

**Agency Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	7,009,191	8,385,115	1,375,924	19.63 %
Operating Expenses	2,880,322	2,131,729	(748,593)	(25.99)%
Debt Service	396,436	645,775	249,339	62.90 %
<b>Total Expenditures</b>	<b>\$10,285,949</b>	<b>\$11,162,619</b>	<b>\$876,670</b>	<b>8.52 %</b>
State/Other Special Rev. Funds	9,738,604	10,615,237	876,633	9.00 %
Federal Spec. Rev. Funds	547,345	547,382	37	0.01 %
<b>Total Funds</b>	<b>\$10,285,949</b>	<b>\$11,162,619</b>	<b>\$876,670</b>	<b>8.52 %</b>
<b>Total Ongoing</b>	<b>\$9,161,867</b>	<b>\$11,082,394</b>	<b>\$1,920,527</b>	<b>20.96 %</b>
<b>Total OTO</b>	<b>\$1,124,082</b>	<b>\$80,225</b>	<b>(\$1,043,857)</b>	<b>(92.86)%</b>

**Agency Biennium Comparison -**

The 2025 biennium budget for the Public Service Commission (PSC) proposes an overall increase of 8.5%. When compared to the FY 2023 base appropriation, the biennial request is an increase of 8.1%.

**Mission Statement**

The mission of the agency is to ensure that ratepayers have continued access to utility services that are affordable, reliable, and sustainable for the long-term. In pursuit of this goal, the Public Service Commission regulates the rates and service quality for investor owned electric, natural gas, water, wastewater, and legacy telecommunication companies. Though they differ in form and function, companies in these industries all have one thing in common, they are monopolies with a captive set of customers. It's the PSC's job to balance the interests of ratepayers who are concerned about utility rate increases, with the need to maintain a financially sound utility that is capable of providing reliable service.

Please refer to the agency profile at <https://leg.mt.gov/lfd/appropriation-subcommittee-section-d/agency-public-service-commission/> for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

Agency Highlights

<b>Public Service Commission Major Budget Highlights</b>
<p>The Public Service Commission's 2025 biennium budget is \$876,670 or 8.5% greater than the 2023 biennium budget. Total increases in the budget are offset by the reduction of one-time-only (OTO) funding in the 2023 biennium. Significant requests for the biennium include:</p> <ul style="list-style-type: none"> <li>• \$669,337 in statewide present law adjustments for personal services, fixed costs, and inflation, with personal service increases of \$473,488</li> <li>• \$829,360 for the total costs of 4.00 FTE including a railroad inspector, IT systems administrator, administrative specialist, and lawyer</li> <li>• \$308,000 in implementation and licensing fees for the software modernization system (REDDI)</li> </ul>

Agency Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	36.00	36.00	40.00	40.00
Personal Services	3,317,527	3,484,720	3,524,471	4,225,073	4,160,042
Operating Expenses	1,346,644	1,490,851	1,389,471	1,106,833	1,024,896
Debt Service	146,055	146,056	250,380	310,375	335,400
<b>Total Expenditures</b>	<b>\$4,810,226</b>	<b>\$5,121,627</b>	<b>\$5,164,322</b>	<b>\$5,642,281</b>	<b>\$5,520,338</b>
State/Other Special Rev. Funds	4,648,198	4,847,973	4,890,631	5,368,590	5,246,647
Federal Spec. Rev. Funds	162,028	273,654	273,691	273,691	273,691
<b>Total Funds</b>	<b>\$4,810,226</b>	<b>\$5,121,627</b>	<b>\$5,164,322</b>	<b>\$5,642,281</b>	<b>\$5,520,338</b>
<b>Total Ongoing</b>	<b>\$4,391,302</b>	<b>\$4,604,926</b>	<b>\$4,556,941</b>	<b>\$5,562,056</b>	<b>\$5,520,338</b>
<b>Total OTO</b>	<b>\$418,924</b>	<b>\$516,701</b>	<b>\$607,381</b>	<b>\$80,225</b>	<b>\$0</b>

Agency Discussion

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The PSC's HB 2 modified budget was 93.9% expended at the end of FY 2022, leaving a balance of \$311,401. Personal services were 95.2% expended leaving \$167,193 in unspent authority.

Operating expenses were 90.3% expended at the end of FY 2022, leaving \$144,207 in unexpended authority, of which 67.8% is related to a one-time-only appropriation of \$100,000 for a hearing examiner that was restricted in HB 2 to be contracted with the Department of Justice (DOJ). Operating expenses included \$378,882 from an allocation of SB 191 authority, which was used to finance the replacement of the electronic database for docket information (REDDI) project.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

The FY 2023 appropriations are \$42,695 greater than the FY 2022 appropriations. Personal services is increased by

\$39,751, or 93.1% of the increase. Debt service is an increase of \$104,324 and is offset by a reduction of \$101,380 in operating expenses..

*Comparison of FY 2023 Legislative Budget to FY 2023 Base*

The figure below illustrates the beginning FY 2023 budget as adopted by the 2021 Legislature compared to the FY 2023 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2023 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2025 biennium budgeting process.

Public Service Commission				
Comparison of the FY 2023 Legislative Budget to the FY 2023 Base Budget				
Program	Legislative Budget	Executive Modification	Base Budget	% Change
<b>Public Service Regulation Program</b>				
Personal Services	\$3,524,471		\$3,524,471	0.0%
Operating Expenses	1,026,390	(244,300)	782,090	-23.8%
Debt Service	6,080	244,300	250,380	4018.1%
<b>Total</b>	<b>\$4,556,941</b>	<b>\$0</b>	<b>\$4,556,941</b>	<b>0.0%</b>
<b>Agency Total</b>	<b>\$4,556,941</b>	<b>\$0</b>	<b>\$4,556,941</b>	<b>0.0%</b>

The PSC modified the FY 2023 base budget by moving operating expenses to debt service. This change is made to conform to government accounting standards that require long-term lease costs to be accounted for as debt service.

*Elected Official Request*

The Public Service Commission is requesting to be exempt from the vacancy savings requirement. The cost of this exemption, at a 4.0% vacancy savings rate and under the executive proposal, is \$133,339 in FY 2024 and \$133,966 in FY 2025. The cost would be funded with state and federal special revenue.

*Executive Request*

The executive budget proposal for the 2025 biennium is \$11.2 million and an 8.5% increase when compared to the 2023 biennium. Proposals for the 2025 biennium include:

- \$669,337 in statewide present law adjustments including:
  - \$473,488 in personal services adjustments
  - \$146,117 in fixed costs adjustments
  - \$49,732 in inflation/deflation
- \$829,360 for 4.00 FTE, including personal services and operating expense budgets, for the following positions:
  - 1.00 FTE for a railroad inspector (\$169,261)
  - 1.00 FTE for an IT systems administrator (\$224,710)
  - 1.00 FTE for an administration specialist (\$174,035)
  - 1.00 FTE for a new lawyer (\$261,354)
- \$80,225 for anticipated retirements of approximately 3.00 FTE in the 2025 biennium
- \$308,000 for the costs of the new REDDI system
  - \$170,000 in FY 2024 includes license fees and implementation costs
  - \$138,000 in FY 2025 is the ongoing cost of the license fee

*5.0% Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A

summary of the entire 2025 biennium 5.0% plan, submitted by the agency, is in the budget analysis appendix. The 5.0% plan for the PSC would reduce state special revenue by \$192,420 per fiscal year. Reductions would be made to various operating expenses.

*Agency Goals and Objectives*

Statute requires that agencies submit a statement of the agency mission and a statement of goals and objectives for each program of the agency. The goals and objectives are required to be concise, specific, quantifiable, and measurable. Goals and objectives, submitted by the agency, are included in the agency profile webpage.

**Agency Personal Services**

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP 1) has been broken down into three categories, as follows:

- Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2023 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers’ compensation and unemployment insurance
- Management decisions – This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring full time equivalent (FTE) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications – This category includes other modifications to the FY 2023 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or transfers to move personal funding to or from other expenditure category (e.g. moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program.

Statewide Present Law Adjustment for Personal Services FY 2024 Decision Package 1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Decision Package 1
01 Public Service Commission	\$39,502	\$189,791	\$0	\$229,293
Grand Total	\$39,502	\$189,791	\$0	\$229,293

Personal services are \$3.5 million or 68.2% of the agency’s HB 2 FY 2023 appropriation. The PSC did not have any budget modifications to the personal service budget during FY 2023.

DP 1 SWPL includes an increase of \$229,293 in FY 2024 and \$244,195 in FY 2025. Legislative changes in the PSC include pay plan adjustments (including elected official pay changes), changes to benefits, longevity pay within the agency, and the reduction of the vacancy savings rate from 5.0% charged in the 2023 biennium to the recommended rate of 4.0% in the 2025 biennium. Most of the DP 1 increase is seen in management changes that include raises for career ladder promotions, performance and promotion adjustments, and increased pay for the purpose of staff retention. The PSC had no modifications that impacted the 2025 biennium personal services.

**Funding**

The following table shows proposed agency funding for all sources of authority.

Total Public Service Commission Funding by Source of Authority 2025 Biennium Budget Request - Public Service Commission						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0	0.00 %
State Special Total	10,535,012	80,225	0	0	10,615,237	95.10 %
Federal Special Total	547,382	0	0	0	547,382	4.90 %
Proprietary Total	0	0	0	0	0	0.00 %
Other Total	0	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$11,082,394</b>	<b>\$80,225</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,162,619</b>	
<b>Percent - Total All Sources</b>	<b>99.28 %</b>	<b>0.72 %</b>	<b>0.00 %</b>	<b>0.00 %</b>		

The PSC is funded with a combination of state and federal special revenue. State special revenue comprises 95.1% of the PSC funding in the 2025 biennium budget proposal.

The following figure shows the fund balance for the PSC state special revenue account. In the 2025 biennium, the Public Service Commission state special revenue account supports 95.1% of the PSC budget.

The revenue in the PSC account is derived from a fee levied on regulated companies. The amount of the fee is calculated by the Department of Revenue and is based on the annual level of appropriation, which is adjusted for the ending fund balance. The fee is charged as a percentage of the gross operating revenue from all activities in companies regulated by the PSC for the calendar quarter of operation, as outlined in 69-1-402, MCA.

Public Service Commission Account (02281) 2023 Biennium Projected Fund Balance				
	Actual FY 2022	Appropriated FY 2023	Proposed FY 2024	Proposed FY 2025
Beginning Fund Balance	\$3,070,289	\$2,649,888	\$2,585,646	\$650,233
Revenues	7,037,089	4,932,100	4,935,100	4,935,600
Expenditures				
<u>HB 2</u>				
Personal Services	3,154,854	3,334,813	4,035,415	3,970,384
Operating Expenses	1,365,126	1,417,903	1,062,879	980,942
Equipment & Intangible Assets	2,793,905	-	0	0
Debt Service	143,364	242,788	302,783	327,808
<u>HB 10</u>				
Capital Outlay	-	-	1,469,436	-
Total Expenditures	\$7,457,249	\$4,995,504	\$6,870,513	\$5,279,134
Adjustments/Non-Budgeted Costs	(241)	(839)	0	0
Ending Fund Balance	\$2,649,888	\$2,585,646	\$650,233	\$306,699

As reflected in the figure above, the ending fund balance for FY 2022 is \$2.6 million. Based on the proposed budget, the PSC is projected to have a fund balance of \$306,699 at the end of the 2025 biennium.

**Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	0	0	0	0.00 %	4,556,941	4,556,941	9,113,882	81.65 %
SWPL Adjustments	0	0	0	0.00 %	346,886	322,451	669,337	6.00 %
PL Adjustments	0	0	0	0.00 %	147,420	94,620	242,040	2.17 %
New Proposals	0	0	0	0.00 %	591,034	546,326	1,137,360	10.19 %
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$5,642,281</b>	<b>\$5,520,338</b>	<b>\$11,162,619</b>	

**HB 2 Language -**

The executive is not proposing HB 2 language for the Public Service Commission.

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2024					Fiscal 2025				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	229,293	0	229,293	0.00	0	244,195	0	244,195
DP 2 - Fixed Costs	0.00	0	94,524	0	94,524	0.00	0	51,593	0	51,593
DP 3 - Inflation Deflation	0.00	0	23,069	0	23,069	0.00	0	26,663	0	26,663
DP 5 - Building Lease Increase	0.00	0	59,995	0	59,995	0.00	0	85,020	0	85,020
DP 10 - Retirement Payouts (Rest./Bien./OTO)	0.00	0	80,225	0	80,225	0.00	0	0	0	0
DP 11 - Computer Replacement	0.00	0	7,200	0	7,200	0.00	0	9,600	0	9,600
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$494,306</b>	<b>\$0</b>	<b>\$494,306</b>	<b>0.00</b>	<b>\$0</b>	<b>\$417,071</b>	<b>\$0</b>	<b>\$417,071</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 5 - Building Lease Increase -

The executive requests an increase of appropriation for lease costs.

DP 10 - Retirement Payouts (Rest./Bien./OTO) -

The executive requests one time only and restricted authority for anticipated staff retirement payouts in the 2025 biennium.

DP 11 - Computer Replacement -

The executive requests authority for the five-year replacement cycle on computers.

**New Proposals**

The “New Proposals” table shows new proposals for spending.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - Software Modernization Project (REDDI)	0.00	0	170,000	0	170,000	0.00	0	138,000	0	138,000
DP 6 - Railroad Inspector 1	1.00	0	85,553	0	85,553	1.00	0	83,708	0	83,708
DP 7 - IT Systems Administrator 2	1.00	0	114,164	0	114,164	1.00	0	110,546	0	110,546
DP 8 - Administrative Specialist 2	1.00	0	88,838	0	88,838	1.00	0	85,197	0	85,197
DP 9 - Lawyer 2	1.00	0	132,479	0	132,479	1.00	0	128,875	0	128,875
<b>Total</b>	<b>4.00</b>	<b>\$0</b>	<b>\$591,034</b>	<b>\$0</b>	<b>\$591,034</b>	<b>4.00</b>	<b>\$0</b>	<b>\$546,326</b>	<b>\$0</b>	<b>\$546,326</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 4 - Software Modernization Project (REDDI) -

The executive requests annual ongoing licensing fee authority for the REDDI system. The project was started with appropriations provided by the 2021 Legislature. Funding to complete the project is included in the Long-Range Information Technology bill, HB10. In FY 2024, the request includes implementation costs and licensing fees. The cost in FY 2025 is the ongoing licensing fee for the system.

DP 6 - Railroad Inspector 1 -

The executive requests 1.00 FTE for a railroad inspector as authorized in participation with the Federal Railroad Administration (FRA). The position will provide investigative and surveillance activities. A 2016 legislative audit concluded that the agency should expand its railroad inspection capabilities.

DP 7 - IT Systems Administrator 2 -

The executive requests 1.00 FTE for an IT systems administrator 2. The new position will be focused full-time on REDDI.

DP 8 - Administrative Specialist 2 -

The executive requests 1.00 FTE for an administrative specialist 2 to assist with analyzing and understanding the current and future energy landscape and serve in an advisory role to the agency on areas of regional transmission systems, regional markets, and state and national developing utility trends.

DP 9 - Lawyer 2 -

The executive requests 1.00 FTE for a lawyer position. The attorney is requested for the review of regulatory documents, drafting of Commission orders, contract review, and litigation of contested cases on appeal.