Schedule 13
Funding Request for the 2014-15 Budget Cycle

Department: Regulatory Agencies
Request Title: New Vehicles for Public Utilities Commission
Priority Number: R-1

Dept. Approval by: [signature] 10/24/13 Date

OSPB Approval by: [signature] 10/26/13 Date

☑ Decision Item FY 2014-15
☐ Base Reduction Item FY 2014-15
☐ Supplemental FY 2013-14
☐ Budget Amendment FY 2014-15

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	6
	Fund	Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
Total of All Line Items	**Total**	649,671	0	649,677	0	0
	FTE	0	0	0	0	0
	GF	0	0	0	0	0
	GFE	0	0	0	0	0
	CF	649,671	0	649,677	0	0
	RF	0	0	0	0	0
	FF	0	0	0	0	0
(1) Executive Director's Office, Vehicle Lease Payments	**Total**	203,988	-	203,988	7,017	7,017
	FTE	-	-	-	-	-
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	203,988	-	203,988	7,017	7,017
	RF	-	-	-	-	-
	FF	-	-	-	-	-
(7) Public Utilities Commission, Operating Expenses	**Total**	445,683	-	445,689	(7,017)	(7,017)
	FTE	-	-	-	-	-
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	445,683	-	445,689	(7,017)	(7,017)
	RF	-	-	-	-	-
	FF	-	-	-	-	-

Letternote Text Revision Required? Yes: ☐ No: ☑ **If yes, describe the Letternote Text Revision:**

Cash or Federal Fund Name and COFRS Fund Number: Motor Carrier Cash Fund COFRS#185
Reappropriated Funds Source, by Department and Line Item Name:
Approval by OIT? Yes: ☐ No: ☐ **Not Required:** ☑
Schedule 13s from Affected Departments:
Other Information:

Cost and FTE

- The Public Utilities Commission ("PUC") requests two additional sedans to be financed through a reallocation of $7,017 Cash Funds from Operating Expenses to Vehicle Lease Payments for FY 2014-15 and beyond, creating a net $0 appropriations impact to the State for this request.

Current Program

- The Investigations and Compliance Unit of the Motor Carrier Safety Program protects the public from unsafe motor carriers. The Gas Pipeline Safety Section ensures the safety of all intrastate natural gas pipeline systems.
- These programs regulate 1,800 regulated motor carriers and 8,100 vehicles across the state, as well as conduct hundreds of safety audits of records, on-site inspections, and incident investigations for a vast network of existing and newly constructed gas pipelines. Each service requires State vehicles for on-site inspections and investigations.
- Motor carrier customers, persons who would be harmed by pipeline accidents, and the regulated professionals are the beneficiaries of these services provided by the PUC.

Problem or Opportunity

Investigations and Compliance Unit ("Unit")

- Inspectors are unable to meet performance targets of inspecting each carrier/vehicle at least once every five years (600 inspections short of the target) due to limitations posed by the number of State vehicles for the program; the public suffers, as 90 percent of inspections reveal violations.

Gas Pipeline Safety Section ("GPS")

- The program presently has three vehicles for four full-time inspectors and, as a result, responsiveness to construction activities and pipeline excavation damage is hindered.

Consequences of Problem

- Without a responsive regulatory presence, illegal and unsafe activities will go unchecked, the mission of consumer protection is compromised, and consumers are put at greater risk.

Proposed Solution

- Add a new vehicle to the Compliance Unit and a new vehicle to GPS with a net funding increase of $0 via reallocation of $7,017 Cash Funds from Operating Expenses to Vehicle Lease Payments.
- Resolution of per-inspector vehicle shortages for both programs will increase regulatory responsiveness. The programs will ensure carrier and vehicle inspections once every five years and increase capacity for construction inspections by 50 percent and damage inspections by 100 percent. Outcomes will be measured with inspection data.

Department Priority: R-1
Request Detail: New Vehicles for Public Utilities Commission

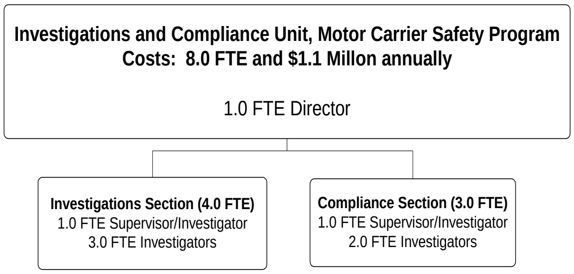
Summary of Incremental Funding Change for FY 2014-15	Total Funds	General Fund
R-1 New Vehicles for Public Utilities Commission	$0	$0

Problem or Opportunity:

Presently, there are insufficient State vehicles for two Public Utilities Commission (PUC) programs, the Investigations and Compliance Unit of the Motor Carrier Safety Program, and the Gas Pipeline Safety Section, to meet performance targets. Without necessary transportation, inspectors are unable to meet performance targets and responsiveness of the respective programs is hindered. This places the public at greater risk from unsafe, incompetent, and financially irresponsible motor carriers as well as potentially unsafe gas pipelines. An opportunity exists to address this problem by adding two Compressed Natural Gas (CNG) vehicles, enabling the respective programs to resolve these issues while at the same time furthering the important policy priority of environmentally friendly emissions in the course of accomplishing State business.

Overview. The Department of Regulatory Agencies (DORA) has a statutory mission to protect consumers via the regulation of an array of professions, occupations, and institutions. Within the Department, the Public Utilities Commission (PUC) has a more specific mandate to protect consumers from unsafe, incompetent, and financially irresponsible motor carriers, and from unsafe intrastate natural gas pipeline systems. The PUC accomplishes this with two programs that rely on State vehicles to carry out on-site inspections and investigations: (1) the Investigations and Compliance Unit of the Motor Carrier Safety Program, which protects the public from unsafe, incompetent, and financially irresponsible motor carriers; and, (2) the Gas Pipeline Safety Section, which ensures the safety of all intrastate natural gas pipeline systems. Adding two State vehicles will enable the Department to maximize the productivity of staff allocated to the programs in order to meet performance targets and protect consumers.

Program Costs and Workload Performance. These programs accomplish their statutory directive to protect the public by performing on-site inspections of motor carriers and of gas pipelines, performing investigations of complaints, conducting on-site incident investigations, and performing on-site auditing safety records. The following table shows the organizational chart and approximate annual costs for each program, as well as the annual workload numbers relevant to both programs:



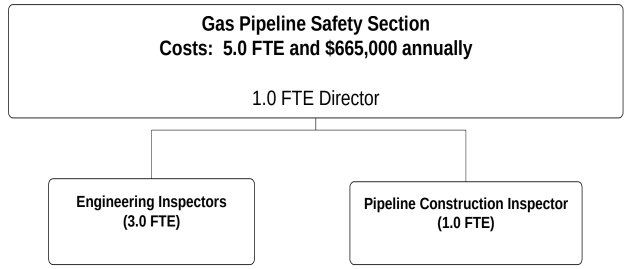


Table 1

Inspections and Compliance Unit Workload	Vehicle Inspections Completed	Compliance Audits Completed
Actual FY 09-10	563	237
Actual FY 10-11	502	190
Actual FY 11-12	830	208
Actual FY 12-13	1128	244
Estimate FY 13-14	1128	244
Goal FY 14-15	**1620**	**360**
Targeted Increase	*43.6%*	*47.5%*

Table 2

Gas Pipeline Safety Program Workload	Gas Safety Inspections			
	Performed	Violations Cited	Construction Inspections	Incident Investigations
Actual FY 09-10	326	8	142	12
Actual FY 10-11	306	5	173	13
Actual FY 11-12	267	6	152	7
Actual FY 12-13	231	28	94*	10
Estimate FY 13-14	231	28	150	10
Goal FY 14-15			**225**	**20**
Targeted Increase			*50%*	*100.0%*

*This figure is lower than normal based on significant vacancies during the fiscal year

Inspections and Compliance Unit:
7 full-time inspectors, 3 vehicles

Gas Pipeline Safety Section:
4 full-time inspectors, 3 vehicles

Vehicle Availability and Use. At present, the Motor Carrier Investigations and Compliance Unit has three vehicles to be used by eight staff (seven of which are inspectors in the field full-time and one of which is a supervisor in the field part time). The Gas/Pipeline Safety Program presently has three vehicles to be used by four full-time inspectors. All told, the Division possesses six vehicles dedicated to these two programs, while it has 11 full time inspectors. The problems posed by the lack of vehicles poses are outlined below.

<u>Investigations and Compliance Unit</u>

Insufficient vehicles prevents this unit from reaching its performance target of inspecting 20 percent of vehicles and carriers each year. On any given day, there are approximately 1,800 regulated and properly registered motor carriers operating approximately 8,100 regulated vehicles in the state of Colorado, as well as an estimated hundreds to thousands of unregistered/illegal operators. The PUC’s Investigations and Compliance Unit has established an annual goal to visit and inspect 20 percent of the regulated motor carriers and vehicles per year, and has been steadily increasing its performance towards that goal. While there is no statutory guidance for inspection frequency, the high rate of violations found (90 percent of all inspections) requires frequent inspections. Although the ideal time-frame would be closer to two years (a taxi cab for instance travels 200,000 miles in that time), a performance target of reaching each carrier and vehicle at least once every five years (20 percent) was established as a realistic, reasonable and obtainable goal that targets improved productivity while also considering current staffing constraints.

The program presently reaches 1,100 vehicles and 250 carriers per year; the program is short of its target by an estimated 500 vehicles and 110 carriers. The program is now experiencing a bottleneck to this performance objective as there are not a sufficient number of vehicles available for the number of investigators necessary to achieve the goal.

Additionally, from an investigations standpoint it is important to note that industry activity increasingly requires that the Investigations and Compliance Unit focus on a more proactive and greater presence in the field. Ongoing investigations reveal vehicle theft by tow drivers, unauthorized tows, unlicensed operators, and unscrupulous household goods movers who steal or retain property in violation of rule and statute. The Unit is supplementing its traditional focus on safety and compliance by expanding its investigatory presence in the field subject to the limitations of its staff, based on the increasing importance of conducting investigations in the field rather than remotely from the office Recent information that shows annual volume of complaints and investigations is included in Table 3 below.

Table 3

Inspections and Compliance Unit Workload	Complaints Received	Investigations Completed
Actual FY 09-10	361	236
Actual FY 10-11	575	322
Actual FY 11-12	569	348
Actual FY 12-13	549	333

Gas/Pipeline Safety Section (GPS)

Like other specialized DORA sections involved with audit and inspection, this program is required to physically visit sites operated by regulated entities in Colorado. However, unlike most other auditing sections within DORA, GPS field visits encompass three distinctly different environments: Pipeline operator office audits (requires travel to fixed locations); Pipeline construction or field site inspections (requires travel to extremely variable locations); and Pipeline incident/accident site inspection/investigation (requires travel to extremely variable locations).

Historically, there have been four GPS engineers/inspectors assigned to the section. In FY 2012-13, the GPS was expanded by one inspector as a result of a federal review of the program's staff sufficiency. There are currently 5.0 FTE within the GPS; all but the Section Chief are allocated fully to inspection duties per Colorado's agreement with the U.S. Department of Transportation Pipeline and Hazardous Materials Administration (PHMSA) to enforce pipeline safety regulations. At present, the program's vehicles are driven an average of 1,370 miles per month (16,440 miles annually), well in excess of Colorado State Fleet Management's (SFM) criteria of 11,000 miles annually for the appropriate utilization of a vehicle for this purpose. The primary reason for this request is that the program has a new permanent inspector without a regular vehicle. Considering that much of the work is time sensitive and inspectors must be on-call, the vehicle would resolve a structural need in the performance of job duties that is presently balanced with other vehicles in the Division.

In summary, the PUC's mandate to protect consumers from unsafe, incompetent, and financially irresponsible motor carriers, and from unsafe intrastate natural gas pipeline systems, depends on carrying out on-site inspections and investigations. The PUC has established defined performance targets for these respective programs and has made progress towards meeting those targets. It should be noted that when field inspectors and investigators are more numerous than vehicles, vehicle scheduling becomes part of investigations workload. The current practice for vehicles is to schedule them (often weeks in advance), which can commit vehicle availability at times when investigators are in the office needing to perform an inspection or investigation off-site. Adding two State vehicles will help overcome this problem and enable the Department to maximize the productivity of staff allocated to the programs in order to meet performance targets and protect consumers, while simultaneously furthering environmentally friendly policy priorities as discussed in the next section.

Proposed Solution:

The PUC requests two additional sedans to be financed through a reallocation of $7,017 Cash Funds from Operating Expenses to Vehicle Lease Payments for FY 2014-15 and beyond, creating a net $0 appropriations impact to the State for this request.

As discussed above and summarized in Table 1 and Table 2, adding these two vehicles will position the respective programs to achieve important performance targets and further the accomplishment of the Department's mission of consumer protection in measurable ways, without the need to increase appropriations. Resolution of per-inspector vehicle shortages for both programs will increase regulatory responsiveness. The programs will have increased capacity to ensure carrier and vehicle inspections once every five years and increase capacity for construction inspections by 50% and damage inspections by 100%. Outcomes will be measured with inspection data.

Impact of Additional Vehicles. For the Compliance Unit, increasing the available fleet from three to four vehicles represents a 33 percent increase, suggesting that all other things being equal, the added vehicles could be expected to increase inspections by 33 percent to 1,463 vehicles and 333 carriers, very close to the 20 percent target of 1,600 vehicles and 360 carriers. For the GPS unit, increasing available vehicles from three to four will ensure that no inspectors are without a vehicle, and will result in increasing inspections from 150 to 225 per year as well as doubling the capacity to respond to incidents. Given that the new vehicles would also increase the productive time of all staff by improving the vehicles-to-inspector ratio and reducing wasted effort in managing vehicles between inspectors, it is expected that the addition of a new vehicle would enable performance targets to be met.

Additionally, the vehicles are requested to be Compressed Natural Gas (CNG) vehicles, which dovetails with the important policy priority of furthering environmentally friendly emissions in the course of accomplishing State business. CNG vehicles emit significantly less pollutants, contributing to cleaner air for Colorado.

Consequences of Insufficient Vehicles. If the proposed vehicles are not added, regulatory presence is not as responsive as the performance targets, meaning that there is greater opportunity for illegal and unsafe activities to go unchecked. Any time the Department falls short of performance targets, the mission of consumer protection is compromised, and consumers are put at greater risk. Customers impacted include motor carrier customers, persons who would be harmed by pipeline accidents, and regulated professionals whose industry is made more safe and reliable. From the perspective of workload, this means that 693 inspections (492 vehicle inspections, 116 carrier inspections, 75 pipeline construction inspections, and 10 on-site incident investigations). By way of the actual harm that can result, this includes potential violations of vehicle safety (unsafe vehicles), vehicle operators (fatigued or unsafe drivers), motor carriers (car theft and criminal activity), and gas pipelines (leaks and explosions).

Alternatives to Adding Vehicles. Although no viable alternatives exist, given that the PUC already leverages its existing vehicle fleet, one option that was considered and rejected is encouraging increased use of personal vehicles. However, given the nature of inspections and investigations, performing State work that involves dangerous or even criminal activities in a personal vehicle at all hours of the day and in sometimes remote locations after dark is not something that the Department believes is in the best interest of consumers or State employees. Even with possible contingency efforts such as fake license places, personal vehicles can still be identified. State minimum mileage standards also exist as a dividing line between professions for which personal and State vehicles are applicable. For instance, the Department includes bank and credit union examiners who routinely drive personal vehicles to the site of a financial institution, only to remain at that same site for several days. These employees do not drive enough miles to merit consideration for a State vehicle, and indeed driving is not itself a critical component of job performance, and so personal reimbursement is appropriate in this case. Additionally, personal vehicle use might prove to be a disincentive to investigators in conducting inspections and investigations. For these reasons, this option was rejected.

Anticipated Outcomes:

Resolution of per-inspector vehicle shortages for both programs will increase regulatory responsiveness, and this will be quantified via the tracking of inspections and investigations as indicated above. The programs will ensure carrier and vehicle inspections once every five years and increase capacity for construction inspections by 50 percent and damage inspections by 100%. From a workload standpoint, outputs will be measured with inspection data. However, the desired outcome of the request is the same as the mission of the respective programs: protecting consumers from harm and serving professionals with responsible regulation.

Investigations and Compliance Unit

With specific respect to the Investigations and Compliance Unit, the program presently reaches 1,100 vehicles and 250 carriers per year, meaning that the program is short of its performance target by an estimated 500 vehicles and 110 carriers. Increasing the available fleet from three to four vehicles represents a 33 percent increase, suggesting inspection capacity would increase to1,463 vehicles and 333 carriers, very close to the 20 percent target of 1,600 vehicles and 360 carriers. Given that the new vehicles would also increase the productive time of all investigators by improving the vehicles-to-inspector ratio and reducing wasted effort in managing vehicles between inspectors, it is expected that the addition of a new vehicle would enable performance targets to be met as indicated in Tables 1 and 2.

Gas/Pipeline Safety Section

From a performance standpoint, an additional vehicle would specifically allow for the following:

- Improved GPS flexibility to respond to an increase in contractor-managed pipeline construction activities along the Front Range. In FY 2012-13, GPS performed approximately 100 construction inspections, a figure which was below its customary level of 150 inspections due to vacancies. GPS estimates that access to an additional vehicle would increase inspections by approximately 50 percent (75 inspections) to 225 inspections per fiscal year.
- Prompt response to pipeline excavation damage along the Front Range. Excavation damages are short-term, unpredictable events that require a response to observe emergency responses and investigate cause. There were ten damage inspections in FY 2012-13. GPS estimates that access to an additional vehicle would allow for response to an additional ten (as based on a review of emergency reporting by utilities to GPS).
- Reduced scheduling burden on the entire PUC vehicle fleet for overnight/longer distance inspections. Overnight and long-distance inspections eliminate vehicle availability, not only for GPS, but for inspectors that have more frequent and shorter-distance trips.

Although harm that does not occur is not a measurable outcome for this request, performance targets can be readily measured so that the continued impact of the request can be tracked.

Assumptions and Calculations:

State Vehicles and Personal Vehicle Reimbursements in the Department. The Department presently has 57 State vehicles at an approximate annual lease cost of $200,000, with annual operating costs (fuel) of approximately $285,000. Additionally, the Department pays roughly $140,000 per year in personal vehicle reimbursements for State work, which occurs primarily in the Divisions of Banking and Financial Services.

PUC Vehicles and Operating Costs. The Public Utilities Commission has eight of these vehicles ($14,000 lease cost, $21,000 in fuel, and $8,000 in parking expenses). Two of these vehicles are pooled vehicles available for general use by the PUC, while the remaining six vehicles are used for inspections, investigations, and safety reviews for Motor Carrier Safety Program (three vehicles) and Gas/Pipeline Safety Section (GPS) (three vehicles). PUC also authorizes the use of personal vehicles, but annual reimbursement costs have been approximately $3,000, which is minimal. In total, PUC spent $37,893 on vehicle travel in FY 2012-13.

Request Calculations. In addition to the cost of vehicle lease rates estimated at $7,017, it is also important to note that another $7,000 in costs will be absorbed. This includes an estimated $5,000 in increased fuel costs, and an estimated $2,000 in parking costs for State vehicles. Even though the request would be kept appropriations-neutral by reallocating the spending authority from Operating Expense to use on vehicles, the proposed two vehicles would nevertheless increase PUC's travel costs for their motor carrier and pipeline safety programs, while eliminating only minimal personal mileage reimbursement.

The Department consulted with the Department of Personnel and Administration to obtain the figures for lease payments for these two vehicles are estimated at $292.37 per month (2 vehicles x $292.37 x 12 months = $7,016.88. Additional costs are estimated at $1,000 per vehicle to park, as well as an estimated $2,500 per vehicle ($5,000 total) based on PUC's $20,000 in fuel costs divided by eight current vehicles. Costs are summarized in the following table:

Table 3

Costs of Request	**FY 14-15**	**FY 15-16**
Appropriations Changes *(Transfer Between Operating and Vehicle Lease lines)*		
Projected Annual Vehicle Lease Rate for 2 Vehicles ($5,000 per)	$7,017	$7,017
Absorbed Costs *(Paid from Operating line)*		
Parking for 2 Vehicles ($1,000 per)	$2,000	$2,000
Estimated Fuel for 2 Vehicles ($2,500 per)	$5,000	$5,000
Total Costs:	$14,017	$14,017