

PUBLIC SERVICE COMMISSION (0450)
FISCAL YEAR 2014 & 2015 - ALC/JBC Recommendation

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

The Public Service Commission (PSC), through its Utilities Division, has general regulatory authority over public utilities that provide electric, gas, telecommunications, water, and sewer services to State consumers for compensation (no authority over municipals), and also monitors and inspects pipeline transmissions. Through its Tax Division, the PSC annually assesses the property of public utilities and carriers operating in the State for property taxation purposes. The Public Service Commission (PSC) has 3 gubernatorially appointed Commissioners who serve six-year overlapping terms.

TOTAL BUDGET

The total recommended budget is \$13,898,097 for FY2014 and \$13,579,153 for FY2015.

FUNDING SOURCES

The appropriations for the PSC are funded by fund balances, special revenues, federal funds (cost reimbursement to the Pipeline Safety Program), Ad Valorem taxes, federal ARRA funding and general revenues if needed (for the Tax Division). General revenues are not projected to be needed for FY2014 or FY2015.

II) SIGNIFICANT CHANGES

UTILITIES DIVISION-OPERATIONS (APPROPRIATION 255)

This appropriation provides for the operating costs of the Utilities Division which has general authority over electric, gas, telecommunications, water and sewer services provided to the public for compensation, and is funded by assessments paid by utility companies under PSC's jurisdiction. The appropriation is recommended to be \$9.95 million each year and includes the following increases:

Regular Salaries and Personal Services Matching- Provides for an increase of \$230,847 each year, which continues two growth pool positions authorized during the 2011-13 biennium (cost is 202,721 each year) and reclassifies an Administrative Specialist I (Gr C106) to a PSC Rate Case Analyst (Gr C121)- cost is \$20,344 each year).

Capital Outlay - Provides an increase of 21,000 each year for vehicle replacement.

PIPELINE SAFETY PROGRAM (APPROPRIATION 256)

This appropriation provides for the operating costs of monitoring and inspecting transmission by pipeline of hazardous materials, and is funded by inspection fees paid by companies according to their pipeline mileage and by expense reimbursements (up to 50% of actual cost) paid by the Federal Department of Transportation - Office of Pipeline Safety. The appropriation is recommended to be \$871,316 for FY2014 and \$881,316 for FY2015 and includes the following increases:

Operating Expenses - Provides \$14,363 each year for training and travel costs to meet new and increased inspection requirements of the Pipeline and Hazardous Materials Safety Administration.

Capital Outlay - Provides an increase of \$15,000 in FY2014 for the purchase of a Remote Methane Laser Detector and \$25,000 in FY2015 for the purchase of a 4-wheel drive replacement vehicle.

TAX DIVISION-OPERATIONS (APPROPRIATION 257)

This appropriation provides for operating costs of the Tax Division which is responsible for the annual ad valorem tax assessment values of public utilities and carriers operating in Arkansas, and is funded by a portion of Ad Valorem revenues. The appropriation is recommended to remain at the base

level of \$1,742,268 each year.

CONTINGENCY (APPROPRIATION 2KA)

This appropriation is funded by special revenue fund balances in the Public Service Commission Fund and provides additional spending authority that may be transferred to the Division's operating line items in emergency situations that require additional resources. This appropriation is recommended to continue at its base level of \$1,000,000 each year of the biennium.

ARRA FEDERAL (APPROPRIATION 82X)

This appropriation is funded by a Recovery Act funded grant from the U.S. Department of Energy for a program to build capacity of PSC to plan and manage increased regulatory activity regarding electricity related topics. The total recommended appropriation is \$330,925 for FY2014 only due to the expiration of the federal ARRA grant on September 30, 2013.

III) ADDITIONAL POSITIONS

Total Positions for FY2015: 115

Total Positions for FY2014: 118

Total Budgeted Positions for FY2013: 118

Increase/(Decrease): (3) in FY2015 due to depletion of the funding source for the positions, federal Recovery Act Funds (ARRA). Positions include:

Attorney Controller II (C128), Attorney Specialist (C126), and

Administrative Analyst (C115)

IV) SPECIAL LANGUAGE

CONTINGENCY RESTRICTION - UTILITIES DIVISION: Authorizes the Director to request a transfer from the Department's Contingency appropriation to the Utilities Division Operations appropriation in the event of an unforeseen emergency and upon approval of the Governor, Chief Fiscal Officer of the State and prior review and approval of the Arkansas Legislative Council/Joint Budget Committee. Classifies the legislative prior review and approval language as non-severable language, and if the prior approval is ruled unconstitutional then the entire section is void.

CONTINGENCY RESTRICTION - TAX DIVISION: Authorizes the transfer of appropriation from the Contingency Line Item in the Tax Division Operations Appropriation to other line items in the same appropriation upon approval of the Governor, Chief Fiscal Officer of the State and prior review and approval of the Arkansas Legislative Council/Joint Budget Committee. Classifies the legislative prior review and approval language as non-severable language, and if the prior review and approval is ruled unconstitutional then the entire section is void.

ARKANSAS HIGH COST FUND (AHCF): Requires the Public Service Commission to insure that telecommunication rates are reasonable and affordable, by taking all steps necessary to reduce the Arkansas High Cost Fund (AHCF) and avoid mandating any additional charges or expenses for telecommunications services which can lead to increases in AHCF assessments which result in higher AHCF surcharges being passed on to customers.

January 2013