MINUTES

of the

LEGISLATIVE CONSUMER COMMITTEE

May 27, 2010

State Capitol, Room 472, Helena, MT

COMMITTEE MEMBERS PRESENT

Senator Terry Murphy, Chairman
Representative Pat Noonan, Vice Chairman
Senator Joe Tropila
Representative Tom Berry

STAFF PRESENT

Robert A. Nelson, Consumer Counsel
Mandi Shulund Hinman, Secretary
Mary Wright, Attorney
Paul Schulz, Rate Analyst

VISITORS PRESENT

Geoff Feiss, Montana Telecommunications Association

CALL TO ORDER

The meeting was called to order at 1:30 p.m. by Senator Murphy.

MINUTES OF THE PREVIOUS MEETING

MOTION: Representative Berry moved approval of the March 2, 2010 meeting minutes.

VOTE: The motion passed unanimously.

BOB NELSON PROVIDED THE FOLLOWING HIGHLIGHTS OF CASES CURRENTLY PENDING:

NorthWestern Energy (NWE)

D2009.9.129 Application for Electric and Natural Gas Delivery Rate Increase and ACOS and Rate Design Changes-NWE is requesting a 2% increase on gas and a 7% increase overall on electric, slightly more for residential customers due to cost allocation and rate design. This case was suspended because the Public Service Commission (PSC) found the application incomplete so NWE resubmitted the cost allocation portion of the filing. MCC's testimony is now due on 6/3/2010 and the hearing is scheduled for 9/15/2010. The Large Customer Group (LCG) has already filed testimony on rate of return, recommending a 10% return on equity as opposed to NWE's request of 10.9%. NWE focuses largely on cost allocation and rate design issues and is proposing that more of the revenue be allocated to residential and small business customers.

D2008.12.146 Application for Approval of Avoided Cost Tariff for NWE Qualifying Facilities- These next two items relate to NWE's Qualifying Facilities (QF) rates. NWE submits filings to the PSC periodically to update avoided cost rates, which are the rates that QF's are legally entitled to receive from NWE based on what NWE would have had to pay for other arrangements to provide the power needed to serve customers. Years ago the PSC decided that QF's larger than 10 megawatts would have to participate in a competitive solicitation and QF's smaller than10 megawatts can participate in the default rate, or QF-1, and this docket was established technically to set that QF-1 rate. NWE filed its request, basically proposing that the PSC set the avoided cost rate based on the Colstrip 4 (C4) cost, C4 being the last addition to NWE resources. Larry Nordell filed testimony on behalf of MCC on 4/7/2009, indicating that because C4 is an embedded resource it is no longer an avoidable resource and should not be used to set the QF rate. Larry also suggested that the PSC set a shaping rate, or wind integration rate, to be deducted from the energy rate that would be paid to wind QF's based on the calculation of the highest cost regulation contract or Mill Creek if approved (It had not been approved at that time). Larry also emphasized that because integration costs change each year, integration rates should also be reassessed and changed periodically rather than, for example, setting a long term 25 year integration cost for a 25 year contract because there is a risk that a long term rate would deviate from those costs, and that risk would largely be borne by rate payers. The PSC requested comments on additional issues and Larry again filed testimony on 8/14/2009 agreeing that there should be a technical wind integration study but recommended that it be performed by or within NWE by a technical group rather than a collaborative. Larry also recommended maintaining the previously set 50 megawatt ceiling but that it be reassessed once 50 megawatts were in place. Also, in a prior proceeding, the PSC had adopted two options for QF rates. Since NWE buys a lot of power on the short term market, one option allowed QF's to basically receive that short term Mid-C rate. The PSC asked for comments on whether this option should be continued and Larry stated that it should not be continued because short term rates affect the rate payers in that the quality of the power received is different from a firm, long term resource. Final Order 6973d was issued on 5/6/2010 with the PSC continuing the short term option and establishing another option, making three options now available for QF rates. Option 1 adopted in this order is a fixed price based on C4 costs and revenue requirements that in turn is broken into three different sub-options meant to emphasize energy or capacity based on the type of QF coming online. The Option 1 rates are subject to an integration cost of $2.35 per kilowatt hour adjusted annually for QF's that don't sell supply, or QF's would have the option of self-supplying that integration service. The PSC also said Option 1 rates would have to be adjustable in the future for non-CO2 emitting QF's that pass the renewable energy credits to NWE. Option 2 is also based on market rates and Mid-C index prices. With Mid-C not being in the same location as Montana, there are costs incurred to ship the power back and forth. That prompted a debate regarding what kind of discount or recognition there should be for those costs. The PSC, in Final Order 6973d, concluded that the magnitude of those costs had not been firmly established so in effect they set transmission costs at zero and established a $1.00 a megawatt hour market differential between Montana rates and Mid-C rates. Option 3 is a new rate specifically designed for wind resources and is intended to reflect just the costs of acquiring alternative wind resources. This rate is based on a component of the 2007 resource procurement planning document that NWE is required to file every two years. In the 2007 filing, NWE said they anticipated acquiring 150 megawatts of wind so the PSC, in effect, carved out 150 megawatts and looked at what those wind costs were in the resource procurement plan and set a separate QF rate based on that anticipated wind cost, which turned out to be 6.9 cents a kilowatt hour. Also, the PSC did not assess any integration costs to the wind QF's so there would be a long term 25 year rate with no wind integration costs deducted from that rate. Larry testified that the 2007 resource procurement plan should not be relied upon by the PSC because it was not part of a contested case and was never intended to be a firm resource plan. Larry also stated that the PSC never approved that plan, there are just PSC and other party comments with no reliable basis for establishing avoided costs that would actually become realized costs for a long period. Final Order 6973d retained the 50 megawatt ceiling for wind QF's but eliminated it for non-wind QF's. Montana Small Independent Renewable Generators (MSIRG), a coalition of small wind developers, filed a Motion for Reconsideration stating that the PSC cannot base rates on anything other than NWE's 2007 resource procurement plan. MSIRG also felt that the PSC could not use isolated contracts, such as C4, and took issue with the capacity factor that the PSC used to establish Option 3 wind rates and also a procedural due process issue about whether they had sufficient notice to participate in the wind integration portion of the docket. MCC requested an extension of time for filing Motions for Reconsideration, and is still considering whether to do so, with concerns regarding the wind integration levels, the market differential established in Option 2, and the use of the resource procurement plan in Option 3.

D2010.2.18 Kenfield Wind Park I, LLC Petition to Set Terms and Conditions for Existing Qualifying Small Power Production Facility-This docket concerns a proposal for two, 10 megawatt wind projects near Chester and is somewhat related to the previous QF docket. Again, there is a 10 megawatt cutoff for qualifying for the QF-1 rate and anything larger than 10 megawatts must participate in a competitive bid process. NWE and Kenfield Wind Park I, LLC, (KWP) tried to negotiate rates but the issue of whether KWP should be required to pay mitigation costs for upgrades to the transmission system that NWE asserts would be incurred as a result of incorporating the KWP projects in the grid could not be resolved. Because an acceptable rate could not be negotiated, KWP came to the PSC under the Montana mini-PURPA statute allowing the PSC 120 days to process this proceeding, and requested the PSC establish a contract rate of $91.00 per megawatt hour, escalating at 2% for 20 years and not require much mitigation costs that NWE feels should be paid. Larry filed testimony on behalf of MCC on 3/26/2010 and said MCC has no objection to the consideration of these projects but a key issue would be the cost compared to other alternatives, which is basically the main point of a QF or avoided cost proceeding. Larry said these projects could reasonably be viewed as a single project that would require participation in a competitive solicitation, but if viewed as two projects small enough to qualify for the standard offer price, then that price should be accepted, rather than requesting the PSC set a special rate just applicable to these projects. Larry cautioned that using the cost estimates from the 2007 resource procurement plan, as KWP did to establish its $91.00 request, was inappropriate because the $5.00 for wind integration cost that KWP proposed in its filing was too low. Larry filed response testimony to NWE on 4/23/2010. NWE agreed somewhat with Larry's testimony, in that the $5.00 integration cost was too low, and suggested that Mill Creek be used as the basis for setting the wind regulation cost for KWP. When NWE calculated the cost of integration service coming from Mill Creek, they assigned all fixed costs to the current on-system customers, basically default supply and transmission customers, so for the additional wind integration services the only cost in their view would be the incremental O&M cost, basically fuel and the cost of running the plant rather than the cost of building the plant and the capital costs. So NWE came up with $11.69 per megawatt hour, as opposed to the $5.00 that KWP had proposed. Larry's calculations basically assigned all costs equally to everyone receiving service from Mill Creek and came up with $32.97 per megawatt hour. Again, Larry's testimony also said the PSC should just apply the new QF-1 generic rates to KWP. A hearing was held over several days beginning on 5/20/2010.

ER10-1138-000 FERC Docket-Revisions to Schedule 3, Regulation and Frequency Response Service of NWE's Open Access Transmission Tariffs (OATT)- NWE recently filed this application with the Federal Energy Regulatory Commission (FERC) and it is somewhat related to the issues in the previous dockets and concerns revisions to Schedule 3, which is the FERC tariff for regulation and frequency response service for FERC jurisdictional service. NWE filed this application with FERC because regulation service there is tariffed separately and transmission customers, for example, have the option of taking service off the Schedule 3 or providing their own regulation service. Senator Murphy asked Bob what the trends were, cost wise, with wind energy becoming more competitive with traditional generation and asked if wind will ever compete with traditional generation. Bob said that Judith Gap is attractively priced and was very competitive when put into the portfolio, which MCC strongly supported that at that time. Since then the cost of wind generation has increased significantly and if a head to head comparison were to be done without considering external costs, wind would probably have a hard time competing but if concerns such as the risk of future CO2 costs were considered, many calculations show that wind is still competitive, especially with production tax credits still available. Senator Tropila asked Bob why some of the turbines at Judith Gap would not be turning, especially with the wind blowing. Bob said perhaps some were purposely shut down or scheduled maintenance could have been taking place and said he would follow up on that question.

D2009.5.62 Annual Electric Tracker- MCC reached a settlement with NWE agreeing that supply costs were generally reasonable but there was a dispute regarding claimed lost revenues, that ended up being split 50/50, and a dispute over real time scheduling costs for employees, which MCC thought should have been included in base rates rather than in the trackers. NWE also withdrew a hedging proposal for electric purchases. A hearing was held on 2/3/2010 and Final Order 6921c was issued on 5/20/2010 approving the stipulation with clarification that real time scheduling cost recovery be terminated with issuance of any interim order in the current rate case.

D2009.7.98 Monthly Electric Trackers- The April Electric Tracker filed 3/16/2010 resulted in a residential rate increase to $.056526/Kwh; The May Electric Tracker filed 4/14/2010 resulted in a residential rate decrease to $.055246/Kwh; The June Electric Tracker filed 5/14/2010 resulted in a residential rate decrease to $055239/Kwh.

D2010.2.14 Complaint of Dr. Paul Williamson, *et al.* Petition to Pay for LED Lights by Eliminating Overcharge-This case is the complaint of Dr. Paul Williamson and others, primarily Russ Doty, regarding what they view are overcharges for lighting service in Billings and other cities. They would like the overcharges to be used to install LED street lights. NWE responded by claiming, among other things, that the petitioners have no standing or legal status needed to bring a complaint. On 5/20/2010 the PSC issued Order 7084a granting NWE's motion to dismiss, finding that with respect to administrative proceedings, as opposed to court proceedings, standing requirements are statutory rather than constitutional, and the PSC's statutory authority allows standing only to parties directly affected by rates.

N2008.12.138 Natural Gas Biennial Procurement Plan- This issue has been considered for several years. In 2003 gas prices were increasing and the State of Montana had insulated itself from price increases by entering into a 2 year contract for gas supply. The PSC issued an order finding NWE imprudent in not entering into a long term contract for gas supply to help insulate rate payers against price increases. In that case, MCC witness George Donkin did not agree with the PSC because he thought that conclusion could not be reached based on the information available at that time. At that same time, the switch over to market supply for electric customers had begun and discussions began on establishing the same kind of supply procurement planning process for gas supply. MCC felt that by participating in that planning process with NWE the risks that NWE faced could be reduced by discussing in advance what and how the process should be done. The result was a biennial procurement process for the NWE gas utility. MCC, at the same time, also felt that NWE should analyze the potential for hedging programs to address price volatility concerns, but NWE proposed that they just take a simpler approach about layering in long term purchases and opposed any other kind of hedging programs. The PSC also indicated that they were not interested in financial hedging options, citing an experience where Montana Dakota Utilities (MDU) had lost money on financial hedging programs. MCC addressed this concern two years ago in a tracker filing, but NWE filed a Motion to cancel that hearing, stating that MCC had not raised any substantive issues. The PSC agreed saying, in effect, MCC had not proposed any cost disallowances so no hearing was held at that time. As opposed to trackers, gas procurement plan proceedings are not contested cases so no hearing is held; the purpose is just to provide guidance to the company. In the next tracker, MCC entered into a settlement with NWE, agreeing that MCC would drop the hedging issue in the tracker and the PSC would hold a hearing in the procurement plan filing to allow MCC to address the issue there. That hearing was held on 5/26/2010. Mr. Donkin testified at the hearing yesterday on behalf of MCC stating that he felt NWE rate payers would be better off going with straight market rates, as MDU and EWM does, but if the PSC does want NWE to continue engaging in a price swap program, NWE should have a stronger financial hedging program so they could protect themselves from losing out when prices drop and only implement price swaps when prices are high. The PSC is expected to issue comments on this case in the near future.

D2009.5.63-Annual Gas Tracker-This annual tracker was filed on 6/2/2009. A hearing had been scheduled for 10/6/2010 but the procedural order has been suspended due to discovery issues related to protective orders.

D2009.7.99 Monthly Gas Trackers- The May Gas Tracker filed 4/14/2010 resulted in a residential rate decrease from $8.15 to $6.91; The June Gas Tracker filed 5/14/2010 resulted in a residential rate decrease from $6.91 to $5.96.

D2009.12.155 NWE 2010 Electric and Natural Gas and Colstrip 4 Tax Tracker- NWE filed a Motion for Reconsideration of Final Order 7057a on the issue of the treatment of C4 cost of service. On 3/9/2010 the PSC issued Order on Reconsideration 7057b basically accepting NWE's proposed resolution of that issue, which in effect, reduced the tax liability that was reflected in rates for C4.

D2008.12.144 Annual Propane Supply Tracker Filing- NWE filed this application on 4/29/2010 and there is an under collection here which will result in an additional $1.33/Dkt. NWE is proposing to increase the summer rate from $11.00 to $14.39 and the winter rate from $11.75 to $15.43, roughly a 30% increase.

Montana-Dakota Utilities (MDU)

D2009.12.161 Application for Authority to Defer Costs Related to Securing New Generation-This application was filed on 12/23/2009. MDU is requesting authority to defer accounting costs related to securing new generation in Big Stone II Station, a coal plant that MDU had been trying to develop but which has been canceled. MDU states that they have incurred $16 million in costs trying to develop this project, with one partner having dropped out, and are asking the PSC for an order that allows them to carry this expense until MDU can request recovery in a future proceeding. MCC did intervene but did not file comments. MCC feels that an accounting order can preserve what MCC's proposed treatment of those costs might be in the future. The PSC issued Final Order 7076 on 4/7/2010 approving the accounting order but stated that the accounting order does not prejudge the appropriate rate making treatment of those costs**.**

D2008.9.121 Monthly Gas Trackers- The April Gas Tracker filed 3/10/2010 resulted in a decrease of $.51/Dkt; The May Gas Tracker filed 4/9/2010 resulted in a decrease of $.93/Dkt.

D2010.4.39 Conservation Tracker Filing-MDU requested to maintain the current tracker surcharge of $0.01/Dkt. MCC intervened in this case and will be reviewing the application.

Energy West Montana (EWM)

D2009.6.88 Annual Gas Tracker-MCC intervened in this case but did not file testimony. Final Order 7064a was issued on 5/20/2010 approving the application.

D2000.10.176 Monthly Gas Trackers-The current rate is $6.57/Mcf.

D2009.6.90 Application to Approve Reconciliation of USB Account and Continue USB Charge-The current USB surcharge of 1.25% was set pursuant to a settlement MCC entered into with EWM a few years ago. EWM proposed to use 25% of their total USB fund to provide a 5% matching amount for a grant that the Great Falls airport received for noise mitigation. The grant is $17 million so the 5% would amount to $850,000 spread out over 7 years. Larry filed testimony on 3/10/2010 concluding that the 5% share may be cost effective but because no detailed analysis had been done, Larry recommended a study be performed to determine the effectiveness for EWM customers regarding use of those funds. No hearing has been requested so the PSC may just issue a final order without holding a hearing. Senator Tropila mentioned that he is a member of the Great Falls Airport Authority Board.

Miller Oil

D2010.2.15 Annual Gas True-Up-Miller Oil is a propane company in Culbertson that just set up a tracker system for their propane purchases. This filing is their annual true-up for that monthly propane tracker. Miller Oil is proposing a 12 month rate adjustment and a true-up with a slight over recovery. MCC intervened and will review the filing.

Cut Bank Gas Company (CBG)

D2010.3.25 Gas True-Up-Cut Bank Gas is seeking to establish new normalized volumes and there is an over collection here of $79,210. MCC intervened and will be reviewing the filing.

Mountain Water Company (MWC)

D2010.4.41 Application to Increase Rates-MWC is requesting a $1.9 million increase. MCC did intervene and will be reviewing the case.

Utility Solutions, LLC

D2005.11.163 and D2005.11.164 Utility Solutions, LLC Amended Application to Increase Water and Sewer Rates- MCC and Utility Solutions entered into a stipulation agreeing to the recommendations in testimony filed by Paul Schulz on behalf of MCC. A hearing was held on 4/7/2010.

AquaFlo

D2009.1.9 Water and Sewer Rate Increase-AquaFlo is a water company serving just outside of Helena requesting a $35,000 increase. MCC entered into a stipulation with AquaFlo for an annual increase of $28,000. A hearing was held on 4/8/2010 and Interim Order 6985b was issued on 4/29/2010 approving that stipulation for a one year period with rates being readdressed at that time.

Big Mountain Water (BMW)

D2010.1.9 Application to Increase Water Rates-BMW serves in Flathead County and is filing new rates, requesting a $132,000 increase. Paul recently conducted a discovery audit and a hearing is schedule for 8/25/2010.

Wettington Acres Water District

D2008.7.85-Application to Implement Increased Rates-MCC reviewed this application but did not file testimony. The PSC issued Final Order 6991c on 4/21/2010 approving a portion of what Wettington had asked for and encouraged them to file an updated case using a 2012 test year.

Salish Shores

D2006.10.146-Salish Shores (Salish) is in Thompson Falls and requested an increase of $61,000. Paul filed testimony on 12/7/2009 recommending an increase of $46,000 based on several adjustments using actual capital structure and removing tax expenses that Salish was claiming but did not actually pay due to net operating losses. MCC entered into a stipulation with Salish for a general rate increase of $51,000 and the hearing was held on 2/24/2010. Final Order 6797c was issued on 4/13/2010 approving most of the stipulation but also imposed a new filing requirement by 5/2013 to consider a modified cost allocation approach.

HLH, LLC

D2008.10.123 Water Rate Increase-HLH serves in the Big Sky area and requested revenues of $442,000, a 103% increase. After analysis, MCC entered into discussions and ultimately a stipulation with HLH for overall revenues of $337,000. A hearing was held on 3/11/2010.

Representative Berry asked Bob if board members of the small water companies pay attention to company expenses and if it is a normal occurrence for the companies to ask for increases that would double their rates. Bob said that in many cases, these companies do not have intentions of being or becoming utilities. For example, a company that is building a subdivision or a resort suddenly finds it has to become a water utility, and either has no initial rates or has initial rates that are not realistic. Since these usually are small operations, one or two changes can have a major impact on their revenue requirement. The PSC is facing the issue of not knowing exactly how many instances there are of companies not knowing they have to file with the PSC. Representative Berry asked if these companies are ever in danger of going bankrupt. Paul said such an instance has not been seen but could always be a possibility.

MARY WRIGHT PROVIDED THE FOLLOWING HIGHLIGHTS OF TELECOM CASES CURRENTLY PENDING:

D2009.5.74-Verizon, AT&T, and Sprint Petition for Waiver of Regulations Requiring the Filing of Tariffs or Price Lists for Intrastate Interexchange Services-This is a filing by Verizon, AT&T and Sprint (IXC's), three large interexchange carriers, for a waiver of the Montana statute requiring them to file price lists and/or tariffs with the PSC when changing their rates. MCC intervened but did not file testimony. Basically, MCC's argument was that the IXC's did not give an adequate reason or burden of proof why the PSC should take the action they requested. A hearing was held on 11/30/2009 and Final Order 7020a was issued on 3/23/2010 granting the relief that the IXC's asked for.

D2010.5.55-Merger of CenturyLink and Qwest-CenturyLink is a wireline service provider out of Monroe, Louisiana with service areas throughout the United States.

This transaction is described as an “all stock combination” resulting in shareholders of CenturyLink holding 50.5% of the stock and shareholders of Qwest holding 49.5%. This transaction has to be approved by the U.S. Department of Justice, the Federal Communications Commission (FCC), numerous state commissions, including Montana, and shareholders of both CenturyLink and Qwest. The anticipated closing is the second quarter of 2011.

Update on Phase 2 ARRA Broadband Applications-Mary handed out comments from Montana Independent Telecommunications Systems (MITS) since Bonnie Lorang, General Manager, was unavailable. Those comments have also been provided to various forums.

Public Comments

Geoff Feiss, General Manager of the Montana Telecommunications Association (MTA) provided the Committee an update on Phase 2 ARRA Broadband Applications. MTA represents rural telecommunication providers. Mr. Feiss said there is much happening in the telecommunications world but today simply wanted to reinforce the information that MITS provide to the Committee, since MTA and MITS share the same concerns about round two of the broadband stimulus program. There is currently a second round of broadband stimulus applications pending before the U.S. Departments of Commerce and Agriculture, addressing for the most part the same issues as round one. Mr. Feiss handed out a current map showing about 9,000 miles of fiber optic facilities deployed by Montana’s rural telecom network and broadband providers throughout the state, not including companies such as AT&T or Qwest or many other middle-mile and interstate broadband networks.

In 3/2010, the FCC released a National Broadband Plan, a 360 page document covering many facets of the broadband system and statistical findings. According to the FCC, 95% of households in the United States have access to broadband telecommunications services but only 65% of those households are actually using that broadband. The 30% of Americans who have access but are not using it is referred to as broadband adoption and there are programs available that stimulate adoption and encourage public computing centers, such as libraries and schools. The Department of Commerce has determined there is a problem with infrastructure deployment and have put a lot of money into deploying additional network facilities which have the effect of overbuilding existing network facilities. In effect, this would mean building middle mile networks and connecting them to anchor institutions, or large consumers of broadband capabilities. This action would threaten the viability of existing network providers and compromise the ability of these network providers to continue investing in their network. So the options the existing networks have are to stop investing and/or raise rates. MTA and MITS again are complaining to the National Telecommunications and Information Administration (NTIA) to not grant applications for networks that threaten to build or overbuild existing network infrastructure and compromise the investment that has already been put into place. The National broadband plan also includes recommendations regarding some reforms to the Universal Service Program, which is a subsidy program that essentially provides support to high cost telecommunications providers and enables them to offer Universal Access to telecommunications services that are comparable in quality and price to the telecommunications services anywhere else in the country. The Telecommunications Act has also been targeted for reform by the Chairman of the House Energy and Commerce Committee and the Chairman of the Senate Commerce Committee. Mr. Feiss did not feel that any changes would be made quickly although notices for rulemakings have begun coming out of the National Broadband Plan. Representative Berry asked Mr. Feiss, regarding the map that he handed out, what provider is serving the areas that do not show any local provider. Mr. Feiss said that could be Qwest or another national provider but the lines on the map are fiber backbones and local providers may still serve in those areas from spokes off of those backbones. Senator Murphy asked if Mr. Feiss expected there would be a Round 2 and how many more rounds does he anticipate. Mr. Feiss did anticipate a Round 2 and Round 2 will be the last. The Federal Recovery Act requires that all money be allocated or designated by 9/2010. The Federal Pipeline Safety Administration (FPSA) which is part of the U.S. Department of Transportation, issued a notice in the Federal Register last October making states aware that the Federal Department of Transportation will enforce pipeline safety if states' laws are insufficient for enforcing the laws themselves. This is mostly a pipeline safety issue, but there is in place the one-call statute that requires anybody who is digging up ground to call 811 ahead of time so authorized personnel can locate any underground facilities, such as pipes and fiber optics. Senator Tropila asked how deep the lines are buried, Mr. Feiss thought that standard is 30 inches but depths vary for a number of reasons.

Financial Report

The report provided to the Committee was dated 5/1/2010. Bob reminded the Committee that most categories run behind but currently there are no major concerns. There will be a substantial excess in Personal Services at the end of the year, largely because a full time position is being filled by a part time employee. Contracted services was a concern at the beginning of the year and because of that, there have been several cases MCC did not participate in but it appears money will remain in that category at the end of the year. In some of the smaller categories, unfortunately, we will run substantially over because as part of the lease renegotiation program, we were required to move our office. We incurred substantial cost in communications, moving expenses, supplies and in remodeling the new space. Fortunately with the excess in contracted services, the overall budget picture is not a big concern.

HIRING OF EXPERT WITNESSES

MOTION: Representative Berry moved approval to hire the services of the following expert witnesses:

D2010.5.49-NWE Gas Annual Tracker: George Donkin

D2010.5.50-NWE Electric Annual Tracker: John Wilson

FERC Docket: EL10-1138-000 Regulation Services Tariff: John Wilson and John Coyle

D2010.4.41 Mountain Water Company Rate Increase: Steve Hill, John Wilson Alternate

D2010.5.55 Qwest Merger: J. W. Wilson Associates

VOTE: The motion passed unanimously.

The next meeting will be set for the end of August.

Adjournment

There being no further business to come before the Committee, the meeting adjourned.

Respectfully submitted,

____________________________________, Robert Nelson, Consumer Counsel

Accepted by the Committee this _____ day of _______________________, 2010

____________________________________, Chairman