

C91H00
Office of People's Counsel

Executive Summary

The Office of People's Counsel (OPC) represents the interests of residential users of natural gas, electricity, telephone, and private water service before the Public Service Commission, various federal regulatory commissions, and the courts.

Operating Budget Data

(\$ in Thousands)

	<u>FY 18</u> <u>Actual</u>	<u>FY 19</u> <u>Working</u>	<u>FY 20</u> <u>Allowance</u>	<u>FY 19-20</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$3,964	\$4,091	\$4,173	\$81	2.0%
Adjustments	0	13	65	53	
Adjusted Special Fund	\$3,964	\$4,104	\$4,238	\$134	3.3%
 Adjusted Grand Total	 \$3,964	 \$4,104	 \$4,238	 \$134	 3.3%

Note: The fiscal 2019 appropriation includes deficiencies, a one-time \$500 bonus, and general salary increases. The fiscal 2020 allowance includes general salary increases.

- The fiscal 2020 allowance of OPC increases by \$133,986 compared to the fiscal 2019 working appropriation after accounting for statewide employee compensation adjustments in both years. Approximately 80% of this increase is in the area of personnel.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 18</u> <u>Actual</u>	<u>FY 19</u> <u>Working</u>	<u>FY 20</u> <u>Allowance</u>	<u>FY 19-20</u> <u>Change</u>
Regular Positions	19.00	19.00	19.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	19.00	19.00	19.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/18	1.00	5.26%

- The fiscal 2020 allowance reduces OPC’s turnover expectancy to 0%. Given the small size of the agency, a low or no vacancy rate is prudent to ensure that the agency has sufficient funds for operations.

Key Observations

- ***OPC Activity at the Federal Level Increases:*** Activities of OPC are generally driven by utility filings or regulatory actions initiated by other entities and outside the agency’s control. The agency reports participating in a higher number of cases in fiscal 2018 compared to prior years. OPC indicates that this increase has occurred, in part, due to a higher level of activity related to the federal Tax Cuts and Jobs Act. Additional activity can result in additional costs for OPC due to an increased need for consultants. Spending on consultants has exceeded \$1.4 million in each year since fiscal 2014, and funding in the fiscal 2020 allowance for this purpose slightly increases.
- ***OPC Receives Fewer Calls for Assistance, but Successful Resolution Increases:*** After spiking in fiscal 2016, the number of calls to OPC for assistance has decreased in each of the subsequent two years. OPC received approximately 30% fewer calls in fiscal 2018 than it did in fiscal 2016. OPC continues to refer the majority of these cases to other agencies, choosing to focus its limited resources on certain cases (generally vulnerable or medically comprised customers). In fiscal 2018, OPC successfully resolved over 90% of the calls handled by the agency, the highest rate since fiscal 2015.

Operating Budget Recommended Actions

1. Concur with Governor’s allowance.

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Office of People's Counsel

Operating Budget Analysis

Program Description

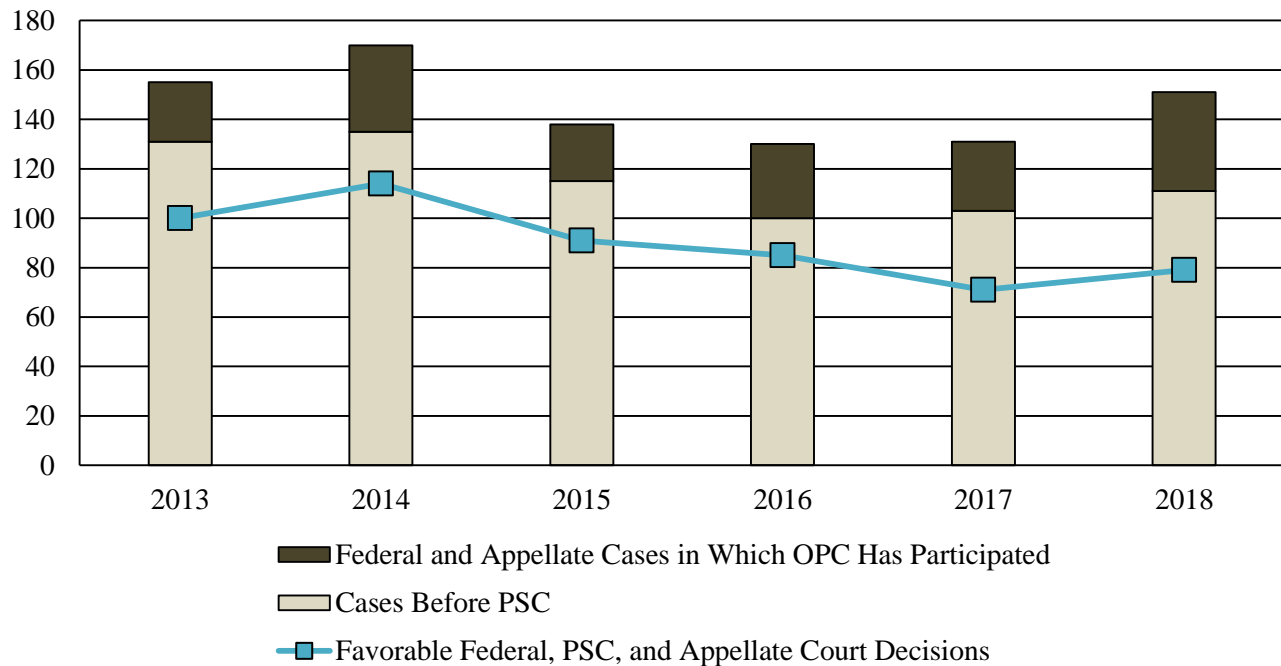
The Office of People's Counsel (OPC) represents interests of residential users of natural gas, electricity, telephone, and private water service before the Public Service Commission (PSC), various federal regulatory commissions, and the courts. OPC monitors the development of competitive markets in natural gas, electric, and telephone services. In addition, OPC acts as a resource by providing education, referrals, and training. OPC also helps residential users to resolve problems with utility service and locate financial assistance for ratepayers having difficulty paying utility bills. OPC's primary goal is to advocate for safe, reliable, and fairly priced utility service for residential consumers of energy, telecommunications, and other regulated services.

Performance Analysis: Managing for Results

1. OPC Participation in Cases Increases

OPC has limited control over the activities of the agency because of its statutory obligation to represent residential ratepayers' interests. As a result, the agency's activities are driven by utility filings or regulatory actions initiated by other entities. As shown in **Exhibit 1**, the vast majority of cases OPC participates in are before PSC. With the exception of fiscal 2018, in recent years, more than 75% of OPC's case activity has been before PSC. After declining for several years, the number of cases before PSC in which OPC participates increased slightly in fiscal 2017 and 2018 but remains well below prior levels. The number of federal and appellate cases in which OPC participated also increased in fiscal 2018. The number of these cases in which OPC participated was at the highest level since before fiscal 2010. OPC explained that the Federal Energy Regulatory Commission (FERC) had experienced a multi-year lull in activity partly due to a lack of quorum. OPC also noted that the federal Tax Cuts and Jobs Act led to an increase in cases to ensure that the impact of the tax cuts was reflected in utility rates. Consistent with the increase in the number of cases in which the agency participated, the number of favorable decisions also increased in fiscal 2018. However, as a share of the cases in which OPC participated, the number of favorable decisions declined to 52.3%. Not all cases in which the agency participates in a given year have a decision made during that year impacting the favorable resolution rate.

Exhibit 1
Case Participation and Favorable Decisions
Fiscal 2013-2018



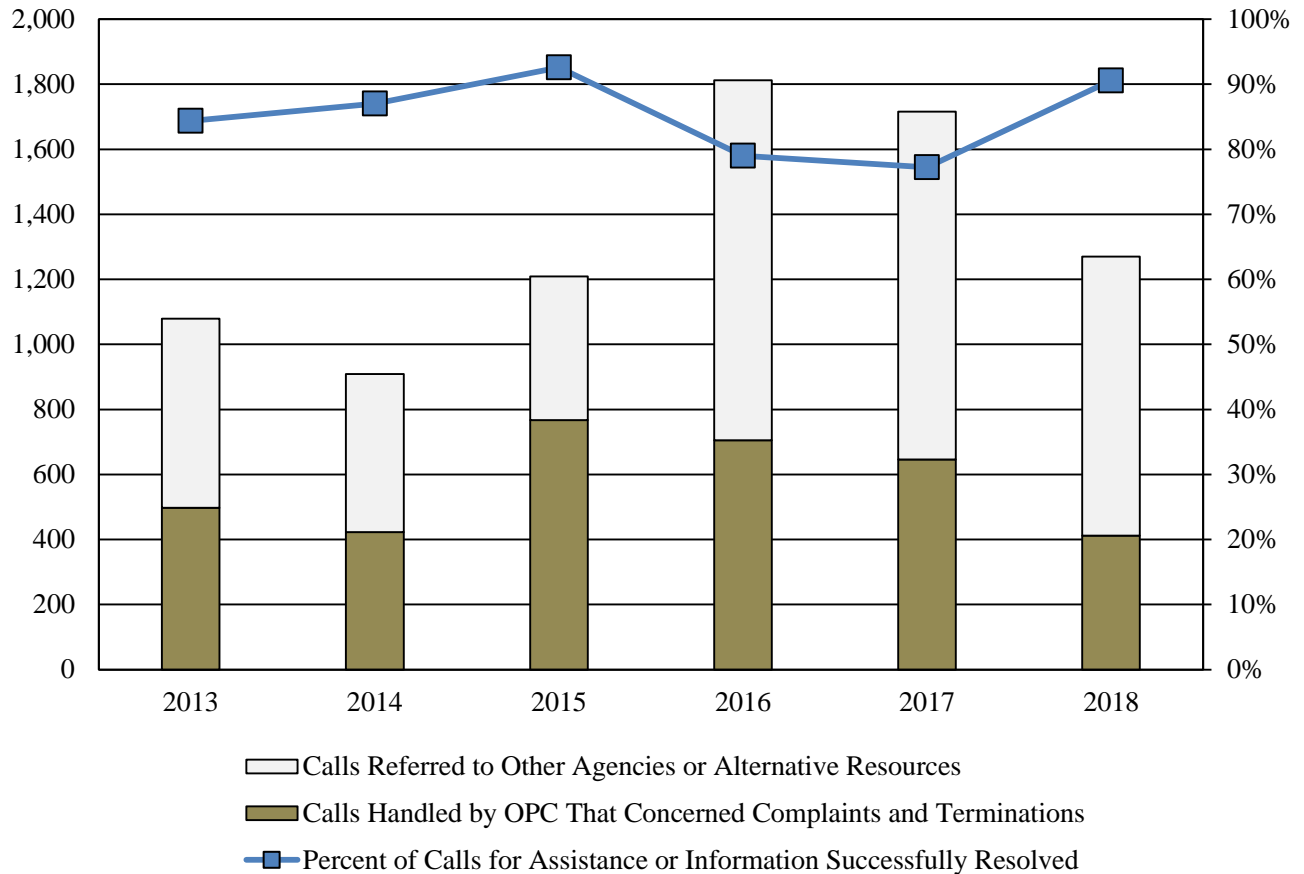
OPC: Office of People’s Counsel
PSC: Public Service Commission

Source: Office of People’s Counsel; Department of Budget and Management; Department of Legislative Services; Governor’s Fiscal 2016, 2019, and 2020 Budget Books

2. Successful Resolution of Consumer Complaints Increases

As shown in **Exhibit 2**, after a substantial increase in calls for assistance in fiscal 2016, the number of calls to OPC for assistance decreased in fiscal 2017 and 2018. In fiscal 2018, the number of calls fell by 26%. Despite the decrease, the number of calls remains above historic levels. OPC explains that the agency generally experiences increased calls for assistance in years with extreme cold or heat or periods of economic downturn. Economic conditions likely factored into the decrease in calls for assistance in fiscal 2018. With the exception of fiscal 2015, OPC refers the vast majority of the calls to other agencies or organizations for assistance. Due to limited resources, OPC focuses its work on certain cases, such as those for vulnerable or medically compromised customers. In fiscal 2018, OPC handled 32.4% of the calls it received, the lowest level since fiscal 2011.

Exhibit 2
Consumer Assistance
Fiscal 2013-2018



OPC: Office of People’s Counsel

Source: Office of People’s Counsel; Department of Budget and Management; Department of Legislative Services

Following two years of declines, the share of calls handled by OPC that were successfully resolved increased in fiscal 2018 to just over 90%. Fiscal 2018 was only the second time since fiscal 2010 that the successful resolution rate was over 90%. OPC noted that the implementation of a Critical Medical Needs Pilot program coincides with the increase in the successful resolutions. Under this pilot program, navigators assist medically vulnerable customers with utility service extensions and applications for energy assistance that are expedited. Navigators are staff of medical or energy assistance providers and are trained by OPC and the Cancer Support Foundation. OPC also works with the navigators to find additional sources of bill payment assistance and address hard to resolve circumstances if needed.

Fiscal 2019 Actions

Proposed Deficiency

The fiscal 2020 budget includes two statewide deficiency appropriations; OPC’s share of these actions is:

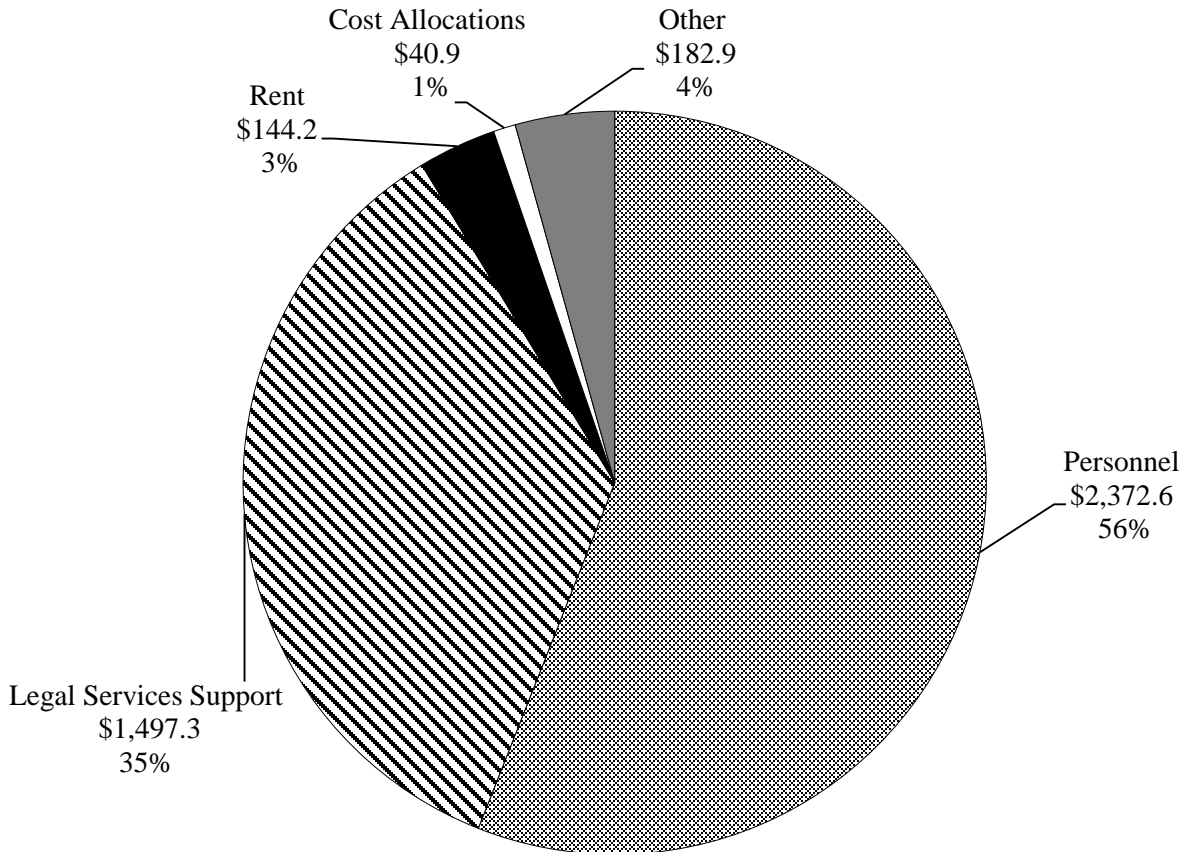
- \$10,203 for a one-time bonus; and
- \$2,240 for an additional 0.5% general salary increase effective April 1, 2019.

Fiscal 2020 Allowance

Overview of Agency Spending

The fiscal 2020 allowance of OPC totals \$4.2 million. As shown in **Exhibit 3**, slightly more than half (56%) of OPC’s budget is dedicated to personnel costs to support the 19 positions of the agency. Outside of personnel expenses, the largest share of OPC’s budget annually is directed to legal services support, 35% of the agency’s budget. These services are used to assist OPC with matters for which it does not have technical expertise in cases before various regulatory bodies and the courts. The need for these services may vary year to year depending on case activity and is often unknown in advance. OPC indicates that competition for these services is high, and costs have increased in recent years for these types of contracts. OPC has spent more than \$1.4 million for these services in each year since fiscal 2014. From fiscal 2016 through 2018, OPC spent an average of \$1.5 million on these costs. The fiscal 2020 allowance is very near the three-year average of expenditures in this area.

Exhibit 3
Functional Breakdown of Expenditures
Fiscal 2020 Allowance
(\$ in Thousands)



Source: Governor’s Fiscal 2020 Budget Books; Department of Legislative Services

Proposed Budget Change

As shown in **Exhibit 4**, OPC’s fiscal 2020 allowance increases by \$133,986, or 3.3%, after accounting for statewide personnel adjustments in fiscal 2019 and 2020. The majority of this change (\$107,202) was among personnel expenses, particularly related to the distribution of the costs for the fiscal 2019 (0.5% on April 1) and 2020 (3% on July 1) general salary increases and required contributions for health insurance and retirement. Outside of personnel expenses, OPC’s budget increases by a net of less than \$27,000.

Exhibit 4
Proposed Budget
Office of People’s Counsel
(\$ in Thousands)

How Much It Grows:	<u>Special Fund</u>	<u>Total</u>
Fiscal 2018 Actual	\$3,964	\$3,964
Fiscal 2019 Working Appropriation	4,104	4,104
Fiscal 2020 Allowance	<u>4,238</u>	<u>4,238</u>
Fiscal 2019-2020 Amount Change	\$134	\$134
Fiscal 2019-2020 Percent Change	3.3%	3.3%

Where It Goes:**Personnel Expenses**

Fiscal 2020 general salary increase and annualization of the additional 0.5% fiscal 2019 general salary increase partially offset by fiscal 2019 costs of the one-time bonus and additional 0.5% general salary increase	\$53
Turnover expectancy decreases from 2% to 0% reflecting the small size of the agency	39
Employee and retiree health insurance	17
Retirement contributions	15
Regular earnings and adjustments, including the annualization of the fiscal 2019 general salary increase (including a discretionary general salary increase for nonskilled service employees) partially offset by budgeting/filling vacant positions at lower salary levels	-17

Other Changes

Consultant services due in part to increased costs, particularly for services related to emerging technologies and grid modernization	12
Replenishing written consumer materials and printing of additional consumer materials on new issues	10
Rent	6
Statewide cost allocations	2
Computer maintenance contracts following a two-year effort to replace and update the information technology systems at the agency	-4
Other administrative expenses	1

Total	\$134
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Note: Numbers may not sum to total due to rounding.

Operating Budget Recommended Actions

1. Concur with Governor’s allowance.

Appendix 1
Current and Prior Year Budgets
Office of People’s Counsel
(\$ in Thousands)

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2018					
Legislative Appropriation	\$0	\$4,061	\$0	\$0	\$4,061
Deficiency/Withdrawn Appropriation	0	-31	0	0	-31
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	-66	0	0	-66
Actual					
Expenditures	\$0	\$3,964	\$0	\$0	\$3,964
Fiscal 2019					
Legislative Appropriation	\$0	\$4,073	\$0	\$0	\$4,073
Budget Amendments	0	19	0	0	19
Working					
Appropriation	\$0	\$4,091	\$0	\$0	\$4,091

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. Numbers may not sum to total due to rounding.

Fiscal 2018

The fiscal 2018 special fund expenditures of the Office of People’s Counsel (OPC) were \$96,371 lower than the legislative appropriation. A decrease of \$30,541 occurred as a result of a withdrawn appropriation in Section 19 of the fiscal 2019 Budget Bill due to a surplus in the health insurance account. OPC also canceled \$65,830 due to higher than expected vacancies.

Fiscal 2019

The fiscal 2019 special fund appropriation of OPC has increased by \$18,750 compared to the legislative appropriation due to the distribution of the general salary increase that was centrally budgeted.

Appendix 2
Object/Fund Difference Report
Office of People's Counsel

<u>Object/Fund</u>	<u>FY 18</u> <u>Actual</u>	<u>FY 19</u> <u>Working</u> <u>Appropriation</u>	<u>FY 20</u> <u>Allowance</u>	<u>FY 19 - FY 20</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	19.00	19.00	19.00	0.00	0%
Total Positions	19.00	19.00	19.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 2,158,416	\$ 2,252,804	\$ 2,307,488	\$ 54,684	2.4%
02 Technical and Special Fees	1,482,423	1,484,910	1,497,323	12,413	0.8%
03 Communication	21,585	28,241	9,801	- 18,440	- 65.3%
04 Travel	11,573	14,000	13,000	- 1,000	- 7.1%
07 Motor Vehicles	10,920	11,500	11,500	0	0%
08 Contractual Services	65,574	80,934	106,892	25,958	32.1%
09 Supplies and Materials	59,603	60,000	62,000	2,000	3.3%
13 Fixed Charges	154,309	158,957	164,810	5,853	3.7%
Total Objects	\$ 3,964,403	\$ 4,091,346	\$ 4,172,814	\$ 81,468	2.0%
Funds					
03 Special Fund	\$ 3,964,403	\$ 4,091,346	\$ 4,172,814	\$ 81,468	2.0%
Total Funds	\$ 3,964,403	\$ 4,091,346	\$ 4,172,814	\$ 81,468	2.0%

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.