

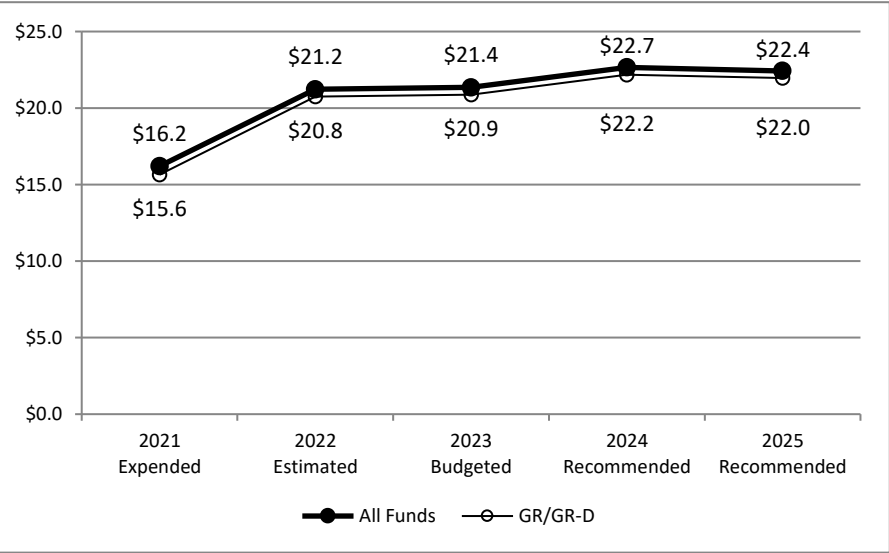
Public Utility Commission of Texas  
Summary of Budget Recommendations - Senate

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Thomas Gleeson, Executive Director  
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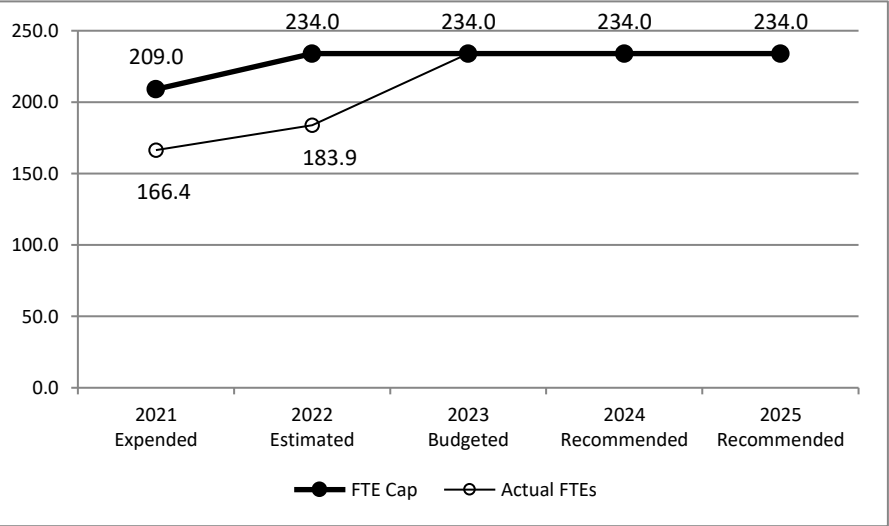
Method of Financing	2022-23 Base	2024-25 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$35,396,832	\$37,716,397	\$2,319,565	6.6%
GR Dedicated Funds	\$6,230,796	\$6,419,350	\$188,554	3.0%
Total GR-Related Funds	\$41,627,628	\$44,135,747	\$2,508,119	6.0%
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$950,000	\$950,000	\$0	0.0%
All Funds	\$42,577,628	\$45,085,747	\$2,508,119	5.9%

	FY 2023 Budgeted	FY 2025 Recommended	Biennial Change	Percent Change
FTEs	234.0	234.0	0.0	0.0%

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2024-25 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2024-25 biennium.

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

Section 2

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):							
A)	Increase in General Revenue and General Revenue - Dedicated Water Resource Management Fund 153 for a general state employee salary increase.	\$2.4	\$0.2	\$0.0	\$0.0	\$2.6	A.1.1, A.2.1, B.1.1, B.2.1, C.1.1, D.1.1
B)	Removal of one-time funding provided in the 2022-23 biennium for buildout of additional Commissioner's offices associated with enactment of Senate Bill 2154, Eighty-seventh Legislature, 2021.	(\$0.1)	\$0.0	\$0.0	\$0.0	(\$0.1)	A.1.1, A.2.1, A.3.1, B.1.1, B.2.1
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		\$2.3	\$0.2	\$0.0	\$0.0	\$2.5	As Listed
SIGNIFICANT & OTHER Funding Increases		\$2.4	\$0.2	\$0.0	\$0.0	\$2.6	As Listed
SIGNIFICANT & OTHER Funding Decreases		(\$0.1)	\$0.0	\$0.0	\$0.0	(\$0.1)	As Listed

NOTE: Totals may not sum due to rounding.

**Public Utility Commission of Texas  
Selected Fiscal and Policy Issues - Senate**

**1. Self-Funded, Self-Leveling Designation**

Recommendations do not include a request by the agency to receive self-funded, self-leveling designation, which would necessitate a change in statute. The agency is currently required by statute to assess a fee of one-sixth of one percent of consumer utility bills. The agency estimates that its current gross receipts assessment will generate an excess of \$36.9 million in revenue above its \$41.6 million General Revenue recommended appropriation in each fiscal year of the 2024–25 biennium. This designation would require the agency to set its gross receipts assessment at a rate such that revenues would cover the agency's appropriations. Such a change would mean an estimated loss of revenue to the General Revenue fund of \$73.8 million for the biennium, which is the estimated amount by which current revenue exceeds appropriations.

**2. Sunset Review**

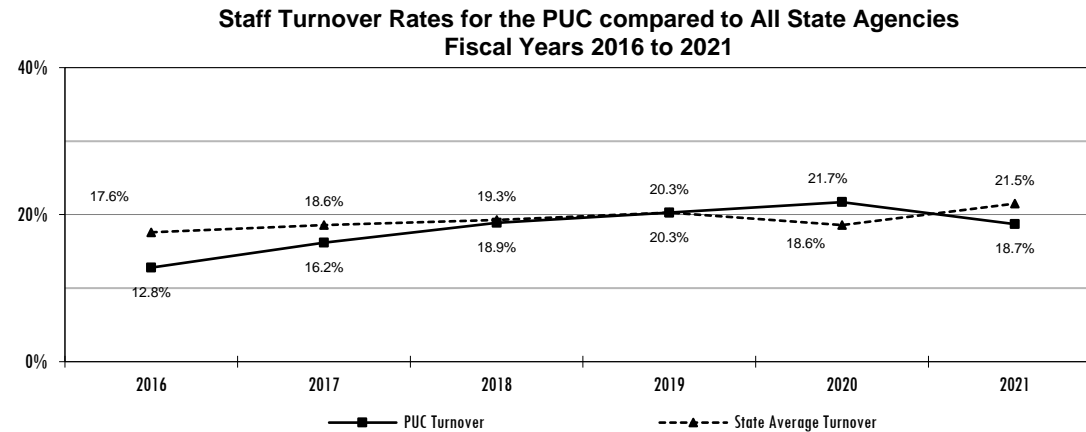
The agency underwent review by the Sunset Advisory Commission (SAC) and will be abolished on September 1, 2023, unless continued by the Eighty-eighth Legislature. The Commission met in January 2023 to vote on and adopt key issues from the SAC Staff Report (November 2022). Adopted recommendations include:

- Continue the agency for six years and remove the Sunset date of the agency's enabling statute;
- The House Appropriations and Senate Finance Committees should consider appropriating PUC its exceptional item requests for funding a data analytics team and additional engineering expertise and increasing PUC's appropriation to ensure it can recover its costs to regular water and wastewater utilities efficiently. SAC recommends that PUC work with the Legislative Budget Board and Sunset Commission Staff to update the agency's General Appropriations Act performance measures to track the agency's achievement in using the funds appropriated by the exceptional item requests.
- Direct PUC to develop a state reliability standard no later than May 1, 2023
- Authorize PUC to issue directives to ERCOT through written memos and orders, in addition to rulemaking and contested cases, and authorize stakeholders to formally provide input on these directives. Clarify that PUC can only direct ERCOT outside of these methods in an emergency or other urgent situation that poses an imminent threat to public health, safety, or grid reliability.
- Require PUC to develop and regularly update a strategic communication plan and allow public testimony at commission meetings on agenda items.
- Direct PUC to create and maintain a precedent manual that prioritizes rulings related to water and wastewater regulation.

**3. Strategic Fiscal Review**

The agency is currently under Sunset review, and as a result is subject to the Strategic Fiscal Review (SFR) process outlined in Senate Bill 68, Eighty-sixth Legislature, 2019. Historical program and financial information was collected and analyzed to inform the budget process. Significant findings are outlined in the report, but highlights include.

- Winter Storm Uri precipitated a power grid event of unprecedented severity in February 2021, causing mass power outages across Texas. In response, Senate Bill 3, Eighty-seventh Legislature, Regular Session, 2021, was enacted that directs power suppliers to prepare the Texas power grid for weather emergencies and power outages by increasing weatherization requirements for utilities, transmission companies, and generation facilities across the state. For the bill's implementation, the agency was appropriated \$1.8 million in FY 2022 and \$0.8 million in FY 2023 with 10.0 FTEs to address the provisions of the bill. Recommendations continue these amounts for the 2024–25 biennium. The legislation also authorizes PUC to increase the maximum daily fine for utilities in the ERCOT power region to \$1.0 million per violation of certain rules relating to weather emergency preparedness.
- Staff retention is an ongoing challenge for the agency. Despite staffing challenges, the agency has been able to maintain turnover at or below the statewide turnover rate during the past six years, excepting during fiscal year 2020. The table at the top of the next page provides a comparison of staff turnover rates for the agency as compared to all state agencies.



Note: The percentages shown are total turnover rates including voluntary separation, involuntary separation, and retirements.  
Source: State Auditor's Office

Turnover among PUC attorneys is an issue that predates the February 2021 Winter Storm and continues to be a significant issue affecting the agency with turnover rates for these positions exceeding 25 percent. Strategies the agency has used to limit turnover and maintain optimum staffing levels include marketing the total state compensation and benefits program, as opposed to marketing salary only, and providing employee career planning assistance through training programs and continuous professional development initiatives. Not included in the recommendations is an agency request for \$2.4 million in General Revenue funding for a 5 percent salary increase for all staff and a 10 percent salary increase for attorneys and other licensed professional staff (See also, Items Not Included in Recommendations #2)

- The agency has improved its electronic filing system to produce improvements in speed and efficiency for nonconfidential filings. This system enables participants in PUC proceedings to file electronically, eliminating the need for physical copies. The agency reports progress in developing an electronic confidential document filing system to further reduce the burden and cost for stakeholders participating in PUC related cases. PUC reports that its Customer Protection Division's online form system helped to resolve more than 93.0 percent of the 1,186 non-juris complaints (i.e., complaints that are not under the agency's jurisdiction) received during fiscal year 2021. According to the agency, approximately 44.0 percent of these concerns relate to water, 19.0 percent relate to electric concerns, 19.0 percent relate to telecommunications concerns, and 18.0 percent regard other utility-related concerns
- The Texas Universal Service Fund (TUSF) supports a set of programs intended to assist Texas residents in obtaining basic telecommunications services. The TUSF is funded by an assessment on telecommunications providers' voice services. During fiscal year 2019, a group of wireless service providers determined that voice service constituted much less of their service packages than estimated previously. All 19 companies in this group were affiliated with either AT&T, T-Mobile, or Windstream. This reevaluation resulted in an unanticipated shortfall in TUSF revenues; PUC reports collecting approximately \$100.0 million for the TUSF annually, but annual disbursements from the fund are approximately \$200.0 million. In June 2020, PUC considered raising the current assessment from 3.3 percent to 6.4 percent to maintain support for all TUSF programs but elected not to increase the rate due to economic conditions related to the onset of the COVID-19 pandemic and because increasing the assessment would not have guaranteed long-term solvency. In July 2022, however, following a court ruling that required the agency to fully fund all TUSF programs and to make all disbursements required by existing TUSF orders and commitments, PUC adopted a TUSF assessment rate of 24.0 percent, which became effective August 1, 2022. According to the agency, this increase is estimated to last for a year, and after outstanding obligations are fulfilled, PUC will lower the rate to a level that maintains the fund balance.

**4. GR-Dedicated Water Resource Management Fund 153**

The agency notes in their LAR Administrator's Statement that the full amount the agency spends on water utility regulation is not covered by the agency's current GR-Dedicated Water Resource Management Fund 153 (Fund 153) appropriation of \$3.1 million. The agency suggests increasing the appropriation from this General Revenue–Dedicated account to an estimated \$5 million per fiscal year or shifting the financing of water regulation from Fund 153 to General Revenue to allow the PUC to assess a fee on water utilities that would cover the cost of water regulation. Currently, the Texas Commission on Environmental Quality (TCEQ) is the only agency that collects the water utility regulatory assessment fee from water utilities. Recommendations continue to fund the agency at historical proportions of General Revenue and General Revenue–Dedicated funding.

Revenue deposited to the credit of Fund 153 is drawn from waste treatment inspection fees, recovery of costs to protect water resources, administer water quality programs, water supply system owner fees, assessments on public utilities, certification of boat sewage disposal devices, and other application and permit fees and penalties. Appropriations from the General Revenue–Dedicated account are a significant component of state funding for TCEQ's water programs. There are 23 different fees that comprise Fund 153, which had a beginning balance of \$78.9 million at the start of fiscal year 2023 and that the Biennial Revenue Estimate anticipates will collect \$88.7 million in fees each fiscal year of the 2024-25 biennium, however three fees account for 80 percent of the fund: the Consolidated Water Quality (CWQ) Fee, the Public Health Service (PHS) Fee and the Water Utility Regulatory Assessment Fee (RAF). Of these three fees, PUC receives appropriation from the RAF. The RAF is a fee assessed on each provider of potable water or sewer utility service from certain retail customers ranging from 0.5 to 1.0 percent of utility companies' retail water service charges set by statute (Water Code, §5.701). For fiscal year 2023, TCEQ collected \$12.7 million in fees from this revenue source and is estimated to collect \$13.1 million in fiscal year 2024 and \$13.5 million in fiscal year 2025.

**5. Senate Bill 3, Eighty-seventh Legislature, 2021**

Recommendations continue \$2.7 million in General Revenue and authority for 10.0 FTEs provided in the 2022-23 biennium to support enactment of Senate Bill 3, Eighty-seventh, 2021. This legislation was enacted to prepare for, prevent, and respond to weather emergencies and power outages. Senate Bill 3 requires PUC to by rule require providers of generation service to implement measures to prepare the provider's generation assets for winter weather emergencies. It also requires PUC to adopt criteria for the content and activation of a power outage alert and inspection of generation assets in the ERCOT power region for compliance with the reliability standards. The agency will analyze utilities' emergency operations plans and submit reports. Senate Bill 3 will also require additional work with ancillary services, staffing and mapping associated with the Texas Electric Supply Chain Security and Mapping Committee, additional rules relating to wholesale, indexed plans, a biennial report on weather emergency preparedness, and rules regarding water and wastewater billing during an extreme weather event.

Since passage of Senate Bill 3, PUC has completed elements of the bill that they were mandated to address. The agency has developed and adopted rules to prepare for, prevent, and respond to weather emergencies and power outages. Mapping and reporting requirements have been completed with the Biennial Report, detailing whether ERCOT interconnection to the Eastern and/or Western Interconnects and/or Mexico would protect and further the interest of the public, issued and published in January 2023. Phase 1 of the wholesale market redesign for ancillary services has been implemented with the following enhancements: fast frequency response service, loads in non-spinning reserve service, firm fuel product, voltage support compensation, ERCOT contingency reserve service. Phase 2 of the market redesign is in progress.

**6. Senate Bill 2154, Eighty-seventh Legislature, 2021**

Recommendations continue \$1.6 million in General Revenue funding and authority for 6.0 FTEs provided in the 2022-23 biennium to support enactment of Senate Bill 2154, Eighty-seventh, 2021, which increased the number of commissioners at the agency from three to five. This includes funding provided for additional support and advisory staff for six FTEs. Recommendations remove \$100,000 provided for onetime expenses associated with office buildouts for these new positions.

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

**New Riders**

5. **Sunset Contingency.** Recommendations add a contingency provision for the agency's upcoming Sunset review to make the agency's appropriations for fiscal year 2025 contingent on the continuation of the agency by the Eighty-eighth Legislature, Regular Session, 2023. If the agency is not continued, then the rider would authorize the use of the agency's fiscal year 2024 appropriations for the phase out of agency operations. See also, Selected Fiscal and Policy Issues #2.

**Deleted Riders**

4. **Load Shed Protocols Study.** Recommendation includes the deletion of Rider 4, Load Shed Protocols Study, because the agency issued the required report on August 31, 2022.
5. **Public Utility Commission Biennial Report.** Recommendations includes the deletion of Rider 5, Public Utility Commission Biennial Report, because the agency has issued and published its Biennial Report, January 2023, detailing whether ERCOT interconnection to Eastern and/or Western Interconnects and/or Mexico would protect and further the interest of the public.

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

	2024-25 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
	GR & GR-D	All Funds	FTEs			

**Agency Exceptional Items Not Included (in agency priority order)**

1)	General Revenue and GR-Dedicated funding to provide additional funding for existing vacancies and authority for an additional 23.0 FTEs to meet increased demand for agency services.	\$9,016,000	\$9,016,000	23.0	No	No	\$9,016,000
2)	General Revenue funding for a 5 percent salary increase for all agency staff and a 10 percent salary increase for Attorneys and other licensed professionals to reduce staff turnover rates.	\$2,419,992	\$2,419,992	0.0	No	No	\$2,419,992
3)	General Revenue funding for the implementation of five planned projects related to replacement and modernization of legacy applications, information technology security enhancements, DocuSign, a Learning Management System for training, tracking, and reporting to the agency, and general software and hardware for cybersecurity.	\$1,024,000	\$1,024,000	0.0	Yes	Yes	\$1,024,000
4)	General Revenue and GR-Dedicated funding for contracts to: 1. Support the agency in reviewing electric utility power supply plans, reliability issues, and weatherization of entities outside of ERCOT. 2. Digitize and update electric service area maps and capture all approved changes to the electric service area boundaries. 3. Provide the most recent aerial imagery of the state of Texas at a higher resolution than is currently available to the agency's mapping staff to better see infrastructure to support emergency management activities, and for routing of electric transmission lines for power line safety oversight. 4. Digitize water utility records for ease of access to the information.	\$2,281,250	\$2,281,250	0.0	Yes	Yes	\$1,531,250

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

**Section 5**

		2024-25 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
		GR & GR-D	All Funds	FTEs			
5)	<p>General Revenue funding for the following:</p> <p>1) \$950,000 to replace cubicles and redesign workspaces to accommodate current and additional requested staff</p> <p>2) \$200,000 per year for additional operational costs associated with staff increases in Exceptional Items #1, #6, and #7, contingent on adoption of those items.</p>	\$1,350,000	\$1,350,000	0.0	Yes	Yes	\$200,000
6)	<p>General Revenue and GR-Dedicated funding with authority for an additional 3.0 FTEs to establish a new Office of Public Participation to assist the agency with public outreach and education. The agency anticipates 1.0 FTE will be the director (\$100,000) and 2.0 FTEs will be program specialists (Program Specialist III at \$65,000 and Program Specialist IV at \$90,000)</p>	\$510,000	\$510,000	3.0	No	No	\$510,000
7)	<p>General Revenue fundings for a Data Analysis team within the Market Analysis division that includes the following:</p> <p>1) \$910,000 with authority for 4.0 additional FTEs that includes 1.0 FTE for an economist position (\$95,000) and 3.0 FTEs for data analyst positions (1 Data Analyst Manager at \$130,000 and 2 Data Analysts at \$115,000 each) to analyze market data, identify trends and events that may impact the utility market, create reports for Commissioners and agency staff, and assist in the oversight of ERCOT.</p> <p>2) \$1,000,000 to build out the technical infrastructure to support the gathering, storage, and analysis of market data.</p>	\$1,910,000	\$1,910,000	4.0	Yes	Yes	\$1,910,000



Public Utility Commission of Texas  
Items Not Included in Recommendations - Senate

		2024-25 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
		GR & GR-D	All Funds	FTEs			
8)	General Revenue funding for an Energy Efficiency Plan and Outreach team that includes the following:  1) \$230,000 with authority for 3.0 additional FTEs that include 1.0 FTE for an engineering specialist (\$75,000) and 2.0 FTEs for a management analyst or program specialist (\$65,000 for Management Analyst I or Program Specialist III and \$90,000 for Management Analyst IV or Program Specialist VIII) to develop a State Energy Efficiency Plan for Texas by creating a State Energy Efficiency Assessment.  2) \$35,000 for a vehicle to support statewide travel to promote and support the program.	\$495,000	\$495,000	3.0	No	No	\$460,000
TOTAL Items Not Included in Recommendations		\$19,006,242	\$19,006,242	33.0			\$17,071,242

Public Utility Commission of Texas  
Appendices - Senate

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\* Appendix is not included - no significant information to report

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

Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
MARKET COMPETITION A.1.1	\$14,785,838	\$14,767,598	(\$18,240)	(0.1%)	
UTILITY REGULATION A.2.1	\$14,970,416	\$14,952,176	(\$18,240)	(0.1%)	
INVESTIGATION AND ENFORCEMENT A.3.1	\$5,736,934	\$5,716,934	(\$20,000)	(0.3%)	
<b>Total, Goal A, COMPETITION/CHOICE/RATES/SERVICE</b>	<b>\$35,493,188</b>	<b>\$35,436,708</b>	<b>(\$56,480)</b>	<b>(0.2%)</b>	
INFORMATION AND EDUCATION EFFORTS B.1.1	\$2,486,702	\$2,468,462	(\$18,240)	(0.7%)	
ASSIST CUSTOMERS B.2.1	\$2,250,930	\$2,230,930	(\$20,000)	(0.9%)	
<b>Total, Goal B, EDUCATION AND CUSTOMER ASSISTANCE</b>	<b>\$4,737,632</b>	<b>\$4,699,392</b>	<b>(\$38,240)</b>	<b>(0.8%)</b>	
CENTRAL ADMINISTRATION C.1.1	\$1,699,717	\$1,701,477	\$1,760	0.1%	
INFORMATION RESOURCES C.1.2	\$542,225	\$542,225	\$0	0.0%	
OTHER SUPPORT SERVICES C.1.3	\$104,866	\$104,866	\$0	0.0%	
<b>Total, Goal C, INDIRECT ADMINISTRATION</b>	<b>\$2,346,808</b>	<b>\$2,348,568</b>	<b>\$1,760</b>	<b>0.1%</b>	
SALARY ADJUSTMENTS D.1.1	\$0	\$2,601,079	\$2,601,079	100.0%	Recommendations reflect the following general state employee salary increases: 1) An increase of \$2,412,524 in General Revenue 2) An increase of \$188,554 in General Revenue - Dedicated Water Resources Management Fund 153
<b>Total, Goal D, SALARY ADJUSTMENTS</b>	<b>\$0</b>	<b>\$2,601,079</b>	<b>\$2,601,079</b>	<b>100.0%</b>	
<b>Grand Total, All Strategies</b>	<b>\$42,577,628</b>	<b>\$45,085,747</b>	<b>\$2,508,119</b>	<b>5.9%</b>	Recommendations reflect the following: 1) One time \$100,000 removal of General Revenue across all strategies in Goal A & B for buildout of additional Commissioner's offices associated with enactment of Senate Bill 2154, Eighty-seventh Legislature, 2021. 2) A general state employee salary increase for the Executive Director of \$1,760 across strategies in Goals A, B, and C.

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

<b>Full-Time-Equivalent Positions</b>	<b>Expended 2021</b>	<b>Estimated 2022</b>	<b>Budgeted 2023</b>	<b>Recommended 2024</b>	<b>Recommended 2025</b>
Cap	209.0	234.0	234.0	234.0	234.0
Actual/Budgeted	166.4	183.9	234.0	NA	NA

<b>Schedule of Exempt Positions</b>					
Executive Director, Group 7	\$200,000	\$200,000	\$200,000	\$203,520	\$203,520
Commissioner, Group 7	(2) \$189,500	(4) \$201,000	(4) \$201,000	(4) \$201,000	(4) \$201,000
Commission Chairman, Group 7	\$189,500	\$201,000	\$201,000	\$201,000	\$201,000

Notes:

- a) The State Auditor's Office Report, Executive Compensation at State Agencies (Report 22-706, August 2022), indicates an average market salary of \$203,520 for the Executive Director position at the Public Utility Commission of Texas and Salary Group 6. The agency is not requesting any changes to its exempt position.
- b) Senate Bill 2154, Eighty-seventh Legislature, 2021 increased the number of Commissioners from 3 to 5.
- c) The State Auditor's Office is the source for the fiscal year 2021 and fiscal year 2022 annual average (actual) FTE levels.