

**Public Utility Commission of Texas
Summary of Recommendations - House**

Page VIII-58

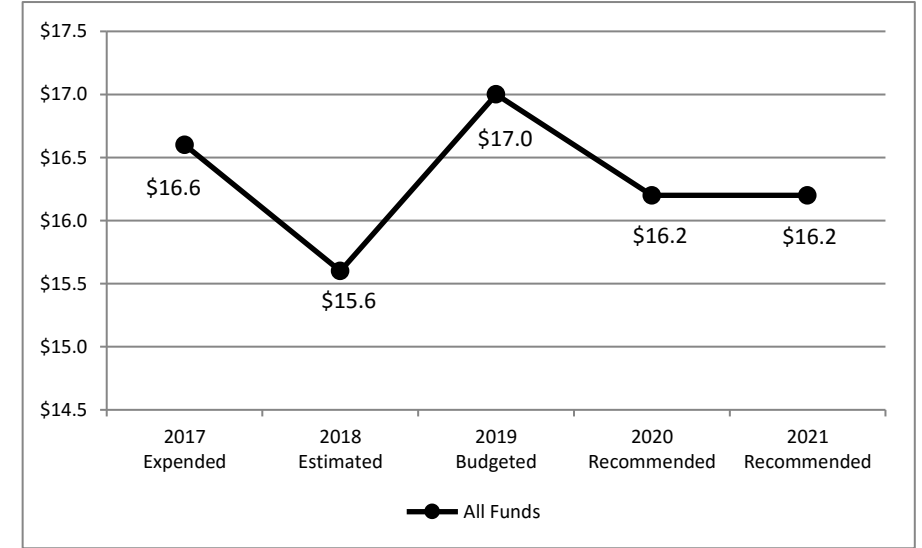
John Paul Urban, Executive Director

Melitta Berger, LBB Analyst

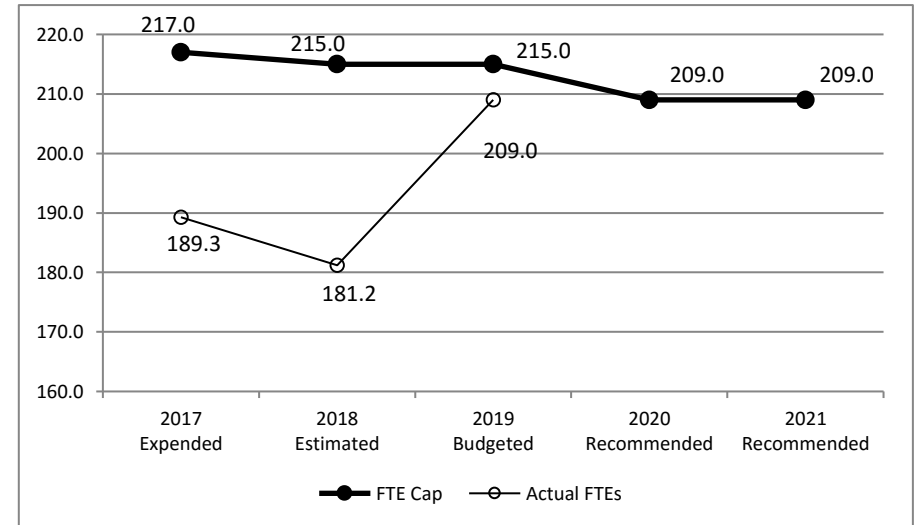
| Method of Financing | 2018-19 Base | 2020-21 Recommended | Biennial Change (\$) | Biennial Change (%) |
|-------------------------------|-------------------------|--------------------------------|---------------------------------|--------------------------------|
| General Revenue Funds | \$26,551,504 | \$26,345,981 | (\$205,523) | (0.8%) |
| GR Dedicated Funds | \$5,130,796 | \$5,130,796 | \$0 | 0.0% |
| <i>Total GR-Related Funds</i> | <i>\$31,682,300</i> | <i>\$31,476,777</i> | <i>(\$205,523)</i> | <i>(0.6%)</i> |
| Federal Funds | \$0 | \$0 | \$0 | 0.0% |
| Other | \$950,000 | \$950,000 | \$0 | 0.0% |
| All Funds | \$32,632,300 | \$32,426,777 | (\$205,523) | (0.6%) |

| | FY 2019 Budgeted | FY 2021 Recommended | Biennial Change | Percent Change |
|------|-----------------------------|--------------------------------|----------------------------|---------------------------|
| FTEs | 209.0 | 209.0 | 0.0 | 0.0% |

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2020-21 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2020-21 biennium.

Public Utility Commission of Texas
Summary of Funding Changes and Recommendations - House

| Funding Changes and Recommendations for the 2020-21 Biennium compared to the 2018-19 Base Spending Level (in millions) | | General Revenue | GR-Dedicated | Federal Funds | Other Funds | All Funds | Strategy in Appendix A |
|--|---|--------------------|--------------|------------------|--------------|----------------|---------------------------|
| <i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i> | | | | | | | |
| A) | Decreased Data Center Services cost projection by the Department of Information Resources | (\$0.2) | \$0.0 | \$0.0 | \$0.0 | (\$0.2) | All Strategies |
| TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions) | | (\$0.2) | \$0.0 | \$0.0 | \$0.0 | (\$0.2) | As Listed |
| <i>SIGNIFICANT & OTHER Funding Increases</i> | | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | As Listed |
| <i>SIGNIFICANT & OTHER Funding Decreases</i> | | (\$0.2) | \$0.0 | \$0.0 | \$0.0 | (\$0.2) | As Listed |

Public Utility Commission of Texas
Selected Fiscal and Policy Issues - House

1. **Self-Funded, Self-Leveling Designation.** The agency estimates that its current gross receipts assessment will generate an excess of \$46.7 million in revenue above its \$13.2 million General Revenue recommended appropriation in each fiscal year of the 2020-21 biennium. The agency requests a self-funded, self-leveling designation, which would necessitate a change in statute. This designation would require the agency to set its gross receipts assessment, which is currently a fee of one-sixth of one percent of consumer utility bills, at a rate such that revenues would equal the amount of General Revenue appropriations. Such a change would mean a loss of revenue to the state of \$93.4 million for the biennium, the estimated amount by which current revenue exceeds appropriations. Recommendations do not include this request.

**Public Utility Commission of Texas
Rider Highlights - House**

Modification of Existing Riders

2. **Capital Budget.** Recommendations include a decrease of capital budget authority of \$205,523 in General Revenue Funds to maintain current obligations for Data Center Service levels as identified by the Department of Information Resources. Recommendations continue capital budget authority and funding for personal computer replacement to allow for funding of the agency's lease, which is anticipated to be renewed in June 2019.

**Public Utility Commission of Texas
Items Not Included in Recommendations - House**

| | 2020-21 Biennial Total | | | Information Technology Involved? | Contracting Involved? | Estimated Continued Cost 2022-23 |
|--|------------------------|-----------|------|----------------------------------|-----------------------|----------------------------------|
| | GR & GR-D | All Funds | FTEs | | | |

Agency Exceptional Items Not Included (in agency priority order)

| | | | | | | | |
|----|--|-------------|-------------|-----|----|-----|-------------|
| 1) | Water and Wastewater Rate and CCN Program Funding a. Staffing for increased enforcement activities and resultant administrative penalties; no cap increase needed (\$672,000) b. Increased cost of SOAH water/wastewater hearings (\$202,200) c. Contract for financial and managerial assistance to utilities (\$225,800) | \$1,100,000 | \$1,100,000 | 0.0 | No | Yes | \$1,100,000 |
| 2) | Salary Adjustments to Address Turnover - This item would allow the agency to budget every staff position at the State Auditor's Office midpoint for the position's classification. PUC had 38 resignations in fiscal year 2018 out of 182 staff (21%). | \$1,068,000 | \$1,068,000 | 0.0 | No | No | \$1,068,000 |
| 3) | Increase Utility Security Oversight - Two additional FTEs to coordinate cybersecurity efforts across the industry focusing not only on transmission utilities, but to also include power generators, retail electric providers, electric cooperatives, and municipally-owned electric utilities. Over time this effort would include water and sewer utilities that are also under PUC jurisdiction. This coordination would take the form of surveying and disseminating best practices across the industry, participating in attack simulation exercises, and providing cybersecurity training. | \$332,000 | \$332,000 | 2.0 | No | No | \$332,000 |

| | | | | | | |
|--|--------------------|--------------------|------------|--|--|--------------------|
| TOTAL Items Not Included in Recommendations | \$2,500,000 | \$2,500,000 | 2.0 | | | \$2,500,000 |
|--|--------------------|--------------------|------------|--|--|--------------------|

**Public Utility Commission of Texas
Appendices - House**

| Table of Contents | | |
|--------------------------|--|-------------|
| Appendix | Appendix Title | Page |
| A | Funding Changes and Recommendations by Strategy | 7 |
| B | Summary of Federal Funds | * |
| C | FTE Highlights | 8 |
| D | Performance Measure Highlights | * |
| E | Summary of Ten Percent Biennial Base Reduction Options | 9 |

* Appendix is not included - no significant information to report

**Public Utility Commission of Texas
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS**

| Strategy/Goal | 2018-19 Base | 2020-21 Recommended | Biennial Change | % Change | Comments |
|---|-------------------------|--------------------------------|----------------------------|---------------------|---|
| MARKET COMPETITION A.1.1 | \$8,835,437 | \$8,717,828 | (\$117,609) | (1.3%) | |
| UTILITY REGULATION A.2.1 | \$13,391,425 | \$13,166,176 | (\$225,249) | (1.7%) | |
| INVESTIGATION AND ENFORCEMENT A.3.1 | \$4,505,414 | \$4,577,469 | \$72,055 | 1.6% | |
| Total, Goal A, COMPETITION/CHOICE/RATES/SERVICE | \$26,732,276 | \$26,461,473 | (\$270,803) | (1.0%) | |
| INFORMATION AND EDUCATION EFFORTS B.1.1 | \$2,111,022 | \$2,147,394 | \$36,372 | 1.7% | |
| ASSIST CUSTOMERS B.2.1 | \$1,879,664 | \$1,911,389 | \$31,725 | 1.7% | |
| Total, Goal B, EDUCATION AND CUSTOMER ASSISTANCE | \$3,990,686 | \$4,058,783 | \$68,097 | 1.7% | |
| CENTRAL ADMINISTRATION C.1.1 | \$1,260,409 | \$1,258,047 | (\$2,362) | (0.2%) | |
| INFORMATION RESOURCES C.1.2 | \$543,636 | \$543,377 | (\$259) | (0.0%) | |
| OTHER SUPPORT SERVICES C.1.3 | \$105,293 | \$105,097 | (\$196) | (0.2%) | |
| Total, Goal C, INDIRECT ADMINISTRATION | \$1,909,338 | \$1,906,521 | (\$2,817) | (0.1%) | |
| Grand Total, All Strategies | \$32,632,300 | \$32,426,777 | (\$205,523) | (0.6%) | Net reduction for projected decrease in DIR Data Center costs. Other strategy adjustments reflect re-alignment of funding to reflect 2018-19 appropriated levels (net \$0 change). |

**Public Utility Commission of Texas
FTE Highlights - House**

| Full-Time-Equivalent Positions | Expended 2017 | Estimated 2018 | Budgeted 2019 | Recommended 2020 | Recommended 2021 |
|---------------------------------------|--------------------------|---------------------------|--------------------------|-----------------------------|-----------------------------|
| Cap | 217.0 | 215.0 | 215.0 | 209.0 | 209.0 |
| Actual/Budgeted | 189.3 | 181.2 | 209.0 | NA | NA |

Schedule of Exempt Positions (Cap)

Executive Director (\$159,782 in FY 2019)

Commission Chairman (\$189,500 in FY 2019)

Commissioner (\$189,500 in FY 2019)

Notes:

- a) The State Auditor's Office Report, Executive Compensation at State Agencies (Report 18-705, August 2018), indicates a market average salary of \$174,048 for the Executive Director position at the Public Utility Commission. The report also recommends changing the salary classification group from 4 to 5. The agency is requesting to increase the salary cap for the Executive Director from \$159,782, to \$200,000.
- b) The estimated FTEs for 2018 have been adjusted downward from the LAR level of 190.0 to reflect final reporting to the SAO.
- c) The budgeted FTEs for 2019 have been adjusted downward from the LAR level of 215.0 to reflect an updated estimate.

**Public Utility Commission of Texas
Summary of Ten Percent Biennial Base Reduction Options - House**

| Priority | Item | Description/Impact | Biennial Reduction Amounts | | | Potential Revenue Loss | Reduction as % of Program GR/GR-D Total | Program GR/GR-D Total | Included in Introduced Bill? |
|----------|--|--|----------------------------|-----------|------|------------------------|---|-----------------------|------------------------------|
| | | | GR & GR-D | All Funds | FTEs | | | | |
| 1) | Retail Water and Sewer Utility Financial and Managerial Assistance | Chapter 13, Texas Water Code, and Title 16, Chapter 24, Texas Administrative Code, require water and sewer retail public utilities to have the financial and managerial capability to provide continuous and adequate service to their customers. This contract was established to assess, assist, and improve the financial and managerial capabilities of water and sewer retail public utilities. The reduction may affect assistance in several areas, including: CCN applications; rate and tariff change applications; sale/transfer/merger applications; rate studies; customer service agreements; billing and accounting; and record keeping. | \$328,000 | \$328,000 | 0.0 | \$0 | 6% | \$5,130,796 | No |
| 2) | Expert Services | This reduction may impact the review of utility applications, pursuit of enforcement matters, and participation in certain sale, transfer, merger proceedings. | \$150,000 | \$150,000 | 0.0 | \$0 | 68% | \$220,000 | No |
| 3) | Other Operating Expense - Training | This item would reduce the total training program cost by 40% and may affect the agency's ability to train new hires, particularly rate analysts and attorneys. The PUC would rely more on salary savings to provide the training needed to effectively oversee the industries under its regulatory purview. | \$120,000 | \$120,000 | 0.0 | \$0 | 40% | \$300,000 | No |
| 4) | Other Personnel Costs - Lump Sum Termination Payments | The PUC has staff with employee longevity dates in the mid-1980s. Since the beginning of FY 2017, the PUC has paid out approximately \$390,000. The majority of this amount is recovered through salary savings realized while the job is unfilled. Reducing this item would necessitate the PUC keeping vacant positions unfilled for a longer period of time. | \$60,000 | \$60,000 | 0.0 | \$0 | 33% | \$180,000 | No |

**Public Utility Commission of Texas
Summary of Ten Percent Biennial Base Reduction Options - House**

| Priority | Item | Description/Impact | Biennial Reduction Amounts | | | Potential Revenue Loss | Reduction as % of Program GR/GR-D Total | Program GR/GR-D Total | Included in Introduced Bill? |
|----------|--|---|----------------------------|-----------|------|------------------------|---|-----------------------|------------------------------|
| | | | GR & GR-D | All Funds | FTEs | | | | |
| 5) | Other Operating Expense - Communication Services | Section 17.003, Utilities Code, requires the PUC to promote awareness of changes in the electric and telecommunications markets, provide customers with information necessary to make informed choices, and ensure that customers have an adequate understanding of their rights. Although the PUC distributes approximately 90% of its educational materials to customers electronically, the PUC continues to print educational materials and send information to customers when requested. Additionally, the PUC attends events in areas of the state open to competition, to promote the Power-to-Choose website, inform customers about different electricity plans offered, and discuss conservation in the summer. | \$10,000 | \$10,000 | 0.0 | \$0 | 42% | \$24,000 | No |
| 6) | Investigations and Enforcement | This reduction of 1.0 Enforcement Analyst would require the PUC to initiate fewer enforcement proceedings and possibly fewer enforcement actions, which would result in fewer administrative penalties, and thus less revenue deposited into General Revenue. The PUC estimates that administrative penalties would be reduced by up to \$100,000 per year. | \$124,058 | \$124,058 | 1.0 | \$200,000 | 3% | \$4,606,242 | No |
| 7) | Investigations and Enforcement | This reduction of 1.0 Enforcement Analyst would require the PUC to initiate fewer enforcement proceedings and possibly fewer enforcement actions, which would result in fewer administrative penalties, and thus less revenue deposited into General Revenue. The PUC estimates that administrative penalties would be reduced by up to \$100,000 per year. | \$140,000 | \$140,000 | 1.0 | \$200,000 | 3% | \$4,606,242 | No |
| 8) | Customer Protection | This reduction of 2.0 Customer Care Representatives would impact the PUC's ability to address customer complaints through its informal complaint resolution process, which currently closes more than 99% of all complaints filed at the PUC. Additionally, this reduction would increase call wait times for people who call the PUC to become better informed about electric, telecommunications, and water issues. | \$173,600 | \$173,600 | 2.0 | \$0 | 9% | \$1,921,666 | No |

**Public Utility Commission of Texas
Summary of Ten Percent Biennial Base Reduction Options - House**

| Priority | Item | Description/Impact | Biennial Reduction Amounts | | | Potential Revenue Loss | Reduction as % of Program GR/GR-D Total | Program GR/GR-D Total | Included in Introduced Bill? |
|----------|---------------------------------------|---|----------------------------|-----------|------|------------------------|---|-----------------------|------------------------------|
| | | | GR & GR-D | All Funds | FTEs | | | | |
| 9) | Competitive Electric Market Oversight | This reduction of 2.0 Utility Specialists would require the PUC to defer or eliminate needed updates to rules, decrease participation in ERCOT oversight activities, and decrease overall market oversight activities. These activities are useful during this time when reserve margins are tight in the ERCOT region as they are now. | \$338,600 | \$338,600 | 2.0 | \$0 | 4% | \$7,921,555 | No |
| 10) | Utility Application Review | This reduction of 1.0 Financial Analyst would require the PUC to defer or eliminate needed updates to rules, to decrease the scope of participation in rate and transmission line CCN cases, and to eliminate formal earnings reviews. These rate reviews helped contribute to the average retail price on the Power-to-Choose website being approximately 27 percent lower than the national average retail price for electricity. | \$139,858 | \$139,858 | 1.0 | \$0 | 2% | \$7,282,649 | No |
| 11) | Utility Application Review | This reduction of 1.0 Financial Analyst would require the PUC to defer or eliminate needed updates to rules, to decrease the scope of participation in rate and transmission line CCN cases, and to eliminate formal earnings reviews. These rate reviews helped contribute to the average retail price on the Power-to-Choose website being approximately 27 percent lower than the national average retail price for electricity. | \$146,000 | \$146,000 | 1.0 | \$0 | 2% | \$7,282,649 | No |
| 12) | Water Utility Regulation | This reduction of 1.0 Water Engineering Specialist would impact the PUC ability to review and process water utility CCN applications within statutory timelines. | \$156,600 | \$156,600 | 1.0 | \$0 | 3% | \$5,130,796 | No |
| 13) | Investigations and Enforcement | This reduction of 2.0 Enforcement Analyst would require the PUC to initiate fewer enforcement proceedings and possibly fewer enforcement actions, which would result in fewer administrative penalties, and thus less revenue deposited into General Revenue. The PUC estimates that administrative penalties would be reduced by up to \$100,000 per year. | \$305,800 | \$305,800 | 2.0 | \$400,000 | 7% | \$4,606,242 | No |

**Public Utility Commission of Texas
Summary of Ten Percent Biennial Base Reduction Options - House**

| Priority | Item | Description/Impact | Biennial Reduction Amounts | | | Potential Revenue Loss | Reduction as % of Program GR/GR-D Total | Program GR/GR-D Total | Included in Introduced Bill? |
|----------|---------------------------------------|--|----------------------------|-----------|------|------------------------|---|-----------------------|------------------------------|
| | | | GR & GR-D | All Funds | FTEs | | | | |
| 14) | Customer Protection | This reduction of 1.0 Customer Care Representatives would impact the PUC's ability to address customer complaints through its informal complaint resolution process, which currently closes more than 99% of all complaints filed at the PUC. Additionally, this reduction would increase call wait times for people who call the PUC to become better informed about electric, telecommunications, and water issues. | \$64,000 | \$64,000 | 1.0 | \$0 | 3% | \$1,921,666 | No |
| 15) | Competitive Electric Market Oversight | This reduction of 1.0 Utility Specialist would require the PUC to defer or eliminate needed updates to rules, decrease participation in ERCOT oversight activities, and decrease overall market oversight activities. These activities are useful during this time when reserve margins are tight in the ERCOT region as they are now. | \$119,658 | \$119,658 | 1.0 | \$0 | 2% | \$7,921,555 | No |
| 16) | Competitive Electric Market Oversight | This reduction of 1.0 Program Specialist VII (Supervisor) and 1.0 Senior Utility Specialist would require the PUC to defer or eliminate needed updates to rules, decrease participation in ERCOT oversight activities, and decrease overall market oversight activities. These activities are useful during this time when reserve margins are tight in region ERCOT region as they are now. | \$369,600 | \$369,600 | 2.0 | \$0 | 5% | \$7,921,555 | No |
| 17) | Utility Application Review | This reduction of 2.0 Financial Analysts would require the PUC to defer or eliminate needed updates to rules, to decrease the scope of participation in rate and transmission line CCN cases, and to eliminate formal earnings reviews. These rate reviews helped contribute to the average retail price on the Power-to-Choose website being approximately 27 percent lower than the national average retail price for electricity. | \$359,200 | \$359,200 | 2.0 | \$0 | 5% | \$7,282,649 | No |

**Public Utility Commission of Texas
Summary of Ten Percent Biennial Base Reduction Options - House**

| Priority | Item | Description/Impact | Biennial Reduction Amounts | | | Potential Revenue Loss | Reduction as % of Program GR/GR-D Total | Program GR/GR-D Total | Included in Introduced Bill? |
|-------------------------------------|---------------------------|---|----------------------------|--------------------|-------------|------------------------|---|-----------------------|------------------------------|
| | | | GR & GR-D | All Funds | FTEs | | | | |
| 18) | Information and Education | This reduction of 1.0 Information Specialists may impact the PUC's ability to provide customers information about changes in the electric and telecommunications markets. Section 17.003, Utilities Code, requires the PUC to promote awareness of changes in the electric and telecommunications markets, provide customers with information to make informed choices, and ensure that customers have an adequate understanding of their rights. Although the PUC distributes approximately 90% of its educational materials to customers electronically, the PUC continues to print educational materials and send information to customers when requested. Additionally, the PUC attends events in areas of the state open to competition, to promote the Power-to-Choose website, inform customers about different electricity plans offered, and discuss conservation in the summer. | \$63,256 | \$63,256 | 1.0 | \$0 | 3% | \$2,159,726 | No |
| TOTAL, 10% Reduction Options | | | \$3,168,230 | \$3,168,230 | 18.0 | \$800,000 | | | |