

Office of the
Legislative Fiscal Analyst

FY 2002 Budget Recommendations

Joint Appropriations Subcommittee for
Commerce and Revenue

Public Service Commission

Contents:

- 1.0 Summary
- 2.0 Issues
- 3.0 Programs
- 4.0 Additional Information

1.0 Public Service Commission

Purpose

The primary responsibility of the Commission is to ensure safe, reliable and adequate utility service. It conducts hearings and investigations of utility company operations in order to determine just and reasonable rates for service. The Commission’s goals for regulation are efficient reliable, reasonably-priced utility service for customers, and maintenance of financially healthy utility companies. These goals are generally attained through the regulatory decisions the Commission makes in each formal case.

Funding for the operation of the Commission comes from the Public Utility Regulatory Fee (PERF) and has remained stable for the last few years. Increases in energy and utility rates will result in additional revenue to the State. The fee is adjusted each year depending on the funding requirements. No major building blocks or adjustments have been made to the budget for the last several years. The repeal of House Bill 320 (2000 General Session) leaves the budget relatively unchanged for FY 2002.

	Analyst FY 2002 Base	Analyst FY 2002 Changes	Analyst FY 2002 Total
Financing			
General Fund	\$1,411,500	\$0	\$1,411,500
Dedicated Credits Revenue	5,000	60,000	65,000
Total	\$1,416,500	\$60,000	\$1,476,500
Programs			
Public Service Commission	\$1,390,200	\$60,000	\$1,450,200
Building Operations & Maint.	26,300		26,300
Total	\$1,416,500	\$60,000	\$1,476,500
FTE/Other			
Total FTE	16	1	17

Department Mission Statement

While managing the transition from regulation to competition, the Commission’s goal is to ensure efficient, reliable, high quality, reasonably priced utility service, which, over the long-run meets consumer demand for types and qualities of service and maintains financially healthy utility companies.

Utah Tomorrow

The Public Service Commission has been involved with Utah Tomorrow since its inception. Benchmarks have been established in the areas of Free Enterprise and Regulatory Systems and Economic Development. The Public Service Commission contributes to the State business climate and the free enterprise opportunities for growth and expansion within the State.

2.0 Budget Highlights: Public Service Commission

2.1 Budget Overview There is no significant change to the budget for the Public Service Commission. The addition of one FTE is the first addition to the budget in over seven years. This FTE will be funded from Dedicated Credit Revenue of the Speech and Hearing Impaired Program. (See Section 2.3)

2.2 Deregulation of the Electric Industry The Public Service Commission is closely studying and monitoring the issues related to the deregulation of the electric industry. The Legislative Task Force on Electrical Deregulation and Customer Choice is authorized through FY 2002, but legislation has been filed to change the name and broaden the scope of the effort. These issues themselves do not have a significant fiscal impact directly on the Commission budget, but the effort to develop the final decisions affect the Commission's work load and may have major ramifications for all citizens of the State.

2.3 Program Manager for Speech and Hearing Impaired The Department has requested one FTE and \$60,000 to be funded from the Speech and Hearing Impaired Trust Fund. The money will be spent to hire a person to promote outreach, education, distribution of equipment and repair of the telecommunication devices. This can be done without increasing the surcharge. There is a growing demand for functional equivalency within the deaf culture in Utah, and the FCC is supporting this demand by making additional requirements to meet the needs of the deaf. The FTE will be funded and operate out of the Administration Program where it will receive administrative support. The Analyst recommends funding of this FTE with the \$60,000 from the Speech and Hearing Impaired Trust Fund. This does not affect the General Fund.

Dedicated Credits \$60,000

2.4 Nonlapsing Balances The Public Service Commission carries-over a substantial sum of money in nonlapsing balances in several related line items. These balances are primarily in trust fund accounts that cannot be used for any purpose other than that for which it is established. Much of the nonlapsing funding for the Speech and Hearing Impaired was originally to overhaul the Utah Relay Service Center. Fees have been reduced to address the carry-over situation. The 2000 Legislature gave nonlapsing status to the Administration budget for FY 2001 and approved carryover of \$50,000 for FY 2000. The FY 2000 carryover was left out of the Appropriations Act. A supplemental appropriation will be addressed to restore this carryover to the Commission to upgrade computer equipment and provide training.

**2.4 Lifeline
Telecommunications
Service Fund**

The Public Service Commission has separated the Lifeline Telecommunications Service Fund from the Universal Public Telecommunications Service Support Fund. This is listed as a separate line item. Funds have been collected for the last several years. Recent changes have affected more telephone companies. The individual telephone companies collect the money and send it to the Public Service Commission. This has increased revenue to the fund. The purpose of the fund is to assist low income individuals, who qualify, to have basic telephone service at a lower rate.

3.1 Programs: Public Service Commission-Administration

Recommendation The Analyst recommends Administration funding of \$1,450,200. Though funding is from the General Fund, the revenue comes directly from the Public Utilities Regulatory Fee (PERF).

	2000	2001	2002	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
General Fund	\$1,367,300	\$1,416,000	\$1,385,200	(\$30,800)
Dedicated Credits Revenue	4,700	4,900	65,000	60,100
Beginning Nonlapsing	50,000	0	0	0
Lapsing Balance	(99,900)	0	0	0
Total	\$1,322,100	\$1,420,900	\$1,450,200	\$29,300
Expenditures				
Personal Services	\$1,159,800	\$1,234,700	\$1,260,900	\$26,200
In-State Travel	1,000	1,400	1,900	500
Out of State Travel	23,600	24,200	24,200	0
Current Expense	89,100	111,200	113,800	2,600
DP Current Expense	46,200	47,000	47,000	0
DP Capital Outlay	2,400	2,400	2,400	0
Total	\$1,322,100	\$1,420,900	\$1,450,200	\$29,300
FTE/Other				
Total FTE	16	16	17	1

Purpose The Public Service Commission is a quasi-judicial body which regulates all privately owned electricity, natural gas, telecommunications, and water public utilities. The Commission works to insure that rates, terms, and conditions of utility service are “just and reasonable,” to meet the public interest defined by statute and case law. Recent changes in State and federal law recognize the influence of competition on these industries, which have traditionally been regulated monopolies. The transition from monopoly to competition must be done fairly to protect the public interest to assure that services remain good, reliable, and reasonably priced. Although many aspects of traditional regulation are still an important part of the Commission’s workload, the transition to competition is also very significant.

With the Division of Public Utilities (Department of Commerce), the Commission initiates investigations into situations where utilities may be in violation of the law or are not operating in the public interest.

**Program Manager
for Speech and
Hearing Impaired**

The Speech and Hearing Impaired Program has expanded. The number of devices around the state is escalating. A public hearing held during the interim period (which the Analyst attended) emphasized the need for additional attention to this area. The Department has requested one FTE and \$60,000 to be funded from the Speech and Hearing Impaired Trust Fund. The money will be spent to hire a person to promote outreach, education, distribution of equipment and repair of the telecommunication devices.

This can be done without increasing the surcharge. In fact, the surcharge has been decreased from \$.18 to \$.10. There is a growing demand for functional equivalency within the deaf culture in Utah, and the FCC is supporting this demand by making additional requirements to meet the needs of the deaf. The FTE will be placed in the Administration Program where it will receive administrative support. The Analyst recommends funding of this FTE with the \$60,000 from the Speech and Hearing Impaired Trust Fund.

Dedicated Credits \$60,000

**Performance
Measures**

The Public Service Commission has reported a series of performance measures and tracking items. The following items are a partial listing to indicate Department activity.

Activity	FY 96	FY 97	FY 98	FY 99	FY 00
Hearings ⁽¹⁾	81	88 ⁽²⁾	91	84	85
Number of Dockets Considered	222	184	199	385	1,548
Orders Issued	395	267	254	293	549

⁽¹⁾ - Hearings related to water, electricity, telephone, motor carriers, and gas utilities.

⁽²⁾ -Motor carriers were deregulated starting in FY 1997.

3.2 Programs: Public Service Commission - Building Operation and Maintenance

Recommendation The Analyst recommends funding of \$26,300. This continues the lease at the same rate as FY 2001. Funding is from the General Fund.

	2000	2001	2002	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
General Fund	\$26,300	\$26,300	\$26,300	\$0
Total	\$26,300	\$26,300	\$26,300	\$0
Expenditures				
Current Expense	\$26,300	\$26,300	\$26,300	\$0
Total	\$26,300	\$26,300	\$26,300	\$0
FTE/Other				

Purpose The Public Service Commission is located at the Heber M. Wells Building off of Third South and First East in Salt Lake City. The building is owned and operated by the Division of Facilities and Construction Management (DFCM) of the State Department of Administrative Services.

Performance Measures No performance measures are reported for this area.

3.3 Programs: Public Service Commission-Research and Analysis

Recommendation The Analyst recommends funding of \$60,000 from Dedicated Credit Revenue.

	2000	2001	2002	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Dedicated Credits Revenue	53,100	60,000	60,000	
Total	\$53,100	\$60,000	\$60,000	\$0
Expenditures				
Current Expense	53,100	60,000	60,000	
Total	\$53,100	\$60,000	\$60,000	\$0
FTE/Other				

Purpose The funds collected and distributed are part of the Wexpro Agreement. The agreement between the State and Wexpro is to monitor the mineral extraction industries of the State. These funds are for accounting fees and contracted services of a hydrocarbon specialist in accordance with the agreement. When services have been provided, a bill is sent to Wexpro who then sends the funds to the Commission.

Performance Measures No performance measures have been reported for this area.

3.4 Programs: Public Service Commission-Speech and Hearing Impaired

Recommendation The Analyst recommends funding of \$1,818,800. The funding is from Dedicated Credit Revenue.

	2000	2001	2002	Est/Analyst
	Actual	Estimated	Analyst	Difference
Financing				
Dedicated Credits Revenue	\$2,448,800	\$1,509,700	\$1,619,300	\$109,600
Beginning Nonlapsing	3,565,300	4,830,300	4,650,200	(180,100)
Closing Nonlapsing	(4,830,300)	(4,650,200)	(4,450,700)	199,500
Total	<u>\$1,183,800</u>	<u>\$1,689,800</u>	<u>\$1,818,800</u>	<u>\$129,000</u>
Expenditures				
Out of State Travel	\$700	\$700	\$700	
Current Expense	1,183,100	1,689,100	1,818,100	\$129,000
Total	<u>\$1,183,800</u>	<u>\$1,689,800</u>	<u>\$1,818,800</u>	<u>\$129,000</u>
FTE/Other				

Purpose The Speech and Hearing Impaired Program provides telecommunication access twenty-four hours a day between hearing impaired persons using telecommunication devices (TDD) and hearing persons. The services are now contracted through SPRINT.

Deaf users must use a TDD system. These are loaned without charge to low-income individuals and are available for sale to others. All of the Utah Relay Service equipment is the property of the Public Service Commission, including the loaned TDDs.

New System Contract The Utah Relay Service (URS) was operated by the Utah Association for the Deaf until January 2000. The facility, located in Bountiful, Utah, was closed on January 28, 2000. The Utah Relay Service had eighteen incoming lines, seven from the Salt Lake area, four from Utah Valley, two from Ogden, two from Logan and three WATS lines for other areas of the State.

The contract to provide this service was awarded to SPRINT in July of 1999. The details were finalized and SPRINT began operations at the end of January 2000. The actual operations are performed out-of-state through a 1-800 number. Funds collected and carried over from the previous years will be used to fund the complete program. A public hearing was held during the 2000 interim regarding fees and service delivery. The surcharge was reduced from \$.18 to \$.10 per month on each telephone land line in the State because of a growing surplus. These rates are now in effect. Even with the rate reduction, sufficient revenue is generated to hire the FTE requested.

**Program Manager
for Speech and
Hearing Impaired**

(See Administration Section 3.1) The Department has requested one FTE to be funded from the Speech and Hearing Impaired Trust Fund. The money will be spent to hire a person to promote outreach, education, distribution of equipment and repair of the telecommunication devices. This can be done without increasing the surcharge. The Analyst recommends funding of this FTE with \$60,000 from the Speech and Hearing Impaired Trust Fund.

**Performance
Measures**

The major activity of this budget item is telephone calls. The demand is rapidly increasing. Resources are available to address the need.

Number of Calls Completed	
FY 1996	471,421
FY 1997	456,790
FY 1998	501,236
FY 1999	541,400
FY 2000	498,300

3.5 Programs: Public Service Commission-Universal Public Telecommunications Service Support Fund

Recommendation The Analyst recommends funding of \$5,193,900 from the Universal Public Telecommunications Service Support Fund. Revenue generated is dedicated to this program. This is a separate line item.

	2000	2001	2002	Est/Analyst
	Actual	Estimated	Analyst	Difference
Financing				
Universal Public Telecom Service Fu	8,029,200	6,102,900	5,531,900	(571,000)
Beginning Nonlapsing	6,627,100	9,434,400	6,366,100	(3,068,300)
Closing Nonlapsing	(9,434,400)	(9,194,400)	(6,704,200)	2,490,200
Total	<u>\$5,221,900</u>	<u>\$6,342,900</u>	<u>\$5,193,800</u>	<u>(\$1,149,100)</u>
Expenditures				
Other Charges/Pass Thru	5,212,600	6,314,900	5,193,800	(1,121,100)
Trust & Agency Disbursements	9,300	28,000		(28,000)
Total	<u>\$5,221,900</u>	<u>\$6,342,900</u>	<u>\$5,193,800</u>	<u>(\$1,149,100)</u>
FTE/Other				

Purpose The new funding mechanism for the Universal Public Telecommunications Service Support Fund (previously the Universal Service Trust Fund) account is a one percent surcharge on intra-state retail revenue. This charge was put in place in June of 1998 for the affected companies to be reflected in their billing. It is intended to subsidize eligible telephone exchange customers whose costs are much higher to operate than the State-wide average for providing local exchange and switched access service.

Fund Conversion The Universal Service Trust Fund was dissolved December 31, 1999 by the Public Service Commission. At that time, the remaining money in the Trust Fund was transferred to the Universal Public Telecommunications Service Support Fund established in Utah Code 54-8b-15. It has the same responsibility to “preserve and promote universal telephone service within the State by ensuring that customers have access to affordable basic telephone service.”

Lifeline Telecommunications Service Fund The Public Service Commission has separated the Lifeline Telecommunications Service Fund from the Universal Public Telecommunications Service Support Fund. Funds have been collected for the last several years. It is paid for by a \$.10 surcharge per month per non-lifeline telephone access line. Recent changes have impacted more telephone companies requiring them to pay. The individual telephone companies collect the money and send it to the Public Service Commission. The additional participation has increased revenue to the fund. The purpose of the fund is to assist low income individuals who qualify to have basic telephone service at a lower rate. The statutory reference is Utah Code 54-8b-15(7)(a).

**Performance
Measures**

Currently the subsidized lines are provided by nine rural telephone companies. This is an effort to provide low cost basic telephone service throughout the State.

Number of Lines Subsidized	
FY 1999	52,325
FY 2000	54,419

This is expected to grow significantly in FY 2001 due to the sale of exchanges by Quest and a 4 percent growth factor.

4.0 Additional Information: Public Service Commission**4.1 (a) Funding History: Public Service Commission - Administration**

	1998	1999	2000	2001	2002
Financing	Actual	Actual	Actual	Estimated	Analyst
General Fund	\$1,310,800	\$1,355,800	\$1,393,600	\$1,442,300	\$1,411,500
Dedicated Credits Revenue	1,800	3,000	4,700	4,900	65,000
Beginning Nonlapsing	50,000	50,000	50,000		
Closing Nonlapsing	(50,000)	(50,000)			
Lapsing Balance	(37,000)	(23,800)	(99,900)		
Total	\$1,275,600	\$1,335,000	\$1,348,400	\$1,447,200	\$1,476,500
Programs					
Public Service Commission	\$1,249,400	\$1,308,700	\$1,322,100	\$1,420,900	\$1,450,200
Building Operations & Maint.	26,200	26,300	26,300	26,300	26,300
Total	\$1,275,600	\$1,335,000	\$1,348,400	\$1,447,200	\$1,476,500
Expenditures					
Personal Services	\$1,073,800	\$1,105,800	\$1,159,800	\$1,234,700	\$1,260,900
In-State Travel	500	900	1,000	1,400	1,900
Out of State Travel	20,500	21,400	23,600	24,200	24,200
Current Expense	120,800	106,800	115,400	137,500	140,100
DP Current Expense	49,600	89,000	46,200	47,000	47,000
DP Capital Outlay			2,400	2,400	2,400
Capital Outlay	10,400	11,100			
Total	\$1,275,600	\$1,335,000	\$1,348,400	\$1,447,200	\$1,476,500
FTE/Other					
Total FTE	16	16	16	16	17

4.1 (b) Funding History: Public Service Commission – Research and Analysis

	1998	1999	2000	2001	2002
Financing	Actual	Actual	Actual	Estimated	Analyst
Dedicated Credits Revenue	39,100	49,300	53,100	60,000	60,000
Total	\$39,100	\$49,300	\$53,100	\$60,000	\$60,000
Programs					
Research and Analysis	39,100	49,300	53,100	60,000	60,000
Total	\$39,100	\$49,300	\$53,100	\$60,000	\$60,000
Expenditures					
Current Expense	39,100	49,300	53,100	60,000	60,000
Total	\$39,100	\$49,300	\$53,100	\$60,000	\$60,000
FTE/Other					

4.1 (c) Funding History – Public Service Commission – Universal Public Telecommunications Service Support Fund

	1998	1999	2000	2001	2002
Financing	Actual	Actual	Actual	Estimated	Analyst
Universal Public Telecom Service Fund	6,762,000	6,905,000	8,029,200	6,102,900	5,531,900
Beginning Nonlapsing	3,029,500	4,480,600	6,627,100	9,434,400	6,366,100
Closing Nonlapsing	(4,480,600)	(6,191,700)	(9,434,400)	(9,194,400)	(6,704,200)
Total	\$5,310,900	\$5,193,900	\$5,221,900	\$6,342,900	\$5,193,800
Programs					
Universal Telecom Service Fund	5,310,900	5,193,900	5,221,900	6,342,900	5,193,800
Total	\$5,310,900	\$5,193,900	\$5,221,900	\$6,342,900	\$5,193,800
Expenditures					
Other Charges/Pass Thru	5,310,900	5,193,900	5,212,600	6,314,900	5,193,800
Trust & Agency Disbursements			9,300	28,000	
Total	\$5,310,900	\$5,193,900	\$5,221,900	\$6,342,900	\$5,193,800
FTE/Other					

4.1 (d) Funding History – Public Service Commission – Lifeline Telecommunications Service Fund

	1998	1999	2000	2001	2002
	Actual	Actual	Actual	Estimated	Analyst
Financing					
Dedicated Credits Revenue	\$0	\$1,213,200	\$0	\$0	\$0
Closing Nonlapsing		(1,207,800)			
Total	<u>\$0</u>	<u>\$5,400</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Programs					
Lifeline Telecommunications Support Fund	\$0	\$5,400	\$0	\$0	\$0
Total	<u>\$0</u>	<u>\$5,400</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Expenditures					
Other Charges/Pass Thru	\$0	\$5,400	\$0	\$0	\$0
Total	<u>\$0</u>	<u>\$5,400</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
FTE/Other					

4.1 (e) Funding History – Public Service Commission - Speech and Hearing Impaired

	1998	1999	2000	2001	2002
Financing	Actual	Actual	Actual	Estimated	Analyst
Dedicated Credits Revenue	\$2,258,400	\$2,399,700	\$2,448,800	\$1,509,700	\$1,619,300
Beginning Nonlapsing	2,106,900	2,993,100	3,565,300	4,830,300	4,650,200
Closing Nonlapsing	(2,993,100)	(3,565,300)	(4,830,300)	(4,650,200)	(4,450,700)
Total	<u>\$1,372,200</u>	<u>\$1,827,500</u>	<u>\$1,183,800</u>	<u>\$1,689,800</u>	<u>\$1,818,800</u>
Programs					
Speech and Hearing Impaired	<u>\$1,372,200</u>	<u>\$1,827,500</u>	<u>\$1,183,800</u>	<u>\$1,689,800</u>	<u>\$1,818,800</u>
Total	<u>\$1,372,200</u>	<u>\$1,827,500</u>	<u>\$1,183,800</u>	<u>\$1,689,800</u>	<u>\$1,818,800</u>
Expenditures					
Out of State Travel			\$700	\$700	\$700
Current Expense	<u>\$1,372,200</u>	<u>\$1,827,500</u>	<u>1,183,100</u>	<u>1,689,100</u>	<u>1,818,100</u>
Total	<u>\$1,372,200</u>	<u>\$1,827,500</u>	<u>\$1,183,800</u>	<u>\$1,689,800</u>	<u>\$1,818,800</u>
FTE/Other					