

Public Utilities Commission

FY26 Budget Request
January 24, 2025



PUBLIC UTILITIES COMMISSION

Who We Are

31.2 FTE

- ❖ Three elected commissioners
 - ✓ Chairman Gary Hanson (Term Ends 2027)
 - ✓ Vice Chairman Chris Nelson (Term Ends 2029)
 - ✓ Commissioner Kristie Fiegen (Term Ends 2031)



PUBLIC UTILITIES COMMISSION

Who We Are

- ❖ A staff of analysts, attorneys, inspectors, consumer representatives, and other professionals work with the commissioners to carry out the duties of the PUC.
- ✓ South Dakota has the fewest staff members of all the state utility commissions in the country.
- ✓ Significant technical and legal expertise is required.

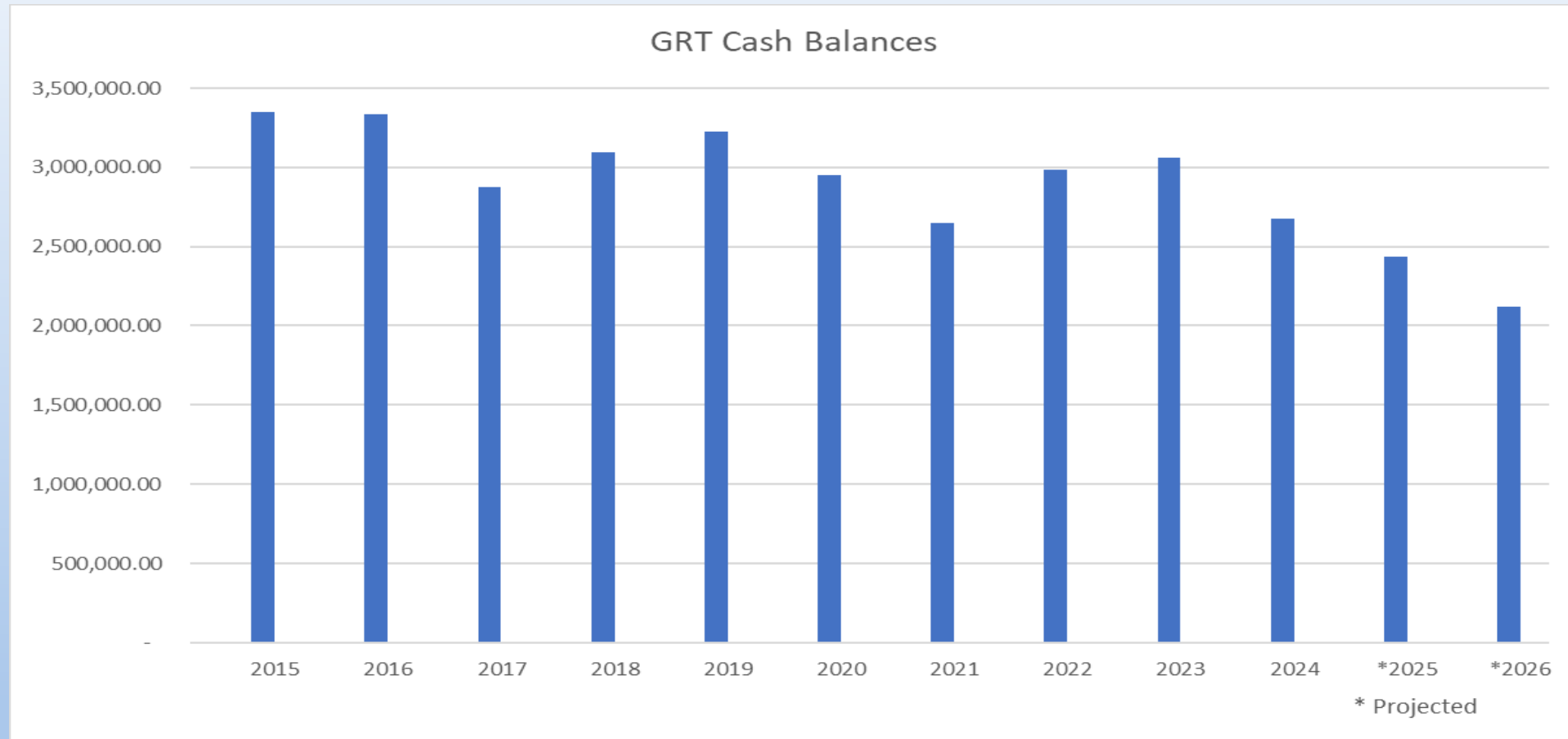


PUBLIC UTILITIES COMMISSION

What We Do

- ❖ Energy Utilities
 - ✓ Rate regulation (IOUs)
 - ✓ Energy conversion facility, transmission line, and pipeline siting permits
 - ✓ Service territory boundaries
 - ✓ Regional Transmission Organizations' stakeholder participation
- ❖ Telecommunications
- ❖ Grain
- ❖ Pipeline Safety
- ❖ Consumer Assistance

Declining Gross Receipts Tax Cash Balance



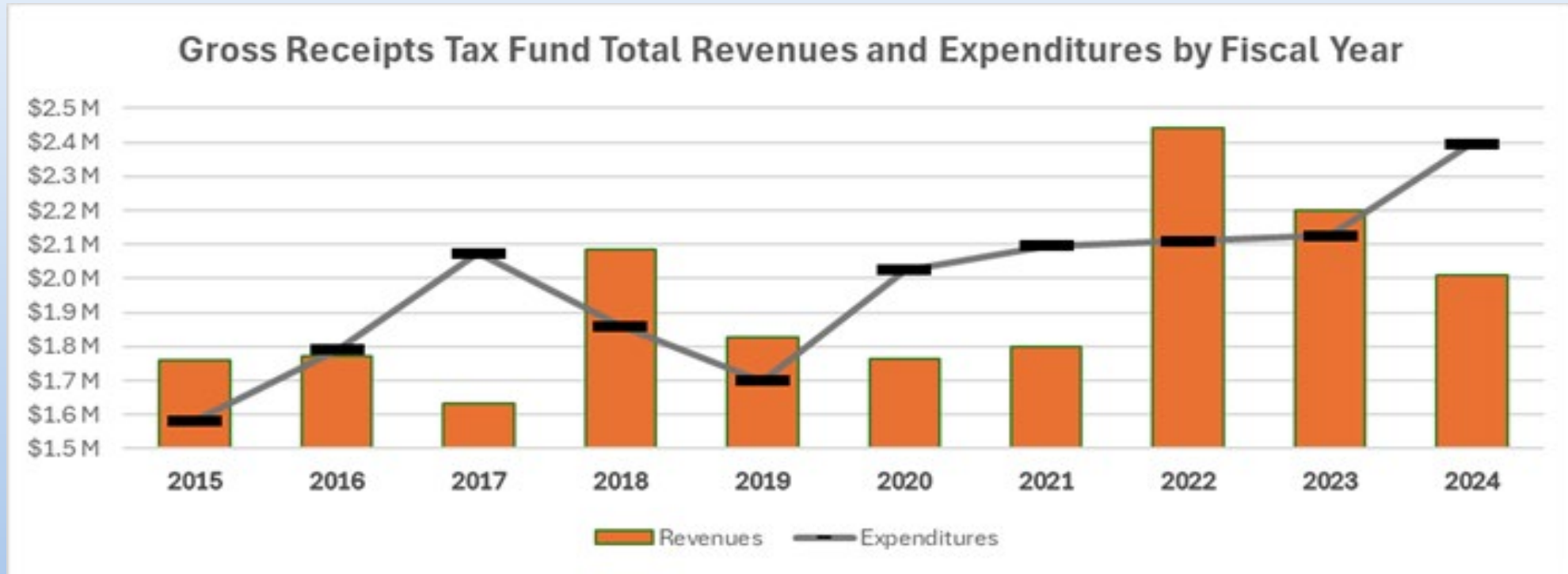
Revenues increased in 2022 and 2023 due to higher natural gas prices.

Telecommunications Revenue

- ❖ Telecom revenue decreased 37.86% from FY15 to FY19.
 - ✓ Decrease in landlines.
 - ✓ Wireless and broadband are not taxable services.

Gross Receipts Revenues & Expenditures

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Revenues increased in 2022 and 2023 due to higher natural gas prices.
(Graph - LRC budget brief, page 3)



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JCA Memorandum Item 3a – Proposed Changes

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- ❖ **Other Funds to General Funds Swap:** Increase of \$319,060
 - ✓ Not included in Governor's budget.
- ❖ **REQUEST** – Change in funding source was requested due to the increasing number of issues the Consumer Affairs program receive beyond the commission's historical Gross Receipts Tax categories in addition to the decreasing Gross Receipts Tax revenue the PUC receives.
- ❖ **OUTCOME** – The PUC may have to reduce services. (Page 3 LRC Budget Brief, Item 2)



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JCA Memorandum Item 3a – Proposed Changes Continued

- ❖ **Funding for a Regional Transmission Operator FTE –**
Increase of \$197,050 of General Funds.
 - ✓ Not included in Governor's budget.
- ❖ **REQUEST – 1.5 FTE is requested to be filled and funded with General Funds. This FTE's duties will support Regional Transmission Operator (RTO) issues on behalf of the commission and state.**



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JCA Memorandum Item 3a – Proposed Changes Continued

- ❖ OUTCOME – The PUC will continue with the current model using a portion of three different employees' part time assistance to try covering the RTO tasks. Not having a designated employee to focus on these RTO transmission cost issues is unfavorable to all South Dakotans and may cause delays in processing dockets.

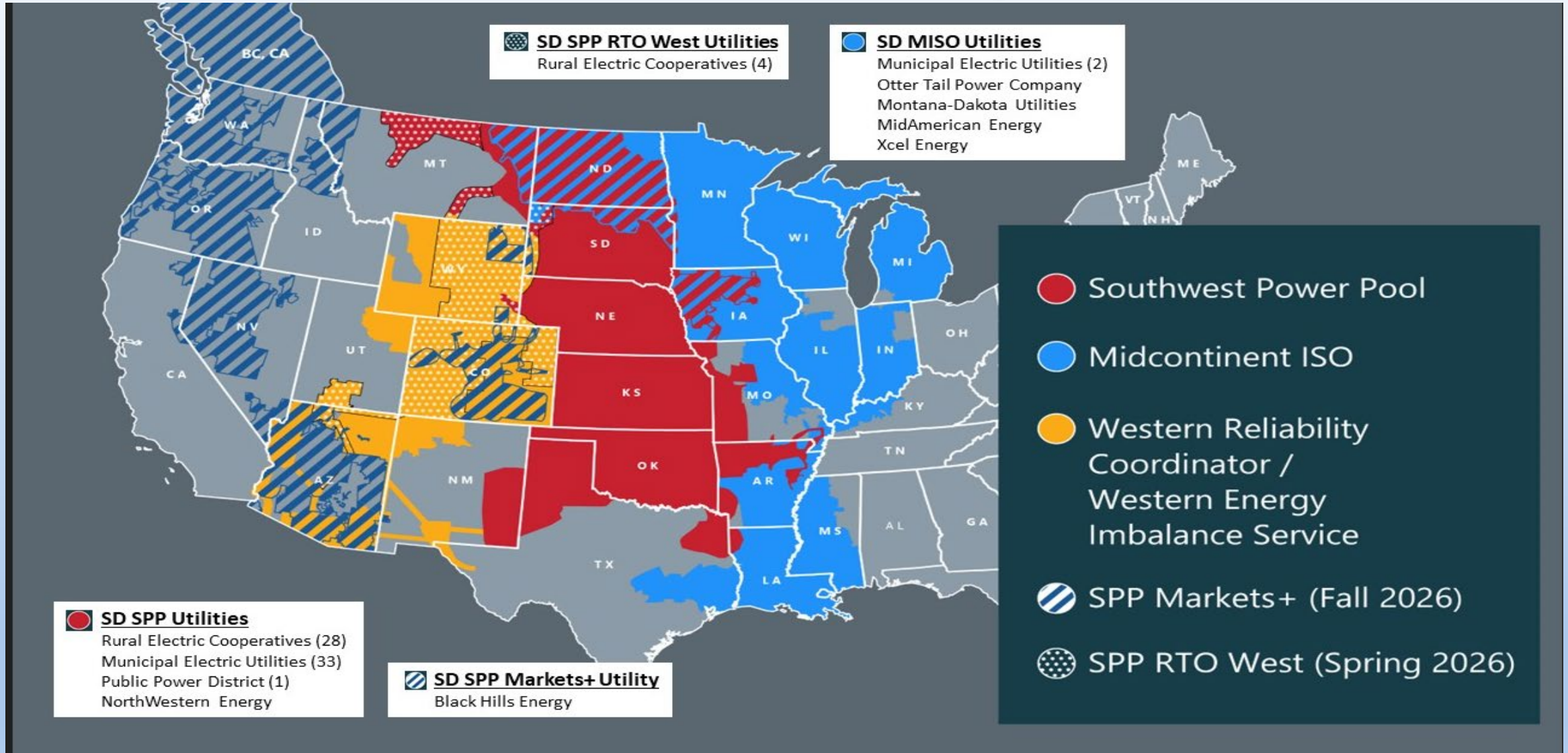
(Page 4 LRC Budget Brief, Item 3)



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Regional Transmission Organizations

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JCA Memorandum Item 3a – One Time Increase

- ❖ **One Time Increase – PUC Website Upgrade**
 - ✓ Not included in the Governor's budget.
- ❖ **REQUEST – \$506,000 General Funds to upgrade security of the PUC website and integrate a secure filing system.**
- ❖ **OUTCOME – BFM responded: IT Modernization Fund may be used for this project.**

PUC Website

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- ❖ Create a secure website to integrate with a secure document filing system.
- ❖ PUC website has the **most** content of any state agency.
- ❖ **Most** probed website in state government by bots and AI miners.
- ❖ The website is becoming increasingly more vulnerable because of targeting by malicious crawlers associated with hacking groups.
- ❖ The PUC website poses the greatest risk for state and national security issues among state sites.



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JCA Memorandum Item 3b & 3f – Changes to PUC for Efficiency

- ❖ The PUC recently reorganized tasks and consolidated responsibilities to streamline administrative operations in deference to budget concerns.

JCA Memorandum Item 3c – Changes to FY25 Appropriation

- ❖ No changes were requested to the PUC's FY25 Appropriation.

JCA Memorandum Item 3d – Special Appropriation or Supplemental Budget

- ❖ PUC did not have any special appropriations or supplemental budgets.

JCA Memorandum Item 3e – IT Projects

- ❖ PUC did not have major IT projects during the last two fiscal years.
- ❖ **Upcoming project** – Upgrade the PUC website.
Create a more secure website integrated with a secure document filing system. Due to hacking attempts and the use of AI mining by bad actors, the PUC website is becoming increasingly more vulnerable.



JCA Memorandum Item 3g – Overtime, Recruiting & Retaining Employees

- ❖ **Overtime** usage is limited to specific circumstances and is minimal.
 - FY25, 0.3 hours.
 - FY24, 25.3 hours were approved due to evidentiary hearings extending beyond normal workday hours.
- ❖ **Recruitment** – The PUC has faced some recruiting challenges during the past couple of years but has successfully navigated these obstacles.

JCA Memorandum Item 3g – Overtime, Recruiting & Retaining Employees – Continued

- ❖ **Retention** – Twenty-four PUC employees (82.7%) with 10 or more years experience are a significant asset protecting South Dakotans.

JCA Memorandum Item 3h – 5% General Fund Cut

- ❖ Given that approximately 14% of the PUC's budget is derived from General Funds, which are typically spent each year, combined with the declining cash balance from the Gross Receipts Tax, cutting 5% from the General Funds budget would create significant challenges. Reducing grain buyer inspections may be necessary to achieve this cut.

JCA Memorandum Item 3i – Unutilized FTE

- ❖ FY23 – 1.82 Unutilized FTE
- ❖ FY24 – 2.62 Unutilized FTE
- ❖ Retirement – Seven employees are eligible

JCA Memorandum Item 3i – Unutilized FTE – Continued

- ❖ Recruitment – There are two vacant positions within the PUC, one to be filled through a General Fund request for an RTO position and the other position to be filled at a later time.
 - ✓ Vacancy savings help cover costs of retirement and resignation payouts.

JCA Memorandum Item 3j – Increase Fees

- ❖ There are no plans to raise fees for the 2026 fiscal year.

Thank you

*Commissioners Hanson,
Nelson and Fiegen*

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Public Utilities Commission