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2016 17 Governor's Budget - Public Utilities Commission

http://mn.gov/puc/

AT A GLANCE

The Public Utilities Commission:

- Regulates cornerstone industries of electric, natural gas and local telephone services, with annual revenues in Minnesota exceeding $7.5 billion
- Determines need for and location of large energy facilities
- Manages an average of 1,400 utility filings annually
- Closes over 4,000 consumer complaint cases per year.
- The PUC's staff size and budget per capita among the lowest nationally

PURPOSE

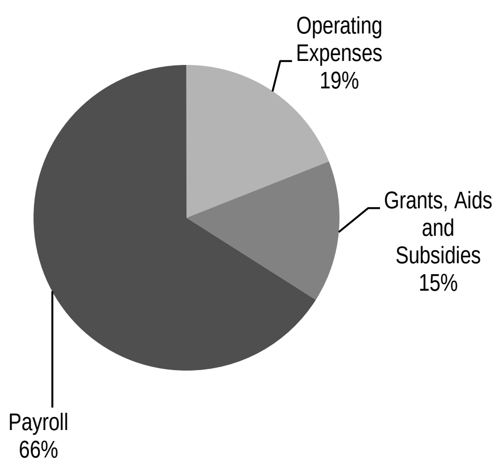
The Minnesota Public Utilities Commission's mission is to create and maintain a regulatory environment that ensures safe, reliable and efficient utility services at fair and reasonable rates (Minnesota Statutes, Chapters 216A, 216B, 216E, 216F, 216G and 237).

The Commission contributes to the statewide outcomes of:

- A thriving economy that encourages business growth and employment opportunities;
- A clean, healthy environment with sustainable uses of natural resources; and
- Efficient and accountable government services.

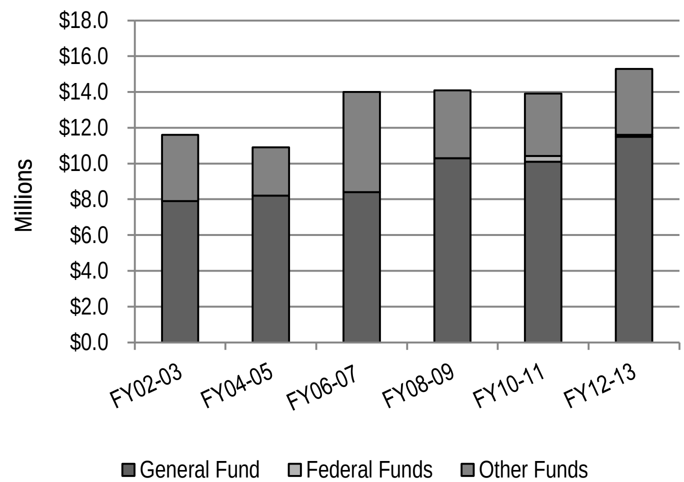
BUDGET

Spending by Category
FY 13 Actual



Source: SWIFT

Historical Spending



Source: Consolidated Fund Statement

The Commission has a total annual budget of $6.2 Million. Nearly 100% of the agency's expenditures are recovered through special assessment authority. (Minnesota Statutes, Sections 216B.62 and 237.295).

STRATEGIES

The Commission emphasizes several strategies to fulfill its mission. These include:

- Court-like decision-making process according to formal rules of evidence which relies on active engagement by other state agencies and regulated companies, as well as a very diverse stakeholder base
- Active engagement with all stakeholders to anticipate conditions affecting the provision of world-class services
- Public outreach to support orderly and informed decision-making, as well as provide consumer assistance and understanding
- Extensive use of technology to increase transparency; e.g., all record documents publically accessible through web site; web-cast all Commission meetings; public comments submitted via blog-like facility
- Active engagement in regional and national forums affecting Minnesota's interests

RESULTS

The Commission's strategies, combined with state policies, Minnesota's natural advantages, and active engagement by industry and a diverse group of stakeholders, have produced important results. These include:

- Minnesota remains among the low cost states in terms of energy utility rates. It ranks 35th for residential natural gas rates and 23rd for residential electricity rates [ranking from highest to lowest]. 1. 2.
- Minnesota is a leader in generation from renewable energy. It ranks 1st for per capita generation from non-hydro renewable fuels for states with populations over 4 million. 3.
- Minnesota continues to lead in energy efficiency. Despite its winters, it ranks 25th nationally in residential per capita energy use; surpassing 13 other Northern Tier States [ranking from highest to lowest] 4.
- Minnesota's telephone market has a higher share of competitive providers than national averages. Minnesota ranks among the top 10 most competitive states in this regard. 5.
- Minnesota ranks 3rd in terms of accessibility to telephone service. 6.
- Minnesota's state regulatory staff size remains well below states of comparable size, while its work-load is equal to other states of comparable population size.
- Minnesota regulators' leadership in regional and national forums have enhanced Minnesota's stature among the states and protected its vital interests.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Commission workload	828 orders issued	830 orders issued	2012-13 Biennium; 2014-2015 Biennium (estimated on data to-date)
Quality	Challenges to Commission decisions	9 appeals to courts	4 appeals to courts	2012-13 Biennium; 2014-2015 Biennium (estimated on data to-date)
Quantity	Efficiency in processing filings	76% final orders issued within minimum time required by due process (60-90 days)	75% final orders issued within minimum time required by due process (60-90 days)	2012-13 Biennium; 2014-2015 Biennium (estimated on data to-date)
Quality	High percentage of consumer complaints timely resolved (cases closed/cases opened)	3,904/3,904 = 100%	3,440/3,680 = 93%	2012-13 Biennium; 2014-2015 Biennium (estimated on data to-date)
Quality	Recovery of utility overcharges	$40,416 in credits issued	$47,248 in credits issued	2012-13 Biennium; 2014-2015 Biennium (estimated on data to-date)

Performance Measure Notes:

1. *Rankings: Natural Gas Residential Prices, April 2014,* U.S. Energy Information Administration
2. *Rankings: Average Retail Price of Electricity to Residential Sectors, April 2014*, U.S. Energy Information Administration
3. *Net Renewable Energy Generation by State, 2011, U.S. Energy Information Administration*
4. *Energy Consumption per capita by End-Use Sector, Ranked by State, 2012,* U.S. Energy Information Administration. [Northern Tier states with higher per capita energy consumption are: Alaska; Idaho; Illinois, Indiana; Iowa; Ohio; Michigan; Montana; Nebraska; North Dakota; South Dakota; Washington; & Wyoming.] See also *2011 State Energy Efficiency Scoreboard,* Americans Concerned for an Energy Efficient Economy.
5. Percent market share of telephone companies competing with former regulated monopoly companies – Minnesota compared to U.S., *Local Telephone Competition;* December, 2011; Federal Communications Commission
6. *Telephone Penetration by Income by State;* June, 2011; Federal Communications Commission.

Legal Authority: Minnesota Statutes, Chapters 216A, 216B, 216E, 216F, 216G and 237

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	5,194	6,372	6,194	6,682	6,241	6,205	6,966	6,930
2000 - Restricted Misc Special Rev	2,442	1,082	1,844	1,956	1,982	1,982	1,982	1,982
3000 - Federal	91	0	0	0	0	0	0	0
Total	**7,727**	**7,454**	**8,038**	**8,638**	**8,223**	**8,187**	**8,948**	**8,912**
Biennial Change				1,495		(266)		1,184
Biennial % Change				10		(2)		7
Governor's Change from Base								1,450
Governor's % Change from Base								9

Expenditures by Program

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Program: Public Utilities Comm	7,727	7,454	8,038	8,638	8,223	8,187	8,948	8,912
Total	**7,727**	**7,454**	**8,038**	**8,638**	**8,223**	**8,187**	**8,948**	**8,912**

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Compensation	4,081	4,696	5,170	5,176	5,176	5,176	5,901	5,901
Operating Expenses	1,384	1,488	1,439	1,957	1,542	1,506	1,542	1,506
Other Financial Transactions	40	270	15	15	15	15	15	15
Grants, Aids and Subsidies	2,222	1,000	1,415	1,490	1,490	1,490	1,490	1,490
Total	**7,727**	**7,454**	**8,038**	**8,638**	**8,223**	**8,187**	**8,948**	**8,912**
Full-Time Equivalents	**47.2**	**51.5**	**53.6**	**52.5**	**51.5**	**50.5**	**56.5**	**55.5**

(Dollars in Thousands)

1000 - General

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Balance Forward In		988	0	241				
Direct Appropriation	6,182	6,178	6,457	6,441	6,241	6,205	6,966	6,930
Receipts			0					
Net Transfers		1	(22)					
Cancellations		795						
Expenditures	**5,194**	**6,372**	**6,194**	**6,682**	**6,241**	**6,205**	**6,966**	**6,930**
Balance Forward Out	988		241					
Biennial Change in Expenditures				1,310		(430)		1,020
Biennial % Change in Expenditures				11		(3)		8
Gov's Exp Change from Base								1,450
Gov's Exp % Change from Base								12
FTEs	46.4	51.1	52.9	51.9	50.9	49.9	55.9	54.9

2000 - Restricted Misc Special Rev

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Balance Forward In	2,762	2,037	2,237	1,548	884	294	884	294
Receipts	1,856	1,782	1,154	1,292	1,392	1,794	1,392	1,794
Net Transfers	(500)	(500)						
Expenditures	**2,442**	**1,082**	**1,844**	**1,956**	**1,982**	**1,982**	**1,982**	**1,982**
Balance Forward Out	1,676	2,237	1,548	884	294	106	294	106
Biennial Change in Expenditures				276		164		164
Biennial % Change in Expenditures				8		4		4
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0
FTEs	0.0	0.4	0.7	0.7	0.7	0.7	0.7	0.7

3000 - Federal

	Actual FY12	Actual FY 13	Actual FY 14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Balance Forward In		0	0					
Receipts	91	0	0	0	0	0	0	0
Expenditures	**91**	0	0	0	0	0	0	0
Biennial Change in Expenditures				(91)		0		0
Biennial % Change in Expenditures				(100)		0		0

3000 - Federal

Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0
FTEs	0.8	0	0	0	0	0	0	0

Agency Name: Minnesota Public Utilities Commission

FY16-17 Biennial Budget Change Item

Change Item Title: Enhancing the Commission's Decision-making Capability

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	525	525	525	525
Revenues	525	525	525	525
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	5	5	5	5

Recommendation:

The Governor recommends a General Fund increase of $1,050,000 for FY 2016-2017 and $1,050,000 for FY 2018-2019 for five professional and technical positions. Additional staff resources are needed to expedite processing of increasingly complex utility filings and ensure prompt compliance with statutory requirements. This represents an 8.5% increase in the agency's current operating budget. Because of the Commission's assessment authority, all expenditures are recovered for the General Fund.

Rationale/Background:

The Commission's responsibility is to assure safe, adequate and reliable utility services at fair and reasonable rates, while complying with the State's other public policy goals.

The complexity of the Commission's work has taken on new dimensions over the last several years. This is due to several factors: a) expansion of state regulatory authority over large energy facility permitting; b) new Legislative initiatives; c) growing importance of regional transmission planning and operations, and a regional energy market; d) federal air emission initiatives; e) energy development in Canada and North Dakota; f) intensifying momentum to modernize the electric delivery grid; f) more litigious telecommunications proceedings; and g) the need to update agency rules to reflect the changing policy environment. Moreover, this work involves more difficult issues of legal interpretation, which increases the risk of challenges and associated cost (in dollars and time). The Commission functions primarily as a quasi-judicial body that makes decisions based on a formal record of evidence, developed through proper legal process, which must comply with the requirements of statutes and judicial case law. It is critical that the Commission's day to day decision-making duties are supported and informed by staff that has the latitude and ability to clearly explain the technical and legal frame-work required for decision-making. Utilization of improved technology and reorganization of existing staff resources have helped to address these challenges, but the limits of those measures have been reached. New staff positions will address the greater intensity and complexity of the workload to allow the agency to issue timely and well-reasoned decisions required by the industries it regulates and expected by the citizens of Minnesota. Without these resources, there is considerable risk that performance will decline.

The Commission's jurisdiction over energy-related matters was dramatically increased when the Legislature coupled jurisdiction over the permitting of large energy facilities, which had been at the Minnesota Environmental Quality Board (MEQB), with the Commission's long-standing responsibility for determination of need for such facilities. This legislation also transferred jurisdiction for wind farm siting (216F) and pipeline siting (216G) from the MEQB to the Commission. Since the consolidation of authority, the Commission saw an initial wave of wind farm permit requests and, more recently, an increase in petroleum pipeline permit requests. In addition, there has been a steady flow of high voltage transmission line cases. The U.S. economy faces significant energy infrastructure challenges and the Commission has a critical decision-making role in determining how those challenges will be met in Minnesota.

Minnesota is a leader in promoting development of renewable energy, energy efficiency and environmental policy. Minnesota's public policies are among the most progressive in the country: e.g., a) 25% renewable energy standard by 2025 (30% by 2020 for Xcel); b) a separate Solar Energy Standard added in 2013 equal to 1.5% of total retail sales c) an energy savings goal equal to 1.5% of annual retail sales; d) the creation of community solar gardens and the only state-level special rate to be paid by utilities for solar generation from independent solar installations; e) promotion of distributed generation; and f) updating of environmental externality values. The Commission plays a critical role in the implementation of such policies. Most of these measures require some form of Commission approval, and all have an impact on the Commission's integrated resource planning process. Given that many of these provisions put

Minnesota in a leading role among states, their implementation often raise difficult new technical and legal challenges. Consequently, these policy measures translate to greater responsibilities for the Commission.

The delivery of electric services in Minnesota is highly dependent on the electric transmission system and wholesale energy markets. Pursuant to an order of the Federal Energy Regulatory Commission (FERC), transmission services and wholesale energy markets are now coordinated on a regional basis. For services affecting Minnesota, the Midcontinent Independent System Operator (MISO) is the coordinating regional entity. MISO is also responsible for the planning process to guide efficient transmission infrastructure development across its footprint, which encompasses 15 states (ranging from Louisiana to Minnesota, from Kentucky to Montana), plus the Province of Manitoba. The activities of MISO have a direct bearing on the delivery and cost of electric services in Minnesota. Productive engagement in those activities involves considerable technical expertise in economics and engineering, but it also frequently requires legal expertise for purposes of interpreting MISO's tariffs at FERC, federal law and FERC rulings as they affect MISO; interpreting the interplay between federal law and state law; and the preparation of legal documents for submission to MISO, FERC and other federal regulatory authorities. It is critically important for the Commission to be engaged in MISO activities in order to represent the interests of Minnesota's ratepayers.

The U.S. Environmental Protection Agency has recently proposed a major rulemaking that would place significant new limits on carbon emissions from coal generating plants across the country. Environmental regulators in each state (like Minnesota's PCA) will be expected to develop a compliance plan to meet the emission goals. These plans will have a direct impact on the generation resources of electric utilities. Economic regulators (like the Commission) will be responsible for associated utility planning processes, need determination and facility permitting to assure that electric reliability will be maintained as the industry adjusts to the new operational requirements, and that rates will be reasonable. A major strategy for dealing with these new requirements will be significantly increased use of natural gas for electric generation. However, the natural gas pipeline infrastructure in the United States was not designed for such heavy use for electric generation. Consequently, the conversion to natural gas expected from these new emission regulations will require greater pipeline infrastructure development and permitting by the Commission.

Development of vast energy resources in North Dakota and Canada has dramatically reduced U.S. dependence on Mideast oil reserves, stabilized the price of coal, and offers great potential for renewable generation. Minnesota has benefited from this development. However, Minnesota also is situated between production areas and large markets to the East, prompting development of facilities to "go to market"; i.e., petroleum pipelines, natural gas pipelines, and electric transmission lines. After years without a petition for a petroleum pipeline permit, the Commission has had, since 2005, eight petitions for certificate of need and four for route permits (and another one is expected soon) for facilities to allow transporting of crude oil from North Dakota and Canada to refineries east of Minnesota. These are inherently controversial cases because the companies seeking approval are not otherwise under Commission jurisdiction (i.e., they are not regulated utilities); and the proceedings invariably involve questions of statutory interpretation, the interplay between state and federal laws, landowner rights, and, in some cases, Indian treaty rights. In addition to the petroleum pipeline projects, a major new high voltage transmission line has been proposed to allow the delivery of electric generation from hydroelectric plants in Manitoba. Similarly, the State of North Dakota has proposed a new natural gas pipeline that would allow for capture of the natural gas byproduct of its extensive petroleum development and transport of such gas to a connection point in Minnesota and on to Eastern markets. All of these developments put Minnesota on the path to major markets and places major expectations on the Commission to ensure that infrastructure serves Minnesota's public interest.

A convergence of innovative technologies and heightened consumer expectations about electric service quality has spurred interest in reducing central-plant generation and increasing the opportunities for more consumer-driven distributed generation and efficiency. These changes affect the utilities' traditional cost-recovery and pricing. New developments in solar, consumer control of energy use, energy efficiency storage capacity and grid resilience offer great potential and a raft of technical and legal questions that must be addressed to assure that the electric system remains reliable and affordable. These developments are expected to spur economic development and will transform the way Minnesota's electric industry operates, and will raise new questions about how it is to be regulated.

Due to policy changes at the federal and state levels, the Commission's traditional authority over local telephone services has gradually given way to a less regulated environment. Although this change would suggest a reduction in work-load, the nature of the work that remains has become markedly more litigious. Telephone service providers come to the Commission to resolve inter-carrier complaints, often of anti-competitive conduct. The Commission essentially serves a court, resolving questions of legal interpretation between litigious parties with significant dollars at stake.

Given the ever-changing Commission workload, several rules governing its decision-making process need to be updated. Indeed, given the pace of change, staying ahead of rulemaking is becoming essentially a continuous process. Five active rulemakings are currently underway, and there are a number of other areas needing attention. For example, the deluge of petroleum pipeline cases has highlighted the need to revisit rules governing certificate of need and route permitting for such facilities. Other areas parties have suggested need greater attention include: resource planning; distributed generation; environmental externalities; renewable energy standards, large wind energy systems; propane storage, the rate making process; and customer services. Keeping rules in sync with current conditions allows for more expeditious decision-making, reduces uncertainty, and provides greater transparency. Moreover, updated rules would allow the Commission to more effectively manage its growing, and ever more complex, workload.

In addition to these more recent new trends, there has also been a sustained level of rate case filings by electricity and natural gas utilities. Adjudicating general rate petitions is the most fundamental purpose of the Commission. It is where the costs of the activities of utilities in providing services are translated into the rates paid by Minnesota households and businesses. These are inherently very complex proceedings dealing with the juxtaposition of corporate finance and public policy; and they have become especially complex given the need to assure that the utilities conform to new policy directions and remain financially viable. Also, the frequency of rate cases has increased, driven by general economic trends, aging utility infrastructure, as well as greater requirements stemming from new policy objectives. In the 2010-2011 timeframe, the Commission received 4 general rate case filings; and from 2012 through the end of 2013, there were 7. Currently, there are 4 rate cases pending before the Commission. Moreover, because of the greater public policy expectations, this traditional Commission work now also involves more issues of first impression and more complex statutory interpretation and application. Although the Commission has taken measures to manage these proceedings more effectively, and the Legislature and Governor granted additional resources in the 2012-2013 biennium, these proceedings impose a heavy workload. In addition, there are serious discussions occurring among various stakeholders about possible policy changes that would alter the basic utility regulatory model in Minnesota and give even more responsibility to the Commission. While the Commission's change item request is based on the challenges it currently faces, the agency's challenges would only intensify further if some of these initiatives are enacted into law.

As is suggested by the foregoing narrative, a major factor intensifying the complexity of all aspects of the Commission's workload is a burgeoning number of legal issues in docket-related work, as well as other aspects of agency operations. Consequently, the agency needs staff resources to work day-to-day with commissioners to ensure that they receive guidance on critical statutory interpretation in the broad array of cases being filed; that the dockets are thoroughly evaluated for legal issues, and that those issues are clearly set forth in staff briefing papers; that the activities of MISO, FERC and other federal agencies are properly monitored and interventions in those arenas are thoughtfully developed and properly carried out; that broader national trends with potential legal implications for the Commission are identified and presented for Commission consideration, that increasing data practice requests are managed properly; that contracting for specialized technical services is carried out in accordance with state requirements, and that commissioners' are advised in litigation strategy and appeals.

During the last four years, despite the increased legal complexity of the Commission's work, resources assigned by the Office of the Attorney General (OAG) have shrunk to approximately 1.5 FTE, which is barely sufficient to handle litigation and appeals, and leaves too little time to proactively counsel commissioners and staff on statutory interpretation, analyze regional and federal policies and litigation, or assist agency management.

The Commission seeks five professional positions to help it address the aforementioned needs; two rates/financial analyst positions, one facilities planner, and two staff attorney positions [Minnesota Statute Section 216.10 authorizes the Commission to employ counsel if necessary.]. These positions will be used to manage the greater intensity of workload the Commission has experienced in recent years.

Proposal:

Additional new staff positions will be used to manage the greater complexity of workload the Commission has recently experienced. The goal is to allow the agency to meet a standard of performance required by the industries it regulates and expected by the citizens of Minnesota. Without these resources, there is considerable risk that performance will decline. The intended results of this proposal are well-informed, legally sound, and balanced decisions relating to the provision of utility services; more timely decision-making of increasingly complex matters; reduced risk of appeal, and enhanced ability to manage workload in an orderly fashion.

The Commission's fundamental duty to render well-informed and balanced decisions inherently relies on the active participation of the Department of Commerce, utilities and various stakeholders to develop the record upon which decisions must be based. The Department of Commerce plays a particularly important role in the development of cases as the advocate for the interests of ratepayers as a whole. The Department faces many of the same resource challenges as those facing the Commission. Moreover, the Commission relies on the Office of the Attorney General (OAG) for representation in the courts in the event of appeal. It is expected that relationship would continue. Utilities, from whom this increase would be recovered for the General Fund through the Commission's assessment process, generally supported past budget increases for the Commission because they have a business interest in timely and fully vetted Commission decisions. It is expected they would be supportive of this request.

This proposal contributes to results by assuring thoroughly informed Commission decisions and activities, more timely Commission decisions, reduced risk (cost) of appeal, more productive engagement in regional and national forums, and improved workload management, including reduced staff burnout.

To address the sustained volume and substantially greater complexity of filings, the Commission has been very aggressive about utilizing the efficiencies offered by information technology. In addition, in 2013, the agency implemented a staff reorganization to focus greater attention on the more complex and higher profile cases, while striving to continue to thoroughly evaluate and process the considerable volume of more routine filings. However, the rapidly burgeoning complexity of the caseload has overtaken these measures and increasingly challenges the ability of commissioners and staff to fulfill the agency's mission. The additional resources are designed to complement the earlier measures already implemented in order to more effectively manage workload challenges and issue timely and well-informed decisions.

As noted, the Commission relies on the active participation of the Department of Commerce, utilities and various stakeholders to develop the record upon which decisions must be based. Their continued involvement will be needed to ensure the agency can fulfill its duties properly. Also as noted, the Commission would continue to rely on the OAG for representation in litigation.

Immediately upon authorization of funding, the agency would initiate a recruitment and hiring process in compliance with state requirements. The need is urgent. The expectation is to have any additional staff resources in place by the start of the next biennium.

IT Related Proposals:

N/A.

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Commission workload	828 orders issued	830 orders issued	2012-13 Biennium; 2014-15 Biennium (estimated on data to-date)
Quality	Challenges to Commission decisions	9 appeals to courts	4 appeals to courts	2012-13 Biennium; 2014-15 Biennium (estimated on data to-date)
Quantity	Efficiency in processing filings	76% final orders issued within minimum time required by due process (60-90 days)*	75% final orders issued within minimum time required by due process (60-90 days)	2012-13 Biennium; 2014-15 Biennium (estimated on data to-date)

∗ Approximately a quarter to a third of all filings involve contested issues or complex policy questions that require record development that necessitates going beyond the 60 to 90 days minimum needed to process most filings. The Commission issues orders for cases involving statutory deadlines 100% of the time.

Statutory Change(s):

No statutory changes are required to implement this change item.

Agency Name: Minnesota Public Utilities Commission

FY16-17 Biennial Budget Change Item

Change Item Title: Operating Increase

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	200	200	200	200
Revenues	200	200	200	200
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends $400,000 in FY 2016-FY 2017 and $400,000 in FY 2018-2019 for compensation related costs associated with the delivery of PUC services. This request would represent a 3.2% increase in the agency's base general fund budget. Any increase in funding would be recovered for the General Fund from regulated utilities under the Commission's assessment authority.

Rationale/Background:

Agency MAPE, AFSCME, MGEC, Commissioner's Plan and Managerial Plan employees each received a 2% general wage adjustment and a 3% bargaining unit increase in FY 2014. Beginning in FY 2015, another 3% increase was required by contract—for a total of 8% over all bargaining units. In addition, PUC's five Commissioners also received a salary increase in FY 2013 and FY 2014. MMB is currently in the process of conducting Hay Ratings on Commissioner Salaries, the results of which are unknown at this time, but may lead to further salary adjustments.

The Commission's FY 2015 general fund salary obligation is 80% of its appropriation; up from 65% in FY 2012. The vast majority of this percentage increase is due to the aforementioned salary adjustments; but a small component was also due to the agency's efforts to get back to full complement after experiencing staff turnover. This change item request would allow the Commission to retain its current level of staffing during the coming biennium, with its now higher salary structure, and would minimize the impact on operating funds needed for other supporting services. Without these added resources, the agency's ability to perform its responsibilities would be significantly diminished. The requested resources are needed to keep the Commission "even" with the level of need reflected in the 2014-2015 budget appropriation, i.e., over two years ago. The unfunded salary adjustments pushed the agency back from that level. As noted in the Commission's other 2016-2017 change item, i.e., for Enhancing the Commission's Decision-making Capability, the Commission's scope of responsibilities has expanded substantially since 2012 and the agency requires resources well beyond what was included the 2014-2015 appropriation. The salary adjustments, though certainly warranted, if left unfunded, would create difficult budget constraints for the agency. As noted, this change request would simply keep the agency even with that last approved appropriation and does not begin to address the new challenges the agency faces.

Proposal:

The Governor recommends increasing the PUC budget for employee wage and benefit costs This change request allows continuation of the agency program at current service levels. The intended results are to maintain a level of service. Compensation for salary adjustments would help free up operating funds for crucial projects that have been delayed, such as updating our website and maintaining systems that help the public access information and participate in Commission proceedings. Immediately upon authorization of funding, the agency would be able to plan agency activities and set priorities based on the resources it knows will be available.

IT Related Proposals: N/A

n/a

Results

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Commission Workload	828 Orders Issued	830 Orders Issued	2012-2013 2014-2015
Quantity	Efficiency in Processing filings	76% final orders issued within 60-90 days*	75% final orders issued within 60-90 days	2012-2013 2014-2015

* Approximately a quarter to a third of all filings involve contested issues or complex policy issues that require record development that necessitates going beyond the 60 to 90 days minimum needed to process most filings. The Commission issues orders for cases involving statutory deadlines 100% of the time.

Statutory Change(s):

No statutory changes are required.