

## Budget Deep Dive Checklist

**Purpose:** Budget deep dives are intended to allow legislators a more thorough review of program outcomes, spending, and finance in the legislative interim session.

### Detailed Questions

NAME OF FUNCTION: Public Service Commission – Public Utilities Regulation Fee (PURF)

#### What We Are Accomplishing

1. What authorizes delivery/provision of the function (statute, intent, rule)? List specific statutory/other references.  
Utah Code Ann. § 54 and Utah Administrative Rule R746.
2. What other activities are undertaken without explicit authority and what are the costs of those activities?  
All activities are authorized by statute and rule.
3. What outcomes is this function trying to accomplish?  
Promote and protect the public interest by ensuring that public utility services are adequate in quality, safety, and reliability, and available at just and reasonable prices.
4. What alternative government and non-government resources exist to achieve these outcomes? Why is the state involved?  
Within the Department of Commerce, the Division of Public Utilities and Office of Consumer Services are associated in promoting these outcomes. The state is involved because public utility companies have been granted monopoly status by the state in exchange for allowing the state to set rates and the conditions service to ensure the public interest is protected. State law obligates the PSC to promote and protect the public interest by ensuring that public utility services are adequate in quality, safety, and reliability, and available at just and reasonable prices.
5. What organizations are associated with this function?  
The PSC has a small staff of approximately 16 individuals who conduct administrative proceedings (governed by the Utah Administrative Procedures Act) to accomplish the outcomes. Within the Department of Commerce, the Division of Public Utilities and Office of Consumer Services participate as parties in those PSC proceedings.
6. What are the missions of the organizations associated with that function?  
To ensure that Utah's regulated public utilities provide safe, adequate, and reliable utility services at reasonable rates. Please see the [psc.utah.gov](http://psc.utah.gov), [dpu.utah.gov](http://dpu.utah.gov), and [ocs.utah.gov](http://ocs.utah.gov) websites for more information.
7. How are appropriations structured to accomplish this function?  
Appropriations are used for the hiring of professional staff including commissioners, legal counsel, technical consultants, and administrative staff. Appropriations are used for operational purposes including personnel, operating expenses, court reporters, educational materials, facilities maintenance, and technology needs.
8. To whom is performance data reported other than the Legislature and Governor?

In addition to performance metrics provided to the Legislature and Governor, the PSC publishes an extensive annual report with details on all PSC activities for the past fiscal year. These reports are available to the public at: <https://psc.utah.gov/annual-report/>

9. What decisions are made within your organization based on reporting data?

The PSC reporting data is designed to identify metrics that need consideration. When a metric does not meet the target, it prompts an internal discussion. For example, if rate increases were out of line with similarly situated states, or if credit ratings bureaus were to give Utah's utility regulatory climate an unfavorable rating, it would be an issue worth noting and considering as we consider our adjudicative proceedings. To date neither of those performance metrics have failed to meet the targets. Another performance measure is appellate decisions modifying or reversing a PSC decision. Those are extremely rare (only twice in the past decade), but prompt extensive internal evaluation when they occur.

10. How might you recommend the authorization, mission, or statute change?

The PSC is not recommending any changes.

**What We Are Buying**

11. What is the largest category of expenditure for the organization and how big is it?

Personnel expenses account for approximately 80 percent of total appropriations. For example, FY24 personnel costs are estimated at \$2.6M.

12. How does this expenditure support the above justification/authorization?

This expenditure allows the PSC to hire staff who can carefully consider the issues involved in our administrative proceedings. The outcomes of those proceedings should promote financially healthy utility companies that can provide quality, safe, and reliable services at reasonable prices.

13. What is that category of expenditure buying (how many/costs per unit)?

That category of expenditure has sixteen FTEs. The cost of each FTE varies based on position.

14. How does the above relate to units of output?

The FTEs are needed to meet the statutory requirements of the agency. While PSC dockets are increasing in complexity each year, that FTE count has not increased in over a decade.

15. How has the expenditure changed over five years relative to the units of output?

Increases over the past five years have remained at the base amount plus COLA increases. No building blocks or requests have been made over the past five, or even ten, years.

16. Are there any outliers/anomalies in current or budgeted spending in this category?

No.

17. Does the amount of expenditure for a category change significantly in accounting period 12 or 13?

No.

Why? Most expenses are generally consistent. The expenses that can vary between accounting periods are generally unpredictable, like the failure of office equipment or a need for extensive court reporters (an issue over which the agency has little control because it is dictated by the requests for agency action filed by utilities).

18. How might you recommend this expenditure category change based on the above?

The PSC is not recommending any changes to expenditure categories.

REPEAT 14-21 FOR OTHER SIGNIFICANT EXPENDITURE CATEGORIES FROM LARGEST TO SMALLEST

## How We Are Paying For It

19. What is the largest fund or account from which resources are drawn to support the above expenditures and how big is it?  
Public Utility Regulatory Fee (PURF). These fees are paid annually from regulated utilities based on in-state revenues. The fees are ultimately passed on to utility customers to cover the cost of utility regulation. FY24 appropriations including estimated non-lapsing balances are \$3.237M.
20. What are the revenue sources for that fund or account and what are their relative shares?  
Two Sources. 1. PURF, which constitutes more than 99% of the funding source. 2. A small revenue fund of approximately \$13,000 (less than 1% of total budget) is also included to reflect shared software agreements with the Department of Commerce.
21. Is the source one-time or ongoing and do ongoing sources match or exceed ongoing expenditures?  
Ongoing. Expenditures over the past five years are less than fund sources.
22. How has the source changed over time relative to expenditures and units of output?  
Appropriations only include base budgets and COLA increases. No additional requests have been made during the past five, or even ten, years.
23. Are there any outliers/anomalies in current or budgeted periods for this source?  
No
24. Are there unencumbered balances in a source that relate directly to his function/organization?  
No  
If so, how have those balances changed over time?  
N/A
25. What is a reasonable balance and why?  
The focus is to keep expenditures at or below appropriations. The target is to keep non-lapsing balance at approximately \$500,000. Budgets are strictly controlled, and non-lapsing balances are only used when clear objectives are identified that promote better efficiencies for the PSC. During the 2023 Legislative Session (S.B. 288, Utility Bill Assistance Program), the Legislature authorized use of specified, excessive non-lapsing balances from the PSC (and two agencies within the Department of Commerce) to expand utility low-income assistance programs. This was an appropriate way to return excessive PURF funds that had accumulated over many years to utility customers who are the ultimate source of those funds.
26. Is the availability of sources (grants or previous “building blocks”), rather than mission or objective, driving expenditures?  
No. The PSC has not requested building blocks over the past five, or even ten, years and has not received any grant funding during that same time period.
27. Are other sources available to support the same expenditure?  
No, unless the Legislature were to decide to fund agency activities from the General Fund. Because of the PURF, historically no PSC activities have been funded from the General Fund.
28. How might you recommend this revenue category change based on the above?  
The PSC is not recommending any changes to this revenue category.

REPEAT 22-31 FOR OTHER SIGNIFICANT SOURCES OF APPROPRIATION FROM LARGEST TO SMALLEST

**Do We Balance?**

29. What are total expenditures and total sources? Do they equal one another?

For FY24, PURF and revenue appropriations including estimated non-lapsing balances are \$3.237M which equal estimated expenses. Over the past five years, expenditures have been less than fund sources.

30. Have all appropriated or authorized sources been expended at year-end?

No.

31. How have non-lapsing appropriation balances (if any) changed over time?

Non-lapsing balances have increased in recent years. This increase is a result of periodic vacant positions and strict budget controls. During the 2023 Legislative Session (S.B. 288, Utility Bill Assistance Program), the Legislature authorized use of specified, excessive non-lapsing balances from the PSC (and two agencies within the Department of Commerce) to expand utility low-income assistance programs. This was an appropriate way to return excessive PURF funds that had accumulated over many years to utility customers who are the ultimate source of those funds.

32. Are fees or taxes supporting a function, and are those fees or taxes reasonable?

The PSC does not receive any appropriations from the General Fund. Funding is from the PURF and revenue collections. The PURF is based on a percentage of regulated utility's in-state revenue, and is subjected to a statutory cap on the percentage.