

Public Utility Commission of Texas

WORKFORCE PLAN

2010

I. 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. More recently, in 2005, the Legislature provided for further deregulation of telecommunications markets with the passage of Senate Bill 5.

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the PUC's traditional regulatory functions have decreased over the past eleven years, many of those functions have been replaced by other, more challenging responsibilities.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
- Outside ERCOT, continuing the regulation, including rate regulation, of vertically integrated investor owned utilities until retail competition begins
- Issuance of certificates of convenience and necessity for service areas and proposed transmission lines
- Monitoring industry progress in meeting the renewable energy mandate adopted in the 1999 legislation
- Resolution of customer complaints, using informal processes whenever possible
- Overall administration of the System Benefit Fund, including administration of a low income discount program with automatic enrollment of eligible customers

Telecommunications Activities

- Arbitration of interconnection agreements and post-interconnection disputes pursuant to the Federal Telecommunications Act
- Administration of the Texas Universal Service Fund, including the Lifeline program for low-income customers with automatic enrollment of eligible customers
- Administration of the Relay Texas program for deaf and hearing-impaired customers
- Administration of the Specialized Telecommunications Assistance 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

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The PUC's divisions are organized based on function and program area. The Customer Protection Division which includes the call center, informal complaint resolution function, and customer education efforts, handle both electric and telecommunications matters. The Competitive Markets, Oversight & Enforcement, 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.

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- 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 fifteen 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.

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
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

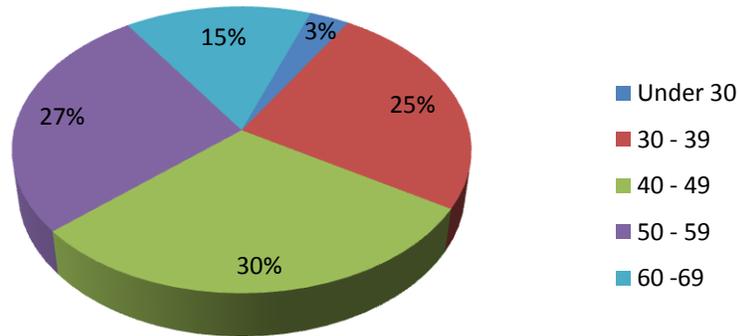
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B. Workforce Demographics

Gender and Age

As of May 31, 2010, the Commission had a total of 183 full-time and three part-time employees. Of the total employees, there were 98 females (52.7%) and 88 males (47.3%). The average age of Commission employees is 47 years, and 133 (72%) of the employees are over the age of 40.

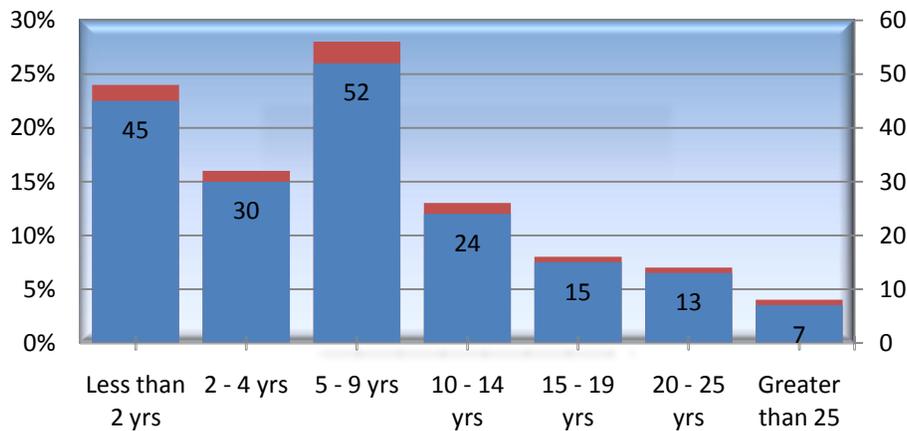
**Age of PUC Workforce
as of May 31, 2010**



Tenure

Of the Commission staff, 75 (40%) employees have fewer than five years of service with the agency. There are 76 employees (41%) with five to fourteen years service with the PUC and 35 employees (19%) who have fifteen or more years of service with the PUC. The table below reflects tenure of PUC employees. Forty-five employees (24%) have fewer than two years of agency service.

**PUC Workforce Tenure
As of May 31, 2010**

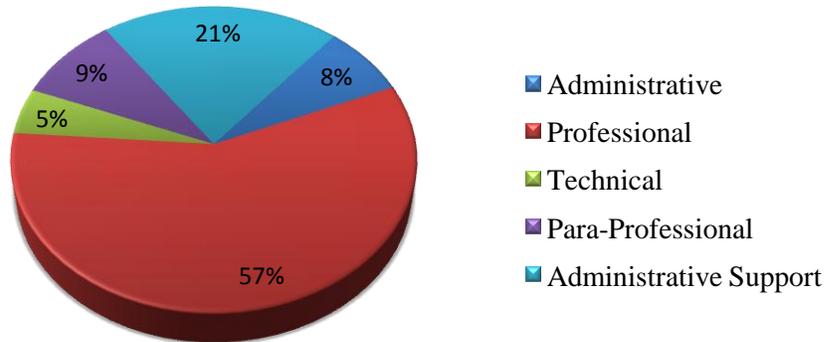


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Job Categories

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
March 1, 2010 - May 31, 2010**



Diversity

The following three tables profile the Commission’s full-time and part-time workforce of 186 employees for the third quarter of fiscal year 2010 (March 1, 2010 through May 31, 2010). The workforce comprises 52.7% females and 47.3% 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 2010, Third Quarter							
Male	Female	White	Black	Hispanic	Asian	Other	Total
88	98	119	19	41	7	0	186
47.3%	52.7%	64%	10.2%	22%	3.8%	0.0%	100%

All employees on payroll as of May 31, 2010.

Gender – Occupational Diversity Fiscal Year 2010, Third Quarter					
Job Category	Male		Female		Female Goal
Administrative	10	71.4%	4	28.6%	38.8%
Professional	61	57%	46	43%	54.5%
Technical	8	88.9%	1	11.1%	55.6%
Administrative Support	5	12.8%	34	87.2%	66.2%
Skilled Craft	0	0.0%	0	0.0%	5.1%
Service / Maintenance* (Para-Professional)	4	23.5%	13	76.5%	39.7%
Total	88		98		

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Racial – Ethnic – Occupational Diversity Fiscal Year 2010, Third Quarter												
Job Category	White		Black		Goal	Hispanic		Goal	Asian		Other	
Administrative	12	85.8%	1	7.1%	9%	1	7.1%	23.7%	0	0.0%	0	0.0%
Professional	77	72%	7	6.5%	11.7%	18	16.8%	19.9%	5	4.7%	0	0.0%
Technical	7	77.8%	0	0.0%	17%	1	11.1%	27%	1	11.1%	0	0.0%
Administrative Support	17	43.6%	8	20.5%	13.2%	14	35.9%	31.9%	0	0.0%	0	0.0%
Skilled Craft	0	0.0%	0	0.0%	5.1%	0	0.0%	46.9%	0	0.0%	0	0.0%
Service / Maintenance * (Para-Professional)	6	35.3%	3	17.6%	12.8%	7	41.2%	44.8%	1	5.9%	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 2009. 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 Administrative Support and Para-Professional occupations. In the ethnic categories, we exceeded the goals for Black employees in the Administrative Support and Para-Professional occupations and for Hispanic employees in the Professional, Administrative Support and Para-Professional occupations. The agency did not attain the goals and Female employees are underutilized in the Administrative (2.4%), Professional (.6%) and Technical (33.4%) occupations. In the ethnic categories, Black employees are underutilized in the Administrative (.1%), Professional (2.9%) and Technical (13.6%) occupations and Hispanic employees are underutilized in the Administrative (11.8%) and Technical (10.5%) occupations. The PUC does not employ staff for Protective Services and Skilled Craft occupations.

*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.

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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. The PUC has experienced high turnover, peaking at 30.7% in fiscal year 2003 as a result of legislative mandated reductions. The turnover rate has steadily declined by an average of 3% since FY 2005. The following table compares the average PUC turnover to that of all state agencies for the last five years.

EMPLOYEE TURNOVER					
Fiscal Year	2005	2006	2007	2008	2009
PUC	21.6%	16.7%	17.9%	12.1%	9.4%
All Agencies*	19.1%	17.9%	19.2%	19.3%	15.6%

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

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.

In addition, there are organizational areas in the Commission that generate turnover due to the stressful nature of the work and limited career ladder movement. In prior fiscal years, the Customer Protection Division had difficulty retaining qualified employees due to the stressful nature of the jobs in the agency call center. Customer Care Representatives in the call center assist customers who are often angry about their telephone or electric service. “Burnout” is associated with call center jobs, and the Commission is continually challenged to minimize the negative effects associated with complaints-related jobs (including employee stress and turnover). In an effort to decrease the stress and turnover, the Customer Protection Division utilizes continuous improvement processes to make changes to work procedures. As a result, there has been a significant improvement in employee morale and drop in turnover in this area in recent years.

Length of Service

Among terminating employees in fiscal year 2009, those with less than two years and those with two to four years of service had the highest turnover (29%), followed by 18% among employees with five to nine years and ten to fourteen years of service. Five employees retired from the agency in fiscal year 2009. Four of the retirees had eight to ten years of service and the other had more than thirty years of service with the agency.

The highest percentage (59%) 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.

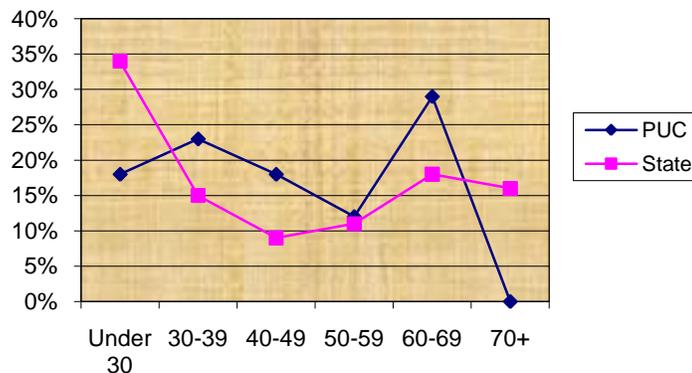
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Tenure of Terminating Employees Compared To Tenure of All Employees FY 2009				
Tenure in Years	Terminating Employees	% Terminating Employees	All Employees	% All Employees
Less than 2	5	29%	45	25%
2 – 4	5	29%	32	18%
5 – 9	3	18%	47	26%
10 – 14	3	18%	23	13%
15 – 19	0	0%	17	9%
20 – 24	0	0%	10	5%
25 +	1	6%	8	4%
Total	17	100%	182	100%

Age

The highest percentage of turnover occurred among employees in the 60-69 years of age group. About 41% of the Commission’s turnover in FY 2009 were under the age of 40 and 59% were over age 40.

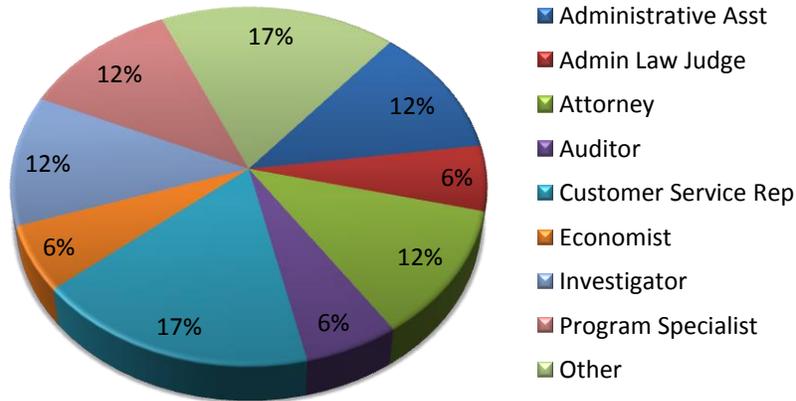
Age of Terminated Employees FY 2009



Occupations

During fiscal year 2009, a total of 17 employees separated from employment with the Commission. The table below provides detail for this turnover activity by classification. Of the 17 terminations, the Customer Service Representative title reflected the single greatest turnover rate (17%) for one classification series, followed by the Administrative Assistant, Attorney, Investigator and Program Specialist (12%) classification. The Administrative Law Judge, Auditor and Economist classifications each reflect a 6% turnover rate. Other classifications experienced turnover rates of 6% individually, but collectively they comprised a total turnover rate of 17%.

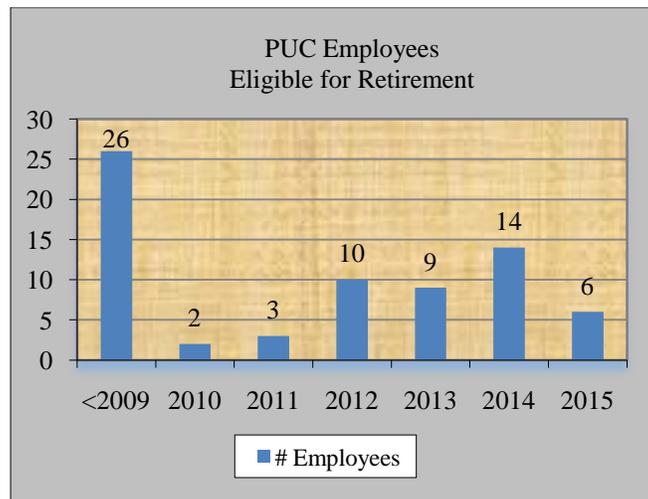
**Turnover by Job
Classification-FY 2009**



D. Retirement Eligibility

Five employees retired in fiscal year 2009. Of the employees potentially eligible to retire prior to FY 2010, twenty-six remain with the agency. Based on PUC information, during FY 2010 – 2015, forty-four employees (23.6%) may become eligible to retire from state service. Between now and 2015, a total of 70 employees (37.6%) 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.

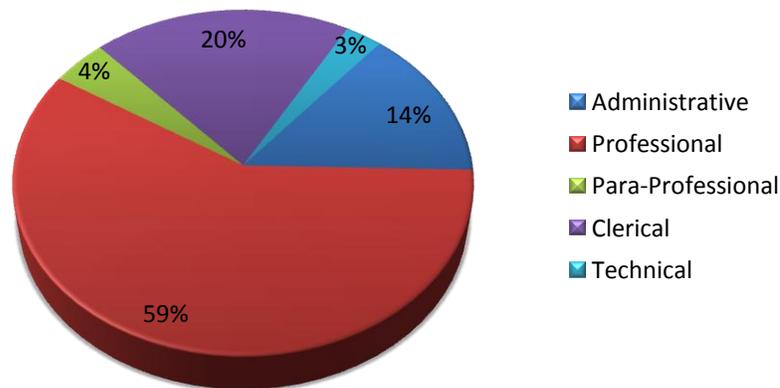


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Retirees by Category

The largest percentages of employees who may become eligible to retire over the next five years are in the *professional* (59%) category. The second largest percentage of employees potentially eligible to retire is in the *clerical* support (20%) category. Turnover as a result of retirement eligibility could have a significant impact on high-level key positions. Ten 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 60% will be eligible due to the Rule of 80 between 2010 and 2012.

**Employees Eligible for Retirement
By Job Category
2009 - 2015**



Projected Attrition

In fiscal year 2009, the agency had a 9.4% turnover rate which is a 2.7% decrease from fiscal year 2008. As of June 30, 2010, fifteen (8.1%) 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 and Attorneys)

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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.

Following the implementation of local telephone competition in September 1995 and electric utility restructuring in January 2002, the Commission has made changes to its workforce to ensure it has the necessary expertise to perform new functions. Many of the new functions are performed by employees with the requisite expertise whose job duties were modified to include the new functions. In some cases, the agency used opportunities associated with attrition to eliminate positions that were no longer needed and create new jobs more aligned with the agency's current mission.

During the 78th Legislative Session, the agency's overall FTE cap was decreased from 242 to 210.9. During the session, the legislature also passed HB 3442 which imposed new requirements related to state agency management-to-staff ratios. As a result of the legislation, the agency reviewed positions and made organizational changes to comply with the mandate.

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.

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. The workforce is expected to remain constant, although the actual number of employees may fluctuate by 10-12 positions at any given time. Gradually changing workforce 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.
- Take advantage of opportunities to participate in university sponsored career fairs and to expand the Commission's volunteer internship program.
- Improve recruiting techniques by streamlining application procedures.
- Require managers to work with new employees to attempt to align PUC employment opportunities with the employee's individual career goals.

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.

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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.