

Reinforcing Organizational Improvements in Public Service Regulation

Public Service Commission

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Background

Past Publicly Reported Internal Struggles

- Internal conflict and personnel issues

2021 FC Audit Findings

- Identified issues with internal control and compliance with state law.

Performance Audit Prioritized FY 2022

Objectives

1. Has the PSC established management controls to comply with state laws, internal policies, and best practices?
2. Does the PSC protect the integrity of the regulatory process from improper influence to promote public trust in the commission?

Methodologies

Staff survey

- 100% response rate, 26 staff members

Evaluated Strategic Plans & Actions

Assessed Other Utility Regulators

Reviewed Sample of E-mails from Leadership

- 9K+ e-mails ranging from 2019 to 2023

Reviewed Campaign Contributions & Ethics Complaints

Examined Staffing Challenges & Turnover

- 2017-2022

Analyzed Commission Dockets

- 2015-2022

Identifying Findings

- During fieldwork we noted many of the compliance issues were being addressed
- Survey responses identified under-addressed areas are “Staffing and turnover” and “Department culture”
- Noted organizational structure and staffing concerns for this timeframe

Commissioner Conduct & Duties

Upholding Public Trust

**Title 2 MCA – Standards of
Conduct and Rules of Ethics**

**PSC Previously Struggled with
Public Trust**

**Recent Strategic Planning
Efforts Have Addressed Some
Concerns**

**No Identified Improper
Communications in State E-
Mail Accounts**

9K+ e-mails ranging from 2019 to 2023

Upholding Public Trust

Campaign Contributions

- Identified some officers of regulated entities making coordinated contributions to commissioners.
- No existing legal requirement to report contributions from individuals who work at entities regulated by PSC.
- Arizona does consider these types of contributions in their Commission's code of ethics.
- No indication contributions influenced the commissioners' decisions in the regulatory process.

Upholding Public Trust

Commission Decisions

Reviewed Commission Dockets

2015-2022

**Commission Followed Initial Staff
Recommendations 97% of the
Time**

**Courts Did Identify Issues of Bias
in Certain Cases During
Timeframe**

Upholding Public Trust

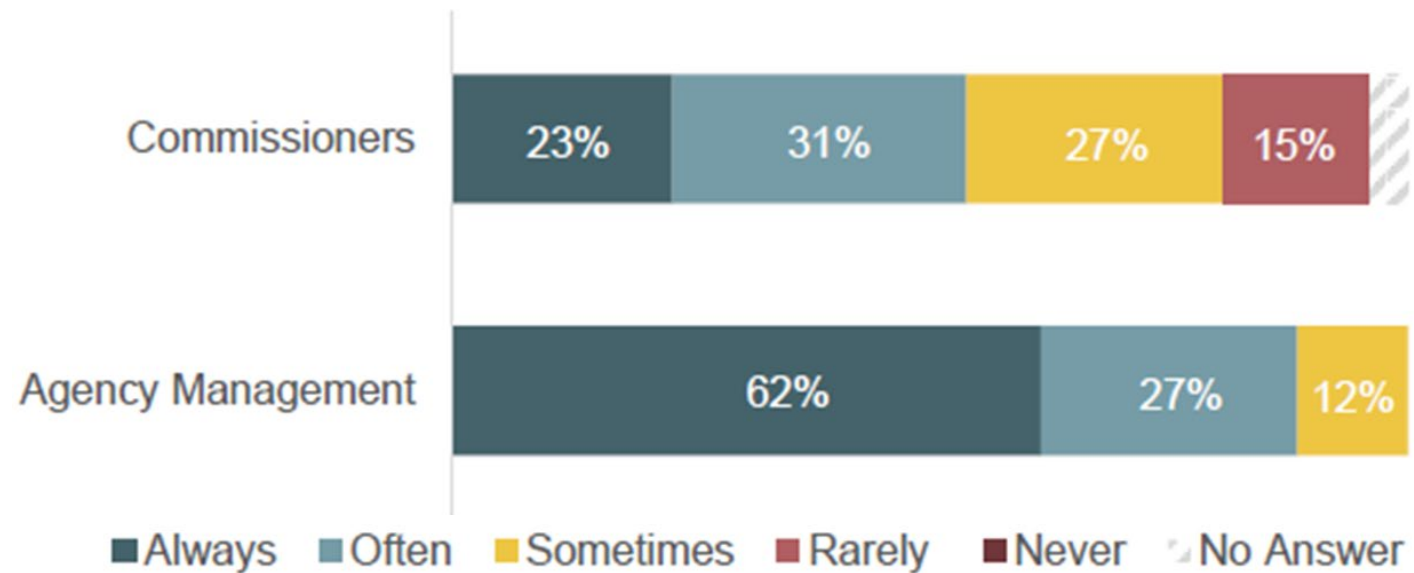
Code of Conduct

- Staff identified ethical values as an area commissioners performed less strongly than the management team
- PSC already developed onboarding materials discussing ethics & conduct
- Other state commissions have codes of conduct
- A code of conduct would help put guidance to commissioners up front and clearly commit to staff and the public of these values

Upholding Public Trust

Code of Conduct

How often do commissioners and agency management exhibit high ethical values?



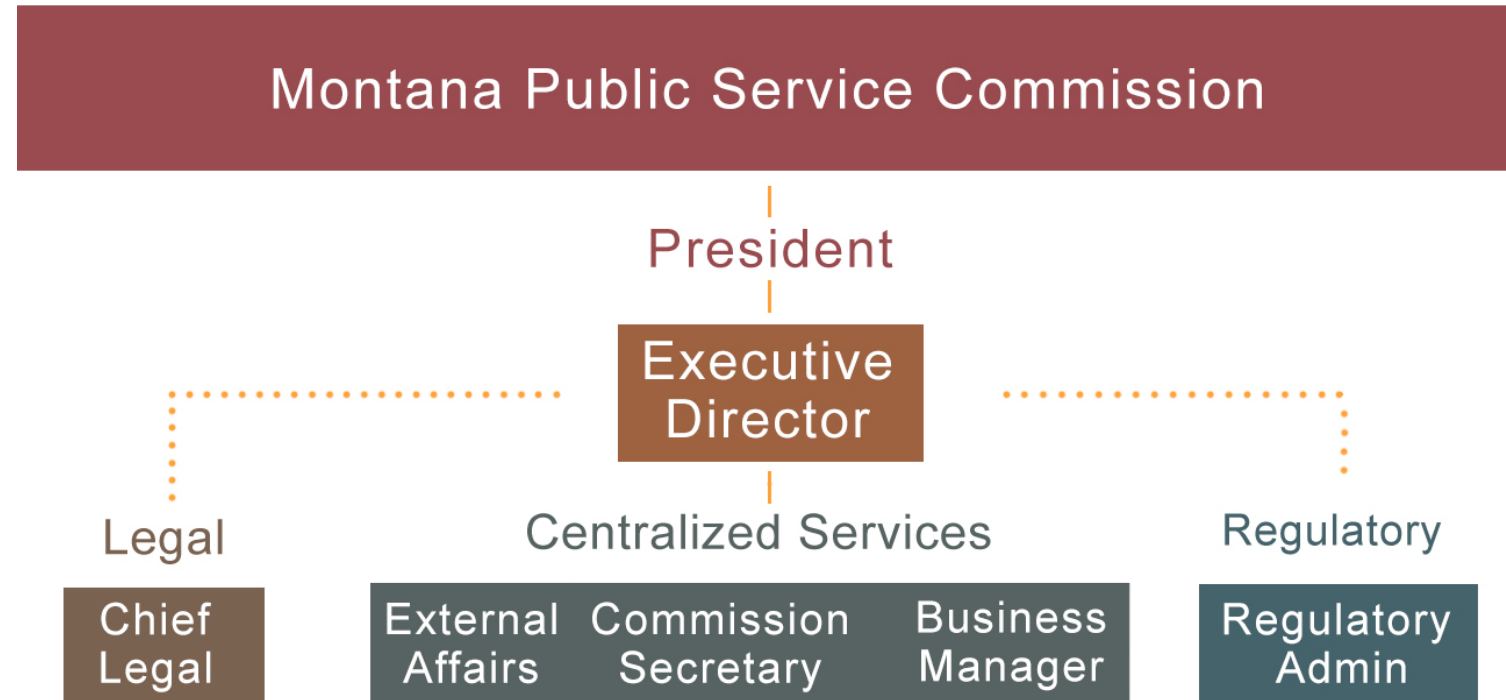
Recommendation #1

The Public Service Commission should further define a commission code of conduct and provide continuing education on the code.

Department Response: **Partially Concur**

Key Management Positions

Defining Responsibilities and Delegating Authority



Montana Public Service Commission

President

Legal

Chief
Legal

Centralized Services

External Affairs
Commission Secretary
Business Manager

Regulatory

Regulatory
Admin

Executive
Director

Defining Responsibilities and Delegating Authority

- Standards & best practices indicate:
 - Authority should be assigned and delegated to prevent fraud, waste, and abuse, and
 - Authority should increase further up the organizational chart.
- Communication from commission is inconsistent regarding role, authority, and intent of Executive Director
- Other states' organizational leadership structures include appointed executive directors, but limited appointed other staff

Recommendation #2

The Department of Public Service Regulation should consider and revise the appropriate classification for management level positions.

Department Response: **Partially Concur**

New Structure Often Not in Use

- Key roles have experienced long term vacancy
- Agency has used key positions to meet vacancy requirements
- Workloads increased for other staff when roles left vacant
- Agency struggled to meet vacancy requirements

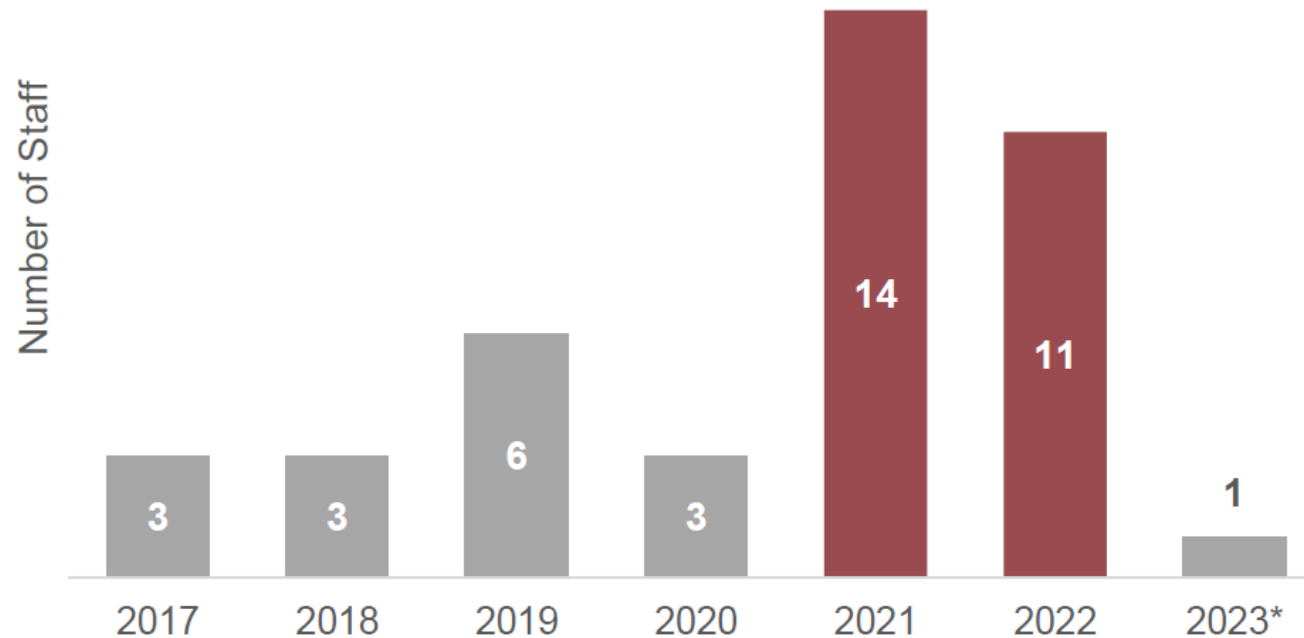
Conclusion

An Executive Director, and other management level positions, are key positions in the success of the department's operations. It is important the department prioritize hiring and filling these positions for long-term success of the organization.

Staffing for Quality Regulation

Turnover Spiked in 2021 & 2022

Staff turnover remained consistent from 2017 to 2020 before a **two-year spike in 2021 and 2022**.



*Through September 2023.

Turnover Affects Remaining Staff

- Extra workload for remaining staff
- Reactive rather than proactive work
- 50% of staff reported in the survey they were looking for other jobs

Pay and Career Ladder Challenges

Maximum Salary for PSC Attorneys Is Comparable to Starting Salaries in Utility Industry

	Public Service Commission		Private Energy	
Pay Range	Minimum	Maximum	Minimum	Maximum
Attorney	\$81,000	\$95,000	\$92,500	\$151,400
Accounting Analyst	\$63,520	\$79,400	\$50,200	\$113,400
Compliance Specialist	\$45,000	\$50,000	\$38,334	\$58,998

Recommendation #3

The Department of Public Service Regulation should address turnover and retention by proposing methods to the Legislature for funding the pay plan and increasing salaries for competitive positions.

Department Response: **Partially Concur**

Questions?