the same level as gas-fired generators. These rules do not take into consideration the variations in different types of coal, different types of coal generators and the different emissions profiles for each of them. As such, the rule is unworkable.

The NSPS rule would likely have the effect of putting American consumers in the economically volatile position of relying solely on electricity produced from natural gas. While Montana has benefited from the surge in natural gas production, both in terms of job creation and low-cost energy, we are concerned about relying on a single form of energy for the base-load generating needs of the public we serve.

Montana has among the largest coal reserves in the country, and has more at stake in these rules than most states do. We urge reconsideration of the proposed NSPS rule to allow more flexibility in different types of coal generation plants.

We are pleased the EPA has delayed issuing its final rule in order to consider the millions of comments it has received on this matter. The Montana Public Service Commission remains unconvinced that any additional regulation in this area is necessary, and would urge that the proposed rule be withdrawn at this time.

Sincerely,



W. A. GALLAGHER, Chairman



BOB LAKE, Vice Chair



KIRK BUSHMAN, Commissioner



TRAVIS KAVULLA, Commissioner



ROGER KOOPMAN, Commissioner