

WORKFORCE PLAN

Introduction

The PUC's Human Resources (HR) Mission is to provide exceptional HR services by ensuring that employees have a safe and productive work environment, developing subject-matter expertise, developing leadership and management skills, and leveraging innovative HR technology to achieve organizational excellence.

The PUC anticipates significant challenges during the next five years that may impact the agency's ability to fulfill its mission. As the PUC works in its 5th decade of existence, the scope and breadth of the agency's responsibilities continues to advance into new areas. Although the PUC's regulatory responsibilities have changed regarding the electric and telecommunications industries over the past fifteen years due to increased deregulation of those industries, the addition of water and sewer regulation greatly expands the range of the Commission's regulatory oversight.

While many of the professionals needed to properly oversee these new water functions will be similar to the current workforce at the PUC, the work-related knowledge and subject-matter expertise will be vastly different. The issues debated and staff-level work required in water cases can vary greatly from that required for electric cases. For instance, the amount of staff interaction required to ensure sufficient applications are filed will be different for water rate applications than it is for electric applications. The largest water utility has approximately 45,000 connections, which is similar in size to the smallest electric utility, which has roughly 50,000 customers; Conversely, the largest electric utility has approximately 3 million meters.

Additionally, the PUC is experiencing pressures on its workforce such as the retention of qualified, experienced employees who may leave the agency for more lucrative positions with the State and the retirement of highly-tenured employees. PUC turnover reached 16.6 percent in fiscal year 2015. While this turnover percentage was 2.4 percentage points lower than the State agency average, it exceeded the next highest PUC turnover percentage over the last five years by 2.9 percentage points, or 21 percent. Through 9 months of fiscal year 2016, 21 employees have resigned or retired from the PUC. Currently, 33 percent of employees have tenure of 2 years or less. The loss of institutional knowledge continues to be a major issue facing PUC executive management. However, the PUC will continue to discuss methods for attracting and retaining quality employees.

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

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Informal complaint resolution

4. *Information Management*

Web development and maintenance
Database development
Electronic filing and reporting

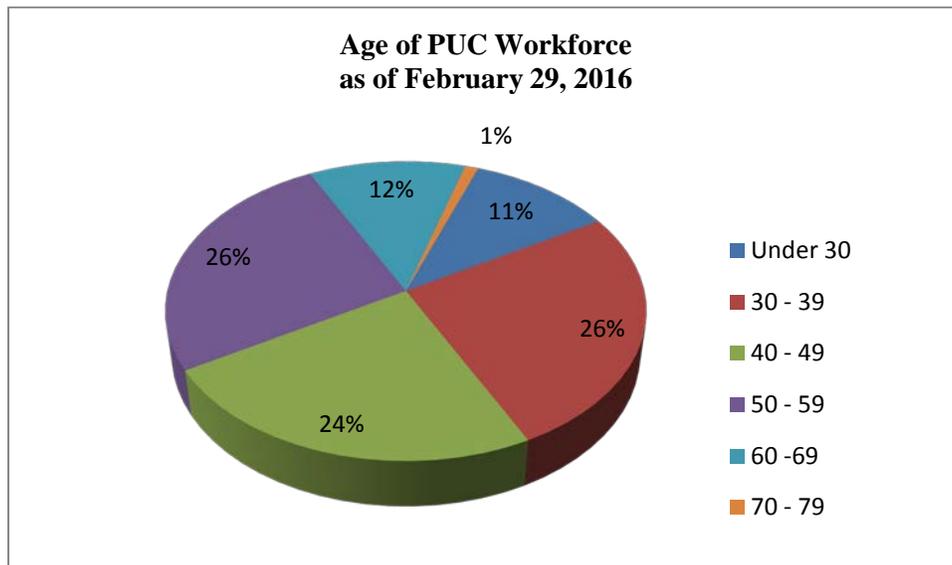
5. *Agency Administration*

Fiscal management
Human Resources management
Contract management
Purchasing
IT Support
General Law

B. *Workforce Demographics*

Gender and Age

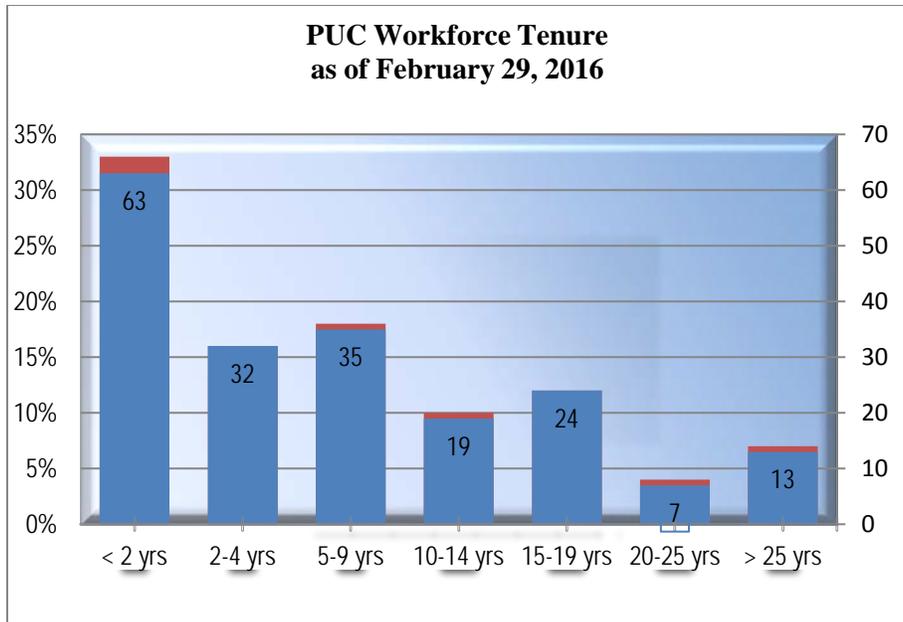
As of February 29, 2016, the Commission had a total of 192 full-time employees and 1 part-time employee. Of the total employees, there were 101 females (52%) and 92 males (48%). The average age of Commission employees is 45 years, and 121 (63%) of the employees are over the age of 40.



Tenure

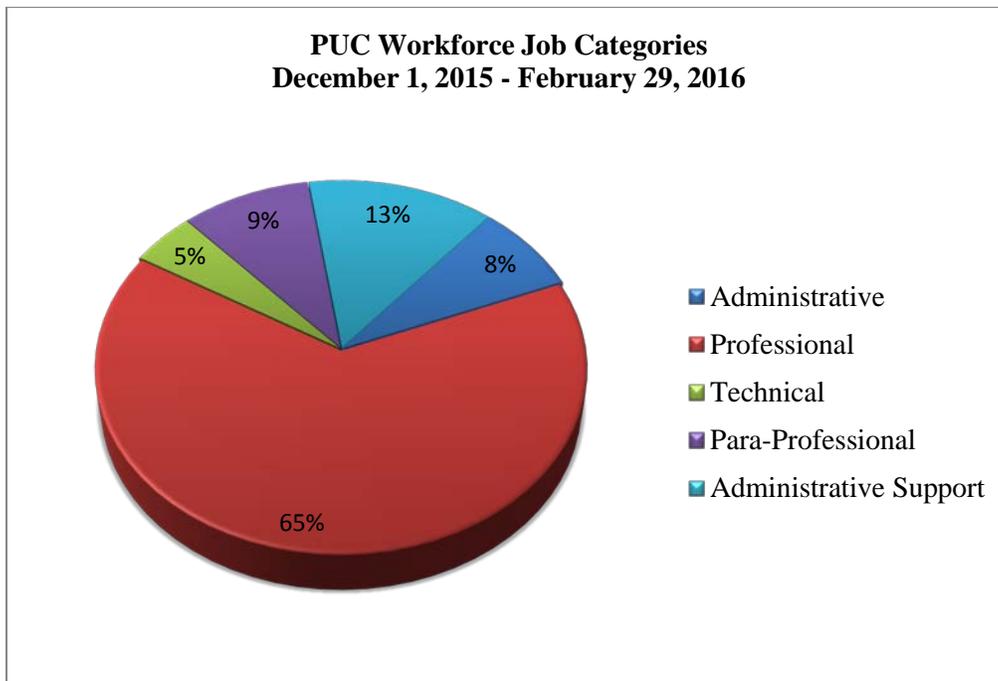
Of the Commission staff, 95 (49%) employees have fewer than five years of service with the agency. There are 54 employees (28%) with five to fourteen years of service with the PUC and 44 employees (23%) who have fifteen or more years of service with the PUC. The table below reflects tenure of PUC employees. Sixty-three employees (33%) have fewer than two years of agency service.

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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.



Diversity

The following three tables profile the Commission’s workforce of 193 employees for the second quarter of fiscal year 2016 (December 1, 2015 through February 29, 2016). The workforce comprises 52% female and 48% male, with an

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average age of 45 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 2016, Second Quarter							
Male	Female	Caucasian American	African American	Hispanic American	Asian American	Other	Total
92	101	119	17	45	9	3	193
47.7%	52.3%	61.7%	8.8%	23.3%	4.7%	1.5%	100%

All employees on payroll as of February 29, 2016.

Gender – Occupational Diversity Fiscal Year 2016, Second Quarter					
Job Category	Male		Female		Female Goal
Administrative	10	66.67%	5	33.33%	37.48%
Administrative Support	3	11.11%	24	88.89%	72.80%
Para-Professional*	4	23.53%	13	76.47%	N/A
Professional	68	54.40%	57	45.60%	54.88%
Protective Services*	0	0%	0	0%	24.58%
Service Maintenance*	0	0%	0	0%	51.35%
Skilled Craft	0	0%	0	0%	51.31%
Technical	7	77.78%	2	22.22%	41.47%
Total	92		101		

Racial – Ethnic – Occupational Diversity Fiscal Year 2016, Second Quarter												
Job Category	Caucasian American		African American		Goal	Hispanic American		Goal	Asian American		Other	
Administrative	14	93.33%	0	0.0%	7.12%	1	6.67%	20.90%	0	0.0%	0	0.0%
Administrative Support	10	37.04%	4	14.81%	13.58%	13	48.15%	33.00%	0	0.0%	0	0.0%
Para-Professional*	5	29.41%	5	29.41%	N/A	7	41.18%	N/A	0	0.0%	0	0.0%
Professional	84	67.2%	8	6.4%	10.96%	22	17.60%	18.50%	8	6.4%	3	2.4%
Protective Services*	0	0%	0	0.0%	16.96%	0	0.0%	30.01%	0	0.0%	0	0.0%
Service/Maintenance*	0	0%	0	0.0%	12.22%	0	0.0%	53.71%	0	0.0%	0	0.0%
Skilled Craft*	0	0%	0	0.0%	9.52%	0	0.0%	49.26%	0	0.0%	0	0.0%
Technical	6	66.67%	0	0.0%	13.75%	2	22.22%	28.82%	1	11.11%	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 2015. 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, Professional, and Administrative Support occupations. In the ethnic categories, the agency exceeded the goals for African American employees in the Administrative Support occupations and exceeded the goals

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for Hispanic American employees in the Professional and Administrative Support occupations. The agency did not attain the percentage goals and Female employees are underutilized in the Technical (10.96%) occupations. In the ethnic categories, African American employees are underutilized in the Administrative (5.7%), Professional (2.37%) and Technical (11%) occupations and Hispanic American employees are underutilized in the Administrative (10.05%) and Technical (.84%) occupations. The PUC does not employ staff for Protective Services, Service/Maintenance and Skilled Craft occupations.

*The State category “Para-Professional” is not included since this category is not referenced in the U.S. Bureau of the Census crosswalk. The State category “Protective Services” was extracted from the Census “Service Workers” to become a stand-alone category. The State category “Service and Maintenance” was created by combining the Census categories “Laborers and Helpers” and “Service Workers” (less the “Protective Services” workers and less the “Para-Professional” workers. Prior to 2014, these categories were under one group as “Service/Maintenance” and these categories have been modified to coincide with Chapter 21 of the Texas Labor Code.

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 turnover averaged 13% during FY 2006-2010, however, turnover began to decline beginning in FY 2008 due to the economic recession. Turnover again increased in FY 2011 due primarily to a reduction in workforce and again increased in FY 2013 due in part to retirements and increased market opportunities. The following table compares the average PUC turnover to that of all state agencies for the last five years.

EMPLOYEE TURNOVER					
Fiscal Year	2011	2012	2013	2014	2015
PUC	12.7%	9.3%	13.7%	12.7%	16.6%
All Agencies*	17.6%	19.6%	18.9%	19.1%	19.0%

* 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 2015, those with less than two years of service had the highest turnover (43%), followed by 18% among employees with two to four years and five to nine years of service, and 15% among employees with ten to fourteen years of service. Five employees retired from the agency in fiscal year 2015. Two of the retirees had five to fourteen years of service, two had less than five years, and one had more than twenty-four years of service with the agency.

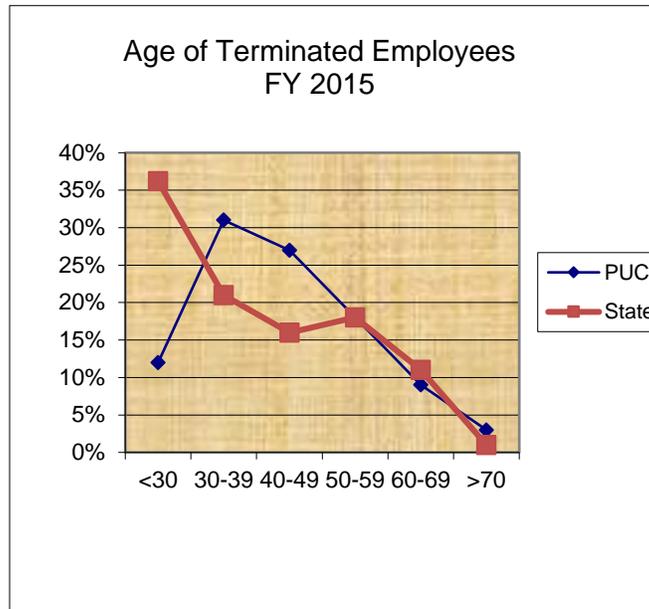
Efforts to decrease turnover and retain staff beyond the first five years should provide greater continuity for Commission operations and allow employees to develop critical agency knowledge for training entry-level personnel.

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Tenure of Terminating Employees Compared To Tenure of All Employees FY 2015				
Tenure in Years	Terminating Employees	% Terminating Employees	All Employees	% All Employees
Less than 2	14	43%	67	35%
2 – 4	6	18%	25	13%
5 – 9	6	18%	34	18%
10 – 14	5	15%	28	14%
15 – 19	1	3%	19	10%
20 – 24	1	3%	9	5%
25 +	0	0%	10	5%
Total	33	100%	192	100%

Age

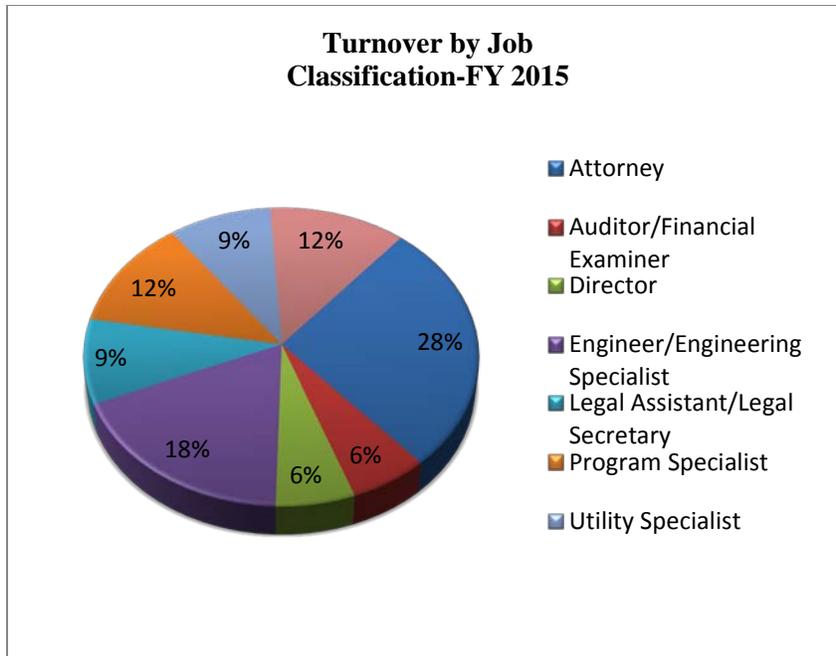
The highest percentage of turnover occurred among employees in the 30-39 years of age group. About 42% of the Commission's turnover in FY 2015 were under the age of 40 and 58% were over age 40.



Occupations

During fiscal year 2015, a total of 33 employees separated from employment with the Commission. The table below provides detail for this turnover activity by classification. Of the 33 terminations, the Attorney classification reflected the single greatest turnover rate (28%), followed by the Engineer/Engineering Specialist (18%) classification. The Program Specialist classification reflected a 12% turnover rate. Collectively, the total turnover rate for fiscal year 2015 was 16.6%.

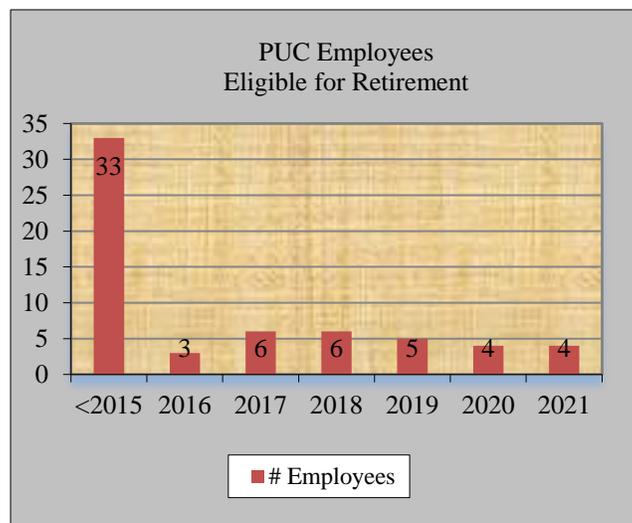
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D. Retirement Eligibility

Five employees retired in fiscal year 2015. Of the employees potentially eligible to retire prior to FY 2016, Thirty-three remain with the agency. Based on PUC information, during FY 2016 – 2021, an additional twenty-eight employees (15%) may become eligible to retire from state service. Between now and 2021, a total of 61 employees (32%) 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.

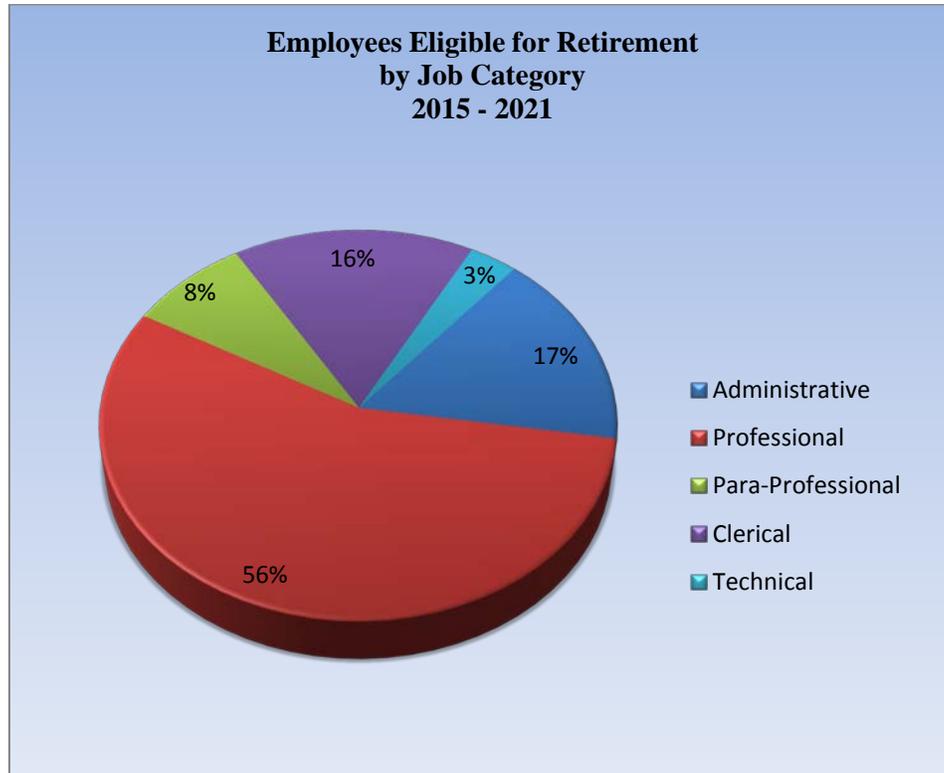


Retirees by Category

The largest percentages of employees who may become eligible to retire over the next five years are in the *professional* (56%) category. The second largest percentage of employees potentially eligible to retire is in the *administrative*

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(16%) and *clerical* support (16%) categories. Turnover as a result of retirement eligibility could have a significant impact on high-level key positions. Ten employees (16%) 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 7% will be eligible due to the Rule of 80 between 2016 and 2018.



Projected Attrition

In fiscal year 2015, the agency had a 16.6% turnover rate which is a 3.9 percentage point increase from fiscal year 2014. As of May 31, 2016, twenty-one (10.7%) 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. Additionally, energy and communications industries are also experiencing a well-publicized aging of their workforces, potential leading to an increased demand in the private sector for the unique knowledge and skills that PUC employees possess. The decrease in state benefits provided to state employees also impacts the ability of state agencies to attract and keep qualified employees.

Demand Analysis: Future Workforce Profile

A. Critical Functions

- Economists and Market Analysts
- Regulatory Accountants and Financial Analysts
- Utility Infrastructure Analysts and Engineers
- Enforcement (Investigators and Attorneys)

B. Expected Workforce Changes

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

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. The FTE cap was reduced again in the 82nd Legislative Session to 178 as of August 31, 2012 and 170.6 by August 31, 2013.

The Commission's FTE cap was increased to 181.0 beginning September 2014 as a result of the legislature approving an exceptional item for the PUC's LAR to restore the PUC's FTE cut from the previous legislative session. As a result of HB 1600 related to the transfer of water and sewer regulation during the 83rd Legislative Session, the FTE cap was increased to 201.0 as of September 1, 2015 to reflect the transfer of 20 FTEs from the Texas Commission on Environmental Quality.

Finally, the PUC's FTE cap was increased to 217.0 beginning September 1, 2015. As was identified in the fiscal note for HB 1600, 12.0 additional FTEs are needed and were appropriated to implement the enhanced ratemaking function authorized in that legislation beginning in fiscal year 2016. Additionally, the PUC identified the need for 4.0 additional FTEs through the Speaker's Strategic Fiscal Review process that are needed to address unanticipated issues with the transfer, such as increased customer complaints and inquiries, and increased enforcement activity.

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 a change in total staffing during the next five years, unless the regulatory jurisdiction of the PUC is changed.

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.

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.

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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 and minority 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.

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.

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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 27.5 to 45.3 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.