

Nebraska Public Service Commission

COMMISSIONERS:

ANNE C. BOYLE
ROD JOHNSON
FRANK E. LANDIS
TIM SCHRAM
GERALD L. VAP



300 The Atrium, 1200 N Street, Lincoln, NE 68508
Post Office Box 94927, Lincoln, NE 68509-4927
Website: psc.nebraska.gov
Phone: (402) 471-3101
Fax: (402) 471-0254

NEBRASKA CONSUMER HOTLINE:
1-800-526-0017

EXECUTIVE DIRECTOR:

MICHAEL G. HYBL

January 15, 2010

RECEIVED

JAN 15 2010

STATE BUDGET DIVISION

The Honorable Lavon Heidemann
Chairperson, Appropriations Committee
State Capitol
Post Office Box 94604
Lincoln, NE 68509-4604

Dear Senator Heidemann:

Per your correspondence of December 4, 2009, enclosed is the report of the Public Service Commission detailing specific actions and plans to implement budget actions pursuant to Legislative Bills 1, 2 and 3.

After review, please let me know if you have any specific questions or require further information.

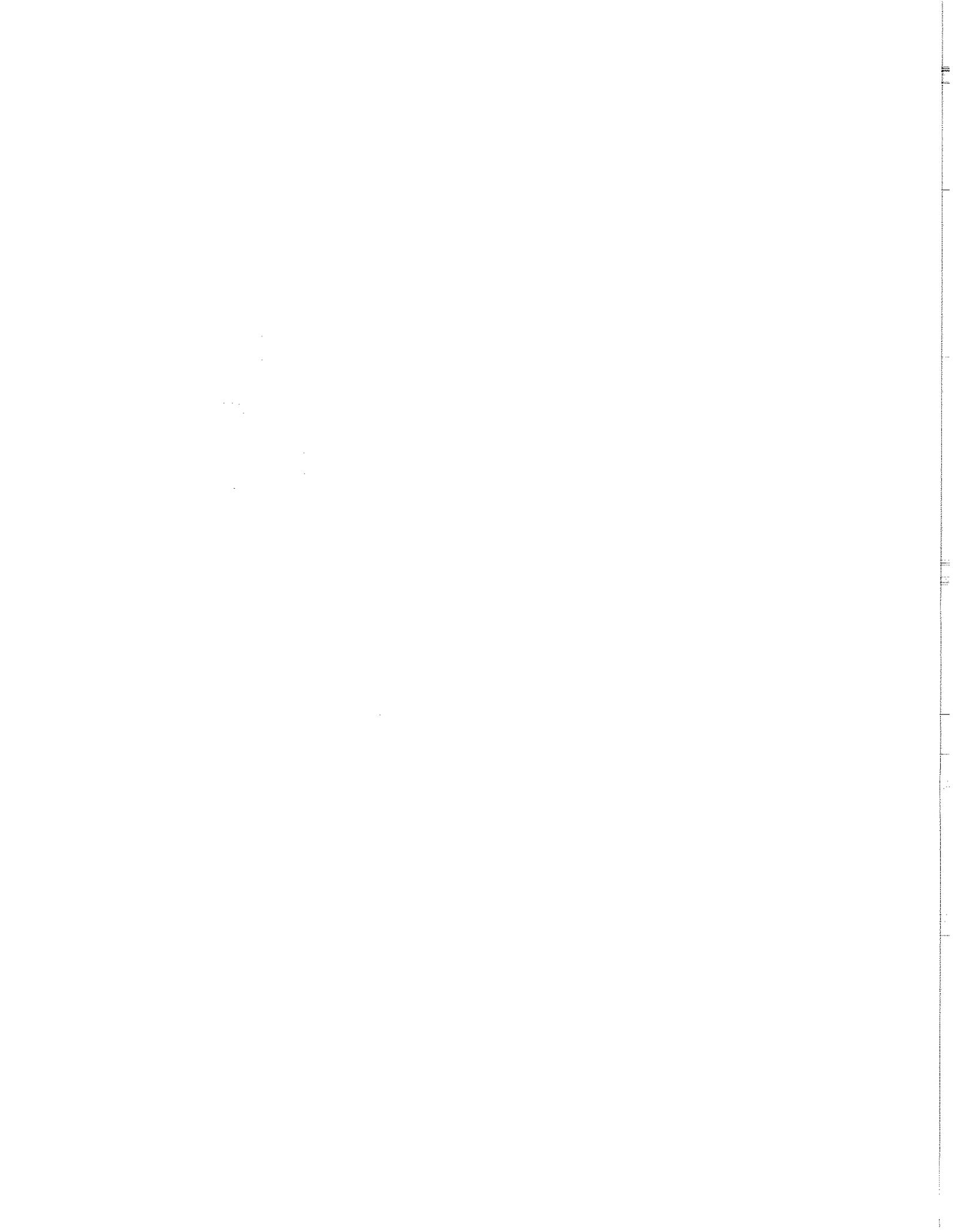
Sincerely,

Michael G. Hybl
Executive Director

MGH:kjl

Enclosure

Cc: Members of Appropriations Committee
Scott Danigole, Legislative Fiscal Office
✓ Gary Bush, DAS Budget Division



Senator Lavon Heidemann
Chairperson – Appropriations Committee
Budget Actions Pursuant to Legislative Bills 1, 2, and 3
One Hundred First Legislature
First Special Session, 2009

Submitted by the Nebraska Public Service Commission
Mike Hybl, Executive Director

1. Impact on Staffing:

The Commission has 10 programs that were impacted by the Special Session reductions (Programs 16, 19, 54, 60, 64, 71, 212, 583, 686, and 790). Of those programs, 7 have personal services charged to them. In anticipation of the budget situation, the Commission did not institute a cost of living raise on July 1, 2009. Thus, all of our employees took less pay to support the savings that were needed to balance the budget. The impact of this action was \$72,500 annually throughout these 7 programs. This action affected Programs 54, 60, 64, 71, 583, 686, and 790. In addition, savings from a retirement will assist us in meeting the across the board reductions in Program 54 for 2009-10 and possibly for 2010-11. If additional reductions are needed to comply with LB 1, the Commission will consider further furloughs, similar to those now in effect in Program 19.

Program 19, our Manufactured Housing Program, has been impacted by the reduced production which is taking place in the housing industry. In order to react to this financial situation, in April of 2008 we reduced our workforce by 1.5 inspectors. In April of 2009, a furlough was implemented for the remaining employees and still remains in place today as we monitor the revenues and costs for this department. The Commission also implemented fee increases to help cover the cost of regulating the industry. Thus, the cash balance in this program has been our prime concern. The across the board and re-appropriations reductions will not impact our current staffing, already under a furlough status.

Although Program 60 has a minimal provision for salary, staffing will not be affected by either the across the board reductions or the cash transfers. Program 212 has no salary provision, thus, there will be no impact to staffing due to the across the board reductions or the cash transfers. Program 16 includes the Commissioners' travel costs and has no personal service expenditures included in its budget.

Another step the Commission took to meet the anticipated budget reductions was to eliminate a contract for public information services. Responsibilities under this contract include preparing press releases and disseminating information to the public on the activities of the Commission. The benefits and cost of this contract have an impact on all programs in the agency. Since the Commission will always have a need and duty to inform the public of upcoming issues and Commission decisions, we will be asking our staff to fulfill these responsibilities for each of their departments.

Since no re-appropriations were carried over to Personal Services on June 30, 2009, the reductions experienced in the re-appropriations have no impact on staffing.

2. Impact on Services:

The reductions from across the board and re-appropriations, and cash transfers in Programs 60 (Moisture Testing) and 212 (Competitive Marketplace Fund), will not have a major impact on the services provided in these areas. Program 60 will still be able to provide for inspections of moisture testing machines and perform audits for the Nebraska Soybean Board. The Competitive Marketplace Fund will still be able to provide for the audit review costs associated with the Qwest Performance Assurance Plan. Although the total reduction to Program 71 is approximately \$100,000 in 2009-10, the Internet Enhancement Program will still have spending authority of \$168,661, which should be ample for the funding requests we would anticipate in the next round of grants.

In Program 19, as mentioned earlier, we have implemented a furlough. This has had an impact on the services provided to the public. The reduction of 1.5 FTEs in the inspection program and furlough of the remaining employees has made it more difficult to respond to requests of the manufacturers, retailers, and consumers on a timely basis. This impacts how quickly we can respond to inspection requests, unannounced inspections and requests for assistance. We are attempting to coordinate staffing with the reduced production levels of the industry, while still maintaining an adequate cash balance in our funds. The actions taken in LB 1 have not made this any worse since we have been monitoring the activity levels for a period of time.

Program 16 includes the Commissioners' travel and commuting costs and the 2009-10 reduction was \$6,244. Reductions for 2010-11 are \$2,850. The Commission will be approving a mileage rate reduction from \$.55 to \$.50 per mile effective January 1, 2010. If the mileage reduction produces the \$6,244 in savings needed, there will be no impact on services in this program. If the reduction falls short, we will need to review the frequency of Commission meetings, location of hearings, or other expenses to accommodate the difference between the reductions needed and the savings realized.

Program 54 accounts for approximately 50% of the FTE staffing level of the Commission. As an initial step, rather than implementing a furlough, the Commission withheld the implementation of a cost of living increase on July 1, 2009. In addition, a position left open due to retirement will remain open to assist in meeting the reduced spending level in this program. It is our hope that the remaining staff can adequately carry out the responsibilities without adversely impacting the services provided by the Commission. Should the Commission need further reductions to meet the reduced level of spending, they will consider all options, including furloughs, which could affect services provided by the Commission.

The Telecommunications Relay Fund (Program 64) received both reductions to Aid and to Operations. The Aid in this fund is for the purpose of purchasing specialized equipment for the speech-impaired, hard of hearing, and deaf individuals to allow them to communicate with others. Recent experience has shown that each household that is given assistance receives a voucher ranging from \$275 to \$350. Thus, the reduction in Aid of \$11,500 could affect approximately 35 potential households. Neither the reduction in Operations nor the reduction in re-appropriations will affect the relay service provided for the public.

In July of this year, we released a permanent, proposed funding mechanism in Program 583 as reimbursement for the costs incurred in implementing enhanced wireless 911. Comments were received and a hearing was held on the proposed model. Although the cash transfer of \$3,400,000 and the across the board reductions to this fund will reduce our reserve, we do not believe they will adversely affect any planned projects in the short term. Furthermore, we believe the funding mechanism currently under consideration can be implemented as proposed.

The Commission had approved a contract of \$48,000 annually for consulting related to the on-line remittance process being developed for the Universal Service Fund (Program 686) and the Enhanced 911 Fund (Program 583). It was estimated that 50% of this amount would be attributable to E911 and the remainder to the Universal Service Fund. The contract also provided for assistance in developing the wireless E911 cost model. In anticipation of the upcoming Special Session and budget issues, the contract was eliminated. The work that was to be provided on the on-line remittance process is close to being completed, and the cost model development will be performed by our own staff. We feel that shifting our own staff's responsibilities in this manner will not have any adverse impact on the services that we are now providing.

The reductions in Program 790, Gas Regulation and the Revolving Loan Fund, affect both Operations and Aid. We believe that even with the reductions to Aid in 2009-10 and 2010-11, the remaining funds available for loans to municipalities for rate setting matters will be ample based on our past experience. These Aid reductions affected the Revolving Loan Fund. The reductions that were made to Operations will be absorbed in the budget for contracted services in the Commission's Gas Regulation and its Public Advocate sub-programs. Our annual spending authority in this program is designed to accommodate multiple rate cases or other major dockets. Based on the timing of the current cases (2 of the 3 regulated companies now have rate applications pending), it is likely that the reduced spending authority will be adequate to meet our needs for the remainder of the biennium.

3. Impact on the Receipt of Federal Funds:

The Public Service Commission has received approval for a Federal Grant of \$484,000 from the U.S. Department of Transportation and the U.S. Department of Commerce. The grant is for the implementation and operation of Phase II Enhanced 911 (E-911) services and for migration to an Internet-Protocol (IP) based emergency network, which will be accounted for in Program 583, the Enhanced Wireless 911 Fund. The Nebraska Attorney General issued a formal opinion which states that the Legislature is preempted from transferring wireless E-911 surcharge revenue to other governmental purposes. We have been advised by officials at the Department of Transportation that the transfer in 2009-10 of \$3,400,000 of interest accrued on this fund will not affect our eligibility for this grant.

The Commission has applied for a grant of approximately \$2,100,000 from the Department of Commerce for State Broadband Mapping and Planning. The accounting for these funds would primarily affect Program 54. The Commission was awarded the grant on January 12, 2010 and the Special Session reductions had no impact on this grant. Our agency has no other federal funding.

4. Fee Increases Used to Support Agency Operations:

The Nebraska Telephone Relay Program (Program 64) provides vital telecommunications services and equipment to the deaf, hard of hearing, and speech impaired citizens in Nebraska. This program is funded through a surcharge placed on all wireline and wireless access lines in the State. The Commission sets the surcharge and reduced it to \$.03 per line, per month, in July of 2009. Since the cash transfers for 2009-10 and 2010-11 represent revenue equal to one-half cent in annual surcharge revenue, the transfers will not adversely affect the provision of the relay service or distribution of essential equipment, but it may be necessary to increase the surcharge one year earlier than previously projected.