

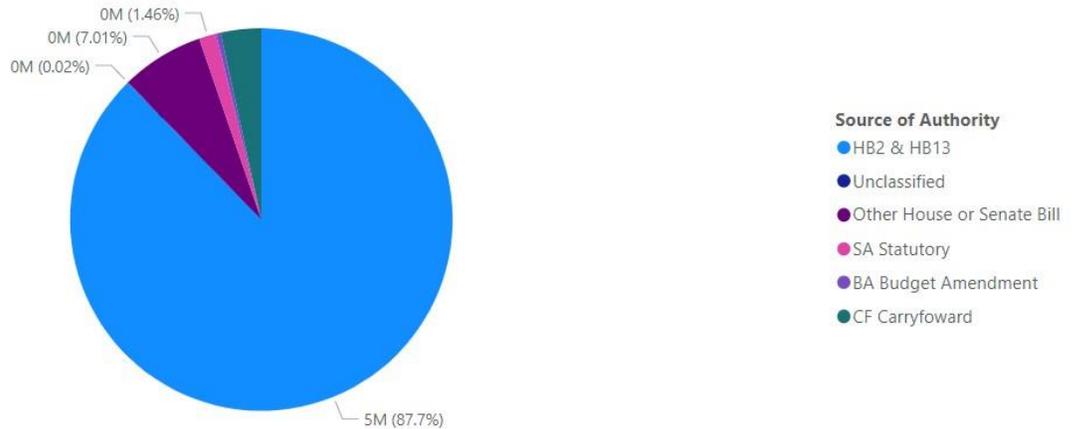
PUBLIC SERVICE COMMISSION

(Spending report July 1, 2021 through June 30, 2022 – FYE 2022)

TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the agency is shown in the pie chart below. HB 2 and HB 13 provide 87.7% of the total authority for this agency. All types of appropriation authority for this agency are described below, including total budget and the percent expended by source of authority.

Total Modified Budget by Source of Authority



Source of Authority	FYE22 Modified Budget	FYE22 Expended Budget	Percent Expended
HB2 & HB13	4,742,745	4,431,342	93.4%
BA Budget Amendment	20,514	8,865	43.2%
CF Carryforward	185,548	30,000	16.2%
Other House or Senate Bill	378,882	378,882	100.0%
SA Statutory	79,000	3,698	4.7%
Unclassified	1,029		
Total	5,407,718	4,852,788	89.7%

Report Period

- Jul
- Aug
- Sep
- Oct
- Nov
- Dec
- Jan
- Feb
- Mar
- Apr
- May
- Jun

Budget Amendments

At fiscal-year-end (FYE) 2022, the Public Service Commission (PSC) had expended \$8,865 or 43.2% of the \$20,514 in federal budget amendment (BA) authority. The PSC increased the BA authority by \$12,340 in June with a new allocation of federal authority. The authority is provided for the inspection of underground natural gas storage facilities.

At FYE 2022, the PSC had a balance of \$11,649 of unexpended/unobligated BA budget authority balance. From the total balance, \$4,414 of the balance was from authority that expired on 12/31/2021. The remainder of the balance, \$7,235 was continued in the FY 2023 budget.

Carryforward

The PSC has \$185,548 of carryforward (CF) authority in FY 2022. The carryforward authority, which is equal to 30.0% of the qualifying unexpended balances from prior years, includes \$70,196 from FY 2020 and \$115,352 from FY 2021. The authority is funded at 55.2% state special revenue and 44.8% federal special revenue. The agency has expended \$25,900 in state special revenue authority through FYE to update the wiring and technology in the PSC public hearing room and \$4,100 for the blue book project, a manual of internal policies and operating procedures. The PSC did not allocate spending from the federal special revenue authority carried forward from the natural gas safety program.

At FYE, the PSC had unexpended/unobligated CF balances of \$155,548. The agency expended all the FY 2020 state special revenue authority that was available and did not expend any of the federal special CF authority. The remaining federal FY 2020 CF authority has been reverted to the appropriated account. The agency did not expend any of the FY 2021 CF authority and continued the full amount of \$115,352 into the FY 2023 budget.

Statutory Appropriations

The statutory appropriation (SA) from the performance assurance account, as provided in 69-3-870, MCA, is expended by the PSC in carrying out its responsibilities to administer, audit, and oversee the performance assurance of Qwest. In FY 2022, the budget was established at \$79,000, and through FYE 2022, the agency expended \$3,698, or 4.7%, of the appropriation on work related to changes in agreements requested by the relevant company, Qwest. According to the PSC, this SA is no longer necessary, and the agency will request a statutory amendment in the 2023 Legislative Session to eliminate it.

At FYE, the PSC reverted the unexpended/unobligated balance of \$75,302 to the appropriated fund. The agency has not established a SA for Qwest monitoring in FY 2023. The unexpended cash balance of the account was \$75,019 at FYE 2022, and the balance was transferred to the general fund.

Other House and Senate Bill

In FY 2022, the PSC was provided \$378,882 of contingent state special revenue authority through SB 191. In FY 2023, the PSC is provided with \$324,882. The allocations of state special revenue account for 70.4% of the \$1.0 million appropriation provided to the Office of Budget and Program Planning in the legislation for the 2023 biennium. The FY 2023 budget authority will continue in the base of the 2025 biennium base budget. This authority was fully expended on contracted services related to the replacement of the electronic database for docket information (REDDI) project.

Unclassified

Per 39-71-403(1)(b)(iv), MCA, when workers' compensation premiums are lower than the previous year, state agencies shall reduce personal services appropriations by the amount of the premium reduction. To track the changes in appropriation authority, total appropriations are not reduced, instead the Governor's Office of Budget and Program Planning (OBPP) requires state agencies to:

- Reduce HB 2, statutory, and proprietary appropriations
- Create a separate offsetting entry on the financial statements in the same amount using an identifying number for workers' compensation entries (shown in the Total Authority figure above as "Unclassified")

The offsetting entries are identified as “frozen” appropriations, which means the appropriations will not be spent unless authorized by OBPP. The PSC personal services budget was reduced by \$1,029 and has an offsetting unclassified appropriation of a like amount.

HB 2 BUDGET MODIFICATIONS

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the HB 2 modified budget through FYE 2022. Net modifications to the budget include operating plan changes from one expenditure account to another, program transfers, reorganizations, and agency transfers of authority. The **positive modifications** and **negative modifications** are shown by program, expenditure account, and fund type.

Legislative Budget Compared to Modified Budget - HB 2 Only

Agency Name	June Modified Budget	FYE22 Modified Budget	Net Modifications
<input type="checkbox"/> Public Service Regulation	4,742,745	4,742,745	
PUBLIC SERVICE REGULATION PROG	4,742,745	4,742,745	
Total	4,742,745	4,742,745	

Acct & Lvl 1 DESC	June Modified Budget	FYE22 Modified Budget	Net Modifications
<input type="checkbox"/> 61000 Personal Services	3,484,720	3,484,720	
<input type="checkbox"/> 62000 Operating Expenses	1,111,969	1,111,969	
<input type="checkbox"/> 69000 Debt Service	146,056	146,056	

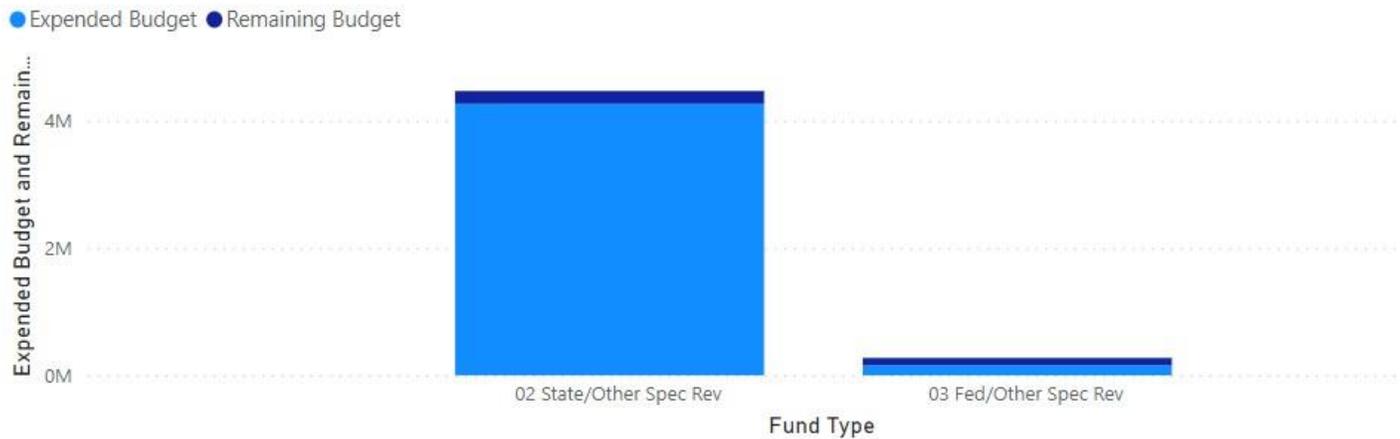
Fund Type	June Modified Budget	FYE22 Modified Budget	Net Modifications
<input type="checkbox"/> 02 State/Other Spec Rev	4,469,091	4,469,091	
<input type="checkbox"/> 03 Fed/Other Spec Rev	273,654	273,654	

The figure above highlights modifications to the HB 2 budget that occurred in June 2022. The June modified budget, as seen in the figure above, was presented at the June Interim Budget Committee (IBC) meeting. The PSC did not make any adjustment to the HB 2 budget in June.

HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through FYE 2022.

Expended Budget and Remaining Budget by Fund Type - HB 2 Only



acclv1_descr	Modified Budget	Expended Budget	Percent Expended
Personal Services	3,484,720	3,317,525	95.2%
Operating Expenses	1,111,969	967,762	87.0%
Debt Service	146,056	146,055	100.0%
Program Name	Modified Budget	Expended Budget	Percent Expended
PUBLIC SERVICE REGULATION PROG	4,742,745	4,431,342	93.4%
Total	4,742,745	4,431,342	93.4%

Through FYE, the PSC expended \$4.4 million, or 93.4%, of the modified HB 2 budget. The figure at the top of this page explains the HB 2 funding. In FY 2022, the PSC's budget is funded with 94.2% state special revenues and 5.8% federal special revenues. State special revenues in the PSC budget are generated through utility fees deposited in the PSC account and account for 96.2% of the spending. Federal funding in the PSC HB 2 budget supports the natural gas pipeline safety program and accounts for 3.7% of spending. Costs are charged to the federal grant twice a year after an internal reconciliation.

HB 2 spending in the agency through FYE 2022, at 93.4% of the modified budget, is slightly lower than the 94.7% average of the previous five years but is 2.3% higher compared to FY 2021. Spending in FY 2022 was higher than in FY 2021, where total expenditures were 91.2% of the budget and in nominal terms was \$428,869 higher. The difference is seen in operating expenses, where the PSC expended \$329,030 more in FY 2022.

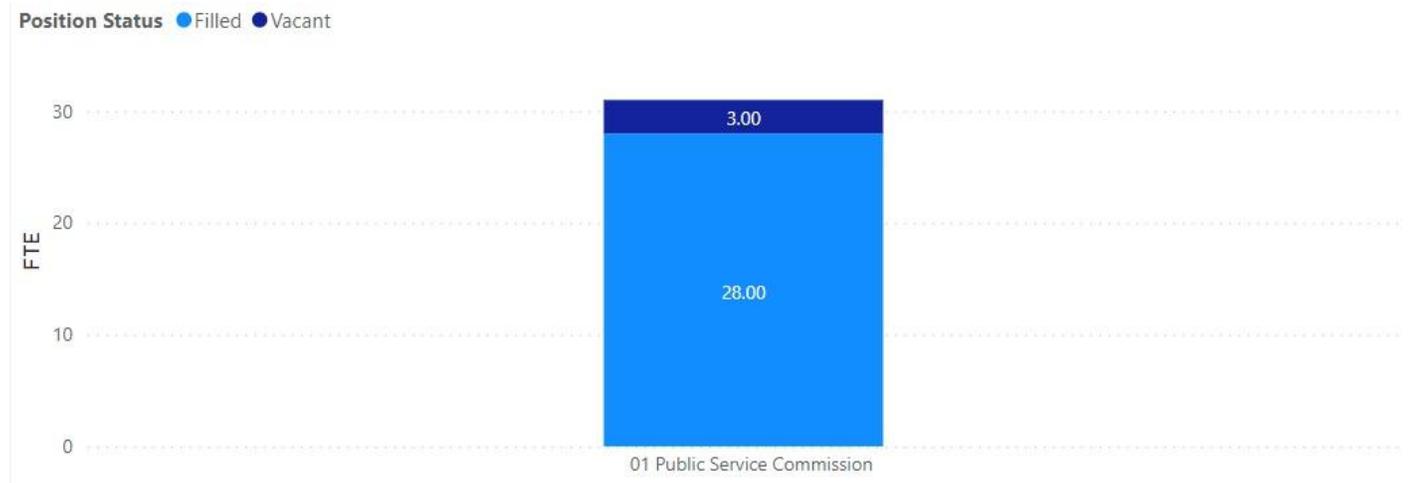
Some specific details on FY 2022 PSC expenditures include:

- \$2,224, or 2.2%, from the one-time-only (OTO) appropriation of \$100,000 for a hearing examiner which was restricted to be contracted with the Department of Justice (DOJ)
- \$416,701, or 100.0%, of expenditures from the OTO appropriations totaling \$416,701 for software initial and fixed costs

At FYE 2022, the PSC had a HB 2 unexpended/unobligated balance of \$311,403. From the total balance, the PSC continued \$32,487 of state special revenue authority for the Legislative Audit to FY 2023. Qualifying unexpended balances will be available to establish FY 2022 carryforward, and remaining balances will be reverted to the appropriated account.

Personal Services

The following chart shows the filled and vacant FTE within the agency as of June 30, 2022.



In FY 2022, the PSC had 31.00 FTE not including the 5.00 FTE for the public service commissioners. Of the 31.00 FTE shown above, the PSC had 28.00 FTE positions filled with 3.00 positions vacant on June 30. The vacancies at the PSC represent 9.7% of the budgeted FTE, and the positions include:

- One rate analyst I – Position filled and started August 29, 2022
- One lawyer 2 – Position filled and starts October 11, 2022
- Elected official personal staff position

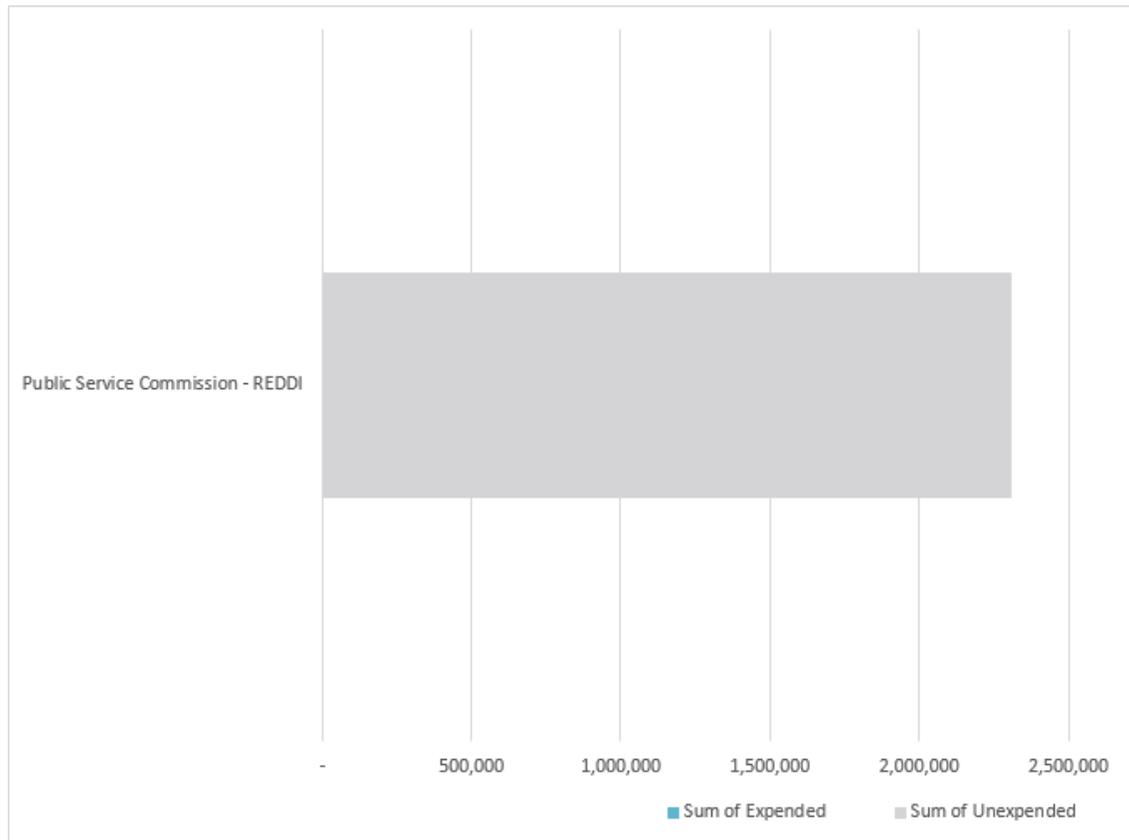
Next Steps for Personal Services Reporting

The LFD has begun the process of a more comprehensive look at personal services. The LFD will compare two executive “snapshots” -- July 2020 and July 2022. The analysis will identify adjustments adopted by the legislature in 2021 and modifications made by the agencies, within the confines of budget law.

In September 2022, the LFD will update the interim budget committees on the comparison from July 2020 to July 2022 base salaries. Ultimately, the analysis will result in a description of all the components that will be part of the executive’s decision package one (DP 1) 2025 biennium budget request. This work will be included in the 2025 Biennium Budget Analysis.

OTHER ISSUES

Information Technology Project Expenditures



The REDDI software modernization project is now included in the State Information Technology Division (SITSD) dashboard. From information in the dashboard report, the project has an estimated cost of \$2.3 million, is in the planning phase, and has an initial/original delivery date of 9/1/2023. While there are no direct project expenditures at this time, spending on the planning phase has occurred.

HB 2 provided two line-item appropriations in the PSC budget for the REDDI project. The appropriations were designated as one-time-only. Total authority in FY 2022 for the items are as follows:

- \$251,701 - software modernization system initial costs
- \$165,000 - software modernization system fixed costs

As mentioned in the HB 2 expenditures section of this report, the PSC fully expended these appropriations by FYE 2022. Furthermore, the PSC expended another \$378,882 of authority for the REDDI project allocated through SB 191. The SITSD has entered into a contract for the new system on behalf of the PSC with Stratosphere Consulting.

The PSC will have \$324,882 of SB 191 and \$507,381 of HB 2 available to put toward this contract and other associated costs in the 2023 biennium. The costs for REDDI include:

- Total Cost - Project Management: \$289,477 OTO (The supplemental appropriation needed in FY 2024 to finish REDDI project management is \$75,000)
- Total Cost - System Development/Configuration: \$2,167,314 OTO (The supplemental appropriation needed in FY 2024 to finish REDDI development & configuration is \$939,468)
- Ongoing Cost - Annual License Fee: \$138,000 FIXED (\$276,000 will be needed for software license fees for the 2025 biennium)

According to the PSC, it is anticipated that approximately \$1.3 million in additional appropriation authority will be needed to complete the project in 2025 biennium. For full costing information, see the REDDI Project Budget document on the Public Safety Interim Budget Committee webpage on the Meeting Materials tab.