

Funding for the Public Utility Commission

Presentation to Senate Committee on Finance

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PUC Responsibilities

- Traditional economic regulation, such as rates, quality of service, overall management of utilities (electric, gas, energy efficiency, telecommunications, water, and some aspects of cable television)
- Infrastructure siting and construction (projects proposed by electric and gas utilities, merchant generators, net-metering applicants)
- Implementation of policy directives (for example, energy efficiency programs, net-metering rules, standard-offer program, Renewable Energy Standard)

Sources of Funding for PUC

- PUC receives no general funds
- PUC is funded by the gross receipts tax paid by electric, natural gas, telecommunications, cable, and water utilities
 - By statute the Public Utility Commission receives 40% of these tax revenues; the Department of Public Service receives the other 60%
- A small amount of the PUC's actual costs are "billed back" to utilities and applicants (for example, court reporter costs)

Declining Gross Receipts Tax Revenues

- Overall gross receipts tax revenues have declined between 2016 and 2018 by 2.6% or roughly 1.3% annually
- Almost 2/3 of gross receipts tax revenues come from the electric sector
 - Electric gross receipts tax revenues are declining because of decreased kWh sales and net-metering
- Gross receipts tax revenues from telecommunications declined more than 22% from 2015 to 2018
 - Reasons for the decline include: steady decrease in traditional landline telephone service, more options for voice services (including voice plus data packages), decreasing prices for basic voice services

PUC Funding Shortfalls

Fiscal Year	FY15	FY16	FY17	FY18	FY19	
Spending Authority	\$3,399,076.00	\$3,480,181.00	\$3,545,000.00	\$3,647,838.00	\$3,700,815.00	
Actual Expenditures	\$3,130,254.42	\$3,204,301.45	\$3,400,825.59	\$3,647,977.50		
Revenues						
Gross Receipts Tax	\$3,466,836.65	\$3,522,130.46	\$3,352,371.25	\$3,467,437.72	\$3,531,442.80	*
Billback	\$33,408.51	\$57,883.45	\$23,031.59	\$80,069.97	\$42,000.00	*
Total Revenues	\$3,500,245.16	\$3,580,013.91	\$3,375,402.84	\$3,547,507.69	\$3,573,442.80	*
Change in Reserves	\$369,990.74	\$375,712.46	-\$25,422.75	-\$100,469.81	-\$127,372.20	*
<i>*Estimated</i>						



Increase in Net-Metering Cases

- In 5 years, the number of applications for net-metering projects more than tripled

Number of Applications for Net-Metering Certificates of Public Good						
	FY13	FY14	FY15	FY16	FY17	FY18
Number of Applications Filed	925	1062	1408	2251	3252	3271

Source: *Sustainable Funding for the PUC and the PSD*, p. 11

PUC Workload by Industry

Table 6 – Commission Percentage of Personnel Costs by Industry and Work Function

Division		Industry Group - Percentage of Personnel Costs								Sub-Total
		Electric Utility	Merchant Generation	Net-metering	Telecom	Cable	Gas	Water	Energy Efficiency	
PUC	Regulation	11.70%	2.13%	1.11%	4.07%	2.05%	3.09%	2.20%	2.94%	29.28%
	Policy	4.51%	2.91%	2.66%	0.86%	0.05%	0.43%	0.11%	2.73%	14.27%
	Siting	3.72%	9.09%	34.49%	0.46%	0.00%	1.21%	0.00%	0.00%	48.96%
	Compliance	1.59%	1.96%	1.11%	0.10%	0.27%	2.38%	0.05%	0.05%	7.50%
	Sub-total	21.52%	16.09%	39.35%	5.49%	2.36%	7.10%	2.36%	5.72%	100.00%

Source: Sustainable Funding for the PUC and the PSD, p. 13

Funding Inequity

- Today, more than 50% of the PUC's work is performed on behalf of people and companies that do not pay the gross receipts tax.

Proposed Application Fee in H.527

- PUC supports the proposed application fee in the version of H.527 that passed the House
 - Fee would be assessed on people and companies that do not pay the gross receipts tax
 - Lower fee would be assessed when amendments are proposed
 - Commission would receive 40% of fee revenues; the Department of Public Service would receive the remaining 60%
 - Fees would have raised total of approximately \$580,000 in FY18; it is expected that revenues from fees will fluctuate from year to year, depending on the number and size (in kW) of applications received

Gross Receipts Tax Rates in H.527

- Commission supports the gross receipts tax rates included in H.527
 - Increases in electric and natural gas tax rates would raise approximately \$530,000
 - These are the areas in which the Commission's workload has grown
 - Sets separate gross receipts tax rates for the Commission and the Department
- Application fees plus increase in gross receipts taxes would eliminate PUC's projected FY20 funding shortfall