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Public Utilities Commission

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<https://mn.gov/puc/>

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 over 7,000 consumer complaints and inquiries annually.

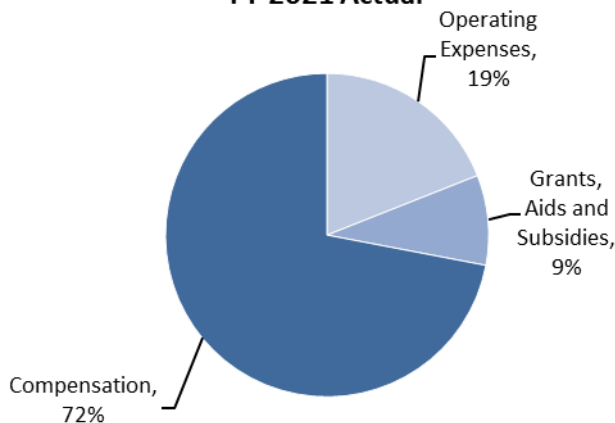
PURPOSE

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, community impacts, 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.

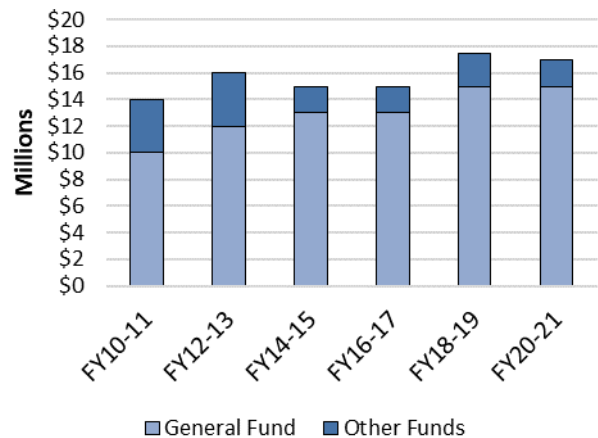
BUDGET

**Spending by Program
FY 2021 Actual**



Source: Budget Planning & Analysis System (BPAS)

Historical Spending



Source: Consolidated Fund Statement

The Commission has a total annual General Fund budget of approximately \$8.314 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 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 stimulate long-term economic growth and rate mitigation.
- The Commission investigated the practices of the regulated utilities during the 2021 Winter Storm Uri, and was one of the only states in the country to disallow full recovery of retail gas costs.
- Minnesota’s overall natural gas rates were below the national average in 2019 (\$6.87/MMBTU MN vs \$8.05/MMBTU US) and 2020 (\$6.72 in MN vs \$7.96 US).¹
- Minnesota’s overall electric rates were below the national average- 2020 – 10.57 cents per kWh in MN 10.59 cents in US; 2021 – 11.12 cents per kWh in MN, 11.18 cents in US²
- Minnesota is a leader in generation from renewable energy. In 2021, renewables accounted for 29% of total in-state electricity net generation, coal fueled 26%, nuclear power supplied 24%, and natural gas contributed 21%.³
- Minnesota continues to lead in energy efficiency. Despite its winters, it ranks 20th nationally in residential per capita energy use, which is less per capital energy use than 9 other Northern Tier States.⁴
- 98.9% of Minnesota’s residents have access to telephone service, compared to the national average voice penetration across the US at 97.2%.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. To further advance Minnesota’s interests, the PUC officially joined Southwest Power Pool (SPP), in addition to its ongoing participation in the Organization of MISO States.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i> <i>*FY22-23</i> <i>estimation on</i> <i>data to-date</i>
Quantity	Orders Issued by the Commission	572	732	FY 2020-21; FY 2022-23*
Quality	Percentage of consumer complaints resolved within 90 days	90%	97%	FY 2020-21; FY 2022-23*
Results	Percent of Commission Orders Issued within Statutory Deadlines	100%	100%	FY 2020-21; FY 2022-23*

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

Results Notes:

1. American Gas Association, 201American Gas Association, January 2022
<https://www.aga.org/research/data/prices/>
2. US DOE EIA, Electric Monthly, February 2022 <https://www.eia.gov/electricity/monthly/>
3. Minnesota State Energy Profile, U.S. Energy Information Administration
<https://www.eia.gov/state/analysis.php?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. [OEA Releases 2021 Universal Service Monitoring Report | Federal Communications Commission \(fcc.gov\)](#)

Public Utilities Commission

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	7,363	7,810	7,797	8,702	8,314	8,314	9,836	10,105
2000 - Restrict Misc Special Revenue	976	1,001	1,378	2,025	2,125	2,125	2,125	2,125
Total	8,339	8,811	9,175	10,727	10,439	10,439	11,961	12,230
Biennial Change				2,752		976		4,289
Biennial % Change				16		5		22
Governor's Change from Base								3,313
Governor's % Change from Base								16
<u>Expenditures by Program</u>								
Public Utilities Commission	8,339	8,811	9,175	10,727	10,439	10,439	11,961	12,230
Total	8,339	8,811	9,175	10,727	10,439	10,439	11,961	12,230
<u>Expenditures by Category</u>								
Compensation	6,056	6,363	6,373	6,877	6,949	6,949	8,471	8,740
Operating Expenses	1,485	1,647	1,850	2,413	2,053	2,053	2,053	2,053
Grants, Aids and Subsidies	790	800	929	1,432	1,432	1,432	1,432	1,432
Other Financial Transaction	7	1	23	5	5	5	5	5
Total	8,339	8,811	9,175	10,727	10,439	10,439	11,961	12,230
<u>Full-Time Equivalent</u>								
	51.03	52.21	51.10	56.50	56.50	56.50	56.50	56.50

Public Utilities Commission

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
1000 - General								
Balance Forward In		430		388				
Direct Appropriation	7,793	7,793	8,185	8,314	8,314	8,314	9,836	10,105
Transfers Out		200						
Cancellations		213						
Balance Forward Out	430		388					
Expenditures	7,363	7,810	7,797	8,702	8,314	8,314	9,836	10,105
Biennial Change in Expenditures				1,325		129		3,442
Biennial % Change in Expenditures				9		1		21
Governor's Change from Base								3,313
Governor's % Change from Base								20
Full-Time Equivalent	50.54	51.71	50.60	56.00	56.00	56.00	56.00	56.00

2000 - Restrict Misc Special Revenue

Balance Forward In	1,253	2,162	3,008	3,181	3,181	3,181	3,181	3,181
Receipts	1,875	1,841	1,551	2,025	2,125	2,125	2,125	2,125
Balance Forward Out	2,152	3,002	3,181	3,181	3,181	3,181	3,181	3,181
Expenditures	976	1,001	1,378	2,025	2,125	2,125	2,125	2,125
Biennial Change in Expenditures				1,427		847		847
Biennial % Change in Expenditures				72		25		25
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalent	0.49	0.50	0.50	0.50	0.50	0.50	0.50	0.50

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Direct				
Fund: 1000 - General				
FY2023 Appropriations	8,314	8,314	8,314	16,628
Forecast Base	8,314	8,314	8,314	16,628
Change Items				
Maintain Current Service Levels		1,522	1,791	3,313
Total Governor's Recommendations	8,314	9,836	10,105	19,941
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	2,025	2,125	2,125	4,250
Forecast Base	2,025	2,125	2,125	4,250
Total Governor's Recommendations	2,025	2,125	2,125	4,250
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	2,025	2,125	2,125	4,250
Total Governor's Recommendations	2,025	2,125	2,125	4,250
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	8,508	8,508	8,508	17,016
Total Governor's Recommendations	8,508	8,508	8,508	17,016

Public Utilities Commission

FY 2024-25 Biennial Budget Change Item

Change Item Title: Maintain Current Service Levels

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	1,522	1,791	1,791	1,791
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,522	1,791	1,791	1,791
FTEs	10	10	10	10

Recommendation:

The Governor recommends additional funding of \$1,522,000 in FY 2024 and \$1,791,000 in each subsequent year from the general fund to maintain the current level of service delivery at the Public Utilities Commission (PUC).

Rationale/Background:

Each year, the cost of doing business rises—employer-paid health care contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

For PUC, operating cost pressures exist in multiple categories—increases in compensation and insurance costs at the agency, increasing costs to maintain our current staff compliment in a challenging labor market, and increasing IT costs. If an operational increase is not provided, the services PUC delivers to Minnesotans will be impacted.

Proposal:

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

Results:

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