



NOV 30 2010

*Public Utility Commission of Texas*

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November 30, 2010

Mr. Ken Levine  
Director, Sunset Advisory Commission  
P.O. Box 13066  
Austin, Texas 78711-3066

Dear Mr. Levine:

Enclosed is the Commission's response to the Supplement to the Sunset Staff Report dated November 2010. As we near the end of the review process by the Sunset Commission, I wanted to thank you for the thoroughness and hard work by you and your staff in working with the staff at the Public Utility Commission and developing the report and recommendations for the legislature. I know that the Sunset Commission had many large agencies to review this biennium, and the quality of the final report for the PUC speaks highly to the professionalism of your staff.

Sincerely,

A handwritten signature in black ink, appearing to be "B. Smitherman".

Barry T. Smitherman



**Barry T. Smitherman**  
Chairman

**Donna L. Nelson**  
Commissioner

**Kenneth W. Anderson, Jr.**  
Commissioner



**Rick Perry**  
Governor

## ***Public Utility Commission of Texas***

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November 30, 2010

Mr. Ken Levine  
Director, Sunset Advisory Commission  
P.O. Box 13066  
Austin, TX 78711-3066

Dear Mr. Levine:

The Public Utility Commission of Texas (PUC or Commission) appreciates this opportunity to respond to the Supplement to the Sunset Staff Report dated November 2010. The PUC also appreciates the thorough and professional review performed by the staff of the Sunset Advisory Commission in developing its findings and recommendations.

The PUC does not object to any of the recommendations contained in the report, and offers the following comments.

**Recommendation S 1.1                      Continue the PUC for 12 years**

The PUC supports this recommendation.

**Recommendation S 1.2                      Transfer gas utility regulation from the Railroad Commission to the PUC**

The Commission appreciates the Sunset Staff's confidence in our ability to take on additional duties, and is prepared to undertake responsibility for regulation of gas utilities, should these recommendations ultimately be adopted by the Legislature.

**Recommendation S 1.3                      Require the use of the State Office of Administrative Hearings in contested gas utility cases**

If Recommendation S 1.2 is adopted, the PUC supports this recommendation, but suggests that this change conform to current law applicable to PUC contested case hearings. Government Code § 2003.049 provides for SOAH to conduct PUC contested case hearings, but allows commissioners to hear cases as well. Usually the commissioners conduct hearings only when important policy questions or issues of first impression are involved, so the PUC does not anticipate that the commissioners would ordinarily conduct gas utility rate hearings. However, the ability to conduct hearings when appropriate would provide useful flexibility.

**Recommendation S 1.4      Transfer responsibility for regulating water and wastewater rates and services from TCEQ to PUC**

The Commission appreciates the Sunset Staff's confidence in our ability to take on additional duties, and is prepared to undertake responsibility for regulation of water and wastewater utility rates and services, should these recommendations ultimately be adopted by the Legislature.

**Recommendation S 1.5      Eliminate the existing water and wastewater utility application fees and adjust the Water Utility Regulatory Assessment Fee to pay for utility regulation at PUC.**

If Recommendation S 1.4 is adopted, the PUC supports this recommendation.

**Recommendation S 1.6      Require OPUC to represent residential and small commercial interests relating to water and wastewater utilities, contingent on the transfer to PUC.**

If Recommendation S 1.4 is adopted, the PUC supports this recommendation.

**Recommendation S 1.7      Require PUC to make a comparative analysis of statutory ratemaking provisions under its authority, contingent on any transfers, to determine opportunities for standardization.**

If Recommendations S 1.2 and S 1.4 are adopted, the PUC supports this recommendation.

**Recommendation S 1.8      Require PUC to analyze the staffing requirements, contingent of any transfers, and report potential changes in staffing needs to the Legislative Budget Board and the Governor's budget office.**

If Recommendations S 1.2 and S 1.4 are adopted, the PUC supports this recommendation.

I would like to thank you and the team headed by Karl Spock for the manner in which the review of our agency was conducted. We look forward to continuing to work with you as the Sunset process continues.

Sincerely,



Paula Mueller  
Interim Executive Director