

**C91H00**  
**Office of People's Counsel**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$3,657	\$3,889	\$4,020	\$131	3.4%
Deficiencies and Reductions	0	0	-68	-68	
<b>Adjusted Special Fund</b>	<b>\$3,657</b>	<b>\$3,889</b>	<b>\$3,952</b>	<b>\$64</b>	<b>1.6%</b>
<b>Adjusted Grand Total</b>	<b>\$3,657</b>	<b>\$3,889</b>	<b>\$3,952</b>	<b>\$64</b>	<b>1.6%</b>

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- The fiscal 2016 allowance of the Office of People's Counsel (OPC) increases by \$63,566, or 1.6%, compared to the fiscal 2015 working appropriation after accounting for across-the-board reductions.
- Major changes in the fiscal 2016 allowance of OPC occur in the area of personnel and legal services support.

***Personnel Data***

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</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>
<b>Total Personnel</b>	<b>19.00</b>	<b>19.00</b>	<b>19.00</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	0.38	1.99%
Positions and Percentage Vacant as of 12/31/14	1.00	5.26%

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

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- There are no changes in the number of regular positions in OPC in the fiscal 2016 allowance.
- As of December 31, 2014, OPC had a vacancy rate of 5.3%, or 1.0 position. To meet its turnover expectancy of 2.0%, OPC must maintain 0.38 vacant positions in fiscal 2016.

## ***Analysis in Brief***

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### **Major Trends**

***Cases with Favorable Decisions Fluctuate with Overall Activity:*** The activity level of OPC is largely out of the agency’s control because of its statutory obligation to represent residential ratepayers’ interests. As a result, activity levels can fluctuate substantially between years. In fiscal 2014, case activity at OPC increased by nearly 10% compared to fiscal 2013. Cases with favorable decisions tend to fluctuate with overall case activity levels.

***Consumer Complaint Resolution Improves for Second Year:*** In fiscal 2014, OPC received fewer calls for assistance than in recent years; however, the share of these calls handled by OPC (rather than being referred for assistance to other agencies) increased. OPC increased the percent of calls successfully resolved by 2.7 percentage points between fiscal 2013 and 2014, reaching 87%. The level of calls successfully resolved in fiscal 2014 was the highest since fiscal 2010.

### **Recommended Actions**

1. Concur with Governor’s allowance.

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***Operating Budget Analysis***

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**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:

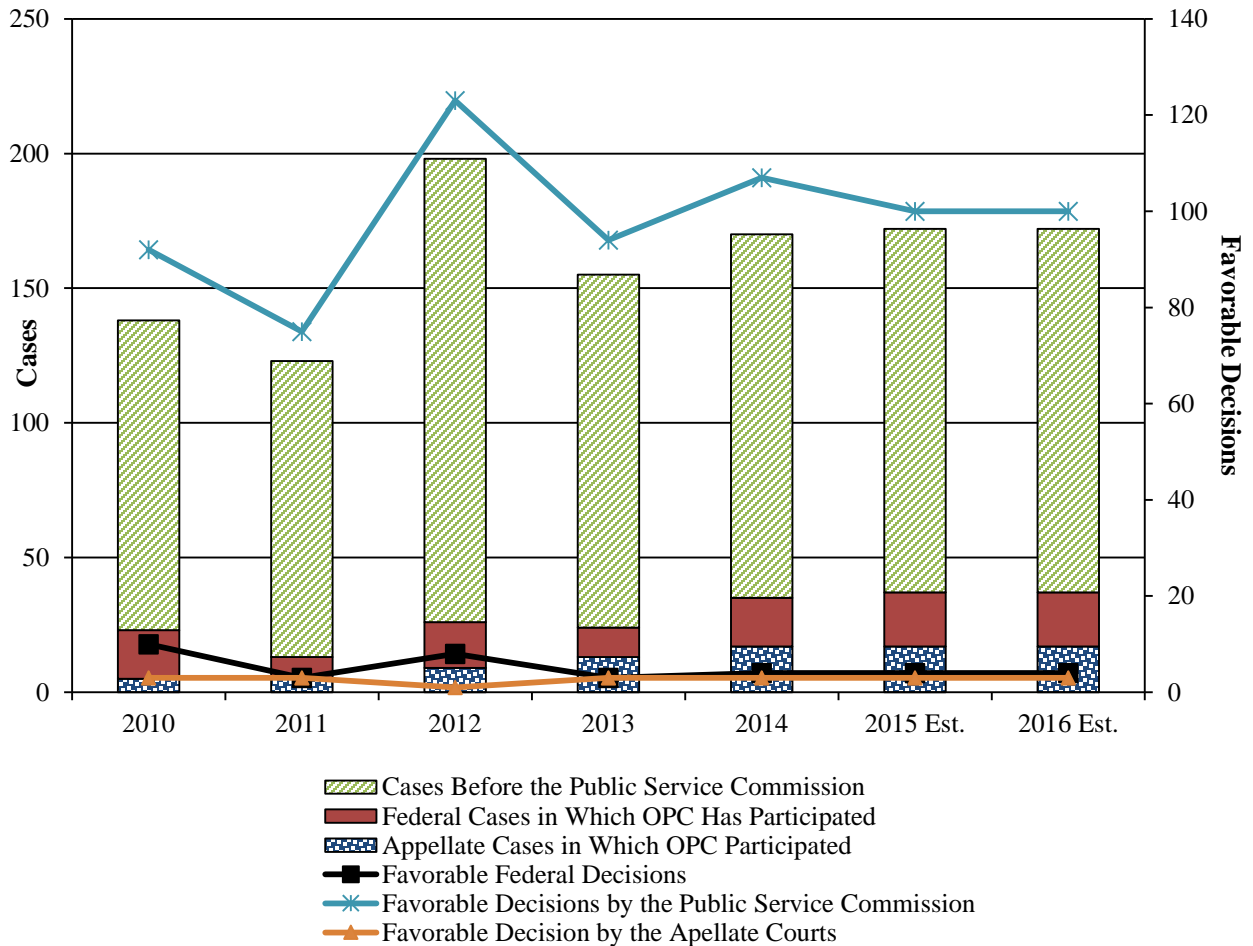
- to advocate for safe, reliable, and fairly priced utility services for residential customers; and
- to educate residential ratepayers about the issues impacting their utility service.

**Performance Analysis: Managing for Results**

**1. Cases with Favorable Decisions Fluctuate with Overall Activity**

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% compared to fiscal 2011. While the level of activity decreased in fiscal 2013 by 21.7%, activity increased again in fiscal 2014 by nearly 10.0%. The annual changes in activity level are driven primarily by activity at PSC, where the bulk of OPC's activities are conducted. However, case activity at the appellate and federal levels were higher in fiscal 2014 than in all recent years. OPC is currently projecting that case activity will remain near the level of fiscal 2014 activity through fiscal 2016.

**Exhibit 1  
Office of People’s Counsel Case Participation and Favorable Decisions  
Fiscal 2010-2016 Est.**



OPC: Office of People’s Counsel

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

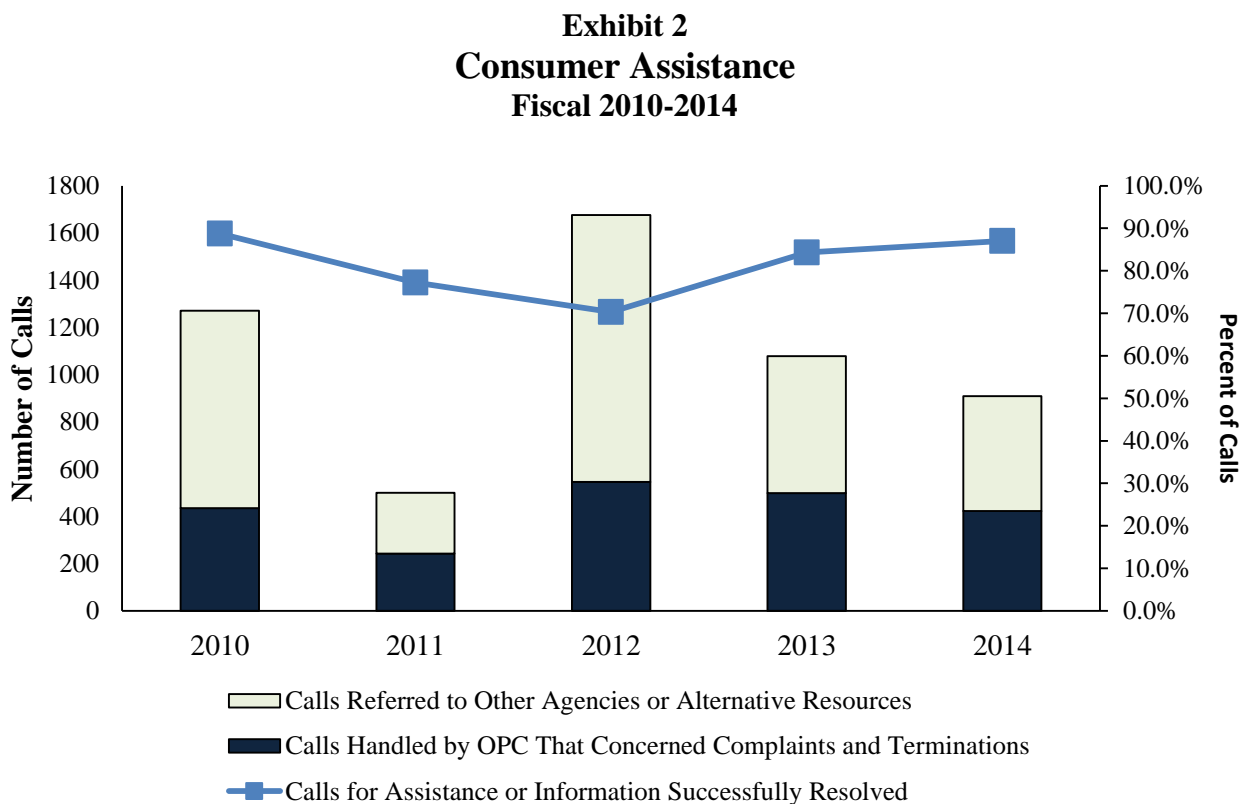
OPC is currently involved in several of the activities discussed in the analysis of PSC’s fiscal 2016 budget (such as the review of the merger of Exelon Corporation and Pepco Holdings, Inc. and the review of the energy assistance programs). OPC has also been involved in the many rate cases that have occurred in recent years.

For each case in which OPC participates, 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. As shown in Exhibit 1,

the number of favorable decisions can vary substantially from year to year, but generally follow the trend of the overall case activity level. The greatest number of favorable decisions occur in cases before PSC, where OPC’s activity level is highest.

## 2. Consumer Complaint Resolution Improves for Second Year

In fiscal 2012, the number of calls to OPC for assistance or information more than doubled, a total of 1,676 calls, as shown in **Exhibit 2**. Since that time, the number of these calls has decreased significantly, with decreases of 35.6% in fiscal 2013 and 15.8% in fiscal 2014.



OPC: Office of People’s Counsel

Note: Fiscal 2011 data on calls for assistance referred to other agencies or alternative resources was revised based on new information. OPC changed tracking systems in October 2012.

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

The majority of calls received by OPC for assistance or information are referred to PSC, other regulatory agencies, or alternative resources. However, OPC has handled more of these calls in each

year since fiscal 2012, increasing from 32.6% to 46.5% in fiscal 2014. In general, the growth rate leveled off between fiscal 2013 and 2014. **OPC should comment on whether the rate of calls handled in fiscal 2014 is near what the agency expects to be able to handle given current agency resources.**

While handling a larger percentage of the total call volume, OPC improved performance in the percent of calls successfully resolved, increasing from 70.3% in fiscal 2012 to 87% in fiscal 2014. OPC notes that some of the improvement since fiscal 2013 may be the result of having a full complement of staff. OPC also notes that successful resolution is impacted by the specifics of a particular problem. To further improve performance, OPC will continue to work with utilities, suppliers, regulatory agencies, and financial assistance entities to improve processes and plans to ensure employees understand current utility regulatory issues.

### Proposed Budget

As shown in **Exhibit 3**, the fiscal 2016 allowance of OPC increases by \$63,566, or 1.6%, compared to the fiscal 2015 working appropriation after accounting for across-the-board reductions.

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

<b>How Much It Grows:</b>	<b><u>Special</u> <u>Fund</u></b>	<b><u>Total</u></b>
Fiscal 2014 Actual Actual	\$3,657	\$3,657
Fiscal 2015 Working Appropriation	3,889	3,889
Fiscal 2016 Allowance	<u>3,952</u>	<u>3,952</u>
Fiscal 2015-2016 Amount Change	\$64	\$64
Fiscal 2015-2016 Percent Change	1.6%	1.6%

**Where It Goes:**

**Personnel Expenses**

Employee and retiree health insurance .....	\$68
Employee retirement.....	26
Other fringe benefit adjustments .....	1
Salaries including filling of vacant positions at lower salaries, annualization of fiscal 2015 cost-of-living adjustment, and planned increments (before cost containment) .....	-9

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**Where It Goes:**

Section 21: across-the-board elimination of increments.....	-33
Section 20: 2% pay reduction .....	-35
<b>Other Changes</b>	
Legal services support .....	31
Rent paid to the Department of General Services.....	5
Information technology consultants to maintain and modify existing systems and to comply with State requirements .....	5
Other changes .....	5
<b>Total</b>	<b>\$64</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

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**Cost Containment**

The fiscal 2016 allowance includes an across-the-board 2% pay reduction. In OPC, this reduction is \$35,000. The fiscal 2016 allowance also includes an across-the-board reduction due to the elimination of increments. OPC’s share of this reduction is \$32,881. These actions are fully explained in the analysis of the Department of Budget and Management – Personnel.

**Personnel**

Personnel expenditures increased by \$17,491 in the fiscal 2016 allowance after accounting for the across-the-board reductions. The largest increases in personnel occur in the areas of employee and retiree health insurance (\$68,016) and employee retirement (\$25,689), which are largely offset by the cost containment actions.

**Consultant Services**

OPC’s fiscal 2016 allowance increases by \$30,786 for legal services support. Expenditures in this area are used for expert witnesses and technical assistance in cases in which OPC participates. The fiscal 2016 allowance for legal services support is approximately 16.0% (or \$202,709) higher than the three-year average of actual expenditures; however, it is only 3.5% (or \$49,329) higher than the fiscal 2014 actual expenditures. As shown in Exhibit 1, OPC anticipates a similar number of cases in fiscal 2016 as occurred in fiscal 2014.

***Recommended Actions***

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1. Concur with Governor’s allowance.



## ***Current and Prior Year Budgets***

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

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2014</b>					
Legislative Appropriation	\$0	\$3,506	\$0	\$0	\$3,506
Deficiency Appropriation	0	-44	0	0	-44
Budget Amendments	0	339	0	0	339
Reversions and Cancellations	0	-144	0	0	-144
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$3,657</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,657</b>
<b>Fiscal 2015</b>					
Legislative Appropriation	\$0	\$3,871	\$0	\$0	\$3,871
Cost Containment	0	0	0	0	0
Budget Amendments	0	18	0	0	18
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$3,889</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,889</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

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**Fiscal 2014**

OPC’s fiscal 2014 expenditures were \$150,679 higher than the legislative appropriation. Special funds increased by \$338,851 by budget amendment primarily for legal services support (\$300,000). The remaining increases resulted from changes in employee compensation including the COLA provided to State employees in January 2014 (\$25,953) and increments provided to State employees in April 2014 (\$12,908). These increases were partially offset by deficiency appropriations that reduced funding for retirement reinvestment (\$28,907) and health insurance (\$15,474), and cancellations totaling \$143,801. The cancellations largely resulted from higher than expected employee turnover.

**Fiscal 2015**

OPC’s fiscal 2015 appropriation has increased by \$17,950 due to the fiscal 2015 COLA.

## ***Audit Findings***

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Audit Period for Last Audit:	February 14, 2011-January 8, 2014
Issue Date:	June 2014
Number of Findings:	1
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

**Finding 1:** The requests for proposals issued by OPC for consulting contracts did not specify the relative importance of evaluation components in the contract award process.

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

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	19.00	19.00	19.00	0.00	0%
<b>Total Positions</b>	<b>19.00</b>	<b>19.00</b>	<b>19.00</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 1,951,214	\$ 2,143,531	\$ 2,228,903	\$ 85,372	4.0%
02 Technical and Spec. Fees	1,417,408	1,435,951	1,466,737	30,786	2.1%
03 Communication	31,340	29,787	32,210	2,423	8.1%
04 Travel	13,296	12,000	12,000	0	0%
07 Motor Vehicles	10,515	11,000	11,000	0	0%
08 Contractual Services	43,149	51,101	58,324	7,223	14.1%
09 Supplies and Materials	53,279	55,000	55,000	0	0%
12 Grants, Subsidies, and Contributions	0	5,000	5,000	0	0%
13 Fixed Charges	136,738	145,208	150,851	5,643	3.9%
<b>Total Objects</b>	<b>\$ 3,656,939</b>	<b>\$ 3,888,578</b>	<b>\$ 4,020,025</b>	<b>\$ 131,447</b>	<b>3.4%</b>
<b>Funds</b>					
03 Special Fund	\$ 3,656,939	\$ 3,888,578	\$ 4,020,025	\$ 131,447	3.4%
<b>Total Funds</b>	<b>\$ 3,656,939</b>	<b>\$ 3,888,578</b>	<b>\$ 4,020,025</b>	<b>\$ 131,447</b>	<b>3.4%</b>

Note: The fiscal 2015 appropriation does not include deficiencies. The fiscal 2016 allowance does not include contingent reductions.