

PUBLIC UTILITY COMMISSION OF TEXAS

Agency Strategic Plan

For the Fiscal Years 2013-2017 Period



July 6, 2012

AGENCY STRATEGIC PLAN

FISCAL YEARS 2013-2017

BY

THE PUBLIC UTILITY COMMISSION OF TEXAS

COMMISSIONER	DATES OF SERVICE	HOMETOWN
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DATE OF SUBMISSION

JULY 6, 2012

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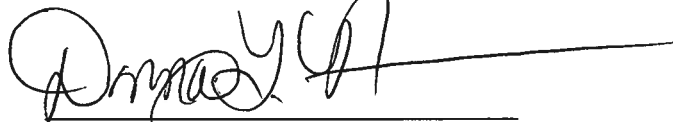

Donna L. Nelson, Chairman

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SECURING OUR FUTURE

The Statewide Strategic Planning Elements for Texas State Government

STATEWIDE VISION

Ensuring the economic competitiveness of our state by adhering to principles of fiscal discipline, setting clear budget priorities, living within our means, and limiting the growth of government;

Investing in critical water, energy and transportation infrastructure needs to meet the demands of our rapidly growing state;

Ensuring excellence and accountability in public schools and institutions of higher education as we invest in the future of this state and ensure Texans are prepared to compete in the global marketplace;

Defending Texans by safeguarding our neighborhoods and protecting our international borders;
and

Increasing transparency and efficiency at all levels of government to guard against waste, fraud, and abuse, ensuring that Texas taxpayers keep more of their hard-earned money to keep our economy and families strong.

STATEWIDE MISSION

Texas state government must be limited, efficient and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim high . . . we are not here to achieve inconsequential things!

STATEWIDE PHILOSOPHY

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise, we will promote the following core principles:

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics, or individual recognition.
- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
- Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
- Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.
- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
- State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse and providing efficient and honest government.
- Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

RELEVANT STATEWIDE GOALS AND BENCHMARKS

Regulatory Agencies

Priority Goal:

To ensure Texas are effectively and efficiently served by high-quality professionals and businesses by:

- Implementing clear standards;
- Ensuring compliance;
- Establishing market-based solutions; and
- Reducing the regulatory burden on people and businesses.

Benchmarks:

Ratio of supply of electricity generation capacity to demand

PUBLIC UTILITY COMMISSION OF TEXAS

AGENCY MISSION

The mission of the Public Utility Commission of Texas is to protect customers, foster competition, and promote high-quality utility infrastructure.

AGENCY PHILOSOPHY

The Public Utility Commission of Texas is accountable to the people of Texas to provide equitable, efficient, and effective regulation in an increasingly competitive environment. We conduct business openly and fairly, observe the highest ethical standards, encourage public participation, and balance the views of customers, utilities, new market entrants, and other affected parties. We value commitment, competence, innovation, teamwork, and respect for the individual.

OVERVIEW OF AGENCY SCOPE AND FUNCTIONS

Statutory Basis

The PUC’s primary enabling statute is Title II, Texas Utilities Code, known as the Public Utility Regulatory Act. The PUC administers the Texas No-Call list pursuant to Texas Business and Commerce Code §§ 44.101 – 44.253. The PUC is also subject to the Administrative Procedures Act, the Public Information Act, and the Open Meetings Act. Below is a chart detailing all state and federal statutes that grant authority or otherwise impact the PUC.

Statutes	
Citation/Title	Authority/Impact on Agency
Utilities Code, Title 2, Public Utility Regulatory Act	Agency’s enabling legislation, contains authority for most agency functions required under state law.
Utilities Code, Title 4, Delivery of Utility Services	Contains laws pertaining to electric and telephone cooperatives and miscellaneous provisions affecting electric and telephone utilities.
Texas Business and Commerce Code, Chapter 43, §§43.001 – 43.251	Provides authority to administer Texas no-call list.
Texas Health and Safety Code, Chapter 386, Subchapter E	Provides authority to administer energy efficiency grant program.
Texas Local Government Code, Chapter 283	Establishes uniform method for compensating municipalities for use of public rights-of-way by certificated telecommunications providers.
Federal Telecommunications Act of 1996	47 U.S.C. 151 et seq.: §153 Definitions §160(e) State Enforcement After Federal Forbearance §208 Complaints to FCC §214(e) Universal Service §224(c) State Regulatory Authority Over Rates, Terms and Conditions

	(Pole Attachments) §225(f) Telecommunications Services for Hearing-Impaired and Speech Impaired Individuals §227 Restrictions on the Use of Telephone Equipment (No-Call Lists) §251 Interconnection §252 Procedures for Negotiation, Arbitration and Approval of Agreements §253 Removal of Barriers to Entry §254 Universal Service §271 BOC Entry Into InterLATA Service §272 Separate Affiliate; Safeguards
Code of Federal Regulations, 47 C.F.R. Part 54, Subpart E	Requires telephone Lifeline program.
Federal Power Act, 15 USC §791a et seq.	Establishes federal regulation of interstate sales of power at wholesale, thereby limiting PUC's authority over the wholesale market in some areas of Texas.
Public Utility Holding Company Act, 15 USC §79 et seq	Limits the organizational structure and geographic scope of electric and gas utilities that operate in more than one state, thereby limiting merger and acquisition activities.
Public Utility Regulatory Policies Act of 1978 (PURPA), 16 U.S.C. §2601 et seq.	Requires state commissions to implement federal laws relating to purchases from and sales to qualifying facilities.
Internal Revenue Code, 26 USC § 45.	Provides for tax credit for energy produced from renewable resources, which supports state goal of increasing output from renewable resources.

Historical Perspective and Main Functions

In 1975, Texas became the last state in the country to provide for state wide comprehensive regulation of electric and telecommunications utilities by creating the Public Utility Commission of Texas

(PUC). At that time, public utilities were considered to be, by definition, natural monopolies in the areas they served, and regulation of rates and services substituted for market forces to keep rates reasonable and service quality high. Since that time, as a result of key legislation and developing technology, Texas has emerged as a national leader in the progressive development of competitive markets in both the electric and telecommunications industries. The PUC has responded to an ever-changing landscape to ensure that Texas customers continue to receive reliable, reasonably priced electric and telecommunications services.

Significant changes have occurred in the telecommunications and electric power industries since the original enactment of the Public Utility Regulatory Act (PURA). For approximately the first 20 years of the PUC's existence, the agency's primary role was traditional regulation of electric and telecommunications utilities. Although the PUC originally regulated water utilities, jurisdiction was transferred to the Texas Water Commission in 1986. Significant legislation enacted by the Texas Legislature in 1995, along with the Federal Telecommunications Act of 1996, dramatically changed the PUC's role by allowing for competition in telecommunications wholesale and retail services, and by creating a competitive electric wholesale market. Then, in 1999, the Legislature provided for restructuring of the electric utility industry, further changing the PUC's mission and focus. As a companion to these laws that changed the structure of the industries, the Legislature also passed new laws to ensure that customers' rights continued to be protected in the new environment.

Retail competition began on schedule in the Electric Reliability Council of Texas (ERCOT) region of the state on January 1, 2002. However, competition in all parts of Texas outside ERCOT has been delayed indefinitely. As a result, the PUC now oversees competitive electric markets in ERCOT, but continues traditional cost of service regulation in East Texas, the Panhandle, and El Paso areas.

Important changes affecting the telecommunications market occurred in 2005, when the Legislature passed Senate Bill 5. New PURA Chapter 65, part of Senate Bill 5, provided for deregulation of certain markets served by incumbent local exchange companies, which were further deregulated in 2011 by Senate Bill 980. Senate Bill 5 also authorized the PUC to issue statewide certificates of franchise authority to providers of cable and video services, which replaced the then-current system whereby cable providers obtained franchises from municipalities as local franchising authorities. In February 2012, the U.S. Fifth Circuit Court of Appeals ruled in *Time Warner v. Public Utility Commission of Texas* that certain provisions of PURA Chapter 66, which excluded incumbent cable service providers from obtaining a statewide franchise that was available to other service providers, violated the First Amendment of the U.S. Constitution. The Fifth Circuit remanded the case to the U.S. District Court for the Western District of Texas for proceedings consistent with the Fifth Circuit's opinion. By order issued on May 1, 2012, the U.S. District Court declared, consistent with the Fifth Circuit's ruling, that certain specific provisions of PURA § 66.004 were invalid, unenforceable and were of no force and effect. Senate Bill 5 also contained provisions related to broadband over power lines.

The PUC has statutory duties and authority in the following areas:

Electric Power Activities

- Within the Electric Reliability Council of Texas (ERCOT) area
 - Oversight of competitive wholesale and retail markets

- Oversight of the Electric Reliability Council of Texas (ERCOT), the independent organization responsible for operating the electric grid for approximately 70% of the state and settling transactions in the competitive markets.
- Jurisdiction over ratemaking and quality of service of investor-owned transmission and distribution utilities
- Establishing wholesale transmission rates for investor owned utilities, cooperatives, and municipally owned utilities
- Licensing of retail electric providers
- Registration of power generation companies and aggregators
- Implementation of a customer education program for retail electric choice
- Provide oversight for Competitive Renewable Energy Zone program, including monitoring the planning, designing, constructing, and energizing phases of the program
- Order the disgorgement of all excess revenue resulting from a market power abuse violation
- Enforcement of ERCOT rules and protocols
- Overall administration of the System Benefit Fund, including administration of a low income discount program with automatic enrollment of eligible customers
- Outside ERCOT, continuing the regulation, including rate regulation, of vertically integrated investor owned utilities until retail competition begins. Also, actively participate in regional transmission organization and wholesale market development in areas outside ERCOT.
- Issuance of certificates of convenience and necessity for service areas and proposed transmission lines
- Monitoring industry progress in meeting the renewable energy and energy efficiency mandate adopted in the 1999 legislation and amended by subsequent legislatures
- Resolution of customer complaints, using informal processes whenever possible

Telecommunications Activities

- Arbitration of interconnection agreements and post-interconnection disputes pursuant to the Federal Telecommunications Act
- Administration of the Texas Universal Service Fund
- Administer the Lifeline program for low-income customers
- Oversee the Texas High-Cost Universal Service Plan and Small and Rural ILEC Universal Service Plan
- Administration of the Relay Texas program for deaf and hearing-impaired customers
- Administration of the Specialized Telecommunications Assistance Program
- Oversee the Texas Audio Newspaper Program
- Facilitation of the availability of broadband service throughout Texas
- Resolution of customer complaints, using informal processes whenever possible
- Issuance of State Issued Certificates of Franchise Authority to cable providers
- Issuance of Service Provider Certificates of Operating Authority and Certificates of Operating Authority to local service providers
- Review of one-day and ten-day informational filings made by incumbent local exchange companies
- Registration of long distance providers, automatic dial announcing devices, and pay phones
- Setting franchise fee rates for municipalities pursuant to Local Government Code Chapter 283
- Monitoring area code exhaustion and working with the national number administrator to conserve numbers and implement new area codes
- Reviewing tariffs for companies subject to rate regulation
- Administration of the Texas No-Call List

Affected Populations

The PUC's functions, as summarized above, affect virtually all citizens of Texas. For utility customers, some of the agency's responsibilities, such as licensing and registering of service providers, have an indirect impact. Others, such as setting rates for regulated electric utilities or resolving customer complaints, have a more direct impact. Although the number of persons with whom the agency has direct contact is much lower than the number affected by the PUC's decisions, the PUC considers all persons who use electric and telecommunications services to be customers of the agency. Customer classes and groups of customers often appear before the PUC through representatives, such as the Office of Public Utility Counsel, municipalities, and coalitions of customers with similar interests. However, even when customer groups do not actively participate in PUC cases or rulemakings, the agency considers their interests based on agency staff review and analysis, which is conducted on all matters that come before the PUC for decision.

The PUC's activities also have direct and important consequences for all businesses that provide telecommunications and electric services. The level of regulation and oversight for specific types of businesses varies based on where the company provides service and the type of service being provided. For example, with the Electric Reliability Council of Texas (ERCOT), which accounts for approximately 75 percent of the State, the PUC regulates the rates and services of transmission and distribution utilities, establishes wholesale transmission rates, and oversees wholesale and retail competitive markets. Some areas of the State are not subject to electric retail competition, and in those areas electric utilities are still subject to traditional retail rate jurisdiction. In these same parts of the State, wholesale sales of electricity are subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC), rather than the PUC. Municipally owned utilities and electric cooperatives are not subject to the PUC's retail rate and service quality jurisdiction, but are subject to wholesale transmission rate jurisdiction and wholesale generation market oversight.

Public Perception

The public's perception of an agency such as the PUC is very difficult to gauge. The PUC's functions and the entities over which it exercises jurisdiction can be difficult for the public to fully understand. The agency works to present clear, understandable information through written educational materials, the PUC website, the power-to-choose website, through direct contact with persons who call or write to the agency, and by making personal appearances whenever possible. Also, the PUC carefully considers all public input, particularly input provided in the agency's Customer Service Survey. However, the nature of the PUC's work, which includes a balancing of the economic interests of groups with competing interests, the agency can never completely satisfy all parties. Therefore, in assessing its performance, the PUC relies more heavily on input from persons and organizations that are familiar with the agency's mission and responsibilities, than on input from the general public.

ORGANIZATIONAL ASPECTS

Organizational Structure and Workforce Characteristics

The PUC is composed of three Commissioners appointed by the Governor, with the advice and consent of the Senate. The Commissioners serve staggered six year terms, with the Governor designating the Commission Chairman. The agency employs an executive director who is responsible for the daily operations of the PUC and for coordinating the activities of PUC staff. The three Commissioners and the Executive Director are exempt from the State Classification Act; all other agency employees are classified employees.

The PUC’s current organizational structure is based on the agency’s major functional responsibilities and reflects the Commission’s mission, goals and objectives as set out in the Strategic Plan. The major program area divisions are Customer Protection, Competitive Markets, Infrastructure and Reliability, Oversight and Enforcement, Rate Regulation, Legal, and Commission Advising and Docket Management. This structure has been in place since October 2007, when the PUC undertook a comprehensive reorganization to better align the structure with the Commission’s statutory responsibilities. The reorganized PUC structure is more dynamic, allowing for easier adaptation to changes in law and the industries the agency oversees.

Currently, the PUC has a total of 169.6 FTEs paid from appropriated funds. Of this total, 11 FTEs are paid entirely by federal funds. The agency’s FTE cap is 178.0, which includes 167.0 State-funded positions and 11.0 federally-funded positions. All federally funded positions will expire no later than December of 2012. The agency’s staff to management FTE ratio is approximately 14:1 for the 2012 fiscal year.

The PUC continues its efforts to develop and maintain a skilled and diverse workforce that reflects the diversity of the Texas labor market. Staff composition by Equal Opportunity category is provided in the Tables below for the second quarter of fiscal year 2012.

PUC WORKFORCE INFORMATION

FISCAL YEAR 2012 – THIRD QUARTER (March 1, 2012 – May 31, 2012)

Gender – Racial – Ethnic Diversity							
Fiscal Year 2012, Third Quarter							
Male	Female	White	Black	Hispanic	Asian	Other	Total
83	88	109	15	41	6	0	171
48.5%	51.5%	63.7%	8.8%	24.0%	3.5%	0.0%	100%

All employees on payroll as of February 29, 2012.

Gender – Occupational Diversity					
Fiscal Year 2012, Third Quarter					
Job Category	Male		Female		Female Goal
Administrative	9	75.0%	3	25.0%	37.5%
Professional	58	55.2%	47	44.8%	53.3%
Technical	8	100.0%	0	0.0%	53.9%
Administrative Support	4	12.9%	27	87.1%	67.1%
Skilled Craft	0	0.0%	0	0.0%	5.1%
Service / Maintenance* (Para-Professional)	4	26.7%	11	73.3%	39.1%
Total	83		88		

Racial – Ethnic – Occupational Diversity														
Fiscal Year 2012, Third Quarter														
Job Category	White		Black			Goal	Hispanic			Goal	Asian		Other	
Administrative	10	83.3%	1	8.3%	7.5%	1	8.3%	21.1%	0	0.0%	0	0.0%		
Professional	74	70.5%	7	6.7%	9.7%	18	17.1%	18.8%	6	5.7%	0	0.0%		
Technical	6	75.0%	0	0.0%	13.9%	2	25.0%	27.1%	0	0.0%	0	0.0%		
Administrative Support	14	45.2	4	12.9%	12.7%	13	41.9%	31.9%	0	0.0%	0	0.0%		
Skilled Craft	0	0.0%	0	0.0%	6.6%	0	0.0%	46.3%	0	0.0%	0	0.0%		
Service / Maintenance * (Para-Professional)	5	33.3%	3	20.0%	14.1%	7	46.7%	49.9%	0	0.0%	0	0.0%		

Percentage goals represent the State Civilian Workforce, as reported by the Civil Rights Division (CRD) of the Texas Workforce Commission in the EEO/Minority Hiring Practices Report in January 2011. The CRD analyzes the workforce using an 80% benchmark from the EEOC Uniform Guidelines on Employee Selection to determine utilization within each occupational category. Highlighted sections indicate areas in which the percentage of Commission employees in those categories meet or exceed the percentage in the State Civilian Workforce using the 80% benchmark. Shaded sections identify those

areas where the percentage of Commission employees in those categories is below the percentage in the State Civilian Workforce using the 80% benchmark.

Geographical Location of Agency and Service Populations

The PUC’s offices are located in the William B. Travis Building in Austin, Texas. PUC hearings and open meetings are typically held at this location. The Commission and staff may conduct hearings and meetings at other locations to receive additional public input on issues and cases that are pending before the Commission. On occasion, the Commissioners or staff may be required to attend functions outside of the state such as training sessions, speaking engagements, or meetings of regional transmission organizations and organizations comprised of regional utility commissions. The PUC strictly adheres to its out-of-state travel spending cap each fiscal year. The PUC’s service populations are located throughout the state. All Texas citizens are affected, both directly and indirectly, by the decisions and rulings of the Commission.

Human Resources

The PUC is a labor-intensive organization, with 84.2 percent of the agency operating budget being expended for salaries in fiscal year 2011. Agency staff includes engineers, accountants, economists, attorneys, and customer care specialists. Many PUC employees hold advanced degrees or other professional credentials, while technical and paraprofessional staff provides the primary administrative support for the agency. The PUC’s staff has a depth of institutional knowledge of all agency programs. The agency’s senior administrators and division directors average 17 years of service with the Commission.

Staff turnover is always a concern for the PUC. Through the first half of fiscal year 2012, the agency has operated at approximately 95.1 percent of full-employment. The Table below shows the employment level of the PUC since fiscal year 2000.

PUC Employment Levels, FY 2000 – FY 2012			
Fiscal Year	*FTE Cap	*Actual FTEs	% of Full Employment
**2012	167.0	158.8	95.1%
2011	188.6	172.4	91.4%
2010	188.6	178.9	94.9%
2009	188.6	180.3	95.6%

2008	188.6	171.0	90.7%
2007	210.9	171.3	81.2%
2006	210.9	176.4	83.6%
2005	210.9	184.1	87.3%
2004	210.9	187.7	89.0%
2003	244.0	213.9	87.7%
2002	244.0	224.2	91.9%
2001	242.0	217.7	90.0%
2000	242.0	221.9	91.7%

*Excludes 100 percent federally funded employees.

** Year-to-Date total for first two quarters of the fiscal year.

The above table depicts that while the PUC is operating relatively close to its FTE Cap, this is truly a result of the agency's FTE cap being reduced significantly over the past 12 years. Even though the PUC's regulatory responsibilities have not decreased, the agency's FTE cap has been reduced by approximately 31.0 percent since fiscal year 2000, with the agency's actual FTE average declining by 28.4 percent over that same time period.

Several factors affect the PUC's ability to maintain a high quality and motivated staff. Most importantly, compensation offered to professionals at the PUC is not generally competitive with the compensation offered in the private sector. Experience gained at the PUC is valuable to companies in the competitive electric and telecommunications industries, and companies in these industries are able to offer salaries that are significantly higher than the PUC can offer. Additionally, the high volume nature and variability of the PUC's work cause individuals to look for jobs with more manageable, less strenuous workloads.

As a means of addressing turnover issues, managers and supervisors oversee work assignments to support employees' professional development in a manner consistent with the abilities of individual employees. In order to compliment these internal professional development efforts, the PUC is committed to providing staff with opportunities to attend continuing education courses and subject matter conferences to enhance their educational background and skills, within budgetary constraints. Both

internal and external professional development efforts help to ensure employees remain informed and knowledgeable about changes in technology and law in order for the Commission to be a viable and credible regulator of the electric and telecommunications industries.

The PUC also offers flexible work schedules and telecommuting opportunities where applicable, to improve overall job satisfaction and employee productivity. Furthermore, the Commission administers a comprehensive employee recognition program, created in 2008, to acknowledge the accomplishments of individuals and teams whose contributions towards furthering the PUC’s mission surpass all expectations.

Capital Assets

The PUC’s capital assets are comprised of computers, printers, network infrastructure, and office furniture. The Commission occupies leased space in a State owned building and does not have any vehicles. The capital needs of the agency are technology related and are essential to the daily operations and fulfilling the PUC’s mission. The PUC’s desktop computers and software are managed through a series of operating leases in order to provide for consistent budgeting for the necessary expenditures.

Agency Use of Historically Underutilized Businesses

The Commission has an extensive process to maximize HUB utilization for contracted services. The PUC’s purchaser reviews each individual purchase to consider whether a HUB opportunity exists. If a HUB opportunity does exist, and the method of procurement through a HUB vendor will result in the best-value for the agency and the State, Purchasing will make arrangements to make the purchase through such means. On a monthly basis, the purchaser compiles a report, describing the number of HUB vendors used for the previous month and the amount of money spent with each vendor. The HUB Coordinator then provides this report with appropriate feedback for the Executive Director and other Senior Level staff to analyze and discuss performance shortfalls and to develop ways to meet and exceed the agency’s and the State’s HUB goals.

The PUC’s HUB plan is included within Goal D, Indirect Administration, in the State budget. The Commission actively encourages procurement and contracting opportunities with HUBs. Although the PUC is committed to recruitment and promotion of HUBs, the nature of the agency’s activities limits procurement and contacting to State categories of Professional Services, Other Services, and Commodities. As the Table below illustrates, the PUC exceeded the statewide goals for HUB utilization in two-thirds of the categories in which the agency procures contracted services.

FISCAL YEAR 2011				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	-	-	-	11.90%
Building Construction	-	-	-	26.10%

Special Trade	-	-	-	57.20%
Professional Services	\$6,800	\$6,800	100.0%	20.00%
Other Services	\$3,744,519	\$878,589	23.46%	33.00%
Commodities	\$512,589	\$353,127	68.89%	12.60%
TOTAL	\$4,263,908	\$1,238,516	29.05%	

The Commission encourages HUBs to register as vendors with the Texas Comptroller of Public Accounts (CPA). The PUC’s website provides links to the CPA website to make it easier for HUBs to register and become certified. The PUC’s website also provides information on the agency’s Mentor/Protégé program and other purchasing related information.

In addition to working with other state agencies to sponsor joint agency HUB events, PUC staff attends Economic Opportunity Forums to help increase the use of HUBs. In addition to these outreach efforts, the Commission participates in monthly HUB discussion workgroups with other agencies.

Use and Anticipated Use of Consultants

The PUC uses consultants to provide services that the agency does not have the internal resources to provide. The Commission currently outsources the following functions:

Administration of the Electric Low-Income Discount Program and Lifeline Program

PURA §17.007 requires the PUC to develop an integrated eligibility and enrollment process for customer discounts provided pursuant to PURA §§39.903 and 55.015. PURA §39.903 provides for a reduced electric rate for eligible customers in areas of the state where retail competition exists. PURA §55.015 relates to the Lifeline program, which provides discounts to low-income telephone customers pursuant to federal law, 47 C.F.R. Part 54, Subpart E. PURA §56.021 authorizes the PUC to use the Texas Universal Service Fund to finance the implementation and administration of an integrated eligibility and automatic enrollment process for the Lifeline program. The PUC has a contract with Solix Inc., which is funded by the System Benefit Fund, to administer the enrollment process for the electric low-income discount and Lifeline programs. The current contract term expires in September of 2013.

Texas Universal Service Fund Administration

The PUC has a contract with Solix Inc., which is funded by the Texas Universal Service Fund, for the administration of the Texas Universal Service Fund. PURA § authorizes the PUC to “act as necessary and convenient to administer the fund and [PURA Chapter 56].” The current contract term expires in September of 2013.

No-Call List Administration

The PUC administers the state's "no-call" list, which are databases compiling the names and telephone numbers of consumers who object to receiving unsolicited telemarketing or telephone calls. The "no-call" list was created in §43.101-43.014 of the Texas Business and Commerce Code, and authorized the PUC to contract with a private vendor to maintain the no-call list. Additionally, PURA §39.1025 authorizes the Commission to outsource the operation of a database of customers who do not wish to receive telemarketing calls regarding retail electric service. Under the PUC's arrangement with its contractor, Gryphon Networks Corp, the contractor is compensated through sales of the no-call list to people and entities that are required to comply with the law. The current contract term expires in September of 2012.

Relay Texas Service

Relay Texas is a telecommunications program that provides access for hearing and speech impaired individuals to the state's telecommunications network equivalent to the access provided to other customers. PURA §56.108 requires the PUC to select one telecommunications carrier to provide the statewide telecommunications access service. Currently, Sprint provides this service. PURA §56.021 authorizes the PUC to reimburse the telecommunications carrier that provides this service from the Texas Universal Service Fund. The current contract term expires in December of 2016.

Specialized Telecommunications Assistance Program

The Specialized Telecommunications Assistance Program (STAP) is a voucher program that provides financial assistance for the purchase of specialized assistive equipment or services for individuals whose disability interferes with their ability to access the telephone network. In August of 2011, the Commission contracted with Solix, Inc. to manage the monthly operations associated with the STAP program. The monthly operating functions that Solix manages include processing vendor payments, processing vendor registrations, updates, and certifications, and developing a new web-based STAP system that incorporates a voucher processing application. This contract is funded by the Texas Universal Service fund and the current contract term expires in September of 2013.

Conservation Educational Outreach Campaign

In April 2012, the PUC contracted with Sherry Matthews Advocacy Marketing to assist the PUCT in developing and executing strategies for the development and operation of an education outreach program that emphasizes the benefits to Texas and retail consumers of energy conservation, particularly during peak usage periods. The outreach includes the development of a website that will serve as a central location for information on energy conservation programs; the development of a summer peak energy savings challenge; coordination with Smart Meter Texas education on utilizing smart meter data to manage energy usage and possibly lower electricity costs; and the development of resources for educators and Texas students related to energy usage. This contract is funded by the System Benefit Fund and the current contract term expires in September of 2013.

Market Oversight Consulting Services

As a part of electric utility restructuring enacted by the Legislature in 1999, the PUC is required by PURA §39.157 to oversee competitive wholesale electricity markets in ERCOT. Occasionally, it becomes necessary to retain outside consultants who are experts in the fields of market design and quantitative analysis of market transactions and behavior. Recruiting qualified employees at state compensation rates is not feasible for the advanced level of work that is required; therefore, it is more cost-effective to obtain specialized expertise only when it is necessary. The Commission enters into consulting contracts on an as needed basis to work on market design issues and wholesale market enforcement matters. These contracts may be funded by either the System Benefit Fund or General Revenue when necessary.

Independent Market Monitor

PURA §39.1515 requires ERCOT to contract with an entity selected by the Commission to act as the Commission's independent market monitor to detect and prevent market manipulation strategies and recommend measures to enhance the efficiency to the wholesale market. Potomac Economics has operated as the Independent Market Monitor since being selected in 2006. This contract is funded by the ERCOT administrative fee in accordance with PURA § 25.365(g). The current contract term expires in January of 2013.

Live Broadcasting of PUC Hearing and Open Meetings

PURA §12.204 requires the PUC to make all Commission public hearings and meetings publicly assessable via live internet video without charging a fee. The PUC contracts with TexasAdmin, Inc. to provide this service to the public free of charge. Furthermore, PURA also authorizes the Commission to recover the costs of providing this service from certain public utilities, retail electric providers, power generation companies, and telecommunications companies. This contract is funded by assessments in accordance with PURA § 12.204. The current contract term expires in September of 2012.

Competitive Renewable Energy Zone Oversight

PURA §39.904 requires the Commission to develop a plan to construct transmission capacity necessary to deliver to electric customers, in a manner that is most beneficial and cost-effective to the customers, the electric output from renewable energy technologies in the competitive renewable energy zones. The PUC initiated CREZ development in January of 2007 and designated CREZ zones in 2008. The Commission's final order in Docket 35665, which selected the transmission and distribution utilities responsible for building CREZ projects, delegated authority to the agency's Executive Director to "select, engage, and oversee persons with responsibility for oversight of the planning, financing, and construction of all CREZ facilities to ensure that the facilities are completed in a timely manner." Additionally, the final order required the electric transmission companies responsible for completing CREZ projects to pay the costs associated with retaining the project oversight monitor. This project is funded by Transmission and Distribution Service Providers in accordance with the PUC final order in Project 35665, relating to the selection of entities responsible for transmission construction and improvements necessary to complete the CREZ project. The current contract term expires in January of 2014.

Texas Nodal Market Implementation Project (TNMIP) Review

Navigant Consulting was retained by the PUC and ERCOT to conduct a cost and schedule evaluation, analysis and validation of the design, development and implementation of the Texas nodal wholesale market. The first phase of the evaluation consists of a summary level review of the scope, requirements and work performed on the TNMIP, as well as a more detailed review of the various internal and external audit and other evaluative reports prepared during the project. The second phase of the review will include an evaluation of system design, and analysis and investigation of project and program costs, and analysis of project and program schedule delays and changes, and an assessment of TNMIP costs and perceived benefits. This contract is funded by ERCOT under the PUC's authority to order audits. The current contract term expires in August of 2012.

FISCAL ASPECTS

Budget Size and Method of Finance

The PUC received the following appropriation for the 2012-2013 fiscal biennium:

FUND	FISCAL YEAR 2012	FISCAL YEAR 2013
General Revenue	\$4,558,048	\$4,552,053
GR Dedicated System Benefit Fund	\$81,234,862	\$86,138,757
<i>-Electric Market Oversight</i>	<i>\$6,041,736</i>	<i>\$6,041,736</i>
<i>-Low-Income Discount</i>	<i>\$73,635,575</i>	<i>\$78,539,470</i>
<i>-Customer Education</i>	<i>\$750,000</i>	<i>\$750,000</i>
<i>-Administration</i>	<i>\$807,551</i>	<i>\$807,551</i>
Federal ARRA	\$541,666	\$82,197
Other Funds	\$1,195,228	\$475,000
<i>-Appropriated Receipts</i>	<i>\$475,000</i>	<i>\$475,000</i>
<i>-Interagency Contracts</i>	<i>\$720,228</i>	<i>\$0</i>
TOTAL	\$87,529,804	\$91,248,007

PURA § 16.001 imposes a gross receipts assessment on each public utility, retail electric provider, and electric cooperative within the jurisdiction of the PUC that serves the ultimate consumer, including each interexchange telecommunications carrier. The revenues generated by this assessment are deposited into the General Revenue Fund and are intended to offset the cost to the State of PUC operations. The assessment is set in statute at a rate of one-sixth of one percent of gross receipts from the sale of electric and telecommunications services to Texas customers. This assessment, which is collected by the Comptroller of Public Accounts, totaled approximately \$50.1 million in fiscal year 2011. However, the PUC's appropriation is not tied to the revenue collected from this assessment in the General Appropriations Act.

The PUC also receives an appropriation from General Revenue – Dedicated System Benefit Account No. 5100 (System Benefit Fund). This fund, which was established in 1999 as part of the electric restructuring legislation, is financed by a nonbypassable fee set by the PUC in an amount not to exceed 65 cents per megawatt hour of usage and is charged to customers in areas of the state having retail competition. The fee produced approximately \$147.6 million in fiscal year 2011. To the extent that revenues deposited into the System Benefit Fund exceed appropriations from the fund, the amounts remain in the fund and accrue interest, which totaled approximately \$5.5 million in fiscal year 2011.

Utilities Code § 39.903 authorizes money in the System Benefit Fund to be appropriated only for the following purposes:

- Energy assistance programs to provide low income customers a reduced rate or to provide one-time bill payment assistance to electric customers who are or who have in their households one or more seriously ill or disabled low-income person and who may be disconnected for nonpayment;
- Customer education programs;
- Programs to assist low-income customers by providing targeted energy efficiency programs administered by the Texas Department of Housing and Community Affairs;
- Expenses incurred by the PUC and the Office of Public Utility Counsel in implementing and administering electric restructuring; and
- Reimbursement to the PUC and the Health and Human Services Commission for expenses incurred in the implementation of automatic enrollment in the low-income electric discount program.

The 2012-13 General Appropriations Act funds a greater proportion of agency operations from the System Benefit Fund than in past years. As the agency’s activities and functions relating to the competitive electric market continue to increase, the legislature increased PUC operational funding from the System Benefit Fund from \$5.9 million during the 2010-11 fiscal biennium to \$15.2 million for the 2012-13 fiscal biennium. This represents an increase of approximately 257 percent. The PUC General Revenue appropriation was reduced by a similar amount. Below is chart showing PUC appropriations from the System Benefit Fund for agency operations for the past 10 fiscal years.

FISCAL YEAR	APPROPRIATION AMOUNT
2004	\$3,625,843
2005	\$3,625,843
2006	\$3,625,842
2007	\$3,625,842
2008	\$2,895,592
2009	\$2,895,592
2010	\$2,954,472
2011	\$2,954,472
2012	\$7,599,287
2013	\$7,599,287

Note: These figures represent amounts appropriated by the Conference Committee Report of the General Appropriations Act for each biennium shown in the chart.

The amounts appropriated to the PUC from the System Benefit Fund for the low-income electric discount program and customer education are appropriated in Goal 3, Electric Restructuring, and are nontransferable.

The PUC receives an Appropriated Receipts appropriation in the amount of \$475,000 each fiscal year. This includes \$400,000 in reimbursements from the Universal Service Fund for certain telecommunication industry regulation activities performed by the PUC, \$45,000 for the sale of printed, recorded, or electronically produced matter or material and \$30,000 in fees paid by utilities to receive daily feeds from the PUC Interchange.

Finally, the PUC received federal American Recovery and Reinvestment Act (ARRA) funding for the 2012-2013 biennium. This was accomplished through two funding streams. The first is a direct grant from the Department of Energy, relating to the enhancement of PUC capabilities in key electric-related topical areas such as energy efficiency, renewable energy, smart grid, and coal with carbon capture and storage. The second is as a sub-grantee for an ARRA grant awarded to the State Energy Conservation Office. This funding is being utilized to strengthen and expand State and local government energy assurance planning and resiliency efforts by incorporating response actions for new energy portfolios and Smart Grid applications and to build in-house State and local government energy assurance expertise. The PUC does not anticipate receiving additional federal funds in future biennia.

Comparison to Other States

A comparison of the PUC's budgetary needs to those of similar agencies in other states is difficult because of the unique regulatory environment within Texas. The Texas PUC has jurisdiction over the wholesale electric market in ERCOT; FERC has jurisdiction over wholesale markets in all other contiguous states. Also, the size of state public utility regulatory agencies varies based on state population, the agency's scope of authority, and whether the state has implemented market competition.

Budget Adequacy and Limitations

Although the PUC's budget is adequate to accomplish its statutory responsibilities, the agency is constrained by certain budgetary limitations. First, the PUC's State-funded operational budget, not including the Low-Income Discount program, has been reduced by approximately 42.9 percent, and includes a decrease of more than \$3.6 million for customer assistance, conducting investigations, and initiating enforcement actions since fiscal year 2003. During this same 10 year time-period, the PUC's FTE cap has been reduced by 75.0 FTEs, or 31.0 percent.

Budget riders in the General Appropriations Act place restrictions on the use of PUC funds. However, the PUC complies with all caps on spending and Full-Time-Equivalents (FTE) positions.

2. Capital Budget. None of the funds appropriated above may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes. Amounts appropriated above and identified in this provision as appropriates either for “Lease Payments to the Master Lease Purchase Program” or for items with a “(MLPP)” notation shall be expended only for the purpose of making lease-purchase payments to the Texas Public Finance Authority pursuant to the provisions of Government Code § 1232.103. Upon approval from the Legislative Budget Board, capital budget funds listed below under “Acquisition of Information Resource Technologies” may be used to lease information resources hardware and/or software versus the purchase of information resources hardware and/or software, if determined by commission management to be in the best interest of the State of Texas.

	<u>2012</u>	<u>2013</u>
a. Acquisition of Information Resource Technologies		
(1) Data Center Consolidation	\$310,010	\$293,334
Total, Capital Budget	<u>\$310,010</u>	<u>\$293,334</u>
Method of Finance (Capital Budget):		
General Revenue Fund	\$310,010	\$293,334
Total, Method of Finance	<u>\$310,010</u>	<u>\$293,334</u>

3. Transfer Authority. The Public Utility Commission shall not transfer an appropriation to or from any item under Goal C: Electric Utility Restructuring, and shall not expend amounts above those appropriated above in each strategy in Goal C: Electric Utility Restructuring.

4. System Benefit Account Reporting. The Public Utility Commission shall submit a quarterly report to the Legislative Budget Board and the Governor on revenues and expenditures made from the GR Dedicated – System Benefit Account No. 5100. The report shall be submitted with documentation as specified by the Legislative Budget Board and the Governor.

5. Unexpended Balances Authority. The unobligated and unexpended balances of appropriations to the Public Utility Commission for the fiscal year ending August 31, 2012, are hereby appropriated to the commission for the same purposes for the fiscal year ending August 31, 2013.

6. Sunset Contingency. Funds appropriated above for fiscal year 2013 for the Public Utility Commission are made contingent on the continuation of the Public Utility Commission by the Eighty-second Legislature. In the event that the agency is not continued, the funds appropriated for fiscal year 2012 or as much thereof as may be necessary are to be used to provide for the phase out of the agency operations.

7. Contingent Revenue. Of the amounts appropriated above to the Public Utility Commission from the GR Dedicated – System Benefit Account No. 5100, the estimated amounts of \$81,234,862 in fiscal year 2012 and \$86,138,757 in fiscal year 2013 are contingent on the Public Utility Commission assessing a rate sufficient to generate the estimated needs of the GR Dedicated – System Benefit Account No. 5100. The Public Utility Commission, upon completion of the necessary actions for the assessment, shall furnish copies of the Public Utility Commission’s order and other information supporting the estimated revenues to be generated for the 2012-13 biennium to the Comptroller of Public Accounts. If the comptroller finds the information sufficient to support the projection of revenues, a finding of fact to that effect shall be issued and the contingent appropriation shall be made available for the intended purposes.

8. Allocation of System Benefit Account. The maximum statutory assessment rate of the GR Dedicated – System Benefit Account No. 5100 is estimated to be \$153,858,000 in fiscal year 2012 and \$155,887,000 in fiscal year 2013. The estimated balance as of August 31, 2011 is \$623,440,000 and interest income is estimated to be \$19,869,000 for the biennium. The total account balances available for appropriation for 2012-13, estimated to be \$993,185,000, has been allocated throughout this act as follows:

	<u>2012</u>	<u>2013</u>
Public Utility Commission:		
Electric Market Oversight Contracts Wholesale and Retail Market	\$6,041,736	\$6,041,736
Low-Income Discount	\$73,635,575	\$78,539,470
Customer Education	\$750,000	\$750,000
Administration	\$807,551	\$807,551

9. Low Income Discount. All amounts appropriated above in Strategy C.1.1, Energy Assistance, shall only be expended to provide a discount of up to 20 percent during the months of May through September in each fiscal year.

10. Contingency Rider: Power to Choose Website. Contingent upon the passage of Senate Bill 1219, or similar legislation, out of funds appropriated above, the Public Utility Commission may allocate up to \$150,000 to redesign the State’s Power to Choose website to improve usability and facilitate customer choice in the state’s deregulated electric market, and the Commission may accept gifts and grants as authorized by general law to pay for the additional costs of redesigning the Power to Choose website.

Capital and/or Leased Needs

The capital needs for the PUC are composed of information technology resources relating to hardware/software and services. Each item is provided through an ongoing lease or managed services agreement. These items include a digital copier lease, Microsoft Enterprise Agreement, desktop computer lease, and the State Data Center services contract. During the next biennium the PUC is planning to upgrade network infrastructure that is currently approaching end of life. If the upgrade cannot be funded through the base appropriation, an exceptional item will be a part of the agency’s appropriation request. These capital items are an integral part of the PUC’s daily operations and are an ongoing cost that will be outlined in the Legislative Appropriations Request and Biennial Operating Plan.

SERVICE POPULATION DEMOGRAPHICS

All individuals, organizations, businesses, and governmental entities that use electricity are affected either directly or indirectly by the actions of the PUC. Fewer telecommunications customers are affected by PUC actions than in the past because of changes in the telecommunications industry and applicable law.

Electric Service Provider Customer

The geographical location and the historical electric provider for an area affect the PUC's jurisdiction, and therefore the extent to which the agency provides services. The Commission has very limited jurisdiction over municipally owned utilities and electric cooperatives, so customers of those companies are less affected by PUC activities than other electric customers. Customer choice has been delayed in certain areas, including the Panhandle, El Paso area, and eastern portions of the state, so the PUC continues to regulate investor-owned electric utilities in those areas.

The introduction of retail customer choice on January 1, 2002, significantly changed the Commission's role within the ERCOT territory. The PUC's focus shifted from traditional rate regulation, to customer protection, market oversight, and enforcement, although the Commission continues to regulate transmission and distribution utilities. Retail Electric Providers (REPs), Aggregators, and Power Generation Companies are not regulated in the traditional sense, but must register with or be licensed by the PUC and are subject to customer protection and market rules adopted by the Commission. Commission oversight of ERCOT and the wholesale electric market affects all customers, even those served by municipalities and cooperatives.

Telecommunications Customers

The telecommunications industry has undergone extensive changes in the past 17 years. Competition in local telecommunication markets has become increasingly intermodal; meaning, traditional land-based telephone companies compete with wireless telephone providers and cable television companies that also offer telecommunications service. The result is that many customers are served by wireless and Voice Over Internet Protocol companies, which the PUC has very limited jurisdiction over. In 1995, the Legislature enacted Chapter 65 of PURA, which provides for the deregulation of certain local telephone markets. In 2005, the Legislature passed Senate Bill 5, which implemented the deregulation of qualifying Incumbent Local Exchange Carriers. As a result, the Commission no longer has regulatory authority over more than 70 percent of the local telecommunications lines in Texas, which are mostly located in large metropolitan areas.

Low Income Customers

The PUC administers two programs that benefit low income electric and telecommunications customers. Eligibility requirements for the programs are somewhat different, but are based on income requirements or on participation in other programs targeted at low income populations. Eligible customers are enrolled either through an automatic enrollment process administered in conjunction with the Texas

Health and Human Services Commission, or through self-enrollment. The PUC has outsourced the administration of program enrollment and creation of the list of eligible customers that is provided to electric and telephone companies.

PURA §39.903 provides for low income customers of REPs to receive a discount off their electric bills. This program, which is funded by the System Benefit Fund, provides a discount reduction of no more than 20 percent off electric rates. The Legislature appropriated approximately \$73.6 million in fiscal year 2012 and approximately \$78.5 million in fiscal year 2013 for the program. The program served approximately 915,000 unique participants in fiscal year 2011.

The PUC also administers the Lifeline program, which is a telephone assistance program that provides reduced rates for telephone service. The Lifeline program is funded by the Texas Universal Service Fund (TUSF) and federal Universal Service Fund. The relative amounts of contributions are set out in 16 T.A.C. §26.412(c)(2). The TUSF is funded by a statewide uniform charge of assessment rate payable by each telecommunications provider, i.e. local, long distance, and wireless carrier that has access to the Texas Customer base. Currently, there are approximately 610,000 customers enrolled in the program each month.

Customer Education

PURA § 39.902 requires the PUC to conduct ongoing customer education designed to help customers make informed choices concerning electric services and retail electric providers. These education efforts are targeted at electric customers in areas open to retail competition, including low income and non-English-speaking customers. Currently, the PUC is utilizing third-party contractors to increase customer knowledge regarding energy conservation. This education program focuses on usage during peak usage summer months and how conservation during peak periods can save customers money. The PUC will continue to amend the agency's comprehensive customer education program to align with the ever changing issues facing Texas electric customers.

SELF-EVALUATION AND OPPORTUNITIES FOR IMPROVEMENT

The PUC has the opportunity to help make Texas a national leader by helping its citizens obtain the benefits of competition, while ensuring that service remains reliable and affordable. As customers become more familiar with purchasing telecommunications and electric services in competitive markets, companies that once served as monopoly providers learn how to operate in a competitive market, and new companies enter the emerging competitive markets, a larger portion of customers will be able to reap the benefits of the legislative reforms that have occurred over the past 17 years.

The PUC is required often to implement new laws and programs for which there is little or no historical guidance. Many PUC decisions present issues of first impression, and involve extensive stakeholder participation and staff analysis. The issues addressed by the Commission affect virtually all Texans, and the Commissioners and Staff are very conscious of the importance and impact of the Commission's work.

The Commission examines means for improving agency performance in each aspect of operations. In fiscal year 2011, the PUC attained or exceeded 61.1 percent of its key performance measures as prescribed in the General Appropriations Act. Although many factors outside the PUC's control have a significant impact on these metrics, the Commission is always cognizant of the priorities expressed through the agency's performance measures when enacting rule changes.

The Commission regards the Report on Customer Service and Survey of Employee Engagement as opportunities to improve both external and internal communication. Both documents will be analyzed as a means of assessing best practices for future communications. The Commission understands the importance of communicating the agency's mission and initiatives to the public, as well as effectively communicating the processes by which these will be achieved to PUC staff.

The Commission's role has changed as the law and technology have changed the industries that the PUC oversees. While the PUC still performs a traditional ratemaking role for electric utilities in areas of the state where customer choice has not been implemented, and for transmission and distribution utilities within ERCOT, the emphasis in both electric and telecommunications has shifted to quality of service, market oversight and enforcement, and customer protection. Because of technological advances, quality of service issues are more diverse and more complex due to the range of services offered and the way in which those services are delivered has changed.

From an operations perspective, the PUC is required to constantly evaluate its staffing needs to assure that the correct mix of technical experts, legal staff, and support staff are available to process the numerous applications, complaints, and requests filed and provide the analysis required for Commission decisions. Because staff retention has always been a critical issue for the PUC, management must ensure that processes and knowledge persist, even as individual employees leave the agency.

Advances in information technology provide vast opportunities for improvement. The PUC continues to make effective use of the Internet for providing information to the regulated community, market participants, and consumers, and continues to work to make information available in an easily

obtainable, easily understood format. The PUC continues to review its Internet site to improve the organization, availability, and timeliness of the information posted to the Web site. A number of new features, such as the use of RSS feeds and a PUC portal where companies can access a plethora of reports and industry-specific information, have been added. The Commission is also exploring technology that would make information and open meeting broadcasts accessible via mobile devices and tablets.

The PUC strives to be a good steward of State funds. As such, the Commission consistently audits the two funds it administers: the Texas Universal Service Fund (TUSF) and the System Benefit Fund. The combined balance of these two funds currently totals approximately \$800 million. The Commission recently hired an additional compliance auditor to focus solely on the TUSF, which will result in more comprehensive oversight of both funds. Over the past five years, many procedural monitoring improvements have been made as a result of these continuous auditing practices, and the Commission anticipates realizing continued benefits from these internal audits.

TECHNOLOGICAL DEVELOPMENTS

The PUC has integrated technology into all aspects of the agency. By making information available electronically, the agency is able to provide service to its customers in a highly efficient manner. Due to decreased budgets the efficient use of technology is imperative for the success of the agency. As technology and PUC systems evolve, the agency's Information Technology staff continually aims to improve ease of data access, provide secure data exchanges, and increase the cost effectiveness of information technology solutions. All current and future technology projects will continue to support agency activities, with a focus on the PUC's mission, goals, and objectives using the 2012-2016 State Strategic Plan for Information Resources Management as a guide.

Impact of Technology on Agency Operations

The PUC has worked to adopt and deploy cost effective and efficient technology solutions that support the agency's goals and objectives. These solutions are in alignment with statewide strategies presented in the 2012-2016 State Strategic Plan for Information Resources Management:

- **PUC Website** – The launch of the agency's redesigned website and with the creation of an integrated portal, the PUC has expanded its connection to our customers. This new site provides efficient customer service to both consumers and industry participants. With the rollout of the portal we have included single sign-on access to other agency reporting systems used by our customers. This has increased the availability of information to the end user and increased efficiency in staff resources. Also, the PUC's Survey on Customer Service indicates that these changes have improved agency communications with the public.
- **Customer Complaints System** - Customer Protection Division uses an internally developed workload management system to process thousands of complaints against service providers each year. The system interfaces with the agency's online complaint form and allows complaint investigators to track all information relating to a complaint. It supports email communication with the service providers and customers. It also provides detailed reports so the agency can analyze trends in the number and types of complaints that are received and the timeliness of complaint resolution.
- **Interchange/Agency Information System (AIS)** - The PUC Interchange is an electronic document filing system that provides free access to all documents filed in the PUC Central Records section; this includes Projects, Dockets and Tariff applications. This system has contributed to a significant amount of time savings for customers and agency staff when conducting research on a project or a particular filing. The agency is working to enhance this system by including more comprehensive search functions and adding options for the users to be notified of new information available as items are filed in a particular project.
- **Company Registration** – Over the past year the PUC has launched an online registration system for electric and telecommunications companies that are required to register with us on an annual basis. This system has provided simplified access to company information as it is submitted, and has created a more efficient process for accomplishing this task. The PUC is committed to exploring additional ways to provide a more effective process for the customers and staff.

- **Webcast/Open Meetings** - The PUC has a contract with TexasAdmin.com, a subsidiary of AdminMonitor.com, Inc., to broadcast the Commission's open meetings over the Internet. Prior to fiscal year 2010, users, other than consumer interest groups and the media, paid a fee to obtain access to the meeting broadcasts in real time, as well as archived videos of past meetings. Pursuant to HB 1783, 81st Regular Session, the PUC now provides free access to internet video of the Commission's public hearings and meetings via the PUC website.
- **Power to Choose Website (www.powertochoose.com)** – The site is the PUC's education and information site for the competitive electric market. This site was designed and implemented to provide education for the consumer and give them a place to shop the competitive retail electric providers in their service area. The site is continuously enhanced and refined to provide clear and concise information to consumers and to provide a high degree of accessibility to current market information.

Impact of Anticipated Technological Advances

The PUC continuously monitors technological advances and opportunities within the public and private sectors to determine if emerging technologies can be utilized to meet the goals and objectives of the agency. The agency continues to align with the goals and strategies developed through this planning process, and the agency's use of emerging technologies is consistent with the strategies described in the 2012–2016 State Strategic Plan for Information Resources. Technology initiatives that are planned or underway at the PUC are described in Technology Resources Planning section. In this section a list of the PUC technology initiatives as they relate to each Statewide Technology Goal is presented under Technology Initiative Assessment and Alignment.

Degree of Agency Automation, Telecommunications, etc.

The PUC's local area network supports end-user computing, printing, client-server, and web-based applications. Workstations, printers, and help desk services are provided by an internally manned information technology staff. The local area network supports shared access to a variety of standard software application packages including an office product suite, electronic messaging, database management system, business and accounting applications. The PUC infrastructure includes both wired and wireless connectivity. Internet connectivity is provided through PUC's connection to the statewide network infrastructure. Additionally, the PUC supports wireless access to the internet for our guests.

The PUC has implemented technology solutions that provide increased efficiency for agency staff and customers. These solutions provide business value and align with the state's strategic plan for information resource management. A few of the larger initiatives include:

- **Security Upgrades** – The PUC installed new security tools including a new firewall and a new spam and content filter that provides enhanced protection of the PUC network environment from cyber vulnerabilities. Included in these changes to our security infrastructure the agency has also implemented a security appliance to provide a more consistent approach to patch management of the PUC desktop users. This allows for even greater security by decreasing the vulnerabilities the users are exposed to when they travel with their laptops outside of the agency infrastructure. Additionally, the PUC continues to promote network security using awareness, education, and active participation with PUC staff as well as technology to maintain a secure functional network environment. These

strategies, along with ongoing network and application evaluation and testing ensure the development of secured and hardened application platforms in line with the State Enterprise Security Plan. PUC continues to enhance a comprehensive security program to manage all of its critical technology and communications assets. PUC routinely conducts periodic assessments of technology security through a penetration test conducted by with the Department of Information Resources (DIR). As part of this effort, DIR identifies risks in network and application security and the agency responds by remediating the risks.

- **Statewide DCS Project** – The PUC is currently participating in the Statewide Data Center Services project and has an on-going relationship with DIR and Xerox/ACS/Cap Gemini, utilizing the shared data center and disaster recovery services toward helping the agency build a more secure, agile, and cost-effective infrastructure for the delivery of agency technology services. The consolidated data center will give the agency equal access to advanced technologies and will maximize agency resources by leveraging economies of scale. Most importantly, by coordinating and sharing resources at the statewide level, the agency can focus more of its technology resources on agency-specific applications that support its unique missions.
- **Windows 7/MS Office 2010 Migration** – The PUC upgraded the desktop operating system to Windows 7 and the office automation system to MS Office 2010 during this past year. This project meets the following goals of the 2012-2016 State Strategic Plan for Information Resources Management. For infrastructure, Texas government will continue to consolidate and standardize its technology infrastructure to reduce operational costs and improve service delivery. For security and privacy, Texas government must secure its technology infrastructure, ensure the integrity of its online services, and protect the private information collected from citizens and business. The upgrade also provides PUC staff with more advanced systems that can take advantage of other technology innovation that is being introduced.
- **Mobile Workforce** – In order for the PUC to continue to provide a high level of service to our customers, the agency has enabled the workforce to be mobile through laptop computers, wireless VPN access, and other secure connections to office applications. This allows the agency to still meet the needs of its customers with a leaner staff. It also is important component of the agency's business continuity plan.

The agency continues to identify other products and services to enhance agency automations and communications that are in alignment with the agency's goals and the goals of the state's strategic plan.

Anticipated Need for Automation

The PUC continues to look for opportunities to improve efficiency and effectiveness through the use of automation. The PUC has several projects we are anticipating to commence working on in the next fiscal year or over the next biennium that will serve to increase automation within the agency and will directly enhance the PUC's ability to serve its customers, by delivering secure and reliable information. The initiatives that are planned or in process include:

- **Upgrade SharePoint Environment** – The PUC is currently investigating the move to SharePoint 2010 environment from the current SharePoint 2007 environment. This move will create an easier to

use environment with seamless integration with MS Office 2010 and a more robust environment for our developers to deliver internal applications to staff.

- **Redesign of Power to Choose Site** – The agency is currently looking at a number of resources to move forward on the redesign of the powertochoose.com website. This site is considered vital to the education of the electric consumer in the competitive areas of the state. The redesign will strive to deliver content in a more refined and easier to consume format for the user.
- **Design and Rollout of Power to Save Site** – The conservation website is a key component of the PUC's electric conservation message. The site will provide consumers information on how to conserve electricity and how to help out when the electric grid is at peak demand. This site is being designed by a contractor, but will be hosted and maintained in the PUC environment at the statewide data center.
- **Statewide Data Center Services** – With the changes to the DCS contract and new providers, the agency will look to enhance its cloud computing presence by leveraging the new offerings under the DCS contract. This will allow the PUC computing environment to provide more agile deployment of applications and provide more functionality to both internal and external users.
- **Outage System** – The PUC currently has an outage system that is used by the utilities to report when outages occur across the state. The system is currently going through an upgrade to provide more real time reporting and enhance GIS reports. We are working in conjunction with TNRIS to identify ways to receive and report this data so it can be used in an emergency situation by the Texas Division of Emergency Management. The system will provide the additional benefit of updating the service area boundary maps for the electric and telecommunications industries.
- **Standardization of Print Services** – The PUC is investigating the concept of managed print services to reduce imaging costs and improve operations effectiveness. This initiative would maximize the support efforts of agency technical staff and assist in controlling costs on consumables and repairs.
- **Replace End of Life Network Components** – The PUC is planning to replace end of life network equipment, patch panels and cabling for PUC local area network environment. The equipment is approaching end of life and will be during the next biennium. The replacement of this equipment will be critical in keeping the PUC network environment secure and provide the infrastructure to continue to take advantage of emerging technologies that create more efficient delivery mechanisms to our customers.

The PUC will continue to proactively look to enhance, standardize, and control all aspects of its internal resources in order to support its internal and external customers.

ECONOMIC VARIABLES

The PUC's work is impacted by general economic conditions, as well as technological advances and dramatic price swings in the underlying commodities that fuel power plants.

For electric service, Texas residential consumers' consumption is predominately driven by seasonal weather factors, with extended durations of severe heat or cold most significantly impacting usage. Residential consumers otherwise generally only change their consumption in response to dramatic changes in price or individual economic conditions. In recent years, the retail price of electricity peaked in fiscal years 2008 and 2009, and has declined substantially due to markedly lower natural gas (and consequently electricity) prices and competitive market pressures. Currently, the average price per kilowatt-hour (kWh) for residential customers is 9.8 cents per kwh, based on the average 12-month, fixed price contract listed on the PUC's Power-to-Choose website. This price compares favorably to the national average reported by the Energy Information Administration of 11.8 cents per kwh.

Similarly, in response to higher prices and general economic conditions, retail electricity providers reported declines in average consumption by consumers during 2008 and 2009, and significantly increased usage during the extreme weather conditions of 2011. Texas entered the national recession later than the rest of the nation, experienced a less severe contraction and exited sooner, returning to pre-recession employment earlier this year. This relatively healthy economic environment has led to Texas experiencing increasing demand for electricity at a substantially higher rate than the rest of the country. This divergence is highlighted by the National Electric Reliability Council (NERC's) 2012 summer assessment that forecasts an overall *decline* in peak electricity demand nationwide by 0.4%, while the ERCOT region's demand is forecasted to *increase* by 1.7%. As Texas is projected to continue to lead the nation in population and employment growth and substantial new business and manufacturing investment has been announced, this trend is unlikely to change in the near term.

The adequacy of electricity supply and the need for additional power plant capacity in the state is directly impacted by this growth. Since 2001, Texas's electricity markets in the majority of the state have been opened to competition, and the PUC has limited authority to ensure that the supply of electricity is adequate. This is an important change from two decades ago when the PUC was required by statute to produce a statewide forecast of electricity demand and approve the construction of new power plants by fully regulated utilities. While the PUC still performs these functions for regulated utilities in El Paso, the Panhandle and East Texas, for the rest of the state, ERCOT performs semi-annual forecasts of electricity supply and demand expectations to inform the marketplace of the need for additional generation supplies. Substantial investment in new power plants in Texas has occurred in Texas over the last decade, led by a large amount of efficient natural gas generation in the early part of last decade, followed by substantial investments in new coal and wind facilities. Although Texas currently has an adequate and reliable supply of electricity available to meet projected demands through 2013, ERCOT's current projections show that supplies will not provide for the traditional level of reliability as soon as early as 2014. While the Commission remains convinced that properly functioning competitive markets should result in adequate generation capacity, the PUC and ERCOT have engaged in substantial work over the past 18 months to ensure that market rules are providing the proper signals.

Other economic conditions and factors can also impact development of new power plants. Capital markets are very different now than during the last several periods where new power plants were

needed. Developers generally have a much more difficult time securing project financing for power plants that do not have long term purchased power agreements with them. Additionally, as discussed in further detail in the Federal Issues section, new environmental regulations and certain provisions of the Dodd-Frank Act have also introduced new complications and potential barriers to the permitting and financing of certain generation assets.

These efforts are ongoing, including the examination as to whether current caps on wholesale market prices should be raised in order to provide adequate incentives for companies to invest in new power plant capacity in ERCOT, as well as how additional demand response initiatives may help ensure reliability. The agency has a performance measure, EX 1.1.1.01, Percentage of Statewide Electric Generation Capacity Above Peak Demand in ERCOT, that relates to this issue.

For telecommunications markets, technological changes in the industry have been the predominate driver of the demand for telephone service regulated by the PUC. In the early part of last decade, demand for secondary phone lines for internet connections led to an increase in access line subscription. As broadband internet connections, voice-over-internet protocol communications, and wireless technologies have been deployed, Texans are increasingly terminating traditional landline phone service in exchange for these new options, which are generally unregulated by the PUC.

Participation in the electric Low-Income Discount (LID) and telephone Lifeline programs can vary based on the overall economic conditions in Texas. Eligibility for these programs, which provide rate reductions and bill assistance for customer throughout Texas, is based on participation in other assistance programs or income level. Most of the program participants are automatically enrolled based on participation in programs administered by the Texas Health and Human Services Commission, so the PUC works with that agency in developing its projections for program participation. When economic conditions worsen and unemployment increases, the number of customers who are eligible for one or both of these programs tends to increase. For example, PUC data indicates that LID program participation has increased during this most recent economic downturn from 699,549 unique participants in fiscal year 2009 to 915,281 in fiscal year 2012. This represents an increase of approximately 30.8 percent during this time-period.

Economic conditions may also affect the number of complaints against service providers that the PUC receives. As economic conditions worsen, customers may have greater difficulty paying bills and, as such, more customers may face service disconnection. The PUC has not conducted any analysis to determine whether there is a correlation between economic conditions and types of complaints. As part of the informal complaint resolution process, the PUC works with customers and service providers to ensure that companies are complying with the Commission's rules relating to deferred billing arrangements, notice of disconnection, and prohibitions on disconnecting customer with certain medical conditions.

FEDERAL ISSUES

The PUC monitors Federal Communications Commission (FCC), Federal Energy Regulatory Commission (FERC), Environmental Protection Agency (EPA) and Commodities Futures Trading Commission (CFTC) activities that have the potential to affect Texas' electricity and telecommunications markets, consumers and businesses. The PUC participates in FCC, FERC, EPA and CFTC proceedings by intervening and filing comments when deemed necessary. Although most of the authority granted to the PUC in PURA is conferred exclusively on the PUC, the PUC must be aware of FCC and FERC activities in order to avoid duplicative effort, ensure consistent and complimentary policy decisions on the state and federal levels, and so that the FCC and FERC can be made aware of the Texas perspective before rendering decisions. Similarly, regulations imposed by EPA and CFTC can have dramatic impacts on Texas electricity markets and because of the advanced state of competition in these industries in Texas, the PUC provides a valuable and unique perspective.

The federal Energy Policy Act of 2005 (the Act) authorized federal electric reliability standards for the continental United States. The Act created an Electric Reliability Organization (ERO) to be approved and regulated by the Federal Energy Regulatory Commission (FERC). In 2006, FERC approved the North American Electric Reliability Corporation (NERC) as the ERO. As the ERO, NERC is required to propose, monitor, audit, investigate and enforce compliance with NERC Reliability Standards through the delegation agreements with the Regional Entities. Because the PUC's rules and ERCOT protocols also address reliability matters, it is crucial that all applicable requirements are consistent. In 2007 FERC approved delegation agreements for eight Regional Entities, including the Texas Regional Entity (TRE). The TRE's authority is based on a delegation agreement with NERC, and the TRE is not under the PUC's jurisdiction. However, the PUC serves as the hearing body for matters referred to it by the TRE, and issues recommendations to the TRE Chief Compliance Officer who will make final decisions regarding compliance matters. Although the areas overseen by the TRE, ERCOT, and the PUC overlap, each entity has its own focus and areas of primary concern. The PUC staff carefully monitors proposed changes to the ERCOT protocols, and the activities of FERC, NERC and the TRE to ensure that regulations are consistent.

Some of the PUC's most important activities in the telecommunications field are a result of the Federal Telecommunications Act of 1996 (FTA). Under Section 251 of the FTA, a telecommunications carrier has the duty to interconnect with the facilities and equipment of other telecommunications carriers. The FTA requires incumbent local exchange carriers (ILECs) to provide for interconnection, to provide for unbundled access, to offer telecommunications services for resale at wholesale rates, and to provide for physical or collocation. Federal law requires the PUC to conduct arbitrations using procedures and timetables set forth in §252 of the FTA. All telecommunications carriers have the duty to negotiate in good faith the particular terms and conditions of agreements to implement the requirements of the §§ 251 and 252 of the FTA. Interconnection agreements reached through arbitration or negotiation must be submitted to the PUC, which must approve or reject the agreements based on the standards in the FTA.

Environmental Regulation

Some of the most significant federal activity that has affected the electric industry in the last year and that will continue to affect the industry over the next several years is various rules promulgated or proposed by the EPA under the Clean Air Act (CAA).

Cross State Air Pollution Rule (CSAPR)

In August 2010, the EPA published for public comment a proposed a rule that later came to be known as the Cross State Air Pollution Rule to address air emissions that cross state lines and contribute to ozone and particulate matter pollution in the eastern part of the U.S. The rule would have created Federal Implementation Plans to reduce SO₂ and nitrogen oxide (NO_x) emissions from electric power plants in 32 states, including Texas, through a combination of direct abatement standards and a limited voluntary cap and trade program. The new rule was proposed to replace the Clean Air Interstate Rule of 2005 (CAIR) and require the 32 states to cut power plant SO₂ emissions by 71% and NO_x emissions by 52% from 2005 levels by 2014. Under the rule as proposed, the emissions reductions would have started in January 2012.

The CAA requires the EPA "to issue national ambient air quality standards ('NAAQS')" that each state must meet within its own borders. After EPA establishes NAAQS, the CAA requires EPA, after consultation with the States, to designate areas as "nonattainment," "attainment," or "unclassifiable." 42 U.S.C. § 7407(c), (d).

Under the CAA, States are granted certain rights and responsibilities in meeting the NAAQS established by EPA. After EPA issues NAAQS, States must develop state implementation plans ("SIPs") to meet these standards. *Id.* § 7410(a)(1). In general, States have broad latitude in determining how areas within their borders will meet EPA-mandated NAAQS. *Train v. Natural Res. Defense Council, Inc.*, 421 U.S. 60, 86-87 (1975); *see Union Elec. Co. v. EPA*, 427 U.S. 246, 269 (1976) (explaining that "Congress plainly left with the states, so long as the [NAAQS] were met, the power to determine which sources would be burdened by regulation and to what extent").

Of particular concern to the PUC and other affected Texas state agencies, including the Texas Commission on Environmental Quality (TCEQ) regarding the CSAPR rule was the CAA's "good neighbor" provision, 42 U.S.C. § 7410(a)(2)(D)(i)(I). Under this provision, States must "prohibit[] . . . any source or other type of emissions activity within the State from emitting any air pollutant in amounts which will . . . contribute significantly to nonattainment in, or interfere with maintenance by, any other State with respect to any . . . national primary or secondary ambient air quality standard."

In the proposed rule, EPA did not include Texas among the states that contribute significantly to nonattainment or interfere with maintenance by a downwind area regarding certain NAAQS. However, in the rule adopted by EPA, the agency concluded that Texas did contribute significantly to downwind nonattainment with respect to certain NAAQS. This finding, made for the first time in the Final Rule, was based solely on modeling (rather than actual measurements) by EPA that Texas would in 2012 contribute significantly to non-attainment at a single air pollution

monitoring site in the state of Illinois. EPA concluded, based on this modeling that Texas should be required to reduce emissions that would purportedly lead to this modeled contribution of non-attainment. In challenging the rule before EPA and in federal court, the PUC, together with the Texas Commission on Environmental Quality, the General Land Office (GLO) and the Railroad Commission of Texas (RRC) (collectively Texas state agencies), argued that EPA failed to provide proper notice of the rule or a meaningful opportunity to comment on the rule as it applied to Texas. In short, the adopted rule applied more stringent compliance requirements to Texas than were contained in the proposed rule. The EPA also failed to provide notice of key factual data and analysis used in the adopted rule which Texas would have challenged had it been included in the proposed rule. Finally, the PUC argued that given the significant problems with the final rule, that EPA should grant a stay of the effective date of the rule as it applied to Texas. Without a stay, the PUC argued, Texas would suffer irreparable harm because generation plants unable to meet the extremely aggressive compliance deadlines, would be forced to cease operating, which in turn would likely lead to rotating electricity outages throughout the ERCOT region.

At the request of the PUC, ERCOT studied the potential effects of CSAPR within ERCOT. In its report issued in September 2011, ERCOT concluded that even under the best-case scenario, CSAPR would result in the loss of approximately 1200-1400 MW of generating capacity during the summer of 2012. If this loss of capacity had occurred during the peak season of 2011, ERCOT would have experienced rotating outages in August. ERCOT concluded that implementation of CSAPR would significantly increase the likelihood of rotating outages in ERCOT in 2012 and beyond.

The final rule also required Texas electric generating units (EGUs) to comply with specific emission allocations beginning January 1, 2012—less than five months after the Final Rule was published in the Federal Register.

ERCOT concluded that CSAPR, as adopted by EPA, threatened to destabilize Texas's power-delivery system by increasing the risk of rotating power outages that will leave swaths of Texans without electricity for indeterminate periods of time. The PUC argued that such a situation is *per se* irreparable harm.

The Texas state agencies also appealed CSAPR to the DC Circuit Court of Appeals. In addition to appealing the rule on its merits, the agencies requested the DC Circuit to issue a stay of the final rule pending the outcome of the appeal. The DC Circuit granted the Texas state agencies' request for a stay. The stay meant that 1200-1400 MW of capacity would be available for the summer of 2012. The appeal of the CSAPR rule is currently pending in the DC Circuit with a decision expected sometime in 2012.

Mercury Air Toxics Rule (MATS)

On December 16, 2011, the EPA issued its final rule entitled "National Emissions Standards for Hazardous Air Pollutants (NESHAP) from Coal and Oil-Fired Electric Utility Steam Generating Units (EGUs) and Standards of Performance for Fossil-Fuel-Fired Electric Utility, Industrial-Commercial Institutional, and Small Industrial Commercial-Institutional Steam Generating Units." The final utility NESHAP rule, which is also called the Mercury and Air Toxics Standards (MATS) rule, became effective

April 16, 2012. The final rule also revised the new source performance standards (NSPS) for new fossil fuel-fired EGUs and large and small industrial commercial-institutional steam generating units.

In the final MATS rule, EPA promulgated maximum achievable control technology (MACT) emissions limits for existing, reconstructed, and new EGUs rated greater than 25 MW that are fired on coal, liquid oil, or solid oil-derived (i.e., petroleum coke) fuels as well as to existing and new IGCC EGUs.

Both the PUC and TCEQ submitted comments to EPA on the proposed rule. These comments identified multiple errors made by EPA in its analysis of the proposed rule. The comments also addressed why the proposed limits were inherently infeasible, particularly for new units, and what the possible effects of these rules could be on the reliability of electric generation in Texas. The PUC and TCEQ noted that EPA's failure to correct its assumptions and conduct a proper analysis of the potential effects of the rule could lead to devastating impacts throughout Texas, should grid failure lead to rolling blackouts, or even true blackouts during the heat of a Texas summer. The final MATS Rule adopted by EPA not only failed to adequately address the concerns raised by the PUC and TCEQ, but contained changes from the proposed rule that could not have been foreseen, and that were not made available by EPA for comment by interested parties, as required.

The PUC, together with TCEQ and the RRC (collectively Texas state agencies), filed a petition for reconsideration of the MATS rule with EPA on April 13, 2012. The Texas agencies raised a number of concerns with the final rule including numerous technical errors, many of which EPA made in the final rule without providing interested parties an opportunity to comment upon them. The Texas agencies also raised concerns that the stringent new standards adopted by EPA called into question the feasibility of new coal-fired EGU and petroleum coke-fired EGUs being able to comply with these standards. The Texas state agencies explained that in promulgating the final rule, EPA had relied on a number of incorrect assumptions regarding the impact of the rule on grid reliability within the Electric Reliability Council of Texas (ERCOT). These errors included incorrect estimates for generating capacity and reserve margin for the year 2015 and assuming unlimited transmission capability within ERCOT.

The Texas state agencies further noted that the new unit emission limits in the final rule are significantly more stringent than permitted emission limits for the same pollutants in recently issued permits for coal-fired or petroleum coke-fired EGUs that will be classified as new units under the rule. Because these units will have to meet the new unit emission limits, the owners of these plants will have to reevaluate the feasibility of building and operating units that have to meet drastically lower limits. At least some of these units will likely not be built. For example, at least one proposed plant, the 620 MW Las Brisas unit, may not be built as a result of the MATS rule. The Las Brisas unit has been included in ERCOT's capacity demand and reserve (CDR) report as an available resource beginning in 2018. If the Las Brisas unit is not built, this could impact reliability in ERCOT. The failure of proposed new units to come online to meet expanding electric needs and replace older, less clean units could have devastating effects on the reliability of the electric grid, particularly in Texas, which is isolated from most of the rest of the country's electric grid.

On April 13, 2012, the Texas state agencies also filed an appeal of the MATS rule with the DC Circuit Court of Appeals. Many interested parties throughout the US have appealed the MATS rule. The

DC Circuit has consolidated all of these appeals, including the appeal of the Texas state agencies. The DC Circuit has not yet issued a procedural schedule for the consolidated appeals.

Green House Gas (GHG) New Source Performance Standards (NSPS) Rule for CO₂ Emissions

In the absence of comprehensive federal climate legislation, EPA has imposed mandatory controls using its existing authority. On April 2, 2007, the U.S. Supreme Court ruled that Section 202(a)(1) of the CAA gave EPA authority to regulate tailpipe emissions of GHGs. In December 2009, the agency formally determined that GHG emissions endanger public health and welfare and therefore are subject to regulation under Section 202 of the CAA. While the EPA's tailpipe emissions regulations are not within the purview of the PUC's regulatory responsibilities, additional EPA regulations that are an outgrowth of EPA's endangerment finding do have a more direct relationship to the PUC's responsibility to maintain the reliability of the electric grid in Texas.

In February 2010, Governor Rick Perry, the Attorney General of Texas, the Texas Agriculture Commission, TCEQ and the PUC filed a petition in federal court challenging EPA's endangerment finding. This case has been consolidated with a number of other cases challenging EPA's endangerment finding. In an opinion issued on June 26, 2012, the DC Circuit Court of Appeals dismissed the petitions challenging the endangerment finding. These agencies are currently evaluating their options for appealing the court's ruling. In addition, the state filed a petition for reconsideration, asking EPA to review its decision on the basis that it was legally unsupported because it relied on flawed science. EPA denied the petition.

On April 13, 2012, EPA published its proposed rule entitled, "Standards of Performance for Greenhouse Gas Emissions for New Stationary Sources: Electric Utility Generating Units." This rule is also known as the Greenhouse Gas (GHG) New Source Performance Standards (NSPS) rule for CO₂ emissions from new EGUs. TCEQ and the PUC filed joint comments on the proposed rule on June 25, 2012. Among the concerns raised by the PUC and TCEQ are that the rule is beyond EPA's authority to adopt, that EPA has failed to demonstrate a need for this rule and that EPA has failed to demonstrate the feasibility of compliance with the rule as proposed for coal-fired EGUs. TCEQ and the PUC will evaluate what further legal action, if any, to take after the EPA issues its final GHG NSPS rule.

Dodd-Frank Act

The PUC filed comments in the federal rulemakings implementing Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). These filings were made with the (i) Office of the Comptroller of the Currency, U.S. Department of the Treasury, (ii) Board of Governors of the Federal Reserve System, (iii) Federal Deposit Insurance Corporation and (iv) Securities and Exchange Commission on February 13, 2012 and with the Commodities Futures Trading Commission on April 13, 2012. The PUC believes it is important that the rules required by the Dodd-Frank Act be implemented in a manner that does not disrupt the liquidity necessary for functioning electric power markets and impose potentially prohibitive costs and burdens on market participants who need to build, operate, sell and buy electric power and, therefore, need to hedge various financial and physical risks relating to those activities. The proposed rules generally prohibit a covered banking entity

from acting as principal in the purchase or sale of a covered financial position for its own trading account. The proposed rules create a presumption that any account that holds a covered financial position for a period of sixty days or less is a trading account and such transactions are presumptively prohibited. The PUC was concerned that rigid implementation of the proposed rules could artificially limit market-makers' ability to intermediate risk – potentially decreasing liquidity and creating inefficiencies and higher prices for electric wholesale market participants and, ultimately, retail electricity customers. Such outcomes could also have unintended second order effects on the ability of generation developers to raise capital and secure financing. The PUC advocated a less rigid structure that focuses on general guidelines rather than strict criteria that must be met, and for different criteria for market-making activities in organized power markets. The PUC asked that the rules be re-published for additional comment and that compliance deadlines be extended with requirements phased-in over time. ERCOT filed similar comments in these rulemakings.

Hiring Assistance for Federal Proceedings Related to Entergy Texas

Utilities outside ERCOT are subject to the PUC's jurisdiction for retail issues and the Federal Energy Regulatory Commission's (FERC's) jurisdiction for wholesale issues. These utilities are Entergy Texas, Southwestern Public Service, Southwestern Electric Power Company, and El Paso Electric Company. The types of issues that FERC addresses for these utilities include wholesale transmission rates and regional transmission organization issues, which in ERCOT are addressed by the PUC.

Issues addressed by FERC can have significant cost impacts on utilities' retail customers, and other state commissions routinely intervene in FERC proceedings that affect utilities operating in their states. FERC's standards and procedures are substantially different than the PUC's, and the time, resources, and expertise necessary to effectively participate in them can be extensive. The PUC has participated in some FERC litigation proceedings and has been represented by the Attorney General in those proceedings. In its 2011 Electric Scope of Competition Report to the Texas Legislature, the PUC recommended that the Legislature, consistent with the practice of some other states, notably, Arkansas and Louisiana, consider authorizing the PUC to hire outside counsel with FERC expertise, as well as consultants, to represent the PUC in FERC proceedings and to require the utilities affected by the proceeding to reimburse the PUC for its costs of participation, including any related court litigation. Under current Texas law, state agencies may contract for outside legal services, but they must obtain the approval of the Texas Attorney General before doing so. The PUC also recommended that the Legislature consider allowing the PUC to hire outside counsel without obtaining the prior approval of the Texas Attorney General.

In 2011, the Legislature adopted legislation that allowed the PUC to hire consultants and attorneys to assist the PUC in proceedings related to certain proceedings before the FERC concerning the membership of Entergy Texas, Inc. in a power region, regional transmission organization (RTO), independent system operator (ISO) or related to the Entergy System Agreement. This legislation was codified in PURA §39.4525. In 2012, the Commission hired outside counsel and an outside consultant to assist the PUC on such issues.

Entergy Texas significant state and federal proceedings

In April 2012, Entergy Texas filed a proceeding at the PUC requesting PUC review of Entergy Texas's plan to transfer operational control of its transmission assets to the Midwest Independent System Operator (MISO) Regional Transmission Organization (RTO). Entergy Texas requests that the PUC find that this proposal is in the public interest and will not adversely affect Entergy Texas's reliability, availability or cost of service.

Entergy Texas is expected to make a filing at FERC later in 2012 seeking changes to its System Agreement to accommodate Entergy Texas's move from the Southeastern Reliability Council (SERC) to the MISO RTO. The Entergy System Agreement governs system planning, operations and cost allocation among the various Entergy state operating companies, including Entergy Texas. Entergy Texas is also expected to make a filing at FERC in which it seeks authorization to divest its transmission assets. The PUC anticipates that it will actively participate in these proceedings at FERC.

The Entergy Regional State Committee (ERSC) is a committee made up of representatives of Entergy's retail rate regulators which include Texas, Arkansas, Louisiana, Mississippi and the City of New Orleans. The committee is charged with providing input to Entergy on various transmission-related issues. Decisions on transmission-cost allocation issues are ultimately made by FERC. These decisions will impact Entergy's retail customers in Texas.

Activities in Southwest Power Pool and Western Electric Coordinating Council

A key component in the success of a competitive energy market is an independent organization to manage transmission access and operate short-term energy and capacity markets to maintain the reliability of the electric system. When competition was introduced in ERCOT in 2002, a regional transmission organization (RTO) was operating in the Panhandle and Northeast Texas. This organization, the Southwest Power Pool (SPP), was providing independent management of the transmission system in these areas, but it was not operating short-term energy and capacity markets to maintain reliability. In Southeast Texas (the Entergy service area) and the far West Texas area in and adjacent to El Paso (the El Paso Electric service area), there was not an independent organization operating. SPP continues to operate in the Panhandle and Northeast Texas, and today it operates a short-term energy market, the Energy Imbalance Service, and it is planning to expand its market to include short-term capacity products. In Southeast and far West Texas, there is still not an independent organization performing the transmission management and market functions.

Southwest Power Pool

While the move to retail open access in the areas outside ERCOT has slowed, the importance of ensuring adequate competition in the wholesale markets that underlie the electricity supply in those areas has not diminished. FERC continues to promote wholesale markets and non-discriminatory access to transmission systems through regional transmission organizations (RTOs). While some Texas utilities outside ERCOT have joined an RTO, others have not.

The SPP Regional State Committee (SPP RSC) provides collective state regulatory agency input on issues related to the development of the bulk electric transmission system within the SPP. The SPP

RSC is comprised of commissioners from the retail electric rate regulatory agencies from Texas, Arkansas, Kansas, Missouri, Nebraska, New Mexico and Oklahoma. The issues on which the SPP RSC provides input will affect retail ratepayers in Texas. Of particular importance to Texas ratepayers are issues related to transmission cost allocation among the various states operating within the SPP.

Western Electric Coordinating Council

El Paso Electric Company (EPE), which serves the area in and around El Paso is a member of the Western Electric Coordinating Council (WECC). WECC is not an RTO, but is a reliability organization. Commission rule 25.421 outlines the pre-conditions for retail competition in the El Paso Electric service area. These conditions must be completed before retail competition can begin in this area. One of the pre-conditions is the approval of a regional transmission organization by the FERC and the commencement of independent operation of the transmission grid. The California Independent System Operator is the only organization in the Western region that has obtained FERC approval as a regional transmission organization, and it does not operate EPE's transmission systems. While retail competition in the EPE area has been delayed, the PUC is actively involved in providing input to WECC on the implementation of FERC Order No. 1000, regarding transmission planning and cost allocation.

OTHER LEGAL ISSUES

PUC decisions in contested cases and rulemakings are frequently appealed to state or federal courts by one or more parties. The PUC is very diligent about avoiding procedural and substantive errors in its decisions, but decisions may be overturned by the courts or remanded for additional proceedings, due largely to the complexity of the issues raised in PUC cases. Primarily, PUC decisions are appealed because of their significant economic impact, and many parties who appear at the PUC have the financial resources to pursue such appeals. Judicial review of PUC decisions creates additional uncertainty for the Commissioners, PUC Staff, and affected parties. It can take up to ten years for a case to go to the Texas Supreme Court and be remanded back to the PUC for further consideration. Historically, only a small percentage of the PUC's decisions have been appealed. Of those cases that are appealed, the PUC has generally experienced a high success rate.

PUBLIC UTILITY COMMISSION GOALS

- GOAL 1 Ensure Competition, Choice, Just Rates, and Reliable Quality Service:** To ensure fair competition, customer choice, just and reasonable rates, system reliability, a high level of service quality, and the opportunity for technological advancement in the electric and telecommunications industries.
- GOAL 2 Educate Customers and Assist Customers:** To serve the public by distributing customer education information, administering customer service programs, and assisting customers in resolving disputes concerning electric and telecommunications services.
- GOAL 3 Electric Utility Restructuring:** To achieve specific legislative objectives by administering special programs for energy assistance to low-income Texans, and for customer education information in regions subject to electric competition.
- GOAL 4 Indirect Administration**

DIRECTLY BUDGETED OBJECTIVES AND OUTCOME MEASURES

OBJECTIVE 1-1: Maintain Policies to Foster Competition in Telecom & Elec Mkts: Maintain innovative policies to foster competition in telecommunications and retail electric markets, such that by the end of fiscal year 2015, 85 percent of Texas cities are served by three or more certified telecommunications providers, and 95 percent of residential electric customers in areas of the state open to competition have at least five providers for electric service.

Outcome Measures:

- OC 1-1.01** Percent of Texas Cities Served by Three or More Certificated Telecommunications Providers
- OC 1-1.02** Percentage of Residential Customers in Areas Open to Competition Having a Choice of More than Five Electric Services Providers
- OC 1-1.03** Percent of Goal Achieved for Renewable Energy
- OC 1-1.04** Average Price of Electricity per kWh in Texas for Residential Customers from Competitive Suppliers as a Percentage of the National Residential Average
- OC 1-1.05** Average Price of Electricity per kWh in Texas for Commercial Customers as a Percentage of the National Commercial Average
- OC 1-1.06** Average Price of Electricity per kWh in Texas for Industrial Customers as a Percentage of the National Industrial Average
- OC 1-1.07** Average Annual Residential Electric Bill from Competitive Suppliers as a Percentage of the National Average
- OC 1-1.08** Average Price/kWh Offered on Power-to-Choose as % of Nat'l Average

OBJECTIVE 1-2: Regulate Providers Ensuring Companies Meet Service Quality Standards: Regulate service providers such that by 2015, 90 percent of telecommunications customers are served by exchanges that meet service quality standards and 95 percent of electric customers are served by companies meeting service quality standards.

Outcome Measures:

- OC 1-2.01** Average Annual Residential Telephone Bill in Texas as a Percentage of the National Average
- OC 1-2.02** Average Price of Electricity per kWh in Texas for Residential Customers from Regulated Suppliers as a Percentage of the National Average
- OC 1-2.03** Average Price of Electricity per kWh in Texas for Commercial Customers from Regulated Suppliers as a Percentage of the National Average
- OC 1-2.04** Average Annual Residential Electric Bill from Regulated Suppliers as a Percent of the National Average
- OC 1-2.05** Percentage of Telephone Subscribers Lines Served by Exchanges Meeting Commission Service Quality Standards
- OC 1-2.06** Percentage of Electric Customers Served by Transmission and Distribution Utilities Meeting Commission Service Quality Standards

OBJECTIVE 1-3: Ensure Compliance with Statutes, Rules, and Orders: To ensure compliance with statutes, rules, and orders such that by 2015, 75 percent of all settlement agreements entered in formal enforcement proceedings will contain specific provisions regarding how future violations of the same type will be avoided.

Outcome Measures:

OC 1-3.01 Percent of Settlement Agreements Entered in Formal Enforcement Proceedings That Contain Specific Provisions Regarding How Future Violations of the Same Type by the Entity that is the Subject of the Proceeding Will be Avoided

OBJECTIVE 2-1: Inform Customers of Choices & Rights & Facilitate Information Access: Inform customers about their choices, opportunities, and rights pertaining to electric and telecommunications services through 2015.

OBJECTIVE 2-2: Resolve Complaints Consistent w/Laws & PUC Rules & Orders: To resolve complaints consistent with relevant law and PUC rules and orders, such that all customer complaints will be concluded within the targeted average number of days each fiscal year through 2015.

Outcome Measures:

OC 2-2.01 Percentage of Customer Complaints Resolved through Informal Complaint Resolution Process

OC 2-2.02 Credits & Refunds Obtained for Customers through Complaint Resolution

OBJECTIVE 3-1: Provide Financial Assistance: Administer financial assistance such that by 2015, 93 percent of eligible low-income utility customers receive a reduction in their annual electric service bill.

Outcome Measures:

OC 3-1.01 Percent of Eligible Low-Income Customers Provided a Discount for Electric Service

DIRECTLY BUDGETED STRATEGIES, OUTPUT, EFFICIENCY AND EXPLANATORY MEASURES

STRATEGY 1-1-1: Foster and Monitor Market Competition: Foster and monitor market competition by evaluating the relevant electric and telecommunications markets, and develop policies to enhance effectiveness of competition and benefits for customers; and register and license competitive service providers. Develop rules, conduct studies and prepare reports responsive to changes in electric and telecom markets.

Efficiency Measure:

EF 1-1-1.01 Average Number of Days to Process an Application for a Certificate of Operating Authority or Service Provider Certificate of Operating Authority

Explanatory Measures:

EX 1-1-1.01 Number of Electric Coops and Municipal Utilities Regulated for Wholesale Transmission Rates

EX 1-1-1.02 Percentage of Statewide Electric Generating Capacity Above Peak Demand in ERCOT

EX 1-1-1.03 Energy Savings Due to Energy Efficiency Programs

EX 1-1-1.04 Demand Reductions Due to Energy Efficiency Programs

EX 1-1-1.05 Number of Power Generation Companies in Texas

EX 1-1-1.06 Number of Aggregators in Texas

EX 1-1-1.07 Average Cost of Natural Gas in Texas as a Percent of 2001 Average Costs

EX 1-1-1.08 Number of Applications and Amendments for Cable Franchise Certificates

Output Measures:

OP 1-1-1.01 Number of Retail Electric Providers Registered

OP 1-1-1.02 Number of Wholesale Electric Market Investigations Completed

OP 1-1-1.04 Number of Cases Completed Related to Competition Among Providers

STRATEGY 1-2-1: Conduct Rate Cases for Regulated Telephone and Electric Utilities: Conduct rate cases for regulated telephone and electric utilities under the Administrative Procedures Act and methods of alternative dispute resolution to evaluate whether revenue requirements, cost allocation, rate design, and affiliate transactions are reasonable and in compliance with all laws and PUC rules; register and license regulated service providers; evaluate utility infrastructure and quality of service.

Efficiency Measures:

EF 1-2-1.01 Average Number of Days to Process a Major Rate Case for a Transmission and Distribution Utility

Explanatory Measures:

EX 1-2-1.01 Number of Electric Utilities Regulated

EX 1-2-1.02 Number of Telecom Service Providers Regulated

Output Measures:

OP 1-2-1.01 Number of Rate Cases Completed for Regulated Electric Utilities

OP 1-2-1.02 Number of Rate Cases Completed for Regulated Telecommunications Providers

OP 1-2-1.03 Number of Investigations Completed Concerning Telecom Service Quality

OP1-2-1.04 Number of Investigations Completed Concerning Electric Service Quality

STRATEGY 1-3-1: **Conduct Investigations and Initiate Enforcement Actions:**
Conduct investigations and initiate enforcement actions to ensure compliance with relevant law, PUC rules, and orders.

Explanatory Measure:

EX 1-3-1.01 Dollar Amount Administrative Penalties Assessed for Violations

Output Measure:

OP 1-3-1.01 Number of Enforcement Investigations Conducted

STRATEGY 2-1-1: **Provide Information about Changes in Electric and Telecom Industries:** Provide information and distribute materials to customers on changes in the electric and telecommunications industries. Respond to requests for information from the public and media. Conduct outreach activities, administer Relay Texas and the Specialized Telecommunications Assistance Program (STAP) responsibilities.

Efficiency Measure:

EF 2-1-1.01 Percent of Customer Information Products Distributed Electronically

Explanatory Measure:

EX 2-1-1.01 Number of Website Hits to Consumer Protection Home Page

Output Measures:

OP 2-1-1.01 Number of Information Requests to Which Responses Were Provided

OP 2-1-1.02 Number of Customer Information Products Distributed

STRATEGY 2-2-1: **Assist Customers in Resolving Disputes:** Assist customers in resolving disputes concerning electric and telecommunications services consistent with statutes and rules.

Efficiency Measure:

EF 2-2-1.01 Average Number of Days to Conclude Customer Complaints

Explanatory Measure:

EX 2-2-1.01 Number of Complaints Received for Unauthorized Changes in Service

Output Measure:

OP 2-2-1.01 Number of Customer Complaints Concluded

STRATEGY 3-1-1: **Energy Assistance:** Reimburse retail electric providers from the System Benefit Trust Fund for electric service billing discounts; administer automated and self-enrollment of eligible participants for the billing discounts.

Efficiency Measures:

EF 3-1-1.01 Percent of Low-Income Discount Program Participants who are Automatically Enrolled

EF 3-1-1.02 Average Number of Days for Retail Electric Provider Reimbursement

Explanatory Measure:

EX 3-1-1.01 Total Number of Low-Income-Discount Participants

STRATEGY 3-1-2: **Customer Education:** Produce and disseminate customer education information for electric market competition through outsourcing; address customer inquiries through a third party call center and Web site.

Explanatory Measure:

EX 3-1-2.01 Number of Power-to-Choose Website Hits

Output Measures:

OP 3-1-2.01 Number of Customer Information Products Distributed

INDIRECTLY BUDGETED GOALS, OBJECTIVES AND STRATEGIES

STRATEGY 4-1-1: Central Administration

STRATEGY 4-1-2: Information Resources

STRATEGY 4-1-3: Other Support Services

TECHNOLOGY RESOURCE PLANNING

PUBLIC UTILITY COMMISSION OF TEXAS - TECHNOLOGY INITIATIVE ASSESSMENT AND ALIGNMENT

Initiative 1.

1. Initiative Name:	
State Data Center Contract	
2. Initiative Description: Brief description of the technology initiative.	
The transformation and consolidation of PUC data center operations to the State Data Center.	
3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
Name	Status
DCS Contract	Ongoing
4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports.	
All objectives	
5. Statewide Technology Priorities: Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> • P1 – Cloud • P2 – Data Management • P3 – Data Sharing • P4 – Infrastructure • P5 – Legacy Applications 	<ul style="list-style-type: none"> • P6 – Mobility • P7 – Network • P8 – Open Data • P9 – Security and Privacy • P10 – Social Media
This initiative meets the statewide technology priorities: cloud, data management, data sharing, and infrastructure.	
6. Guiding Principles: As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> • Connect – expanding citizen access to services • Innovate – leveraging technology services and solutions across agencies • Trust – providing a clear and transparent accounting of government services and data • Deliver – promoting a connected and agile workforce 	

<p>Innovate – leveraging technology services and solutions across agencies.</p>
<p>7. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include:</p> <ul style="list-style-type: none">• Operational efficiencies (time, cost, productivity)• Citizen/customer satisfaction (service delivery quality, cycle time)• Security improvements• Foundation for future operational improvements• Compliance (required by State/Federal laws or regulations)
<p>The project will create operations efficiencies, improve security of data, and ensure compliance with the State/Federal laws.</p>
<p>8. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency’s ability to successfully implement the technology initiative.</p>
<p>Project has been ongoing and has had many barriers that have impeded the success and completion of the project. The continued funding through the appropriation process is vital.</p>

PUBLIC UTILITY COMMISSION OF TEXAS - TECHNOLOGY INITIATIVE ASSESSMENT AND ALIGNMENT

Initiative 2

1. Initiative Name:	
Redesign of Power-to-Choose website	
2. Initiative Description: Brief description of the technology initiative.	
This site is considered vital to the education of the electric consumer in the competitive areas of the state. The redesign will strive to deliver content in a more refined and easier to consume format for the user.	
3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
Name	Status
4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports.	
All objectives	
5. Statewide Technology Priorities: Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> • P1 – Cloud • P2 – Data Management • P3 – Data Sharing • P4 – Infrastructure • P5 – Legacy Applications 	<ul style="list-style-type: none"> • P6 – Mobility • P7 – Network • P8 – Open Data • P9 – Security and Privacy • P10 – Social Media
This initiative meets the statewide technology priorities: data sharing, data management, and open data.	
6. Guiding Principles: As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> • Connect – expanding citizen access to services • Innovate – leveraging technology services and solutions across agencies • Trust – providing a clear and transparent accounting of government services and data • Deliver – promoting a connected and agile workforce 	
Connect – expanding citizen access to services.	

<p>7. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include:</p> <ul style="list-style-type: none">• Operational efficiencies (time, cost, productivity)• Citizen/customer satisfaction (service delivery quality, cycle time)• Security improvements• Foundation for future operational improvements• Compliance (required by State/Federal laws or regulations)
<p>The project will provide citizen/customer satisfaction due a higher quality of information provided.</p>
<p>8. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency's ability to successfully implement the technology initiative.</p>
<p>Project is in process and should be successfully implemented.</p>

**PUBLIC UTILITY COMMISSION OF TEXAS - TECHNOLOGY INITIATIVE ASSESSMENT
AND ALIGNMENT**

Initiative 3

1. Initiative Name:	
Power-to-Save Website	
2. Initiative Description: Brief description of the technology initiative.	
The PUC is creating a Power-to-Save website which will be a key component of the agency's electric conservation message.	
3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
Name	Status
DCS Contract	Ongoing
4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports.	
All objectives	
5. Statewide Technology Priorities: Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> • P1 – Cloud • P2 – Data Management • P3 – Data Sharing • P4 – Infrastructure • P5 – Legacy Applications 	<ul style="list-style-type: none"> • P6 – Mobility • P7 – Network • P8 – Open Data • P9 – Security and Privacy • P10 – Social Media
The project will provide citizen/customer satisfaction due a higher quality of information provided.	
6. Guiding Principles: As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> • Connect – expanding citizen access to services • Innovate – leveraging technology services and solutions across agencies • Trust – providing a clear and transparent accounting of government services and data • Deliver – promoting a connected and agile workforce 	
Connect – expanding citizen access to services.	

7. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include:

- Operational efficiencies (time, cost, productivity)
- Citizen/customer satisfaction (service delivery quality, cycle time)
- Security improvements
- Foundation for future operational improvements
- Compliance (required by State/Federal laws or regulations)

The project will provide citizen/customer satisfaction due a higher quality of information provided.

8. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency's ability to successfully implement the technology initiative.

Project is in process and should be successfully implemented.

**PUBLIC UTILITY COMMISSION OF TEXAS - TECHNOLOGY INITIATIVE ASSESSMENT
AND ALIGNMENT**

Initiative 4

1. Initiative Name:	
Replace/Upgrade of end of life Network Components	
2. Initiative Description: Brief description of the technology initiative.	
<p>The PUC is planning to replace end of life network equipment, patch panels and cabling for PUC local area network environment. The equipment is approaching end of life and will be during the next biennium. The replacement of this equipment will be critical in keeping the PUC network environment secure and provide the infrastructure to continue to take advantage of emerging technologies that create more efficient delivery mechanisms to our customers.</p>	
3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
Name	Status
Network Upgrade	Planned
4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports.	
All objectives	
5. Statewide Technology Priorities: Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> • P1 – Cloud • P2 – Data Management • P3 – Data Sharing • P4 – Infrastructure • P5 – Legacy Applications 	<ul style="list-style-type: none"> • P6 – Mobility • P7 – Network • P8 – Open Data • P9 – Security and Privacy • P10 – Social Media
This initiative meets the statewide technology priorities: infrastructure, network, and security/privacy.	
6. Guiding Principles: As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> • Connect – expanding citizen access to services • Innovate – leveraging technology services and solutions across agencies • Trust – providing a clear and transparent accounting of government services and data • Deliver – promoting a connected and agile workforce 	

Innovate – leveraging technology services and solutions across agencies
7. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include: <ul style="list-style-type: none">• Operational efficiencies (time, cost, productivity)• Citizen/customer satisfaction (service delivery quality, cycle time)• Security improvements• Foundation for future operational improvements• Compliance (required by State/Federal laws or regulations)
The project will provide operational efficiencies and security improvements.
8. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency’s ability to successfully implement the technology initiative.
Project is dependent upon funding through agency appropriation.

PUBLIC UTILITY COMMISSION OF TEXAS - TECHNOLOGY INITIATIVE ASSESSMENT AND ALIGNMENT

Initiative 5

1. Initiative Name:	
PUC Outage System	
2. Initiative Description: Brief description of the technology initiative.	
<p>The PUC currently has an outage system that is used by the utilities to report when outages occur across the state. The system is currently going through an upgrade to provide more real time reporting and enhance GIS reports. We are working in conjunction with TNRIS to identify ways to receive and report this data so it can be used in an emergency situation by the Texas Division of Emergency Management.</p>	
3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
Name	Status
4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports.	
All objectives	
5. Statewide Technology Priorities: Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> • P1 – Cloud • P2 – Data Management • P3 – Data Sharing • P4 – Infrastructure • P5 – Legacy Applications 	<ul style="list-style-type: none"> • P6 – Mobility • P7 – Network • P8 – Open Data • P9 – Security and Privacy • P10 – Social Media
This initiative meets the statewide technology priorities: data sharing, data management, and open data.	
6. Guiding Principles: As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> • Connect – expanding citizen access to services • Innovate – leveraging technology services and solutions across agencies • Trust – providing a clear and transparent accounting of government services and data • Deliver – promoting a connected and agile workforce 	

<p>Connect – expanding citizen access to services. Innovate – leveraging technology services and solutions across agencies.</p>
<p>7. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include:</p> <ul style="list-style-type: none">• Operational efficiencies (time, cost, productivity)• Citizen/customer satisfaction (service delivery quality, cycle time)• Security improvements• Foundation for future operational improvements• Compliance (required by State/Federal laws or regulations)
<p>-Operational efficiencies -Citizen/Customer satisfaction</p>
<p>8. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency’s ability to successfully implement the technology initiative.</p>
<p>Project is in process and should be successfully implemented.</p>

**PUBLIC UTILITY COMMISSION OF TEXAS - TECHNOLOGY INITIATIVE ASSESSMENT
AND ALIGNMENT**

Initiative 6

1. Initiative Name:	
Upgrade of SharePoint Environment	
2. Initiative Description: Brief description of the technology initiative.	
The PUC is currently investigating the move to SharePoint 2010 environment from the current SharePoint 2007 environment. This move will create an easier to use environment with seamless integration with MS Office 2010 and a more robust environment for our developers to deliver internal applications to staff.	
3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
Name	Status
4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports.	
All objectives	
5. Statewide Technology Priorities: Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> • P1 – Cloud • P2 – Data Management • P3 – Data Sharing • P4 – Infrastructure • P5 – Legacy Applications 	<ul style="list-style-type: none"> • P6 – Mobility • P7 – Network • P8 – Open Data • P9 – Security and Privacy • P10 – Social Media
This initiative meets the statewide technology priorities: data sharing, data management, mobility, and security/privacy.	
6. Guiding Principles: As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> • Connect – expanding citizen access to services • Innovate – leveraging technology services and solutions across agencies • Trust – providing a clear and transparent accounting of government services and data • Deliver – promoting a connected and agile workforce 	
Innovate – leveraging technology services and solutions across agencies	

Deliver – promoting a connected and agile workforce
7. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include: <ul style="list-style-type: none">• Operational efficiencies (time, cost, productivity)• Citizen/customer satisfaction (service delivery quality, cycle time)• Security improvements• Foundation for future operational improvements• Compliance (required by State/Federal laws or regulations)
Operational efficiencies Foundation for future operational improvements
8. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency’s ability to successfully implement the technology initiative.
Project is in the planning process, may need additional appropriation for the DCS portion of funding.

**PUBLIC UTILITY COMMISSION OF TEXAS - TECHNOLOGY INITIATIVE ASSESSMENT
AND ALIGNMENT**

Initiative 7

1. Initiative Name:	
Standardization of Print Services	
2. Initiative Description: Brief description of the technology initiative.	
The PUC is investigating the concept of managed print services to reduce imaging costs and improve operations effectiveness. This initiative would maximize the support efforts of agency technical staff and assist in controlling costs on consumables and repairs.	
3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
Name	Status
4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports.	
All objectives	
5. Statewide Technology Priorities: Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> • P1 – Cloud • P2 – Data Management • P3 – Data Sharing • P4 – Infrastructure • P5 – Legacy Applications 	<ul style="list-style-type: none"> • P6 – Mobility • P7 – Network • P8 – Open Data • P9 – Security and Privacy • P10 – Social Media
This initiative meets the statewide technology priorities: infrastructure	
6. Guiding Principles: As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> • Connect – expanding citizen access to services • Innovate – leveraging technology services and solutions across agencies • Trust – providing a clear and transparent accounting of government services and data • Deliver – promoting a connected and agile workforce 	
Innovate – leveraging technology services and solutions across agencies Deliver – promoting a connected and agile workforce	

<p>7. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include:</p> <ul style="list-style-type: none">• Operational efficiencies (time, cost, productivity)• Citizen/customer satisfaction (service delivery quality, cycle time)• Security improvements• Foundation for future operational improvements• Compliance (required by State/Federal laws or regulations)
<p>Operational efficiencies Foundation for future operational improvements</p>
<p>8. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency's ability to successfully implement the technology initiative.</p>
<p>Project is in the planning process, if the savings can be realized the PUC will look to move forward.</p>

**PUBLIC UTILITY COMMISSION OF TEXAS - TECHNOLOGY INITIATIVE ASSESSMENT
AND ALIGNMENT**

Initiative 8

1. Initiative Name:	
Telephone System Upgrade to a VOIP System	
2. Initiative Description: Brief description of the technology initiative.	
Replace end of life telecommunications equipment with voice over internet protocol (VOIP) network and equipment.	
3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
Name	Status
VOIP Project	Planning
4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports.	
All objectives	
5. Statewide Technology Priorities: Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> • P1 – Cloud • P2 – Data Management • P3 – Data Sharing • P4 – Infrastructure • P5 – Legacy Applications 	<ul style="list-style-type: none"> • P6 – Mobility • P7 – Network • P8 – Open Data • P9 – Security and Privacy • P10 – Social Media
This initiative meets the statewide technology priorities: infrastructure, legacy applications, mobility, and network.	
6. Guiding Principles: As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> • Connect – expanding citizen access to services • Innovate – leveraging technology services and solutions across agencies • Trust – providing a clear and transparent accounting of government services and data • Deliver – promoting a connected and agile workforce 	
Innovate – leveraging technology services and solutions across agencies Deliver – promoting a connected and agile workforce	

7. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include:

- Operational efficiencies (time, cost, productivity)
- Citizen/customer satisfaction (service delivery quality, cycle time)
- Security improvements
- Foundation for future operational improvements
- Compliance (required by State/Federal laws or regulations)

Operational efficiencies
Foundation for future operational improvements

8. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency's ability to successfully implement the technology initiative.

Project is in the planning process, may need additional appropriation funding.

APPENDIX A.

DESCRIPTION OF THE AGENCY PLANNING PROCESS

The Public Utility Commission's (PUC) Strategic Plan provides the framework for agency activities throughout each year, and the biennial strategic planning process provides a useful opportunity to review the Strategic Plan to ensure that it is current and accurately reflects the agency's duties and responsibilities as set out in its enabling legislation. The PUC continues to work toward a comprehensive approach to agency planning by focusing on its mission, goals, and objectives, as well as establishing meaningful performance measures to illustrate its progress toward meeting those goals and objectives.

The PUC's planning process is coordinated by the Director of Operations under the leadership of the Executive Director. The process begins with a consideration of whether there have been legislative changes that would necessitate or support changes to the agency's mission, philosophy or budget structure. During this part of the process, the Executive Director meets with the Commissioners and senior management to obtain input. If the Executive Director determines, based on these meetings, that the Commission should consider making changes to the mission, philosophy, or budget structure, the Executive Director develops a recommendation in consultation with agency senior management.

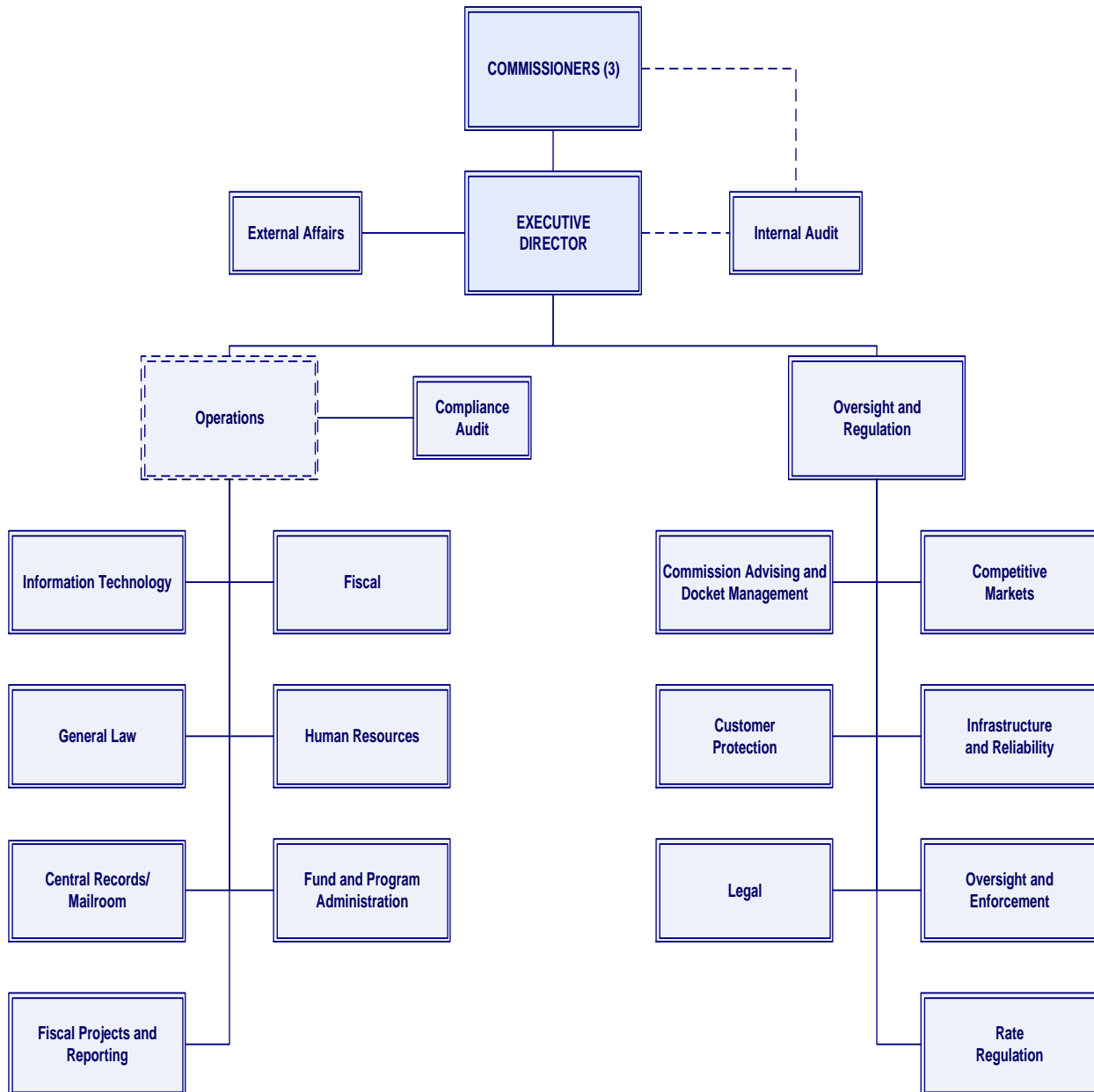
If the Commission decides to request changes in its budget structure, the extent of those changes determines the amount of time and the persons who are involved. Teams may be formed to address specific changes that will be requested. Changes to performance measures may also involve performance measure analysts who may contribute to drafting new or amended performance measure definitions.

If the Commission does not intend to request changes to its budget structure as part of the strategic planning process, the early stages of the process focus on any changes to performance measure definitions that may be requested and development of the five year projections for outcome measures.

The analytical components of the Strategic Plan, such as the External/Internal Analysis, Technology Resource Plan and Workforce Plan are initially drafted by or under the supervision of the Director of Operations and the Director of Human Resources. Each component is reviewed by other management team members, as well as the Executive Director.

The Strategic Plan is reviewed by the Commission and may be considered in open meeting for discussion if necessary.

APPENDIX B. CURRENT ORGANIZATIONAL CHART



APPENDIX C

OUTCOME MEASURES FIVE-YEAR PROJECTIONS

Outcome Measure		2013	2014	2015	2016	2017
1-1.01	Percent of Texas Cities Served by Three or More Certificated Telecommunications Providers	80.00%	80.00%	80.00%	80.00%	80.00%
1-1.02	Percent of Residential Customers in Areas Open to Competition Having a Choice of More than Five Electric Services Providers	99.70%	99.70%	99.70%	99.70%	99.70%
1-1.03	Percent of Goal Achieved for Renewable Energy	323.00%	352.00%	340.00%	340.00%	366.00%
1-1.04	Average Price of Electricity per kWh in Texas for Residential Customers from Competitive Suppliers as a Percentage of the National Residential Average	103.07%	102.31%	101.54%	100.77%	100.00%
1-1.05	Average Price of Electricity per kWh in Texas for Commercial Customers as a Percentage of the National Commercial Average	94.35%	95.76%	97.17%	98.59%	100.00%
1-1.06	Average Price of Electricity per kWh in Texas for Industrial Customers as a Percentage of the National Industrial Average	101.34%	101.01%	100.67%	100.34%	100.00%
1-1.07	Average Annual Residential Electric Bill from Competitive Suppliers as a Percentage of the National Average	125.51%	121.26%	117.71%	114.76%	112.30%

1-2.01	Average Annual Residential Telephone Bill in Texas as a Percentage of the National Average	101.70%	101.28%	100.85%	100.43%	100.00%
1-2.02	Avg Price Electricity Per kWh for Residential Cust from Regulated Suppliers as % of Nat'l Avg	84.91%	87.42%	89.52%	91.72%	92.72%
1-2.03	Avg Price Electricity Per kWh for Commercial Cust from Regulated Suppliers as % of Nat'l Avg	81.42%	84.52%	87.10%	89.25%	91.04%
1-2.04	Average Annual Residential Electric Bill from Regulated Suppliers as % of Nat'l Avg	93.72%	94.76%	95.64%	96.36%	96.97%
1-2.05	Percentage of Telephone Subscribers Lines Served by Exchanges Meeting Commission Service Quality Standards	80.00%	80.00%	80.00%	80.00%	80.00%
1-2.06	Percentage of Electric Customers Served by Transmission and Distribution Utilities Meeting Commission Service Quality Standards	96.50%	96.50%	96.50%	96.50%	96.50%
1-3.01	Percent Agreements with Specific Provisions for Avoiding Future Violations	95.00%	97.00%	98.00%	98.00%	99.00%
2-2.01	% of Cust Complaints Resolved -Informal Complaint Resolution Process	99.00%	99.00%	99.00%	99.00%	99.00%
2-2.02	Credits & Refunds Obtained for Customers through Complaint Resolution	\$1,300,000	\$1,000,000	\$900,000	\$900,000	\$800,000
3-1.01	Percent of Eligible Low-Income Customers Provided a Discount for Electric Service	96.00%	96.00%	96.00%	96.00%	96.00%

APPENDIX D.

AGENCY OVERVIEW

In 1975, Texas became the last state in the country to provide for state-wide comprehensive regulation of electric and telecommunications utilities by creating the Public Utility Commission (PUC). For approximately the first twenty years of the PUC's existence, the agency's primary role was traditional regulation of electric and telecommunications utilities. Although the PUC originally regulated water utilities, jurisdiction was transferred to the Texas Water Commission in 1986. Significant legislation enacted by the Texas Legislature in 1995, along with the Federal Telecommunications Act of 1996 (FTA), dramatically changed the PUC's role by allowing for competition in telecommunications wholesale and retail services, and by creating a competitive electric wholesale market. In 1999, the Legislature provided for restructuring of the electric utility industry, further changing the PUC's mission and focus. In 2005, the Legislature provided for further deregulation of telecommunications markets with the passage of Senate Bill 5. More recently, SB 980 enacted in 2011 further deregulated the telecommunications industry.

Although the PUC's traditional regulatory functions have decreased over the past eleven years, many of those functions have been replaced by other, more challenging responsibilities. Restructuring of the utility industry is not simply elimination of regulation. Effective oversight of competitive wholesale and retail markets is necessary to ensure that customers receive the benefits of competition.

The PUC's responsibilities under PURA include the following:

Electric Power Activities

- Within the Electric Reliability Council of Texas (ERCOT) area
 - Oversight of competitive wholesale and retail markets
 - Oversight of the Electric Reliability Council of Texas (ERCOT) the independent organization responsible for operating the electric grid for approximately 70% of the state and settling the transaction in competitive markets.
 - Jurisdiction over ratemaking and quality of service of investor-owned transmission and distribution utilities
 - Establishing wholesale transmission rates for investor owned utilities, cooperatives, and municipally owned utilities
 - Licensing of retail electric providers
 - Registration of power generation companies and aggregators
 - Implementation of a customer education program for retail electric choice
 - Provide oversight for Competitive Renewable Energy Zone program, including monitoring the planning, designing, constructing, and energizing phases of the program
 - Order the disgorgement of all excess revenue resulting from a market power abuse violation
 - Enforcement of ERCOT rules and protocols
 - Overall administration of the System Benefit Fund, including administration of a low income discount program with automatic enrollment of eligible customers
- Outside ERCOT, continuing the regulation, including rate regulation, of vertically integrated investor owned utilities until retail competition begins. Also, actively participate in regional transmission organization and wholesale market development in areas outside ERCOT.

- Issuance of certificates of convenience and necessity for service areas and proposed transmission lines
- Monitoring industry progress in meeting the renewable energy and energy efficiency mandate adopted in the 1999 legislation and amended by subsequent legislatures
- Resolution of customer complaints, using informal processes whenever possible

Telecommunications Activities

- Arbitration of interconnection agreements and post-interconnection disputes pursuant to the Federal Telecommunications Act
- Administration of the Texas Universal Service Fund
- Administer the Lifeline program for low-income customers
- Oversee the Texas High-Cost Universal Service Plan and Small and Rural ILEC Universal Service Plan
- Administration of the Relay Texas program for deaf and hearing-impaired customers
- Administration of the Specialized Telecommunications Assistance Program
- Oversee the Texas Audio Newspaper Program
- Facilitation of the availability of broadband service throughout Texas
- Resolution of customer complaints, using informal processes whenever possible
- Issuance of State Issued Certificates of Franchise Authority to cable providers
- Issuance of Service Provider Certificates of Operating Authority and Certificates of Operating Authority to local service providers
- Review of one-day and ten-day informational filings made by incumbent local exchange companies
- Registration of long distance providers, automatic dial announcing devices, and pay phones
- Setting franchise fee rates for municipalities pursuant to Local Government Code Chapter 283
- Monitoring area code exhaustion and working with the national number administrator to conserve numbers and implement new area codes
- Reviewing tariffs for companies subject to rate regulation
- Administration of the Texas No-Call List

The PUC's divisions are organized based on function and program area. The Customer Protection Division includes the call center and the informal complaint resolution function to handle both electric and telecommunications matters. The Competitive Markets, Oversight & Enforcement, Rate Regulation, and Infrastructure & Reliability Divisions also oversee activities in both the telecommunications and electric industries. When organizational changes are needed to respond to changing duties prescribed in PURA, or changes in the industries that the Commission oversees, the agency attempts to make those organizational changes in ways that are the least disruptive to agency staff and persons who do business with the Commission.

A. Agency Mission

The mission of the agency is to protect customers, foster competition, and promote high quality utility infrastructure.

B. Agency Goals, Objectives, and Strategies (Business Functions)

GOAL 1: To ensure fair competition, customer choice, just and reasonable rates, system reliability, a high level of service quality, and the opportunity for technological advancement in the electric and telecommunication industries.

OBJECTIVE 1-1: Maintain innovative policies to foster competition in telecommunications and retail–electric markets, such that by the end of fiscal year 2013, 85 percent of Texas cities are served by three or more certified telecommunications providers, and 95 percent of residential electric customers in areas of the state open to competition have at least five providers for electric service.

STRATEGY 1-1-1: Foster and monitor market competition by evaluating the relevant electric and telecommunications markets, and develop policies to enhance effectiveness of competition and benefits for customers; and register and license competitive service providers. Develop rules, conduct studies and prepare reports responsive to changes in electric and telecom markets.

OBJECTIVE 1-2: Regulate service providers such that by 2013, 90 percent of telecommunications customers are served by exchanges that meet service quality standards and 95 percent of electric customers are served by companies meeting service quality standards.

STRATEGY 1-2-1: Conduct rate cases for regulated telephone and electric utilities under the Administrative Procedures Act and methods of alternative dispute resolution to evaluate whether revenue requirements, cost allocation, rate design, and affiliate transactions are reasonable and in compliance with all laws and PUC rules; register and license regulated service providers; evaluate utility infrastructure and quality of service.

OBJECTIVE 1-3: To ensure compliance with statutes, rules, and orders such that by 2013, 75 percent of all settlement agreements entered in formal enforcement proceedings will contain specific provisions regarding low future violations of the same type will be avoided.

STRATEGY 1-3-1: Conduct investigations and initiate enforcement actions to ensure compliance with relevant law, PUC rules, and orders.

GOAL 2: To serve the public by distributing customer education information, administering customer service programs, and assisting customers in resolving disputes concerning electric and telecommunications services.

OBJECTIVE 2-1: Inform customers about their choices, opportunities, and rights pertaining to electric and telecommunications services through 2013.

STRATEGY 2-1-1: Provide information and distribute materials to customers on changes in the electric and telecommunications industries. Respond to requests for information from the public and media. Conduct outreach activities, administer Relay Texas and the Specialized Telecommunications Assistance Program (STAP) responsibilities.

OBJECTIVE 2-2: To resolve complaints consistent with relevant law and PUC rules and orders, such that all customer complaints will be concluded within the targeted average number of days each fiscal year through 2013.

STRATEGY 2-2-1: Assist customers in resolving disputes concerning electric and telecommunications services consistent with statutes and rules.

GOAL 3: To achieve specific legislative objectives by administering special programs for energy assistance to low-income Texans, and for customer education information in regions subject to electric competition (nontransferable).

OBJECTIVE 3-1: Administer financial assistance such that by 2013, 93 percent of eligible low-income utility customers receive a reduction in their annual electric service bill.

STRATEGY 3-1-1: Reimburse retail electric providers from the System Benefit Fund for electric service billing discounts; administer automated and self-enrollment of eligible participants for the billing discounts.

STRATEGY 3-1-2: Produce and disseminate customer education information for electric market competition through outsourcing; address customer inquiries through a third party call center and Web site.

GOAL 4: Indirect administration.

OBJECTIVE 4-1: Indirect administration.

STRATEGY 4-1-1: Central administration.

STRATEGY 4-1-2: Information resources.

STRATEGY 4-1-3: Other support services.

C. Anticipated Changes Over Five Years

The Commission does not anticipate significant changes in its mission, strategies or goals over the next five years. In the 2008 strategic planning cycle, the PUC made revisions to its budget structure to reflect changing emphasis in the agency's powers and duties, and does not anticipate the need to make significant changes within the next five years absent statutory changes.

The agency's structure and functions have changed significantly over the past 17 years as a result of legislative reforms. Prior to industry restructuring, the primary function of the agency was processing major rate cases for the telephone and electric industries. This required very specialized technical skills from engineers, accountants, financial analysts, and attorneys to analyze utility rate applications and provide recommendations for Commission action. The PUC continues to have rate jurisdiction over some utilities and utility functions, and continues to employ these same types of experts.

However, the Commission's mission now includes oversight of competitive markets, which requires different expertise than traditional utility regulation. The PUC employs economists and market analysts for development of market rules and for monitoring the telecommunications and electric power markets for compliance with applicable statutes, rules, and PUC orders. The PUC has increased resources dedicated to enforcement activities, which require the skills of investigators and attorneys.

The PUC anticipates the possible transfer of water rate regulation and granting of water utility Certificates of Convenience and Necessity from the Texas Commission on Environmental Quality during the next legislative session. This transfer was included in Senate Bill 661, the PUC Sunset bill, during the previous legislative session. Although, that legislation was not enacted, the agency fully expects similar provisions will be included in the PUC Sunset legislation during the 83rd Session.

II. Supply Analysis: Current Workforce Profile

A. *Critical Workforce Skills*

The Commission employs qualified individuals in a myriad of program disciplines. Strong employee competencies are critical to meet ongoing business objectives and goals.

Current critical workforce skills include the following:

1. *Management and Leadership*

Performance Management

Project Management

Planning

Training and mentoring

2. *Technical Skills*

Knowledge of applicable federal and state laws and regulations

Litigation and settlement facilitation

Rules development

Investigation

Market analysis

Rate setting

Licensing of providers

Accounting and financial analysis

Engineering

Policy development

3. *Customer Assistance*

Call center customer service

Informal complaint resolution

4. *Information Management*

Web development and maintenance

Database development

Electronic filing and reporting

5. *Agency Administration*

Fiscal management

Human Resources management

Contract management

Purchasing

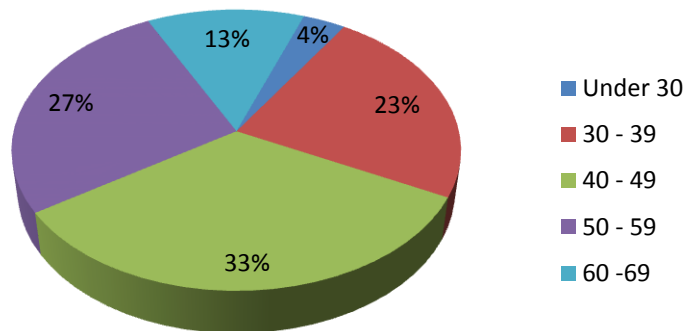
IT Support

B. Workforce Demographics

Gender and Age

As of February 29, 2012, the Commission had a total of 170 full-time and one part-time employee. Of the total employees, there were 88 females (51.5%) and 83 males (48.5%). The average age of Commission employees is 47 years, and 125 (73%) of the employees are over the age of 40.

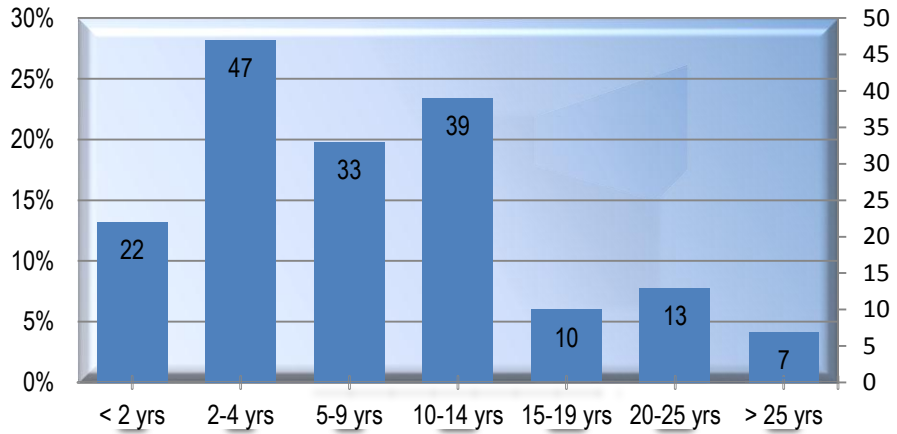
**Age of PUC Workforce
as of February 29, 2012**



Tenure

Of the Commission staff, 69 (40%) employees have fewer than five years of service with the agency. There are 72 employees (42%) with five to fourteen years' service with the PUC and 30 employees (18%) who have fifteen or more years of service with the PUC. The table below reflects tenure of PUC employees. Twenty-two employees (13%) have fewer than two years of agency service.

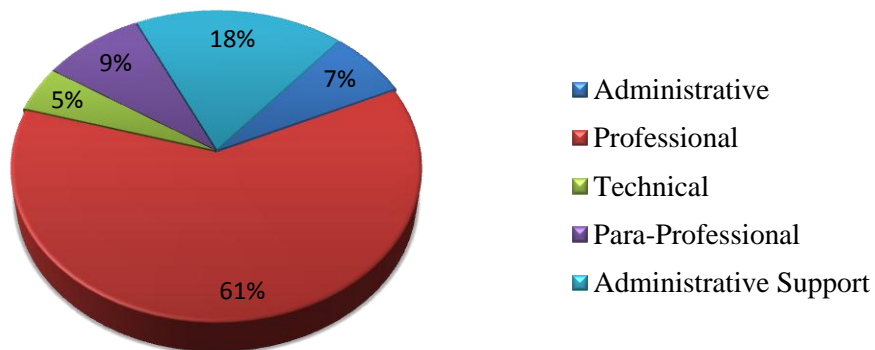
**PUC Workforce Tenure
 as of February 29, 2012**



Job Categories

The main job categories of Commission employees are identified in the table below. The “Professional” category has the largest number of agency employees, which reflects the qualifications required to accomplish the Commission’s business goals. As a result of these requirements, the agency has a highly educated workforce with many of the employees holding advanced degrees and credentials.

**PUC Workforce Job Categories
 December 1, 2011 - February 29, 2012**



Diversity

The following three tables profile the Commission’s full-time and part-time workforce of 171 employees for the second quarter of fiscal year 2012 (December 1, 2011 through February 29, 2012). The workforce comprises 51.5% females and 48.5% males, with an average age of 47 years. The tables compare the African American, Hispanic and female employees in the Commission Workforce to the State Civilian Workforce, as reported by the Civil Rights Division of the Texas Workforce Commission.

Gender – Racial – Ethnic Diversity							
Fiscal Year 2012, Second Quarter							
Male	Female	Caucasian American	African American	Hispanic American	Asian American	Other	Total
83	88	109	15	41	6	0	171
48.5%	51.5%	63.7%	8.8%	24%	3.5%	0%	100%

All employees on payroll as of February 29, 2012.

Gender – Occupational Diversity					
Fiscal Year 2012, First Quarter					
Job Category	Male		Female		Female Goal
Administrative	9	75%	3	25%	37.5%
Professional	58	55.2%	47	44.8%	53.3%
Technical	8	100%	0	0%	53.9%
Administrative Support	4	12.9%	27	87.1%	67.1%
Skilled Craft	0	0%	0	0%	6.0%
Service / Maintenance* (Para-Professional)	4	26.7%	11	73.3%	39.1%
Total	84		88		

Racial – Ethnic – Occupational Diversity Fiscal Year 2012, First Quarter												
Job Category	Caucasian		African		Goal	Hispanic		Goal	Asian		Other	
	American		American			American			American			
Administrative	10	83.3%	1	8.3%	7.5%	1	8.3%	21.1%	0	0.0%	0	0.0%
Professional	74	70.5%	7	6.7%	9.7%	18	17.1%	18.8%	6	5.7%	0	0.0%
Technical	6	75%	0	0.0%	13.9%	2	25%	27.1%	0	12.5%	0	0.0%
Administrative Support	14	45.2%	4	12.9%	12.7%	13	41.9%	31.9%	0	0.0%	0	0.0%
Skilled Craft	0	0%	0	0.0%	6.6%	0	0.0%	46.3%	0	0.0%	0	0.0%
Service/Maintenance * (Para-Professional)	5	33.3%	3	20%	14.1%	7	46.7%	49.9%	0	0.0%	0	0.0%

* The Protective Services and Para-Professional categories have been combined with the Service/Maintenance category. Prior to 2005, these categories were reported as separate groups and are no longer contained in the Bureau of Labor Statistics, Geographic Profile of Employment and Unemployment, 2004.

Percentage goals represent the State Civilian Workforce, as reported by the Civil Rights Division (CRD) of the Texas Workforce Commission in the EEO/Minority Hiring Practices Report in January 2011. The CRD analyzes the workforce using an 80% benchmark from the EEOC Uniform Guidelines on Employee Selection to determine utilization within each occupational category. Highlighted sections indicate areas in which the percentage of Commission employees in those categories meet or exceed the percentage in the State Civilian Workforce using the 80% benchmark. Shaded sections identify those areas where the percentage of Commission employees in those categories is below the percentage in the State Civilian Workforce using the 80% benchmark.

When using the EEOC Uniform Guidelines and applying the 80% benchmark, the agency exceeded the percentage goal for Female employees in the Professional, Administrative Support, and Para-Professional occupations. In the ethnic categories, the agency exceeded the goals for African American employees in the Administrative, Administrative Support and Para-Professional occupations and exceeded the goals for Hispanic American employees in the Professional, Technical, Administrative Support, and Para-Professional occupations. The agency did not attain the goals and Female employees are underutilized in the Administrative (5%) and Technical (43.1%) occupations. In the ethnic categories, African American employees are underutilized in the Professional (1.1%) and Technical (11.1%) occupations and Hispanic American employees are underutilized in the Administrative (8.6%) occupation. The PUC does not employ staff for Protective Services and Skilled Craft occupations.

C. Employee Turnover and Projected Attrition

Turnover is important in any organization and the Commission is no exception. Throughout its existence, the agency has faced the difficult challenge of retaining qualified and experienced staff. Historically, the PUC has experienced significant turnover, peaking at 30.7% in fiscal year 2003 as a result of legislative mandated reductions. Despite significant statutory post-employment restrictions that apply only to the PUC, the agency generally experiences turnover due to more lucrative positions in industry-related firms.

The PUC has had greater success retaining employees than rest of the State. The PUC’s turnover rate has been approximately 14.1 percent lower than the State average for the past five years. The turnover rate has steadily declined since FY 2008 and increased in 2011 due to a reduction in workforce. The following table compares the average PUC turnover to that of all state agencies for the last five years.

EMPLOYEE TURNOVER					
Fiscal Year	2007	2008	2009	2010	2011
PUC	17.9%	12.1%	9.4%	9.8%	12.7%
All Agencies*	19.2%	19.3%	15.6%	15.9%	17.7%

* Information obtained from the State Auditor’s Office E-Class System.

Length of Service

Among terminating employees in fiscal year 2011, those with two to four years of service had the highest turnover (30%), followed by 22% among employees with twenty to twenty-four years of service and 17% among employees with five to nine years of service. Five employees retired from the agency in fiscal year 2011. Four of the retirees had twenty to twenty-five years of service and the other had more than five years of service with the agency.

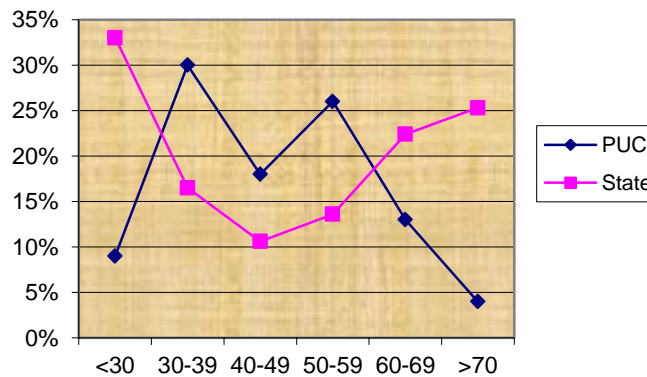
The highest percentage (40%) of terminating employees had fewer than five years service with the agency. Efforts to decrease turnover and retain staff beyond the first five years should provide greater continuity for Commission operations and allow employees to develop critical agency knowledge for training entry-level personnel.

Tenure of Terminating Employees Compared To Tenure of All Employees FY 2011				
Tenure in Years	Terminating Employees	% Terminating Employees	All Employees	% All Employees
Less than 2	2	9%	23	14%
2 – 4	7	30%	44	26%
5 – 9	4	17%	33	19%
10 – 14	3	13%	40	24%
15 – 19	2	9%	9	5%
20 – 24	5	22%	12	7%
25 +	0	0%	8	5%
Total	23	100%	169	100%

AGE

The highest percentage of turnover occurred among employees in the 30-39 years of age group. About 39% of the Commission’s turnover in FY 2011 were under the age of 40 and 61% were over age 40.

Age of Terminated Employees FY 2011

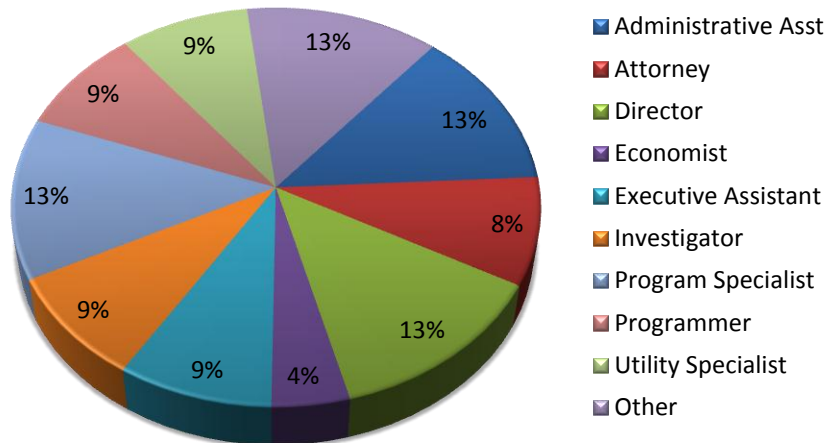


Occupations

During fiscal year 2011, a total of 23 employees separated from employment with the Commission. The table below provides detail for this turnover activity by classification. Of the 23 terminations, the Director, Program Specialist and Administrative Assistant titles reflected the greatest turnover rate (13%) for each classification series, followed by the Attorney, Executive Assistant,

Investigator, Programmer and Utility Specialist (9%) classification. The Economist classification reflected a 4% turnover rate. Collectively, the total turnover rate for fiscal year 2011 was 12.7%.

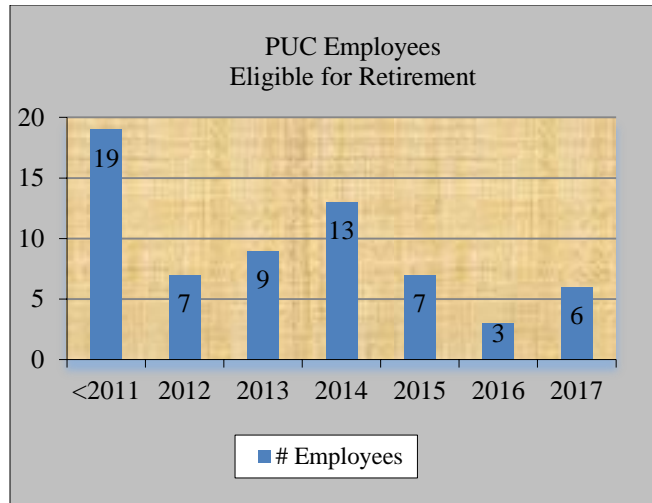
**Turnover by Job
Classification-FY 2011**



D. Retirement Eligibility

Five employees retired in fiscal year 2011. Of the employees potentially eligible to retire prior to FY 2012, nineteen remain with the agency. Based on PUC information, during FY 2012 – 2017, an additional forty-five employees (25%) may become eligible to retire from state service. Between now and 2017, a total of 64 employees (37%) could potentially leave the Commission based on retirement eligibility.

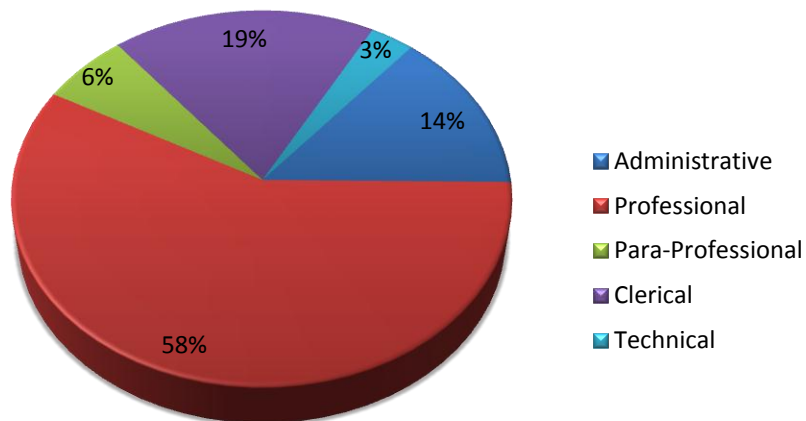
Turnover due to retirement is important to agency operations because of the loss of institutional knowledge and expertise. It also affects the level of succession planning the organization should implement to attract new employees and/or train existing staff in key competencies to assume important functions and leadership roles.



Retirees by Category

The largest percentages of employees who may become eligible to retire over the next five years are in the *professional* (58%) category. The second largest percentage of employees potentially eligible to retire is in the *clerical* support (19%) category. Turnover as a result of retirement eligibility could have a significant impact on high-level key positions. Nine employees (14%) in key management positions could be eligible to retire over the next five years. All of the key management employees are in the *administrative* category and 56% will be eligible due to the Rule of 80 between 2012 and 2014.

**Employees Eligible for Retirement
 by Job Category
 2011 - 2017**



Projected Attrition

In fiscal year 2011, the agency had a 12.7% turnover rate which is a 2.9% increase from fiscal year 2010. As of May 31, 2012, ten (5.9%) employees have terminated their employment with the agency.

As market conditions begin to improve in central Texas over the next five years and as the economy strengthens, the agency anticipates that retaining high quality staff will continue to be a challenge. The decrease in state benefits provided to state employees also impacts the ability of state agencies to attract and keep qualified employees.

III. Demand Analysis: Future Workforce Profile

A. Critical Functions

- Economists and Market Analysts
- Customer Care Representatives
- Utility Infrastructure Analysts
- Enforcement (Investigators)
- Attorneys

B. Expected Workforce Changes

The changing demands in the Commission's oversight role in a market competition environment within the electric and telecommunication industries will create more emphasis on recruiting and retaining employees as economists, market analysts, enforcement investigators, attorneys and customer care representatives.

During the 80th Legislative Session, the agency's FTE cap was decreased from 210.9 to 190 and the cap was reduced to 188.6 in the 81st Legislative Session. The FTE cap was reduced again in the 82nd Legislative Session to 178.0 as of August 31, 2012 and 170.6 by August 31, 2013. Both the fiscal year 2012 and 2013 caps include 11.0 employees that are federally funded. Subsequent requests for appropriation reductions may result in a condensed workforce and reduced FTE cap.

C. Future Skills Needed

The Commission will continue to maintain a highly educated professional workforce. Knowledge, skills and abilities central to the core functions of the Commission will remain an integral part of employee qualifications. The PUC does not anticipate significant changes in the critical workforce skills required of its workforce over the next five years.

D. Anticipated Employee Increases/Decreases

The Commission does not anticipate an increase in total staffing during the next five years due to our FTE cap. The workforce is expected to remain constant. As the workforce changes, the needs will

be handled through attrition and conversion of vacant positions to new responsibilities, as well as training existing employees with necessary education and expertise to perform new job duties.

E. Future Critical Functions

The changing demands in the Commission's oversight role in a market competition environment within the electric and telecommunication industries will drive changes to the Commission's future critical functions. Fewer resources are allocated for traditional regulatory functions, such as ratemaking activities, than in the past. More resources are being allocated for market oversight, enforcement, and customer assistance.

IV. Gap Analysis

An examination of the workforce data indicates the Commission may face the loss of its institutional knowledge and expertise through retirements and loss of employees to the private sector. The ability to offer a combination of salary and employee benefits that will attract employees with the necessary education and experience will be a key factor in the success of the agency's workforce.

V. Strategy Development

The Commission has developed workforce goals to address the potential deficit between the current workforce and future demands. The strategies will need to be assessed periodically to determine their effectiveness in achieving the PUC's workforce goals.

GOAL ONE: Recruit professionals with the requisite skills to complement the Commission's existing workforce and take steps to retain these professionals.

Rationale: The demand for educated, licensed and/or certified staff in the electric and telecommunication industries requires special agency efforts. Competition with the private sector for the same labor supply creates a disadvantage for state agencies due to salary differences.

Action Steps:

- Continue to market the "total" state compensation and benefits program to potential applicants/employees.
- Human Resources and/or Division Directors will participate in university sponsored career fairs, locate free advertising with associated organizations,

appropriate technical educational institutions, and Work In Texas (Texas Workforce Commission) to aggressively recruit qualified minority males, females, and people with disabilities.

- Expand the Commission's volunteer internship program to alert and encourage qualified minority males, females, and people with disabilities to apply.
- Improve recruiting techniques by streamlining application procedures and reviewing applicant flow data to target sources that will assist with hiring employees in underutilized job categories.
- Require managers to work with new employees to attempt to align PUC employment opportunities with the employee's individual career goals.
- Opportunities for employees to gain a broader breadth of knowledge regarding agency activities by providing cross-divisional projects and training, which leads to a more flexible workforce.

GOAL TWO: Retain qualified and experienced staff ensuring smooth business operations and excellent customer service.

Rationale: The Commission's experience with high turnover in a competitive market for certain skills supports the need for this goal.

Action Steps:

- Increase employee career planning assistance through training programs and participation in continuous professional development initiatives that enhance the employee's current job performance and future opportunities within the agency.
- Ensure that managers and supervisors, especially those new to these responsibilities, have adequate training in how to recruit, train and retain quality staff.
- Manage available funds to award merit increases to provide a fair balance of rewarding employee performance and maximizing retention of key personnel.

GOAL THREE: Review FTE allocations to ensure conformance to current agency priorities and workload.

Rationale: Varying workload demands and shifting priorities can change the appropriate allocation of agency resources.

- Action Steps:**
- Continue to assess all vacancies created by employee departures to determine whether the position should be modified or relocated in the agency.
 - When a need for additional staffing in a given area is identified and vacant positions are not available, offer current employees the opportunity to relocate within the agency.
 - Encourage employees to cross train in related skill areas to provide flexibility in staff assignments.

GOAL FOUR: Develop a formal agency succession plan.

Rationale: It is critical that the agency have a leadership development program and identify potential staff with leadership and other critical skills in the event the agency experiences the loss of key staff members in leadership/critical positions (through retirement or otherwise).

- Action Steps:**
- Continue to concentrate on leadership development across the agency.
 - Identify training programs that focus on development of needed critical skills and competencies.
 - Develop skills of staff level employees through training and mentoring to provide in-house candidates for management positions that become available.
 - Identify capable successor candidates interested in leadership and critical positions early and provide appropriate opportunities for growth.

Conclusion

During the next five years, the Commission must ensure that it does not experience a deficit in leadership and knowledge talent. As the labor force segment age 25 to 34 years declines, there will be fewer younger workers to fill vacant positions. Also, Texas population is expected to grow from 24.3 to almost 36 million by 2040, increasing demands for state and local government services.

Available talent, as well as the state's ability to develop and retain a competent, qualified workforce will be a limiting or enabling factor for state government in general. An effective workforce plan will translate into successful strategic goal achievement, program initiatives and sustained momentum for efficient, well-run agencies. The Commission's strategies encompass a realigned workforce plan to meet future business objectives by developing an effective succession management and talent retention program.

APPENDIX E.

SURVEY OF EMPLOYEE ENGAGEMENT

The Public Utility Commission strongly encouraged all employees to participate in the Survey of Employee Engagement conducted by the University of Texas, Institute for Organizational Excellence in May, 2012. The purpose of the survey is to assess the quality of the Commission's internal operating performance through the eyes of its employees. The University has many years of experience surveying state employees for their opinions on aspects of organizational effectiveness. The survey is detailed but easy to complete; all surveys were completed electronically. Employees submitted responses directly to the University without name identification, and the University provided the agency summary results rather than individual response data.

The survey questionnaire is organized into five *workplace dimensions* intended to address the total work environment. Each dimension consists of several *survey constructs* designed to profile areas of strength and concern that could be targeted for potential management interventions. Overall, the survey results indicate that the Commission has improved in 50% of the *survey constructs* as compared to the agency's survey results in 2010. The results this year also compared favorably to average scores for agencies with similar staffing and organizations with a similar mission.

The *workplace dimensions* that received the highest scores from employees relate to *Organization* and *Information*. The *survey constructs* that scored the highest relate to *Strategic*, *Information Systems* and *External Communication*. Commission employees perceive that the agency has the *strategic* ability to quickly relate its mission and goals to environmental changes and demands that define the mission, vision and services. *Information Systems* provide insight into whether computer and communication systems enhance employees' ability to get the job done. Employees find that information resources are complete and accessible, and view the availability of information in a positive manner. *External Communication* looks at how information flows through the agency from external sources. Employees view the agency as communicating effectively with other organizations.

The *survey constructs* that scored the lowest identify the areas of employees' greatest concern. The lowest rated constructs were *fair pay*, *employee development* and *internal communication*. *Fair pay* was also the lowest scoring construct in the 2010 survey and continues to lead the list of employee concerns.

The *fair pay* construct addresses the employee's perception of the competitiveness of the total compensation package and comparison to similar jobs elsewhere. Salary compensation is a continuing issue for many Commission employees due partly to the comparative wealth of the telecommunications and electric industries.

The Commission's professional employees generally have acquired expensive educational training and certifications, and have attained valuable technical expertise in their jobs. These employees routinely interact with utility company staff with comparable training and expertise that are compensated at significantly greater rates. Other regulatory agencies experience similar challenges. Limited options are available to Commission management for addressing this concern, which contributes to employee turnover. Commission management strives to excel in supporting employee job needs over which the agency has greater control than compensation, such as a positive working environment, flexible work schedules and computer support, which can offset concern regarding compensation.

The survey results also provided detailed demographic statistics for respondent groups. The University distributed 169 surveys to Commission employees and received 113 responses, an average rate of return at 67%. The agency's management staff encouraged employee participation with reminders of the importance of the survey and the allowance of work time for completing responses. Of the total respondents, 48% were female, and 54% were Anglo-American (8% were African-American and 24% were Hispanic-American). The staff age groups providing the greatest number of responses were the 40-49 years group with 30% and the 30-39 years group with 25% of the total responses. Nearly 33% of all respondents reported having a graduate and/or doctorate degree and 34% reported having a Bachelor's degree.

Seventy-seven percent of the respondents were not in supervisory roles. Fifteen percent had received a promotion within two years, and 48% had received a merit salary increase within two years. Eighty-seven percent of the responding employees said they planned to be working with the agency in two years. The greatest number of respondents (23%) had been with the agency 3 to 5 years and 11 to 15 years, the next greatest number of respondents (20%) had tenure of 6 to 10 years. The salary range of the bulk (21%) of respondents was \$60,001 to \$75,000.