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Public Utilities Commission

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AT A GLANCE

With one of the smallest Commission staffs in the country, the MN Public Utilities Commission (PUC):

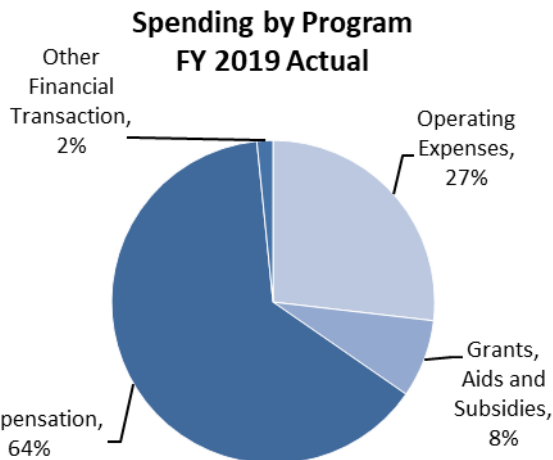
- Regulates the rates and services of three cornerstone industries in Minnesota’s economy: electricity, natural gas and telephone utilities.
- Determines need for and location of large energy facilities.
- Manages an average of 900 utility filings annually.
- Responds to 3,000 consumer complaints and inquiries annually.

PURPOSE

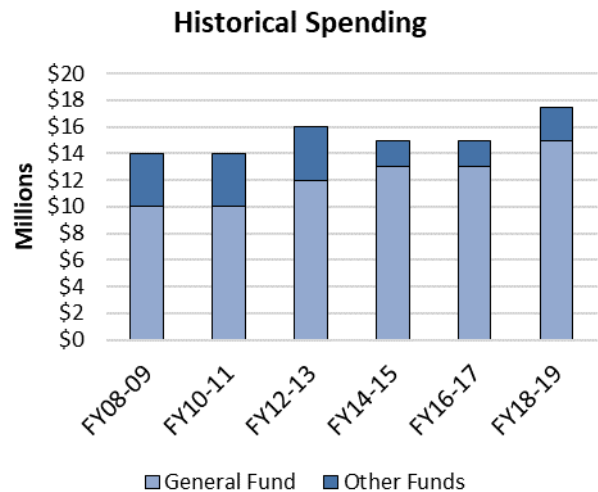
The Minnesota Public Utilities Commission's mission is to create and maintain a regulatory environment that ensures safe, reliable and efficient utility services at fair and reasonable rates. The Commission also reviews the need for and location of energy facilities, including wind and solar farms, natural gas facilities and other power plants, transmission lines, and oil pipelines.

Working in partnership with other state agencies, the Commission engages the public to ensure decisions are made based on a fully developed record, and in the public interest. This requires balancing the needs for reliable electric and gas service, affordable rates, individual rights, and environmental stewardship. When acting as a quasi-judicial body, Commission decisions are based on a set of guidelines or statutory criteria applied to the factual and legal record. Commission Orders are enforceable under the law.

BUDGET



Source: Budget Planning & Analysis System (BPAS)



Source: Consolidated Fund Statement

The Commission has a total annual General Fund budget of approximately \$7.772 Million. Nearly 100% of the agency’s expenditures are recovered through special assessment authority (Minnesota Statutes, Sections 216B.62 and 237.295) and returned to the state General Fund. The agency also administers the Telephone Assistance Program from a special revenue fund. Reimbursement grants are provided to telephone companies who assist their eligible low-income customers with reduced rates.

STRATEGIES

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

- Court-like, evidence-based decision-making process that ensures fairness and transparency, relying on ongoing participation by state agencies, regulated companies, the general public, and a diverse stakeholder base.
- Active engagement with local, regional, and national stakeholders and subject matter experts to anticipate conditions affecting provision of necessary services.
- Regulatory tools and processes to spur investment and mitigate rate impacts.
- Public outreach and mediation services to assist and educate utility customers.
- Extensive use of technology to ensure transparency; e.g., all record documents publicly accessible through web site; social media; videoconferencing and webcast for all public meetings.
- Active engagement in regional and national forums affecting Minnesota’s interests.

RESULTS

The Commission’s work implementing Minnesota laws and policies, with active engagement by industry, stakeholders, and the general public, have produced important results. These include:

- During the COVID-19 pandemic, utility customers were protected from service interruptions, and utilities were provided the tools to provide long-term economic growth and rate mitigation.
- Minnesota’s overall natural gas rates were below the national average for 2018 (\$7.41 versus \$8.15/MMBtu) and 2017 (\$7.17 versus \$8.28/MMBtu).¹
- Minnesota’s overall electric rates were below the national average for 2019 (10.57¢ versus 10.60¢/kWh) and 2018 (10.37¢ versus 10.53¢/kWh).²
- Minnesota is a leader in generation from renewable energy. It ranks 7th in the nation in net electricity generation from wind energy in 2019.³
- Minnesota continues to lead in energy efficiency. Despite its winters, it ranks 21st nationally in residential per capita energy use; surpassing 7 other Northern Tier States.⁴
- 98.7% of Minnesota’s residents have access to telephone service, tying with four other states for 15th in the nation.⁵
- Minnesota’s state regulatory staff size remains well below states of comparable size, while its workload 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>*FY20-21</i> <i>estimation on</i> <i>data to-date</i>
Quantity	Orders Issued by the Commission	581	600	FY18-19; FY20-21*
Quality	Percentage of consumer complaints resolved within 90 days	91%	90%	FY18-19; FY20-21*
Results	Percent of Commission Orders Issued within Statutory Deadlines	100%	100%	FY18-19; FY20-21*

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

Results Notes:

1. American Gas Association, 2018 <https://www.aga.org/research/data/prices/>
2. US DOE EIA, Electric Monthly, February 2020 <https://www.eia.gov/electricity/monthly/>
3. Minnesota State Energy Profile, U.S. Energy Information Administration
<https://www.eia.gov/state/?sid=MN>
4. Table C14. Total Energy Consumption Estimates per Capita by End-Use Sector, Ranked by State, 2018 U.S. Energy Administration
https://www.eia.gov/state/seds/data.php?incfile=/state/seds/sep_sum/html/rank_use_capita.html&sid=US
5. Universal Service Monitoring Report; September 2019; Table 6.6 – Voice Penetration by State, 2013 – 2018 (Percentage of Occupied Housing Units with Voice Service); Federal Communications Commission
<https://www.fcc.gov/document/oea-releases-2019-universal-service-monitoring-report>

Public Utilities Commission

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<u>Expenditures by Fund</u>								
1000 - General	6,973	7,991	7,363	8,223	7,793	7,793	7,923	8,052
2000 - Restrict Misc Special Revenue	1,478	991	976	1,914	1,848	1,848	1,848	1,848
Total	8,451	8,982	8,339	10,137	9,641	9,641	9,771	9,900
Biennial Change				1,043		806		1,195
Biennial % Change				6		4		6
Governor's Change from Base								389
Governor's % Change from Base								2
<u>Expenditures by Program</u>								
Public Utilities Commission	8,451	8,982	8,339	10,137	9,641	9,641	9,771	9,900
Total	8,451	8,982	8,339	10,137	9,641	9,641	9,771	9,900
<u>Expenditures by Category</u>								
Compensation	5,360	5,726	6,056	6,578	6,475	6,505	6,605	6,764
Operating Expenses	2,321	2,411	1,485	1,954	1,561	1,531	1,561	1,531
Grants, Aids and Subsidies	760	700	790	1,600	1,600	1,600	1,600	1,600
Other Financial Transaction	10	145	7	5	5	5	5	5
Total	8,451	8,982	8,339	10,137	9,641	9,641	9,771	9,900
<u>Full-Time Equivalent</u>								
	47.96	50.39	51.03	55.50	55.50	55.50	55.50	55.50

Public Utilities Commission

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
1000 - General								
Balance Forward In		825		430				
Direct Appropriation	7,464	7,478	7,793	7,793	7,793	7,793	7,923	8,052
Cancellations		312						
Balance Forward Out	491		430					
Expenditures	6,973	7,991	7,363	8,223	7,793	7,793	7,923	8,052
Biennial Change in Expenditures				622		0		389
Biennial % Change in Expenditures				4		0		2
Governor's Change from Base								389
Governor's % Change from Base								3
Full-Time Equivalents	47.55	49.98	50.54	55.00	55.00	55.00	55.00	55.00

2000 - Restrict Misc Special Revenue

Balance Forward In	1,108	1,233	1,253	2,152	1,943	1,800	1,943	1,800
Receipts	1,313	759	1,875	1,705	1,705	1,705	1,705	1,705
Balance Forward Out	943	1,001	2,152	1,943	1,800	1,657	1,800	1,657
Expenditures	1,478	991	976	1,914	1,848	1,848	1,848	1,848
Biennial Change in Expenditures				421		806		806
Biennial % Change in Expenditures				17		28		28
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.41	0.41	0.49	0.50	0.50	0.50	0.50	0.50

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
Direct				
Fund: 1000 - General				
FY2021 Appropriations	7,793	7,793	7,793	15,586
Forecast Base	7,793	7,793	7,793	15,586
Change Items				
Operating Adjustment		130	259	389
Total Governor's Recommendations	7,793	7,923	8,052	15,975
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	1,914	1,848	1,848	3,696
Forecast Base	1,914	1,848	1,848	3,696
Total Governor's Recommendations	1,914	1,848	1,848	3,696
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	1,705	1,705	1,705	3,410
Total Governor's Recommendations	1,705	1,705	1,705	3,410
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	8,457	8,307	8,307	16,614
Total Governor's Recommendations	8,457	8,307	8,307	16,614

Public Utilities Commission

FY 2022-23 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
General Fund					
Expenditures	0	130	259	259	259
Revenues	0	0	0	0	0
Other Funds					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	130	259	259	259
FTEs	0	0	0	0	0

Recommendation:

The Governor recommends additional funding of \$130,000 in FY 2022 and \$259,000 in each subsequent year from the general fund to maintain the current level of service delivery at the Public Utilities Commission (PUC).

This change represents a 2% increase in FY 2022 and a 3% increase each year thereafter.

Rationale/Background:

The operating increases recommended in FY 2022 and FY 2023 fund a portion of the projected cost increases in the upcoming biennium. Each year, the cost of doing business rises—including growing costs for employer-paid health care contributions and other salary and compensation-related costs. Other operating costs, like rent and lease, fuel and utilities, IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year without enacted increases.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. To manage costs, most agencies find ways to become more efficient with existing resources. Efficiencies will continue in the next biennium; however, cost growth will continue to put pressure on budgets and without additional resources, service delivery erodes.

Proposal:

The Governor recommends increasing agency operating budgets to support the delivery of current services. For PUC, this funding will cover compensation growth and other operating expenditures.

Results:

This proposal is intended to allow the Public Utilities Commission to continue to provide current levels of service and information to the public.