

Public Utility Commission of Texas



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RECAP: READY FOR WINTER WEATHER

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COMMISSIONER'S CORNER

What an incredible year of progress it's been for the Public Utility Commission of Texas. As 2023 winds down, it's a good time to reflect on our many accomplishments this past year.

In January, Commissioners adopted the first major update to the state's competitive wholesale energy market since deregulation, the Performance Credit Mechanism (PCM). Once the PCM is in place, it will significantly reduce volatility in the electricity market, increase reliability, and stabilize consumer costs.

We also weathered another severe winter storm with extreme cold, in which the Texas power grid performed without system disruption, proving the major operational reforms we've put in place since early 2021 are working to ensure grid reliability.

The PUCT, the Electric Reliability Council of Texas (ERCOT), and power grid stakeholders are making great progress in developing the first reliability standard first-of-its-kind, Texas approach for the ERCOT grid.

We are extremely grateful to the Texas Legislature for their support of the PUCT. This year, they approved a staffing increase for our agency of more than 50 people and a budget increase of more than 50 percent. This growth is critical to ensure we can continue meeting the needs of our fast-growing state.

The Legislature also entrusted the PUCT with administering the Texas Energy Fund. This \$10 billion fund will provide loans and grants for the construction and maintenance of new dispatchable, reliable electric facilities to meet the growing demand for power. We will begin taking applications for these programs in June 2024.

We all remember the record-breaking summer heat and electricity demand. On August 10, 2023, ERCOT set a new all-time record for demand at an incredible 85,508 MW. Fortunately, the operational reliability measures the PUCT and ERCOT have implemented, along with the conservation efforts of countless Texans, kept the Texas grid delivering power without interruption.

In September, Commissioner Glotfelty held the first meeting of the Texas Advanced Nuclear Reactor Working Group. At Gov. Abbott's direction, Commissioner Glotfelty will lead this group of experts in evaluating the operation and economics of nuclear energy to make recommendations on how Texas can lead the nation in developing safe, reliable nuclear power.

And in October, the PUCT announced the Houston area is getting a new area code to accommodate population growth. The region already has four area codes and will run out of numbers in late 2025. When that happens, new phone numbers will begin with the new area code, 621.

These many accomplishments and milestones in 2023 barely scratch the surface of the incredible work done by the 225 professional engineers, economists, attorneys, consumer protection specialists and all on our outstanding PUCT team. It's an honor and privilege to work with so many Texans who bring their experience, expertise, and dedication to work

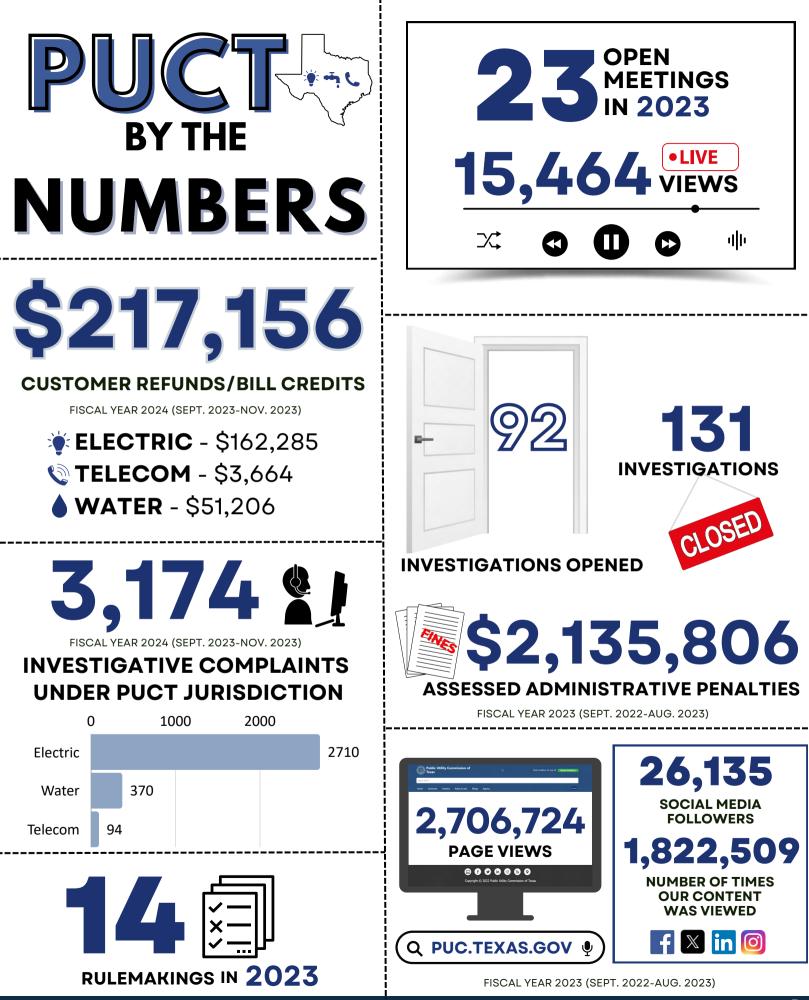
To our team, I say, "Thank you for a job well done and for everything you do!" I look forward

every day for our great state. to our work ahead as we keep moving Texas forward in 2024.



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Kathleen Jackson Interim Chair, PUCT



TEXAS LEGISLATURE EXTENDS PUCT THROUGH SUNSET PROCESS, APPROVES HISTORIC AGENCY BUDGET

The Public Utility Commission of Texas (PUCT) will be around to serve Texas for at least another six years. Following a lengthy and thorough Sunset review process during the 2022-2023 cycle, the Texas Sunset Commission recommended, and the 88th Texas Legislature voted, to extend the agency through 2029.

Each Texas state agency goes through a periodic Sunset review to assess its performance and necessity to Texas. The PUCT's sunset bill, HB 1500, passed in May 2023.

The PUCT's Sunset legislation required the agency to address new agency governance and organizational best practices; electricity and water reforms; improvements to public communication; enhanced contract and data management practices; and market design guardrails.

Following a public workshop on July 11, 2023 to hear stakeholder priorities for rulemaking following the 88th Legislative Session, the agency began implementing several Sunset recommendations outlined in HB 1500; progress can be tracked on an ongoing basis on the PUCT Interchange Filer (Docket No. 55156).



The Legislature also approved a historic budget for the agency; while maintaining its base appropriation of \$42.6 million, \$19 million in exceptional items were approved. These exceptional items will add much needed personnel, expand the <u>Office of Public Engagement</u> to assist with public outreach efforts, and increase efforts around market data analysis and energy efficiency.

NEW DAY, NEW WAY IN RATEMAKING

The use of System Improvement Charges (SICs) – a new ratesetting mechanism that emphasizes more timely cost recovery – now provides water and wastewater companies with a streamlined way to recover costs for upgrades while also allowing the PUCT to approve rate adjustments more efficiently.

This is good news for customers because the new process can incentivize utilities to make infrastructure upgrades that improve service, knowing they can more quickly recover costs.

Texas Water Utilities (TWU) was one of the first water utility providers to take advantage of the SIC process. TWU provides retail water service to more than 35,800 water connections across 34 counties and retail sewer service to nearly 6,100 sewer connections in nine counties. In November 2022, the company filed an application (<u>Docket No. 54201</u>) for water and sewer system improvement charges, requesting annual revenue requirements of \$3.6 million for water system improvement charges and \$388,000 for sewer system improvement charges. The request was in part for improvements made in response to Winter Storm Uri.

On May 31, 2023, the Commission's Staff recommended approval of TWU's request, and in September 2023, the Commission issued an order approving the requested amounts.

The new SIC process was developed thanks to legislation passed in 2019 by the Texas Legislature.

RECAP: READY FOR WINTER WEATHER



In October, Public Utility Commission of Texas (PUCT) Commissioners hosted a public work session to review winter weather preparedness, grid reliability and resiliency, and industry compliance with winter weatherization standards. You can watch an archive of the Winter Weather Preparedness Workshop <u>here</u>.

Commissioners took invited testimony from the Electric Reliability Council of Texas (ERCOT), electric generators, and transmission and distribution utilities on steps taken to comply with the PUCT's weather preparedness rules ahead of the 2023-24 winter season. ERCOT, which is tasked with conducting weatherization inspections of electric facilities, reported that weatherization inspections were ahead of pace to meet PUCT rule requirements.

Commissioners also reviewed ERCOT's Capacity, Demand and Reserves Report (CDR) and the Monthly Outlook for Resource Adequacy (MORA).

The work session was livestreamed and open to the public, providing an opportunity for Texans to learn about PUCT weatherization rules and how the state prepares for winter weather.

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The TEF provides funding for programs inside and outside the <u>Electric Reliability Council of Texas (ERCOT) Power Region</u>. Inside the ERCOT Power Region, the TEF will fund low interest loans to finance construction of new, dispatchable generation or upgrades to existing, dispatchable generation facilities. Qualifying projects must result in a net increase of at least 100 MW of generation capacity. The TEF legislation also provides completion bonus grants for new dispatchable electric generation facilities that are included as planned resources in ERCOT's biannual reports on capacity, demand, and reserves after June 1, 2023. These new facilities would need to interconnect to ERCOT before June 1, 2029, to receive a bonus grant.

Outside the ERCOT Power Region, the TEF will provide grants for electric transmission and distribution infrastructure or generation facilities to modernize and weatherize equipment, manage vegetation, or make reliability and resiliency enhancements. Finally, the TEF will authorize the PUCT to provide loans and grants for backup power sources throughout Texas that can be used to island host facilities from the power grid for 48 hours or more. Qualifying host facilities are those that communities rely on for health, safety, and well-being.

PUCT staff is working to develop and implement rules and procedures for companies to apply for TEF grants and low interest loans. The PUCT must begin accepting applications for the fund in June 2024 and the deadline to distribute initial funds from the TEF is December 1, 2025.

More information about the TEF is available online.

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"These experts are leaders in nuclear energy, business, and academia and will be instrumental as we continue to chart a path forward for advanced nuclear technology in Texas," Glotfelty said. "The diversity and depth of their expertise will help us deliver a comprehensive and actionable plan to make our state the leader in nuclear energy. I thank each of them for their willingness to participate and serve the interests of Texas consumers."

A full list of working group members is available here.

The Working Group must report its findings and recommendations to Governor Abbott by Dec. 1, 2024 and will host regular public meetings throughout the year. For more information, including a Frequently Asked Questions resource, visit the <u>Texas Advanced Nuclear Reactor Working Group page</u> on the PUCT website.



OFFICE OF PUBLIC ENGAGEMENT 2023 HIGHLIGHTS

The Office of Public Engagement has had a great first year engaging the public, educating Texans on how to participate in the many processes at the agency. The team has been busy, from helping communities dealing with poor or no water service, to educating Future Farmers of America about how the variety of generation and transmission resources can coexist with farmland in rural Texas.

This focus on helping Texans understand the policies and navigate the processes of the PUCT allows them to more directly participate in agency decision-making and filings. The issues our OPE staff help to explain cover the breadth of PUCT issues, including changes to electricity delivery charges, how to protest a water rate, and what has been done to improve grid resiliency.

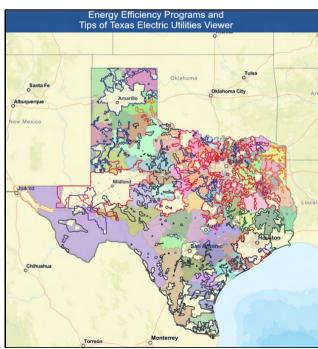
While this list will grow in the new year, here are some division highlights for 2023:

- The division hired a public engagement liaison, bringing the team to 2 members who can serve consumers in English and Spanish.
- OPE has spoken at 17 in-person and virtual events, ranging in size from 3 to 300 people.
- For the last six months, the division responded to 200 individual customers over the phone or email.
- The division implemented a system to allow the public to comment on uncontested matters in open meetings. This was a requirement in our Sunset Bill, HB 1500.

Visit our <u>webpage</u>, call us at 512-936-7374 or email us at public@puc.texas.gov with questions or concerns about policies of the PUCT, or to set up an in-person or virtual community visit.



EFFICIENT WAYS TO FIND ENERGY EFFICIENCY



Looking for ways to save money by taking part in energy efficiency programs? The PUCT's Infrastructure Division is here to help! The agency's Mapping Team created <u>a map on the</u> <u>Power to Save website</u> to help Texas consumers find information on the energy efficiency programs or tips offered by the electric utilities that serve them.

To use the map, a consumer simply types in their address. The map shows them who their electric utility is and provides them with links to the utility's home page and energy efficiency page. The agency has provided information for all electric utilities in Texas (investor-owned utilities, municipally owned utilities, and electric cooperatives).

The map is a first-of-its-kind offering by the agency and will help consumers quickly find energy-saving programs they can choose to save money and electricity.

JOBS WITH JOHN: ON THE ROAD AGAIN...

BY JOHN COX, TALENT ACQUISITION SPECIALIST

In a world where mega-job search engines, online job applications and virtual interviewing are the norm, there is still nothing better than meeting candidates face to face and shaking their hands. That's why I hit the road in 2023, crisscrossing Texas to make people aware of the opportunities we have today and will have in the future. It's been a fantastic adventure meeting some of our state's best and brightest, sharing the amazing things we're doing for Texans at the PUCT.

I've visited with almost 1,000 people to introduce them to the PUCT: who we are, what we do, the benefits of working for the agency and the State of Texas and to let them know how they can become part our team!

Professional and veteran-focused job fairs have been and will continue to be our focus. I had wonderful experiences at job fairs in Denton, Dallas, San Antonio, Houston and Austin. Throughout the fall semester, our uber-busy collegiate tour took me to 14 different campuses in the span of a month, primarily focusing on undergrads and grads interested in careers in engineering and law.

The spring semester is right around the corner, so be on the lookout. I may be heading your way in the run-up to May graduation. Here are some schools I plan to visit in 2024:

- UT Austin
- Texas A&M
- University of Texas at El Paso
- Texas Tech
- University of Oklahoma
- New Mexico State University
- Southern Methodist University
- Texas Christian University

Learn more about our <u>current employment opportunities</u> and look for me at a career fair near you!

OUR UNIQUE RECRUITING EFFORTS IN 2023 INCLUDED:



900+ new connections made



3/ events attended (in-person & virtually)

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7,768 miles traveled



120 hours spent traveling to events



115 hours spent introducing people to the PUCT





"FROM BLUE SKIES TO GRAY AND EVERYTHING IN BETWEEN:" EMERGENCY MANAGEMENT 101

The PUCT's Critical Infrastructure Security & Risk Management (CISRM) division has one thing on the brain: Relationship management.

You read that right. CISRM is hosting trainings in Texas Division of Emergency Management (TDEM) regions across Texas with the simple goal of bringing emergency management teams and utility providers together.

"Emergency Management is relationship management, and you have to get to know the people you're going to be working with on blue sky days so that on gray sky days those relationships are already there and people know who to call for what," said Shawn Hazard, the PUCT's Emergency Management Coordinator.

On Sept. 27, the PUCT joined forces with CPS Energy in San Antonio to give city and Bexar County leaders a tour of CPS Energy and City of San Antonio emergency facilities. Watch a recap of the CISRM training in San Antonio <u>here</u>.

CISRM hosted its first training in Amarillo in May 2023 and is planning more in El Paso, Dallas/Fort Worth, Houston, and South Texas over the next year.

KEEPING THE WATER FLOWING

Every day, PUCT staff work to make sure the investor-owned water and wastewater utilities in Texas keep the water flowing reliably and affordably, whether the utility serves three or 3,000 customers. It can require collaboration with partner agencies, local governments, elected officials, and of course, home and business owners.

That's what it took to keep the taps on in one North Texas community this past year.

In December 2022, the PUCT was informed by the City of Denison that it was preparing to disconnect the Northern Hills Development Company for nonpayment of its wholesale water supply bill. That would have left about 85 customers of the water utility in Grayson County without reliable water service. Disconnection was set for January 4, 2023.

Working with PUCT staff, Denison officials delayed disconnection of the wholesale water supply to allow Northern Hills to make payment arrangements, or for the appointment of a Temporary Manager. Northern Hills failed to pay their bill, so the PUCT worked with Denison to ensure that the customers would get water until a willing Temporary Manager was appointed to take over Northern Hills.

The PUCT was able to appoint a Temporary Manager to operate Northern Hills in February 2023 and to ensure consumers would continue to have reliable water service, without disruption, until a permanent solution is in place.

Our team is always ready to assist Texans and water utility operators with issues affecting the utility's efforts to provide reliable service to Texans. For more information about the PUCT's jurisdiction over water utilities, see the Faucet Facts <u>webpage</u>.



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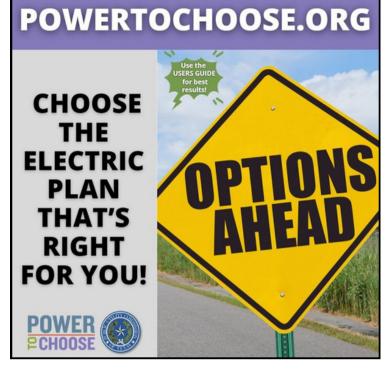


CONSUMER RESOURCES



Monitor outage maps and find contact information for them on our Storm Resources page: <u>https://puc.texas.gov/storm/</u>





Understanding the types of plans that are available can help you make better decisions for your home and your family's needs.

Visit Powertochoose.org to learn more!

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PUCT IS HERE TO HELP!

Assistance Paying Your Bill

Understanding Charges On Your Electric Bill

The Rights You Have as a Utility Customer

Frequently Asked Questions



QUESTION OR COMPLAINT ABOUT YOUR UTILITY SERVICE?



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The mission of the Public Utility Commission of Texas is to protect customers, foster competition, and promote high quality utility infrastructure.