

C91H00
Office of People's Counsel

Operating Budget Data

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$3,375	\$3,529	\$3,510	-\$19	-0.5%
Contingent & Back of Bill Reductions	0	0	-3	-3	
Adjusted Special Fund	\$3,375	\$3,529	\$3,506	-\$23	-0.6%
Adjusted Grand Total	\$3,375	\$3,529	\$3,506	-\$23	-0.6%

- The fiscal 2014 allowance for the Office of People's Counsel (OPC) decreases by \$22,550, or 0.6%, compared to the fiscal 2013 working appropriation, after accounting for a back of the bill reduction in health insurance due to favorable cost trends.
- The largest areas of change in OPC's fiscal 2014 allowance occur in the areas of personnel and consulting services.

Personnel Data

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</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	0.38	2.00%
Positions and Percentage Vacant as of 12/31/12	1.00	5.26%

- There are no changes in the number of regular positions in the fiscal 2014 allowance.

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

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- As of December 31, 2012, OPC had 1.0 vacant position, a vacancy rate of 5.26%. To meet its turnover expectancy of 2.0%, OPC would need to maintain 0.38 positions vacant in fiscal 2014.

Analysis in Brief

Major Trends

Case Activity and Favorable Decisions Increase as Activity Increases at the Public Service Commission: In fiscal 2012, the case activity of OPC increased by 61% compared to fiscal 2011, primarily due to increased activity in cases before the Public Service Commission (PSC). OPC’s activity level is outside of the agency’s control as it must represent residential ratepayer interests in cases before various regulatory bodies and the courts. Although also outside of the agency’s direct control, one measure of the agency’s success is the number of favorable decisions by the regulatory bodies and the courts. The number of favorable decisions increased in fiscal 2012, as might be expected given the spike in activity before PSC.

Consumer Complaint Resolution Declines for Second Year: After achieving an 88.7% consumer complaint resolution rate in fiscal 2010, the agency’s performance in this area has declined in consecutive years, falling to 70.3% in fiscal 2012. OPC indicates performance in complaint resolution has been impacted by several factors including handling more difficult cases, less available assistance from other entities, and limitations in its tracking database. OPC launched a new tracking database in October 2012. OPC indicates that the new database will provide a clearer picture of the agency’s activities related to individual customers.

Recommended Actions

1. Concur with Governor’s allowance.

C91H00
Office of People's Counsel

Operating Budget Analysis

Program Description

The Office of People's Counsel (OPC) represents the interests of residential users of natural gas, electricity, telephones, 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 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 locates financial assistance for ratepayers having difficulty paying utility bills. OPC's key goals are:

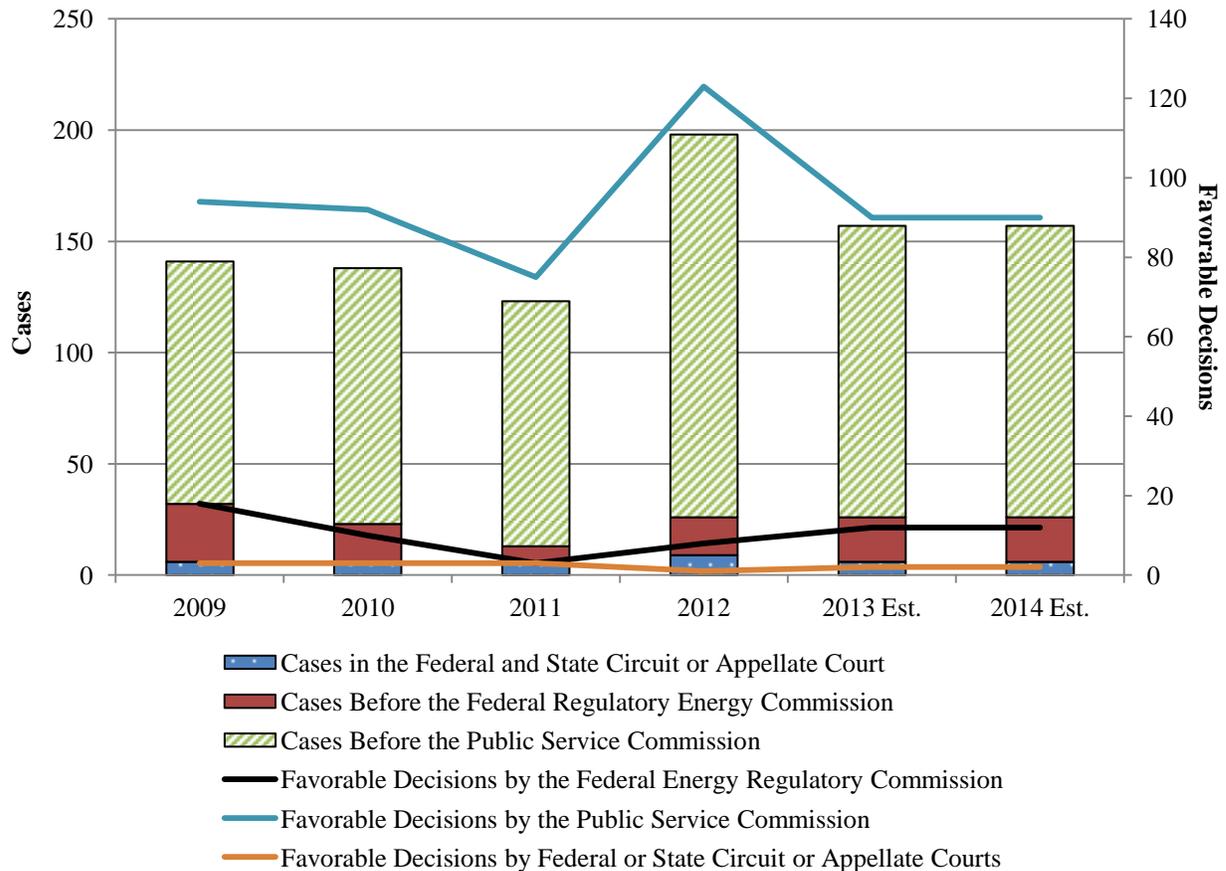
- to advocate for safe, reliable, and fairly priced utility services for residential customers; and
- to educate residential ratepayers about the issues impacting their utility service.

Performance Analysis: Managing for Results

1. Case Activity and Favorable Decisions Increase as Activity Increases at the Public Service Commission

OPC has limited control over the activities of the agency because of its statutory obligation to represent residential ratepayers' interests. As shown in **Exhibit 1**, the level of case activity of OPC spiked in fiscal 2012, an increase of 61.0%, after several years of fairly steady activity levels. The increase was primarily driven by cases before PSC, which increased by 56.4% in that year. These types of cases represent the bulk of the case activity handled by OPC. OPC explained that this increase is the result of increased rate activity, several proceedings related to electric reliability as a result of recent weather events and the new reliability standards, ongoing hearings related to the installation of smart meters and utility EmPower Maryland programs, and increased applications for energy supplier and broker licenses. OPC has also participated in the cases discussed in the analysis of the PSC's fiscal 2014 budget (the allocation of the Customer Investment Fund created by the review of the Exelon Corporation and Constellation Energy Group merger and the review of power purchasing agreements). OPC is currently projecting that case activity will return to levels closer to historic levels but that it will in general remain above those levels.

**Exhibit 1
Office of People’s Counsel Case Participation and Favorable Decisions
Fiscal 2009-2014 Est.**



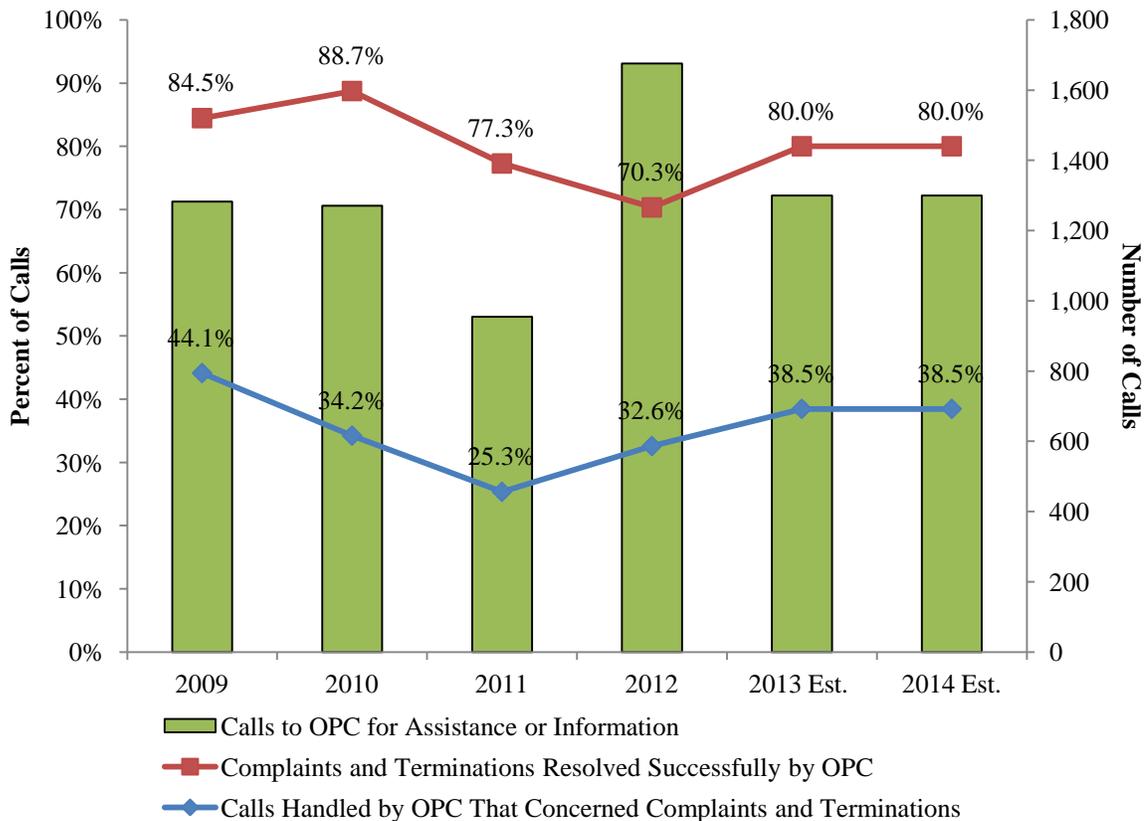
Source: Office of People’s Counsel; Governor’s Budget Books

For each case that OPC participates in, the agency determines whether the issued decision was favorable, *i.e.*, whether it provided a benefit or protection for the residential ratepayers. This determination can be complicated because cases often consider multiple issues. OPC determines whether the decision provided a benefit or protection by reviewing whether the decision agreed or partially agreed with the agency’s position. As shown in Exhibit 1, the number of favorable decisions can vary substantially from year to year. OPC indicates that the reasons for the changes are unclear. The changes appear to be driven, in part, by the amount of case activity before each body. However, in general, the number of favorable decisions by the Federal Energy Regulatory Commission and PSC, the area where most of OPC’s activities occur, are the greatest.

2. Consumer Complaint Resolution Declines for Second Year

After a decrease in calls for assistance or information in fiscal 2011, the number of calls to OPC increased by 75.5% in fiscal 2012, to 1,676, as shown in **Exhibit 2**. As in other recent years, OPC referred most of these calls to other resources or to PSC or other regulatory agencies for complaint. After reaching a low in fiscal 2011, with 25.3% of calls received actually handled by OPC, primarily due to a consumer assistance position vacancy, the percent of calls handled by OPC increased in fiscal 2012. Due to the relatively limited staff in the consumer assistance unit, even a single vacancy or leave issues can impact the agency’s ability to handle calls.

Exhibit 2
Consumer Assistance
Fiscal 2009-2014 Est.



OPC: Office of People’s Counsel

Source: Office of People’s Counsel; Governor’s Budget Books

Although in some years OPC has a high level of success in resolving complaints, most recently 88.7% in fiscal 2010, the level of success fell in fiscal 2011 and 2012, as shown in Exhibit 2. In fiscal 2012, OPC successfully resolved 70.3% of the cases handled by the agency. OPC indicates that its ability to successfully resolve cases is impacted by the decision of the agency to handle the most difficult cases. Other factors limiting success are the lack of available financial assistance from governmental sources, the impact of the recession on the availability of financial assistance from charities, and utility willingness to resolve issues. OPC also explained that performance in this measure has been impacted by limitations in the previous tracking database. A new database was launched in October 2012, which is expected to provide a more accurate picture of the agency’s activities related to individual customer complaints. Despite the limited success recently, OPC has maintained its goal of successfully resolving 80.0% of calls handled by the agency. **OPC should explain what steps it plans to take to improve the successful resolution of calls.**

Proposed Budget

As shown in **Exhibit 3**, the fiscal 2014 allowance of OPC decreases by \$22,550, or 0.6%, compared to the fiscal 2013 working appropriation, after accounting for a back of the bill reduction in health insurance due to favorable cost trends.

Personnel expenses increase by \$78,022, more than half of which is the result of an increase in employee retirement expenses (\$44,378). The contribution rate for the regular employees’ pension plan increases in fiscal 2014. The rate increase is attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform. Increases in personnel are more than offset by a net decrease throughout the remainder of OPC’s budget.

The largest of the changes in OPC’s fiscal 2014 allowance reduces planned expenditures in legal services support by \$103,685. Expenditures in this area are used for expert witnesses and technical assistance in cases in which OPC participates. OPC participates in many of the cases before PSC. As discussed earlier, and shown in Exhibit 1, case activity at PSC is expected to decline from the peak of fiscal 2012 but remain slightly higher than the historical average. Despite the decrease in funding, OPC’s fiscal 2014 allowance for legal services support (\$1.1 million) is slightly higher than the three-year average of actual expenditures in this area (\$1.0 million).

Exhibit 3
Proposed Budget
Office of People’s Counsel
(\$ in Thousands)

How Much It Grows:	Special Fund	Total
2013 Working Appropriation	\$3,529	\$3,529
2014 Allowance	<u>3,510</u>	<u>3,510</u>
Amount Change	-\$19	-\$19
Percent Change	-0.5%	-0.5%
 Contingent Reductions	 -\$3	 -\$3
Adjusted Change	-\$23	-\$23
Adjusted Percent Change	-0.6%	-0.6%
 Where It Goes:		
Personnel Expenses		
Employee retirement.....		\$44
Employee and retiree health insurance net of back of the bill reduction due to favorable cost trends.....		21
Annualization of the fiscal 2013 cost-of-living adjustment.....		17
Regular earnings primarily due to salary adjustments reflecting employee turnover.....		-4
Social Security contributions, unemployment compensation, and turnover adjustments.....		-1
Cost Allocations		
Department of Budget and Management paid telecommunications		2
Retirement Administrative Fee and Statewide Personnel System Allocation		-1
Department of Information Technology services allocation and Annapolis Data Center charge.....		-1
Other Changes		
Rent Paid to the Department of General Services		3
Consultant services to more closely align with recent experience		-104
Total		-\$23

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

Recommended Actions

1. Concur with Governor’s allowance.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2012					
Legislative Appropriation	\$0	\$3,167	\$0	\$0	\$3,167
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	265	0	0	265
Reversions and Cancellations	0	-56	0	0	-56
Actual Expenditures	\$0	\$3,375	\$0	\$0	\$3,375
Fiscal 2013					
Legislative Appropriation	\$0	\$3,162	\$0	\$0	\$3,162
Budget Amendments	0	367	0	0	367
Working Appropriation	\$0	\$3,529	\$0	\$0	\$3,529

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

Fiscal 2012

In fiscal 2012, OPC’s special fund expenditures were \$208,438 higher than the legislative appropriation. Increases totaling \$264,526 resulted from an increased need for consulting services (\$250,000) and the \$750 one-time bonus provided to State employees (\$14,526). These increases were partially offset by cancellations totaling \$56,087 primarily due to higher than anticipated vacancies.

Fiscal 2013

The fiscal 2013 special fund appropriation of OPC has increased by \$366,568 to reflect additional needs for consulting services (\$350,000) and OPC’s share of the 2% cost-of-living adjustment provided to State employees in January 2013 (\$16,568).

Audit Findings

Audit Period for Last Audit:	January 7, 2008 – February 13, 2011
Issue Date:	March 2011
Number of Findings:	0
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

The audit did not disclose any findings.

**Object/Fund Difference Report
Office of People's Counsel**

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent 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	\$ 1,948,026	\$ 2,024,830	\$ 2,106,301	\$ 81,471	4.0%
02 Technical and Spec. Fees	1,161,857	1,213,693	1,110,008	-103,685	-8.5%
03 Communication	26,890	26,862	28,636	1,774	6.6%
04 Travel	11,656	12,000	12,000	0	0%
07 Motor Vehicles	8,855	10,000	10,000	0	0%
08 Contractual Services	38,374	53,079	51,041	-2,038	-3.8%
09 Supplies and Materials	48,671	49,000	49,000	0	0%
12 Grants, Subsidies, and Contributions	0	5,000	5,000	0	0%
13 Fixed Charges	130,865	134,346	137,723	3,377	2.5%
Total Objects	\$ 3,375,194	\$ 3,528,810	\$ 3,509,709	-\$ 19,101	-0.5%
Funds					
03 Special Fund	\$ 3,375,194	\$ 3,528,810	\$ 3,509,709	-\$ 19,101	-0.5%
Total Funds	\$ 3,375,194	\$ 3,528,810	\$ 3,509,709	-\$ 19,101	-0.5%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.