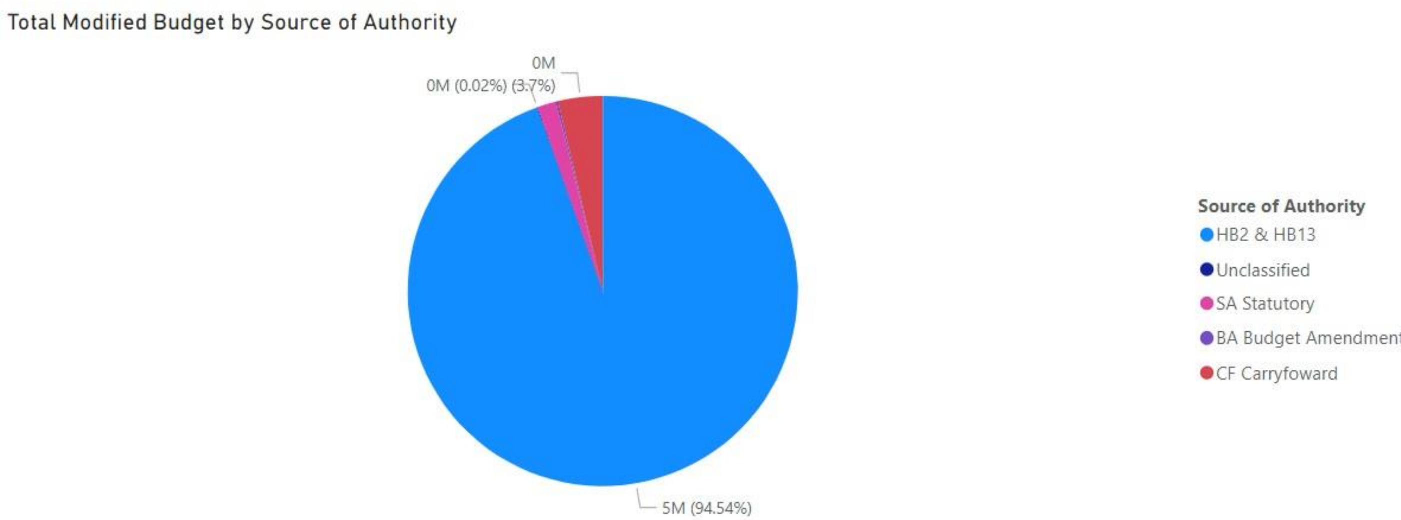
PUBLIC SERVICE COMMISSION

(Spending report July 1, 2021 through May 31, 2022)

TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the agency is shown in the pie chart below. HB 2 and HB 13 provide 94.5% 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.



Source of Authority	Modified Budget	Expended Budget	Percent Expended
HB2 & HB13	4,742,745	3,625,782	76.4%
BA Budget Amendment	8,174	3,760	46.0%
CF Carryfoward	185,548	24,918	13.4%
SA Statutory	79,000	3,698	4.7%
Unclassified	1,029		
Total	**5,016,496**	**3,658,158**	**72.9%**

Report Period
- [ ] Jul
- [ ] Aug
- [ ] Sep
- [ ] Oct
- [ ] Nov
- [ ] Dec
- [ ] Jan
- [ ] Feb
- [x] Mar
- [x] Apr
- [x] May
- [ ] Jun

Budget Amendments

The Public Service Commission (PSC) continued $8,174 in federal budget authority for the inspection of underground natural gas storage facilities from FY 2021. Through the end of May, the PSC expended $3,760 of this authority.

Carryforward

The PSC has $185,548 of carryforward 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 $20,818 in state special revenue through May to update the wiring and technology in the PSC public hearing room. The PSC also used $4,100 for the blue book project, a manual on operating procedures. The PSC has not allocated spending from the federal special revenue authority carried forward from the natural gas safety program.

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 May 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.

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 May 31, 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	March Modified Budget	June Modified Budget	Net Modifications
Public Service Regulation	**4,743,774**	**4,742,745**	**-1,029**
PUBLIC SERVICE REGULATION PROG	4,743,774	4,742,745	-1,029
Total	**4,743,774**	**4,742,745**	**-1,029**

Acct & Lvl 1 DESC	March Modified Budget	June Modified Budget	Net Modifications
61000 Personal Services	3,485,749	3,484,720	-1,029
62000 Operating Expenses	1,251,945	1,111,969	-139,976
69000 Debt Service	6,080	146,056	139,976

Fund Type	March Modified Budget	June Modified Budget	Net Modifications
02 State/Other Spec Rev	4,470,083	4,469,091	-992
03 Fed/Other Spec Rev	273,691	273,654	-37

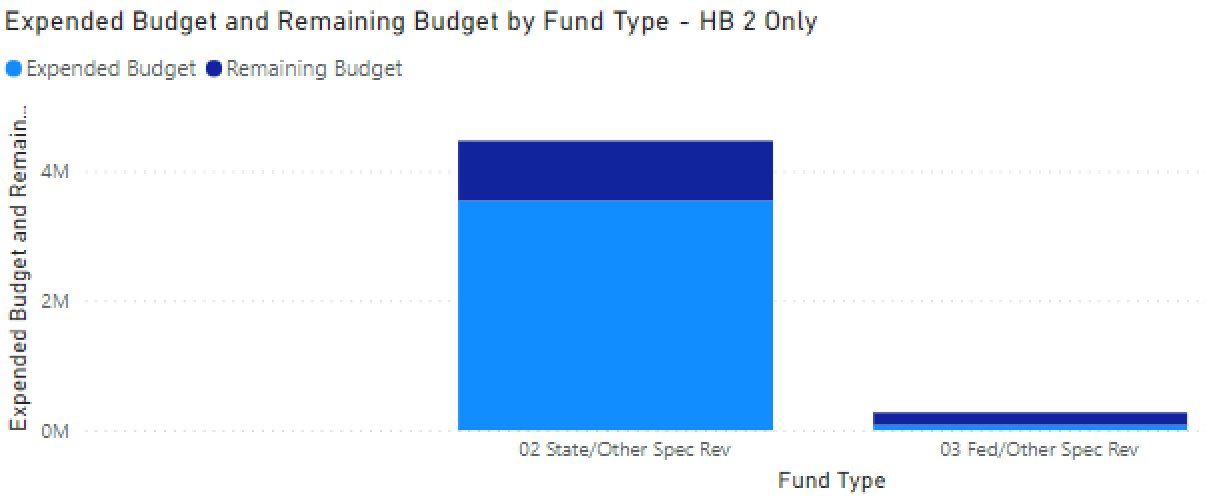
The figure above highlights modifications to the HB 2 budget that have occurred between March and May 2022. These modifications are then added to the modified budget that was presented at the March Interim Budget Committee (IBC) meeting.

The PSC made the following modifications to the HB 2 budget:

- A reduction of $1,029 from the personal services budget for reductions in workers' compensation insurance, funded 96.4% state special revenue and 3.6% federal special revenue
- The addition of 1.00 in FY 2022 and 2.00 in FY 2023 modified FTE, a legal student, and an administrative specialist, to be funded within the agency personal services budget
- Moved $139,976 from operating expenses to debt services due to accounting requirements for the building lease

HB 2 Appropriation Authority

The following chart shows the appropriated budget for the agency compared to expenditures through May 31, 2022.



acclv1_descr	Modified Budget	Expended Budget	Percent Expended
Personal Services	3,484,720	2,909,653	83.5%
Operating Expenses	1,111,969	570,074	51.3%
Debt Service	146,056	146,055	100.0%

Program Name	Modified Budget	Expended Budget	Percent Expended
PUBLIC SERVICE REGULATION PROG	4,742,745	3,625,782	76.4%
Total	**4,742,745**	**3,625,782**	**76.4%**

Through May, the PSC expended $3.6 million, or 76.4%, 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 97.2% of the spending. Federal funding in the PSC HB 2 budget supports the natural gas pipeline safety program and account for 2.2% of spending. Costs are charged to the federal grant twice a year after an internal reconciliation. The charges for the second half of calendar year 2021 were reimbursed in April and were allocated in early May.

FY 2022 HB 2 spending in the agency, at 76.4% of the modified budget, is lower than the 81.5% average of the previous five years, but is 6.8% higher compared to FY 2021. In comparison to FY 2021, there has been a nominal increase of $60,085, or 2.1%, in personal service costs. While operating expenses were 5.3% higher in FY 2022 than FY 2021, as a proportion of the budget the expenses were 11.6% lower.

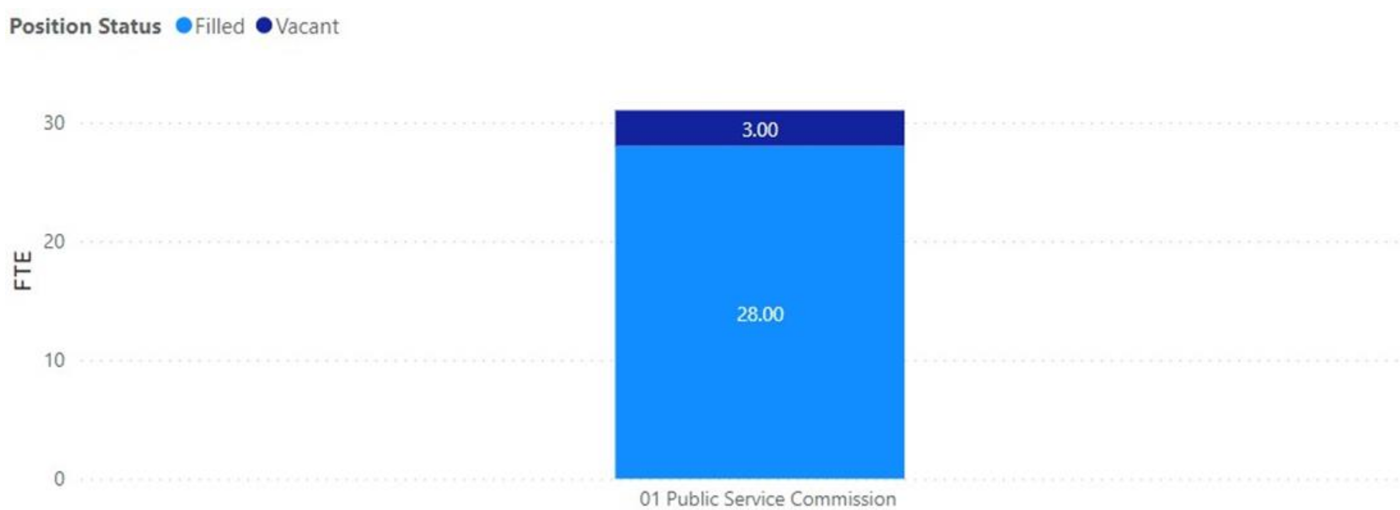
Some specific details on FY 2022 PSC expenditures include:

- $2,224 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)

- The PSC has referred one case to the DOJ that was assigned in September 2021 and completed in May 2022. The agency does not expect to refer any additional matters to a hearing examiner prior to the end of FY 2022
    - Some “tracker” dockets (where utilities are allowed to increase rates for variable costs that are out of their control) may be referred to the DOJ once filed by the PSC (in FY 2023)
- $61,770 of expenditures from the OTO appropriations totaling $416,701 for software initial and fixed costs
    - The PSC contracted with a project manager/software analyst (PMSA) at the beginning of November and completed phase 1 of the project in January 2022
    - As of May 1, 2022, phase 2 was 50.0% complete
    - For more information see the Information Technology Project Expenditures section of this report

Personal Services

The following chart shows the filled and vacant FTE within the agency as of May 1, 2022.



In FY 2022, the PSC is budgeted for 36.00 FTE, an increase of 1.00 FTE over the budgeted FTE in FY 2021. Total positions include the 5.00 FTE for the public service commissioners that are excluded from the figure above. Of the 31.00 FTE shown above, the PSC had 28.00 FTE positions filled with 3.00 positions vacant on May 1. The vacancies at the PSC represent 9.7% of the budgeted FTE and the positions include:

- One rate analyst (offer pending)
- One lawyer (offer pending)
- One regulatory compliance specialist (filled)

Next Steps for Personal Services Reporting

As mentioned in the March report, the LFD will begin the process of a more comprehensive look at personal services this summer. 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.

The September Quarterly Financial Report will provide the complete comparison from July 2020 to July 2022. 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 prepare legislators for budget deliberations in the 2023 session. For a review of how DP 1 works and snapshot components, please read this short brochure from 2019.

OTHER ISSUES

Information Technology Project Expenditures

HB 2 provided two line-item appropriations in the PSC budget for the replacement of the electronic database for docket information (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, there has been $61,770 of expenditures through May from the system initial costs appropriation (14.8% of the FY 2022 appropriations). The PSC contracted with a project manager/software analyst (PMSA), and the costs to date are related to the PMSA services. The PMSA has completed phase 1, the discovery phase, which assessed the existing system and created recommendations. As of May 1, 50.0% of phase 2 was completed including the creation of system requirements, obtaining cost estimates, and commencing evaluation of appropriate software and integration options. Phase 2 is expected to be concluded when the selected product/service vendor is brought under contract prior to the end of this fiscal year.

REQUIRED REPORTS

In late March, the PSC filed a "triggering" budget change document. Note, this item is included in the list of time sensitive budget change items provided by the Office of Budget and Program Planning to the Legislative Finance Committee (LFC).

230 OP011 - This operating plan adjustment transferred $139,976 of authority into debt service for the long-term building lease, in compliance state accounting policy. The change exceeded the 25.0% limit for a change in debt service.

"Triggering" changes require review and comment by the LFC, and are reviewed by staff of the Legislative Fiscal Division as the changes occur.