



STATE OF ARKANSAS
**Department of Finance
 and Administration**

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June 15, 2016

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Senator Uvalde Lindsey, Co-Chairperson
 Representative Lanny Fite, Co-Chairperson
 Uniform Personnel Classification and
 Compensation Plan Subcommittee
 Arkansas Legislative Council
 State Capitol Building, Room 315
 Little Rock, Arkansas 72201

Dear Co-Chairs:

The Office of Personnel Management submits a request from the Arkansas Public Service Commission (PSC) for your review.

The Arkansas Public Service Commission has requested to add classifications to the previously approved salary structure and administrative plans for its Utilities, Tax, and Pipeline Safety Divisions into the 2016-2017 fiscal year, pursuant to Arkansas Code 21-5-222 (a)(1) which states:

A state agency or institution may request that a salary administration grid be approved for specific classifications of positions assigned to the career service compensation plan if the:

- (A) State agency or institution has documented the need for a salary administration grid for specific positions or classifications*
- (B) Terms and conditions of a grid proposed by the agency or institution address the needs of the targeted positions*
- (C) Cost of implementing and maintaining a salary administration grid is within the agency's or institution's existing appropriation and implementation does not use funds specifically set aside for other programs within the agency or institution; and*
- (D) Salary administration grid has been approved by the Chief Fiscal Officer of the State after review by the Personnel Committee.*

The previously approved salary grid was established for the following classifications:

<u>TITLE</u>	<u>GRADE</u>	<u>DIVISION</u>
Attorney Specialist	C126	Utilities
Engineer P.E	C124	Utilities
PSC Senior Rate Case Analyst	C124	Utilities
PSC Senior Public Utility Auditor	C122	Utilities

Senator Uvalde Lindsey, Co-Chairperson
 Representative Lanny Fite, Co-Chairperson
 June 15, 2016
 Page 2

PSC Rate Case Analyst	C121	Utilities
PSC Public Utility Auditor	C119	Utilities
PSC Utilities Services Specialist	C118	Utilities
PSC Tax Division Valuation Analyst	C113	Tax
PSC Pipeline Safety Specialist	C120	Pipeline Safety
Corrosion Inspector	C115	Pipeline Safety

The current request includes the addition of the following classifications:

<u>TITLE</u>	<u>GRADE</u>	<u>DIVISION</u>
PSC Director of Financial Analysis	N909	Utilities
Director of Research and Policy	N908	Utilities
Director Rates and Demand Resources	N906	Utilities
PSC Director of Electric Utilities Section	C130	Utilities
Managing Attorney	C128	Utilities
PSC Director of Revenue Requirements	C127	Utilities
Fiscal Division Manager	C127	Utilities
PSC Telecom and Quality Service Manager	C124	Utilities
PSC Customer Service Manager	C124	Utilities
Engineer Supervisor	C126	Pipeline Safety
PSC Tax Division Assistant Director	C126	Tax
Fiscal Support Manager	C123	Tax
PSC Tax Div Asst Dir Motor Carriers Prog	C123	Tax
Financial Analyst II	C121	Tax
PSC Tax Valuation Supervisor	C119	Tax

The existing grid replaced PSC's special language in 2009. Entry rates are established at the midpoint of the classification's grade based upon education and experience above that of the minimum qualifications as stated on the official job description. The plan also provides for either a six percent or nine percent increase in base salaries of incumbents who receive an "above average" annual performance evaluation. The current plan cover 49 of the agency's 114 person staff and was approved on the basis that those position require a high level of agency-specific and industry-specific knowledge.

PSC is now requesting to add new classifications to their grid in order to be able to retain and recruit individuals with the necessary education and work experience. Historically, this agency has competed, and continues to compete, with private utility companies. This will increase the number of the agency's staff on the grid to 63 and affect an additional 14 incumbents at this time. The agency states that the cost of implementing these changes would be \$38,166 in a given year. Some of the current incumbents are already at maximum for their pay grade and would therefore not benefit from this change. After further analysis and review, OPM has determined that salary costs for these adjustments appear to be incorrect and approximately \$8,189 below the actual cost for current incumbents. The requested classifications are among the most senior at the agency and therefore require highly specialized skills.

PSC states that there are additional requirements and expectations of the staff due to Act 725 of 2015 which established the opportunity for utilities to request a formula rate plan mechanism. This will essentially require to review annual rate adjustment filings for those utilities. Act 827 of 2015 also established additional requirements for net metering customers, which will require the agency to maintain staff which the knowledge and skills for that field. Also, Act 1050 and 1267 of 2015 gave PSC the jurisdiction to certify transportation network companies such as Uber and Lyft, as well as conduct annual reviews to verify continued compliance with statutory requirements. It is these expanded requirements that have prompted the agency to request a modification to their existing salary administration grid.

The Office of Personnel Management recommends the following additions this salary grid:

<u>TITLE</u>	<u>GRADE</u>	<u>DIVISION</u>
PSC Director of Financial Analysis	N909	Utilities
Director of Research and Policy	N908	Utilities
Director Rates and Demand Resources	N906	Utilities
PSC Director of Electric Utilities Section	C130	Utilities
Managing Attorney	C128	Utilities
PSC Director of Revenue Requirements	C127	Utilities
Fiscal Division Manager	C127	Utilities
PSC Telecom and Quality Service Manager	C124	Utilities
PSC Customer Service Manager	C124	Utilities
Engineer Supervisor	C126	Pipeline Safety
PSC Tax Division Assistant Director	C126	Tax
Fiscal Support Manager	C123	Tax
PSC Tax Div Asst Dir Motor Carriers Prog	C123	Tax
Financial Analyst II	C121	Tax
PSC Tax Valuation Supervisor	C119	Tax

Senator Uvalde Lindsey, Co-Chairperson
Representative Lanny Fite, Co-Chairperson
June 15, 2016
Page 4

OPM recommends the above eliminations from the request due to statewide impact. These titles are all used at various agencies throughout the state and do not require any further specialized skilled to perform the duties at PSC than they would for any other state agency. None of the additional titles requested show any turnover in the past year. The revised cost to add the classifications recommended above would be \$38,166.

Your approval of this amended request is greatly appreciated.

Sincerely,



Kay Barnhill
State Personnel Administrator



Chief Fiscal Officer of the State

KB/sd:1-4

JUN - 2 2016

Date

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Chairman
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Eiana C. Wills
Commissioner
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Lamar B. Davis
Commissioner
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**ARKANSAS
PUBLIC SERVICE COMMISSION
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John P. Bethel
Director
(501) 682-1794

May 12, 2016

Ms. Kay Barnhill
State Personnel Administrator
Office of Personnel Management
1509 W. 7th Street
Little Rock, AR 72201

RECEIVED

MAY 11 2016

OFFICE OF PERSONNEL MGMT
CLASS & COMP

Re: Revisions to the FY 2016 Special Pay Plan Grid and Special Entry Rates for the Arkansas Public Service Commission

Dear Ms. Barnhill:

Per your request today, I am supplementing the request I submitted on March 15, 2015 to include additional information. As I noted in my March 15 letter, I request that you review and approve the attached revisions to the Arkansas Public Service Commission's current Special Pay Plan Grid and Special Entry Rates for the Arkansas Public Service Commission, enclosed, for fiscal years 2016 and 2017.

The revisions to the current plan are to add positions to the Commission's Special Pay Plan Grid. As you are aware, pursuant to Ark. Code Ann. §23-5-222, with approval from the Department of Finance and Administration's Office of Personnel Management and the General Assembly, the Agency is able to implement a Special Pay Plan Grid and to request amendments to an approved plan. Under the approved plan, the Agency is able to hire employees into specified positions at the midpoint salary rather than at the entry rate. Additionally, the Agency is also authorized to provide periodic salary adjustments to qualifying employees in specified positions. These provisions are essential to enable the Agency to attract and retain qualified individuals. The Special Pay Plan Grid has been a useful tool in that regard.

The current version of the Commission's Special Pay Plan Grid omits several key positions. It is important that the Agency be able to provide periodic salary adjustments to the individuals in those positions to help retain highly skilled individuals in these key positions. Additionally, the current plan omits many positions in the Tax Division as well. Expanding the coverage of the Special Pay Plan Grid to include these additional positions will strengthen the Agency's ability to maintain a strong staff of highly skilled individuals to meet the challenging tasks confronting it. I request approval to add the following positions to the plan.

Ms. Kay Barnhill
May 12, 2016
Page 2

Utilities Division

G004C, Managing Attorney, Grade 128
X001C, PSC Director of Electric Utilities Section, Grade 130
N043N, PSC Director of Financial Analysis, Grade N909
G066C, PSC Telecom and Quality of Service Manager, Grade C124
A013C, PSC Director of Revenue Requirements, Grade C127
A008N, Director of Rates and Demand Resources, Grade N906
N072N, Director of Research and Policy, Grade N908
A014C, Fiscal Division Manager, Grade C127
G067C, PSC Customer Service Manager, Grade C124

Pipeline Safety Division

B015C, Engineer Supervisor, Grade C126

Tax Division

A064C, PSC Tax Valuation Supervisor, Grade C119
A047C, Financial Analyst II, Grade C121
A035C, PSC Tax Division Assistant Director Motor Carriers Program, Grade C123
A038C, Fiscal Support Manager, Grade C123
A019C, PSC Tax Division Assistant Director, Grade C126

I have included a redline mark-up of the current Special Pay Plan Grid and the supporting spreadsheet as well as clean versions of the revised documents for your review.

The current Special Pay Plan Grid covers forty-nine of the Agency's one hundred and fourteen authorized positions. The requested revisions to the Special Pay Plan Grid will add fourteen additional positions to the Special Pay Plan Grid. The requested positions added to the grid are among the most senior positions in the Agency. Those positions require a high level of Agency-specific and industry-specific knowledge. The Agency has historically competed with utilities and other businesses for individuals with the required education and work experience. With the expanding presence of the Southwest Power Pool and the Mid-Continent Independent System Operator in Little Rock, the Agency now competes with those entities as well. For example, the Southwest Power Pool has hired several Agency employees; including the individual holding the position that is now the Director of Rates and Demand Resources. The Mid-Continent Independent System Operator has recently hired an individual who held the position of PSC Rate Case Analyst. In order to attract and retain individuals with the necessary education and work experience, it is necessary to expand the Special Pay Plan Grid to include these additional positions.

Ms. Kay Barnhill
May 12, 2016
Page 3

Additionally, there are additional requirements and expectations for the Agency's professional staff that will add to the responsibilities of these and the other positions included in the Agency's Special Pay Plan Grid. Act 725 of 2015 established the opportunity for utilities to request a formula rate plan mechanism. This rate making mechanism will require Staff to review annual rate adjustment filings for the participating utilities. Currently, one utility has an approved mechanism in place, and another utility has a pending request to establish a mechanism. I anticipate that all seven of the investor owned electric and natural gas utilities will establish a formula rate plan which will require the annual review of seven filings annually which will require the Agency to maintain a professional staff with a thorough knowledge of rate making and utility operational issues. Additionally, Act 827 established additional requirements for net metering customers, and that development, coupled with the continuing development of renewable generating technologies, will require the Agency to maintain a professional staff with knowledge of those fields and the rate making and operational implications of distributed generation facilities. Pursuant to Act 740 of 2007, the Commission has jurisdiction over pole attachments, and the Commission is currently engaged in modifying its Pole Attachment Rules. As a result, it is likely that the Commission will be engaged in resolving issues between the pole owners and attaching entities. This will require Agency staff with knowledge and expertise in the field. Acts 1050 and 1267 of 2015 gave the Commission jurisdiction to certify transportation network companies such as Uber and Lyft. As a result, the Agency must ensure that it retains staff with knowledge in the transportation network field. Under the Acts, the Agency will be required to certify transportation network companies to operate in Arkansas and to conduct annual reviews to verify continued compliance with the statutory requirements. The Environmental Protection Agency has issued a number of regulations that affect electric generating facilities. It is critical that the Agency maintain professional Staff members with familiarity with the effects of those environmental regulations on the operation and assessment of the continued cost effectiveness of those facilities. Further, as additional opportunities to obtain electric capacity and energy to serve electric utility customers grows, it will be critical to maintain experienced professional staff members to examine and assess resource planning options in the future. The United States Department of Transportation's Pipeline and Hazardous Materials Safety Administration continues to add regulations to the federal pipeline safety code. The Commission's Pipeline Safety Office is required by state law to maintain the Arkansas Natural Gas Pipeline Code at equal or greater standards than the federal code. Consequently, as the federal requirements increase, the state requirements must also increase. As a result, it is essential that the Agency retain individuals in the Pipeline Safety Office that are well versed in those requirements. These are examples of the expanding requirements for specialized utility knowledge among the Agency's professional staff. The requested revisions to the Agency's Special Pay Plan Grid are critical to attracting and retaining individuals with the knowledge, skills, and abilities to meet these growing regulatory responsibilities. This is not an exhaustive list of the increasing issues and responsibilities confronting the Agency.

To estimate of the maximum impact of adding these fourteen positions to the Special Pay Plan Grid, I have assumed that each position would qualify for a salary adjustment and would

Ms. Kay Barnhill


May 12, 2016

Page 4

receive a salary adjustment. Five of the fourteen positions are currently paid at the maximum salary for the grade and would not be eligible for an increase pursuant to the provisions of the grid. If the eleven remaining positions are granted an increase pursuant to the Special Pay Plan Grid in a given year, the maximum cost would be \$38,166. To date in Fiscal Year 2016, the Agency has made salary adjustments under the Special Pay Plan Grid for five employees, and the total amount of those adjustments is \$16,619. During Fiscal Year 2015, the Agency made salary adjustments under the Special Pay Plan Grid for five employees, and the total amount of those adjustments was \$28,955.

I appreciate your consideration of this matter and respectfully request your approval. If you need additional information, please contact Vikki Hearn or me.

Sincerely,



John P. Bethel

Enclosures

Proposed Special Pay Plan for the Arkansas Public Service Commission

The Arkansas General Assembly has established criteria for the implementation of special rates of pay under Act 688 of 2009 (Ark. Code Ann. §23-5-222). The Arkansas Public Service Commission has previously been authorized by the Arkansas General Assembly to use special entry rates for certain positions. The proposed plan incorporates the requirements of Act 688 into a professional development matrix that will enable the Agency to attract and retain qualified employees.

The major change in the current plan from previous authorization from the Arkansas General Assembly is the request to hire at the Midpoint of the Career Service Pay Plan instead of the Maximum (previously Pay Level IV).

Special Rates of Pay

The Arkansas Public Service Commission requests review and approval of this proposed pay plan to implement special rates of pay for the following groups of professionals within the Agency.

The following job class codes are authorized to pay up to the midpoint salary of the Career Service Pay Plan as a starting rate of pay if the Minimum Qualifications (as determined by the Office of Personnel Management), and the additional qualifications specified below are met by the prospective candidate for the job.

Utilities Division:

A046C. PSC Rate Case Analyst, Grade C121: Midpoint \$53,264

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or two years additional experience.

After the first year of service in this category the employee will be eligible for a 6% salary increase if they receive an "Above Average" or better performance evaluation and recommendation from the department manager or Agency Director.

A028C. PSC Senior Rate Case Analyst, Grade C124: Midpoint \$60,214

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Above Average" or better performance evaluation and recommendation from the department manager or Agency Director.

Xo64C, PSC Public Utility Auditor, Grade C119: Midpoint \$49,067

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or two years additional experience or be eligible to sit for the Certified Public Accountant examination.

After the first year of service in this category the employee will be eligible for a 6% salary increase if they receive an "Above Average" or better performance evaluation and recommendation from the department manager or Agency Director.

Xo33C, PSC Senior Public Utility Auditor, Grade C122: Midpoint \$55,490

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Above Average" or better performance evaluation and recommendation from the department manager or Agency Director.

Bo23C, Engineer, P.E., Grade C124: Midpoint \$60,214

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, or three years additional experience as a professional engineer.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Above Average" or better performance evaluation and recommendation from the department manager or Agency Director.

Go47C, Attorney Specialist, Grade C126: Midpoint \$65,324

Minimum qualifications as determined by OPM. Additionally, candidate must have two more years of experience in law.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Above Average" or better performance evaluation and recommendation from the department manager or Agency Director.

Go04C, Managing Attorney, Grade C128: Midpoint \$70,849

Minimum qualifications as determined by OPM. Additionally, candidate must have three more years of experience in law.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Exceeds Standards" performance evaluation and recommendation from the department manager or Agency Director.

X078C, PSC Utilities Services Specialist, Grade C118: Midpoint \$46,730

Minimum qualifications as determined by OPM. Additionally, candidate must have an associate's degree, bachelor's degree or two years additional experience in electrical engineering, utility facility inspection or related field.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Above Average" or better performance evaluation and recommendation from the department manager or Agency Director.

X001C, PSC Director of Electric Utilities Section, Grade C130: Midpoint \$76,819

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Exceeds Standards" performance evaluation and recommendation from the department manager or Agency Director.

N043N, PSC Director of Financial Analysis, N909: Midpoint \$100,077

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Exceeds Standards" performance evaluation and recommendation from the department manager or Agency Director.

G066C, PSC Telecom and Quality of Service Manager, Grade C124: Midpoint \$60,214

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Exceeds Standards" performance evaluation and recommendation from the department manager or Agency Director.

A013C, PSC Director of Revenue Requirements, Grade C127: Midpoint \$68,032

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Exceeds Standards" performance evaluation and recommendation from the department manager or Agency Director.

A008N, Director of Rates and Demand Resources, Grade N906: Midpoint \$88,968

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Exceeds Standards" performance evaluation and recommendation from the department manager or Agency Director.

N072N, PSC Director of Research and Policy, Grade N908: Midpoint \$96,228

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Exceeds Standards" performance evaluation and recommendation from the department manager or Agency Director.

A014C, Fiscal Division Manager, Grade C127: \$68,032

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Exceeds Standards" performance evaluation and recommendation from the department manager or Agency Director.

G067C, PSC Customer Service Manager, Grade C124: Midpoint \$60,214

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Exceeds Standards" performance evaluation and recommendation from the department manager or Agency Director.

Pipeline Safety Division

X048C, PSC Pipeline Safety Specialist, Grade C120: Midpoint \$51,124

Minimum qualifications as determined by OPM. Additionally, candidate must have a bachelor's degree or two years additional experience in mechanical engineering, pipeline inspection or related field.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Above Average" or better performance evaluation and recommendation from the department manager or Agency Director.

B015C. Engineer Supervisor, Grade C126 Midpoint: \$65,324

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree or three years additional experience.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Exceeds Standards" performance evaluation and recommendation from the department manager or Agency Director.

N076N. PSC Director of Quality Services, Grade N907: Midpoint \$92,526

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Exceeds Standards" performance evaluation and recommendation from the department manager or Agency Director.

Tax Division

A095C. PSC Tax Division Valuation Analyst, Grade C113: Midpoint \$36,614

Minimum qualifications as determined by OPM. Additionally, candidate must have an associate's degree, bachelor's degree or two years additional experience in accounting, finance, economics, property tax assessment, or related field.

After the first year of service in this category the employee will be eligible for a 6% salary increase if they receive an "Above Average" or better performance evaluation and recommendation from Tax Division Director.

B076C. PSC Tax Valuation Supervisor, Grade C119: Midpoint \$49,067

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience in accounting, finance, economics, property tax assessment, or related field.

After the first year of service in this category the employee will be eligible for a 6% salary increase if they receive an "Above Average" or better performance evaluation and recommendation from the department manager or Tax Division Director.

A047C. Financial Analyst II, Grade C121: Midpoint \$53,264

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience in accounting, finance, economics, property tax assessment, or related field.

After the first year of service in this category the employee will be eligible for a 6% salary increase if they receive an "Above Average" or better performance evaluation and recommendation from the department manager or Tax Division Director.

A035C, PSC Tax Division Assistant Director Motor Carriers Program, Grade C123: Midpoint \$57,806

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience in accounting, finance, economics, property tax assessment, or related field.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Exceeds Standards" performance evaluation and recommendation from the department manager or Tax Division Director.

A038C, Fiscal Support Manager, Grade C123: Midpoint \$57,806

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience in accounting, finance, economics, property tax assessment, or related field.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Exceeds Standards" performance evaluation and recommendation from the department manager or Tax Division Director.

A019C, PSC Tax Division Assistant Director, Grade C126: Midpoint \$65,324

Minimum qualifications as determined by OPM. Additionally, candidate must have a master's degree, CPA, or three years additional experience in accounting, finance, economics, property tax assessment, or related field.

After the first year of service in this category the employee will be eligible for a 9% salary increase if they receive an "Exceeds Standards" performance evaluation and recommendation from the department manager or Tax Division Director.