

GUIDE TO

MINNESOTA

*Department of
Public Service*

1999

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November 1998

Minnesota Department of Public Service

WELCOME

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STATE OF MINNESOTA

OFFICE OF THE GOVERNOR
130 STATE CAPITOL
SAINT PAUL 55155

ARNE H. CARLSON
GOVERNOR

Dear Commissioner,

Let me congratulate you on your appointment as Commissioner of the Department of Public Service. Your Department is one which directly affects the lives of virtually every person and business in the state through its policy setting and statutory responsibilities involving electricity, natural gas, telecommunications, petroleum and weights and measures. It is also a Department with a very strong track record of efficiency.

When this Administration began in 1991, the Department had a staff of 140. As we approach the end of 1998, there are 130 on staff in a Department which now has a greater range of responsibilities and is measurably more productive than it was in 1991. It has set a tremendous example for other state agencies to follow.

The Department has also become a national leader in a number of areas. Commissioner Kris Sanda was instrumental in founding the Nuclear Waste Strategy Coalition and now chairs its Executive Committee. This organization of state regulators, Offices of Attorneys General and utilities made major advances in forcing the federal government to fulfill its legal obligation to accept and store spent nuclear fuel from the nation's civilian power plants. The Department has long understood the major economic impact a federal failure will have on all consumers and is committed to making sure this does not happen.

The Department is also nationally recognized for its state-of-the-art Metrology Laboratory which is part of the Weights and Measures Division. This lab provides advanced precision measuring services for a range of high tech and bio-medical firms which allows those firms to meet stringent import requirements of the European Community. The lab is a profit center, recovering all its costs through fees to customers, and greatly benefits businesses and employment throughout the region.

As you grow into your new position, you will learn that Minnesota is one of several states that has made the conscious policy decision to separate the functions of what is known here as the Department of Public Service and the Public Utilities Commission. The separation occurred in 1980 when the PUC, which had been a division of the Department, was established as a separate entity. This greatly reduced the possibility of "ex parte" communications, or prohibited communications, between the agencies on issues pending before the PUC.

Today, the Department and PUC are charged with important and distinct responsibilities, yet share document imaging, docketing, library personnel and other infrastructure functions to increase overall efficiency. In fact, Minnesota can proudly say that the combined staff of the two agencies is still less than the average for states who continue to operate under the old paradigm.

In the coming months you will become more familiar with the many challenging and disparate responsibilities of the Department. We wish you well and trust that you will truly enjoy this exciting opportunity.

Warmest regards,

A handwritten signature in black ink that reads "Arne H. Carlson".

ARNE H. CARLSON
Governor



MINNESOTA
DEPARTMENT OF
PUBLIC SERVICE

OFFICE OF THE COMMISSIONER

Dear Commissioner:

Congratulations on your appointment as the Commissioner of the Minnesota Department of Public Service (DPS). I have been proud to serve as Commissioner of the Department for the past eight years which has been a very interesting, challenging and rewarding era in the agency's history.

DPS serves the broad general public interest in the amazingly diverse and complex subject areas of Energy, Telecommunications, and Weights and Measures. I have found the staff to be very capable and knowledgeable. They do an excellent job in balancing all facets of representing the public interest and have served this administration well. I am sure that will continue during this new administration.

During my time with the Carlson Administration, we have achieved much to improve the efficiency and responsiveness of the Department of Public Service. Here are a few highlights:

- Installed computerized imaging system for the Public Utilities Commission (PUC) docket control. The result is quicker access to extensive information the Department must keep on all PUC proceedings and less lead time to retrieve available documents.
- Boosted productivity by investing in new equipment for Weights and Measures field inspectors, including two gas pump test trucks and individual lap top computers. These investments made it possible for inspectors to greatly increase productivity and effectiveness with no increase in inspection staff.
- Upgraded equipment and increased staff of the Weights and Measures Metrology Lab, enabling it to meet ISO (International Standards Organization) 9002 requirements. Availability of this service has increased the ability of regional businesses to compete here and abroad--leading to greater job opportunities and benefiting our economy.
- Improved staff interaction with each other and stakeholders by moving the central office to expanded and more accessible space.



Commissioner

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- New Minnesota Relay Service contract created state-of-the-art facility in Moorhead resulting in the ability to provide improved service to the hearing impaired.
- Improved public awareness of DPS programs by creating a World Wide Web presence and creating for the first time, a Department-wide booth at the Minnesota State Fair.

Again, please accept my congratulations and best wishes. If after reviewing the briefing materials you have questions about any aspects of the Department, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Kris Sanda". The signature is written in black ink and is positioned above the printed name and title.

Kris Sanda
COMMISSIONER

Summary Description of Agency

History

The Department of Public Service is a direct descendant of the first state agency in Minnesota history - the Railroad and Warehouse Commission which was created by the legislature in 1885 following public outcries about widespread swindling in wholesale and retail grain transactions. The primary responsibility of the Commission was to insure accuracy and impartiality in the grading and weighing of grain. The success of the Minnesota program became apparent in short order. Two years later, then Minnesota Governor Knute Nelson said the agency had accomplished its mission "from the fact that there have never been so few complaints made nor a little fault found about the grading and weighing of grain as since the passage of this act The honest warehouseman finds nothing oppressive in the law, the honest farmer finds it a reasonable safeguard and protection, and the demagogue is deprived of his favorite text of complaint."

The value and accurate quality assessments of Minnesota wheat became known and recognized across the country and in foreign markets where 'Minnesota Grades' of wheat brought premium prices in the marketplace.

In subsequent years the Railroad and Warehouse Commission, through its Weights and Measures Division which was established in 1911, was given increasing responsibility for ensuring the accuracy of a range of measuring devices. Today the Weights and Measures Division ensures the accuracy of gasoline pumps, the weight of pre-packaged food products, liquefied petroleum gas meters and heavy capacity scales as well as scales at grocery stores, drug stores grain elevators and testing for gasoline octane content.

In 1915, the legislature placed responsibility for the regulation of Minnesota's telephone companies with the Railroad and Warehouse Commission.

In early 1968 the Railroad and Warehouse Commission was renamed the Public Service Commission and placed within the Minnesota Department of Public Service (DPS). As one of the Department's divisions, the Public Service Commission acted as the quasi-judicial entity responsible for decisions in matters involving regulated telephone and energy utilities. In 1975, legislation was passed giving the state regulatory control over gas and electric utilities and the Public Service Commission was expanded from three to five

members. The Director of Public Service oversaw a department responsible for the regulation of telephone companies, electric and natural gas companies as well as ongoing weights and measures activities.

The scope of regulatory oversight was reduced in 1978 when electric cooperatives were exempted from state regulation. In subsequent years, small telephone companies received reduced levels of regulatory standards and small natural gas companies could be exempted upon petition of city councils.

In 1980, the Public Service Commission was spun off from the Department of Public Service, given separate agency status and renamed the Public Utilities Commission (PUC). The PUC maintains its role as the quasi-judicial decision maker in matters involving regulated utilities while DPS is the agency responsible for investigating filings and advocating positions in actions before the PUC. DPS is also responsible for enforcing PUC decisions and serves as the policy development agency within the executive branch and advances administration policy positions before the legislature.

Today the Department is organized into 5 program areas:

- Telecommunications,
- Weights and Measures,
- Energy,
- Information and Operations Management, and
- Telecommunications Access for Communications Impaired Persons (TACIP).

DPS now has a range of additional and related responsibilities under state law including:

- the Commissioner serving as the Governor's designated liaison with the U.S. Nuclear Regulatory Commission (NRC).
- representing Minnesota's energy and telephone interests before the U.S. Congress and federal agencies.
- intervenes and advocates in telephone and energy utility service territory disputes.
- providing forums for telephone and energy policy discussions.
- conducting research and evaluation on demand-side energy management efforts and potential.
- operation of the Energy Information Center.
- development and oversight of the state Energy Code for residential and commercial building construction.

- mapping and quantifying the availability of renewable wind and solar energy within the state.
- conducting the state Petroleum Quality Assurance testing program.
- operation of the Metrology Laboratory which provides Minnesota businesses and industry access to ISO 9000 volumetric and weight calibration standards required in international markets on a fee for service basis.
- promoting the use of alternative fuel vehicles and establishing a network of E-85 fueling sites. E-85 is a transportation fuel consisting of 85% ethanol and 15% gasoline.
- tracking the monthly production and available inventories of transportation fuels (gasoline, diesel, etc.) and implementing a fuel rationing plan if so ordered by the Governor.
- administration of the Telecommunication Access for Communication Impaired Persons (TACIP) program which oversees funding of the Minnesota Relay Service and provides necessary telecommunications equipment for deaf, hard of hearing and speech impaired persons in the state.
- the Commissioner serving as a member of the Environmental Quality Board.
- operation of loan and grant programs to increase the energy efficiency of schools, hospitals and other public buildings.
- oversight of the Conservation Improvement Program which, under state statute, requires electric and natural gas utilities to spend a portion of gross annual revenues to improve energy efficiency in order to reduce or delay the need for additional energy infrastructure.
- operation of a 'library' of current and past PUC dockets as well as operation of the document imaging system used to convert paper files into an electronic format for more efficient storage. This system is operated by the Department for the joint benefit and use of the Department and PUC.
- the provision of personnel services for the Department and the PUC.
- establishing an escrow account for payments from Minnesota electric consumers that would otherwise go to the federal Nuclear Waste Fund (more information on this subject under Key Issues section).

Vision, Mission and Goals

Department of Public Service Mission Statement:

“The mission of the Department of Public Service is to provide leadership for Minnesota consistent with the goals of enhancing the environment and quality of life. This is accomplished through developing, advocating and implementing efficient and equitable policies regarding energy, telecommunications and standards for weights and measures, and by providing education, information and programs to the public.”

The Department has consistently pursued policies which, to the greatest extent possible, ensure:

- continued access to reliable, affordable, efficient and economically sound energy services to Minnesotans through environmentally responsible resource use balanced with the lowest possible financial expenditure by utilities to maintain service at these levels.
- continued access to reliable, reasonably priced and technically advanced telecommunications services.
- promote energy conservation through loans, grants and energy technology research.
- promote the cost-effective development and use of renewable energy such as wind and solar power as well as renewable transportation fuels such as ethanol.
- continued cost-effective development of a statewide fiber optic infrastructure, availability of high speed telecommunication equipment and Internet access.
- the telecommunications and energy rates paid by all classes of customer (residential, commercial and industrial) reflect the actual cost of service while eliminating or preventing one class of customers subsidizing the rates of another.
- calibration and certification of commercial weighing and measuring systems to maintain the integrity of wholesale and retail transactions for the benefit of buyers and sellers.
- continued access for manufacturing firms to accredited NIST/NVLAP and ISO 9000 Weights and Measures Laboratory services and recovering the actual cost of

providing such service to maintain and improve the economic vitality of our region.

- the Telecommunications Access for Communications Impaired Persons (TACIP) program continues to provide state-of-the-art equipment and relay services that deliver telecommunication service for the communication impaired which is the functional equivalent available for the non-impaired.

Key Legislators and Legislative Committees

The key committees and their members are the relevant policy and budget committees with which the Department has the greatest level of interaction.

The primary policy committee and budget division in the Senate:

Jobs, Energy and Community Development Committee

Chair - Steve Novak

Vice Chair - Steve Kelly

Ranking Minority member - Linda Runbeck

Ellen Anderson; Tracy Beckman; Dennis Fredrickson; Linda Higgins; Jerry Janezich; Dave (D.H.) Johnson; Doug (D.J.) Johnson; Janet Johnson; Randy (R.C.) Kelley; Arlene Lewsewski; Warren Limmer; James Metzen; Steve Murphy; Mark Ourada; Pat Pariseau; Kenric Scheevel.

Economic Development Budget Division

Chair - Tracy Beckman (No Vice Chair or Ranking Minority member)

Ellen Anderson; Linda Higgins; Jerry Janezich; Dave (D.H.) Johnson; Randy (R.C.) Kelley; Cal Larson; Arlene Lewsewski; Steve Murphy; Steve Novak; Ed Oliver; Mark Ourada; Linda Runbeck; Deanna Weiner.

The primary policy committee and budget division in the House:

Regulated Industries Committee

Chair - Loren Jennings

Vice Chair - Mike Delmont

Lead Republican - Dennis Ozment

Irv Anderson; Bruce Anderson; Mindy Greiling; Alice Hausman; Bill Hilty; Mark Holsten; Phyllis Kahn; Becky Kelso; Edgar Olson; Mark Olson; Mike Osskopp; Gene

Pelowski; Barb Vickerman; Jean Wagenius; Ken Wolf; Tom Workman.

Economic Development and Finance Division

Chair - Steve Trimble

Vice Chair - Joe Mullery

Lead Republican - Bob Gunther

Karen Clark; Mike Jaros; Ken Otremba; Doug Reuter; Michelle Rifenberg; Loren Solberg; Tom Workman. Ex Officio Member - Henry Kalis

Key Issues and Constituencies

Constituencies

The Department of Public Service is unique in that it is charged with representing the interests of all consumers in Minnesota whether the consumers are residential, commercial or industrial. This means the Department must balance the interests of all these groups on issues involving the price, reliability and availability of electricity, natural gas and telecommunications services. This concept also applies to ensuring accuracy for the buyer as well as the seller in all transactions involving weight or volume.

In the areas of energy and telecommunications, it also means the Department must advocate policies which ensure that utilities are able to remain financially healthy. This allows utilities to borrow necessary capital at lower interest rates, for example, to maintain and improve their delivery infrastructure in order to provide reliable service while savings resulting from lower capital costs are passed on to all consumers in the form of lower rates.

In regard to petroleum, the Department protects the interests of retail and wholesale consumers through statewide testing of retail gasoline pumps and commercial motor and heating fuel meters. The Department also conducts a petroleum quality assurance program which tests motor fuel for, among many things, octane and oxygenate content. In this respect, every person and business which manufactures, buys, sells and/or uses petroleum motor fuels within the state is part of the Department's constituency.

Key Issues

Competition

The most significant issue facing all regulated utilities over the next several years is the introduction of competition into industries that have operated under monopoly status for many decades. The Department has held the position that competition in the electric, natural gas and telecommunications industries will ultimately benefit consumers through lower prices, greater choices and a more rapid advance in technological innovations. The Department also recognizes that well structured transition periods will be critical to the ultimate success of introducing competitive forces to these industries in order to maintain reliability, affordability and availability of service.

Nuclear Waste

An issue of prime importance to the electric industry is the federal government's willingness to begin accepting spent fuel from the nation's nuclear power plants. Under the Nuclear Waste Policy Act of 1982 (NWPAA), the U.S. Department of Energy (DOE) was legally obligated to begin removing spent fuel from civilian nuclear power plants as of January 1998. DOE has missed that deadline and now says the year 2010 will be the earliest it can begin doing so. Nationally, nuclear power accounts for approximately 20% of all domestically produced electricity.

In Minnesota, nuclear energy supplies about 17% of our total electricity through plants at Monticello and Prairie Island near Red Wing, which are both owned and operated by Northern States Power Company. While Monticello has enough storage capacity for its licensed life, additional dry cask storage has been necessary at the Prairie Island plant. The additional storage granted by the legislature for use at Prairie Island will provide enough capacity through the year 2007. Failure by the federal government to meet its contractual obligation to provide storage for spent fuel will have a major impact on electric rates paid by Minnesota consumers, the reliability of the electric generation and transmission system in Minnesota and across the nation as well as a host of additional costs which must be borne by taxpayers/ratepayers. Commissioner Kris Sanda is a founder and member of the Executive Board of the Nuclear Waste Strategy Coalition which is a national group of state regulators, consumer advocates, Offices of Attorneys General and utilities which have made significant headway raising the importance of this issue at the federal level and in the courts.

Escrow Nuclear Waste Fund Payments From Minnesota Consumers

While the DOE is greatly behind schedule in establishing a permanent waste repository, consumers from Minnesota and across the country continue making payments to the Nuclear

Waste Fund (NWF). In 1982, the NWPAA required that consumers pay a 1-mill levy on each kilowatt hour of electricity produced by nuclear plants. This money, collected from consumers by utilities and forwarded to DOE for deposit in the NWF, is intended to be spent only on siting and building a waste repository. Using this method, the generation and use of power from nuclear fuel pays for the long-term storage of spent fuel.

Of the more than \$14 billion collected nationally through the end of 1997 (the '98 update is pending as this is being written), only a bit more than \$6 billion has been actually spent on the program related to siting and building the planned storage site at Yucca Mountain, located on the former atomic weapons testing grounds in the Nevada desert. The rest has been taken by congress to spend elsewhere and it's getting worse. In the last three years only 16 cents on every dollar collected has gone to the program.

In 1997, the Carlson Administration and Department won legislative approval for a measure allowing the Department to establish and oversee an escrow account for Minnesota payments into the NWF pending court approval. Payments from Minnesota consumers totaled \$278.7 million through the end of 1997. Federal courts have twice affirmed DOE's unconditional obligation to take the spent fuel but have not granted the state's request for a court order to implement the escrow remedy. Following the most recent federal court decision in early 1997, Minnesota was one of 36 states to appeal the escrow issue to the U.S. Supreme Court. A decision from the court is pending at the time of this writing.

Electric Transmission

As competition at the wholesale level and demand from all consumer sectors continues to grow, the need for additional transmission capacity also increases. Since the transmission grid is an interconnected system covering large geographical areas, weaknesses in one state have a direct effect on the region's system reliability. The most significant problem for the transmission system in this region is the lack of transfer capability into Wisconsin and Illinois. This can be addressed through combined efforts to build new generating capacity (new power plants) in Wisconsin and/or building new transmission lines in the region to increase transfer capacity into those two states. Further, when the final phase of the mandated 425 megawatt wind energy project in the area of southwestern Minnesota is complete, new power lines will be necessary to move electricity generated there to the transmission grid.

Building new transmission lines carries the additional benefit of greatly improving the transmission system's reliability for power delivery in Minnesota and throughout the region. During the past year a range of stakeholders, including regulators from six states as well as representatives from the Mid-America Power Pool and utilities, have conducted a series of meetings to consider

ways of fostering improved coordination and cooperation in bulk power and planning.

Energy Code

The aspect of new commercial and residential construction with which DPS is involved is the state Energy Code. The Energy Code deals with the energy efficiency of the building 'envelope' and ventilation of the structure. It constitutes a small but important portion of Minnesota's total Building Codes. The latest revisions to Minnesota's Energy Code were adopted in July 1998 and become effective of July of 1999. The updates establish the Minnesota Code as the most stringent in the nation as required by the legislature in a measure which was passed in 1991. To reach that mandate required a two step process over the course of seven years.

Following the 1991 legislation, DPS initiated the required rules proceeding to integrate these higher standards into the Minnesota Energy code. This proceeding was conducted with input from a range of affected parties -- building contractors, mechanical and electrical contractors, building inspection officials, representatives of municipalities and counties, representatives of the constructions materials industry, etc.

The Department initially proposed adoption of a code based on Canada's extremely aggressive national energy code called the R-2000 Program. (The program is funded in large part through Canada's significant tax on energy exports to, primarily, the United States.) Various participants in the rulemaking process were opposed or expressed concerns based on increased building costs as well as the extensive 'learning curve' these changes would require of builders, inspectors and homeowners. A compromise in 1994 established a temporary plan allowing construction of either Category One or Category Two homes, with the caveat that higher R-2000 standards would be adopted in 1998.

Category One Homes

Category One homes are highly insulated, well-sealed, energy efficient homes with mechanical ventilation systems which exchange indoor air every few hours to exhaust moisture and provide fresh air. To improve energy efficiency, these ventilating systems are often designed to transfer heat from exhaust air to the incoming fresh air to improve energy efficiency. Standards for these homes are similar to the standards required under Canada's R-2000 Program. Hundreds of these homes have been built in Minnesota over the 8 to 10 few years with virtually none of the moisture problems associated with some of the 'tighter' homes built prior to 1991 or the Category Two homes built in the last few years.

Category Two Homes

These are the homes that most frequently fall into the group of what has been dubbed 'sick homes,' some of which have had significant moisture problems. Category Two homes were built more tightly than older homes but not as tightly as Category One homes. Category Two homes do not have mechanical ventilation; rather, fresh air comes from open windows or 'leaks' in the building envelope. Moisture problems developed in many of these homes for several reasons:

- building materials and construction techniques improved which reduced leaks in the building envelope, making them even more air-tight.
- either builders failed to offer optional mechanical ventilation systems or homeowners rejected the option to save money or add other amenities.
- homeowners -- due to a lack of understanding or diligence -- did not take necessary steps to manually ventilate homes to reduce indoor moisture.

Next Generation Energy Code

Among other provisions, this update to the Code will eliminate Category Two homes. It requires all new homes to be built to Category One specifications, including the requirement that mechanical ventilation systems be integrated into all new homes. The year between the 1998 adoption date and 1999 effective date was requested by stakeholders such as the Builders Association of Minnesota, the Minnesota Building Officials, etc. It gives contractors and inspection officials time to complete the educational effort necessary to implement the new standards. The Department is working with those organizations and others on the educational effort. DPS has developed computer programs -- available at no cost on the Department's website -- that can be used by contractors and architects to check building plans against Energy Code requirements. The Department has also mailed a "Builders Update" (an on-going printed educational series for those in the construction industry) to over 12,000 architects, contractors and building officials in Minnesota explaining provisions of the new code.

Boards, Commissions and Task Forces

1. **Commissioner Kris Sanda:**
 - State Liaison - U.S. Nuclear Regulatory Commission
 - Member - Environmental Quality Board (EQB); EQB Executive Committee; EQB Strategic Planning Committee
 - Member - Mid-America Regulatory Committee (MARC)
 - Member - National Association of Regulatory Commissioners (NARUC)
 - Chair - Nuclear Waste Strategy Coalition (NWSC); Executive Committee
 - Chair - State of Minnesota Combined Charities Fund Drive Board
 - Member - United Way of St. Paul Board
 - Secretary - St. Paul Visitors and Convention Bureau
 - Chair - Yellow Zingers
 - Governor's Representative - Indianhead Council, Boy Scouts of America

Others:

- Legislative Electric Energy Task Force. Considers legislative action on a range of electric energy issues.
- Construction Codes Advisory Council. Is working to address inconsistencies between various state building related codes, ways in which the state can deal with 'sick homes' and other code issues.
- U.S. Federal Communications Commission; Nuclear Regulatory Commission; U.S. Department of Energy - Track activity and intervene as necessary to protect Minnesota's interests in telecommunications and energy actions at the federal level.

Activity Summary

Energy

The total number of energy filings have remained high and relatively constant over the last three fiscal years. Filings totaled 450 in FY96, 464 in FY97 and 428 in FY97. These duties and those related to alternative energy and the Energy Grant and Loan program are handled by staff equivalent of 48.2 FTE. As competition in the electric and natural gas industries becomes a growing factor across the nation, concerns and a need for additional information regarding the future adequacy of the regional generation, transmission and distribution systems are of primary importance for ensuring the availability and reliability of energy supplies -- even if Minnesota moves slowly towards a more competitive environment. To address these issues, the Department is requesting two additional engineering positions for the Energy Planning and Advocacy Unit to provide sound technical analyses on system modifications and upgrades.

Telecommunications

The total number of telephone regulatory filings has increased from 888 in FY 95 to 1,516 in FY 98, a 71% increase in four years. Many of these filings can be of a more routine nature than the majority of energy filings but are time consuming. Staffing levels in this unit have remained constant over that period at 10.9 FTE. The Department is requesting an increase of 3 FTE for the Telecommunications unit in the next budget cycle to help clear a backlog of 250 filings as well as meet the expected continued increase in telephone filings.

Weights & Measures

The number of retail scales, heavy scales, gasoline pumps and liquid propane meters in use in Minnesota totaled 65,000 during FY97 and is expected to increase to 79,300 by FY01. The W&M Division expects inspections to increase from 59,900 in FY97 to an estimated 65,950 in FY01.

In addition, the Division annually:

- conducts inspections of prepackaged foods and meats at 1,105 locations, primarily grocery stores.
- tests 16,400 petroleum product samples to ensure compliance with petroleum quality standards.

- tests approximately 3,600 gasoline samples for octane levels.
- conducts 12,000 petroleum tank inspections.
- conducts approximately 16,000 metrology laboratory calibrations.

This workload is handled with an approximate division FTE of 43.

Priority Projects and Time Lines

1. Coordinate mechanical ventilation standards contained in the state Energy Code with those in the state Building Code. Time line: July 1999
2. Produce various reports and data analysis for the legislative Electric Energy Task Force. Time line: As requested
3. Produce the next edition of the Energy Policy and Conservation Report (Quadrennial Report). This document is a forward looking report intended to set Minnesota's policy approach to energy production and consumption over the next four year period. Time line: December 2000.
4. Continue compilation of data on regulated industry actions to address potential Year 2000 problems associated with main computer systems and embedded computer chips in key mechanical systems in order to provide information to the legislature and the PUC. Time line: As requested
5. Complete report to the legislature regarding depreciation rates and the adequacy of PUC-approved depreciation rates for telephone companies. Time line: January 1, 1999

Upcoming Events/ Important Dates

January 10, 1999 -- Mandatory dialing of new 651 area code takes effect for St. Paul and the east metro.

January 15, 1999 -- Annual report to the legislature estimating the need for energy assistance in Minnesota.

July 20, 1990 -- Latest updates to the Minnesota State Energy Code take effect for building permits applied for on or after this date.

August 1999 -- Prepare and operate DPS display at the Minnesota State Fair.

Strategic Plans

The Strategic plan established by the Department at the beginning of the Carlson Administration and implemented over the past eight years has largely been accomplished. The plan called for the Department to dramatically improve efficiency and productivity while maintaining 1991 staffing levels through Department-wide upgrades to internal technology systems coupled with a reallocation of staff into workload priorities.

Organization Chart

See following page.

Budget and Personnel Overview

Personnel

As of July 1, 1998, the total Department personnel and their program areas of allocation are as follows:

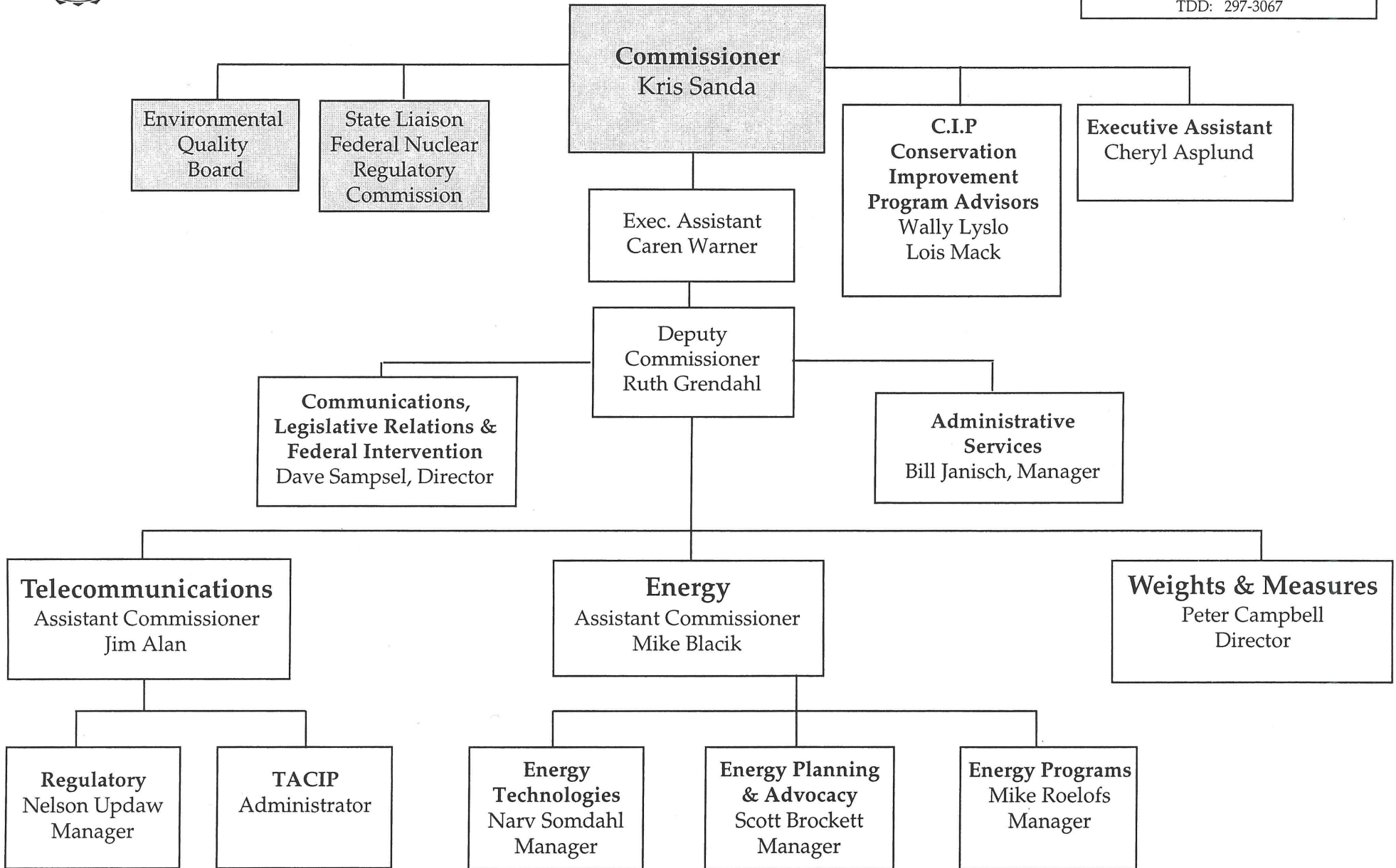
• Commissioner	1.0 FTE
• Telecommunications	10.9 FTE
• TACIP Program	1.4 FTE
• Weights and Measures	43.0 FTE
• Information & Operations Mgt	22.4 FTE
• Energy	<u>48.2 FTE</u>
	126.9 FTE

Please note that the approximate total of 130 FTE represents a reduction in total Department staff of 9.2% from the 140 FTE complement of the Department in 1991.



MINNESOTA
DEPARTMENT OF
PUBLIC SERVICE

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Budget

The information which follows is based on the Department's draft budget as of September 30, 1998, which was the deadline for submission for all departmental Agency Briefing summaries. All dollar figures are expressed in thousands.

	<u>FY 00</u>	<u>FY 01</u>	<u>Biennium</u>
<u>Base Year (FY 1999)</u>			
Appropriations (FY99)	\$8,627	\$8,629	\$17,256
<u>Base Adjustment</u>			
Open Appr. Forecast Adj.	35	219	254
Documented space rent/lease	25	45	70
2000-01 Sal & Ben base	193	393	586
Uniform pension Bill Red	(10)	(10)	(20)
<u>Base Level (for 2000 & 2001)</u>	\$8,870	\$9,276	\$18,146
<u>Change Items</u>			
Electric Capacity Engineering	133	129	262
Telephone Work Load Increase	137	131	268
Create Energy Loan			
Revolving Fund	2,000	2,000	4,000
Proposed Governor's Recommendation	\$11,140	\$11,536	\$22,676

Brief Background on Budget Decisions

Distribution

The 2000-2001 base budget is distributed among the program areas follows:

- Telecommunications 8.7%
- Weights and Measures 32.8%
- Information and Operations 16.5%
- Energy 42.0%

The split between salary and operating expenses is 70.3% and 29.7%, respectively.

Base Adjustments

- The open appropriation forecast adjustment of \$254,000 is to provide production incentive credits to owners or operators of hydro power facilities and qualified wind energy conversion facilities that produce and sell electricity as required by Minnesota Statute 216C.41.
- The Documented Space Rental/lease base adjustment of \$20,000 represents the actual rent increases that are incorporated in previously negotiated leases.

- The 1000-01 Salary and Benefit Base increase provides funding for state negotiated compensation-related adjustments of 3% per year.
- The Uniform Pension Bill reduction of \$20,000 is to remove previous over funding for state pension benefits.

Change Items

- The Electric Capacity Engineering change item is a request for two engineering positions to evaluate electric generation, transmission and distribution system capacity issues. The bulk power supply system for the central region of the United States is being pressed to its capacity limits because of increasing customer demand for electricity and increasing competition in the wholesale marketing of electricity.
- The Telephone Work Load Increase change item is a request for three rates analyst positions. Since FY95 the number of annual telephone filings has increased from 888 to 1,516 in FY 98, an increase of 71%. The increase is due to changing state and federal laws. The Department request for 3 positions represents a 30% increase to deal with the 71% increase in filings.
- The change item titled Create Energy Loan Revolving Fund is a request to change the source of funding for energy conservation loans made to local units of government. In the past these loans have been financed by general obligation bonds in the state capital budget. This one-time request proposes to use direct appropriations from the general fund to establish a revolving fund for the same purpose.

Description of Divisions - Including Staffing

Administration - Information and Operations Management

The purpose of the Information and Operations Management Division is to provide for efficient operation of the Department, facilitate the smooth flow of information among the divisions, the executive and legislative branches, to the public and coordinate departmental activities with other governmental agencies and the private sector.

This program is responsible for overall policy development, coordination and development of long-range objectives, overall resource allocation and program evaluation.

Management works with the Commissioner's Office, the Governor's Office, legislators, other government entities, the general public and the private sector to produce and advance legislative initiatives related to Department responsibilities. It is also responsible for writing, producing and distributing a broad range of materials for the general public and private sector regarding energy use and conservation, telecommunications, weights and measures, alternative energy and fuels, energy code issues and other consumer issues.

The program also delivers general support services to the entire department by providing management, accounting, personnel, word processing, document imaging, docket control and retrieval, central files, library and computer support services. In general, centralized support services improve efficiency by providing department-wide services that would require duplication of effort if performed by each division.

The staffing of this Division consists of a total full-time equivalent of 21.3.

Energy

The purpose of this division is to ensure reliable, reasonably priced, efficient and economically sound energy services are available to Minnesotans now and into the future through environmentally sound resource use.

It is chiefly responsible for enforcing state statutes and policies regarding the evaluation of public utilities and the conservation of energy. While Minnesota statutes assign quasi-judicial function related to utility regulation to the PUC, statutes charge the Department with the duty to advocate for the broad public interest in cases before the PUC and to enforce relevant statutes and PUC orders providing for the regulation of electric and natural gas companies. The program is also responsible for consumer advocacy in all energy-related matters in the state and administers federal energy program dollars.

Energy program responsibilities include:

- natural gas and electric utility regulation. This involves the evaluation of utility acquisition and merger proposals; rate proposals; depreciation rates; capital structures; affiliated interests; stray voltage issues; service area disputes; integrated resource plans; competitive bidding programs; conservation improvement programs; certificate of need applications for new facilities; nuclear waste disposal plans; nuclear decommissioning cost proposals; incentive regulation plans; forecasts of future energy availability and projected consumption; and environmental costs associated with electric generating facilities.

- energy conservation loans and grants.
- petroleum supply monitoring and emergency allocation authority.
- development and enforcement of energy conservation construction codes and standards.
- research, development and implementation of cost-effective renewable energy resources.
- maintenance of a statewide energy data base.

The staffing of this division consists of a total full-time equivalent of 48.2.

The Department is requesting two engineering positions for the Energy Division to evaluate electric generation, transmission and distribution system capacity issues. The bulk power supply system for the central region of the United States is being pressed to its capacity limits because of increasing customer demand for electricity and increasing competition in the wholesale marketing of electricity.

The division recovers all costs through assessments on electric and natural gas utilities except for a small portion of federal revenue.

Telecommunications

The purpose of this program is to represent and protect the interests of Minnesota consumers in the regulation of intrastate monopoly telecommunications utilities, further the industry transition to a competitive local exchange market place and assure continued access to reliable, efficient, affordable and state-of-the art telecommunications services for residential, commercial and industrial customers in Minnesota. This is achieved through intervention on behalf of the public in all telecommunications matters considered by the PUC and, when applicable, the U.S. Federal Communications Commission (FCC).

Telecommunications division responsibilities under state statute include:

- rate and service regulation of monopoly telecomm service providers as well as developing and implementing policies to further the transition to a competitive local exchange service market. Within this area the division conducts analysis of new service offerings; market entry; quality of service issues; service area boundary disputes; determination of competitive entry criteria; alternative regulatory structures; as well as the enforcement of Minnesota statutes and, when applicable, federal mandates.
- resolution of consumer complaints and inquiries.

- handling coin-operated telephone applications.
- determination of service costs.
- demand forecasting.
- analysis of mergers and acquisitions.
- applications for the extension or withdrawal of service.
- infrastructure investment and modernization.
- investigation and enforcement of quality of service standards.
- advocating on behalf of Minnesota consumers before the FCC when applicable.

The staffing of this division consists of a total full-time equivalent of 10.9.

The total number of telephone regulatory filing has increased from 888 in FY 95 to 1,516 in FY98, a 71% increase in four years. Staffing levels in this unit have remained constant over that period at 10.9 FTE. The Department is requesting an increase of 3 FTE for the Telecommunications unit in the next budget cycle to help clear a backlog of 250 filings as well as meet the expected continued increase in telephone filings.

All program costs are recovered through assessments charged to telephone companies operating in Minnesota. These assessments are first deposited into a revolving fund, then transferred to the General Fund where money becomes non-dedicated revenue.

TACIP

The Telecommunications Access for Communications Impaired Persons (TACIP) Board was abolished by the legislature effective July 1, 1995. The legislature transferred the Board's responsibilities to the Department of Public Service.

The goal of the TACIP program is to provide people with communications impairments access to telecommunications services that are functionally equivalent to services available to other consumers. There are two aspects to this program. The TACIP unit of the Department administers state contracts for the provision of the Minnesota Relay Service which handles actual telephone calls. The program also provides funding from the TACIP surcharge account to the Department of Human Services for the leasing and distribution of equipment.

The Equipment Distribution Program provides specialized telecommunications equipment to the deaf and those with hearing, speech and mobility impairments which enables them to access the telephone network. The Minnesota Relay

Service is a telecommunications relay service that transliterates telephone calls between users of telephone equipment for the deaf, hard of hearing and speech impaired persons with persons using either similar equipment or standard telephone equipment.

The staffing of this division consists of a total full-time equivalent of 1.4.

Weights and Measures

This Division ensures the integrity of free market volumetric and weight transactions at the wholesale and retail levels by providing inspection and calibration services to maintain accuracy in weighing and measurement. It also ensures petroleum product quality and provides precision physical measurement services to industry. The Division must recover the full cost of its activities through inspection fees or through a fee-for-service.

This program:

- Offers the highest level of precision measurement in the country beyond the National Institute of Standards and Technology (NIST). The Division's lab provides state-of-the-art-measurement services in mass, volume, length, temperature, density and magnetic susceptibility. The laboratory is accredited by NIST/NAVLAP (National Voluntary Laboratory Accreditation Program) as meeting the criteria of ISO/IEC Guide 25 and the applicable requirement of ISO 9002.
- Ensure uniform and accurate commercial weighing and measurement by inspecting and testing all of the state's gasoline pumps, grocery scales, grain elevator scales, railroad scales and a wide range of other equipment. Further, the Division issues repair orders for out-of-tolerance equipment and, in cases of serious violations, tags and removes equipment from service until it is repaired and retested.
- Operates a quality assurance program which samples and tests motor and heating fuel across the state. Samples from major terminals and refineries are tested twice weekly. Retail outlets are tested on a random sampling basis.
- Ensures the accurate labeling of pre-packaged commodities that are sold by weight or volume through a statewide testing program. The emphasis is on pre-packaged food and agricultural commodities.
- Investigates consumer complaints of inaccurate price scanning in retail establishments. In response to consumer complaints, the Department inspects scanning systems in stores according to methods and standards recommended by NIST. The Division resolves

accuracy problems directly with retailers. In the event that such an approach does not work, the Division will work with local prosecutors to resolve problems.

