

recognized that these issues prevent efficient economic transmission planning, market and operational issues, and resource integration. In 2018, the OMS and SPP RSC jointly formed a Seams Liaison Committee to identify issues and solutions in coordinating seams policies. PUCT staff who are assigned to MISO and SPP closely follow issues related to the seams to ensure that Texas customers are represented in these discussions.



Figure 3. Midcontinent Independent System Operator Region

- C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.**

The effectiveness and efficiency of the program may be measured by the efficiency of the wholesale market. The Independent Market Monitor (IMM) provides regular reports on the state of the ERCOT wholesale market. As a result of Winter Storm Uri in February 2021, the 87th Legislature enacted several market reforms aimed

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at improving the reliability of the ERCOT wholesale market. A summary of these reforms and the PUCT's schedule for implementing those reforms is discussed below.

ERCOT provides regular reports¹⁶ that show the type and amount of new generation facilities that have been proposed for the region and have initiated the process of obtaining transmission service. ERCOT also provides biannual reports on the existing capacity, the demand for electricity, and the level of reserves. Whether the reserves exceed the required reserve margin in the current year and near term is an important measure of the health of the market. Because electricity cannot be stored, the electricity market must invest in sufficient generation plant to meet customers' demand. Reserve margins are the metric by which the sufficiency of generation is measured. Investment in new generation occurs competitively rather than as the result of a regulatory approval, so adequate reserve margins demonstrate sufficient competitive investment in new generation to meet growth and replace old and obsolete generation retired from service. The IMM's annual State of the Market reports provide information on the competitiveness of the market, assessing factors like evidence of the exercise of market power and anomalies in operations and pricing.

The following points summarize the latest reports from these sources:

- In May 2021, ERCOT reported that ERCOT will have a 28% reserve margin in summer 2022, given projected demand for the summer based on economic growth assumptions and current generation anticipated to be available.
- The IMM's State of the Market Report for 2020, issued in May 2021, noted that the supply of generation in ERCOT continues to evolve. More than 7,000 MW of new wind and solar resources and approximately 400 MW of natural gas supply started commercial operations in 2020. Approximately 1,000 MW of fossil-fuel resources were retired in 2020.
- While the IMM's latest State of the Market Report focused on 2020, the IMM offered two preliminary conclusions regarding the impact of Winter Storm Uri on the ERCOT wholesale market, both of which have already been implemented.

The PUCT has directed ERCOT to acquire more reserve generation capacity with the objective of ensuring the reliability of the ERCOT grid. PUCT Chairman Peter Lake and ERCOT President and interim CEO Brad Jones held a joint press conference on July 22, 2021 to announce this and to answer questions from the press on the actions being taken by the PUCT and ERCOT to ensure the reliability of the grid, particularly for the peak summer season.

Winter Storm Uri

In mid-February 2021, Winter Storm Uri hit Texas and much of the rest of the country. The storm resulted in widespread disruption of electricity and natural gas service in Texas, particularly in ERCOT from February 15-18. A detailed timeline of events and causes of the electricity and natural gas service disruptions is provided in

¹⁶ The various reports provided by ERCOT are described in more detail in ERCOT's SER.

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The Timeline and Events of the February 2021 Texas Electric Grid Blackouts. This report was prepared by the University of Texas Energy Law Institute and was funded in part by the PUCT. A copy of this report may be found on the PUCT's website.¹⁷

Texas Legislature Response to Winter Storm Uri

Winter Storm Uri was a primary focus of the 87th Legislature. Several Texas House and Senate Committees held hearings on the affects and aftermath of Uri.

The Legislature passed several bills aimed at improving the reliability of the electricity and natural gas markets. SB 2 changes the ERCOT board from a majority stakeholder board to a majority independent board. Under SB 2, the Governor, Lt. Governor and Speaker of the House will each appoint a representative to the ERCOT Board selection committee. The three members of the selection committee will identify board candidates. The selection committee members are Arch "Beaver" Aplin, appointed by Governor Abbott, G Brint Ryan, appointed by Lt. Governor Patrick and Bill Jones, appointed by Speaker Phelan. The selection committee is required to retain an outside consulting to help identify and select Board members. The new ERCOT board will be composed of the chair of the PUCT, the presiding officer of OPUC, the ERCOT CEO and 8 unaffiliated members. All ERCOT board members must be residents of the State of Texas. As of the date of this report, new ERCOT Board members have not been selected.

SB 3 is a comprehensive bill that includes a number of provisions in response to Winter Storm Uri. The provisions of SB 3 include generator and TDU weatherization requirements, creation of a power outage alert system, mandating more coordination between electricity and natural gas providers, and the creation of a comprehensive map of Texas electricity supply chain facilities.

A list of the bills enacted by the 87th Legislature that affect the PUCT is included in Section VIII of this report.

PUCT Response to Winter Storm Uri

The PUCT issued several emergency orders intended to mitigate the effects of Winter Storm Uri on customers. A brief explanation of the PUCT's emergency orders was posted on the PUCT's website soon after these orders were issued. This summary may be found on the Commission's website.¹⁸

During and immediately following Winter Storm Uri, the PUCT's External Affairs Division worked aggressively to inform the public by way of both legacy and social media. Efforts included nearly 20 TV interviews in both English and Spanish, more than 40 media queries and 84 social media posts (cross-posting content on Twitter, Facebook and Instagram.) and the issuance of 14 press releases. Details of these efforts are included as Attachment 30 to this Report. Additionally, the PUCT received

¹⁷[https://www.puc.texas.gov/agency/resources/reports/UTAustin_\(2021\)_EventsFebruary2021TexasBlackout_\(002\)FINAL_07_12_21.pdf](https://www.puc.texas.gov/agency/resources/reports/UTAustin_(2021)_EventsFebruary2021TexasBlackout_(002)FINAL_07_12_21.pdf)

¹⁸ <https://www.puc.texas.gov/consumer/facts/factsheets/electfacts/WinterStormPriceExplainer-FIN.pdf>

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121 Public Information Act (PIA) requests for information related to the winter storm; 66 have been completed and 55 remain pending

The PUCT is also moving quickly to implement the Uri-related legislation passed by the 87th Legislature. The PUCT's 87th Regular Legislative Session Implementation Schedule is attached this report as Attachment 31. Note that the attached implementation schedule addresses all PUCT-related legislation, not just Uri-related bills.

The PUCT commissioners and staff are in daily contact with ERCOT to ensure timely implementation of all ERCOT-related legislation. Winter Storm Uri legislation will also require increased coordination between the PUCT and the Railroad Commission of Texas (RRC), the agency that oversees natural gas production and transmission within Texas. The Texas Electricity Supply Chain Security and Mapping Committee, created as part of SB 3, is a prime example of the increased coordination that will be required between the electric and natural gas industries to ensure the reliability of the electric power grid in Texas. Members of this committee include the Executive Director of the PUCT (who is designated as the chair of this committee), the Executive Director of the RRC, the chief of the Texas Division of Emergency Management, and the president and CEO of ERCOT. The charge of this committee is to:

- (1) Map the state's electricity supply chain;
- (2) Identify critical infrastructure sources in the electricity supply chain;
- (3) Establish best practices to prepare facilities that provide electric service and natural gas service in the electricity supply chain to maintain service in an extreme weather event and recommend oversight and compliance standards for those facilities; and
- (4) Designate priority service needs to prepare for, respond to, and recover from an extreme weather event.

The committee met for the first time in early August 2021.

Other activities related to Winter Storm Uri

On February 16, 2021, FERC and NERC announced that they would conduct a joint inquiry into the operation of the bulk power system during Winter Storm Uri. The primary focus of the FERC and NERC inquiry is to determine the root causes of the reliability events affecting the ERCOT, MISO, and SPP regions. FERC and NERC are working with other federal agencies, state regulatory commissions, regional entities, utilities, ERCOT, MISO, SPP and other stakeholders in each of these regions to identify problems experienced in these regions and will propose solutions to these issues. FERC/NERC have advised the PUCT and other stakeholders that they intend to issue their proposed findings and recommendations in September 2021 and to issue their final report in November 2021. The PUCT has been in regular contact with members of the FERC/NERC investigating staff and has offered to assist them in any way in their investigation.

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The U.S. House Subcommittee on the Environment, (which is under the House Committee on Oversight and Reform) is also investigating the effects of Winter Storm Uri. This Subcommittee has been in contact with ERCOT and has requested and received information from ERCOT. ERCOT has testified before this Subcommittee on one occasion. Though the Subcommittee has not yet contacted the PUCT regarding its investigation as of the time of publication, the PUCT remains available to support the investigation and provide any needed information.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.

The intrastate wholesale electric market in Texas was opened to competition because of the amendments to PURA adopted by the Legislature in 1995.¹⁹ These amendments allowed independent power producers (IPPs) to construct generation facilities. The 1995 amendments also mandated open, non-discriminatory access to the transmission system for all utilities, IPPs and power marketers to move power to wholesale customers. The PUC adopted rules to implement this legislation.

SB 7, which was enacted in 1999, introduced retail competition, restructured the electric utility industry, and required investor-owned utilities to separate their business functions into three distinct companies: a power generation company (PGC), a transmission and distribution utility (TDU), and a retail electric provider (REP). REPs provide retail electricity and energy services to end use residential, commercial and industrial customers in the ERCOT market. PGCs and REPs are both required to hold a certificate from the PUCT to operate but are competitive entities. TDUs remain regulated by the PUCT and are required to provide non-discriminatory access to the transmission and distribution grid at rates and terms prescribed by the PUCT.

Although the investor-owned transmission and distribution facilities remain regulated by the PUCT, the prices for the production and sale of electricity are now based on competitive offers rather than regulatory rate-setting procedures.

Over time, the Legislature and PUCT have modified the rules relating to independent organizations to strengthen ERCOT's accountability to the public. In 2003, the PUCT adopted 16 T.A.C §§ 25.361 and 25.362 to require ERCOT to conduct its board meeting in public and to provide access to certain records; these rules also established requirements for reporting to the PUCT. In 2005, the Texas Legislature adopted amendments to PURA § 39.151 that increased the number of independent directors and strengthened the PUCT's oversight authority. SB 408, enacted in 2005, provided for establishment of the IMM at ERCOT PURA § 39.151 gives the PUCT broad oversight authority over an independent organization and sets out requirements for the membership of its governing body.

¹⁹ Similar reforms were adopted in the interstate market through federal legislation that provided broad authorization for non-utility generators and FERC open-access rules.

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Additional ERCOT wholesale market reforms and refinements have been enacted by the commission over the last ten years. These reforms have focused on incentivizing investment in generation while also maintaining system reliability. The primary focus of the PUCT at this time is implementation of the legislation enacted by the 87th Legislature in response to Winter Storm Uri. SB 2, passed by the 87th Legislature, made significant changes to ERCOT governance. The current hybrid (independent and stakeholder) board, will be replaced by an all independent board. SB 2 requires the Governor, Speaker of the House and the Lt. Governor to appoint a selection committee to identify board candidates. The board will be composed of the PUCT chair, OPUC, the ERCOT CEO and eight unaffiliated members selected by the selection committee. This legislation also requires PUCT approval of all ERCOT rules and enforcement measures.

E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.

This program affects all market participants in the competitive market in ERCOT – power generation companies, power marketers, qualified scheduling entities, and retail electric providers. It also affects all customers who purchase electricity at retail: industrial customers, small and large commercial customers, and residential customers. Additionally, this program also impacts municipally owned utilities and electric cooperatives that sell or buy generation in the ERCOT wholesale market that is regulated by the PUCT.

Entity Type	Number Registered in ERCOT
Power Generation Company	244
Power Marketers	196
Qualified Scheduling Entities (QSEs) <i>Not required to register with PUCT, but with ERCOT</i>	271
Retail Electric Providers (REPs)	149
Brokers	1,550
Aggregators	182

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

As discussed above in Section C, the PUCT is currently working on proposing various rules to implement ERCOT market reform legislation adopted in 2021. The Commission's work on these rules is ongoing. A schedule of the Commission's work to implement 2021 legislation is available in Section C.

Self-Evaluation Report**ERCOT Oversight**

The ERCOT protocols are a complex set of rules developed through a consensus process involving all market sectors. The protocols are amended as needed when market design flaws become apparent or when process improvements are identified. The original protocols were approved by the PUCT. Changes to protocols may be initiated by stakeholders, ERCOT, or PUCT staff. The protocol approvals, including amendments, are conducted as contested cases under the APA, Government Code Chapter 2001. In 2021, the Texas Legislature enacted Senate Bill 2 (SB 2), which clarifies the PUCT's oversight over ERCOT and requires the PUCT to establish a process for approving all ERCOT rule and protocols before they are effective, and the PUCT has opened a project to implement this process.

PUCT Rules Governing ERCOT Oversight.

PUCT rules 16 T.A.C §§ 25.361-25.367 address various aspects of the PUCT's oversight over ERCOT. 16 T.A.C. §§ 25.361 and 25.362 which set out the functions of the independent organization, standards for access to meetings and information, qualifications for board members, and reporting requirements. Section 25.363 establishes a process for the PUCT's review of ERCOT's budget and setting of the ERCOT administrative fee to fund ERCOT's operations.

The PUCT Commissioners and Executive Director are in frequent contact with ERCOT Board members and leadership, and PUCT staff regularly meet and actively engage with ERCOT subject matter experts to develop policy options for the Commissioners' consideration. ERCOT provides frequent presentations at PUCT open meetings at the request of the commissioners to brief and update the Commission on current issues and allow an opportunity for Commissioner discussion.

Participating in market design and implementation activities

PUCT staff actively participates in ERCOT stakeholder meetings on a routine basis to contribute to the development of rules and protocols. ERCOT has several standing committees, subcommittees, working groups, and task forces that meet frequently to study and resolve market design issues. The PUCT staff regularly interact with ERCOT staff and the commissioners exercise their statutory authority to ensure that ERCOT is implementing the various market reforms mandated by the 87th Legislature and to ensure ERCOT and stakeholder compliance with all relevant PUCT rules and policies.

PURA § 39.154 limits the amount of the total installed generating capacity in ERCOT that may be owned by a single power generation company (PGC). Based on annual calculations, PGCs that own more than 20% of the total installed generating capacity must file a market power mitigation plan under PURA § 39.156. The PUCT adopted 16 T.A.C. § 25.90 and 16 T.A.C. § 25.401 to implement this requirement.

Providing for registration of power generation companies and power marketers. PURA §§ 39.351 and 39.355 require that power generation companies and power

marketers, respectively, register with the PUCT. The PUCT adopted 16 T.A.C. § 25.101 and 16 T.A.C. § 25.109 to implement this requirement. Forms for registration are available on the PUCT's website.

Enforcement of statutes, PUCT rules, ERCOT protocols, and PUCT orders

Interactions with ERCOT staff, the IMM and market participants on market design issues may provide information that suggests areas for investigation and possible enforcement.

Oversight of SPP and MISO markets

A commissioner and support staff regularly attend the meetings of key stakeholder groups and decision-making bodies for both MISO and SPP, and vote on issues that impact Texas customers, such as transmission cost allocation of transmission build-out across these multi-state regions.

- G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).**

The PUCT's role in this program is funded with General Revenue.

- H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.**

There are no similar programs.

- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

- J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

N/A

Self-Evaluation Report**K. If contracted expenditures are made through this program please provide**

- **a short summary of the general purpose of those contracts overall;**
- **the amount of those expenditures in fiscal year 2020;**
- **the number of contracts accounting for those expenditures;**
- **the method used to procure contracts;**
- **top five contracts by dollar amount, including contractor and purpose;**
- **the methods used to ensure accountability for funding and performance; and**
- **a short description of any current contracting problems.**

Independent Market Monitor

In accordance with PURA § 39.1515, wholesale market monitoring activities are performed by the IMM. Currently, the consulting firm Potomac Economics serves as the IMM. The IMM analyzes the market by using computer programs that permit it to organize and analyze copious amounts of market data. The IMM's work is enhanced by its subject matter experts, proprietary software, and secure data access to important ERCOT data.

The IMM provides reports to the PUCT on a daily and monthly basis, special reports as required by market events, and an annual report. The PUCT publishes the IMM's annual report on its website, and uses its daily reports in an interactive reporting section on the PUCT website relating to prices and congestion in the wholesale market. The IMM's reports may identify areas requiring further investigation or enforcement activities, and it has participated in enforcement investigations. The oversight activities relating to wholesale market design include:

- Review of the operations of the market, as measured through the analysis of ERCOT wholesale market data, IMM reports, and other competitive market indicators;
- Review of PUCT rules and the ERCOT protocols governing the operation of the wholesale market to identify opportunities for improving the efficiency of the market; and
- Analysis of ERCOT and its role in the operation of the wholesale market.

PURA § 39.1515 requires ERCOT to fund the costs of the IMM. Potomac Economics was selected as the IMM after a competitive bidding process. The annual cost of this contract is \$3.95 million for calendar year 2020, \$4.07 million for calendar year 2021, \$4.195 million for calendar year 2022, and \$4.32 million for calendar year 2022.²⁰

Outside Counsel for Federal Proceedings

Under PURA §§ 39.408, 39.4525 and 39.504, the PUCT has a contract with Jennings, Strouss, & Salmon, PLC as outside counsel in FERC proceedings (or in court proceedings reviewing decisions of FERC) related to electric utilities outside of ERCOT

²⁰ The contract payments are based on calendar years because ERCOT's fiscal year is the calendar year.

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that are operating in Texas. The electric utilities covered by this contract are Entergy Texas, Inc., El Paso Electric Company, Southwestern Public Service Company, and Southwestern Electric Power Company. This current contract commenced on February 1, 2018 and terminates on December 31, 2022 unless terminated or extended by the parties. The costs of this contract may not exceed \$1.5 million per year for a total of \$18 million for the entire term of the contract.

Texas Reliability Entity

The PUCT had a contract with the Texas Reliability Entity to assist the PUCT in enforcing ERCOT electric reliability standards. This contract was terminated in late 2020. This contract is discussed in more detail in the Enforcement Section of Section VII. of this report.

L. Provide information on any grants awarded by the program.

N/A

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

As discussed previously, given the extensive work and need for market enhancements and redesign in the wake of Winter Storm Uri, it has been a challenge for the agency to hire qualified staff who have the knowledge base and expertise sufficient to dialogue on complex, technical market issues with other stakeholders and ERCOT staff. To remedy this, consistent with other issues, the agency has relied on hiring staff with a relevant educational background and providing extensive training to those staff. The need for a comprehensive revision of the wholesale market has also made it difficult to ensure that staff are engaged as extensively in each protocol revision process and market change discussion while also balancing their other workload commitments.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

Additional information about the ERCOT wholesale electric market is included in the PUCT's *Biennial Agency Report to the 87th Texas Legislature*. Additional information on the ERCOT wholesale market may also be found in the PUCT's *Scope of Competition in the Electric Market of Texas* for the years 1997-2019. The 2021 Biennial Agency Report may be accessed on the Commission's website at: <https://www.PUCT.texas.gov/industry/electric/reports/scope/Default.aspx>

Prior versions of the Electric Scope of Competition Reports can be accessed on the PUCT's website.²¹

²¹ <https://www.puc.texas.gov/industry/electric/reports/scope/Default.aspx>

Self-Evaluation Report**O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe**

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

Oversight of the electric wholesale competitive market is necessary to maintain the reliability and financial integrity of the market, to consider the cost impacts on customers, to address market power abuses and to facilitate improvements in market design.

The PUCT's overall monitoring activities are explained above. When non-compliance is suspected, the PUCT performs both informal and formal investigations and pursues appropriate remedies. The PUCT's enforcement activities are described as a separate program.

Because of the nature of this program, the PUCT generally does not receive complaints from the public or customers about this area. Typically, formal complaints may be filed by a market participant concerning actions of ERCOT or another market participant. These complaints are handled as contested cases under the Administrative Procedures Act, Government Code Chapter 2001. After Winter Storm Uri, the PUCT did receive some complaints from retail customers regarding retail rate plans that were indexed to the wholesale price of power. These complaints are more properly characterized as retail rather than wholesale complaints. The PUCT's authority under PURA over generators in ERCOT is limited. However, as discussed previously in this section, the Texas Legislature enacted legislation in 2021 that directed the PUCT to make several changes in the ERCOT market to ensure the reliability of the ERCOT grid and to protect customers. The PUCT is currently working on rules to implement this legislation.

P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.

See Informal Customer Complaint Resolution program description in section of Section VII. of this report.

Renewable Energy

A. Provide the following information at the beginning of each program description.

Name of Program or Function:	Renewable Energy
Location/Division:	Infrastructure Division
Contact Name and Division:	Keith Rogas, Director, Infrastructure Division
Statutory Citation for Program:	PURA § 39.904

B. What is the objective of this program or function? Describe the major activities performed under this program.

The renewable energy program established under PURA § 39.904 is intended to increase the production of renewable energy in Texas. Section 39.904 established a renewable portfolio standard (RPS) and directed the PUCT to adopt a credit trading system for renewable energy credits (RECs). The PUCT has adopted detailed rules for the RPS and REC trading and oversees implementation of the rules. The PUCT has also designated ERCOT as the administrator of the REC trading program, to issue and retire RECs and report program results, including program compliance, to the PUCT. In addition to adopting and periodically amending the program rules, the PUCT registers the companies and certifies the facilities that produce renewable energy. The PUCT also reviews annual reports from the program administrator to assess whether program goals are being met and identify instances of non-compliance, to determine whether sanctions should be imposed.

Amendments to PURA § 39.904 adopted in 2005 (SB 20) directed the PUCT to identify regions that are suitable for further development of renewable energy (Competitive Renewable Energy Zones, or CREZs). The PUCT identified such regions, adopted a transmission plan to permit energy from the CREZs to be transmitted to populous areas in ERCOT, and designated the utilities that built the transmission facilities for the CREZs. All transmission facilities for the CREZs were completed by 2013.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.

Key indicators of the success of this program are the dramatic increase in renewable capacity and energy in Texas, meeting the goals of the program, and the cost of RECs. PURA § 39.904 includes a goal of 5,880 MW of cumulative installed renewable capacity by January 2015; 10,000 MW installed renewable capacity by January 2025; and a target of 500 MW of new non-wind renewable capacity by 2015. Under 16 T.A.C. § 25.173, RECs are awarded for renewable energy produced from new renewable resources, and the goals in the rule are expressed in terms of new

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renewable capacity. These goals have consistently been met. In addition, the prices of RECs have declined since the program was initiated.

The Legislature directed the PUCT to submit a report on the impact of renewable resources on electricity prices. In that report, submitted in January 2009, the PUCT concluded that renewable energy had reduced energy prices at both the retail and wholesale levels. The table below shows the goals and the actual registered year-end renewable capacity and reported renewable energy in Texas for the years through 2008 as discussed in the PUCT's 2009 report. Additionally, the table also includes identical information for the years 2011, 2013 and 2015 since those are the target years listed in PURA § 39.904. (Some renewable resources are not registered in the program, and their capacity and energy are not reported by the program administrator.) The table below clearly illustrates that the renewable capacity goals established by the Legislature have been exceeded for every one of these years.

Year	Goal for Renewable Capacity (MW)	Actual Renewable Capacity (MW)	Goal For Non-Wind Renewable Capacity (MW)	Actual Non-wind Renewable Capacity (MWh)	Renewable Energy Reported by Program Administrator (MWh)
2015	5,880	19,568	500	639	46,602,680
2013	5,256	13,359	500	535	38,133,355
2011	4,264	11,288	500	327	31,708,018
2009	3,272	10,070	500	154	21,594,391
2007	2,280	4,600	500	108	10,132,645
2006	1,400	3,100	500	77	7,107,797
2004	850	1,190	0	45	3,685,014

Energy from certain renewable energy facilities has, in general, been more expensive than conventionally produced energy. The RECs, and tax benefits from the federal government make renewable energy more competitive with conventional resources. The cost of the RECs is borne initially by the REPs and integrated utilities that are subject to the program and the municipal utilities and cooperatives that choose to buy RECs. It is expected that they pass these costs on to their customers. The reported cost of RECs was about \$12 in July 2005 and had fallen by July 2008 to the \$2.50 to \$4.50 range. According to S&P, the costs of RECs in 2020 and 2021 were \$1.32 and \$1.34 per MWh respectively.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.

The renewable-energy program was adopted as a part of comprehensive legislation enacted in 1999 to introduce retail competition in the Texas electric industry

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(Senate Bill 7). The PUCT adopted rules to implement the program in December 1999, 16 T.A.C. § 25.173. Important program changes occurred in 2005, when legislation was enacted to increase the renewable-energy goals and require the PUCT to establish CREZs and a transmission plan for the CREZs (Senate Bill 20). In December 2006, the PUCT amended § 25.173 and adopted rules relating to the CREZs, 16 T.A.C § 25.174, to implement SB 20. It also initiated a contested case proceeding to establish the CREZs and adopt a transmission plan in December 2006. That proceeding was completed in October 2007.

E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.

The renewable-energy program directly affects producers of energy and retail electric providers; it also affects municipal utilities and electric cooperatives that buy renewable energy or RECs from the producers. The program indirectly affects producers of energy from other sources, who compete with the renewable energy producers, and it affects customers, who would be expected to bear the cost of renewable energy and RECs through retail prices. Because of their support for renewable energy, some customers voluntarily purchase electricity that is backed by more RECs than the minimum. The electric utilities that construct and operate transmission facilities that are built to support the production of renewable energy are also affected. The program under PURA § 39.904 applies in areas served by investor-owned utilities. Municipal utilities and electric cooperatives are not subject to the program, but some of them participate through purchases of renewable energy or RECs.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The renewable-energy program operates under PUCT rules and with PUCT oversight, but decisions on investment in renewable resources and the operation of renewable resources to supply customers are decisions made by market participants in the competitive wholesale energy markets. Producers of renewable energy participate in the wholesale market like producers of energy from other sources. They have the option to sell energy on a bilateral basis or provide balancing energy and ancillary services in the markets operated by ERCOT, if their technology can do so. Integrated utilities and REPs have an obligation to buy renewable energy or RECs, and this obligation creates value in the RECs. The revenue from the sale of the REC provides financial support for the renewable energy producers. The PUCT does not have regional offices to assist in administering the program, and all of its program activities are conducted from Austin.

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- G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).**

This program's strategy is funded with General Revenue.

- H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.**

There are no similar programs.

- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

- J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

N/A

- K. If contracted expenditures are made through this program please provide**
- a short summary of the general purpose of those contracts overall;
 - the amount of those expenditures in fiscal year 2020;
 - the number of contracts accounting for those expenditures;
 - the method used to procure contracts;
 - top five contracts by dollar amount, including contractor and purpose;
 - the methods used to ensure accountability for funding and performance; and
 - a short description of any current contracting problems.

- L. Provide information on any grants awarded by the program.**

N/A

- M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.**

None identified.

Self-Evaluation Report**N. Provide any additional information needed to gain a preliminary understanding of the program or function.**

The PUCT estimates that more than one FTE is required for this program.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

The renewable energy credit trading program is essential to the meeting of the renewable energy requirements of PURA § 39.904. The program administrator audits MWh production data, conducts random site visits, and monitors the operational status of REC facilities to ensure the integrity of the REC trading program. The PUCT investigates all reports of non-compliance it receives from the program administrator. Assessment of administrative penalties and suspension from participating in the REC program are the ways the PUCT ensures compliance with the program.

P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.

See Informal Customer Complaint Resolution program description in section of Section VII. of this report.

Retail Electric Market Oversight**A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Retail Electric Market Oversight
Location/Division:	Customer Protection Division Market Analysis Division
Contact Name and Division:	Chris Burch, Director, Customer Protection Division Rebecca Zerwas, Director, Market Analysis Division
Statutory Citation for Program:	PURA Chapters 17, 37, 38, and 39

Self-Evaluation Report**B. What is the objective of this program or function? Describe the major activities performed under this program.**

In areas of the state open to retail competition, electric service is provided by competitive retail electric providers (REPs) whose rates are not regulated, but who are required to observe customer-protection rules and market protocols designed to ensure a functioning market and a positive customer experience.

The following functions are the primary features of this program:

- Certification and Registration of REPs and Aggregators;
- Registration of Brokers
- Development of retail market and customer-protection rules;
- Participation in development of ERCOT protocols and market guides;
- General oversight of retail markets;
- Designation and oversight of Providers of Last Resort; and
- Oversight of implementation of advanced meters.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.

Texas has one of the few functioning retail electric markets in the country. As of July 2021, there are 128 active certified retail electric providers (REPs), 407 registered aggregators, and 1,538 registered brokers in Texas. REPs are encouraged, but not required to post their product descriptions and prices for residential offerings on the PUCT's Power To Choose Website; currently, 31 REPs have active product offers.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.

The retail market opened in January 2002, and for the first five years of its operation, affiliated REPs were required to offer a Price to Beat to residential and small commercial customers. This price was based on the retail prices of the utilities in December 2000 and could be adjusted in response to changes in the price of natural gas. It was intended to protect customers who might be unwilling to switch to a competitive REP but also provide an opportunity for the competitive REPs to provide more attractive prices than the Price to Beat. Under PURA, the Price to Beat expired at the end of 2006, and prices for all customers in competitive areas have since been set by market forces. The retail electric market has evolved and changed over the last 15

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years. Significant developments and changes in the retail electric market are discussed in the PUCT's prior Electric Scope of Competition reports.²²

E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.

Certification of REPs and registration of Aggregators and Brokers affects REPs, aggregators, and brokers. Customers benefit from having qualified service providers that understand their obligation to comply with market and customer protection rules and, in the case of REPs, have the financial capability to stand behind the terms of service they offer to customers. The transmission and distribution utilities and ERCOT are indirectly affected, because they are exposed to financial risks associated with the failure of a REP.

Development of retail market rules and ERCOT protocols affects all entities to which the rules apply, including REPs, aggregators, brokers, and the transmission and distribution utilities that interact with them in the market. Additionally, many non-opt in entities (NOIEs), which are not regulated directly by the PUCT, model their own customer protection standards on the retail market rules adopted by the PUCT.

Providers of Last Resort affect the REPs designated to perform this function and benefits customers whose service has been discontinued.

There are approximately 7.9 million electric service identifiers (ESIIDs)²³ or individual meters in areas of the state open to competition.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

Certification of REPs and Registration of Aggregators and Brokers. Companies wishing to become REPs must apply to the PUCT for certification. 16 TAC §§ 25.107 and 25.108 set out the requirements and process for certification. Applications are contested cases processed in accordance with the Administrative Procedures Act and PUCT rules.

Companies wishing to be aggregators must register with the PUCT. 16 TAC § 25.111 sets out the requirements for registration as an aggregator. Aggregator registrations are reviewed by PUCT staff for compliance with applicable requirements but are not contested cases subject to intervention by affected parties or hearing.

²² Available on the PUCT's website at:

<https://www.puc.texas.gov/industry/electric/reports/scope/Default.aspx>

²³ An "ESIID" is unique numerical identifier for each electric point of service. It is not necessarily tied to a customer but may be. For example, a single residential customer may have one ESIID at their home, but a single customer with multiple buildings (and thus meters) and premises, such as an industrial customer, school district, or a university, may have many ESIIDs.

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Senate Bill 1497 was passed in the 86th Legislative Session to add PURA § 39.3555 persons providing advice or procurement services to or acting on behalf of a customer regarding the selection of a REP, or a product or service offered by a REP must register with the PUCT as a broker. The PUCT adopted rules codifying the legislation in May 2020 and setting out the requirements for registration as a broker. Broker registrations are reviewed by PUCT staff for compliance with applicable requirements but are not contested cases subject to intervention by affected parties or hearing.

Development of Retail Market and Customer Protection Rules.

Development of effective retail market rules is perhaps the most important function of this program. New rules or amendments to existing rules are initiated in the following ways:

- In response to legislative directives;
- Based on observation of market activity, including customer complaints, that suggests a need for a rule covering an activity not currently covered;
- Based on observation of market activity, including customer complaints, that suggests that existing rules are either not functioning as intended or are producing unintended results; and
- Based on petitions for rulemaking filed by interested persons pursuant to Texas Government Code § 2001.021.

Development of ERCOT Protocols

PUCT staff has been actively involved in the development of the ERCOT protocols.²⁴ The initial ERCOT protocols were approved by the PUCT and are subject to amendment as the need for changes and improvements arises. Staff works with ERCOT and other interested parties in a stakeholder process on amendments to the protocols and ERCOT-related market guides. Amendments to the protocols are approved by the ERCOT Board of Directors, subject to appeal to the PUCT. Under SB 2 of the 87th Legislative Session, the PUCT must review and approve all proposed ERCOT rules before they go into effect.

Market Oversight

The PUCT staff monitors retail market activities to ensure that market participants are observing all legal requirements and that the market is operating efficiently. When activities of concern are discovered, the PUCT staff usually contacts the company in question to obtain more information. If the alleged illegal behavior is of sufficient concern due to harm to the market or customers, the DCE will pursue more formal action, including imposition of administrative penalties. Enforcement activities are described as a separate program in Section VII. of this report.

²⁴ ERCOT protocols focus on market transactions and interactions of market participants, whereas the PUC rules tend to focus on activities that directly affect end-use customers.

Self-Evaluation Report**Designation and Oversight of Providers of Last Resort**

The PUCT is required to designate providers of last resort (POLR) to serve customers whose REP no longer provides service. The PUCT rules provide for a group of up to 15 REPs to be designated as POLRs for each customer class (residential, small non-residential, medium non-residential, and large non-residential) for each TDU service area. The designated REPs are the REPs with the greatest market share based upon retail sales in megawatt-hours, by customer class, for each TDU service area. Other eligible REPs may serve as volunteer POLRs. For the 2021-2022 POLR Term there are 28 designated REPs to provide POLR service and 3 REPs who have volunteered to provide POLR service. The designated POLRs may charge either a market-based price or a price based on a formula that includes the sum of nonbypassable charges incurred in serving customers (primarily delivery charges and ERCOT fees), an energy rate based on clearing prices in the balancing energy market, and a mark-up. Volunteer POLRs are required to charge a market-based price up to the number of ESI IDs for which they have agreed to provide POLR service.

Oversight of Implementation of Advanced Meters. Legislation has been enacted to foster the deployment of advanced meters by the investor-owned utilities in competitive areas. PUCT rules prescribe required functions for advanced metering systems and mechanisms for utilities to recover the costs of deploying advanced meters. These rules require PUCT approval of deployment plans and cost recovery mechanisms for advanced meters. In addition to participating in the review of deployment plans and proposals for cost recovery, PUCT staff participate in developing standards for the infrastructure behind the metering systems to ensure that broad benefits to utilities, customers and REPs are achieved, namely, that consumption information will be available to customers, particularly through in-home devices and hourly consumption information will be incorporated into wholesale-market settlement. Advanced meters have also enabled new product designs (time-of-use rates, prepaid rates), reduced certain discretionary costs for retail customers and facilitated same day/shorter timelines for customers to switch REPs. Staff also works with market participants on customer education. Deployment of advanced meters in the ERCOT region has been completed, with 7.89 million advanced meters in place.

In the non-ERCOT areas of the state, Entergy completed deployment of its advanced meters in March 2020, with 463,395 advanced meters deployed. El Paso Electric has a pending advanced meter deployment application, filed in April 2020, and has proposed to begin initial deployment in early 2023 with near-completion no later than 2025. SWEPCO filed an advanced meter application with the PUCT in August 2021. Advanced meters have not yet been deployed by Southwestern Public Service Company (SPS) and the PUCT is not advised on their plans for deployment.

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- G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).**

This program's strategy is funded with General Revenue.

- H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.**

There are no similar programs.

- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

- J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

N/A

- K. If contracted expenditures are made through this program please provide**
- a short summary of the general purpose of those contracts overall;
 - the amount of those expenditures in fiscal year 2020;
 - the number of contracts accounting for those expenditures;
 - the method used to procure contracts;
 - top five contracts by dollar amount, including contractor and purpose;
 - the methods used to ensure accountability for funding and performance; and
 - a short description of any current contracting problems.

N/A

- L. Provide information on any grants awarded by the program.**

N/A

- M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.**

None identified.

Self-Evaluation Report**N. Provide any additional information needed to gain a preliminary understanding of the program or function.**

The retail electric market in ERCOT has evolved since its inception in 2002. The general trend has been an increasing number of competitive REPs entering the market and a growing of variety of pricing plans for retail customers. The PUCT has implemented necessary changes in its rules and processes over this period to address issues as they arise. Significant developments in the retail electric market over the last ten years are discussed in more detail in the Commission's Electric Scope of Competition reports and the 2021 Biennial Agency Report.²⁵

Most recently, Winter Storm Uri in February 2021 had a significant impact on the ERCOT retail market. Most retail customers in ERCOT are served under fixed price contracts. During Winter Storm Uri, the wholesale price of power increased significantly. Customers who were on pricing plans indexed to the wholesale price of power saw significant increases in their bills for the week of February 14. The PUCT received many complaints from customers who were on wholesale indexed plans during Winter Storm Uri. The Commission opened investigations on certain providers offering these pricing plans to determine whether these plans violated any applicable Commission rules. These investigations are ongoing. At least one REP offering the wholesale indexed plans was forced to exit the market because of Winter Storm Uri. Soon after Winter Storm Uri, the Legislature enacted a law that prohibited REPs from offering wholesale indexed pricing plans.

Several other REPs were forced out of the ERCOT market because of Winter Storm Uri. Some of these REPs, including Griddy, filed for bankruptcy. Approximately a dozen REPs have since sold their book of customers to other REPs. As of August 2021, one REP has relinquished its certificate and three have had their certificates revoked by the Commission, all resulting in their exit from the ERCOT market. Under ERCOT protocols, certain costs left unpaid by REPs leaving the market are uplifted to the remaining retail customers in ERCOT. ERCOT estimates that as of July 2021, \$2.97 billion will be uplifted to the ERCOT retail customers because of companies' inability to pay for the real-time wholesale costs of electricity during Winter Storm Uri.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**

²⁵ Available on the PUC's website at:

<https://www.puc.texas.gov/industry/electric/reports/scope/Default.aspx>

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- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

Certification of REPs and registration of Aggregators and Brokers are needed to ensure that providers have the necessary qualifications to provide service, and to provide information about providers that is necessary for the PUCT to investigate alleged violations and abuses.

The PUCT requires REPs, transmission and distribution utilities, and ERCOT to file quarterly reports demonstrating compliance with market rules and protocols (16 TAC § 25.88). The PUCT also requires REPs to file semi-annual reports demonstrating their ongoing compliance with the certification requirements of the Commission, and their compliance with other rules and laws (16 TAC § 25.107).

The PUCT also requires aggregators to file annual reports demonstrating their ongoing compliance with the registration requirements and their compliance with other rules and laws (16 TAC § 25.111).

While brokers are not required to file any reports at this time, broker registrations expire three years after assignment of a broker registration number by the PUCT or the year after the broker's most recent update to its registration. Brokers are subject to the registration protection requirements in 16 TAC 25.486.

The PUCT's enforcement activities are described as a separate program.

Customer complaints are handled by the Customer Protection Division's informal complaint resolution process, which is included as a separate program.

- P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.**

See Informal Customer Complaint Resolution program description in section of Section VII. of this report.

Wholesale Telecommunications Market Oversight

- A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Wholesale Telecommunications Market Oversight
Location/Division:	Customer Protection Division Market Analysis Division
Contact Name and Division:	Rebecca Zerwas, Director, Market Analysis Division

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	Darryl Tietjen, Director, Rate Regulation Division
Statutory Citation for Program:	PURA Title 2, Subtitle C, Federal Telecommunications Act of 1996, 47 U.S.C. 151 <i>et seq.</i> :

B. What is the objective of this program or function? Describe the major activities performed under this program.

The PUCT's oversight of the wholesale telecommunications market is intended to foster competition in telecommunications services in Texas and fair access by competitive local exchange carriers (CLECs) and wireless providers to the networks of incumbent local exchange carriers (ILECs), as required by PURA and the Federal Telecommunications Act of 1996 (FTA). Since 1996, the primary activity used to implement this program was arbitrations conducted under the FTA. Due to the maturity of the telecommunications industry, over the last ten years, arbitrations and other matters related to the FTA have decreased significantly. Traditionally, the PUCT's wholesale market oversight involved the following key functions:

- Arbitration of disputed terms in interconnection agreements between telecommunications companies;
- Arbitration of disputes between telecommunications companies that arise after they interconnect;
- Regulation and oversight of competition of certain ILECs in Texas.
- Issuance of designations of eligibility to participate in the TUSF and the Federal Universal Service Fund (FUSF), namely, Eligible Telecommunications Carrier (ETC), Eligible Telecommunications Provider (ETP) and Resale Eligible Telecommunications Provider (RETP); and
- Rate regulation of telecommunications providers which includes intrastate access charges and inter-carrier compensation.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.

An indicator of the effectiveness of the PUCT's oversight of the telecommunications wholesale market can be seen in the deregulation of certain telecommunication markets where sufficient competition exists, the number and type of new entrants into the telecommunications market, and the availability of affordable telecommunications service throughout Texas.

Self-Evaluation Report**D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.**

The provision of telephone and other telecommunications services has changed radically over a period of roughly 30 years. At the beginning of the 1980s, most telephone service in the United States was provided by companies that had a monopoly on local service in an area and controlled access to long-distance service. Technological and policy changes have introduced competition first in customer equipment, then long-distance service, and finally in local service. One of the important milestones was the 1996 enactment of the FTA. The development of the internet and wireless telephone service expanded customer services, beginning in the 1990s. The focus of telephone regulation in the late 1990's was on enforcing obligations in the FTA, requiring ILECs to interconnect with competitive telecommunications companies seeking to provide local or long-distance service and to sell services or unbundled network elements to the competitive companies. During this period, the new features that had been added to telephone service offerings (caller ID, call waiting, etc.) were deregulated for many companies. In the early years of the current decade, the competition policy of the federal government shifted to emphasize inter-modal competition, as wireless service became more widespread and as cable companies began offering telephone service over the Internet.

Senate Bill 5, which was passed by 79th Legislature in 2005, brought significant changes to the telecommunications market that required PUCT oversight of the wholesale telecommunications markets. Senate Bill 5:

- Required that certain markets of ILECs be deregulated on January 1, 2006, which resulted in the deregulation of the markets in metropolitan areas and several smaller cities in the state;
- Introduced state-issued franchises for cable and video service;
- Required that all certificated providers of local exchange telephone service provide Lifeline Service, a discount on basic telephone service for low-income customers.
- Established the resale eligible telecommunications provider (RETP) designation for certain telecommunication providers relying on the resale of ILEC services to receive TUSF support for discounts given to qualified Lifeline customers²⁶; and
- Authorized the PUCT to revise the monthly per line support amounts to be made available from the THCUSP and SRIUSP funds.

More recent developments have been an expansion in the supply and demand for broadband services, as many residential and commercial customers have become accustomed to using the Internet on a routine basis, and widespread use of wireless devices that provide customers telephone, Internet, and email service. Again, due to

²⁶ SB 5 required resale telecommunications providers to provide Lifeline service to qualified customers and 16 TAC § 26.419 allows these providers to receive state support for Lifeline discounts provided to eligible customers.

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the overall maturity of the market, the PUCT activities under this program are minimal at this point.

E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.

This program affects telecommunications carriers doing business in Texas. It indirectly affects purchasers of telecommunications at retail who are customers of non-incumbent telecommunications companies or are customers of incumbents but may procure telecommunications service on better terms because of competition. Currently, in Texas there are 61 licensed ILECs. This number includes the many rural telephone companies that generally are exempted from interconnection obligations under the FTA. The primary ILECs that are parties to interconnection agreements are AT&T Texas, CenturyTel, Verizon, Embarq, and Windstream. Currently, there are 289 CLECs licensed in Texas. Because the FCC, not the PUCT, licenses wireless providers, the current number of these providers in Texas is unknown.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

In the past, the PUCT administered this program primarily through the resolution of disputes by means of arbitration under the FTA, approval of interconnection agreements. The arbitration of disputes under the FTA were conducted under rules of procedure adopted by the PUCT. Such an arbitration proceeding is not considered a "contested case" under the APA. The number of arbitration requests received by the Commission has dropped dramatically in recent years. The PUCT has not had a contested FTA proceeding since 2008. The PUCT has continued to receive requests for approval of negotiated interconnection agreements. These dockets are generally uncontested and result in the issuance of an order approving the interconnection agreement.

Negotiated Interconnection Agreements. Many parties successfully reach agreement of the rates, terms, and conditions for interconnection of their respective networks and access to unbundled network elements through voluntary negotiations. Although carriers were free to negotiate unique, individualized contracts, many have chosen to adopt the standardized interconnection agreements that have been approved by the PUCT. The standard interconnection agreement allows a competitive carrier to enter the market quickly, because AT&T Texas is required to promptly provide the new market entrant a signed interconnection agreement consistent with the standard interconnection agreement, and an expedited process for PUCT approval applies. In addition, the FTA requires a local exchange carrier (LEC) to allow a CLEC to opt-in to any interconnection agreement that has been approved by the PUCT thereby eliminating the need for negotiation. Parties to interconnection agreements also

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routinely amend their agreements through negotiation to reflect changes in law mandated by the FCC or the PUCT. Table 1 shows the number of negotiated interconnection agreements and amendments that were processed by the PUCT in the last four years.

Negotiated Interconnection Agreements and Amendments

Calendar Year	Agreements or Amendments Processed
2018	5
2019	17
2020	22
2021	14

Compulsory Arbitration. When voluntary negotiations of an interconnection agreement are unsuccessful, FTA § 252(b) allows parties to seek arbitration. The FTA gives state commissions responsibility for arbitrating open issues in the negotiation of interconnection agreements. State commissions must ensure that resolution of any open issues meets the requirements of the FTA and FCC regulations. The PUCT has not received a request for arbitration under the FTA since 2008.

- G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).**

This program's strategy is funded with General Revenue.

- H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.**

There are no similar programs.

- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

- J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

N/A

- K. If contracted expenditures are made through this program please provide**

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2020;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

N/A

- L. Provide information on any grants awarded by the program.**

N/A

- M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.**

None identified.

- N. Provide any additional information needed to gain a preliminary understanding of the program or function.**

The PUCT estimates that approximately 1 FTE is required for this program.

- O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe**

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

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- P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.**

N/A

Broadband Services

- A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Broadband Services
Location/Division:	N/A
Contact Name and Division:	N/A
Statutory Citation for Program:	N/A

- B. What is the objective of this program or function? Describe the major activities performed under this program.**

Broadband service is not regulated by the PUCT. The FCC has deliberated whether broadband service is considered a "telecommunications service" or an "information service" under federal telecommunications law. If broadband were classified as a telecommunications service, it would be subject to more stringent regulation by the FCC than if it were considered an information service. On January 4th, 2018, the FCC issued a Declaratory Ruling, Report and Order, and Order (FCC17-166) in WC Docket No. 17-108 in which they concluded that broadband should be classified as an information service. The FCC committed to bringing broadband to unserved high cost areas. The FCC held two auctions and several companies in Texas were awarded \$445 million to build out broadband infrastructure over 10 years. More recently, on July 9, 2021, the White House released an Executive Order on Promoting Competition in the American Economy. The Executive Order encourages the FCC to adopt rules and policies that will encourage development of broadband service requests the FCC to reclassify broadband as a telecommunications service.

Governor Abbott is also committed to bridging the information gap in unserved high cost areas in Texas. In 2019, the 86th Legislature formed the Governor's Broadband Development Council was formed by the 86th Legislature. In 2020 the Council issued its first annual report identifying findings and recommendations based on the Council's statutory duties.²⁷ Among other things, the Council recommended the creation of a state broadband office. During the 87th Legislative Session, the Legislature adopted HB 5 which establishes a Broadband Development Office under the authority of the Comptroller's office.

²⁷ 2020 Texas Report–Governor's Broadband Development Council.

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The 87th Legislature adopted HB 3853. This bill removes from PURA the references to an old FCC program, “broadband over power lines” (BPL) and authorized the deployment of “middle mile broadband service” to encourage development of broadband to unserved and underserved areas of Texas. HB 3853 allows, but does not require electric utilities to own, construct, or operate fiber facilities for the support of electric service and to lease excess fiber capacity for the provision of middle mile broadband service. The commission’s only obligation under the bill is to approve, modify or reject review an electric utility’s middle mile plan within 181 days after it is submitted to the commission. Finally, broadband may not be funded with money from the TUSF.

- C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.**

See Section B. above.

- D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.**

See Section B. above.

- E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.**

See Section B. above.

- F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.**

See Section B. above.

- G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).**

N/A

- H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.**

See Section B. above.

- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

See Section B. above.

- J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

See Section B. above.

- K. If contracted expenditures are made through this program please provide**

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2020;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

N/A

- L. Provide information on any grants awarded by the program.**

N/A

- M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.**

None identified.

- N. Provide any additional information needed to gain a preliminary understanding of the program or function.**

N/A

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- O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe**
- why the regulation is needed;
 - the scope of, and procedures for, inspections or audits of regulated entities;
 - follow-up activities conducted when non-compliance is identified;
 - sanctions available to the agency to ensure compliance; and
 - procedures for handling consumer/public complaints against regulated entities.
- N/A
- P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.**

N/A

Uniform Compensation for Use of Municipal Rights-of-Way

- A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Uniform Compensation for Use of Municipal Rights of Way
Location/Division:	Rate Regulation Division
Contact Name and Division:	Darryl Tietjen, Director, Rate Regulation Division
Statutory Citation for Program:	Local Government Code Chapter 283

- B. What is the objective of this program or function? Describe the major activities performed under this program.**

Local Government Code Chapter 283, which was enacted in 1999, establishes a uniform method for certificated telecommunications providers (CTPs) to compensate Texas municipalities for the use of public rights-of-way. Establishing a uniform method of compensating cities is a key component of a healthy competitive marketplace because it gives no provider an advantage over another regarding this cost. Local Government Code Chapter 283 strikes a balance between the interest in ensuring fair and reasonable compensation of cities and the need to encourage competition and

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reduce barriers to entry by developing a franchise fee methodology that is competitively neutral and non-discriminatory.

Franchise fees are based on the PUCT-determined fee-per-access line rates. Each city is compensated by an amount equal to the number of lines per category in a city multiplied by the access line rate for each category in that city. CTPs are required to compensate municipalities four times per year, based upon quarterly access line counts sent in by telecommunications providers to the PUCT.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.

The PUCT provides detailed information about this program on its website, which allows program participants to learn about the program and stay up-to-date on any changes. The PUCT has created password protected, Web-based tools that allow CTPs to report access line counts and for municipalities to obtain access line counts.

The PUCT's annual order adjusting access line rates is issued administratively.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.

Historically, telecommunications companies paid franchise fees to cities for the use of public rights-of-way based upon individually negotiated franchise fee agreements. Most of those fees were based on a percentage of the telecommunications provider's gross revenues, while others were on a flat rate, a per-foot charge, or a per-line charge. Local Government Code Chapter 283, adopted by the Legislature in 1999, required that the PUCT establish rates for each city in Texas by March 1, 2000, for public right-of-way use based on a fee-per-access line method. The Commission developed rates for about 1,140 incorporated municipalities in Texas.

The enactment of Senate Bill 5 in 2005 resulted in two changes to Chapter 283. First, the bill changed the definition of a "certificated telecommunications provider" in § 283.002 to include any person that provides voice service, regardless of whether that person holds a certificate of convenience and necessity, a certificate of operating authority, or a service provider certificate of operating authority. Second, Senate Bill 5 added a definition of "voice service" to PURA § 283.002 clarifying that any person who delivers voice communications through wireline facilities located, at least in part, in the public right-of-way is a CTP, regardless of the technology employed. There is one technology exception: voice service provided by commercial mobile service providers is expressly excluded.

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- E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.**

This program affects approximately 1,140 incorporated municipalities and approximately 140 providers of telecommunications services.

- F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.**

The PUCT adopted 16 TAC §§ 26.461-26.467 to implement this program.

Telecommunications franchise fees are based on a per-access line method. The total amount to be recovered by each municipality was initially determined based on the level of franchise revenues received in 1998. A rate for each of the three categories of access lines—residential, non-residential, and point-to-point—was calculated based on 1998 access line counts. The rate for each category, multiplied by the number of access line counts, equaled each city's base amount to be recovered.

Beginning in 2002, the PUCT has adjusted the access line fees for each city annually by half the increase in the Consumer Price Index. CTPs submit quarterly access line counts, and the franchise fee due to each city is calculated and paid quarterly. This fee transaction takes place individually between the CTP and the city. The PUCT's orders setting the annual access line rates and spreadsheets showing the rates for each city are available on the agency Website.

- G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).**

This program is funded with General Revenue.

- H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.**

There are no similar programs.

- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

Self-Evaluation Report**J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

See description of this program in Sections B. – G. above.

K. If contracted expenditures are made through this program please provide

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2020;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

N/A

L. Provide information on any grants awarded by the program.

N/A

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

For the time in which it was enacted, Chapter 283 and the resulting PUCT rules (16 TAC §§ 26.461 – 26.467) were sufficient for defining the three separate categories of access lines subject to the access line fee and the methodology by which these access lines were to be counted. The advancement of technology in the telecommunications industry over the last 20 years since the enactment of Chapter 283 has made it difficult for telecommunications providers to apply the applicable statute with respect to properly applying the access line fee for certain advanced services that have emerged in the last 20 years. While Chapter 283 standardized the way that cities are compensated for access to their rights-of-way, and eliminated barriers to entry for new telecommunications providers, the advancement of technology in telecommunications has resulted in potential instances where the application of the access line fee has led to bills where the access line fee is larger than the fee for the service itself.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

The PUCT estimates that less than one FTE is required for this program.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe

- why the regulation is needed;

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- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

Establishing a uniform method of compensating cities for public right-of-way use is a critical component of a healthy competitive marketplace because it gives no provider an advantage over another regarding this cost.

The PUCT's enforcement activities are described as a separate program.

The PUCT does not receive complaints from the public or customers about the activities involved in this program.

- P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.**

N/A

Registration of IXC's, Prepaid Calling Card Companies and Other Nondominant Telecom Carriers

- A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Registration of Interexchange Carriers, Prepaid Calling Services Companies, and Other Non-dominant Telecommunications Carriers
Location/Division:	Customer Protection Division
Contact Name and Division:	Chris Burch , Director, Customer Protection Division
Statutory Citation for Program:	PURA Chapter 52

- B. What is the objective of this program or function? Describe the major activities performed under this program.**

PURA § 52.103 requires "telecommunications utilities" to register with the PUCT not later than the 30th day after the date the utility commences service to the public. "Telecommunications utility" is a defined term which includes the following:

- A public utility;

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- An interexchange carrier;
- A specialized communications common carrier;
- A reseller of communications;
- A communications carrier who conveys, transmits, or receives communications wholly or partly over a telephone system;
- A provider of operator services, unless the provider is a subscriber to a customer-owned pay telephone service; and
- A separated affiliate or an electronic publishing joint venture.

In addition, an interexchange telecommunications utility doing business in Texas must maintain on file with the PUCT tariffs or lists governing the terms of providing its service.

The PUCT's rules require registration of prepaid calling services companies.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.

The PUCT has minimized the resources needed for this function by providing comprehensive information on the PUCT Website and through automation of the annual re-registration process. Tracking these companies helps the commission to ensure compliance with applicable requirements and assists customers by providing a search for providers within their area and updated information for company contacts. The PUCT estimates that the program requires less than one FTE.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.

N/A

E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.

This program affects "telecommunications utilities" as described in (B), above. Each company is required to re-register annually to ensure accurate contact information. There are currently 227 registered IXCs. Pre-paid calling card companies are required to register with the PUCT, but the PUCT has not received any such registrations in several years.

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- F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.**

The PUCT provides information about registration and provides downloadable registration forms and electronic re-registration forms on its Website. The information is maintained in a database format.

In 2000, the PUCT adopted 16 TAC § 26.34, which requires registration of prepaid calling services providers.

- G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).**

This program's strategy is funded with General Revenue.

- H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.**

There are no similar programs.

- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

- J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

N/A

- K. If contracted expenditures are made through this program please provide**
- a short summary of the general purpose of those contracts overall;
 - the amount of those expenditures in fiscal year 2020;
 - the number of contracts accounting for those expenditures;
 - the method used to procure contracts;
 - top five contracts by dollar amount, including contractor and purpose;
 - the methods used to ensure accountability for funding and performance; and

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- a short description of any current contracting problems.

N/A

L. Provide information on any grants awarded by the program.

N/A

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

None identified.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

The PUCT estimates that less than one FTE is required for this program.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

This requirement was enacted in 1987.

The PUCT does not conduct audits or inspections of the entities subject to this requirement. The agency uses its informal complaint resolution process to assist customers who file complaints against telecommunications utilities.

P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.

See Informal Customer Complaint Resolution program description in section of Section VII. of this report.

State Issued Certificates of Franchise Authority

A. Provide the following information at the beginning of each program description.

Name of Program or Function:	State-Issued Certificates of Franchise Authority (SICFA) for Cable and Video Service Providers
Location/Division:	Customer Protection Division
Contact Name and Division:	Chris Burch , Director, Customer Protection Division
Statutory Citation for Program:	PURA §§ 66.001-66.004

B. What is the objective of this program or function? Describe the major activities performed under this program.

PURA Chapter 66, enacted in 2005, established a state-issued certificate of franchise authority (SICFA) for new entrants as well as incumbent cable providers wishing to compete in new markets or obtain certificates in existing service areas after the expiration of their current municipal franchises. The intent of this legislation was to encourage investment and competition among cable and video service providers by removing the requirement to seek and negotiate separate franchise agreements with individual municipalities. This provision has been especially significant for traditional telecommunications companies that have been providing video services to compete with cable companies offering phone service.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.

PURA § 66.003 requires that the PUCT issue a SICFA before the 17th business day after receipt of a completed application submitted by the applicant and signed affidavit by an officer or general partner. The PUCT developed procedures to process the applications within this short time frame, which includes administrative approval of the applications.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.

N/A

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- E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.**

This program affects entities that wish to offer cable or video service. There are currently 86 certificated SICFA holders.

- F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.**

The PUCT adopted 16 TAC § 28.6 to implement the provisions of PURA Chapter 66.001-66.004, and franchises are issued consistent with the statute and rule.

- G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).**

This program's strategy is funded with General Revenue.

- H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.**

Prior to the enactment of PURA Chapter 66, cable and video service providers entered into franchise agreements with municipalities. There may be some preexisting franchise agreements still in existence because providers who had such agreements prior to September 1, 2005, are not eligible to seek a SICFA until the expiration of the existing municipal franchise agreement except as provided in PURA § 66.004. The PUCT has no visibility into how many, if any, such franchise agreements remain in effect today. However, when the old municipal franchise agreements expire or are terminated, the PUCT is the only franchising authority for the state for the area in question. As a result, the functions do not overlap. The FCC requires that all cable and video providers obtain local franchise agreements to operate.

- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

There is no need to coordinate activities because PURA § 66.004 clearly provides for the transition from municipal franchises to SICFAs.

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- J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

N/A

- K. If contracted expenditures are made through this program please provide**

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2020;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

N/A

- L. Provide information on any grants awarded by the program.**

N/A

- M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.**

The PUCT has limited authority to enforce requirements applicable to SICFA holders. PURA § 66.015 grants authority to "courts of competent jurisdiction" to determine noncompliance with the requirements of Chapter 66, to order any noncompliance to be cured, and to assess penalties, up to and including revocation of the SICFA.

- N. Provide any additional information needed to gain a preliminary understanding of the program or function.**

The PUCT estimates that this program requires less than one FTE. This estimate does not include time related to handling customer complaints.

- O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe**

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

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Cable and video service providers who hold SICFAs are required to pay municipalities in which they provide service a franchise fee of five percent of gross revenues. There are also requirements relating to in-kind contributions and public, educational and governmental access channels. Certification is necessary to identify providers of cable and video service who are subject to these requirements.

The PUCT has limited authority to enforce requirements applicable to SICFA holders. PURA § 66.015 grants authority to “courts of competent jurisdiction” to determine noncompliance with the requirements of Chapter 66, to order any noncompliance to be cured, and to assess penalties, up to and including revocation of the SICFA.

PURA § 66.014 prohibits SICFA holders from denying access to any group of potential residential subscribers based on the income of the residents in the area in which the group resides. An affected person may seek enforcement of this requirement by initiating a proceeding with the PUCT. A SICFA holder has a reasonable period to become capable of providing service throughout its franchise area and may satisfy that requirement using alternative technology that provides comparable content, service and functionality. The PUCT has the authority to make the determination regarding the comparability of the technology and service provided. No proceedings under § 66.014 have been initiated to date.

P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency’s particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.

The PUCT does not have the authority to resolve complaints relating to the provision of cable or video service. However, because customers contact the agency concerning their cable and video service, the PUCT forwards complaints to cable providers and maintains records of the contacts. In addition, as a convenience to the public, the PUCT has implemented an electronic database (directory) that allows customers to identify the SICFAs that operate within their city and county.

See Informal Customer Complaint Resolution program description in section of Section VII. of this report.

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Strategy 1-2-1:	Conduct rate cases for regulated telephone, electric and water and sewer 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 PUCT rules; register and license regulated service providers; evaluate utility infrastructure and quality of service.
Actual Expenditures, FY 2020	\$7,006,626
Number of FTEs as of August 31, 2020	80.1

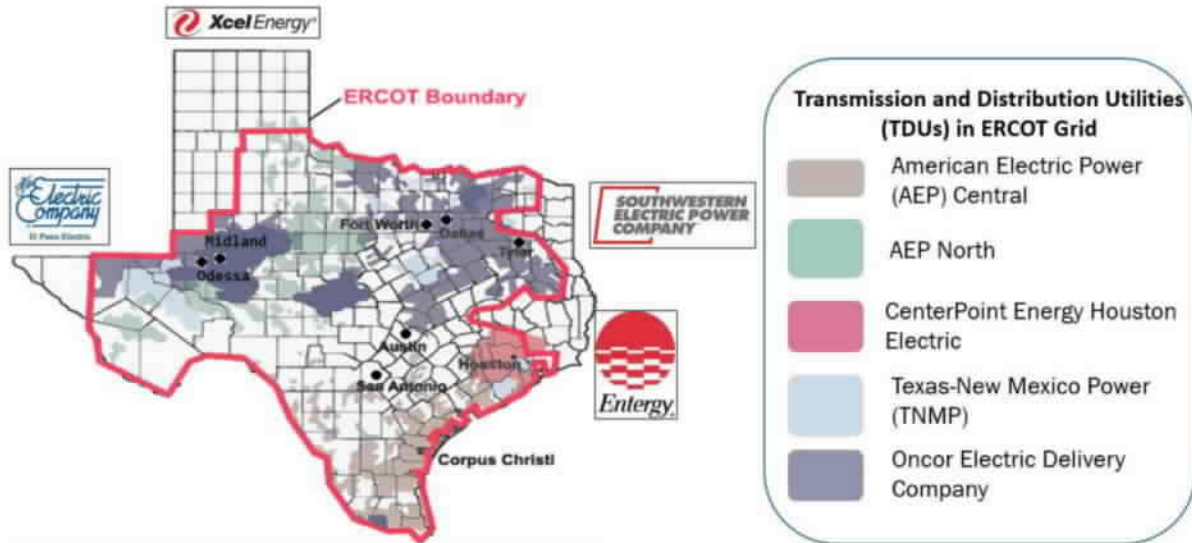
Regulation of Investor Owned Electric Utilities**A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Regulation of Investor-Owned Electric Utilities
Location/Division:	Rate Regulation Division Infrastructure Division Legal Division Division of Compliance & Enforcement
Contact Name and Division:	Darryl Tietjen, Director, Rate Regulation Division Keith Rogas, Director, Infrastructure Division Rachelle Robles, Director, Legal Division Barksdale English, Director, Division of Compliance & Enforcement
Statutory Citation for Program:	PURA Subtitle B

B. What is the objective of this program or function? Describe the major activities performed under this program.

As a result of the way the electric industry has evolved in Texas, including electric restructuring, electric service is provided to customers by several types of entities with differing degrees of regulation depending on where the customer lives. Customers living inside ERCOT may be served by an electric cooperative, a municipally owned utility, or a retail electric provider. Outside of ERCOT, customers are served by electric cooperatives, municipally owned utilities, or integrated investor-owned utilities. The map below shows the parts of the state covered by different electric grids and lists some of the electricity service providers operating within those grids.

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Inside ERCOT, which serves around 90% of the electric load in Texas, investor-owned electric utilities were required to separate into generation, transmission and distribution, and retail services companies as part of the transition to retail electric choice. The only service that is still subject to traditional regulation is the transmission and distribution function. PUCT regulation of wholesale transmission service is described as a separate program beginning on p 47 of this report.

In areas of Texas outside ERCOT, retail competition has been delayed indefinitely. In these areas of the state where competition has not begun, utilities are still vertically integrated, i.e., they have not separated into generation, transmission and distribution, and retail service companies, and they are still subject to traditional cost-of-service regulation by the PUCT for their retail rates.

The key features of this program are the following:

Service Area and Transmission Line Certification. An electric utility may not provide service to the public without a certificate of convenience and necessity (CCN). Almost all service area CCNs were granted to existing utilities soon after the PUCT was created in 1975. Since that time, the PUCT's key role in service area certification has been to consider requests for amendments and exceptions to service area boundaries, to decide disputes over service areas, and to resolve issues related to dually or triply certificated areas.

An electric utility that wishes to construct a transmission line must obtain a certificate of convenience and necessity before constructing the facility. PURA Chapter 37 governs CCNs.

Rate Regulation. Traditional rate regulation is premised on the idea that utilities are natural monopolies, and that regulation is a substitute for competitive forces to ensure reasonable prices and high-quality service. The PUCT establishes a utility's rates based on the utility's cost of providing service, including the reasonable opportunity to earn a reasonable return on invested capital used and useful in

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providing service. As part of 16 TAC § 25.247, adopted in 2018, each IOU in ERCOT is required to for a comprehensive rate review within 48 months of the order setting rates in its most recent comprehensive rate case. Since the introduction of retail customer choice in ERCOT in 2002, various T&D costs have been set and adjusted through periodic rate riders between comprehensive base rate cases. Examples of these types of riders include the transmission cost recovery factor (TCRF), the distribution cost recovery factor (DCRF), the generation cost recovery factor.

In Texas, municipalities have original rate jurisdiction over electric utilities doing business within their incorporated boundaries, in accordance with PURA § 32.001. Actions of municipalities are subject to appeal to the PUCT, and the PUCT has exclusive rate jurisdiction in areas outside municipalities and within municipalities that surrender their jurisdiction to the PUCT under PURA § 33.002. Virtually all municipal rate-setting decisions are appealed to the PUCT and consolidated with pending cases relating to areas outside the cities. PURA Chapter 36 establishes the statutory framework for rate regulation.

Service Quality Regulation. Service quality refers to the statutory requirement in PURA § 38.001 that electric utilities furnish service, instrumentalities, and facilities that are safe, adequate, efficient, and reasonable. The PUCT adopted rules under PURA § 38.002 and § 38.005 establishing service quality standards for electric utilities, including power quality, reliability, and emergency operation. The rules require electric utilities to report on their compliance with certain standards. PURA §§ 38.004 and 38.102, enacted in 2019, require utilities to maintain minimum vertical clearance requirements for and report on overhead power line inspections and safety, and the PUCT adopted rules and forms for these requirements, 16 TAC § 25.97. If the standards and reporting requirements are not met, the PUCT may investigate, require improvements in service quality, and impose administrative penalties.

Customer Protections. PURA and the Commission's rules provide significant customer protections in areas such as billing, privacy, protection from discrimination, and metering. The applicable PURA provisions include Chapter 17.

- C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.**

The following performance measures highlight the work done in the Rate Regulation program.

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Performance Measures	FY 2020 Target	FY 2020 Actual
OC 1-2-1.07 Percentage of Electric Customers Served by TDUs Meeting Service Quality Standards	98%	96.91%
OP 1-2-1.01 Number of Rate Cases Completed for Regulated Electric Utilities	65	73
EF 1-2-1.01 Average Number of Days to Process a Major Rate Case for a TDU	200	657
EX 1-2-1.01 Number of Electric Utilities Regulated	14	14

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.

Since the PUCT's creation in 1975, regulation of electric utilities did not change substantially until the passage in 1999 of SB 7, which restructured the electric utility industry. Currently, inside ERCOT, traditional regulation applies only to investor-owned transmission and distribution companies. Outside ERCOT, rate regulation applies to fully integrated electric utilities in areas where customer choice has not been implemented.

The market structure for retail competition created by SB 7 includes regulated transmission and distribution companies as a key component. Unbundled monopoly electric utilities will exist outside of ERCOT until the PUCT, after consideration of market readiness in these areas, authorizes the implementation of customer choice. If areas outside ERCOT open to customer choice and the electric utilities in these areas separate into generation, transmission and distribution, and retail service companies, the PUCT will continue to regulate the transmission and distribution rates of these utilities.

E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.

Electric utility regulation applies to investor-owned electric utilities operating outside ERCOT, and transmission and distribution utilities operating inside ERCOT.

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This regulation affects all persons living in Texas who are served directly or indirectly by investor-owned utilities.

There are four investor-owned electric utilities operating outside ERCOT: El Paso Electric Company, Southwestern Public Service Company, Southwestern Electric Power Company, and Entergy Texas, Inc.

There are nine utilities operating inside ERCOT that provide transmission and distribution service or transmission-only service. The transmission and distribution utilities are Oncor Electric Delivery Company, Center Point Energy Houston Electric, AEP Texas, and Texas-New Mexico Power Company. The transmission-only utilities are Electric Transmission Texas, Wind Energy Transmission Texas, Cross Texas Transmission, Lone Star Transmission, and Sharyland Utilities.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

Service Area and Transmission Line Certification. Almost all service area CCNs were granted to existing utilities soon after the PUCT was created in 1975. Since that time, the PUCT's key role has been to consider requests for amendments to service area boundaries, to decide disputes over service areas, and to resolve issues related to dually or triply certificated areas.

The provisions of 16 TAC § 25.101 cover CCNs for service areas and transmission lines.

Applications to amend service area boundaries or to build transmission facilities are initiated by application of the electric utility and processed as contested cases in accordance with the Administrative Procedures Act (APA) and the Commission's Procedural Rules (16 T.A.C. Chapter 22). The Commission Staff participates as a party representing the public interest.

Rate Regulation. Applications to change rates may be initiated by the utility, the PUCT, or a municipality with original jurisdiction. The applications are processed in accordance with the Administrative Procedures Act, the Commission's Procedural Rules, and PURA Chapter 36. The Commission Staff participates as a party representing the public interest. The Commission is required to act within 185 days before the rates become effective by default, subject to an extension of two days for each day the actual hearing on the merits of the case exceeds 15 days.

16 T.A.C. § 25.231 – 25.238 and 16 T.A.C. § 25.241 contain the standards for setting retail rates of investor-owned utilities.

Service Quality Regulation. Service quality standards are established by 16 T.A.C. §§ 25.51, 25.52, and 25.97. Companies are required to file annual reports and to report incidents of significant interruptions.

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Customer Service and Protection. The provisions of 16 T.A.C. §§ 25.21 - 25.31 establish standards for initiation of service, credit requirements and deposits, billing, switchovers, bill payment, disconnection of service, and complaints. Customers' complaints often relate to these requirements. The PUCT has an informal complaint resolution program to address individual customers' concerns. The PUCT also investigates utilities based on customer or market participant complaints or identification of problems by Commission staff. PUCT investigations may lead to administrative penalties.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

This program is funded with General Revenue.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

Municipalities have original jurisdiction over electric utilities operating within their boundaries. Under the provisions of PURA § 33.002, municipalities may cede jurisdiction to the PUCT; 296 cities have done so.

With few exceptions, rate decisions of municipalities are appealed to the PUCT, which then sets system-wide rates for the company involved. In general, municipalities exercising original jurisdiction do not conduct detailed reviews of requested rate changes.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Although municipalities have original jurisdiction over the rates and services of investor-owned electric utilities operating within their boundaries, there is no potential for conflict because the PUCT exercises appellate jurisdiction over those areas, so PUCT orders supersede the actions of the city. Duplication is limited because cities generally do not conduct detailed reviews of requested rate changes before acting on the requests, but actively participate in the appeals of their actions to the PUCT. Because the PUCT exercises original jurisdiction over the electric utility's rates outside municipal boundaries, the Commission will necessarily conduct a detailed review of the utility's cost of service before setting system-wide rates.

Self-Evaluation Report**J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

Municipalities frequently participate in PUCT proceedings in which rates are set, participating in their capacities as a regulatory authority, commercial customer, and on behalf of residential customers residing in the municipality.

PURA § 32.004 provides that on the request of a municipality, the PUCT may advise and assist the municipality with respect to a question or proceeding arising under PURA. Assistance provided by the Commission may include aid to a municipality on a matter pending before the Commission, a court, or the municipality's governing body, such as making a staff member available as a witness or otherwise providing evidence to the municipality. The PUCT has not received a formal request for assistance from a municipality for many years, if ever, but the PUCT staff works with cities informally within the context of contested cases in which the cities intervene.

K. If contracted expenditures are made through this program please provide

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2020;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

N/A

L. Provide information on any grants awarded by the program.

N/A

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

In 2011 and 2020, respectively, the PUCT adopted rules that allow for interim recovery of capital costs related to distribution investment and, for non-ERCOT vertically integrated utility companies, generation investment. Each of these interim recovery mechanisms allows a utility company to file for an update to its rates once per year. Also, in 2013, the PUCT adopted a rule allowing non-ERCOT vertically integrated companies to apply for a recovery mechanism for purchased power capacity costs. To date, no company has requested this recovery mechanism.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

Resource requirements for this program can vary significantly from month to month and year to year, depending on whether utilities file applications for

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transmission line CCNs and rate cases and the level of controversy associated with any particular filing. Both transmission line CCN cases and rate cases are subject to statutory time limits, which necessitates giving priority to these cases. In addition, PURA § 36.107 requires the Commission to give preference to hearings and deciding issues in rate cases and to decide questions as quickly as possible.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

Service Area and Transmission Line Certification. An entity holding a CCN to serve a geographic area has the obligation to provide service, coupled with a right to provide service. The right to provide service may or may not be exclusive, depending on whether other entities also have a CCN to serve all or a portion of the same area. Approximately 30% of Texas is certificated to two or more entities, which is largely a result of the fact that utility regulation began in 1975, long after service had been established throughout the state. Because of the short time allowed by PURA to complete certification, the PUCT did not attempt to resolve service area overlaps at the time service area CCNs were initially issued in 1976.

Service area certification promotes economic efficiency in providing service by avoiding duplication of facilities, preserves community values by avoiding construction of unnecessary transmission and distribution facilities, and minimizes impacts of providing transmission and distribution services on customers on whose property facilities are constructed. Transmission line certification serves many of the same purposes as service area certification, i.e., economic efficiency, preservation of community values, and minimizing impact on affected landowners.

The PUCT has found it unnecessary to proactively monitor compliance with service area certification requirements. Utilities routinely serve the customers in their certificated areas. Disputes arising between companies regarding which company is entitled to serve a customer are usually settled, and the affected companies request any necessary CCN service area changes from the PUCT. Companies that are not able to resolve disputes through agreements may file complaints with the PUCT and avail themselves of contested cases procedures. In addition, the PUCT's informal customer complaint resolution program, which is described as a separate program, allows customers to bring any difficulties they are having to the PUCT's attention.

Similarly, the PUCT is not aware of instances in which a utility has constructed transmission facilities without receiving necessary approvals. Because construction of

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transmission facilities often involves the exercise of the power of eminent domain by the utility, construction without necessary approvals would be ill-advised. In addition, a possible sanction for construction of a transmission line without first obtaining a CCN is disallowance of the costs of the line from rates, which provides an effective compliance inducement.

Rate Regulation. Rate regulation is premised on the idea that public utilities are natural monopolies in the areas they serve, and as a result, the normal forces of competition that regulate prices in a free enterprise society do not operate. Regulation by public agencies is used as a surrogate for competitive forces to ensure reasonable prices and quality service.

Due to resource constraints, the PUCT does not currently have a proactive program for determining whether electric utilities actually charge their approved rates. Transmission and distribution utilities operating in ERCOT provide service to retail electric providers, which are sophisticated customers able to determine whether the correct rates are being charged. Most utilities have internal systems that screen for anomalous bills, which are then examined for accuracy.

Because the PUCT must approve all changes in rates, periodic rate reviews provide an opportunity to examine compliance with regulatory requirements. Intervenors and PUCT staff may use rate cases to investigate and raise issues concerning all areas of a utility's operations.

Service Quality Regulation. Like rate regulation, service quality regulation is needed because public utilities are considered natural monopolies in the areas they serve.

The PUCT relies on reports submitted by the utilities pursuant to the PUCT's rules and customer complaints to determine compliance with statutory and rule requirements for service quality. The PUCT's rules require utilities to file annual reports on service quality, to keep records of service interruptions, and to notify the PUCT when significant interruptions occur. Sanctions available for non-compliance with the requirements include adjustments to the company's authorized rate of return under the provisions of PURA § 36.052 and the imposition of administrative penalties.

The PUCT's enforcement activities are described as a separate program.

P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.

See Informal Customer Complaint Resolution program description in section of Section VII. of this report.

Self-Evaluation Report**Rate Regulation of Wholesale Transmission Service****A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Rate Regulation of Wholesale Transmission Service
Location/Division:	Rate Regulation Division Infrastructure Division
Contact Name and Division:	Darryl Tietjen, Director, Rate Regulation Division Keith Rogas, Director, Infrastructure Division
Statutory Citation for Program:	PURA § 35.004

B. What is the objective of this program or function? Describe the major activities performed under this program.

Texas is unique among the 48 contiguous states because most of the state is served by a power grid wholly located within the state called the Electric Reliability Council of Texas (ERCOT) that is interconnected to other regions through only limited direct-current ties. In most states, electric utilities are synchronously interconnected with utilities in other states, and are therefore subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) for regulation of wholesale transmission services. In ERCOT, however, the PUCT has jurisdiction to regulate wholesale transmission rates for all providers, including electric utilities, municipally owned utilities, and electric cooperatives. In areas of Texas outside ERCOT, the FERC has jurisdiction over the investor owned utilities and municipally owned utilities and electric cooperatives that participate in regional transmission organizations.

Regulation of wholesale transmission service is necessary because the services are provided by companies that are monopolies in the areas in which they serve. Wholesale transmission service is an essential service in the wholesale and retail competitive markets, and PUCT regulation facilitates competition in those markets.

PURA § 35.004, enacted in 1995, requires the PUCT to:

- Ensure that a utility provides nondiscriminatory access to wholesale transmission service for qualifying facilities, exempt wholesale generators, power marketers, power generation companies, retail electric providers, and other transmission and distribution utilities; and
- Establish rates for wholesale transmission services within ERCOT.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.

The Commission has established procedures, set out in 16 T.A.C. § 25.192, that are designed to facilitate and expedite necessary rate changes. The provisions of this rule allow a utility (transmission service provider; TSP) to update, up to two times per

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year and without going through a full rate proceeding, its transmission rates to reflect changes in the capital costs of providing such services. The TSP's updated rates reflect the addition and retirement of transmission facilities and include related depreciation, federal income taxes and other associated taxes, and the PUCT-allowed rate of return on such facilities as well as changes in loads. These updates of transmission rates are subject to reconciliation at the next complete review of the TSP's transmission cost of service, when the PUCT determines whether the costs of the transmission plant additions are reasonable and necessary. Any over-recovery of costs that has occurred because of the annual updates is subject to refund.

Although TSPs continue to file for complete cost-of-service rate reviews on an as-needed basis, virtually all the larger and several smaller TSPs have regularly availed themselves of the ability to file the interim capital-cost updates. Unlike a comprehensive rate case in which a TSP's overall cost of service is examined, these updates are generally noncontroversial and are therefore completed within a much shorter period (two to three months) than a typical full cost-of-service proceeding (six months or often longer). These interim proceedings decrease regulatory lag and enhance the regulatory process by providing a more efficient and timely inclusion in rates of new plant additions and they also significantly reduce for all parties the expenses incurred and the expenditure of time and resources required to fully litigate a general rate case.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.

When this program was initiated in 1995, it was needed to facilitate competition in the wholesale electric market. With statutory changes enacted in 1999 that introduced retail competition in 2002, the program is now needed to facilitate retail competition, as well as wholesale competition.

In 2018, the Commission adopted a scheduling rule that requires an investor-owned TSP to file an application for a comprehensive rate proceeding within 48 months of the order setting rates in its most recent comprehensive rate proceeding or other proceeding in which the Commission approved a settlement agreement reflecting a rate modification that allowed the electric utility to avoid the filing of such a rate case. The rule also requires each non-investor-owned TSP to file an application for either a comprehensive rate proceeding or an interim update within 48 months or 96 months (depending on its wholesale transmission charges as a percentage of ERCOT's total wholesale transmission charges) of the order setting rates in its most recent comprehensive rate proceeding or other proceeding in which the Commission approved a settlement agreement reflecting a rate modification that allowed the electric utility to avoid the filing of such a rate case.

Self-Evaluation Report**E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.**

This program affects utilities that provide wholesale transmission service in ERCOT.

Rate regulation of wholesale transmission services affects all utility customers in ERCOT.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The PUCT adopted 16 T.A.C. §§ 25.191 – 25.203 to implement PURA Chapter 35, Subchapter A. The rules provide for the following:

- Standards for establishing transmissions service rates;
- Distribution service provider transmission cost recovery factors;
- Terms and conditions for transmission service;
- Standards of conduct;
- Standards for initiating transmissions service;
- Requirements for load shedding, curtailments, and redispatch;
- Commercial terms for transmission service; and
- Alternative dispute resolution.

Wholesale transmission service providers are required to file tariffs that are approved by the PUCT in accordance with requirements for contested cases in the Administrative Procedures Act, Government Code Chapter 2001, and the Commission's Procedural Rules, 16 T.A.C. Chapter 22. The Commission has established procedures, set out in 16 T.A.C. § 25.192, that are designed to facilitate and expedite necessary rate changes.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

This program is funded with General Revenue.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

There are no similar programs.

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- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

- J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

N/A

- K. If contracted expenditures are made through this program please provide**

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2020;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

- L. Provide information on any grants awarded by the program.**

N/A

- M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.**

None identified.

- N. Provide any additional information needed to gain a preliminary understanding of the program or function.**

N/A

- O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe**

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

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The PUCT does not conduct inspections or audits of wholesale transmission service providers. Providers are required to obtain approval of tariffs filed with the Commission. The customers of wholesale transmission service providers, which are sophisticated entities also in the electric power business, may bring formal or informal complaints to the Commission.

The PUCT's enforcement activities are described as a separate program.

Because this program involves wholesale providers, the PUCT does not receive complaints from customers or the public about this program.

- P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.**

See Informal Customer Complaint Resolution program description in section of Section VII. of this report.

Energy Efficiency

- A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Energy Efficiency
Location/Division:	Infrastructure Division
Contact Name and Division:	Keith Rogas, Director, Infrastructure Division
Statutory Citation for Program:	PURA § 39.905, Goal for Energy Efficiency requires that electric utilities administer energy efficiency programs. Texas Health and Safety Code § 386.205, Evaluation of State Energy Efficiency Programs, requires the PUCT to annually provide the Texas Commission on Environmental Quality (TCEQ) a report that summarizes results of energy efficiency programs required under PURA § 39.905.

- B. What is the objective of this program or function? Describe the major activities performed under this program.**

PURA § 39.905 requires that electric utilities administer energy efficiency programs in a market-neutral, nondiscriminatory manner. The energy efficiency programs are intended to improve electric customers' energy use through measures that reduce energy consumption, summer and winter peak demand, and energy costs.

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- C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.**

Each year, the investor-owned electric utilities subject to PURA §39.905 file reports detailing their performance in achieving the demand reduction and energy saving goals of the programs they administer. PURA §39.905 and 16 TAC §25.181, Energy Efficiency Goal, require that each investor-owned electric utility achieve a minimum demand goal. PUCT rule also requires that each utility achieve a minimum energy savings goal. PURA §39.905 and 16 TAC §25.181 encourage utilities to exceed their minimum savings goals.

The utilities have consistently exceeded their statutory demand reduction goals and the energy savings goals required by PUCT rule. The PUCT has internal performance measures by which it tracks the utilities' performance. In addition, in response to legislation (SB 1125) in 2011, which required the PUCT to develop an evaluation, measurement, and verification (EM&V) framework, the PUCT's EM&V contractor annually reviews the utilities claimed demand reduction and energy savings to independently verify the utilities' savings.

The utilities' demand and energy savings for 2015 - 2020 are shown in the table below.

Electric Utility Demand and Energy Savings 2015 - 2020				
Year	Verified Demand and Energy Savings		Demand and Energy Goals	
	Demand (MW)	Energy (MWh)	Demand (MW)	Energy (MWh)
2015	390.33	559,684.78	189.94	332,782.00
2016	407.70	595,115.08	193.28	338,880.00
2017	465.82	541,044.30	193.64	329,324.79
2018	475.33	577,783.96	194.43	340,650.00
2019	480.82	653,702.85	195.81	343,067.64
2020	502.02	691,435.12	196.55	344,364.32

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D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.

The utilities' energy efficiency programs were adopted as a part of comprehensive legislation enacted in 1999 to introduce retail competition in the Texas electric industry (Senate Bill 7). The 1999 legislation directed the PUCT to establish energy efficiency programs that would be carried out each electric utility to achieve demand savings equal to at least ten percent of the electric utility's annual growth in demand. Subsequent legislation was enacted in 2001 (SB 5), 2007 (HB 3693), and 2011 (SB 1125).

Legislation in 2001 (SB5), amended the Health and Safety Code to require quantification of energy savings and reporting of emission reductions resulting from the utilities' energy-efficiency programs.

The 2007 legislation (HB 3693) raised the utilities' energy efficiency goal from 10 percent of growth in demand to at least 15 percent growth in demand by January 2009, and to at least 20 percent growth in demand by January 2010. HB 3693 also established a cost recovery mechanism designed to expedite utilities' recovery of reasonable expenditures on their energy efficiency programs and permitted the PUCT to award performance bonuses for utilities that exceed the goal.

Legislation in 2011 (SB 1125) increased the demand goal, beginning with the 2013 program year, to 30 percent growth in demand. Once a utility's goal is equivalent to at least four-tenths of one percent of the utility's summer weather-adjusted peak demand, the utility must achieve this goal in subsequent years. The legislation also expanded the programs to reduce summer and winter peak demand. In addition, the legislation required the PUCT to develop an EM&V framework to verify the utilities' savings and to provide more insight into the program design issues.

PUCT rule 16 TAC § 25.181 governs the implementation of the utilities' energy efficiency program. When originally adopted in 2000, 16 TAC § 25.181 required the electric utilities to obtain savings equal to at least ten percent of their growth in demand.

The rule was amended in 2008, to require an energy savings goal and a demand goal equivalent to at least a 15 percent reduction of the electric utilities' growth in demand of residential and commercial customers for program year 2009. This goal increased to a 20 percent reduction for program years 2010 and 2011.

Further amendments to 16 TAC § 25.181, adopted in 2010, increased the electric utilities' savings goal to at least 25 percent of growth in demand for 2012 and 30 percent for subsequent program years.

In 2012, consistent with legislation, the commission adopted amendments to 16 TAC § 25.181 that maintained the 30 percent goal for 2013 but shifted the goal to four-tenths of one percent of summer weather-adjusted peak demand in subsequent years once the utility reaches that goal. Additional amendments adopted an EM&V

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framework and outlined the roles and responsibilities of a statewide evaluator to be selected by the PUCT.

To improve the organization of the rule, rule language relevant to determining a utility's energy efficiency cost recovery factor was moved from 16 TAC § 25.181 to new 16 TAC § 25.182 in 2019. Other amendments to 16 TAC § 25.181 included new language to support staff approval of the Texas Technical Reference Manual used in program planning and reporting of energy efficiency programs.

16 TAC § 25.183 requires that the utilities report their program results to the PUCT.

E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.

The energy-efficiency programs affect the electric utilities implementing these programs and residential and commercial customers. Utilities are required to adopt energy efficiency programs that will reach all customers (except industrial customers, who are largely excluded from the program). The PUCT's 2008 rule amendments included a requirement that each utility report whether any counties in its service area are under-served by the utility's program. The program under PURA § 39.905 applies in areas served by investor-owned utilities; municipal utilities and electric cooperatives are not subject to the program.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The utilities' energy-efficiency programs are carried out through standard-offer programs, utility self-delivered programs, and market-transformation programs that are funded by utilities but implemented by third parties that have the customer connections and expertise in energy-efficient technology. The utilities operate under the statute and rules adopted by the PUCT and, in turn, prescribe detailed program requirements for the third-party implementers that carry out the programs.

Program implementers report the energy and demand savings to the utility and are compensated, in accordance with program rules. The program implementers are required to submit information to the utilities to verify the savings claimed, and the utilities have the right to inspect the energy-efficiency measures to ensure that the claimed savings are realistic.

To ensure that the programs are evaluated, measured, and verified using a consistent process that promotes effective program design and consistent streamlined reporting as required by the legislation in 2011 and PUCT rule, the PUCT selected an entity beginning in 2013 to act as the PUCT's Evaluation Measurement and Verification

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(EM&V) contractor to review the utilities' energy efficiency programs. The objectives of the EM&V contractor are to:

- document the energy and demand savings of utilities' individual energy efficiency and load management portfolios;
- determine program cost-effectiveness;
- provide feedback to the PUCT, utilities, and other stakeholders on program portfolio performance; and
- prepare and maintain a statewide technical reference manual (TRM), the single common reference document for estimating demand and energy savings resulting from the implementation of energy efficiency measures promoted by the utilities' programs.

The PUCT's EM&V contractor independently verifies claimed savings across all programs through program tracking data that is received from the utilities. Additional EM&V activities may include engineering desk reviews, on-site measurement and verification, interval meter data analysis, consumption analysis, participant surveys, and in-depth interviews.

The utilities provide an annual energy efficiency plan and report to the PUCT that shows prior year programs, costs, and savings, and planned programs, budgets, and savings goals for the next year. The utilities also apply for energy efficiency cost recovery factors consistent with PURA § 39.905 and 16 TAC § 25.182 to recover the costs of the programs and, if eligible, for bonuses for meeting the program goals. Although the PUCT's EM&V contractor may travel to perform on-site measurement and verification, the PUCT does not have regional offices to assist in administering the program, and all program activities conducted by PUCT staff are conducted from Austin.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The PUCT's role in this program is funded by General Revenue. The PUCT's EM&V contractor is funded by the utilities subject to PURA § 39.905 in proportion to their energy efficiency program costs.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

There are no similar programs.

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- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

- J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

N/A

- K. If contracted expenditures are made through this program please provide**
- **a short summary of the general purpose of those contracts overall;**
 - **the amount of those expenditures in fiscal year 2020;**
 - **the number of contracts accounting for those expenditures;**
 - **the method used to procure contracts;**
 - **top five contracts by dollar amount, including contractor and purpose;**
 - **the methods used to ensure accountability for funding and performance; and**
 - **a short description of any current contracting problems.**

The PUCT's EM&V contractor is funded by the utilities subject to PURA § 39.905 in proportion to their energy efficiency program costs. In calendar year 2020, the utilities paid \$1,822,574.00, which is less than 1.5% of their total program expenses, to fund the PUCT's EM&V contractor.

The contract was bid in accordance with State of Texas procedures and was bid on best value. The contract has deliverables that are reviewed by the contract manager to ensure accountability of cost and performance.

- L. Provide information on any grants awarded by the program.**

N/A

- M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.**

None identified.

- N. Provide any additional information needed to gain a preliminary understanding of the program or function.**

The PUCT estimates that approximately two FTEs are required to perform the agency's role in this program.

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- O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe**
- why the regulation is needed;
 - the scope of, and procedures for, inspections or audits of regulated entities;
 - follow-up activities conducted when non-compliance is identified;
 - sanctions available to the agency to ensure compliance; and
 - procedures for handling consumer/public complaints against regulated entities.

N/A

- P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.**

The PUCT does not separately track customer complaints relating to this program.

Electric Cooperative Regulation and Oversight

- A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Electric Cooperative Regulation and Oversight
Location/Division:	Rate Regulation Division Market Analysis Division Infrastructure Division Customer Protection Division Division of Compliance & Enforcement
Contact Name and Division:	Darryl Tietjen, Director, Rate Regulation Division Rebecca Zerwas, Director, Market Analysis Division Keith Rogas, Director, Infrastructure Division Chris Burch, Director, Customer Protection Division Barksdale English, Director, Division of Compliance & Enforcement
Statutory Citation for Program:	PURA §§ 38.004, 38.102, 40.004 Utilities Code § 186.007

- B. What is the objective of this program or function? Describe the major activities performed under this program.**

The PUCT has the following jurisdiction over electric cooperatives, which is set out in PURA § 41.004.

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- (1) to regulate wholesale transmission rates and service, including terms of access, to the extent provided in PURA Chapter 35, Subchapter A;
- (2) to regulate certification to the extent provided in PURA Chapter 37;
- (3) to establish a code of conduct for cooperatives which opt into retail customer choice;
- (4) to establish terms and conditions, but not rates, for open access to distribution facilities for electric cooperatives providing customer choice; and
- (5) to require reports of electric cooperative operations only to the extent necessary to:
 - (A) ensure the public safety;
 - (B) enable the Commission to satisfy its responsibilities relating to electric cooperatives under PURA Chapter 41;
 - (C) enable the Commission to determine the aggregate electric load and energy requirements in the state and the resources available to serve that load; or
 - (D) enable the Commission to determine information relating to market power.
- (6) to evaluate and monitor the cybersecurity preparedness of an electric cooperative described by Section 39.1516(a)(3) or (4).

Pursuant to PURA § 41.060, the PUCT is also required to keep information submitted by customers and retail electric providers pertaining to the provision of electric service by electric cooperatives. The PUCT must notify the appropriate electric cooperative of information submitted by a customer or retail electric provider, and the electric cooperative must respond to the customer or retail electric provider and notify the PUCT of its response.

PURA §§ 38.004 and 38.102, enacted in 2019, require utilities maintain minimum vertical clearances for and to report on overhead power line inspections and safety, and the PUCT adopted rules and forms for these requirements, 16 T.A.C. § 25.97. If the standards and reporting requirements are not met, the PUCT may investigate, require improvements in service quality, and impose administrative penalties.

Finally, amendments to Texas Utilities Code § 186.007 effective in 2021 require the PUCT to analyze the emergency operations plans of electric cooperatives that own generation in Texas.

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- C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.**

The PUC administers the specific areas in which it has jurisdiction over cooperatives as part of programs that relate to other regulated entities.

- D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.**

Prior to 1995, electric cooperatives were subject to comprehensive regulation of their rates and services. In 1995, the Legislature enacted SB 373, which authorized electric cooperatives to deregulate their retail rates based on members' votes. In 1999, as part of SB 7 electric restructuring, the PUCT's jurisdiction over electric cooperatives was limited as set out in PURA § 41.004. As part of SB 7, cooperatives were allowed to choose whether they entered the competitive retail market. To date, only one electric cooperative, Nueces Electric Cooperative, has opted into retail choice. Cybersecurity preparedness was added in 2019 and the requirement to review the emergency operations plans of electric cooperatives that operate generation in Texas was added in 2021.

- E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.**

This program affects electric cooperatives. The term "electric cooperative" is defined at PURA § 11.003(9) as:

(A) a corporation organized under Chapter 161 or a predecessor statute to Chapter 161 and operating under that chapter; or

(B) a corporation organized as an electric cooperative in a state other than Texas that has obtained a certificate of authority to conduct affairs in the State of Texas.

There are currently 66 electric cooperatives in Texas providing retail service in Texas, and eight generation and transmission cooperatives.

- F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.**

Regulation of wholesale transmission rates and service. This function is explained as a separate program.

Self-Evaluation Report

Service Area and Transmission Line Certification. An electric cooperative may not provide service to the public without a certificate of convenience and necessity (CCN). Almost all service area CCNs were granted to existing utilities in 1976, soon after the PUCT was first established. Since that time, the PUCT's key role has been to consider requests for new transmission lines, request for amendments to service area boundaries, to decide disputes over service areas, and to resolve issues related to dually or triply certificated areas.

PURA Chapter 37 applies to CCNs. Chapter 37 establishes the requirement to obtain a CCN, the standards for granting a CCN, and the duties and obligations of CCN holders.

Code of Conduct. The PUCT adopted 16 T.A.C. § 25.275 as a code of conduct for electric cooperatives that opt into retail choice.

Terms and conditions for open access to distribution facilities. The PUCT adopted 16 T.A.C. § 25.215 to establish terms and conditions for open access to distribution facilities of electric cooperatives that opt into retail choice.

Cybersecurity. This function is explained in the Homeland Security program.

Reporting Requirements. Electric cooperatives are required to file reports relating to emergency operations plans pursuant to 16 T.A.C. § 25.53(h); generating capacity pursuant to 16 T.A.C. § 25.91; wholesale electricity transactions pursuant to 16 T.A.C. § 25.93; transmission construction reports pursuant to 16 T.A.C. § 25.83; transmission costs and revenues pursuant to 16 T.A.C. § 25.73; and system benefit fee and code of conduct related activities for electric cooperatives participating in retail customer choice pursuant to 16 T.A.C. § 25.457 and § 25.275. PURA § 38.102, enacted in 2019, requires utilities to report on overhead power line inspections and safety, and the PUCT adopted rules and forms for these requirements, 16 T.A.C. § 25.97.

Information Submitted by Customers and Retail Electric Providers. Information submitted by customers is entered into the Customer Protection Division complaint database and is forwarded to the cooperative for response.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

This program is funded with General Revenue.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

There are no similar programs.

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- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

- J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

N/A

- K. If contracted expenditures are made through this program please provide**

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2020;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

N/A

- L. Provide information on any grants awarded by the program.**

N/A

- M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.**

None identified.

- N. Provide any additional information needed to gain a preliminary understanding of the program or function.**

The PUCT estimates approximately four FTEs are required for this program. Most work for this program has been related to CCNs. The new amendments to Texas Utilities Code § 186.007 that require the PUCT to analyze the emergency operations plans of electric cooperatives that own generation in Texas may significantly increase the work for this program.

- O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe**

- why the regulation is needed;

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- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

The PUCT's limited jurisdiction over electric cooperatives is necessary to ensure that the integrated electric grid operates in a reliable and safe manner, that electric cooperatives construct and route transmission facilities appropriately, and that power generation companies and power marketers have access to transmission services on reasonable terms and conditions. Electric cooperatives participate in the ERCOT wholesale market. Electric cooperatives are therefore subject to the same ERCOT rules and protocols as all other wholesale market participants. For cooperatives offering choice²⁸, the program protects against anti-competitive practices and ensures that retail electric providers have access to distribution systems owned by cooperatives on reasonable terms.

The PUCT does not conduct audits of electric cooperatives. If an alleged non-compliance relating to an activity over which the PUCT has jurisdiction were to be brought to the Commission's attention, an investigation would be performed to determine whether any action was appropriate.

The PUCT is required to keep records of complaints against cooperatives but has no authority to resolve them unless they relate to the specific areas over which the PUCT has jurisdiction.

P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.

See Informal Customer Complaint Resolution program description in section of Section VII. of this report.

²⁸ As noted previously in this section, to date only one electric cooperative, Nueces Electric Cooperative, has opted into retail choice.

Self-Evaluation Report**Municipally Owned Utility Regulation and Oversight****A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Municipally Owned Utility Regulation and Oversight
Location/Division:	Rate Regulation Division Market Analysis Division Infrastructure Division Division of Compliance & Enforcement
Contact Name and Division:	Darryl Tietjen, Director, Rate Regulation Division Rebecca Zerwas, Director, Market Analysis Division Keith Rogas, Director, Infrastructure Division Barksdale English, Director, Division of Compliance & Enforcement
Statutory Citation for Program:	PURA §§ 37.051, 38.004, 38.102, and 40.004

B. What is the objective of this program or function? Describe the major activities performed under this program.

The PUCT has the following jurisdiction over municipally owned utilities, which is set out in PURA § 40.004.

(1) to regulate wholesale transmission rates and service, including terms of access, to the extent provided by Subchapter A, Chapter 35;

(2) to regulate certification of retail service areas to the extent provided by Chapter 37;

(3) to regulate rates on appeal under Subchapters D and E, Chapter 33, subject to Section 40.051(c);

(4) to establish a code of conduct as provided by Section 39.157(e) applicable to anticompetitive activities and to affiliate activities limited to structurally unbundled affiliates of municipally owned utilities, subject to Section 40.054;220

(5) to establish terms and conditions for open access to transmission and distribution facilities for municipally owned utilities providing customer choice, as provided by Section 39.203;

(6) to administer the renewable energy credits program under Section 39.904(b) and the natural gas energy credits program under Section 39.9044(b);

(7) to require reports of municipally owned utility operations only to the extent necessary to:

(A) enable the commission to determine the aggregate load and energy requirements of the state and the resources available to serve that load; or

(B) enable the commission to determine information relating to market power as provided by Section 39.155; and

(8) to evaluate and monitor the cybersecurity preparedness of a municipally owned utility described by Section 39.1516(a)(3) or (4).

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The PUCT also has jurisdiction over municipally owned utilities to regulate certification of certain transmission facilities, which is set out in PURA § 37.051.

PURA §§ 38.004 and 38.102, enacted in 2019, require utilities to maintain minimum vertical clearance requirements for and report on overhead power line inspections and safety, and the PUCT adopted rules and forms for these requirements, 16 T.A.C. § 25.97. If the standards and reporting requirements are not met, the PUCT may investigate, require improvements in service quality, and impose administrative penalties.

In addition, amendments to Texas Utilities Code § 186.007 effective in December 2021 require the PUCT to analyze the emergency operations plans of municipally owned utilities.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.

The PUC administers the specific areas in which it has jurisdiction over municipally owned utilities as part of programs that relate to other regulated entities.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.

In 1999, as part of SB 7 electric restructuring, the PUCT's jurisdiction over municipally owned utilities was delineated in PURA § 41.004. Jurisdiction over certification of a municipally owned utility's new transmission line outside the boundaries of the municipality that owns the utility was added in 2015. Cybersecurity preparedness was added in 2019 and the requirement to review the emergency operations plans of municipally owned utilities that operate generation in Texas was added in 2021.

E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.

This program affects municipally owned utilities. The term "municipally owned utility" is defined at PURA § 11.003(11) as a utility owned, operated, and controlled by a municipality or by a nonprofit corporation the directors of which are appointed by one or more municipalities.

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There are 72 municipally owned utilities with certificates of convenience and necessity. No municipally owned utility has opted into retail electric choice.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

Regulation of wholesale transmission rates and service. This function is explained as a separate program.

Service Area and Transmission Line Certification. A municipally owned utility may obtain a certificate of convenience and necessity (CCN) for the area it serves. Almost all service area CCNs were granted to existing utilities in 1976, soon after the PUCT was first established. Since that time, the PUCT's main role has been to consider requests for amendments to service area boundaries; to decide disputes over service areas; to resolve issues related to dually or triply certificated areas; and, since 2015, consider requests for new transmission lines outside the boundaries of the municipalities whose municipally owned utilities own the lines.

PURA Chapter 37 applies to CCNs. Chapter 37 establishes the requirement to obtain a CCN, the standards for granting a CCN, and the duties and obligations of CCN holders.

Appellate Rate Regulation. Customers of a municipally owned utility who reside outside the municipality may, if certain requirements are met, appeal to the PUCT an action of the governing body of the municipality affecting the MOU's rates.

Code of Conduct. The PUCT adopted 16 T.A.C. § 25.275 as a code of conduct for municipally owned utilities that opt into retail choice.

Terms and conditions for open access to distribution facilities. The PUCT adopted 16 T.A.C. § 25.215 to establish terms and conditions for open access to distribution facilities of municipally owned utilities that opt into retail choice.

Cybersecurity. This function is explained in the Homeland Security program.

Reporting Requirements. Municipally owned utilities are required to file reports relating to generating capacity pursuant to 16 T.A.C. § 25.91; wholesale electricity transactions pursuant to 16 T.A.C. § 25.93; transmission construction reports pursuant to 16 T.A.C. § 25.83; and transmission costs and revenues pursuant to 16 T.A.C. § 25.73. PURA § 38.102, enacted in 2019, requires utilities to report on overhead power line inspections and safety, and the PUCT adopted rules and forms for these requirements, 16 T.A.C. § 25.97. The PUCT has initiated a rulemaking that will require municipally owned utilities to file emergency operations plans pursuant to Texas Utilities Code § 186.007, enacted in 2021.

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- G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).**

This program is funded with General Revenue.

- H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.**

There are no similar programs.

- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

- J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

N/A

- K. If contracted expenditures are made through this program please provide**
- a short summary of the general purpose of those contracts overall;
 - the amount of those expenditures in fiscal year 2020;
 - the number of contracts accounting for those expenditures;
 - the method used to procure contracts;
 - top five contracts by dollar amount, including contractor and purpose;
 - the methods used to ensure accountability for funding and performance; and
 - a short description of any current contracting problems.

N/A

- L. Provide information on any grants awarded by the program.**

N/A

- M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.**

None identified.

Self-Evaluation Report**N. Provide any additional information needed to gain a preliminary understanding of the program or function.**

The PUCT estimates that approximately three FTEs are required for this program. Most work for this program has been related to CCNs. The new amendments to Texas Utilities Code § 186.007 that require the PUCT to analyze the emergency operations plans of municipally owned utilities that own generation in Texas may significantly increase the work for this program.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

The PUCT's limited jurisdiction over municipally owned utilities is necessary to ensure that the integrated electric grid operates in a reliable and safe manner, municipally owned utilities construct and route transmission facilities appropriately, customers who reside outside the municipality can appeal unreasonable rates, and power generation companies and power marketers have access to transmission services on reasonable terms and conditions. Municipally owned utilities participate in the ERCOT wholesale market. MOUs are therefore subject to the same ERCOT rules and protocols as all other wholesale market participants. For municipally owned utilities offering choice, the program would protect against anti-competitive practices and would ensure that retail electric providers have access to distribution systems owned by cooperatives on reasonable terms. As noted previously, no MOUs have opted into retail choice.

The PUCT does not conduct audits of municipally owned utilities. If an alleged non-compliance relating to an activity over which the PUCT has jurisdiction were to be brought to the Commission's attention, an investigation would be performed to determine whether any action was appropriate.

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- P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.**

See Informal Customer Complaint Resolution program description in section of Section VII. of this report.

Regulation of Electric Submetering, Central System Utilities, Non-Submetered Master Metered Utility Service and Metering in RV Parks

- A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Regulation of Electric Submetering, Central System Utilities, Non-Submetered Master Metered Utility Service and Metering in RV Parks
Location/Division:	Customer Protection Division
Contact Name and Division:	Chris Burch, Director, Customer Protection Division
Statutory Citation for Program:	Texas Utilities Code, Chapter 184

- B. What is the objective of this program or function? Describe the major activities performed under this program.**

Many apartment complexes, condominiums, and mobile home parks provide electricity to tenants through submetering arrangements. The apartment complex, condominium, or mobile home park owns the meters which measure each tenant's consumption, and bills the tenants for electric service. The tenants do not have a direct relationship with the utility, cooperative, municipally owned utility, or retail electric provider that provides service to the apartment complex, condominium, or mobile home park.

The PUCT is required to have rules addressing standards for submetering including appropriate safeguards for tenants. The PUCT is also required to have rules which apply to apartment complexes and mobile home parks where the individual dwelling units are not individually metered but the electricity costs are nevertheless charged to tenants. Somewhat different requirements apply to recreational vehicle (RV) parks that meter electricity use of their occupants because of the time lag between use and billing, and the transient occupancy of most RV parks.

Regulation of submetering was authorized in 1977 by Utilities Code, Chapter 184. Provisions relating to non-submetered electricity and recreational vehicle (RV) parks were added in 1985 and 1991, respectively. The purpose of the program is to ensure that tenants of apartment complexes, condominiums, mobile home parks, and RV parks pay only the actual cost for electricity, with no mark-ups.

Self-Evaluation Report

- C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.**

Most of the PUCT's work in this area relates to customer complaints against submeterers. These complaints are handled through the informal or formal complaint resolution process, which is described as a separate program.

- D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.**

- E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.**

N/A

- F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.**

The PUCT adopted 16 T.A.C. § 25.141 and § 25.142 to implement the statutory requirements of the program. The PUCT's efforts include providing information about the requirements of the law, resolving informal and formal complaints, approving non-standard methods of charging for electricity where the individual dwelling units are not individually metered, and conducting enforcement actions.

- G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).**

This program's strategy is funded with General Revenue.

- H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.**

There are no similar programs.

Self-Evaluation Report

- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

- J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

N/A

- K. If contracted expenditures are made through this program please provide**

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2020;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

N/A

- L. Provide information on any grants awarded by the program.**

N/A

- M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.**

The law and Commission rules use the terms mobile home and RVs but neither recognizes that there are "manufactured homes". In PUCT Docket No. 48205, a complaint involving manufactured homes, the SOAH administrative law judge assigned to the case issued a proposal for decision concluding that the Commission lacked jurisdiction over manufactured homes. It does not appear that the PUCT ever issued a final order in this case.

- N. Provide any additional information needed to gain a preliminary understanding of the program or function.**

N/A

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- O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe**
- **why the regulation is needed;**
 - **the scope of, and procedures for, inspections or audits of regulated entities;**
 - **follow-up activities conducted when non-compliance is identified;**
 - **sanctions available to the agency to ensure compliance; and**
 - **procedures for handling consumer/public complaints against regulated entities.**

The PUCT's efforts include providing information about the requirements of the law, resolution of complaints, approving non-standard methods of charging for electricity where the individual dwelling units are not individually metered, and conducting enforcement actions.

The regulation is needed to ensure that tenants of apartment complexes, condominiums, mobile home parks, and RV parks pay only the actual cost for electricity, with no mark-ups.

The PUCT does not conduct audits or inspections of the regulated entities under this program. The agency attempts to resolve customer complaints through the informal resolution process. The Commission also uses information provided in individual complaints as the basis for possible enforcement actions.

- P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.**

See Informal Customer Complaint Resolution program description in section of Section VII. of this report.

Emergency Management

- A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Emergency Management
Location/Division:	Critical Infrastructure Security and Risk Management
Contact Name and Division:	Shawn Hazard Emergency Management Coordinator
Statutory Citation for Program:	Texas Government Code, Section 418

Self-Evaluation Report**B. What is the objective of this program or function? Describe the major activities performed under this program.**

The PUCT is a member of the Texas Emergency Management Council (TEMC) under the authority of Governor Perry's Executive Order RP-12.²⁹ Governor Abbott expanded the council with Executive Order GA-05.³⁰

Emergency Management in the State of Texas is broken down into 15 "Emergency Support Function (ESF)" as designated in the Texas Emergency Management Plan. These essential functions were developed to align with the National Response Framework which was created by the Homeland Security Act of 2002 and Homeland Security Presidential Directive-5.

The PUCT has been identified by the Texas Division of Emergency Management (TDEM) as the lead agency for ESF 12 (Energy) in the Texas Emergency Management Plan managed by TDEM. In addition to the lead role in ESF 12, the PUCT also has a support role in the following essential functions:

- ESF 1 – Transportation
- ESF 2 – Communications
- ESF 5 – Emergency Management
- ESF 15 – Public Information

While the primary function of the PUCT's Emergency Management Coordinator is responding to activations, there are numerous trainings, planning meetings, and other functions which TDEM hosts which require PUCT involvement.

The State Operations Center (SOC) is activated by order of the Governor and may involve some, many, or all the TEMC member agencies depending on the event. When requested, the PUCT provides personnel to staff the SOC where they function as a liaison between the State and the utility industry (electric, telecom as well as water and sewer). Even if not requested to respond in-person to the SOC, the PUCT may participate in SOC operations remotely, especially during pre and post event operations PUCT staff working an activation interact with many entities including ERCOT, municipally owned utilities (MOUs), cooperatives both electric and telecom (Coops), electric transmission and distribution utilities (TDUs), and power generator.

The duration of the PUCT's involvement in an activation is up to the Governor or the TDEM Chief. The end of an activation does not necessarily end PUCT's involvement in a particular event. Since 2020, the PUCT has become more involved in the recovery process, participating in outreach, calls, and training related to the activities TDEM undertakes after a disaster.

²⁹ <https://lrl.texas.gov/scanned/govdocs/Rick%20Perry/2002/RP12.pdf>

³⁰ <https://lrl.texas.gov/scanned/govdocs/Greg%20Abbott/2018/GA-05.pdf>

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- C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.**

In the aftermath of Winter Storm Uri, many customers were left without utility services for significant periods of time. Throughout these outages, the PUCT's Emergency Management team was actively involved in assisting TDEM and the personnel at the SOC in responding to this emergency.

- D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.**

While the current TEMC structure was defined by Governor Abbott's order GA-05, the Council was created by Governor Perry's order RP-01 in 2001. While initially the PUCT's role was reporting outages during emergency events, the role has expanded significantly over the last few years as part of the agency's continuing effort to improve its response to emergency events.

- E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.**

This program affects all entities regulated by the PUCT.

- F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.**

Some examples of support the PUCT provides during an activation are as follows:

- Provide event specific information and updates from TDEM to the utilities. (Where possible, this usually begins a day/couple of days prior to the event as information becomes available and is presented during daily calls hosted by TDEM).
- Provide routine updates of electricity outage counts, locations, and restoration times when known which allows the SOC to better focus their response activities.
- Participation in TDEM's daily calls during an event, providing situational updates and outage reports to both state-wide and local officials attending the calls.
- Coordination with TXDoT on route clearing when crews discover downed power lines across travel routes which need to be cleared. Conversely, since utility

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repair crews may be the first folks back into an area (post-hurricane for example), they may have information on routes that is helpful to TXDoT which we are able to share with them.

- Assistance in planning routes for TDEM IRATs (Initial Reentry Assessment Teams) and coordinating with utilities to ensure access.
- Providing a direct link between local officials who reach out needing contact information for local utilities.
- Obtaining outage information for specific locations and facilities such as long-term care facilities, hospitals, water utilities, etc.
- Working with Health and Human Services (HHS) to provide information to support their requests for replacement Supplemental Nutrition Assistance Program (SNAP) benefits of the possible issuance of "D-SNAP" benefits. (SNAP benefits which may become available to a slightly larger population due to a disaster)
- Assisting utilities with the process for reporting damages which TDEM uses when requesting federal disaster declarations.
- Coordination with the Texas Commission on Environmental Quality (TCEQ) on potential enforcement discretion regarding air-quality standards for electric generating plants during a disaster.
- Providing utilities an access point to request resources through the SOC. Generally this applies to MOUs and Coops due to their governmental or non-profit nature, however the SOC can also be utilized to help private companies source or acquire resources at the company's expense.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Program is funded through General Revenue.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

This program is not duplicated because the PUCT's role in the regulation of these electric and telecom utilities is unique.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

Self-Evaluation Report**J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

The PUCT's work in emergency management operations may involve local units of government located within the geographic area encompassed by the emergency situation and may require interaction with both other Emergency Management Council Members as well as federal partners such as FEMA, CISA, and the Department of Energy (DOE).

K. If contracted expenditures are made through this program please provide

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2020;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

There are no contracted expenditures.

L. Provide information on any grants awarded by the program.

N/A

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

None identified.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

This is a non-regulatory program.

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- P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.**

N/A

Homeland Security

- A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Homeland Security
Location/Division:	Critical Infrastructure Security and Risk Management (CISRM)
Contact Name and Division:	Chuck Bondurant, Director, CISRM
Statutory Citation for Program:	PURA § 39.1516 Homeland Security Chapter 421, Subchapter B. § 421.021 (a)(4)

- B. What is the objective of this program or function? Describe the major activities performed under this program.**

The CISRM organizes and assists the state of Texas and its utilities in establishing security posture and recovery. Through tools and unilateral communication, the CISRM provides support to utilities and our state during weather emergencies and cyber-attacks. The mission of this division is to increase the preparedness of the state through outreach and assisting in recovery in the event of a disaster for utility companies across the state. This is done by connecting utilities to information and resources to help better prepare for events and by directly assisting in coordination during an emergency. CISRM also provides coordination and oversight of the Cyber Monitor (CM) program and serves as the advisor to the chair of the Texas Grid Security Council established by SB 475 that was adopted by the 86th Legislature.

- C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures**

See response to Section B. above.

Self-Evaluation Report**D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.**

Attacks against our nation's critical infrastructure has continued to increase yearly. The PUCT maintains an understanding of the importance of not only dedicating personnel to stay abreast of the ongoing threats, but also helps utilities that lack the cyber expertise to mitigate and/or respond to an incident. This has been largely done through participating and hosting cyber training events in addition to offering training opportunities for Texas electric, and water/sewer utilities.

In 2020 the CISRM division conducted:

- Four Grid Security Council Meetings covering situational awareness briefings and assessments to council members highlighting Texas utilities impacted by cyber events.
- Three cybersecurity best practice training events in coordination with the Division of Utility Outreach (DUO).
- Three Quarterly Security Meetings with electric utilities to discuss emerging threats and mitigation strategies.
- Monthly Critical Infrastructure Protection Workgroup (CIPWG) meetings with electric utilities and ERCOT to address Critical Infrastructure Protection (CIP) requirements and coordination efforts with federal partners.
- Planning for the first biennial Table-Top Exercise (TTX) developed to assist utilities in developing and implementing their Incident Response Plans. (TTX successfully completed June 28, 2021).

E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.

N/A

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The CM program was established by SB 936 that was adopted by the 86th Legislature. SB 936 required the PUCT to establish a program to:

- manage a comprehensive cybersecurity outreach program for monitored utilities
- meet regularly with monitored utilities to discuss emerging threats, best business practices, and training opportunities
- review self-assessments voluntarily disclosed by monitored utilities of cybersecurity efforts

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- research and develop best business practices regarding cybersecurity
- report to the commission on monitored utility cybersecurity preparedness

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

This program's strategy is funded with General Revenue.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

The PUCT's cybersecurity role with monitored utilities is unique.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.

The PUCT regularly interacts with Texas Division of Emergency Management (TDEM) regional directors as well as Cybersecurity & Infrastructure Security Agency (CISA), Department of Energy (DOE) and the Federal Energy Regulatory Commission (FERC) to ensure coordination efforts and information is being disseminated as widely as possible to our monitored utilities.

K. If contracted expenditures are made through this program please provide

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2020;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

In May 2020, the PUCT adopted new rule 16 TAC § 25.367, implementing the provisions of SB 936 passed by the 86th Legislature. The rule established a cybersecurity coordination program to monitor cybersecurity efforts among electric

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utilities, cooperatives, and municipally owned utilities in the state and established a cybersecurity monitor, a cybersecurity monitor program, and a cybersecurity monitor funding approach. The PUCT selected Securitas Critical Infrastructure Security (SCIS) in February 2020 to act as the Texas Cybersecurity Monitor (TXCSM) on a four (4) year contract.

The TXCSM has identified four tasks to achieve these goals:

Task 1: Analyze baseline data of each monitored utility's cybersecurity maturity level through self-assessments, comparing it to industry standards and then developing plan of actions and milestones (POAMs) for those utilities below baseline.

Task 2: Host Quarterly Security Meetings with monitored utilities to share information on relevant security trends.

Task 3: Provide training on cybersecurity best-practices and tools to assist in risk mitigation planning and implementation.

Task 4: Conduct biennial Tabletop Exercises to validate utility incident response plans and coordinate strategic communications in the event of an incident

This is a fixed price contract. The total compensation under the contract is \$2,285,355 for the term March 2020-January 2024.

L. Provide information on any grants awarded by the program.

N/A

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

None identified.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

N/A

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- P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.**

N/A

Regulation and Oversight of Local Telephone Service

- A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Regulation and Oversight of Local Telephone Service
Location/Division:	Rate Regulation Division Infrastructure Division Customer Protection Division
Contact Name and Division:	Darryl Tietjen, Director, Rate Regulation Division Keith Rogas, Director, Infrastructure Division Chris Burch, Director, Customer Protection Division
Statutory Citation for Program:	PURA, Subtitle C

- B. What is the objective of this program or function? Describe the major activities performed under this program.**

Local telephone service providers, also called local exchange companies, fall into two main categories for regulatory and oversight purposes: incumbent local exchange companies (ILECs) and competitive local exchange companies (CLECs). CLECs are local exchange companies operating under a certificate of operating authority (COA) or a service provider certificate of operating authority (SPCOA) and experience minimal rate regulation. An ILEC is a local exchange company that had a certificate of convenience and necessity (CCN) on September 1, 1995—that is, before local markets were opened to competition. In implementing legislative directives regarding ILECs, the PUCT is charged with incorporating an appropriate mix of regulatory and market mechanisms reflecting the level and nature of competition in the marketplace.

The primary aspects of local telephone service regulation are:

- Certification;
- Rate regulation;
- Quality of service oversight; and
- Customer protections.

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PURA Chapter 65, which was enacted in 2005 as part of Senate Bill 5, provided for deregulation of certain ILEC markets. Currently, AT&T Texas and Frontier Communications are fully deregulated while CenturyLink is Transitioning company.

A total of 544 markets have been deregulated since Senate Bill 5 was enacted: 36 in markets with a population greater than 100,000, and 508 in markets with a population of less than 100,000.

Certification. PURA § 54.001 provides that a person may not provide local exchange telephone service, basic local telecommunications service, or switched access service unless the person obtains a CCN, COA, or SPCOA. Requiring certification of service providers ensures that they will have the qualifications necessary to provide service and establishes the legal obligations of the provider based on the type of certificate obtained.

Rate Regulation. For the purposes of rate regulation, ILECs fall into the following four categories:

- Deregulated companies: ILECs for which all the company's markets have been deregulated;
- Transitioning companies: ILECs for which at least one, but not all, of the company's markets has been deregulated;
- ILECs regulated under Chapter 52;
- ILECs that elect incentive regulation under PURA Chapter 58 or Chapter 59;
- Small ILECs regulated under PURA Chapter 53; and
- Cooperatives that have partially deregulated themselves.

Quality of Service. Regulation of quality of service is needed to ensure that customers receive service that meets reasonable expectations for quality and reliability. Holders of CCNs and COAs are required to offer all basic local telecommunications services in the certificated area and provide continuous and adequate service. Dominant certificated telecommunications utilities must comply with service objectives and performance benchmarks established by the PUCT.

Customer Protections. Customer protections are needed to ensure that a customer's choice of provider is honored and that bills are accurate and timely, and to protect customers from discriminatory and unfair practices. Customer protection regulations apply to holders of CCNs, COAs, and SPCOAs.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.

The deregulation of AT&T and Frontier Communications (formerly known as Verizon Southwest), the two largest telecommunications providers in Texas, has led to an overall increase in the average residential telephone bill in Texas when compared

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to the national average. Last year, the average residential telephone bill for local telephone service in Texas was \$26.27 (weighted average of the ten largest ILECs in Texas), compared to the national average of \$19.77. Prior to the deregulation of AT&T and Frontier Communications, Texas was consistently below the national average although Texas has a large rural area compared to other states, where providing service is relatively expensive. The deregulation of the two largest providers in Texas has led to rates being more reflective of market forces rather than regulatory mandates. The Universal Service Fund, which has provided support to companies that incur higher costs to provide telephone service, has helped to keep rates lower than they would be otherwise.

Public Utility Commission
Exhibit 12: Program Statistics and Performance Measures – Fiscal Year 2020

Program Statistics or Performance Measures	Dataset Reference Number* (if applicable)	Calculation (if applicable)	FY 2020 Target	FY 2020 Actual Performance	FY 2020 % of Annual Target
% of National Average Residential Phone Bill	N/A	N/A	110.00%	132.85%	120.77%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.

The advancements in wireless technologies, speed and capacity of wireless and wireline transmission and the intelligence of the networks and peripheral equipment associated with those networks have significantly altered the cost of providing service and the way telecommunications service is delivered. Technological changes and competition in telecommunications service have had a greater impact in urban areas than in rural areas, however.

E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.

This program affects 59 CCN holders and 15 COA and 274 SPCOA holders.

This program also affects all purchasers of local telecommunications services in Texas.

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F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The PUCT administers this program in accordance with the rules related to regulation and oversight of local telecommunications service.

Certification. 16 T.A.C. §§ 26.101-26.114 set standards for granting, amending, suspending and revoking CCNs, COAs and SPCOAs. Applications for certificates are initiated by the telecommunications provider and are processed as contested cases in accordance with the Administrative Procedures Act and the Commission's Procedural Rules (16 T.A.C. Chapter 22). The PUCT staff participates as a party representing the public interest.

Rate Regulation. 16 T.A.C. §§ 26.201 - 26.216 establish standards and procedures for setting rates, tariff review, filing of long-run incremental cost studies, promotional rates, and new and experimental services. 16 T.A.C. §§ 26.224 - 26.229 establish standards for companies regulated under Chapter 52, Chapter 58, and Chapter 59.

Transitioning companies have differing requirements for regulated versus deregulated markets. In a market that remains regulated, the transitioning company must price its retail services in accordance with the provisions that applied to the company immediately before the date the company was classified as a transitioning company. In a market that is deregulated, a transitioning company must price its retail services in accordance with PURA § 65.153(b).

ILECs regulated under Chapter 52 are subject to traditional cost of service regulation for basic local services. Chapter 52 ILECs may offer a new service 10 days after providing an informational notice to the PUCT. New services must be priced at or above long run incremental cost (LRIC). New service informational filings are subject to challenge by an affected person, i.e., a customer or competitor, the Office of Public Utility Counsel, or the PUCT. If an informational notice is challenged, the ILEC has the burden of proving that it set the price for the service in accordance with the law.

ILECs that elect Chapter 58 incentive regulation are no longer subject to traditional regulation. The company's services are classified as basic and non-basic pursuant to statute. Basic services must be offered separately, under tariff, and are subject to traditional tariff review. Basic services are also rate capped for four years from the date of initial election. Non-basic services may be packaged and changes to the rates or terms may occur because of an expedited informational filing. Rates for non-basic services must be set above long run incremental cost.

Additionally, any company that elects Chapter 58 incentive regulation must provide private network services and meet the infrastructure needs of non-profit medical center and hospitals, educational institutions, and libraries within its territory. The company must develop a statewide averaged, non-distance sensitive rate for T1

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services that is no higher than 105% of its statewide average LRIC and upon request, must provide 45-megabit point-to-point service under a customer specific contract.

An ILEC that elects Chapter 59 incentive regulation is no longer subject to traditional rate of return regulation. This election remains in effect for two years. The company is allowed to make informational service filings for new services, promotions and pricing and packaging flexibility. Rates cannot be increased – the rates may be lower than the tariffed rate but must remain above LRIC.

PURA Chapter 53 allows small ILECs great latitude in reporting, adoption of other larger companies' rates without cost studies, and changes in amortization and depreciation rates. In addition, pursuant to 16 T.A.C. § 26.171, a small ILEC may increase its basic local service rates by 10% per year and may increase the rates for other services by more than 10% per year so long as the total of all changes do not exceed 5% of the company's total regulated intrastate gross annual revenues over a 12 month period.

PURA Chapter 53, Subchapter H allows a cooperative to vote to partially deregulate itself if most of the members who return ballots within 45 days favor deregulation. A cooperative may reverse its own deregulation. Deregulated cooperatives may change their rates without PUCT review and approval, by giving notice to affected customers, so long as they follow specific procedural requirements, including the filing of certain documents with the PUCT. A proposed change is subject to PUCT review if it is challenged by at least 5 per cent of the affected customers.

CLECs are not subject to rate regulation.

Quality of Service. 16 T.A.C. §§ 26.51-26.55 set out requirements for continuity of service, emergency operations, inspections and tests, service objectives and performance benchmarks, and monitoring of service. 16 T.A.C. § 26.54 requires companies to report noncompliance and to provide additional information at the request of the PUCT. A transitioning company is not required to comply with exchange-specific retail quality of service standards or reporting requirements in a market that is deregulated.³¹

Customer Service and Protection. 16 T.A.C. §§ 26.21 - 26.32 set out requirements relating to initiation of service, billing, disconnection of service, prepaid service, and protection against unauthorized charges. Customer complaints often relate to these requirements. The PUCT has an informal complaint resolution program to address individual customers' concerns. The PUCT also investigates individual companies based on customer complaints and may pursue administrative penalties.

³¹ PURA § 65.152(b).

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- G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).**

This program is funded with General Revenue and Texas Universal Service Fund.

- H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.**

There are no similar programs.

- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

- J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

N/A

- K. If contracted expenditures are made through this program please provide**
- a short summary of the general purpose of those contracts overall;
 - the amount of those expenditures in fiscal year 2020;
 - the number of contracts accounting for those expenditures;
 - the method used to procure contracts;
 - top five contracts by dollar amount, including contractor and purpose;
 - the methods used to ensure accountability for funding and performance; and
 - a short description of any current contracting problems.

N/A

- L. Provide information on any grants awarded by the program.**

N/A

- M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.**

None identified.

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N. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

Certification of service providers is needed to ensure that providers have the qualifications necessary to provide service and to establish the legal obligations of the provider based on the type of certificate obtained. Rate regulation is needed to protect customers in areas where competition is not economically feasible and during the transition to fully competitive markets to ensure that rates are reasonable. Regulation of service quality is needed to ensure that customers receive service that meets reasonable expectations for quality and reliability. Customer protections are needed to ensure that a customer's choice of provider is honored, and that bills are accurate and timely, and to protect customers from discriminatory and unfair practices.

The PUCT has adopted reporting requirements that provide information needed by the agency to determine whether companies are complying with applicable service quality requirements. The agency also obtains information about possible noncompliance from complaints filed by individual customers.

The PUCT's Telecom enforcement activities for fiscal year 2020 consisted of 3 certificate revocations.

P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.

See Informal Customer Complaint Resolution program description in section of Section VII. of this report.

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Area Code Oversight**A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Area Code Oversight
Location/Division:	Infrastructure Division
Contact Name and Division:	Keith Rogas, Director, Infrastructure Division
Statutory Citation for Program:	Federal Communications Commission (FCC) under 47 Code of Federal Regulations (C.F.R.) § 52.19 and PURA §§52.001-52.002

B. What is the objective of this program or function? Describe the major activities performed under this program.

The FCC has jurisdiction over telephone number administration in the United States. Area codes do not cross state boundaries, so each state has the authority to decide when and in what form to introduce new area codes. In Texas, this authority rests with the PUCT.

The area code system was first designed and implemented in the 1940s. The Federal Telecommunications Act § 251(e) provides for the North American Numbering Plan.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.

The PUCT has developed a consumer fact sheet and provides information on its website to assist the public in obtaining information about area codes. There are no agency performance measures related to this program. The PUCT devotes resources to this program as needed.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.

In 1947, Texas was assigned its first four area codes. The number of area codes has increased over the years due to population growth and proliferation of devices that use telephone numbers, such as cell phones and fax machines. A new area code is created as the available numbers in an area code approach the limit. There are currently 28 area codes in Texas. Most recently, the PUCT approved the use of a new area code, 945, for the Dallas area. This new area code, which began use in January 2021, overlays existing area codes in the area.

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- E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.**

This program affects all persons who use telecommunications services in Texas.

- F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.**

The North American Numbering Plan Administration (NANPA) studies historic growth, makes projections for future growth, and notifies the PUCT when a new area code is needed. The NANPA is currently administered by SomosGov, Inc. When the affected area code is described as near "exhaust," the area code implementation process begins.

After NANPA has notified the PUCT of its determination that a new area code is needed, NANPA holds a series of meetings with representatives of the telecommunications industry, such as local and long distance companies and related companies; emergency 911 systems; burglar alarm systems and mobile telephone providers; and affected local communities. The representatives consider options and comments, and then forward a recommendation to the PUCT. The PUCT considers the recommendation and may accept, reject, or modify the recommendation.

In addition to NANPA's activities, the PUCT may conduct public meetings in the region served by the area code nearing exhaust to explain available options and to ask for public comment. Persons may also submit written comments to the PUCT. In recent years, there has been little opposition to recommendations to create new area codes, which have recommended the overlay of new area codes on existing area codes rather than a split of an existing area code into two area codes.

After NANPA receives the PUCT decision on how a new area code will be added, NANPA determines the new area code and informs the PUCT, which announces it to the public.

- G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).**

This program's strategy is funded with General Revenue.

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H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

The PUCT is the only entity that makes area code decisions for the state. There are no similar programs.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.

The interests of local governments are considered when making area code decisions.

- **K. If contracted expenditures are made through this program please provide**
- **a short summary of the general purpose of those contracts overall;**
- **the amount of those expenditures in fiscal year 2020;**
- **the number of contracts accounting for those expenditures;**
- **the method used to procure contracts;**
- **top five contracts by dollar amount, including contractor and purpose;**
- **the methods used to ensure accountability for funding and performance; and**
- **a short description of any current contracting problems.**

N/A

L. Provide information on any grants awarded by the program.

N/A

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

None identified. The PUCT's role in this program is established by federal law.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

This program requires intermittent use of resources estimated at less than one FTE.

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- O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe**
- **why the regulation is needed;**
 - **the scope of, and procedures for, inspections or audits of regulated entities;**
 - **follow-up activities conducted when non-compliance is identified;**
 - **sanctions available to the agency to ensure compliance; and**
 - **procedures for handling consumer/public complaints against regulated entities.**

N/A

- P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.**

The PUCT does not separately track complaints about area codes.

Extended Area Service and Expanded Local Calling Service

- A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Extended Area Service and Expanded Local Calling Service
Location/Division:	Infrastructure and Reliability Division
Contact Name and Division:	Keith Rogas, Director, Infrastructure and Reliability Division
Statutory Citation for Program:	PURA Chapter 55, Subchapter B (EAS) and PURA Chapter 55, Subchapter C (ELCS)

- B. What is the objective of this program or function? Describe the major activities performed under this program.**

Extended area service (EAS) allows persons to make calls outside their local calling area for a flat-rated fee. The PUCT may order a local exchange carrier that is a dominant carrier to provide mandatory EAS if there is sufficient community of interest in the area and the company can reasonably provide the service. The PUCT may order optional EAS if the affected company and the representatives of at least one political subdivision in the proposed calling area agree to the service and the proposed common calling area has a single, continuous boundary.

Expanded local calling service (ELCS) is similar to EAS. The PUCT is authorized to expand a toll-free calling area into an exchange that is not in a metropolitan

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exchange but is in a calling area that is contiguous to a metropolitan exchange based on a community of interest finding. The incumbent local exchange carrier that provides the service is entitled to recover all costs incurred and all loss of revenue from its local exchange customers in Texas.

These programs are authorized by PURA Chapter 55, Subchapters B and C. EAS was first authorized in 1975. ELCS was authorized in 1993. The purpose of both programs is to recognize the fact that local calling scopes and communities do not always coincide, and to provide a cost-effective way for people to communicate within their communities by telephone.

In its 2009 Scope of Competition in Telecommunications Markets Report, the PUCT recommended that the Legislature amend PURA Chapter 55, Subchapter B, to eliminate the process for establishing new extended area service because the concept has increasingly been rendered obsolete by competitive options available to customers in the form of "all distance" and nation-wide calling plans as well as the unlimited or high-volume calling plans offered by wireless companies and voice over Internet protocol companies. The last petition requesting EAS service was filed in May 1998.

This recommendation does not affect impact the provision of ELCS, which is typically offered in rural areas and small exchanges in Texas.

- C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.**

As noted in Subsection D. below, the PUCT has not performed any work in this program since 2009.

- D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.**

EAS and ELCS were popular services when they were introduced. Since 1984, 194 EAS petitions have been filed. Since 1993, 1348 ELCS petitions have been filed. However, the number of petitions has declined steadily, with only ten petitions filed in the 2007-2008 period and only one petition filed in 2009.

- E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.**

This program primarily affects persons living in exchanges with EAS or ELCS. However, because PURA provides that revenue shortfalls experienced by the service

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providers because of ELCS may be recovered from customers, customers throughout the state are affected by this service.

- F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.**

The PUCT adopted 16 TAC § 26.217 and 16 T.A.C. § 26.219 to implement these programs. The rules set out requirements for petitions, information required to support a request, and standards for granting the requested service.

Applications to establish or increase ELCS surcharges are governed by 16 TAC § 26.221.

- G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).**

This program's strategy is funded with General Revenue.

- H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.**

There are no similar programs.

- I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

- J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.**

EAS petitions may involve political subdivisions located within the proposed calling area.

- K. If contracted expenditures are made through this program please provide**
- a short summary of the general purpose of those contracts overall;
 - the amount of those expenditures in fiscal year 2020;
 - the number of contracts accounting for those expenditures;

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- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

N/A

L. Provide information on any grants awarded by the program.

N/A

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

As noted above in Section B, EAS is obsolete due to changes in the telecommunications industry and should be eliminated.

This recommendation does not affect the provision of ELCS, which is typically offered in rural areas and small exchanges in Texas.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

P. For each regulatory program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency's particular programs. Please briefly explain or define terms as used by your agency, such as complaint, grievance, investigation, enforcement action, jurisdictional, etc. If necessary to understand the data, please include a brief description of the methodology supporting each measure.

The PUCT does not separately track complaints related to EAS and ELCS.

Self-Evaluation Report**Regulation of Automatic Dial Announcing Devices****A. Provide the following information at the beginning of each program description.**

Name of Program or Function:	Regulation of Automatic Dial Announcing Services
Location/Division:	Customer Protection Division
Contact Name and Division:	
Statutory Citation for Program:	PURA § 55.129

B. What is the objective of this program or function? Describe the major activities performed under this program.

An Automatic Dial Announcing Device (ADAD) is a mechanism that automatically dials a telephone number and then plays a recorded message or leaves a recorded message on voicemail. As of July 1, 2021, there were 674 ADAD permit holders which are based in Texas, other states, or other countries.

For many customers, receiving calls from ADADs can be an unwelcome intrusion. Requirements for the use of ADADs provide protection for customers from unreasonable and annoying practices, such as lengthy messages and calls made at inappropriate times. PURA Chapter 55, Subchapter F applies to ADADs.

PURA §§ 55.121 – 55.138 establish requirements for the use of ADADs, including prohibition of random or sequential number calling, hours when use is prohibited, a requirement that the device disconnect not later than 5 seconds after a call is terminated, and restrictions concerning the content of the message.

The PUCT began issuing ADAD permits for a fee in June 1986. PURA § 55.130 provides that a person may not use an ADAD without a permit issued by the PUCT. PURA § 55.131 authorizes the PUCT to charge a registration fee not to exceed \$500. Over the past 3 years (2018-2020), an average of 22 ADAD permits have been issued every 12 months. The original ADAD permit fee of \$500, and renewal fee of \$100, remained unchanged until July 2002, when the Commission amended 16 TAC § 26.125 to reduce the permit fee to \$50 and renewal fee to \$15. The PUCT reduced the fee to increase compliance with its rules and provide a clearer picture of the market segment that uses ADADs to dial telephone subscribers in Texas.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please refer to, but do not repeat measures listed in Exhibit 2.

The PUCT has minimized the resources needed for this function by providing comprehensive information on the PUCT website, and through automation of the registration process. The PUCT estimates that the program requires less than one FTE. This estimate does not include time related to handling customer complaints.