

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2440

2001 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2410

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2410

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date February 13, 2001.

Tape Number	Side A	Side B	Meter #
1	x		44.2 to end
1		x	0 to end
2	x		0 to 34.4
(Feb 20/01) 1	x		15.6 to 26.2

Committee Clerk Signature

Don E. Perez

Minutes:

The meeting was called to order. All committee members, except Senator Mutch, present.

Hearing was opened on SB 2410 relating to jurisdiction of the public service commission over certain rural electric cooperatives and telecommunications companies.

SENATOR BEN TOLLEFSON: Cosponsor. Written testimony attached, including proposed amendment. We are asking for a return to common regulation in the interest of the consumer.

SENATOR D. MATHERN: Self governance would be affected, people would have to wait for PSC to decide. Now in rural areas they go to the directors.

REP. LARRY BELLEW, District 38, in favor. Placing RECs under PSC is consumer advocacy.

ART EKBLAD, past pres. Minot Chamber of Commerce, in favor.

BOB GRAVELINE, Utility Shareholders of ND, in support. Written testimony attached.

SENATOR DAVID O'CONNEL, District 6, in opposition. Written testimony attached.

DWIGHT WRANGHAM, District 8, in opposition. Written testimony attached.

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Senate Industry, Business and Labor Committee

Bill/Resolution Number SB 2410

Hearing Date February 13, 2001.

MICK GROSZ, Gral Mgr. West River Telecommunications Coop. Urge do not pass. Written testimony attached.

JAY JACOBSON, Gral Mgr. Dakota Valley Electric Coop, in opposition. Written testimony attached.

DAVE DUNNING, Gral Mgr. Polar Communications, opposing this bill as unnecessary. Rural coops offer superior customer service, community involvement, accessibility, jobs to rural areas, low rates, and capital distribution to subscribers.

GEORGE BERG, CEO Nodak Electric Coop., in opposition. Written testimony attached.

DAVID CROTHERS, ND Assn. of Telephone Coops, strongly opposes the bill. Written testimony attached.

RONALD HANSON, former legislator. In opposition. We don't need more regulations. We have a regulatory board: the board of directors. We did the coops ourselves, we regulate them ourselves.

SENATOR RANDEL CHRISTMANN, District 33, in opposition. There are dozens and dozens of coop directors representing the consumers, I don't see a need for further regulation.

Hearing closed.

February 20, 2001. Tape 1- A- 15.6 to 26.2

Committee reconvened. All members present. Discussion held.

SENATOR TOLLEFSON: Motion: adopt amendments. SENATOR KREBSBACH: Second.

Roll call votes: 4 yes; 3 no. Motion carried.

SENATOR KREBSBACH: Motion: do pass as amended. SENATOR TOLLEFSON: Second

Roll call vote: 3 yes; 4 no. Motion failed.

SENATOR EVERY: Motion: do not pass . SENATOR D. MATHERN: Second.

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Senate Industry, Business and Labor Committee

Bill/Resolution Number SB 2410

Hearing Date February 13, 2001.

Roll call vote: 4 yes; 3 no. Motion carried. Floor assignment SENATOR D. MATHERN

FISCAL NOTE

Requested by Legislative Council

01/30/2001

Bill/Resolution No.: SB 2410

Amendment to:

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$10,000	\$0	\$10,000
Expenditures	\$0	\$0	\$296,300	\$10,000	\$160,000	\$10,000
Appropriations	\$0	\$0	\$296,300	\$10,000	\$160,000	\$10,000

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

The fiscal impact identified in this fiscal note is based on the Public Service Commission's understanding that the sponsor of the bill will request amendments to clarify that the intent of the bill is to bring telephone cooperatives and independent telephone companies with 2500 or more subscribers, and electric cooperatives with 2500 or more members served, under Commission jurisdiction. All information in this fiscal note is based on that assumption.

This bill causes fiscal impact by bringing additional utility companies under Public Service Commission jurisdiction. The Commission's new responsibility would be to ensure just, reasonable and nondiscriminatory rates for local telephone service from cooperative and small companies with 2500 or more subscribers, as well as for electric service from electric cooperatives with 2500 or more members served.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The only General Fund revenues expected from this bill are tariff filing fees, at \$50 per filing. The total amount expected is less than \$5000 and so is insufficient for indication on the fiscal note. The Other Fund revenue noted above is Valuation Fund revenue. The Valuation Fund can be used for expenses in electric rate increase applications and telephone cases. When expended, Valuation Fund amounts are billed back to each company involved in the proceeding. Consequently, any Valuation Fund expenditure has a

corresponding Valuation Fund revenue impact. As discussed below, we estimate that an increase in the Valuation Fund appropriation will be necessary, with a corresponding increase in expenditures, for the costs associated with notice publications and hearings on certain cases. Once expended, these amounts will be billed back to the companies involved, resulting in the expected revenue impact noted above.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The Commission estimates the need for an additional one and one-half FTEs and associated expenses on a going forward basis to implement this bill, plus one additional FTE and associated expenses in the first biennium of implementation. The Commission also estimates some additional Valuation Fund and operating expenditures for notice publications and hearings.

This bill would bring many new companies under Public Service Commission regulation. The bill would bring 11 of 17 electric cooperatives under regulation for the first time, and 14 of 19 cooperative and small independent telephone companies under additional regulation over and above that to which they are currently subject. Under the bill, the Commission would be responsible for local rate regulation of 17 telecommunications companies rather than the current three, and for rate regulation for 14 electric companies rather than the current three.

The current forms of regulation for telephone and electric companies are different, requiring different types of implementation. Consequently, implementation of the different components of the bill will have different fiscal impacts on the agency. In addition, the type of implementation, and the legislative intent, will affect the fiscal impact.

Electric cooperatives would be subject to traditional rate of return regulation, including rate setting, cost of service studies, rate design, tariff filing requirements, tariff suspension, analysis of terms and conditions in tariff provisions, disconnects, bill payments, deposits, allowable expenses, accounting methods, meter accuracy, meter disputes, cogeneration, fuel adjustments, reliability and resource planning, etc. The Commission would be responsible for handling consumer inquiries and complaints on these matters as well. Telephone companies affected by this bill would be subject to local rate regulation, either by rate of return regulation or price cap. In addition to rate regulation, the companies would be subject to regulation which includes the terms and conditions of service, discrimination and service quality. The Commission would be responsible for handling consumer inquiries and complaints on these matters as well. All telephone companies are currently subject to regulation regarding authority to operate, disconnects, competitor relationships, dialing parity, universal service, eligible carrier status, access service and implementation of the Federal Telecommunications Act of 1996.

The expenditure impact figures represent one new analyst position at an estimated cost of \$100,000 and an additional one-half position at the administrative assistant level at an estimated cost of \$37,500, for a total of \$137,500 in the salaries line item, plus associated expenses in the operating line item. These positions would be required to regulate this number of utilities for the 2001-03 biennium and continuing into the future.

In addition to the 1.5 FTEs noted above, the Commission would have additional implementation expenses in the 2001-03 biennium due to the need for another analyst, probably at a higher pay grade than the above. This could require outside consulting services or an additional FTE. We estimate that outside consulting services would be more expensive than an additional FTE, even at a higher pay grade. Consequently, we

estimate an additional \$125,000 in salaries plus associated expenses in operating.

The above results in total estimated expenditures of \$262,500 in salaries for the 2001-03 biennium and \$137,500 in salaries for the 2003-05 biennium. Also included in the estimate and related to the FTEs is \$23,800 in associated operating expenses for the 2001-03 biennium and \$12,500 in associated operating expenses for the 2003-05 biennium.

Additional operating expenses would be required, not associated with the FTEs, for the publication of notices and the payment of hearing costs. Certain of these additional operating expenses, those relating to applications for increases in electric rates or relating to telephone cases, can be charged to the Valuation Fund, and an amount of \$10,000 for this expense for each biennium is noted under the Other Fund heading, above. For other types of cases, including electric tariff filings and rate reduction cases, an estimated amount of \$10,000 each biennium would be required in the Commission's general fund operating line item. An amount of \$10,000 for this expense is included in the total General Fund amount, above.

This results in a total General Fund expenditure impact for the 2001-03 biennium of \$296,300 and for the 2003-05 biennium of \$160,000.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

The explanations from the Revenue and Expenditure sections apply here. An appropriation would be required for the additional FTEs, the additional operating expense needs and the additional Valuation fund needs.

Name:	Illona A. Jeffcoat-Sacco	Agency:	PSC
Phone Number:	328-2407	Date Prepared:	02/08/2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2410

Page 2, line 7, overstrike "or any public utility, that is not operated for profit, that is"

Page 2, line 8, overstrike "operated as a nonprofit, cooperative, or mutual telecommunications company" and overstrike "is"

Page 2, line 10, remove "is"

Page 2, line 11, remove the overstrike over "is"

Page 2, line 12, overstrike "has fewer than" and remove "two"

Page 2, line 13, overstrike "thousand", remove "five hundred", and overstrike "local exchange subscriber" and insert immediately thereafter "not subject to a commission order affecting rates, contracts, services rendered, adequacy, or sufficiency of facilities"

Page 2, line 23, remove ", telecommunications companies that have two"

Page 2, line 24, remove "thousand five hundred or more local exchange subscribers,"

Page 2, line 27, remove ", telecommunications"

Page 2, line 28, remove "companies that have two thousand five hundred or more local exchange subscribers,"

Re-number accordingly

PROPOSED AMENDMENTS TO SENATE BILL NO. 2410

Page 1, line 3, remove "and telecommunications companies"

Page 2, line 8, after "cooperative" insert "except a rural electric cooperative having two thousand five hundred or more members served"

Page 2, line 9, remove the overstrike over "eight", remove "two", and remove "five hundred"

Page 2, line 10, remove "or is a rural electric cooperative having fewer than two thousand five"

Page 2, line 11, remove "hundred members served", remove the overstrike over "utility", remove "company", and remove the overstrike over "is operated"

Page 2, line 12, remove the overstrike over "~~as a nonprofit, cooperative, or mutual telecommunications company or~~", remove the overstrike over "eight", and remove "two"

Page 2, line 13, remove "five hundred"

Page 2, line 23, remove "telecommunications companies that have two"

Page 2, line 24, remove "thousand five hundred or more local exchange subscribers,"

Page 2, line 27, remove "telecommunications"

Page 2, line 28, remove "companies that have two thousand five hundred or more local exchange subscribers."

Re-number accordingly

① Yes yes & on
no in

REMOVE
TELEPHONE

Date: Feb 20/01
 Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2410

Senate Industry, Business and Labor Committee

- Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Accept Amendment

Motion Made By Sen Tollefson Seconded By Sen Krebsbach

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman	✓		Senator Every		✓
Senator Klein - Vice Chairman		✓	Senator Mathern		✓
Senator Espegard	✓				
Senator Krebsbach	✓				
Senator Tollefson	✓				

Total (Yes) 4 No 3

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: Feb 20/01
 Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2410

Senate Industry, Business and Labor Committee

Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DPA

Motion Made By Sen Krebsbach Seconded By Sen Tollefson

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman	✓		Senator Every		✓
Senator Klein - Vice Chairman		✓	Senator Mathern		✓
Senator Espegard		✓			
Senator Krebsbach	✓				
Senator Tollefson	✓				

Total (Yes) 3 No 4

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

