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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

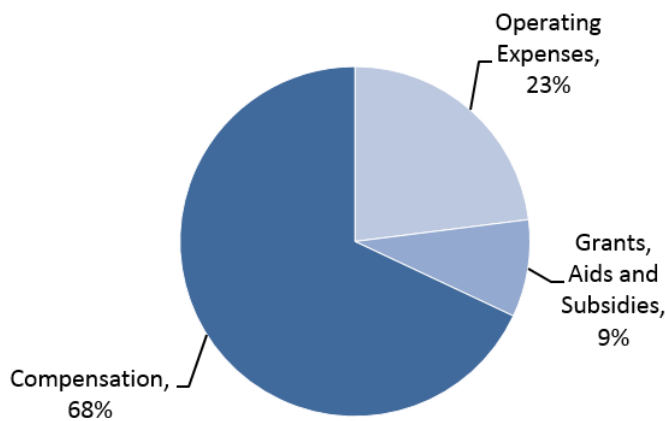
The Minnesota Public Utilities Commission's mission is to create and maintain a regulatory environment that ensures safe, reliable and efficient utility services at fair and reasonable rates. The Commission is a quasi-judicial body whose authority, powers and functions resemble those of a court or a 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**

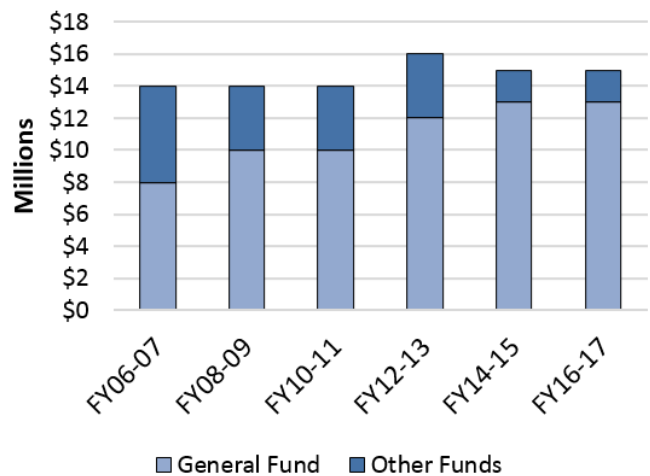
BUDGET

**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		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<u>Expenditures by Fund</u>								
1000 - General	6,341	7,176	6,973	7,969	7,493	7,493	7,793	7,793
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	9,089	9,059
Biennial Change				1,553		(61)		539
Biennial % Change				10		(0)		3
Governor's Change from Base								600
Governor's % Change from Base								3

Expenditures by Program

Public Utilities Comm	7,606	8,449	8,451	9,158	8,789	8,759	9,089	9,059
Total	7,606	8,449	8,451	9,158	8,789	8,759	9,089	9,059

Expenditures by Category

Compensation	5,253	5,379	5,360	5,825	5,908	6,024	6,168	6,284
Operating Expenses	1,554	2,055	2,321	2,724	2,156	2,041	2,196	2,081
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	9,089	9,059

Full-Time Equivalent

	47.55	47.56	47.96	50.96	50.96	50.96	52.96	52.96
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(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
1000 - General								
Balance Forward In		956		491				
Direct Appropriation	7,191	7,587	7,464	7,478	7,493	7,493	7,793	7,793
Cancellations		1,367						
Balance Forward Out	850		491					
Expenditures	6,341	7,176	6,973	7,969	7,493	7,493	7,793	7,793
Biennial Change in Expenditures				1,425		44		644
Biennial % Change in Expenditures				11		0		4
Governor's Change from Base								600
Governor's % Change from Base								4
Full-Time Equivalents	47.09	47.12	47.55	50.55	50.55	50.55	52.55	52.55

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 Equivalents	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				
Enhancing the Commission's Decision-Making Capability		300	300	600
Total Governor's Recommendations	7,478	7,793	7,793	15,586
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
Change Items				
Enhancing the Commission's Decision-Making Capability		300	300	600
Total Governor's Recommendations	7,478	7,793	7,793	15,586

Minnesota Public Utilities Commission

FY20-21 Biennial Budget Change Item

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

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	300	300	300	300
Revenues	300	300	300	300
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	2	2	2	2

Recommendation:

The Governor recommends a base increase of \$300,000 per year for the Public Utilities Commission. This increase is for one utility technical analyst senior position and one staff attorney position. Additional staff resources are needed to handle an increased workload, expedite processing of utility filings and ensure compliance with statutory requirements and policies. As the Commission has assessment authority, all expenditures are recovered for the General Fund. This change represents a 4.8% increase in the agency's current operating budget.

Rationale/Background:

The volume and complexity of the Commission's work has increased over the last several years, and this trend is expected to continue due to several factors: a) additional state energy policy initiatives increasing the breadth of Commission responsibilities; b) intensifying momentum to modernize the electric delivery grid, which has given rise to a new distribution system planning process; c) the increasing frequency of utility rate cases, including what is expected to be seven rate case filings in the upcoming fiscal year; and d) the need to develop new and updated methods of implementing applicable laws and legislative policies in the rapidly changing electric utility environment.

Moreover, this work involves issues of legal interpretation, which increases the risk of challenges and incurrence of the considerable cost (in dollars and time) that goes with them. 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 have the latitude and ability to clearly explain the technical and legal frame-work upon which that process must function. Efforts to utilize improved technology and reorganize existing staff resources have been used to address these challenges, but the limits of those measures have been reached.

As part of this request additional staff positions will be used to manage the increased quantity and intensity of the workload to allow the agency to maintain a standard of performance required by the industries it regulates. Without these resources, there is considerable risk that performance will decline.

Proposal:

The Governor recommends an increase of \$300,000 to the Public Utilities Commission's base in order to carry out its fundamental duty to render well-informed and balanced decisions relating to the provision of utility services. This increase will result in well-informed, legally sound, and balanced decisions relating to the provision of utility services; timelier decision-making; reduced risk of appeal; and enhanced ability to manage workload in an orderly

fashion. Additional new staff positions will be used to manage the greater intensity of workload the Commission has experienced in recent years and expects over the next 5 or more years.

IT Related Proposals:

N/A

Equity and Inclusion:

N/A

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Commission workload as measured by orders issued	828 orders issued	830 orders issued	2016-17 Biennium; 2018-19 Biennium (estimated on data to-date)
Quality	Percentage of consumer complaints timely resolved (cases closed/cases opened)	3,460/ 3,520 = 98%	3,676/ 3,685 = 98%	2016-17 Biennium; 2018-19 Biennium (estimated on data to-date)
Results	Percentage of Commission orders issued by statutory deadline	100%	100%	2016-17 Biennium; 2018-19 Biennium (estimated on data to-date)

Statutory Change(s):

N/A