

**Department 408 - Public Service Commission
 Senate Bill No. 2008**

Executive Budget Comparison to Prior Biennium Appropriations

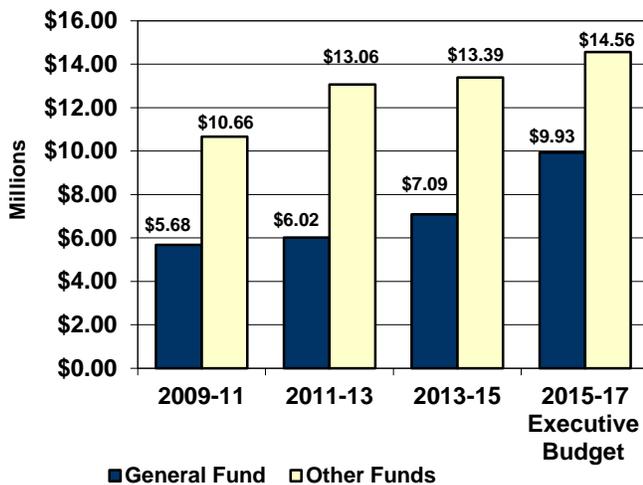
	FTE Positions	General Fund	Other Funds	Total
2015-17 Executive Budget	53.00	\$9,932,210	\$14,560,438	\$24,492,648
2013-15 Legislative Appropriations	44.00	7,091,740	13,387,469	20,479,209
Increase (Decrease)	9.00	\$2,840,470	\$1,172,969	\$4,013,439

Ongoing and One-Time General Fund Appropriations

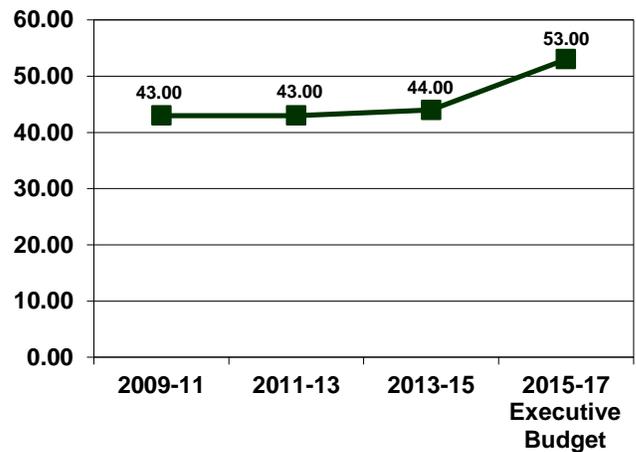
	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2015-17 Executive Budget	\$9,418,210	\$514,000 ¹	\$9,932,210
2013-15 Legislative Appropriations	6,667,660	424,080	7,091,740
Increase (Decrease)	\$2,750,550	\$89,902	\$2,840,470

¹Senate Bill No. 2008 reflects a difference in the funding source for accrued leave payouts of \$493 in one-time general fund from the executive budget recommendation. The executive budget recommends \$99,507 from the general fund and \$44,707 from other funds for a total of \$144,214. See details in executive budget highlights section.

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2015-17 Executive Budget	\$9,932,210	\$14,560,438	\$24,492,648
2015-17 Base Level	6,667,660	13,033,549	19,701,209
Increase (Decrease)	\$3,264,550	\$1,526,889	\$4,791,439

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Executive Budget Highlights
 (With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which \$581,795 relates to performance increases, \$29,395 is for market equity adjustments, \$233,153 is for health insurance increases, and \$59,891 is for retirement contribution increases. The Senate provided funding for performance salary increases of 2 to 4 percent per year and funding for health insurance increases, but did not include funding for market equity increases or funding for retirement contribution increases.	\$573,310	\$330,924	\$904,234

2. Adds 1.00 weights and measures inspector FTE position (\$196,803) and relating operating expenses (\$116,232)	\$313,035	\$0	\$313,035
3. Adds 1.00 natural gas pipeline inspector FTE position (\$254,359) and relating operating expenses (\$82,616). The Senate provided \$340,363 for this position.	\$168,487	\$168,488	\$336,975
4. Adds 1.00 natural gas pipeline and hazardous liquids inspector FTE position (\$271,297) and relating operating expenses (\$82,616). Senate provided a new public utility analyst FTE position in place of this position and funding of \$297,747 for salaries and related operating expenses.	\$176,956	\$176,957	\$353,913
5. Adds 3.00 hazardous liquids inspector FTE positions (\$763,078) and relating operating expenses (\$247,848). The Senate did not include the new FTE positions and related funding.	\$505,463	\$505,463	\$1,010,926
6. Adds 3.00 rail road safety inspector FTE positions (\$719,910) and relating operating expenses (\$210,000). The Senate changed the funding of these positions to special funds.	\$929,910	\$0	\$929,910
7. Increases travel expenses	\$70,000	\$20,000	\$90,000
8. Provides one-time funding for accrued leave payouts (executive budget recommendation of \$144,214 reflects \$99,507 from general fund and \$44,707 from other funds)	\$100,000	\$44,214	\$144,214
9. Provides one-time funding for additional reclamation and grain litigation funding. The Senate changed the name of the reclamation and grain litigation line item to specialized legal services.	\$414,000	\$336,000	\$750,000

Other Sections in Bill

Railroad safety program - Rail safety fund - Section 3 added by the Senate designates that the funding for the railroad safety program is from the rail safety fund, of which \$762,294 relates to salaries and wages and \$210,000 relates to operating expenses for the Public Service Commission to establish and operate a state railroad safety program.

Public Service Commissioners' salaries - Section 4 provides for the statutory changes necessary to increase the Public Service Commissioners' salary as follows:

Annual salary authorized by the 2013 Legislative Assembly:

July 1, 2013	\$99,435
July 1, 2014	\$102,418

Proposed annual salary recommended in the 2015-17 executive budget:

July 1, 2015	\$106,515
July 1, 2016	\$110,775

The executive budget includes funding for elected officials' salary increases of 4 percent effective July 1, 2015, and 4 percent effective July 1, 2016. **The Senate provided a 3 percent increase in compensation each year of the 2015-17 biennium.**

Beginning farmer revolving loan fund - Section 5 provides for a \$900,000 transfer from the beginning farmer revolving loan fund to the Public Service Commission to pay for costs associated with a rail rate complaint case. The Public Service Commission shall reimburse the beginning farmer revolving loan fund using amounts available from damages or proceeds, net of legal fees.

Amendment - Transfer, deposit, and distribution of highway tax funds - Section 6 added by the Senate amends North Dakota Century Code Section 57-43.2-19 to provide up to \$500,000 per year from special fuels excise taxes collected on sales of diesel fuel to a railroad, to be deposited in the rail safety fund.

Effective date - Section 7 added by the Senate to provide an effective date for special fuels excise taxes collected after June 30, 2015.

Retroactive application - Section 8 added by the Senate to provide retroactive application of the line item name change from reclamation and grain litigation to specialized legal services.

Emergency - Section 9 added by the Senate to declare the specialized legal services line item to be an emergency measure.

Continuing Appropriations

Siting process expense recovery fund - Section 49-22-22 - Siting process application fees received are deposited in the siting process expense recovery fund to pay expenses incurred in the siting process.

Credit-sale contract indemnity fund - Sections 60-10-02 and 60-02-19.1 - An assessment is placed on the value of all grain sold in this state under a credit-sale contract, which is submitted by the licensee purchasing the grain to the Public Service Commission for reimbursement to any person who sold grain under a credit-sale contract and who was not fully compensated in accordance with the contract and associated administration costs.

Performance assurance fund - Section 49-21-31 - The performance assurance plan is a component of Qwest's performance assurance plan to provide long-distance service. Money received by the Public Service Commission under the performance assurance plan is to be deposited in the performance assurance fund until the balance equals \$100,000. The money in the fund may be used by the Public Service Commission to monitor the operation and effect of the performance assurance plan.

Utility valuation expense recovery - Section 49-05-04 - Any public utility requesting an increase in its rates above the maximum approved or prescribed by the commission shall furnish the commission the required documents and an application fee in the amount of \$175,000. Upon request of the commission and with the approval of the emergency commission, the applicant shall pay such additional fees as are reasonably necessary for completion of the application process by the commission. The commission shall pay the expenses of investigating a rate increase application under this section from the application fee paid by the public utility in accordance with Section 49-02-02. The commission may waive or reduce the fee.

Significant Audit Findings

The operational audit of the Public Service Commission conducted by the State Auditor's office for the biennium ended June 30, 2013, included significant audit findings related to the following:

Significant audit findings related to grain sellers not being adequately protected include the following:

- The Commission has not initiated an increase to the grain buyer bonds required, or developed some other type of protection for noncredit-sales such as an insolvency fund to adequately limit the grain sellers' risk.

Significant audit findings related to insolvency proceeds being returned to grain buyers include the following:

- Century Code does not currently allow credit-sale receipt holders to be reimbursed more than the lesser of 80 percent or \$280,000, even if money is available after the claims of noncredit sale receipt holders have been satisfied.

Significant audit findings related to the Commission's Grain Licensing Division include the following:

- Inadequate grain buyer inspection and enforcement process, the Grain Licensing Division does not have policies and procedures in place to ensure the inspection process is handled appropriately and enforcement actions are followed up on in a timely manner.
- Inadequate grain buyer licensing process, the Grain Licensing Division does not have written policies and procedures in place to ensure all areas of the grain buyer licensing process are adequate.
- Inadequate grain buyer consumer complaint handling process, the Grain Licensing Division does not have written policies and procedures in place to ensure all areas of the complaint handling process are adequate.

Major Related Legislation

Senate Bill No. 2037 - Provides that a wind turbine electric generation unit with a capacity of 100 kilowatts or more constructed, purchased, or a new purchased power agreement is entered after December 31, 2014, is subject to taxes in lieu of property taxes. Provides for a Legislative Management study on wind generation taxation and requires the Public Service Commission to report annually during the 2015-16 interim on the status of retail sales of electricity in comparison to the state renewable and recycled energy objective.

Senate Bill No. 2120 - Changes the energy conversion and transmission facility siting minimum application fee from \$5,000 to \$25,000.

Senate Bill No. 2123 - Provides authority to the commission to impose an application fee of up to \$175,000 with Emergency Commission approval for an application for a certificate of public convenience and necessity.

Senate Bill No. 2293 - Requires the Public Service Commission and the Department of Transportation to report to the Legislative Management regarding rail safety.

Senate Bill No. 2356 - Provides for a Legislative Management study of reclamation standards and practices during the 2015-16 interim.

House Bill No. 1053 - Excludes the Public Service Commission from required use of centralized desktop support services.

Public Service Commission - Budget No. 408
Senate Bill No. 2008
Base Level Funding Changes

	Executive Budget Recommendation				Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	44.00	\$6,667,660	\$13,033,549	\$19,701,209	44.00	\$6,667,660	\$13,033,549	\$19,701,209
2015-17 Ongoing Funding Changes								
Base payroll changes		\$48,147	(\$55,650)	(\$7,503)		\$48,147	(\$55,650)	(\$7,503)
Salary increase - Performance		371,381	210,414	581,795		231,579	172,080	403,659
Salary increase - Market equity		16,131	13,264	29,395				0
Retirement contribution increase		37,973	21,918	59,891				0
Health insurance increase		147,826	85,327	233,153		137,815	82,384	220,199
New FTE - Weights and measures inspector	1.00	313,035		313,035	1.00	313,035		313,035
New FTE - Natural gas pipeline and hazardous liquids safety inspectors	5.00	850,906	850,908	1,701,814				0
New FTE - Railroad safety program	3.00	929,910		929,910	3.00		929,910	929,910
Travel expense increase		70,000	20,000	90,000		70,000	20,000	90,000
Information technology equipment replacement and upgrades		26,400		26,400		26,400		26,400
Remove capital assets		(60,665)		(60,665)		(60,665)		(60,665)
Abandoned mine land program temporary positions				0			245,344	245,344
New FTE - Natural gas pipeline inspector				0	1.00	170,181	170,182	340,363
New FTE - Public utility analyst				0	1.00	297,747		297,747
Total ongoing funding changes	9.00	\$2,751,043	\$1,146,182	\$3,897,225	6.00	\$1,234,239	\$1,564,250	\$2,798,489
One-time funding items								
Accrued leave payout		\$100,000	\$44,214	\$144,214		\$100,000	\$44,214	\$144,214
Reclamation and grain litigation funding		414,000	336,000	750,000				0
Specialized legal services				0		414,000	336,000	750,000
Total one-time funding changes	0.00	\$514,000	\$380,214	\$894,214	0.00	\$514,000	\$380,214	\$894,214
Total Changes to Base Level Funding	9.00	\$3,265,043	\$1,526,396	\$4,791,439	6.00	\$1,748,239	\$1,944,464	\$3,692,703
2015-17 Total Funding	53.00	\$9,932,703	\$14,559,945	\$24,492,648	50.00	\$8,415,899	\$14,978,013	\$23,393,912

Other Sections in Senate Bill No. 2008

	<u>Executive Budget Recommendation</u>	<u>Senate Version</u>
Designates funds		Section 3 designates that of the railroad safety program line item in Section 1 of the bill, \$972,294 is from the rail safety fund, of which \$762,294 relates to salaries and wages and \$210,000 relates to operating expenses for the Public Service Commission for creating a state railroad safety program.
Public Service Commissioners' salaries	Section 3 provides for the statutory changes necessary to increase the salary of a Commissioner from \$102,418 in state fiscal year 2015 to \$106,515 (4 percent) in state fiscal year 2016 and to \$110,775 (4 percent) in state fiscal year 2017.	Section 4 provides for the statutory changes necessary to increase the salary of a Commissioner from \$102,418 in state fiscal year 2015 to \$105,491 (3 percent) in state fiscal year 2016 and to \$108,656 (3 percent) in state fiscal year 2017.
Beginning farmer revolving loan fund	Section 4 provides for a \$900,000 transfer from the beginning farmer revolving loan fund to the Public Service Commission to pay for costs associated with a rail rate complaint case. The Public Service Commission shall reimburse the beginning farmer revolving loan fund using amounts available from damages or proceeds, net of legal fees.	Section 5 provides for a \$900,000 transfer from the beginning farmer revolving loan fund to the Public Service Commission to pay for costs associated with a rail rate complaint case. The Public Service Commission shall reimburse the beginning farmer revolving loan fund using amounts available from damages or proceeds, net of legal fees.
Amendment		Section 6 amends North Dakota Century Code Section 57-43.2-19 to allocate special fuels excise taxes collected on sales of diesel fuel to a railroad under Section 57-43.2-03 of up to \$500,000 per year from the highway-rail grade crossing safety projects fund to the rail safety fund.
Effective Date		Section 7 provides an effective date for Section 6 of this Act is effective for special fuels excise taxes collected after June 30, 2015.
Retroactive application		Section 8 provides a retroactive application for the specialized legal services line item in Section 1 of this Act.
Emergency		Section 9 provides declares the specialized legal services line item in Section 1 of this Act to be an emergency measure.