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Public Utilities Commission

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AT A GLANCE

The Public Utilities Commission:

- Regulates the rates and services of three cornerstone industries in Minnesota’s economy: electricity, natural gas and telephone utilities.
- Determines need for and location of large energy facilities.
- Manages an average of 1,400 utility filings annually.
- Closes over 3,500 consumer complaint cases per year.
- Has a staff size and budget that is, per capita, among the lowest nationally.

PURPOSE

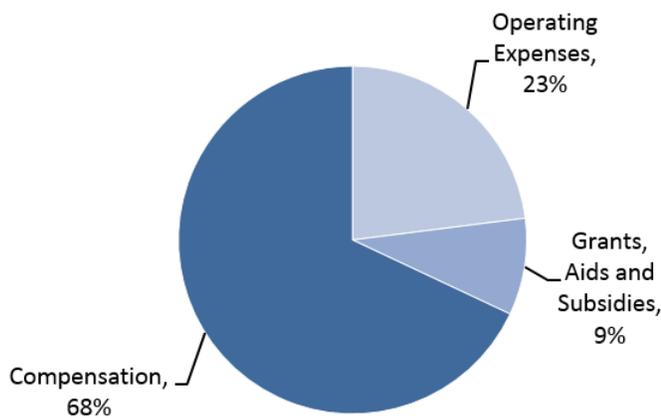
The Minnesota Public Utilities Commission's mission is to create and maintain a regulatory environment that ensures safe, reliable and efficient utility services at fair and reasonable rates. The Commission is a quasi-judicial body whose authority, powers and functions resemble those of a court or a judge. Commission decisions are based on a set of guidelines or statutory criteria applied to the factual and legal record developed in the particular proceeding to assess the relief sought. Commission Orders are enforceable under the law. Accordingly, the Commission must be objective in determining facts and drawing conclusions of law that justify its decisions or official actions.

The PUC contributes to the following statewide outcomes:

- **People in Minnesota are safe**
- **A clean, healthy environment with sustainable uses of natural resources**
- **Efficient and accountable government services**

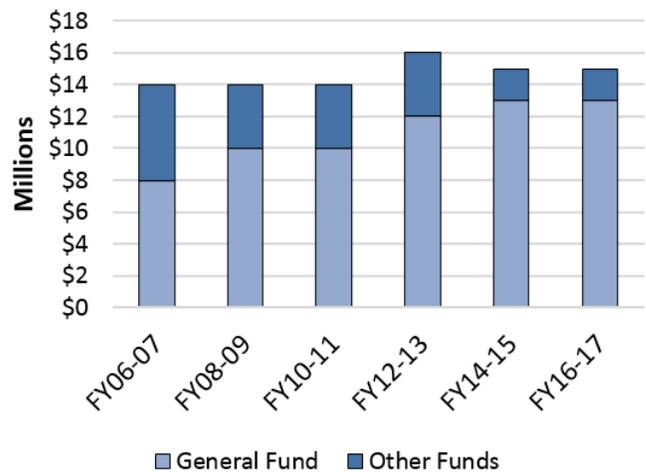
BUDGET

**Spending by Program
FY 17 Actual**



Source: Budget Planning & Analysis System (BPAS)

Historical Spending



Source: Consolidated Fund Statement

The Commission has a total annual General Fund budget of approximately \$7.4 Million. Nearly 100% of the agency’s expenditures are recovered through special assessment authority (Minnesota Statutes, Sections 216B.62 and 237.295). The agency also administers the Telephone Assistance Program from a special revenue fund.

Reimbursement grants are provided to telephone companies who assist their low income customers with reduced rates.

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 necessary 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 an online platform.
- 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’s overall natural gas rates are below the national average for 2016 (\$6.76 versus \$7.51/MMBtu). ¹ The state’s electric rates remain competitive with other states. ²
- Minnesota is a leader in generation from renewable energy. It ranks 8th in the nation in net electricity generation from wind energy in 2017. ³
- Minnesota continues to lead in energy efficiency. Despite its winters, it ranks 20th nationally in residential per capita energy use; surpassing 7 other Northern Tier States. ⁴
- Minnesota ranks 6th in terms of accessibility to telephone service. ⁵
- 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i> <i>*FY18-19</i> <i>estimation on</i> <i>data to-date</i>
Quantity	Orders Issued by the Commission	850	950	FY16-17; FY18-19*
Quality	Percentage of consumer complaints timely resolved (cases closed/cases opened)	3,460/ 3,520 = 98%	3,676/ 3,685 = 98%	FY16-17; FY18-19*
Results	Percent of Commission Orders Issued within Statutory Deadlines	100%	100%	FY16-17; FY18-19*

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

Results Notes:

1. American Gas Association, 2017.
2. *Rankings: Average Retail Price of Electricity, 2017, U.S. Energy Information Administration*
3. *Minnesota State Energy Profile, March 2018, U.S. Energy Information Administration*

4. *Energy Consumption per capita by End-Use Sector, Ranked by State, 2017*, U.S. Energy Information Administration. [Northern Tier states with higher per capita energy consumption include: Indiana; Iowa; Montana; Nebraska; North Dakota; South Dakota; & Wyoming.]
5. *Universal Service Monitoring Report; September 2017; Table 6.6, Voice Penetration by State, 2011 – 2016*; (Percentage of Occupied Housing Units with Voice Service); Federal Communications Commission.

Public Utilities Commission

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
<i>Expenditures by Fund</i>								
1000 - General	6,341	7,176	6,973	7,969	7,493	7,493	8,018	7,493
2000 - Restrict Misc Special Revenue	1,266	1,273	1,478	1,189	1,296	1,266	1,296	1,266
Total	7,606	8,449	8,451	9,158	8,789	8,759	9,314	8,759
Biennial Change				1,553		(61)		464
Biennial % Change				10		(0)		3
Governor's Change from Base								525
Governor's % Change from Base								3

Expenditures by Program

Public Utilities Comm	7,606	8,449	8,451	9,158	8,789	8,759	9,314	8,759
Total	7,606	8,449	8,451	9,158	8,789	8,759	9,314	8,759

Expenditures by Category

Compensation	5,253	5,379	5,360	5,825	5,908	6,024	5,908	6,024
Operating Expenses	1,554	2,055	2,321	2,724	2,156	2,041	2,681	2,041
Grants, Aids and Subsidies	774	760	760	589	705	674	705	674
Other Financial Transaction	25	256	10	20	20	20	20	20
Total	7,606	8,449	8,451	9,158	8,789	8,759	9,314	8,759

Full-Time Equivalent

	47.55	47.56	47.96	50.96	50.96	50.96	50.96	50.96
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Public Utilities Commission

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
1000 - General								
Balance Forward In		956		491				
Direct Appropriation	7,191	7,587	7,464	7,478	7,493	7,493	8,018	7,493
Cancellations		1,367						
Balance Forward Out	850		491					
Expenditures	6,341	7,176	6,973	7,969	7,493	7,493	8,018	7,493
Biennial Change in Expenditures				1,425		44		569
Biennial % Change in Expenditures				11		0		4
Governor's Change from Base								525
Governor's % Change from Base								4
Full-Time Equivalent	47.09	47.12	47.55	50.55	50.55	50.55	50.55	50.55

2000 - Restrict Misc Special Revenue

Balance Forward In	1,295	1,202	1,108	943	930	780	930	780
Receipts	1,150	1,177	1,313	1,176	1,146	1,116	1,146	1,116
Balance Forward Out	1,180	1,105	943	930	780	630	780	630
Expenditures	1,266	1,273	1,478	1,189	1,296	1,266	1,296	1,266
Biennial Change in Expenditures				128		(105)		(105)
Biennial % Change in Expenditures				5		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalent	0.46	0.44	0.41	0.41	0.41	0.41	0.41	0.41

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Direct				
Fund: 1000 - General				
FY2019 Appropriations	7,478	7,478	7,478	14,956
Base Adjustments				
Pension Allocation		15	15	30
Forecast Base	7,478	7,493	7,493	14,986
Change Items				
Litigation Expenses		525		525
Total Governor's Recommendations	7,478	8,018	7,493	15,511
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	1,189	1,296	1,266	2,562
Forecast Base	1,189	1,296	1,266	2,562
Total Governor's Recommendations	1,189	1,296	1,266	2,562
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	1,176	1,146	1,116	2,262
Total Governor's Recommendations	1,176	1,146	1,116	2,262
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	7,478	7,493	7,493	14,986
Total Governor's Recommendations	7,478	7,493	7,493	14,986

Public Utilities Commission

FY 2020-21 Biennial Budget Change Item

Change Item Title: Litigation Expenses

Fiscal Impact (\$000s)	FY 2019	FY 2020	FY 2021	FY 2022
General Fund				
Expenditures	0	525	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	525	0	0
FTEs	0	0	0	0

Request:

The Governor recommends \$525,000 to the Public Utilities Commission (PUC) in FY20 for litigation costs.

Rationale/Background:

In November 2011, the State of North Dakota and several private companies sued the Minnesota Public Utilities Commissioners and the Commissioner of Commerce. The suit claimed that Minnesota’s Next Generation Energy Act (“NGEA”), which was passed by the Legislature in 2007, unlawfully regulated North Dakota utilities, was preempted by federal law and was constitutionally invalid. The United States District Court found against Minnesota. The District Court, as affirmed by the 8th Circuit on August 14, 2018, awarded \$1.4 million in attorney’s fees and costs.

In August 2018, the PUC and Commerce entered into a payment agreement with North Dakota and the other private companies to pay the attorney’s fees and costs judgement. The PUC and Commerce have made an initial payment of \$360,000 toward the judgement obligation. The outstanding balance of the judgement, \$1,050,000 must be paid by July 31, 2019 and is divided evenly between the PUC and Commerce.

Proposal:

The Governor recommends \$525,000 for the Public Utilities Commission to satisfy their portion of the remaining legal obligations for the State of Minnesota in these cases. The appropriation of these funds will be directly paid pursuant to the payment agreements.

Statutory Change(s):

This proposal does not require a statutory change.