

C91H00
Office of People's Counsel

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$3,896	\$4,083	\$4,069	-\$14	-0.3%
Adjustments	0	0	-8	-8	
Adjusted Special Fund	\$3,896	\$4,083	\$4,061	-\$22	-0.5%
Adjusted Grand Total	\$3,896	\$4,083	\$4,061	-\$22	-0.5%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The fiscal 2018 allowance for the Office of People's Counsel (OPC) decreases by \$21,978, or 0.5%, compared to the fiscal 2017 working appropriation after accounting for contingent reductions.
- The major changes occur in personnel, legal services support for consultant services, and the Human Resources Shared Services initiative.

Personnel Data

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</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 12/31/16	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 2018 allowance.
- As of January 1, 2017, OPC had 1.0 vacant position (a vacancy rate of 5.3%). To meet its fiscal 2018 turnover expectancy of 2.0%, OPC needs to maintain 0.4 vacant positions.

Analysis in Brief

Major Trends

Cases with Favorable Decisions Decline with Overall Activity: The number of federal, appellate, and Public Service Commission (PSC) cases in which OPC has participated has declined in most years since fiscal 2012. In fiscal 2016, only activity before PSC declined. OPC reports favorable decisions in approximately two-thirds of cases in which it participated in each year from fiscal 2012 to 2016.

Consumer Complaint Calls Increase but Successful Resolution Decreases: After a substantial decrease in calls for assistance between fiscal 2012 and 2014, the number of calls increased in both fiscal 2015 and 2016. In fiscal 2016, the number of calls totaled 1,812 and was the highest since fiscal 2012. The share of calls handled by the agency that were successfully resolved decreased from 92.6% in fiscal 2015 to 79.0% in fiscal 2016, primarily due to limited options for additional assistance for consumers that called and had already been in contact with other entities (such as the Office of Home Energy Programs, community action agencies, and nonprofit organizations).

Recommended Actions

1. Concur with Governor’s allowance.

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Operating Budget Analysis

Program Description

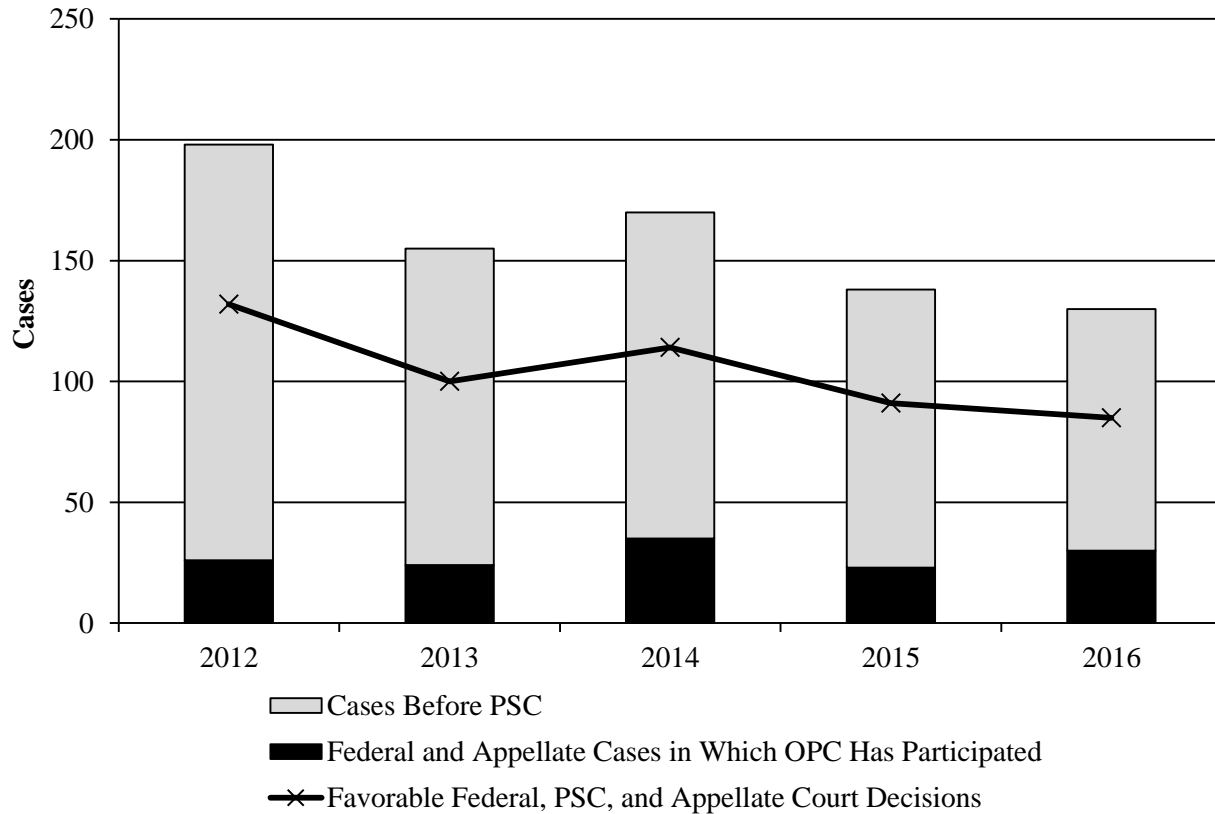
The Office of People's Counsel (OPC) represents the interests of residential users of natural gas, electricity, telephone, and private water service before the Public Service Commission (PSC), various federal regulatory commissions, and the courts. OPC monitors the development of competitive markets in natural gas, electric, and telephone services. In addition, OPC acts as a resource by providing education, referrals, and training. OPC also helps users to resolve problems with utility service and locates 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 utility services.

Performance Analysis: Managing for Results

1. Cases with Favorable Decisions Decline with Overall Activity

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**, aside from fiscal 2014, the number of federal, appellate, and PSC cases in which OPC has participated has declined since fiscal 2012. In the years with declines, the declines have typically occurred among both PSC and federal and appellate categories. However, in fiscal 2016, only activity before PSC declined (13.0%), while federal and appellate cases increased (30.4%). OPC notes that a slight decrease in applications for competitive suppliers and fewer tariff filings may have led to the decline in PSC cases. OPC noted that it has participated in more appellate cases in recent years due to the utility merger activity and the initial cases related to STRIDE (Strategic Infrastructure Development and Enhancement), which involve gas infrastructure surcharges. In addition, OPC stated that it had participated in more federal energy regulatory cases. OPC reports favorable decisions in approximately 66.0% of cases in which OPC has participated in each year from fiscal 2012 to 2016.

**Exhibit 1
Case Participation and Favorable Decisions
Fiscal 2012-2016**



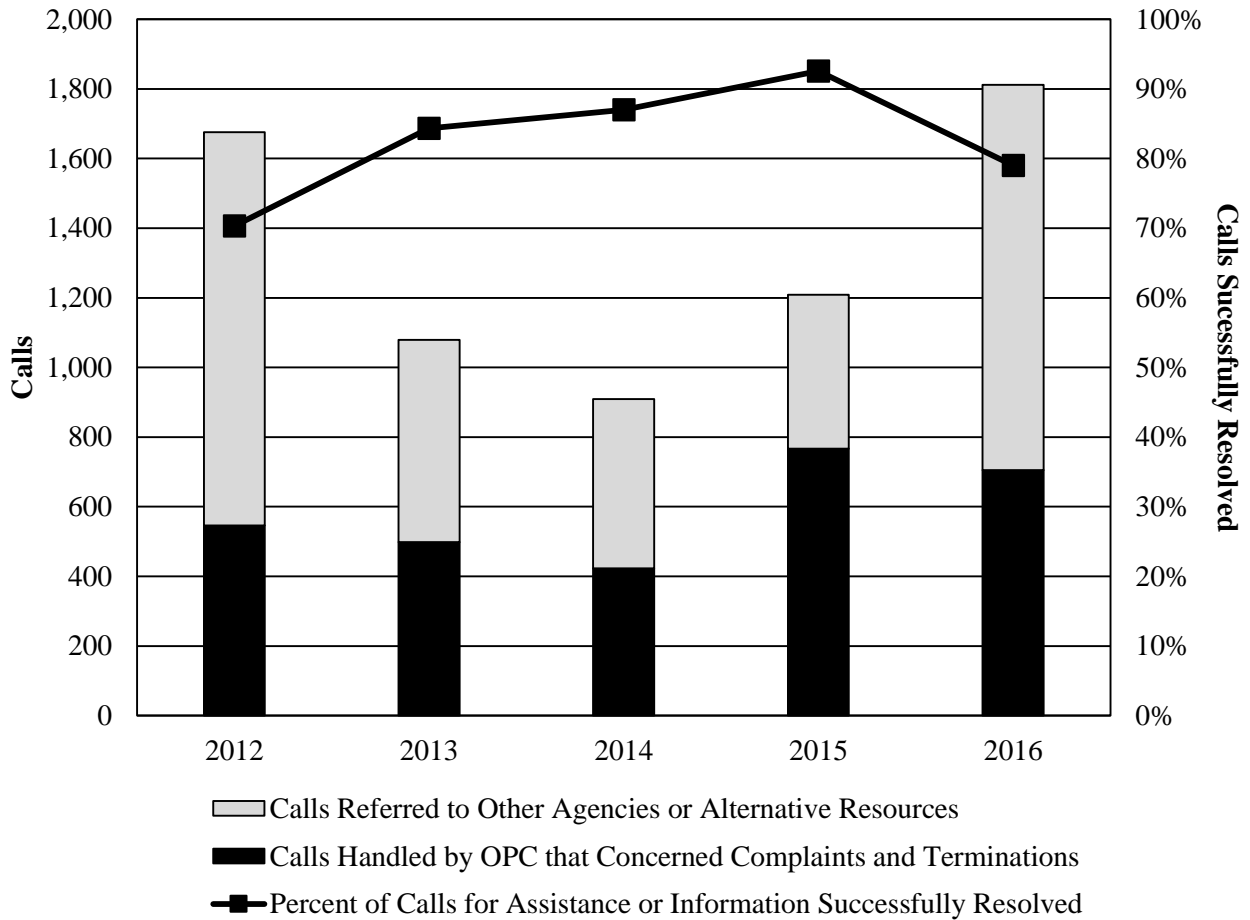
OPC: Office of People’s Counsel
PSC: Public Service Commission

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

2. Consumer Complaint Calls Increase but Successful Resolution Decreases

As shown in **Exhibit 2**, the number of calls to OPC for assistance fell substantially between fiscal 2012 and 2014, decreasing from 1,676 to 909. However, the number of calls increased in each fiscal 2015 and 2016. The number of calls for assistance totaled 1,812 in fiscal 2016 (nearly double the amount in fiscal 2014), which was the highest number of calls since fiscal 2012. OPC indicates that the increase was largely related to calls for assistance related to bill payment difficulties and service terminations.

**Exhibit 2
Consumer Assistance
Fiscal 2012-2016**



OPC: Office of People’s Counsel

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

The share of calls handled by OPC varies year to year and in recent years ranged from a low of 32.6% in fiscal 2012 to a high of 63.4% in fiscal 2015. In fiscal 2016, OPC handled 38.9% of the calls received by the agency. The remainder were referred to other agencies or alternative resources for assistance. With limited resources, OPC focuses its work on certain cases, for example, calls involving vulnerable customers (such as those with serious medical problems or electric/gas reliant life-support equipment) related to bill payment issues or service termination.

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The share of calls that were successfully resolved increased in each year from fiscal 2012 through 2015 and reached 92.6% in fiscal 2015. However, in fiscal 2016, the share of calls successfully resolved fell to 79.0%. OPC indicates that a number of the bill payment assistance and service termination cases that it received involved individuals who had already been in contact with bill assistance agencies (the Office of Home Energy Programs, community action agencies, nonprofit organizations, and faith communities). OPC indicates that the high number of individuals in contact with other entities limited the options available to OPC to assist to either referring the cases to PSC or closing cases (if the agency could not find additional assistance). OPC continues to work with other parties on broader affordability efforts.

Proposed Budget

As shown in **Exhibit 3**, the fiscal 2018 allowance of OPC decreases by \$21,978, or 0.5%, compared to the fiscal 2017 working appropriation after accounting for a contingent reduction. Personnel costs, which comprise more than half of OPC’s annual budget, decrease by \$60,512 in the fiscal 2018 allowance. Excluding changes in personnel costs, OPC’s fiscal 2018 allowance would increase by \$38,354.

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

How Much It Grows:	Special Fund	Total
Fiscal 2016 Actual	\$3,896	\$3,896
Fiscal 2017 Working Appropriation	4,083	4,083
Fiscal 2018 Allowance	<u>4,061</u>	<u>4,061</u>
Fiscal 2017-2018 Amount Change	-\$22	-\$22
Fiscal 2017-2018 Percent Change	-0.5%	-0.5%

Where It Goes:

Personnel Expenses

Employee retirement after accounting for contingent reduction.....	-\$3
Regular earnings due to filling vacant positions at lower salary levels	-22
Employee and retiree health insurance	-35

Other Changes

Legal services support for technical services needed for cases before PSC and federal regulators.....	21
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Where It Goes:

Human Resources Shared Services.....	11
Rent paid to the Department of General Services and rent for garage space.....	4
Computer maintenance contracts to better align with recent experience.....	3
Annapolis data center charges and Department of Budget and Management paid telecommunications.....	1
Association dues to better align with recent experience	1
Retirement administrative fee and the Department of Information Technology services allocation.....	1
Statewide personnel system and Enterprise budget system allocation based on project costs.....	-5
Other changes.....	1
Total	-\$22

PSC: Public Service Commission

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

Across-the-board Reductions

The fiscal 2018 budget bill includes a \$54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. OPC’s share of this reduction is \$8,057 in special funds. This action is tied to a provision in the Budget Reconciliation and Financing Act of 2017.

Legal Services Support

Outside of personnel expenses, the largest share of OPC’s budget annually is directed to legal services support, which totals more than one-third 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 in which OPC participates. From fiscal 2014 to 2016, OPC spent \$1.4 million on average for these services. The total fiscal 2018 allowance for this purpose is \$1.5 million, approximately \$51,000 higher than the three-year average of expenditures, which is an increase of \$20,687 compared to the fiscal 2017 working appropriation.

OPC indicates that this modest increase (1.4%) will provide additional support for emerging issues that might lead to additional case activity in fiscal 2018 beyond the rate, gas surcharge, and Certificate of Public Convenience and Necessity cases that are more typical. These emerging issues are expected to address regulatory models, rate design, and other utility business model reviews as part of grid modernization efforts. PSC currently has public conferences reviewing some of the issues, such as a review of an opt-in electric affordability program study requested by the House Economic Matters

Committee in May 2016 and a review related to transforming the electric distribution systems to ensure that the systems are customer-centric, affordable, reliable, and environmentally sustainable.

Human Resources Shared Services

In fiscal 2016, the Department of Budget and Management (DBM) introduced a new Human Resources Shared Services initiative. The initiative primarily focused on smaller agencies with few positions. These agencies often have limited staff working on human resources activities, and the work on these activities are only part of their job activities. The shared activities are managed through positions in DBM. Generally, the participating agencies contribute funding toward the costs of these positions. In fiscal 2017, 17 agencies were participating in the initiative, including OPC. While OPC is participating in the initiative in fiscal 2017, it does not have funds dedicated to that purpose in the fiscal 2017 working appropriation. The fiscal 2018 allowance of OPC includes funds to support this initiative (\$11,410). OPC indicates that if funds are necessary in fiscal 2017 to support this initiative, it will reduce expenditures in other areas to absorb the additional expense.

Recommended Actions

1. Concur with Governor’s allowance.

Appendix 1
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 2016					
Legislative Appropriation	\$0	\$3,939	\$0	\$0	\$3,939
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	35	0	0	35
Reversions and Cancellations	0	-78	0	0	-78
Actual Expenditures	\$0	\$3,896	\$0	\$0	\$3,896
Fiscal 2017					
Legislative Appropriation	\$0	\$4,046	\$0	\$0	\$4,046
Cost Containment	0	0	0	0	0
Budget Amendments	0	37	0	0	37
Working Appropriation	\$0	\$4,083	\$0	\$0	\$4,083

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

The fiscal 2016 special fund actual expenditures for the Office of the People’s Counsel (OPC) were \$42,519 lower than the legislative appropriation. An increase of \$35,000 to restore the 2% pay reduction was more than offset by cancellations totaling \$77,519 primarily due to higher than expected vacancies.

Fiscal 2017

To date, the fiscal 2017 special fund appropriation of OPC has increased by \$36,823 due to the distribution of funding for employee increments that were budgeted centrally.

Appendix 2
Audit Findings

Audit Period for Last Audit:	January 9, 2014 – October 20, 2016
Issue Date:	December 2016
Number of Findings:	0
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating:	n/a

The audit did not disclose any findings.

**Appendix 3
Object/Fund Difference Report
Office of People's Counsel**

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 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	\$ 2,112,066	\$ 2,264,935	\$ 2,212,480	-\$ 52,455	-2.3%
02 Technical and Spec. Fees	1,459,325	1,489,488	1,510,175	20,687	1.4%
03 Communication	33,227	31,271	32,776	1,505	4.8%
04 Travel	12,522	12,000	12,000	0	0%
07 Motor Vehicles	11,000	11,000	11,500	500	4.5%
08 Contractual Services	60,530	62,056	72,973	10,917	17.6%
09 Supplies and Materials	57,837	60,000	60,000	0	0%
13 Fixed Charges	149,779	152,002	156,927	4,925	3.2%
Total Objects	\$ 3,896,286	\$ 4,082,752	\$ 4,068,831	-\$ 13,921	-0.3%
Funds					
03 Special Fund	\$ 3,896,286	\$ 4,082,752	\$ 4,068,831	-\$ 13,921	-0.3%
Total Funds	\$ 3,896,286	\$ 4,082,752	\$ 4,068,831	-\$ 13,921	-0.3%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.