

2019

# Ways and Means Presentation

Megan Decker, Commission Chair



# Public Utility Commission

Three Commissioners appointed by the Governor and confirmed by the Oregon Senate to serve four-year, staggered terms.

Chair Megan Decker



Commissioner Stephen Bloom



Commissioner Letha Tawney



# Mission Statement

*To ensure Oregon utility customers have access to safe, reliable, and high quality services at just and reasonable rates. We do so through robust and thorough analysis and independent decision-making conducted in an open and fair process.*



# Goals

## 2017 Strategic Plan

1. Protect Oregon Ratepayers and Maintain Safe and Reliable Service at Reasonable Rates
2. Promote Customer Needs in Evolving Markets
3. Maintain Safety, Reliability, and Security
4. Promote Energy Efficiency and Demand Response Programs
5. Continually Improve Business Performance and Work Environment to Benefit Customers, Employees, Regulated Utilities, Stakeholders, and the Public



# Historical Perspective

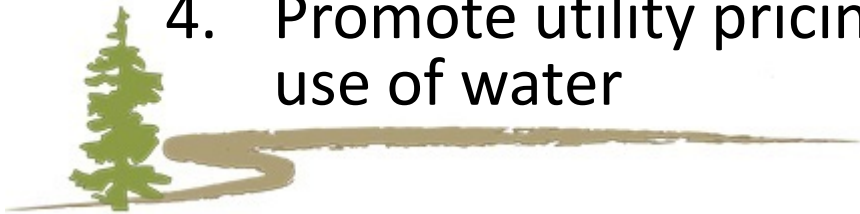
- July 7, 1843 – first act regulating utilities adopted by the Provincial Government of the Oregon Territory
- February 18, 1907 – Railroad Commission established.
- November 29, 1912 – Railroad Commission jurisdiction extended to utilities and transportation.
- 1986 – Became Oregon Public Utility Commission.
- 1995-1996 – motor transportation and rail safety transferred to Oregon Department of Transportation.



# Overview of Agency Performance and Outcome Measures

The PUC has **15** Key Performance Measures, which cover the following 9 topics:

1. Maintain electricity rates that are lower than the national average
2. Prevent personal injury to electricity and natural gas customers and industry workers (three measures)
3. Maintain a healthy level of competition in the telecommunications and electricity industries (two measures)
4. Promote utility pricing that encourages the efficient use of water



# Overview of Agency Performance and Outcome Measures

5. Investigate customer complaints and issue complaint orders in a timely fashion
6. Maintain a high level of agency customer service (two measures)
7. Successfully inform target populations about special telecommunications programs (two measures)
8. Maintain effective Energy Trust performance (five sub-measures)
9. Two Board of Maritime Pilots Performance Measures



# Summary of Programs

## Utility Regulation

- Three private electric utilities (PGE, PacifiCorp, and Idaho Power)
  - *1,469,762 customers*
- Three private natural gas utilities (NW Natural, Avista, and Cascade Natural Gas)
  - *822,919 customers*
- About 370 telecommunications companies (traditional land-line; no cellular)
  - *569,631 access lines (10.3% decrease from 2016)*
- About 80 small water utilities
  - *25,000 customers*
- Approximately 2.9 million customers total





# Summary of Programs Utility Regulation

## Oversight of regulated energy providers

- Total revenue collected by investor-owned utilities (IOUs) is approximately \$4.8 billion per year
- Set utility rates for homes and businesses
- Set and enforce price and service rules
- Approve variety of utility transactions
- Set and enforce service quality standards



# Summary of Programs Utility Regulation

- Manage Oregon Universal Service Fund
- Set and enforce rules for fair competition in energy and telecommunications
- Ensure pipeline, power lines, transformer stations, and energy facilities operate safely
- Ensure Energy Trust of Oregon acquires cost-effective energy efficiency
- Resolve customer utility complaints



# Summary of Programs

## Residential Service Protection Fund

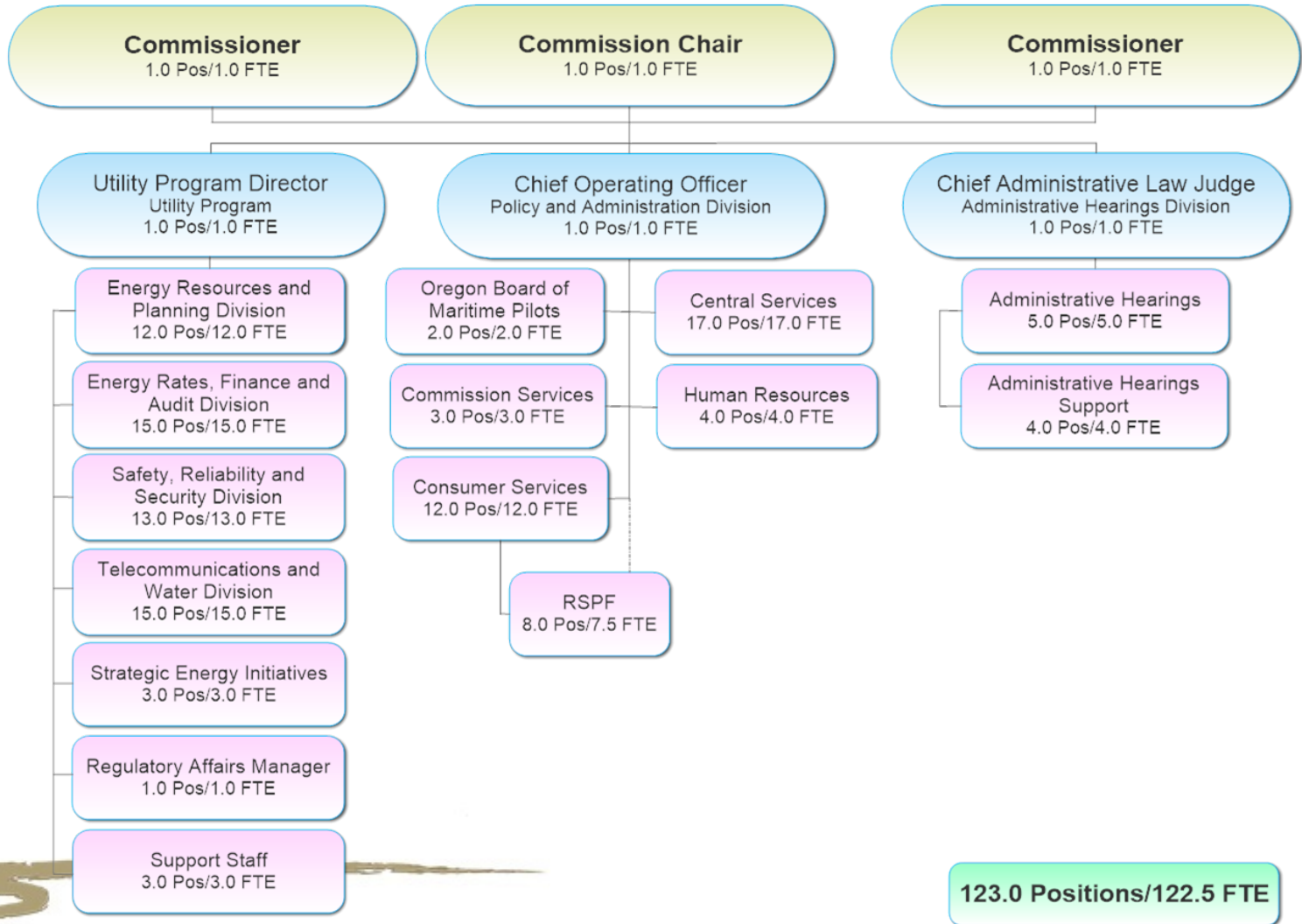
### Administer Residential Service Protection Fund

- Oregon Telephone Assistance Program (OTAP)
- Oregon Telecommunications Relay Service (OTRS)
- Telecommunications Devices Access Program (TDAP)
- Emergency Medical Certificates Program



# Agency Organizational Information

(as of September 30, 2018)



# Agency Organizational Information

## Executive Office

(Established October 1, 2018)

- Executive Director
  - Overall strategic performance of the agency
  - Aligns resources, structure, and processes with strategic priorities, goals, and initiatives
- Director of Policy
  - Legislative and public policy engagement
- Public Information Officer
  - External and internal communications
- Commissioner Support
  - Commission Advisors (2 FTE)
  - Executive Support Specialist



# Agency Organizational Information

## Utility Program

- Managed by a Utility Program Director and Deputy Director (60 FTE)
  - Provides financial, accounting, engineering, and economic analysis and advice
- Energy Resources and Planning (12 FTE)
- Energy Rates, Finance, and Audit (15 FTE)
- Telecommunications and Water (15 FTE)
- Utility Safety, Reliability, and Security (13 FTE)



# Agency Organizational Information

## Administrative Hearings Division

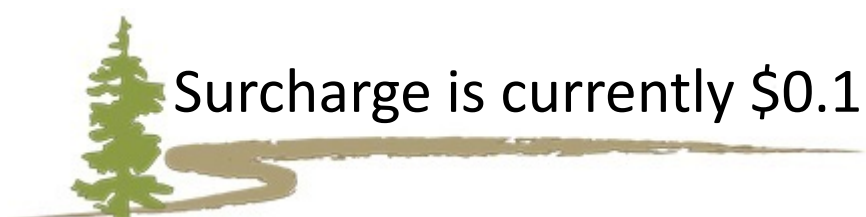
- Managed by Chief Administrative Law Judge – 10 FTE
- PUC is exempt from use of ALJs in Office of Administrative Hearings
- Presides over contested case and rulemaking proceedings
- Manages the PUC's filing center for receipt of all official documents



# Agency Organizational Information

## Residential Service Protection Fund

- **Oregon Telephone Assistance Program (OTAP)**
  - Approximately 54,800 customers
- **Oregon Telecommunications Relay Service (OTRS)**
  - Approximately 8,479 calls monthly
- **Telecommunications Devices Access Program (TDAP)**
  - Approximately 4,350 customers
- **Emergency Medical Certificates Program (Handled by Consumer Services)**
  - 3,724 disconnection contacts in 2018



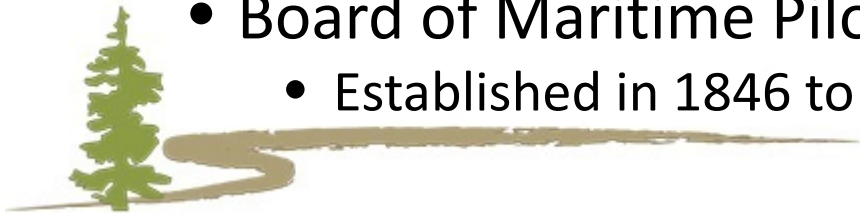
Surcharge is currently \$0.11 (Statutory maximum is \$0.35)



# Agency Organizational Information

## Policy and Administration Budget

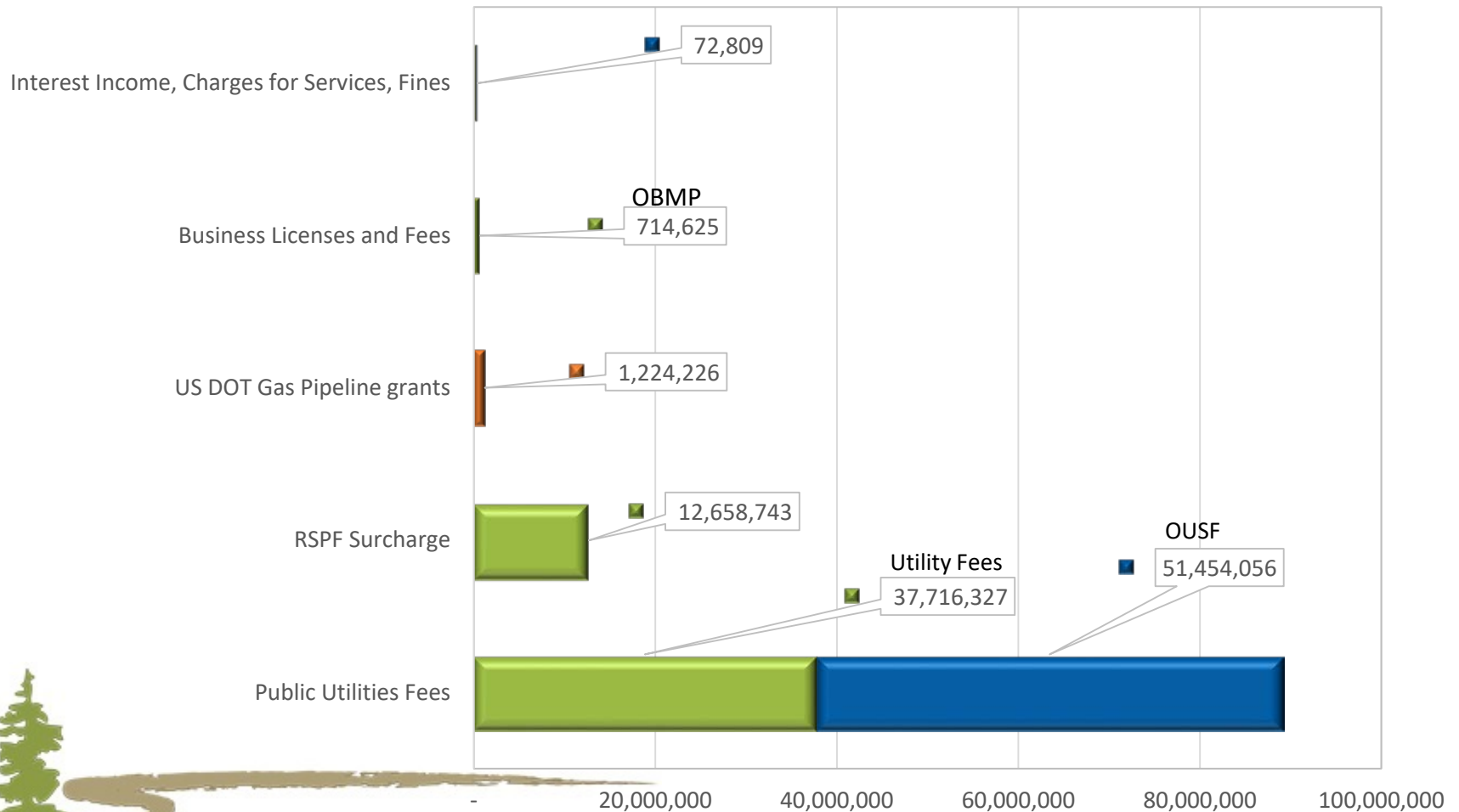
- Policy and Administration – 53 FTE
  - Commissioners (3 FTE)
  - Executive Office (6 FTE)
  - Chief Operating Officer
  - Consumer Services (12 FTE)
  - Human Resources / Training (4 FTE)
  - Business Services (10 FTE)
  - Information Systems (7 FTE)
  - Administrative Hearings (10 FTE)
- Residential Service Protection Fund (RSPF) – 7.5 FTE
- Board of Maritime Pilots – 2 FTE
  - Established in 1846 to promote safe shipping



# Budget Revenue Governor's Budget

## Sources of 2019-2021 Agency Revenues

■ Other Funds Limited   ■ Other Funds Non-Limited   ■ Federal Funds Limited



# Budget Overview

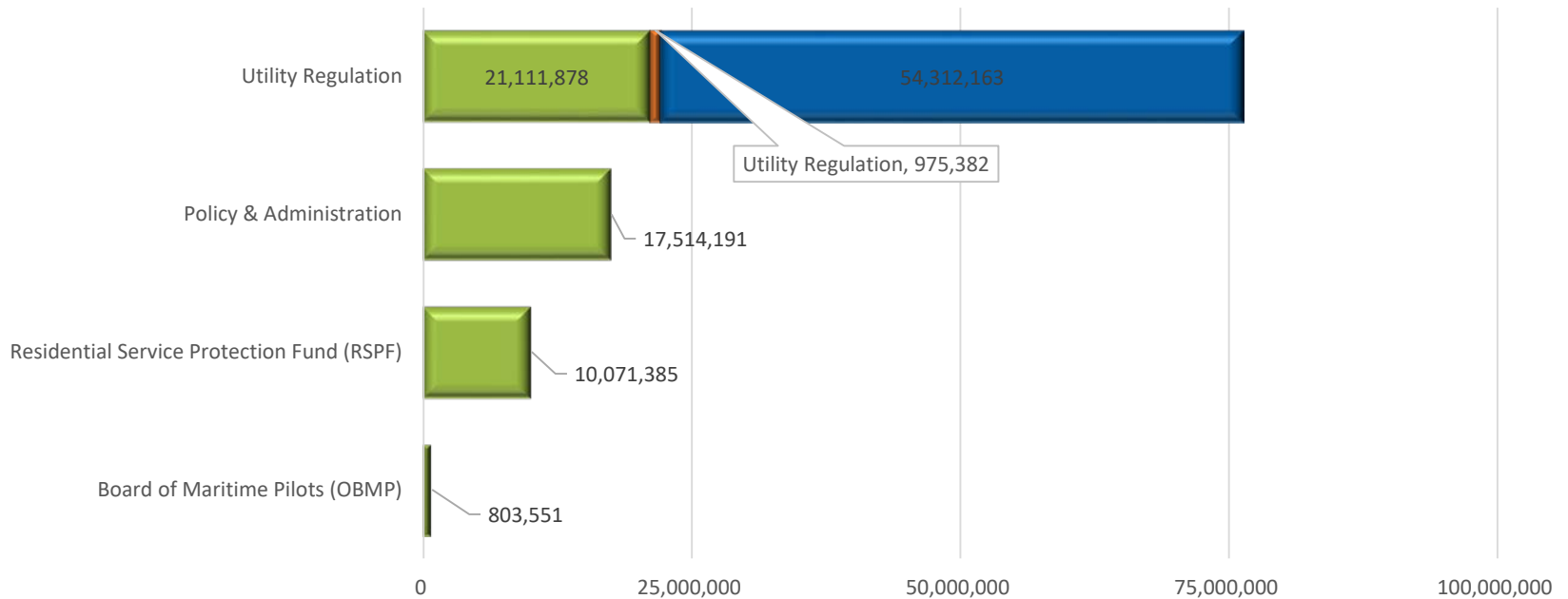
## Governor's Budget

Other Fund and Federal Fund Disbursements

Total Disbursements all Programs

\$104,788,550

■ Other Funds Limited ■ Federal Funds Limited ■ Other Funds Non-Limited



Other Funds Non-Limited are mandated by statute (ORS 759.425) that requires the PUC to establish and administer the Oregon Universal Service Fund (OUSF). The PUC collects funds from all retail telecommunications providers for service sold in Oregon and passes those funds on to telecommunications providers in high-cost areas.

The PUC receives no General or Lottery funds. Commission utility regulation responsibilities are funded through a per month charge on regulated natural gas, electric, telecommunication, and water utility bills (approximately \$0.20 per residential bill).



# Budget Drivers

## Limited funds budget (non-OUSF)

- *Personnel and Other Personnel Expenses* – 63% of budget. Tight labor market and competition for analysts drives recruitment and retention costs up.
- *OTAP Payments/TDAP Equipment* – 8.5% of budget
- *OTRS Payments* – 8.5% of budget
- *Attorney General Expenses* – 6% of budget
- *Rent* – 4% of budget
- *Other Services and Supplies* (including IT and state agency assessments) – 10% of budget



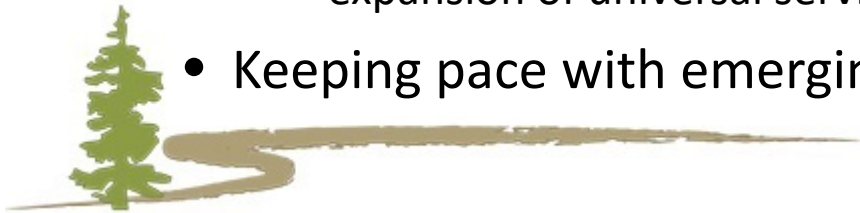
# Budget Risks - Revenue

- Fees are a percentage of utility revenue
- Decreasing landlines equal decreasing revenue
- Lower natural gas prices equal smaller growth in natural gas revenue
- Slow growth in electric revenue



# Environmental Factors

- Changes in energy industry, market, technology and policy drivers
  - SB 978 Report – electricity sector
    - Policy drivers – climate, affordability/equity
    - Customer choice and regulatory paradigm
    - Market evolution
    - Participation
  - SB 844 Report – natural gas sector
  - Low-income utility workgroup report
  - Resiliency – cybersecurity and seismic
- Continued evolution in telecommunications industry
  - Continued decrease in landline use
  - Federal laws and rules promoting development of broadband and expansion of universal service funding
- Keeping pace with emerging state and federal laws and rules



# Major Changes to Agency

- Two new Commissioners in the past 24 months and a new Chair
- Established Executive Office to enhance delivery of services
  - Executive Director
  - Director of Policy



# Plans for Cost Containment and Program/Service Improvement

## Budget management actions of PUC:

- Reduction in administrative personnel
- Vacancy savings
- Administrative savings due to technology
- Deferral of IT purchases
- Reduction in travel
- Data sharing agreements with Department of Revenue and Department of Human Services



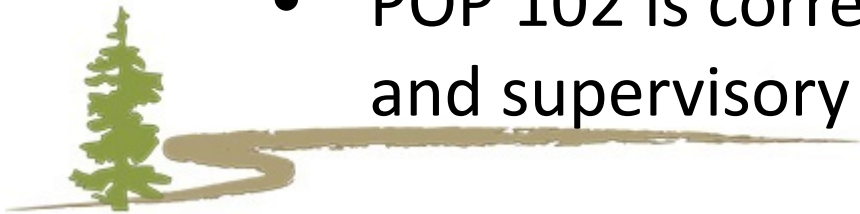


# Major Budget Information

## Request for fee increase

### SB 68 and POPs 101/102

- SB 68 increases from current statutory maximum of 0.3% (0.0030) of utility operating revenue to 0.45% (0.0045) for energy and water 0.35% (0.0035) for telecom
- Implementing POPs – 101/102
  - POP 101 increases PUC budget to use a portion of the requested increase
  - POP 102 is corresponding increase in FTE and supervisory ratio



# Shared Programs

None



- SB 68 modifies ORS 756.310 by increasing the annual utility fee (POP 101)
- SB 69 aligns Oregon statute to FCC regulations
- Increase Utility Program staffing (POP 102)
- Increase Attorney General limitation (POP 103)
- Federal Fund Allocation (POP 104)
- Strategic Energy Initiatives (POP 105)



# Governor's Budget Ten Percent Reductions (Full Descriptions in Budget Binder)

1. Services and Supplies - \$533,914
2. OTAP Payments - \$1,630,571
3. Personnel - \$2,752,439



# Vacancy Report

Agency	Authorization	Position	RDC	Pos Type	Anticipated Fill Date	Reason Narrative	Reason Category	XREF	GF	OF	FF	LF	Vac 7-11	Vac 12+
86000	000505390	0000256	323	PF	2/15/2019	Job Announcement closed on 9/21/2018.Reposted 11-9-18 11/30/18. Interviews conducted on 10/17/2018. Panel met for discussion on 10/23/2018. Reference checks occurred 11/1/2018. Results were not promising and did not offer the position. Position reopened and interviews are scheduled for 1/9/2019.	2	001-10-00-00000	0	153336	0	0	0	1
86000	000506370	0000503	305	PF	1/25/2019	After two failed recruitments position moved from Strategic Energy Initiatives to Executive Office 10/01/2018. Recruitment posted 10/01/2018 and closed 10/22/2018. Phone interviews 10/29/2018. In-person interviews 11/08/2018. Employment offer extended 1-4-19.	2	001-10-00-00000	0	186048	0	0	0	1
86000	000507270	0000645	322	PF	1/14/2019	Accepted offer. Employee start date is 1/14/2019.	2	001-10-00-00000	0	168720	0	0	1	0
86000	000507310	0000703	313	PP	N/A	Used 0.5 FTE for Agency Permanent Finance Plan 2019-5. Will use remainder of position to finance upcoming PFP 2019-6; which includes reclassification of position 0000816 detailed below.	8	001-10-00-00000	0	63384	0	0	0	1
86000	000745410	0000816	304	PF	6/12/2019	This position and position #257 are projected to be reclassified from a Utility Analyst 2 to a Utility Analyst 3. Planned submittal date to DAS CHRO is 2/15/19.	4	001-10-00-00000	0	73152	73152	0	1	0
86000	000818990	0300820	200	PF	2/25/2019	Position was reclassified in April 2018. Job announcement posted 4/2/2018 and cancelled 5-24-18. After failed recruitment, agency is reevaluating options for filling position. WOC assignment was utilized for this position through 1-28-18. New announcement posted 11-28-18 to 12-14-18, phone interviews scheduled for 1-23-19.	11	004-01-00-00000	0	90984	0	0	0	1
86000	001207370	1300861	303	PF	2/8/2019	Telecommunications Policy Advisor Position. Recruitment posted 1/24/2018 to 2/23/2018. Offer declined on 4/11/2018. Job announcement reposted 4/13/2018 and closed 11/9/2018. Candidate accepted offer and later rescinded offer. Reviewing other candidates from recruitment. Recently, a qualified internal candidate has shown interest in position. May fill by February 8, 2019.	2	001-10-00-00000	0	186048	0	0	0	1
86000	001260610	1500873	305	PF	2/24/2019	After two failed recruitments position moved from Strategic Energy Initiatives Section to Executive Officer (Policy) on 10/01/2018. Recruitment posted 10/01/2018 and closed 10/22/2018. Phone interviews 10/29/2018. In-person interviews 11/08/2018. Currently doing reference checks. May have to reopen position as possible candidate withdrew name from hiring pool.	2	001-10-00-00000	0	177144	0	0	0	1

**Vacancy Reason Category Codes:**

1 Abolished – either by legislative or administrative action

2 Filled or in process of being filled (recruiting, announcement posted, etc.)

3 Seasonal job

4 Vacant due to pending reclass process (reclass pkg submitted or in process of submission)

5 Recruitment difficulties

6 Position held open to accumulate savings (understanding that the savings will not be spent)

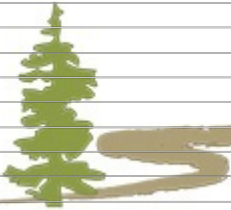
7 Position used to finance unbudgeted costs

8 Position used to finance another position (including double-fills, temporary employees, etc.)

9 Position scheduled to phase-in at a later date

10 No available funds to finance the position

11 Other – please provide specifics in Reason Narrative



# Oregon Board of Maritime Pilots

- Protect public health, safety, and welfare by ensuring that only highly-qualified and well-trained persons are licensed to pilot vessels
- Oregon Maritime Pilots are gate keepers to Oregon's and Southwest Washington's \$26 billion maritime commercial transportation industry
- "Other funded" agency staffed with 2 FTE



# Oregon Board of Maritime Pilots Budget Drivers

- *Personnel and Other Personnel Expenses* – 66% of Budget
- *Attorney General Expenses* – 16% of actual expenditures
- *Professional Services* – 3.4% of Budget
- *Rent* – 3% of Budget
- *Other Services and Supplies* (including IT and state agency assessments) – 11.6% of Budget



# OBMP Budget Risks

- Maritime Incidents and Investigation costs \$19,019 this biennium
- Increased attorney fees
- Columbia River Traffic
- Coos Bay Traffic





# Environmental Factors

## OBMP

- IMO 2020 requirement that all vessels use .5% low sulfur fuel (LSF) by 2020
- Implementation and evolution of rigorous fatigue and medical standards of care
- Increased oversight and scrutiny of Maritime Pilot operations
- Implementation of biennial rate review process
- Continuing revitalization of marine trade
- New low sulfur fuel sources may be limited



# 2019 Ways and Mean Presentation

Questions?



# Budget Appendix

## SoS Audit Results

### Energy Trust of Oregon

#### *RECOMMENDATION 1*

Define what constitutes reasonable administrative costs. Consider adopting DAS rules governing expenditures for employee recognition and special events such as holiday parties and retirement celebrations.

- PUC and Energy Trust ***agree*** with this recommendation
- **Target Date** - December 31, 2018



# Budget Appendix

## SoS Audit Results

### Energy Trust of Oregon

#### *RECOMMENDATION 2*

Revise the administrative costs metric to provide the actual amounts Energy Trust spends on administrative costs

- PUC and Energy Trust ***agree*** with this recommendation.
- **Target Date** - In advance of the Commission's adoption of the 2019 performance metric by March 2019



# Budget Appendix

## SoS Audit Results

### Energy Trust of Oregon

#### *RECOMMENDATION 3*

Clarify financial reporting methods so that readers are easily able to determine which costs are administrative. In all public financial statements that include administrative costs, highlight which costs are included in the administrative cost performance metric percentage. Consider breaking administrative costs into smaller, well-defined categories with associated guidance such as cost caps or targets.

- PUC and Energy Trust **agree** with this recommendation.
- **Target Date** - In the 2018 annual report and subsequent reports to the Commission.



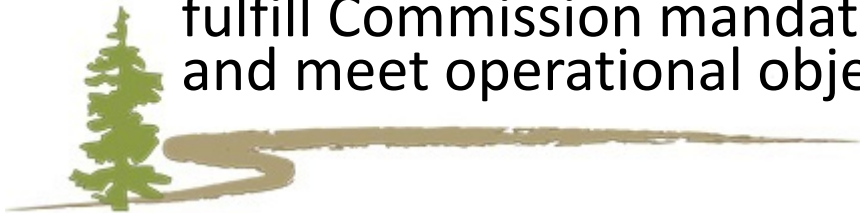
# Budget Appendix

## Changes in Agency Operations

### Commission Office / Agency Leadership

Based on Stakeholder input on the Commission operations, an **Executive Director** position was established.

- The Executive Director of the OPUC is responsible for overall Commission organizational performance and operations
- Reports to the OPUC Commission Chair and directs and supervises the agency's three top-level executives, including the Utility Program Director, Chief Administrative Law Judge, and Chief Operating Officer
- Responsible for ensuring agency resources, processes, and culture align with Commission goals, values, and initiatives. Oversees and integrates the work of agency divisions to fulfill Commission mandates, to implement strategic goals and meet operational objectives.



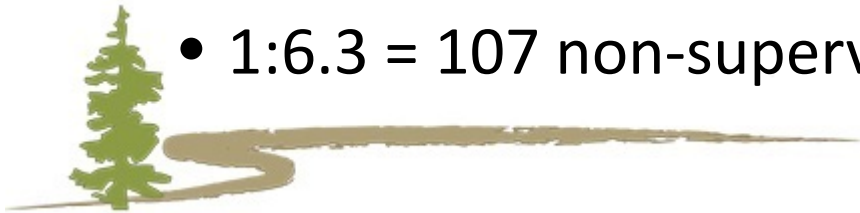
# Budget Appendix

## Supervisory Span of Control

PUC supervisory ratio of **1:6** – using the following calculation:

- 125 total personnel; 18 supervisors and 107 non-supervisors.
- 17 total supervisors = 18 employees in a supervisory role – 1 Agency Head
- 107 total non-supervisors = 103 employees in a non-supervisory role plus 4 non-supervisory vacancies
- $1:6.3 = 107 \text{ non-supervisors} / 17 \text{ total supervisors}$

**Rounds to 1:6**



# Budget Appendix

## Supervisory Span of Control

### Policy Option Package 102

An addition of four supervising managers (one a reclassification from a classified position) and an addition of four classified personnel. These additions/reclassification equal a total of 132 employees resulting in a maximum supervisory ratio of **1:5**. (From existing 1:6)



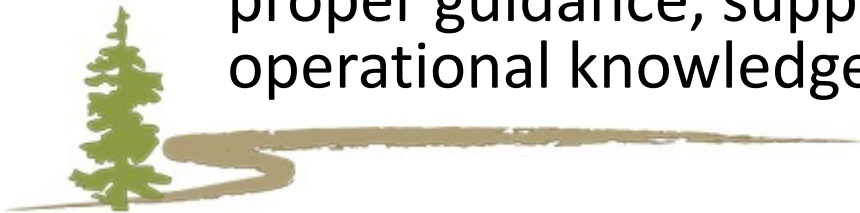


# Budget Appendix

## Supervisory Span of Control

### Complexity of PUC Duties

- Traditionally, the core work of PUC was economic regulation; however, changes in the energy and telecommunications landscape has required PUC to become the state's experts in emerging energy and telecommunications policy.
- The energy and telecommunications industries are experiencing significant, revolutionary, and ongoing change. As a result, the PUC needs additional supervisors in its Utility Program to ensure staff has proper guidance, support, and access to technical and operational knowledge.



# Budget Appendix

## Supervisory Span of Control

### Industry Best Practices

PUC's supervisory ratio is within the range of other western commissions and regulatory departments of the state's two largest electric utilities

#### Oregon Utilities (as of 6/22/2018)

- PGE – 1:5
- Pacific Power – 1:8

#### State Regulatory Commissions

- Colorado – 1:4
- Idaho – 1:3
- Montana – 1:3
- Nevada – 1:4
- Washington – 1:5
- Wyoming – 1:4



# Budget Appendix

## Technology and Capital Construction Projects

None



# Budget Appendix

## Others Funds Ending Balance Form

UPDATED OTHER FUNDS ENDING BALANCES FOR THE 2017-19 & 2019-21 BIENNIA									
Agency:		Public Utility Commission							
Contact Person (Name & Phone #):		Michael Dougherty	Chief Operating Office	(503) 373-1303					
		Barbara Seaman	Budget Analyst	(503) 373-7417					
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Other Fund Type	Program Area (SCR)	Treasury Fund #/Name	Category/Description	Constitutional and/or Statutory reference	2017-19 Ending Balance		2019-21 Ending Balance		Comments
					In LAB	Revised	In CSL	Revised	
Limited	86000-001-00-00-00000, 86000-004-00-00-00000	00401 Utility Regulation	Operations Utility Regulation and Policy & Administration	ORS 756.305	13,102,719	14,456,427	9,406,980	16,904,760	Annual Gross Revenue Fees are collected in April and must pay expenditures for the following twelve months. The currently projected ending balance for 2019-21 is estimated to cover just under 13 months of operating expenditures. Balance variance for the current biennium is due to notable vacancy savings in the Utility Program. The agency is facing increased regulatory complexity in a competitive recruitment environment. Ending balance variance for 2019-21 is due to additional revenue from a fee increase proposed with policy option package 101. The fee is set annually to match expenditures.
Non-Limited	86000-001-00-00-00000	00955 Oregon Universal Service Fund	Operations	ORS 759.425 (6)	5,424,072	6,820,054	1,967,505	1,967,505	Rate decrease put in effect in April 2010 will continue to cause a steady drop in balance. Disbursements to eligible providers are only made to the extent contributions are received. The ending balance for 2019-21 is estimated at a little under 3 months of expenditures. The RSPF assessment is currently set at eleven (11) cents for the calendar year starting January 1, 2019. The balance variance in 2017-19 is due to a low surcharge for the majority of the biennium to reduce cash balance to meet the statutory requirement of not exceeding six months of expenditures as well as an increase in Oregon Telephone Assistance Program (OTAP) disbursements due to Virgin Mobile entering the market.
Limited	86000-003-00-00-00000	00415 Residential Service Protection Fund	Operations	ORS 759.687	836,360	760,530	908,617	926,685	Estimated ending balance will be just under five months of expenditures. Variance in 2017-19 is due to vacancy savings resulting from the retirement of the executive director and a low number of incident investigations.
Limited	86000-005-00-00-00000	01215, 00401 Board of Maritime Pilots	Operations, Other (Deposit Liability)	ORS 776.365, 776.540	49,743	221,898	118,794	125,689	
<b>Objective:</b> Provide updated Other Funds ending balance information for potential use in the development of the 2017-19 legislatively adopted budget.									
<b>Instructions</b>									
Column (a): Select one of the following: Limited, Nonlimited, Capital Improvement, Capital Construction, Debt Service, or Debt Service Nonlimited.									
Column (b): Select the appropriate Summary Cross Reference number and name from those included in the 2015-17 Legislatively Approved Budget. If this changed from previous structures, please note the change in Comments (Column (j)).									
Column (c): Select the appropriate, statutorily established Treasury Fund name and account number where fund balance resides. If the official fund or account name is different than the commonly used reference, please include the working title of the fund or account in Column (j).									
Column (d): Select one of the following: Operations, Trust Fund, Grant Fund, Investment Pool, Loan Program, or Other. If "Other", please specify. If "Operations", in Comments (Column (j)), specify the number of months the reserve covers, the methodology used to determine the reserve amount, and the minimum need for cash flow purposes.									
Column (e): List the Constitutional, Federal, or Statutory references that establishes or limits the use of the funds.									
Columns (f) Use the appropriate, audited amount from the 2015-17 Legislatively Approved Budget and the 2017-19 Current Service Level as of the Agency Request Budget.									
Columns (g) Provide updated ending balances based on revised expenditure patterns or revenue trends. Do not include adjustments for reduction options that have been submitted unless the options have already been implemented as part of the									
Column (j) Please note any reasons for significant changes in balances previously reported during the 2017 session.									
Additional: If the revised ending balances (Columns (g) or (i)) reflect a variance greater than 5% or \$50,000 from the amounts included in the LAB (Columns (f) or (h)), attach supporting memo or spreadsheet to detail the revised forecast.									