

# SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

## BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission, on its own motion, seeking to determine the fee amount for the Modular Housing Program. ) APPLICATION NO. MODF-2  
)  
) ORDER SETTING FEE  
)  
) ENTERED: JULY 15, 2008

BY THE COMMISSION:

This matter comes before the Commission on its own motion to determine the amount of the fees to be charged in The Modular Housing Program. The fees currently are set at \$0.14 per square foot of gross space per modular housing unit.

In order to set the fee, the Commission set a hearing on the matter to receive evidence from the industry, the general public, and Commission staff. The hearing was scheduled for June 24, 2008.

### E V I D E N C E

Testimony was presented by Mark Luttich, Director of the Housing Department for the Commission. Mr. Luttich testified that the present seal fee was changed last year for the first time since 1994. For a period of time, the program received more money in fees than was required to fund it and a surplus was built. Over the past few years, however, the department has been operating at a deficit as the fees charged did not cover operating costs. The surplus has thereby been reduced to a level insufficient to maintain Department operations.

Director Luttich reviewed financial calculations for the Modular Housing program. His analysis of the program shows that it is currently running a deficit of around \$2,000 per month. This is occurring despite a reduction in staffing of one and one-half persons in the department which was made in an effort to reduce the expenses in the program.

The fee amount of \$0.14 was set last year. This amount was set in an effort to meet program expenses and stop the deterioration of the fund that the program needs to maintain. There was some decrease in production anticipated in the proposed fee. The reduction in production was greater than anticipated and contributed to the shortfall that the program is experiencing.

Director Luttich reviewed other comparable state programs and the associated fees. Colorado has a seal fee of \$352 for a house of a particular size. Montana would have a fee of \$540 for the same house. Nebraska's fee for that same house would be \$171 at a fee level of \$0.17 per square foot. This fee is considerably less than that charged by other states with a similar program.

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Testimony was received in Docket MANF-1 that was also intended to be considered by the Commission in this docket. Jack Henry from Bonnavilla Homes stated that the Modular Housing inspection program as run by the Housing Department was very important to Bonnavilla and that it needs to be maintained in the state and that the Commission should do "whatever is necessary to do that". Mr. Henry also stated that it may be necessary for the department to combine funds in an effort to keep both programs (Modular and Manufactured Housing) running until adjustments can be made to the relevant fee structures.

Jerry Haggadone of Champion Homes testified next. Mr. Haggadone stated his support for the Modular Housing program in Nebraska. He also supported at least a temporary combination of funds in order to keep both programs in operation.

A letter was received from Magnolia Homes. The letter stated that Magnolia was very supportive of the program. It stated that the loss of the program would "cost this Company dearly". There have been reciprocal agreements between the program and other state, county and city building authorities in other markets that are critical to their operation, would be eliminated by the loss of the program, and would result in a short-term closing of the business with probable devastating long-range consequences.

### O P I N I O N   A N D   F I N D I N G S

Pursuant to Neb. Rev. Stat. 71-1559 (2006 Cum. Supp.), the Commission must hold an annual hearing to determine the fees for the Modular Housing Program. The fees are subject to a statutory minimum of \$100 and a maximum of \$1000 per modular housing unit and are currently set at \$0.14 per square foot.

The Department has made efforts to reduce costs by reducing staff. The revenue of the program has not been sufficient to meet the needs of the program. The net effect is that the reduction in costs is insufficient to fund the program.

The seal fees, even at the proposed levels, are still substantially less than comparable fees in other state programs. Even raising the fee to \$0.17 per square foot places the Nebraska fees at less than half of comparable fees in other states.

The funding problems experienced in this program are also being experienced in the manufactured home and in the recreational vehicle programs administered in the Commission's Housing and Recreational Vehicle Department. The economic conditions currently existing in the housing industry has an impact on all three programs. They require that the Commission take substantial steps to ensure the viability of these programs, which are very important to the factories, employees and citizens of the state of Nebraska.

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From the evidence received in this docket as well as the other testimony received in other dockets, it is apparent that the Modular Housing Program is very important to the factories and the numerous employees and residents of the state. In determining the amount of the fees, the Commission must analyze not only the expenses of the program and the related revenues, but also look at the fee as it compares to other state's fees and the impact of the economy on the program and the industry. The fee needs to be raised to account for these factors and to place the program in a firm and stable financial position while being cognizant of the impact of the fees on the industry and consumers.

On the basis of the testimony presented as well as a consideration of economic conditions, the Commission finds that the fee should be set at nineteen (\$0.19) cents per square foot. This amount should be sufficient to produce the necessary income for the department to continue to operate while not building up a surplus as has been experienced in the past.

The Commission finds that this fee schedule should be approved effective August 1, 2008.

O R D E R

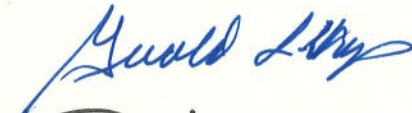
IT IS, THEREFORE, ORDERED by the Nebraska Public Service Commission that the seal fee in the Modular Housing Unit Program shall be set as follows:

Modular Housing Seal Fee: \$0.19/square foot of gross space per modular housing unit; minimum fee of \$100 per modular housing unit and maximum fee of \$1000 per modular housing unit. This seal fee schedule will take effect on August 1, 2008.


MADE AND ENTERED at Lincoln, Nebraska, this 15<sup>th</sup> day of July, 2008.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:



//s// Anne C. Boyle  
//s// Frank E. Landis

  
Chair

ATTEST:

  
Executive Director