RAILROAD COMMISSION OF TEXAS

SELF-EVALUATION REPORT

SUBMITTED TO THE SUNSET COMMISSION

SEPTEMBER 2015

Christi Craddick
Commissioner

David Porter
Chairman

Ryan Sitton
Commissioner

In accordance with Chapter 325, Government Code (Texas Sunset Act) and HB 1675 from the 83rd Texas Legislature, the Railroad Commission of Texas submitted this Self Evaluation Report to the Sunset Commission.

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Railroad Commission of Texas Self-Evaluation Report

I. Agency Contact Information

A. Please fill in the following chart.

Exhibit 1: Agency Contacts

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Table 1 Exhibit 1 Agency Contacts

II. Key Functions and Performance

Provide the following information about the overall operations of your agency. More detailed information about individual programs will be requested in a later section.

A. Provide an overview of your agency's mission, objectives, and key functions.

The Railroad Commission of Texas (RRC) is the oldest regulatory agency in Texas and one of the oldest in the United States. It was established in 1891 to regulate the rail industry with jurisdiction over rates and operations of railroads, terminals, wharves, and express companies. The RRC's oversight responsibility has changed and expanded over its 124 year history to encompass many different industries, particularly the oil, natural gas, and coal mining industries. Presently the RRC is the state agency with primary regulatory jurisdiction over the oil and natural gas industry, pipeline transporters, the natural gas and hazardous liquid pipeline industry, natural gas utilities, the alternative fuels (LPG/CNG/LNG) industries, coal surface mining, and uranium exploration operations. In its regulatory role, the RRC has environmental and safety responsibilities related to oil and gas production. An overarching agency goal is to encourage the responsible development of natural resources while protecting the environment.

Our mission is to serve Texas by our stewardship of natural resources and the environment, our concern for personal and community safety, and our support of enhanced development and economic vitality for the benefit of Texans.

We support the development of the state's energy resources while protecting public health and the environment through an effective regulatory program.

We advance safety in the delivery and use of Texas petroleum products, including LPG/LNG/CNG, and in the operation of the Texas pipeline system through training, monitoring and enforcement, and promote, educate, and enforce regulations for underground damage prevention.

We protect the environment and consumers by ensuring that energy production, storage and delivery minimize harmful effects on the state's natural resources and that just and reasonable natural gas rates promote a safe and efficient supply of natural gas.

We strive to maximize electronic government and to minimize paper transactions by developing technological enhancements that promote efficient regulatory programs and preserve and increase access to public information.

B. Do your key functions continue to serve a clear and ongoing objective? Explain why each of these functions is still needed. What harm would come from no longer performing these functions?

The Commission's key functions provide necessary regulation and oversight of the state's energy industries, without which Texas would not have a vital pillar of its vibrant economy. The Commission's main functions are to protect the environment, public safety, and correlative rights of mineral interest owners, prevent waste of natural resources, and assure fair and equitable utility rates in natural gas distribution industries.

The Commission accomplishes its functions by promulgating rules, registering organizations, maintaining financial assurance of oil and gas operators, reviewing operator filings, granting permits and licenses, monitoring performance, inspecting facilities, enforcing violations of rules, maintaining records and maps, reviewing variance requests, investigating complaints, responding to emergencies, plugging abandoned wells, encouraging recycling, cleaning up abandoned sites, educating the public, providing public information, resolving disputes through an alternative dispute resolution process, conducting hearings on disputed matters, and rendering decisions.

The RRC's environmental protection function addresses potential threats to the environment and human health posed by oil and gas industry activity. The RRC works to prevent the degradation of land and water resources by providing environmental protection regulation that considers environmental risk and economic cost to the public and the state's continuing energy requirements, as well as to ensure the timely and safe reclamation and remediation of affected land and water. Further, as the state's energy industry matures, the RRC has a greater degree of responsibility in regulating environmental aspects for the exploration and production phases of the industry. Environmental responsibilities tend to increase during times of industry decline as more abandoned wells and sites fall to the RRC to manage.

The RRC administers the surface coal mine regulatory program with authority from the federal Surface Mining Control and Reclamation Act of 1977. In its efforts, the RRC seeks to prevent adverse effects to the environment associated with surface coal mining operations and to assure that coal mining operations are conducted in a manner that will prevent permanent degradation of land and water resources. The RRC's environmental protection role seeks to ensure that reclamation of all land on which surface coal mining takes place is accomplished as contemporaneously as practicable with the surface coal mining. The RRC regulates the state's uranium exploration in much the same manner under the authority of a state program to ensure that land and water resources are protected during and after the exploration process. Under the Abandoned Mine Land Program, the RRC reclaims priority abandoned mine land that was mined prior to any law requiring reclamation of coal and uranium mines to prevent adverse effects to the environment and public safety.

The RRC oversees the most extensive state network of pipelines in the nation that are required to gather, transport, and deliver valuable oil and natural gas resources. The RRC has responsibility to ensure that pipeline systems are designed, constructed, operated, and

maintained safely. Approximately one-sixth of the total pipeline mileage in the United States is located in Texas. The RRC works as a certified agent in partnership with the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA). The Commission's safety regulations meet or exceed federal standards. The Commission also ensures that the pipeline network beneath the ground functions safely. As a participant in the Common Ground Alliance, the RRC promotes pipeline safety through its damage prevention program and establishes penalties for excavation damage to pipeline facilities.

The RRC also regulates the safe transport, storage, distribution, and use of alternative fuels, including LP-gas (LPG), commonly referred to as propane, as well as compressed natural gas (CNG) and liquefied natural gas (LNG). The RRC provides training, continuing education, and licensing for individuals working with these alternative fuels.

The RRC is responsible for ensuring effective use of the state's energy resources through the regulation of almost all phases of the oil and gas exploration and production industry. From initial permitting to drill a well to its final plugging, each oil and gas well in the state is monitored and regulated by the RRC. Through its regulation, the RRC protects both adjacent mineral interest owners' interests, and reservoirs by regulating the spacing and density of wells, determining financial assurance, mapping wells for future reference, and evaluating potential impacts to underground fresh water access and ensuring that such activities do not negatively affect surface and subsurface water quality. The RRC examines any possible connection between seismic events and oil and gas activity and interprets various forms of data to evaluate the possibility of future seismic activity in the vicinity of oil and gas exploration and production operations.

More than 4.5 million residential and business customers rely on the RRC to ensure the availability and reliability of natural gas from the consumer who uses natural gas for essential home heating needs to the farmer who relies on natural gas for feedstock or the major manufacturer who uses natural gas as a process fuel. Further, during peak demand periods over half of the electricity generated in Texas is fueled by natural gas. The RRC provides economic oversight and regulation to ensure that natural gas utilities provide safe and reliable service at just and reasonable rates. Texas is by far the largest natural gas producing state in the nation.

The RRC recognizes the value of its information and provides public access to its data repositories. Much of the data can be accessed via the agency's internet site. In addition, in response to requests from members of the Commission's regulated industries and the general public, the Commission continues to examine and create venues to enable easier access to records that concern various oil and gas exploration and development issues including field rules, secondary recovery projects, maximum efficient rates of production, determination of responsibility for the proper plugging of abandoned wells, applications to inject water into reservoirs for enhanced oil and gas production, and prevention and control of oil and gas pollution.

Elimination of the agency would leave the state without any capable oversight of the energy industries or enforcement of statutes governing the industries under the RRC's jurisdiction.

C. What evidence can your agency provide to show your overall effectiveness and efficiency in meeting your objectives?

In addition to the detail provided by the Legislative Budget Board approved performance measures, approximately twice a month at the Commission's open meetings, known as Commissioner's Conference, the efficiency and effectiveness of the agency in meeting its strategic objectives is on display. At each open meeting the Commissioners consider contested dockets and motions for rehearing, any proposed rule changes, important policy matters, agreed enforcement orders, consent agenda items, and master default orders, which demonstrates the ability of the agency to effectively address important agency matters on a regular and expeditious basis.

The Commission serves the state through stewardship of natural resources and the environment while supporting enhanced development and economic vitality for the benefit of Texans. Texas continues to lead the nation in oil production, natural gas production, and propane production and consumption. The state also maintains its position as the sixth largest coal producer, with Texas leading the nation in construction of gas-fired electric generation. Through the RRC's effective regulatory management of the state's oil and gas energy resources, the Comptroller estimated that transfers from state oil production and regulation taxes were expected to generate $4.6 billion in revenue during the 2014-15 biennium, a 3.8% increase from the $4.43 billion collected in the 2012-13 biennium. Natural gas tax receipts were expected to total $2.5 billion in revenue during the 2014-15 biennium, a decrease of 3.8% from the $2.6 billion collected during the 2012-13 biennium.

Texas has nearly 375,000 miles of pipeline systems, with more than 169,000 miles of pipeline under the direct safety oversight of the RRC. The RRC adopted the nation's first overall integrity management plan for pipelines, ahead of the federal government, which used the RRC's rules as a template to develop its own integrity management rules. This is considered the premiere step in assuring the safer operation of pipeline facilities in the state. To improve its effectiveness, the RRC uses a formal risk-based evaluation system to assess pipeline systems throughout the state. Safety inspections are conducted at time intervals dependent upon the identified risks of either the pipeline or alternative fuel facility.

Texas is the nation's leading oil and gas producing state, providing 34.3% of the lower forty-eight onshore oil production, and 21.5% of the lower forty-eight onshore total natural gas production (wet after separation from lease) in the United States. According to the most recently available data from the United States Energy Information Administration, as of December 31, 2013, Texas has remaining proven crude oil reserves of 10,468 billion barrels or 31.4% of U.S. crude oil reserves, and proven dry natural gas reserves of 97,921 billion cubic feet or 27.7% of U.S dry natural gas reserves. In addition to its oil and gas resources, Texas is the sixth largest coal producing state in the nation.

The RRC's Oil Field Cleanup dedicated account, and its successor account the Oil and Gas Regulation and Cleanup (OGRC) dedicated account, is used to plug orphan wells and remediate abandoned oil field sites. The RRC provides quarterly financial status reports to the Oil Field

Cleanup Advisory Committee to demonstrate that the funds are used effectively and efficiently to plug abandoned wells and clean up abandoned oil field sites. From 1984 to the end of fiscal year 2013, the Commission plugged 34,423 wells at a cost of approximately $240 million and from 1992 to the end of fiscal year 2014, the Commission completed 5,468 cleanups, investigations, or assessments for a total cost of approximately $67.1 million. The RRC makes every effort to recover costs from the responsible party. All costs associated with cleanups and well pluggings are borne by the industry through universal bonding, and other revenue deposited to the Oil and Gas Regulation and Cleanup fund. These projects are not funded with General Revenue.

The RRC's coal mining regulatory program permits and inspects 29 coal mine permits covering about 325,000 acres to ensure that mined land is reclaimed to a condition that is as good or better than before it was mined so that to protect the State's land and water resources. Performance bonds are held by the RRC until reclamation success is ensured. The uranium exploration regulatory program currently has 13 permits covering about 336,000 acres. The RRC permits and inspects active uranium exploration permits to ensure that all exploration boreholes are plugged to ensure protection of the State's land and water resources.

The RRC's federally funded abandoned mine land reclamation program reclaims priority sites based on public health and safety concerns. To date, 455 dangerous abandoned underground tin, mercury, copper, and coal mine openings have been closed and no longer pose a danger to the public. The program reclaimed over 2,645 acres of abandoned lignite and uranium minespoil and associated dangerous highwalls in 15 counties to include 52 mine sites throughout the state.

The RRC continues to upgrade its technology systems via the Information Technology Modernization Program (ITMP). This progress has improved system availability, provided performance gains for existing online systems while building additional online means to work with the RRC as well as reducing paper transactions, and increased visibility into the state's Oil and Gas data. Through the ITMP implementation the RRC has completed a redesign of the Public Website with content management, provided an updated viewer for the public to access the RRC's spatial and geographical data (Geographic Information Systems data, or collectively GIS), reduced downtime for systems available to the public by completing many system hardware and software upgrades, provided the regulated community with the ability to electronically file for Statewide Rule Exceptions and Ground Water Protection Letters, and improved the ability for oil and gas inspectors to automatically upload their field inspection reports to the RRC's database. The RRC is currently working on implementing a new online filing for Pipeline permits, improved automation of fee payment, and improved reporting services.

D. Does your agency's enabling law continue to correctly reflect your mission, objectives, and approach to performing your functions? Have you recommended changes to the Legislature in the past to improve your agency's operations? If so, explain. Were the changes adopted?

The RRC's enabling law continues to reflect its mission, objectives and approach to performing the RRC's functions, with the exception of railroad regulation, which was fully transferred to the Texas Department of Transportation in 2005.

Senate Bill 1540, 81st Legislature (Regular Session, 2009), repealed provisions in Title 112, Revised Statutes, and re-enacted those provisions applicable to railroads, including the regulation of railroads and powers and duties of railroads, railways, and rail districts, in Title 5, Transportation Code. The bill also repealed the general provisions governing the RRC in Title 112, Revised Statutes, and re-enacted them in Chapter 81, Natural Resources Code.

House Bill 7, 83rd Legislature (Regular Session, 2013) abolished the Alternative Fuels Research and Education (AFRED) fund and transferred AFRED fund money to the undedicated portion of the general revenue fund. The bill also repealed AFRED's existing statutory authority found in Texas Natural Resources Code, Chapter 113, Subchapter I, along with the LP-Gas delivery fee that fed the fund and paid for AFRED's marketing and public education program. AFRED's statutory authority was reestablished in Texas Natural Resources Code, Chapter 81 and the Commission was instructed to adopt all necessary rules related to alternative fuel program activities. The bill also repealed the Commission's statutory authorization to appoint members to the AFRED advisory committee.

The RRC will continue to work with the Texas Legislature to make modifications, as necessary, to the agency's enabling law.

E. Do any of your agency's functions overlap or duplicate those of another state or federal agency? Explain if, and why, each of your key functions is most appropriately placed within your agency. How do you ensure against duplication with other related agencies?

None of the RRC's functions specifically duplicate those of another state or federal agency. The RRC is charged with regulatory jurisdiction over the oil and natural gas industry, pipeline transporters, the natural gas and hazardous liquid pipeline industry, natural gas utilities, the alternative fuels industries, coal surface mining, and uranium exploration operations. The RRC is the only state agency with any subsurface jurisdiction.

Several other agencies have similar responsibilities relative to protecting the environment and ensuring the safety of Texans, but no other agency duplicates the totality of functions performed by the RRC.

The RRC serves as a certified agent or has been granted primacy by the federal government for several programs, including authorization from the U.S. Department of the Interior to administer the surface coal mine regulatory program and the abandoned mine lands program

under the federal Surface Mining Control and Reclamation Act of 1977; authorization from the U.S. Environmental Protection Agency to administer the underground injection control program under the federal Safe Drinking Water Act for injection wells associated with oil and gas exploration and production activities and brine mining activities; serving as the state's certifying agency for federal permits required under sections 401 and 404 of the federal Clean Water Act for projects associated with oil and gas exploration and production activities; and serving as a certified agent in partnership with the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration to inspect and enforce the pipeline safety regulations for intrastate gas and hazardous liquid pipeline operators in Texas.

In other instances, the RRC has established memoranda of understanding with the appropriate agency. Specifically, it may appear as though there could be duplication with the TCEQ related to environmental protection, but the RRC's energy resource conservation and environmental protection functions depend on industry-specific expertise established at the RRC that is not duplicated by the TCEQ.

The RRC has jurisdiction over the disposal of oil field related naturally occurring radioactive material (NORM) waste and management of NORM-contaminated equipment, while the Department of State Health Services has jurisdiction over possession, storage, use, transfer, transport, recycling, and decontamination of NORM resulting from oil and gas exploration and production.

Texas is the only state in the nation that has a bifurcated regulatory structure for oversight of natural gas utilities. City governments throughout Texas have direct economic regulation of gas distribution utilities located within the incorporated areas of their city, unless they choose to surrender this jurisdiction to the RRC, which has direct jurisdiction over gas utilities' rates for those ratepayers living in unincorporated areas of the state and appellate jurisdiction when utilities appeal city decisions concerning rate requests. Following enactment of Senate Bill 7, 76th Legislature (Regular Session, 1999), which restructured the regulation of electric utilities in Texas, regulatory processes for electric utilities diverged from those for gas utilities, further reducing similarities between the two regulatory processes.

The RRC coordinates closely with peer agencies, often through participation on inter-agency work groups, to ensure that efforts are supportive and not duplicative.

F. In general, how do other states carry out similar functions?

The RRC is nationally and internationally recognized for its regulatory efforts to ensure the safe and environmentally sound development of energy resources. The RRC's responsibilities are unique as oversight and regulatory jurisdiction follow the energy stream from extraction from the state's geologic formations to use by the consumer. The RRC is a safety leader and a model for other states in the regulation of the energy industry. In some areas, the RRC oversees federal regulations, which are applied uniformly across the states, while in other areas the RRC oversees state regulations, which may vary from state to state depending on each state's specific laws and circumstances. Regulations in other states tend to be modeled after those of

the RRC's as it is one of the oldest regulatory agencies of its kind in the nation, and the agency has a proven record of regulatory success.

G. What key obstacles impair your agency's ability to achieve its objectives?

The Railroad Commission regulates dynamic industries that support the state's economy, which often insulates Texas from experiencing the same economic fluctuation as other states. As such, the Commission needs to have the staffing, technological and financial ability to respond to changing market and economic conditions that affect the industries it regulates in a dynamic manner. Obstacles the Commission faces at this writing may be obsolete at the printing of this document, but they may be broadly summarized as related to the staff and technological capacity of the Commission within the financial constraints placed on it as an entity of the State of Texas.

H. Discuss any changes that could impact your agency's key functions in the near future (e.g., changes in federal law or outstanding court cases).

Several pieces of federal and state legislation and recent court cases could impact the RRC's key functions in the coming years. Court cases, legislation and regulations seeking to address various environmental concerns related to industries regulated by the RRC may result in the need for significant changes to regulatory processes.

The United States Fish and Wildlife Service (FWS) continues to be active with proposing and listing animals for protection under the Endangered Species Act (ESA), which the RRC monitors carefully because a listing could impede RRC permitting and other regulatory processes, although that has not happened to date.

The RRC is closely watching two sets of ESA litigation related to the Lesser Prairie Chicken, whose habitat includes areas of significant oil and gas activity:

Permian Basin Petroleum Assoc. v. Dept. of Interior, filed June 9, 2014 and currently pending in federal court in Midland, TX, attacks the listing of the Lesser Prairie Chicken as "threatened" on grounds that the Fish and Wildlife service violated Administrative Procedure Act. Four other cases being consolidated in the Northern District of Oklahoma attack the listing of the Lesser Prairie Chicken by asserting various violations of the Endangered Species Act and the Administrative Procedure Act.

On May 26, 2015, the FWS initiated environmental review of a proposal to regulate the incidental take of most of the bird species found in the United States. FWS, Notice of Intent, Migratory Bird Permits: Programmatic Environmental Impact Statement, 80 Fed. Reg. 30032 (May 26, 2015). In the Notice, FWS outlined a plan for development of a multi-layer permitting program under the Migratory Bird Treaty Act (MBTA). According to the Notice, sectors that FWS is considering including in a general permit include oil and gas reserve pits and wastewater ponds, along with flares, exhaust pipes, and vents at oil and gas production sites.

In recent years, the EPA has increased its focus on oil and gas exploration and production activities in Texas and other states. Examples of this increased interest include the EPA's action to prohibit oil and gas discharges, attempts to regulate exempt oil and gas storm-water discharges and hydraulic fracturing techniques, expanded studies of oil and gas completion techniques and wastes in the states, and possible regulation of well "gathering lines." The EPA also conducted compliance inspections under the federal Spill Prevention, Control, and Countermeasures (SPCC) program, and the Clean Water Act.

Hydraulic fracturing—a well stimulation technique used in several plays across the nation—of oil and gas wells is the subject of several state and federal initiatives that impact key functions of the RRC. In the Energy Policy Act of 2005, Congress amended the Underground Injection Control (UIC) portion of the federal Safe Drinking Water Act (42 USC 300h(d)) to define "underground injection" to exclude "...the underground injection of fluids or propping agents (other than diesel fuels) pursuant to hydraulic fracturing operations related to oil, gas, or geothermal production activities." Accordingly, hydraulic fracturing is not subject to regulation under the federal Safe drinking Water Act UIC regulations, unless diesel fuel is injected or used as the propping agent.

On February 5, 2014 the EPA finalized UIC Class II permitting guidance for hydraulic fracturing activities that use diesel fuel in hydraulic fracturing fluids. EPA issued an interpretative memorandum to state and EPA UIC program directors to clarify the UIC program requirements under the Safe Drinking Water Act (SDWA) for underground injection of diesel fuels in hydraulic fracturing for oil and gas extraction. This memorandum clarifies EPA's position that all UIC programs—including those in most oil and gas producing states such as Texas— must require permits for hydraulic fracturing of wells using fluids that contain diesel fuels as EPA has defined that term. Failure by a state to comply with the Class II requirements for hydraulic fracturing using diesel fuel as defined by EPA could result in a threat by EPA to withdraw the state's UIC program approval.

At the request of Congress, the EPA is conducting a study to assess any potential impacts of hydraulic fracturing on drinking water resources. The initial research results and study findings were released to the public in 2012. They were organized according to five different types of research activities: analysis of existing data, scenario evaluations, laboratory studies, toxicity assessments, and case studies. A draft report was released for public comment and peer review in May 2015. The scope of the study includes the full cycle of water in hydraulic fracturing, from the acquisition of the water, through the mixing of chemicals and actual fracturing, to the post-fracturing stage, including the management of flowback and produced or used water as well as its ultimate treatment and disposal. The draft report states EPA did not find evidence that hydraulic fracturing and related activities have led to widespread, systemic impacts on drinking water resources in the United States.

On May 19, 2014, the U.S. Environmental Protection Agency (EPA) published in the Federal Register an Advance Notice Of Proposed Rulemaking related to "Hydraulic Fracturing Chemicals

and Mixtures." This proposed rulemaking could impact how the state regulates disclosure of hydraulic fracturing chemical ingredients.

On July 6, 2011, the EPA finalized the Cross-State Air Pollution Rule (formerly referred to as the Clean Air Transport Rule or CATR). On April 29, 2014, the Supreme Court ruled 6-2 that the EPA reasonably interpreted the Clean Air Act in adopting the cross-state rule. Implementation of the rule will require a 47 percent reduction in sulfur dioxide emissions and about eight percent in nitrogen oxide from all coal-fired power plants in Texas. This could result in the retirement or temporary closure of some lignite fueled power plants in Texas. At this time it is difficult to predict the impact on the coal regulatory program, but some estimates indicate that as much as 75 percent of the lignite fueled power plants would be retired or converted to other fuels over the next few years. This would result in a commensurate reduction in lignite production. Coal mining permits would still be required until reclamation of the mines is complete—approximately 10 years after closure.

On February 16, 2012, the EPA published the Mercury and Air Toxics Standards (MATS) in the Federal Register. On June 29, 2015, the U.S. Supreme Court released its opinion in the MATS case, ruling in a 5-4 decision that the EPA interpreted the Clean Air Act improperly in developing the Mercury and Air Toxics Standards because it did not consider the costs of emissions reductions. The RRC is a party to the proceeding and is a part of a coalition of states that argued that EPA must consider compliance costs as a part of its mandate to issue "appropriate and necessary" regulations. The Supreme Court remanded the case to the D.C. Circuit which must now decide whether EPA should reconsider the rule or start over.

The December 7, 2009, finding by the EPA that six greenhouse gases threaten the public health and welfare of current and future generations began a lengthy legal battle recently concluded with a June 23, 2014 opinion from the Supreme Court. The opinion does not change EPA's authority to regulate greenhouse gases from the large emitters already subject to Prevention of Significant Deterioration (PSD) permitting for conventional pollutants, such as power plants, which is significant to the RRC because it will affect coal-fired, oil-fired, and potentially gas-fired power plants in Texas. How these and related activities, such as Texas lignite mining, are affected will be issues facing the RRC in the near future.

On October 15, 2012, gas well completion notification provisions under the EPA's 2012 oil and gas standards air pollution took effect. These new regulations revise the new source performance standards for volatile organic compounds from leaking components at onshore natural gas processing plants and new source performance standards for sulfur dioxide emissions from natural gas processing plants. In addition to the operations covered by the existing standards, the newly established standards will regulate volatile organic compound emissions from gas wells, centrifugal compressors, reciprocating compressors, pneumatic controllers, and storage vessels. The rules also finalize modification and addition of testing and monitoring and related notification, recordkeeping, and reporting requirements, as well as other minor technical revisions to the national emission standards for hazardous air pollutants. The rules finalize revisions to the regulatory provisions related to emissions during periods of

startup, shutdown and malfunction. Texas operators can meet this EPA provision by completing the Texas Commission on Environmental Quality's well completion/ flowback notification form.

On March 28, 2014, the White House announced a wide-ranging plan to cut methane emissions from oil and gas drilling as part of its strategy to reduce greenhouse gas emissions. The White House said EPA will study how methane is released during oil and gas drilling and decide by the end of the year whether to develop new regulations for methane emissions. If imposed, the regulations would be completed by the end of 2016. Previously, the EPA proposed rules that would require the oil and gas industry to track methane and carbon dioxide emissions from onshore and offshore oil and gas production facilities as well as processing and transmission facilities—data collection began in January 2011. The White House also indicated that the Department of the Interior (DOI) will propose updated standards to reduce venting and flaring of methane from oil and gas production on public lands. In April 2014, the DOI's Bureau of Land Management published an advance notice of proposed rulemaking (ANPR) to solicit comments on establishing a program that would allow the capture, use, sale, or destruction of waste mine methane from federal coal leases as well as for federal leases for other solid minerals.

On September 20, 2013 the EPA released a proposal to limit greenhouse gas emissions from new and existing power plants, following a June 2013 directive from the White House to develop a proposal to limit carbon emissions from power plants. The final rules are expected to be published in the near future.

Since 1977, under the federal Clean Water Act (CWA), the United States Environmental Protection Agency (the EPA) and the United States Army Corps of Engineers' (the Corps) broad interpretation of the term "waters of the United States" has been the subject of three major Supreme Court cases. The EPA and the Corps also have published several guidance documents trying to clarify the definition of "waters of the United States." There remains still considerable confusion. On March 25, 2014, the EPA and the Corps released a proposed rule revising the definition of "waters of the United States" under the CWA. The proposed rule was published in the Federal Register in early April 2014 and was finalized in the June 29, 2015 Federal Register, to be effective August 28, 2015. The rule expands the reach of CWA jurisdiction by finding that all "tributaries" and "adjacent waters including wetlands" have or may have a significant nexus and, therefore, are categorically included as jurisdictional. While the agencies claim that the scope of CWA regulation under the rule is narrower than current regulations, it is likely that new types of waters will be regulated. The impact of this proposed rule would especially be felt in the arid West, with many isolated waters that are normally wet only during seasonal rain events. The proposed rule would, among other things, allow EPA and the Corps to consider all isolated waters and wetlands together within a large landscape area to support a jurisdictional determination by allowing EPA and the Corps to "aggregate" normally dry prairie potholes that have no hydrologic connection to the closest navigable water by finding that they perform certain functions during the wet season on the theory that excluding any single "similarly situated" water would adversely affect the ecological integrity of that entire watershed. Protracted litigation over this rule is highly likely.

The Office of Surface Mining Reclamation and Enforcement (OSM) recently published a proposal for a new Stream Protection Rule, which could affect the RRC as well as the state's coal mining industry. According to OSM, the proposed rule will (1) clearly define "material damage to the hydrologic balance outside the permit area" and require that each permit specify the point at which mining-related impacts on groundwater and surface water reach that level of damage; (2) collect adequate premining data about the site of the proposed mining operation and adjacent areas to establish a baseline for evaluation; (3) adjust monitoring requirements; (4) protect/restore perennial and intermittent streams and related resources; (5) facilitate use of advances in science and technology; (6) ensure land is restored to a condition capable of supporting the uses that it was capable of supporting before mining; and (7) codify requirements for protecting threatened or endangered species and designated critical habitat.

I. What are your agency's biggest opportunities for improvement in the future?

The Commission is beginning to see the effect of rule amendments adopted recently that demonstrate a proactive approach to implementing best practices in the field. These include amendments to water recycling rules, amendments to the Commission's well construction requirements rule, and seismicity-related rules that were put in place for underground injection wells. The Commission values the opportunity to work with all stakeholders to develop a comprehensive set of rules as technology and industry practices continue to evolve.

The Commission recently converted its financial accounting system from the Uniform Statewide Accounting System (USAS) to the new Centralized Accounting and Payroll/Personnel System (CAPPS) enterprise resource planning system. Following the initial implementation phase, the Commission is using modules for Accounts Payable, General Ledger/Commitment Control, Asset Management, and Purchasing. CAPPS implementation allows the Commission to better manage its various funding sources, which include the surcharge-based Oil and Gas Regulation and Cleanup Fund, various sources of appropriated receipts, as well as federal grant funding, with real-time information. CAPPS improves the ease and accuracy of reporting both for internal users, as well as for financial data that is provided to the Texas Legislature and other external oversight organizations.

Funding appropriated to the Commission during the 83rd Legislative Session allowed for improvements to the Commission's antiquated information technology systems, which are vital to support industry, the general public, and Commission staff. The first series of Information Technology Modernization Program (ITMP) projects is expected to be complete by the end of fiscal year 2015. The Commission will continue to prioritize business needs and present new projects to the legislature in future fiscal years as a part of its ongoing modernization program.

J. In the following chart, provide information regarding your agency's key performance measures included in your appropriations bill pattern, including outcome, input, efficiency, and explanatory measures. See Exhibit 2 Example.

Exhibit 2: Key Performance Measures — Fiscal Year 2014

Key Performance Measures	FY 2014 Target	FY 2014 Actual Performance	FY 2014 % of Annual Target
OUTCOME 1-1-1: Percent of Oil and Gas Wells that are Active	75%	77.8%	103.73%
OUTPUT 1-1-1-2: Number of Drilling Permit Applications	28,800	27,383	95.08%
OUTPUT 1-1-1-3: Number of Wells Monitored	401,000	419,792	104.69%
EFFICIENCY 1-1-1-2: Average Number of Wells Monitored Per Analyst	26,000	24,694	94.98%
EFFICIENCY 1-1-1-4: Average Number of Days to Process a Drilling Permit	3	15	500%
OUTPUT 1-2-1-2: Number of Gas Utility Dockets Filed	80	85	106.25%
EXPLANATORY 1-2-2-1: Number of alternative-fuel vehicles in Texas	91,618	266,122	290.47%
OUTCOME 2-1-1: Average # of Pipeline Safety Violations per equivalent 100 miles of Pipe Identified Through Inspections	3.16	1.56	49.37%
OUTPUT 2-1-1-1: Number of Pipeline Safety Inspections Performed	2,300	2,812	122.26%
EFFICIENCY 2-1-1-1: Average Number of Pipeline Field Inspections per Field Inspector	100	106	106.17%

Key Performance Measures	FY 2014 Target	FY 2014 Actual Performance	FY 2014 % of Annual Target
OUTPUT 2-1-2-2: Number of Third Party Damage Enforcement Cases Completed	5,000	3,889*	77.78%*
OUTCOME 3-1-1: Percentage of Oil and Gas Facility Inspections that Identify Environmental Violations	16.0%	14.1%	88.13%
OUTPUT 3-1-1-1: Number of Oil and Gas Facility Inspections Performed	116,100	130,812	112.67%
OUTPUT 3-1-1-3: Number of Oil and Gas Environmental Permit Applications and Reports Processed	98,500	107,369	109.00%
EFFICIENCY 3-1-1-1: Average Number of Oil and Gas Facility Inspections Performed by District Office Staff	900	904	100.44%
EXPLANATORY 3-1-1-1: Number of Oil/Gas Wells and Other Related Facilities Subject to Regulation	415,625	447,332	107.63%
OUTPUT 3-1-2-1: Number of Coal Mining Inspections Performed	500	502	100.40%
OUTCOME 3-2-1: Percentage of Known Orphaned Wells Plugged with the use of State-Managed Funds	16%	6.0%	37.50%
OUTPUT 3-2-1-1: Number of Abandoned Pollution Sites Investigated, Assessed or Cleaned Up w/ Use of State- managed Funds	222	238	107.21%
OUTPUT 3-2-2-1: Number of Orphaned Wells Plugged with the Use of State-Managed Funds	1,200	563	46.92%

Key Performance Measures	FY 2014 Target	FY 2014 Actual Performance	FY 2014 % of Annual Target
OUTPUT 3-2-2-2: Total Aggregate Plugging Depth of Orphaned Wells Plugged with the Use of State-Managed Funds (linear feet)	2,293,000	1,366,845	59.61%
OUTPUT 4-1-2-1: Number of Documents Provided to Customers by Information Services	612,000	523,246	85.50%

Table 2 Exhibit 2 Key Performance Measures

*(*This FY 2014 output measure was reported to the Legislative Budget Board as 3,889. Discovery of a miscalculation error identified the actual number as 4,248, or 84.96% of the target*.)

III. History and Major Events

Provide a timeline of your agency's history and key events, including:

- the date your agency was established;
- the original purpose and responsibilities of your agency;
- major changes in responsibilities or statutory authority;
- changes to your policymaking body's name or composition;
- significant changes in state/federal legislation, mandates, or funding;
- significant state/federal litigation that specifically affects your agency's operations; and
- key changes in your agency's organization (e.g., a major reorganization of the agency's divisions or program areas).

1890

Article X, §2 of the Texas Constitution was amended to provide for the Railroad Commission (RRC), stating the "Legislature ...may provide and establish all requisite means and agencies invested with such powers as may be deemed adequate and advisable (to regulate Railroads)." The amendment was adopted following the election on November 4, 1890 with the Proclamation of December 19, 1890.

1891

The Texas Legislature establishes the Railroad Commission of Texas, with jurisdiction over rates and operations of railroads, terminals, wharves, and express companies.

1894

Article XVI, §30 of the Texas Constitution was amended to provide for elective six year overlapping terms for Railroad Commissioners. The amendment was adopted following the election on November 6, 1894 with the Proclamation of December 21, 1894.

1917

The Texas Legislature declared pipelines to be common carriers, and gave the RRC jurisdiction over them. This is the first act to designate the RRC as the agency to administer laws relating to oil and gas.

1919

The Texas Legislature enacted a statute requiring the conservation of oil and gas, forbidding waste, and gave the RRC jurisdiction. Later that year the RRC adopted its first Statewide Rule regulating the oil and gas industry, making Texas the first state to adopt a well spacing rule. Statewide Rule 37 has a conservation basis, was promulgated primarily to reduce fire hazards,

and to minimize the danger of water percolation into oil stratum from wells drilled in too great a number or in too close proximity.

1920

The Texas Legislature declared the production and sale of natural gas to be a public utility and gave the RRC jurisdiction.

1927

The Texas Legislature enacted a statute related to buses, regulating their use for hire on the highways and gave the RRC jurisdiction over rates and operation.

1929

The Texas Legislature enacted a statute related to trucks and their use for hire on the highways, giving the RRC jurisdiction over their rates and operation. The bill became effective without the signature of the Governor.

1931

Governor Sterling called a special session of the Texas Legislature to pass an oil conservation statute. The Texas Legislature amended an 1899 statute, which limited gas to light, fuel or power purposes to allow use for any other purpose that the RRC finds to be practical and conducive to the public welfare. The act defines “physical waste,” and forbid the RRC to limit production to market demand. The Texas Legislature also amended the Common Purchaser Act of March 18, 1930 to include gas, and again expressly forbids RRC from prorating production on the basis of current or market demand.

1932

The RRC set up a comprehensive system of reports relating particularly to the production and transportation of oil. The fourth Special Session of the 42nd Legislature convenes to amend the general oil and gas laws.

1934

The Texas Legislature extended the jurisdiction of the RRC to the regulation of the purchase, transportation, sale, and handling of the products, by products and derivatives of crude petroleum oil and natural gas.

1935

The Texas Legislature enacted a general oil and gas law, prohibiting the production of oil and gas in such a manner as to cause waste, and delegated to the RRC the duty to adopt the necessary orders to prevent wasteful operations. The Texas Legislature also enacted a comprehensive gas regulation.

1937

The RRC requires the odorization of natural gas.

1949

The Texas Legislature authorized operators to submit voluntary unitization agreements to the RRC for their approval; and where approval is granted, parties to the unitization agreement gain benefits under the State's anti-trust laws.

1951

The Texas Legislature established the Liquefied Petroleum Gas Division as a separate department within the RRC, required the use of malodorants and regulated storage and distribution for protection of the public safety.

1955

The Texas Legislature authorized promulgation of rules by the RRC regarding the abatement of pollution of fresh water in the oil field operations.

1961

The Texas Legislature enacted a law requiring persons to obtain a permit from the RRC to drill injection wells or to convert existing wells into injection wells.

1964

The RRC amended Statewide Rule 5 to require financial assurance to ensure proper well plugging.

1965

The Texas Legislature enacted the Mineral Interest Pooling Act, making it effective for all fields discovered subsequent to March 8, 1961, and authorized the RRC to provide for pooling of mineral interests for an oil or gas well under certain conditions and providing for allocation of production and for appeals from such pooling order before it becomes effective. The Texas Legislature also enacted the Well Plugging Statute placing a duty on the operator, non-operator, and landowner to plug abandoned oil and gas wells or dry holes. The Legislature amended Article 7621d Sec.10(c)(4), to give the RRC exclusive jurisdiction to regulate disposition of waste and abatement and prevention of pollution of water, both surface and subsurface, resulting from activities associated with the exploration, development or production of oil or gas.

1967

The RRC adopted a safety code for gas transmission lines and a Statewide no pit order prohibiting operators conducting oil and gas development operations from using salt water disposal pits for storage and evaporation of oil field brines and mineralized waters. Later that year, the Texas Legislature enacted the Saltwater Hauler's Act requiring permits from the RRC before saltwater can be hauled from a lease and disposed. The Legislature also enacted the Texas Water Quality Act of 1967, which divides jurisdiction over the abatement and prevention of water pollution between the Texas Commission on Environmental Quality, as it is now known, and the RRC, with jurisdiction over oil and gas wastes residing with the RRC.

1969

The Texas Legislature expressly granted power to the RRC to adopt safety standards and practices applicable to the transportation of gas and all gas pipeline facilities within the borders of Texas.

1970

The RRC adopted minimum federal safety standards for transportation of natural gas by pipeline.

1975

The RRC amended Statewide Rule 36 to apply more stringent safety standards to operations in hydrogen sulfide service in the interest of protection of the public from the hazard of hydrogen sulfide. Later the same year, the Texas Legislature gave the RRC jurisdiction over the exploration, development and production of geothermal energy and enacted the Texas Surface Mining and Reclamation Act, which required the RRC to adopt rules and regulations governing the mining of coal, lignite and uranium and the reclamation or restoration of lands disturbed by mining operations.

1977

The Texas Legislature granted eminent domain powers for underground storage of gas, with the RRC designated as the agency to determine, supervise, and classify all storage reservoirs. The Legislature adopted the Natural Resources Code, a formal revision and codification of the statutes relating to oil and gas, the public domain, and other natural resources.

1979

The Texas Legislature authorized the RRC to modify its coal and lignite mining regulations to meet the standards of the federal Surface Mining Control and Reclamation Act (SMCRA). The Legislature adopted the Liquefied Petroleum Gas Code (LPG Code) designed to empower the RRC to regulate the liquefied petroleum gas (propane) industry.

1980

The State of Texas, through the RRC, became the first state in the nation to be designated as the regulatory authority authorized by the U.S. Department of the Interior to administer the coal regulatory program under the federal Surface Mining Control and Reclamation Act of 1977.

1982

The RRC is authorized by the U.S. Environmental Protection Agency to administer the Underground Injection Control (UIC) program under the federal Safe Drinking Water Act (SDWA) for Class II wells associated with oil and gas activity.

1983

The Texas Legislature gave the RRC authority to regulate compressed natural gas work and operations. The same year the RRC was given safety enforcement jurisdiction over pipeline transporters of certain hazardous liquids, while the Gas Utility Division's Pipeline Safety Section was given responsibility to enforce the federal standards for intrastate hazardous liquids pipeline operators. The Texas Legislature enacted the Gas Utility Regulatory Act (GURA) and gave the RRC exclusive jurisdiction over iron ore and iron ore gravel mining, and reclamation operations in Texas.

1985

The Texas Legislature empowered the RRC to issue state rules and orders to regulate rail safety, as permitted by the Federal Railroad Safety Act of 1970. The Federal Energy Regulatory Commission adopted FERC Order No.436, which set forth significant revisions in the guidelines for interstate transportation of natural gas including interstate natural gas transported initially by intrastate pipelines. Under Order 436, transportation service is to be offered on a non-discriminatory basis.

1987

The Texas Legislature enacted the most comprehensive changes to motor carrier regulation since the Motor Carrier Act of 1929.

1989

The Texas Legislature passed "Clean Air" legislation, which required vehicles to be capable of using compressed natural gas (CNG) or liquefied petroleum gas (LPG).

1990

The RRC adopted Statewide Rule 50 to govern the state's first production incentive program and Statewide Rule 105, which exempted from state severance taxes gas produced from high cost gas wells drilled or completed between May 24, 1989 and September 1, 1996.

1991

The Texas Legislature allowed the RRC to impose fees on the first sale of odorized liquefied petroleum gas (LPG) and assigned the RRC the new duties of researching and educating the public on alternative fuels. The RRC created the Alternative Fuels Research and Education Division. The RRC was also given jurisdiction over Aggregate Quarry and Pit Safety. The RRC implemented legislation that created the Oil Field Cleanup Fund and its associated programs. The Cleanup Fund replaced the Well Plugging Fund and receives monies from a variety of new fees paid by industry, which are used to plug wells for which no responsible operator can be located or where the responsible operator lacks financial resources for plugging and to clean up surface pollution. The legislation also created a hazardous oil and gas waste regulatory program to be funded by fees levied on generators of such waste with the fee determined by the type and quantity of waste generated.

1992

The well category determination program of the federal Natural Gas Policy Act (NGPA) of 1978 ended. Under the federal Natural Gas Wellhead Decontrol Act of 1989, the RRC no longer made determinations on pricing categories.

1993

The Texas Legislature gave the RRC jurisdiction to regulate the liquefied natural gas (LNG) industry to the same extent that it regulates the LPG and CNG industries.

The Legislature also required the RRC to adopt safety standards for underground hazardous liquids storage facilities. The RRC established a consumer rebate and incentive program for LPG appliances and equipment, limited to not more than 25 percent of the funds available from the Alternative Fuels Research and Education Fund.

1994

The RRC implemented the streamlined Salvage Program Procedures authorized by the 73rd Texas Legislature. The RRC also implemented the Trucking Industry Regulatory Reform Act of 1994, which prohibited states from enforcing any law relating to intrastate fares on interstate motorbus carriers over routes authorized by the Interstate Commerce Commission. The RRC adopted the Federal Energy Regulatory Commission Code of Conduct following their disclaimer of jurisdiction over gathering services by interstate pipeline affiliates.

1995

The RRC transferred all remaining motor carrier regulatory functions to the Texas Department of Transportation, ending over 60 years of RRC regulatory oversight of this industry.

1996

The RRC began its Texas Experimental Research and Recovery Activity (TERRA) program, which allowed operators an alternative to plugging mechanically sound, non- polluting wells that could not be produced economically by placing the well under control of the RRC.

1997

Governor Bush designated the RRC as a primary member of the federal Regional Response Team for emergency response and planning. The Governor also designated the RRC as an agency that can file Oil Pollution Act claims directly with the federal trust fund. The Texas Legislature required all public schools to conduct pressure tests on their piping systems prior to the school year and some gas pipelines to receive construction permits from the RRC.

1998

The One Call notification system became operational providing a call-before-you-dig service to the public to avoid accidentally rupturing a pipeline during excavation activities.

1999

The RRC filed an application with the U.S. EPA for authorization to administer the Underground Injection Control program under the federal Safe Drinking Water Act for Class III brine mining injection wells.

2000

The first electronic filing and approval of a drilling permit is completed.

2002

Fees for Oil Field Cleanup Fund increased substantially to allow for increased well plugging and site remediation and the RRC began the transition to universal bonding of all oil and gas operators to slow the incidence of orphan wells that must be plugged by the state.

2003

The Texas Legislature transferred responsibility for the aggregate pit and quarry program from RRC to the Texas Department of Transportation. New statutes required the collection of the Oil Field Cleanup Regulatory fee on crude oil and natural gas production regardless of whether that production was exempt from severance tax or was granted a severance tax reduction. Jurisdiction for the response to coastal oil spills of less than 240 barrels moved from the RRC to the GLO. The Legislature passed the Gas Reliability Infrastructure Program Adjustment (GRIP) allowing natural gas utilities an annual interim rate adjustment on net investment. The RRC became the first state oil and gas agency in the country to be awarded a Brownfields Subtitle C Grant from the U.S. EPA.

2004

The RRC completed its first system-wide gas utility rate case. The U. S. EPA officially delegated to the RRC the Class III Brine Mining Program under the federal Safe Drinking Water Act. The RRC and the Louisiana Department of Natural Resources Office of Conservation signed a Memorandum of Understanding regarding reciprocal notification prior to certain oil and gas activity near the boundary between the two states. The RRC implemented "universal bonding" requiring all well operators, and many non-well operators, to provide a bond, letter of credit or cash deposit as financial security with the filing or renewal of their organization reports.

2005

The Texas Legislature transferred the remainder of the railroad safety oversight program from the RRC to the Texas Department of Transportation. After a 114- year history, the RRC now has no rail oversight whatsoever. The Legislature created the Orphaned Well Reduction Program and Tax Incentive, Low-Producing Well Tax Reduction, and Enhanced Efficiency Equipment Tax Credit. The Legislature also encouraged Clean Coal projects in Texas and clarified the RRC's jurisdiction over injection of carbon dioxide from Clean Coal projects into zones productive of oil, gas, and geothermal energy.

2006

The RRC initiated its forklift rebate program to reduce air pollution in 41 counties by offering incentives to purchasers of low-NOx propane forklifts.

2007

The RRC adopted rules for the protection of pipelines from evacuation damage activities and provides penalty provisions for violations of the rule, and implemented an online system for reporting damages to underground pipelines. The Texas Legislature modified laws governing exploration for minerals covered under the Texas Uranium Exploration, Surface Mining, and Reclamation Act.

2008

The RRC implemented a new rule that increased the frequency of natural gas inspection leaks and shortens natural gas leak repair time frames. The RRC adopted rules to create an informal process for matters related to loss of or inability to account for natural gas gathered or transported. The RRC also adopted rules regarding administrative penalties and other remedies for discrimination against a seller of natural gas in the purchase of natural gas from the seller, and against a purchaser, transporter, or gatherer of natural gas.

2009

The Texas Legislature gave the RRC jurisdiction over the injection and extraction of anthropogenic carbon dioxide stored in a geologic storage facility. The Legislature also

established an inactive well program that mandated surface equipment removal, and established seven options to obtain well plugging exceptions. The RRC adopted pipeline safety rules that require natural gas distribution pipeline operators to submit leak reports every six months. The reports also must list leaks identified and the number of unrepaired leaks remaining on pipelines. Under the new rules, new pipeline construction reports also will now be required to be filed with the RRC on new liquefied petroleum gas (LP-gas or propane) distribution systems. The RRC also adopted rules that place natural gas production and flow lines in heavily populated areas under the state's safety jurisdiction.

2010

The Commission began to implement House Bill 2259 (81st Legislature, 2009), which established standards for disconnecting electrical service, purging fluids from tanks, lines, and vessels, and removing surface equipment from inactive land wells. HB 2259 also amended the Texas Natural Resources Code to establish requirements for all operators to address their inventories of inactive wells annually in order to obtain approval of their yearly organization reports. The Commission also adopted a new rule relating to Carbon Dioxide (CO2), to implement Senate Bill (SB) 1387, 81st Legislature (Regular Session, 2009). SB 1387 amended the Texas Water Code and the Texas Natural Resources Code to provide for the implementation of projects involving the capture, injection, sequestration, or geologic storage of carbon dioxide (CO2). The rules will ensure protection of underground sources of drinking water while promoting the capture and storage of anthropogenic CO2.

In September 2010, the Commission proposed a new rule to address the mandatory replacement of steel service lines and other facilities in natural gas distribution systems.

The Commission amended the Memorandum of Understanding (MOU) with the Texas Commission on Environmental Quality (TCEQ). The MOU between the TCEQ and the RRC was last updated substantively in May 1998, and since that time, each agency has gained experience implementing the MOU; has had changes to its statutory authority; and has undergone administrative reorganizations, all of which contribute to the need to revise the MOU.

2011

The Legislature created a new Oil and Gas Regulation and Cleanup fund to fund the Commission's Oil and Gas Activities – Industry Regulation (Permitting, Monitoring, and Inspections), Environmental Cleanup (Abandoned Well Plugging and Polluted Site Remediation), Public Information, and administrative expenses. The new fund replaced the Oil Field Cleanup (OFCU) fund and existing General Revenue supporting these activities. Industry fees and new surcharges will fund the Oil and Gas Activities. The Commission received authority to set surcharges up to 185 percent on existing industry fees, excluding regulatory fees. The surcharges will be established by Commission rule. The Legislature also transferred the Texas Commission on Environmental Quality (TCEQ) Groundwater Protection Program to the Railroad Commission. The Commission will provide surface casing and groundwater protection requirements for the Oil and Gas industry, a function that previously was provided by the TCEQ.

The Legislature also gave the RRC the authority to adopt rules relating to public disclosure of hydraulic fracturing chemicals, including trade secrets relating to hydraulic fracturing chemicals.

2012

In February 2012, the Commission implemented one of the nation's most comprehensive chemical disclosure rules for hydraulic fracturing. This Commission rule requires oil and gas operators to disclose water volumes and chemicals used when hydraulically fracturing wells. Texas is one of the first states to require making this information accessible to the public.

The RRC initiated the Information Technology Modernization Program which is intended to increase transparency and provide the public and stakeholders with greater access to extensive agency data.

2013

The Commission amended Statewide Rule 13 relating to cementing, casing, drilling, well control and completions of oil and gas well construction requirements.

Adopted new rules to encourage Texas operators to conserve water used in the hydraulic fracturing process for oil and gas wells.

2014

A Seismologist joined the Commission in April and was charged to work with researchers who are attempting to determine if there is a direct linkage between oilfield activity and seismic events in Texas. October 2014, the Commission adopted disposal well rule amendments designed to address disposal well operations in areas of historical seismic activity.

The Commission adopted pipeline permit rule amendments designed to clarify how a pipeline operator may be classified by the Commission as a common carrier. Common carrier pipelines in Texas are pipelines which are contracted to carry crude petroleum, gas, or carbon dioxide for hire. T-4 permit applications must now include additional information including requested classification and purpose of the pipeline or pipeline system as a common carrier, a gas utility or private line operator.

IV. Policymaking Structure

A. Complete the following chart providing information on your policymaking body members.

Exhibit 3: Policymaking Body

Member Name	Term / Appointment Dates / Appointed by (e.g., Governor, Lt. Governor, Speaker)	Qualification (e.g., public member, industry representative)	Hometown
David Porter, Chairman	Jan. 5, 2011 to Dec. 31 2016	Elected	Midland, Texas
Christi Craddick, Commissioner	Dec. 17, 2012 to Dec. 31, 2018	Elected	Midland, Texas
Ryan Sitton, Commissioner	Jan. 5, 2015 to Dec. 31, 2020	Elected	Friendswood, Texas

Table 3 Exhibit 3 Policymaking Body

B. Describe the primary role and responsibilities of your policymaking body.

The Railroad Commission (RRC) is the regulatory agency with primary oversight of the Texas energy sector: oil and gas industry, gas utilities, pipeline safety, safety in the alternative fuels industry, the surface mining of coal, and exploration of uranium. In the exercise of this oversight authority, the Commissioners, the ultimate decision makers within the agency, use quasi-judicial procedures to render decisions in contested cases and the agency's rulemaking authority to promulgate rules establishing RRC regulatory policy and implement legislation. Additionally, although many administrative responsibilities have been delegated to senior staff, including an executive director, the Commissioners generally oversee the administration of the agency.

C. How is the chair selected?

The Commissioners elect the Chair of the RRC.

D. List any special circumstances or unique features about your policymaking body or its responsibilities.

Three statewide-elected officials who are elected to six year staggered terms head the RRC. As a public body, the RRC conducts its business, consistent with the requirements of the Open Meetings Act, in publicly noticed open meetings known as "Conference". At regularly scheduled Conferences, RRC staff present various items for consideration including contested case proceedings, proposed rulemakings, and other administrative matters. Each item is decided by majority vote of the Commissioners.

E. In general, how often does your policymaking body meet? How many times did it meet in FY 2014? In FY 2015?

In general, the RRC meets approximately twice a month to consider contested cases, rulemaking proceedings, and administrative matters. The RRC also posts as open meetings certain other events (such as press conferences or oral argument in pending contested cases) at which all three Commissioners will be present and the gathering otherwise falls within the definition of "meeting" in Texas Government Code, Sec. 551.001(4). The RRC met as a policymaking body 19 times in fiscal year 2014 and 17 times in fiscal year 2015. In fiscal year 2014 two occasions were posted as an open meeting to allow more than one Commissioner to attend an event, and in fiscal year 2015 the swearing in of Commissioner Sitton was posted as an open meeting to allow the other Commissioners to attend.

F. What type of training do members of your agency's policymaking body receive?

The training requirements for all statewide elected officials include the following: (a) the Open Meetings Act, Texas Government Code Chapter 551; (b) the Public Information Act, Texas Government Code Chapter 552; (c) the Administrative Procedure Act, Texas Government Code Chapter 2001; and (d) other laws relating to public officials, including conflict of interest laws under Texas Government Code Chapter 2054 and rules relating to training and education relating to public funds including Texas Government Code Chapter 656.

In addition, all three current Commissioners are licensed professionals whose profession requires a minimum number of continuing education credits each year.

G. Does your agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, describe these policies.

The respective roles of the Commission and staff in the exercise of the agency's regulatory functions are delineated, in most instances, by the rules that have been adopted by the Commission. For example, with regard to oil and gas matters, the Statewide Oil and Gas Rules frequently indicate whether the Commission or the "Commission designee" (Commission staff) will make a particular substantive determination. The RRC's General Rules of Practice and Procedure also indicate which decisions in the hearing process will be made by the Commissioners (generally substantive and policy) and which by the examiners (generally

procedural and evidentiary, subject to appeal to the Commission). Along with the Administrative Procedures Act, these rules also prescribe the procedure that is to be followed, as well as the role the hearing examiner staff is to play, in processing contested cases. Other substantive RRC rules also aid in defining the roles of the Commission and staff by describing the responsibilities of the various divisions in the exercise of their respective regulatory functions.

Regarding administrative matters, the RRC's Personnel Policy and Guidelines Manual describes the respective roles of the Commission and its staff in employment related matters. The Commission has also delegated certain other administrative responsibilities to the Executive Director and Division Directors as outlined in the Delegation of Authority Policy.

H. What information is regularly presented to your policymaking body to keep them informed of your agency's performance?

- Oil Field Cleanup Program—The Oil and Gas Division presents its activity report to the Commissioners quarterly.
- Strategic Plan and Legislative Appropriations Request—Biannually the Commissioners approve the proposed strategic plan structure and the Legislative Appropriations Request, which includes a historical assessment of the agency's performance along with projected future performance targets.
- Operating Budget—The Commissioners approve the agency's operating budget annually.
- Performance Measures—Each quarter the key performance measures are presented to the Commissioners' aides for review.

I. How does your policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of your agency?

The RRC adopts rules only after public notice and opportunity for public comment. Proposed rules are published in the Texas Register describing the opportunities for public comment. In some instances, prior to preparing a draft rule, the RRC will conduct one or more public workshops, to which affected entities and interested persons are invited, for the purpose of raising issues, fostering discussion, and receiving information and comment in an informal setting. The RRC also provides information on proposed new and amended rules, as well as their final versions, to persons who subscribe to an email service managed by the Office of General Counsel.

The RRC maintains a website with information about current programs, rules under development, and each RRC division. The website is a key interface for providing current information to the public, providing the public with designated contact persons in each division, including email addresses, for receipt of questions or comments. Online applications featured on the website are evolving to serve as the means for electronic filing of many required forms and reports. Recently, the RRC added the ability to electronically file for Statewide Rule

Exceptions and Ground Water Protection Letters, in addition to the ability to file drilling permit applications, H-10 injection reports, and production reports electronically. The RRC is currently working on implementing a new online filing for Pipeline permits, improved automation of fee payment, and improved reporting services.

The RRC includes as a standing item on each open meeting agenda an item entitled "Public Input." This is an opportunity for general public input on any matter under the jurisdiction of the RRC, in accordance with the policy adopted on September 7, 2005, which is posted on the website.

Each year, the Commission also holds training and continuing education seminars throughout the state. In addition, Commission representatives frequently speak at meetings of industry, environmental, and professional associations.

J. If your policymaking body uses subcommittees or advisory committees to carry out its duties, fill in the following chart.

Exhibit 4: Subcommittees and Advisory Committees

Name of Subcommittee or Advisory Committee	Size / Composition / How are members appointed?	Purpose / Duties	Legal Basis for Committee
Oil-Field Cleanup Advisory Committee	Consists of 10 members. One member of senate appointed by Lt Governor; One presiding officer of the House committee with primary jurisdiction over matters affecting energy resources; One public member appointed by the governor; One member appointed by the Lt. Governor from the academic field of geology or economics; one member appointed by the speaker of the house from the academic field of geology or economics; The executive officer or a person designated by the executive	Meets quarterly with Commission staff, reviews proposed rulemaking affecting the OFCUF and recommendations for legislation proposed by the Commission; and monitors the effectiveness of the Oil Field Cleanup fund. The committee is purely advisory.	Texas Natural Resources Code, Section 91.1135

Name of Subcommittee or Advisory Committee	Size / Composition / How are members appointed?	Purpose / Duties	Legal Basis for Committee
	officer of each of the following organizations: Texas Oil & Gas Association, Texas independent Producers and Royalty Owners Association, the Panhandle Producers and Royalty Owners Association, the Permian Basin Petroleum Association, and the Alliance of Energy Producers		
Texas Groundwater Protection Committee (TGPC)	Members represent: Alliance of Groundwater Districts; Commission on Environmental Quality; Water Development Board; Railroad Commission; Department of State Health Services; Department of Agriculture; State Soil & Water Conservation Board; Texas AgriLife Research; Bureau of Economic Geology; Department of Licensing & Regulation	The TGPC is an interagency committee to coordinate state agency actions for the protection of groundwater quality in this state.	Created by the Legislature in 1989 Sections 26.403 through 26.408 of the Texas Water Code
Coastal Coordination Advisory Committee	Members include a representative of the Land Office; the Texas Parks and Wildlife Commission; the TCEQ; the Railroad Commission; the TWDB; the Texas Transportation Commission; the SSWCB; and the Texas A&M University Sea Grant	Advises the Land Commissioner in his duties to administer the Texas Coastal Management Program (TCMP) as established by the Legislature and the Council and approved by the National Oceanic and Atmospheric Administration	Chapter 33 of the Texas Natural Resources Code

Name of Subcommittee or Advisory Committee	Size / Composition / How are members appointed?	Purpose / Duties	Legal Basis for Committee
	Program to serve as a nonvoting member. The following members are to be appointed by the Land Commissioner office who resides in the coastal area: an owner of a business located in the coastal area who resides in the coastal area; a resident from the coastal area; and a representative of agriculture.	(NOAA)	
Texas Radiation Advisory Board	18 members appointed by the governor and confirmed by the Senate. Members serve for 6-year terms.	State's advisors on all radiation issues. The Board reviews rules, guidelines, and programs of agencies that regulate radiation.	Created in 1961 Health and Safety Code, Chapter 401
Texas Energy Reliability Council (TERC)	There currently are 39 members from most of the key segments of the energy industry in Texas.	Purpose is to facilitate the voluntary allocation of natural gas resources during critical times.	TERC activities are approved and endorsed in an annual letter from the RRC Commissioners.

Table 4 Exhibit 4 Subcommittees and Advisory Committees

V. Funding

A. Provide a brief description of your agency's funding.

The Railroad Commission is funded through a combination of General Revenue funds, General Revenue Dedicated funds, Federal Funds, and Appropriated Receipts. HB 1, 84th Legislature appropriates $174.5 million in all funds to the RCC for the 2016–17 biennium. General Revenue funding comprises 12.7 percent of total agency funding or $22.1 million for the biennium. The RRC is appropriated $133.4 million from the General Revenue Dedicated Account – Oil and Gas Regulation Cleanup Account No. 5155, which is the largest source of funding for RRC operations at 76.4 percent of total agency funding. Federal Funds are estimated at $14.2 million or 8.1 percent of total funding for the biennium. Appropriated Receipts are estimated at $4.8 million or 2.8 percent for the biennium.

B. List all riders that significantly impact your agency's budget.

HB 1, 84th Legislative Session Article VI, Rider 3

Appropriations Limited to Revenue Collections and Contingent Revenue: LPG/CNG/LNG Fees. Revenues collected pursuant to Natural Resources Code §§113.082, 113.090, 113.093, 113.094, 113.131, 116.032, 116.034, and 116.072 and deposited in the General Revenue Fund (Revenue Object Codes 3035 and 3246) shall cover, at a minimum, the cost of the appropriations made above for the LP Gas Program and Alternative Fuels Licensing Program in Strategy B.2.1, Regulate Alternative Energy Resources ($354,618 in fiscal year 2016 and $400,181 in fiscal year 2017).

This appropriation is contingent upon the Railroad Commission assessing fees sufficient to generate, during the 2016-17 biennium, revenue to cover the General Revenue appropriations in Strategy B.2.1, Regulate Alternative Energy Resources, as well as "Other direct and indirect costs" for the program appropriated elsewhere in this Act. "Other direct and indirect costs" are estimated to be $87,635 in fiscal year 2016 and $101,027 in fiscal year 2017. In the event that actual and/or projected revenue collections are insufficient to offset the costs identified by this provision, the Legislative Budget Board may direct that the Comptroller of Public Accounts reduce the appropriation authority provided above to be within the amount of revenue expected to be available.

In addition to amounts appropriated above, any revenues collected by the Commission (Revenue Object Codes 3035 and 3246) and deposited in the General Revenue Fund in excess of the Comptroller's Biennial Revenue Estimate are appropriated to the Railroad Commission each fiscal year.

HB 1, 84th Legislative Session Article VI, Rider 4

Liquid Propane (LP) Gas Training and Examination Renewal Fees. Included in amounts appropriated above in Strategy A.2.1, Promote Alternative Energy Resources, is $1,123,500 in

each fiscal year of the biennium , in Appropriated Receipts (Revenue Object Codes 3245 and 3722) from fees assessed and collected pursuant to Natural Resources Code, §§113.088 and 116.034. These amounts may only be used for the purpose of providing training and examinations to licensees and certificate holders. In addition to amounts appropriated above, any additional amounts collected by the Railroad Commission pursuant to Natural Resources Code, §§113.088 and 116.034, on or after September 1, 2015, are appropriated to the Commission for the same purpose.

HB 1, 84th Legislative Session Article VI, Rider 5

Appropriation Limited to Revenue Collections: Surface Mining Permits and Contingency Appropriation for Fee Increase. Included in the amounts appropriated above is $2,205,318 in fiscal year 2016 and $2,027,398 in fiscal year 2017 in Strategy C.1.2, Surface Mining Monitoring and Inspections, from surface mining fee revenues deposited to the General Revenue Fund to cover the cost of permitting and inspecting coal mining facilities.

This appropriation is contingent upon the Railroad Commission assessing fees sufficient to generate, during the 2016-17 biennium, revenue to cover the General Revenue appropriations for the Surface Mining Program as well as "Other direct and indirect costs" for the program appropriated elsewhere in this Act. "Other direct and indirect costs" are estimated to be $498,046 in fiscal year 2016 and $509,691 in fiscal year 2017. In the event that actual and/or projected revenue collections are insufficient to offset the costs identified by this provision, the Legislative Budget Board may direct that the Comptroller of Public Accounts reduce the appropriation authority provided above to be within the amount of revenue expected to be available.

In addition to amounts appropriated above, any revenues received from surface mining fees deposited to the credit of the General Revenue Fund (Revenue Object Code No. 3329) in excess of the Comptroller's Biennial Revenue Estimate each fiscal year are appropriated to the Railroad Commission in the 2016-17 biennium for the same purposes.

HB 1, 84th Legislature, Regular Session Article VI, Rider 8

Appropriation: Uranium Mining Regulatory Program. Included in amounts appropriated above out of the General Revenue Fund in Strategy C.1.2, Surface Mining Monitoring and Inspections, is $205,204 in fiscal year 2016 and $204,139 in fiscal year 2017 for the uranium mining regulatory program. These appropriations are contingent upon the Railroad Commission assessing fees sufficient to generate, during the 2016-17 biennium, revenue to cover, at a minimum the General Revenue appropriations for the Uranium Mining Regulatory program as well as "Other direct and indirect costs" for the program, appropriated elsewhere in this Act. "Other direct and indirect costs" are estimated to be $52,751 in fiscal year 2016 and $54,316 in fiscal year 2017. In the event that actual and/or projected revenue collections are insufficient to offset the costs identified by this provision, the Legislative Budget Board may direct the Comptroller of Public Accounts to reduce the appropriation authority provided above to be within the amount of revenue expected to be available.

HB 1, 84th Legislature, Regular Session Article VI, Rider 9

Appropriation: Anthropogenic Carbon Dioxide Storage Trust Fund Revenues. In addition to the amounts appropriated above, any revenues received in the Anthropogenic Carbon Dioxide Storage Trust Fund No. 827 (Other Funds) (estimated to be $0) during the 2016-17 biennium are appropriated to the Railroad Commission. In accordance with Water Code, Chapter 27, Subchapter C-1, these funds shall be used for the costs of: (1) permitting, monitoring, and inspecting anthropogenic carbon dioxide injection wells for geologic storage and geologic storage facilities; and (2) enforcing and implementing this subchapter and rules adopted by the Railroad Commission under this subchapter.

HB 1, 84th Legislature, Regular Session Article VI, Rider 13

Appropriation: Pipeline Safety -Specialized Inspections. Amounts appropriated above in Strategy B.1.1, Ensure Pipeline Safety, include $760,558 in fiscal year 2016 and $604,177 in fiscal year 2017 from General Revenue, and $507,051 in fiscal year 2016 and $402,772 in fiscal year 2017 from Federal Funds, including 20.0 FTEs, for the purpose of conducting safety evaluations of pipeline operators.

HB 1, 84th Legislature, Regular Session Article VI, Rider 14

Transfer Authority. Notwithstanding limitations on appropriation transfers contained in the General Provisions of this Act, the Railroad Commission is authorized to direct agency resources and transfer such amounts appropriated above between appropriation line items.

HB 1, 84th Legislature, Regular Session Article VI, Rider 15

Appropriation: Unexpended Balances Between Fiscal Years within the Biennium. Any unobligated and unexpended balances as of August 31, 2016, in the appropriations made herein to the Railroad Commission are appropriated for the same purposes for the fiscal year beginning September 1, 2016.

HB 1, 84th Legislature, Regular Session Article IX, Sec. 18.31. Contingency for HB 7

The following makes certain appropriations from various General Revenue-Dedicated accounts, contingent upon the enactment of House Bill 7, or similar legislation that includes provisions that would implement changes relating to specific General Revenue-Dedicated accounts:

(3) Contingent on enactment of House Bill 7, or similar legislation by the Eighty-fourth Legislature, Regular Session, redirecting the deposit of pipeline safety fees from the General Revenue Fund to the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155: (1) reduce appropriations made elsewhere in this Act to the Railroad Commission out of the General Revenue Fund by $1,772,614 in fiscal year 2016 and by $1,674,483 in fiscal year 2017; (2) increase appropriations to the Railroad Commission out of the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155 by $1,772,614 in fiscal year 2016 and $1,674,483 in fiscal year 2017; and (3) modify Rider 6, Appropriations Limited to

Revenue Collections to reflect this appropriations change. These funds shall be used to operate programs in Strategy B.1.1, Pipeline Safety and Strategy B.1.2, Pipeline Damage Prevention.

C. Show your agency's expenditures by strategy.

Exhibit 5A: Expenditures by Strategy — Fiscal Year 2014 (Actual)[1]

Goal / Strategy	Amount Spent	Percent of Total	Contract Expenditures Included in Total Amount
Goal A.1.1 / Energy Resource Development	$14,552,345	18%	$1,017,661
Goal A.2.1 /Gas Utility Compliance	$2,256,504	3%	$28,642
Goal A.3.1 /Promote Alternative Energy Resource	$1,320,216	2%	$255,868
Goal B.1.1 / Pipeline Safety	$5,183,682	6%	$533,583
Goal B.1.2 / Pipeline Damage Prevention	$928,284	1%	$48,944
Goal B.2.1 / Regulate Alternative Energy Resources	$2,147,454	3%	$116,318

[1] The Contract Expenditures listed by strategy in Exhibit 5A include those object codes required by the Comptroller of Public Accounts *FY 2014 Annual HUB Report*. The Contract Expenditures listed by strategy in Exhibit 5A do not include expenditures made under Rider 2, Capital Budget, SB 1, 83rd Legislature, Regular Session, nor do they include expenditures made under HB 1025, 83rd Legislature, Regular Session, which may be found in Exhibit 5B. Also excluded from the Contract Expenditures listed by strategy in Exhibit 5A are contract expenditures totaling $761,747 considered indirect central administration, which is distributed to various strategies using a cost allocation model, and $4,439,755 transferred to the Department of Information Resources for the Data Center Services contract. It is one of the largest expenditures by the RRC, but it is not considerable a reportable contract using the Comptroller's methodology for contract reporting.

Goal / Strategy	Amount Spent	Percent of Total	Contract Expenditures Included in Total Amount
Goal C.1.1 / Oil and Gas Monitoring and Inspections	$19,565,129	24%	$1,185,985
Goal C.1.2 / Surface Mining Monitoring and Inspections	$3,143,994	4%	$69,816
Goal C.2.1 / Oil and Gas Remediation	$6,010,898	7%	$3,172,835
Goal C.2.2 / Oil and Gas Well Plugging	$19,548,574	24%	$15,546,260
Goal C.2.3 / Surface Mining Reclamation	$3,925,759	5%	$3,328,967
Goal D.1.1 / GIS and Well Mapping	$761,781	1%	$3,579
Goal D.1.2 / Public Access to Information and Services	$2,188,623	3%	$466,723
GRAND TOTAL:	$81,533,243	100%	$25,230,431

Table 5 Exhibit 5A Expenditures by Strategy

Exhibit 5B: Capital Contract Expenditures — Fiscal Year 2014 (Actual)

Capital Project	Capital Contract Expenditures
HB 1025- §23(A)(B) IT Modernization	$2,766,245
Technology Replacements and Upgrades	$115,236

Capital Project	Capital Contract Expenditures
Toughbook Leasing	$374,855
Vehicle Replacements	$840,464
Software Licenses and Services	$178,947
Operator Portal Project	$706,365
Gas Services Online Filing Project	$157,820
Pipeline Online Permitting Project	$516,702
LP-Gas Online Filing Project	$23,576
Personal Computer Refresh	$144,102
Infrared Cameras	$594,650
Data Center Consolidation and SB 1, ART. IX, SECT. 17.08 DCS Adjustment	$2,409
CAPITAL CONTACT EXPENDITURES GRAND TOTAL:	$6,421,371

Table 6 Exhibit 5B Capital Contract Expenditures

D. Show your agency's sources of revenue. Include all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency, including taxes and fines.

Exhibit 6: Sources of Revenue — Fiscal Year 2014 (Actual)

Source	Amount
General Revenue	$12,273,868.37
GR Dedicated—Oil & Gas Regulation & Cleanup Account No. 5155	$59,519,129.49
Federal Funds	$8,030,602.94
Land Reclamation Fund No. 454 (Federal Funds)	$246,545.00
Appropriated Receipts	$1,463,096.71
TOTAL	$81,533,242.51

Table 7 Exhibit 6 Sources of Revenue

E. If you receive funds from multiple federal programs, show the types of federal funding sources.

Exhibit 7: Federal Funds — Fiscal Year 2014 (Actual)

Type of Fund	State / Federal Match Ratio	State Share	Federal Share	Total Funding
15.250 Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	50% State/50% Federal	$1,959,094	$1,959,094	$3,918,188
15.252 Abandoned Mine Land Reclamation (AMLR) Program	100% Federal	N/A	$4,218,329	$4,218,329

Type of Fund	State / Federal Match Ratio	State Share	Federal Share	Total Funding
15.255 Science and Technology Projects Related to Coal Mining and Reclamation	100% Federal	N/A	$31,161	$31,161
15.668 Coastal Impact Assistance Program	100% Federal	$135,501	$135,501	$271,002
20.700 Pipeline Safety Program Base Grants	26% State/74% Federal	$1,614,349	$4,594,692	$6,209,041
66.433 State Underground Water Source Protection	25% State/75% Federal	$209,674	$629,021	$838,695
66.460 Nonpoint Source Implementation Grants	40% State/60% Federal	$7,573	$11,360	$18,933
66.817 State and Tribal Response Program Grants	100% Federal	N/A	$93,404	$93,404
81.086 Conservation Research and Development	80% State/20% Federal	$1,266,960	$316,740	$1,583,700
TOTAL:		$5,193,151	$11,989,302	$17,182,453

Table 8 Exhibit 7 Federal Funds

F. If applicable, provide detailed information on fees collected by your agency.

Exhibit 8: Fee Revenue — Fiscal Year 2014 (Actual)

Fee Description/ Program/Statutory Citation	Current Fee/ Statutory Maximum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited
LPG Certification and Exams	$20.00 - $750.00	3,634	798,568.60	AR
CNG Certification and Exams	$10.00 - $70.00	268	26,805.00	AR
LNG Certification and Exams	$10.00 - $70.00	142	16,520.00	AR
Non-RRC instructor, new and renewal	$300; $150	2	600.00	AR
LPG employee reciprocal application fee	$40.00	49	9,301.20	AR
LPG Employee transfer fee	$10.00	11	4,855.00	AR
Oil & Gas Exposition	Fee varies	525	232,826.35	AR
Oil & Gas Seminars	Fee varies	565	175,779.80	AR
Gas Services Copies - annual reports, etc.	$0.10 per page	4	288.20	AR
Open Records Request	Fee varies	7	382.47	AR
Surface Mining Copies of Permits	fee varies	19	1,284.86	AR

Fee Description/ Program/Statutory Citation	Current Fee/ Statutory Maximum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited
CN Categories license fees and renewals	$50.00 - $1,000.00	125	34,855.00	GR
LN Categories license fees and renewals	$50.00 - $1,000.00	36	11,895.00	GR
LP Categories license fees and renewals	$50.00 - $1,000.00	4,898	537,709.00	GR
Large capacity installation and resubmission fee	$50.00; $30.00	57	3,580.00	GR
Exempt registration for plumber and ACR contractors	$20.00 - $50.00	3,145	115,200.10	GR
Completion report and resubmission fee	$10.00; $35.00	495	58,615.00	GR
Trucks - new registration, transfer, lost decal and nameplate fees	$50.00 - $270.00	627	1,133,865.00	GR
Gas utility tax (quarterly)	0.5% total taxable income	286	21,765,309.45	GR
Disposal of oil and gas waste by injection	$100.00	247	92,575.00	GR

Fee Description/ Program/Statutory Citation	Current Fee/ Statutory Maximum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited
GUD Docket Penalty	Fee varies	21	446,555.60	GR
LP-Gas Docket Penalty	Fee varies	60	86,000.00	GR
False Filing Penalty	Fee varies	7	52,032.00	GR
Well Plugging Penalty Rule 14	Fee varies	63	295,070.29	GR
Environmental Penalty Rule 8	Fee varies	81	1,190,662.22	GR
Administrative penalty - other than Rule 8 or Rule 14	Fee varies	75	444,441.24	GR
Damage Prevention Docket for penalty of Pipeline Safety	Fee varies	1,796	6,973,896.00	GR
Annual Report Program Fee	$1.00 per service	117	4,944,585.80	GR
Master Meter annual fee	$100.00 per master meter	532	75,880.00	GR
Surface Mining App for new coal mining permit	$5,000.00	1	5,000.00	GR
Surface Mining App for renewal of coal mining permit	$3,000.00	3	9,000.00	GR

Fee Description/ Program/Statutory Citation	Current Fee/ Statutory Maximum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited
Surface Mining App for revision of coal mining permit	$500.00	22	105,000.00	GR
Surface Mining Permits - Annual acreage fee	$84/acre.	5	210,428.40	GR
Surface Mining Permits - Annual bonded acreage fee	$12/acre.	11	2,275,087.20	GR
Surface Mining Permits - Annual permit fee	$6,540.00	11	196,200.00	GR
Surface Mining - Uranium - New application	$5,500.00	1	5,500.00	GR
Surface Mining - Uranium - Renewal	$5,500.00	4	55,000.00	GR
Surface Mining - Uranium - Revision	$500.00	1	1,000.00	GR
Surface Mining - Uranium - Transfer	$500.00	0	$0	GR
Surface Mining - Uranium - Completion Report	$45.00 per hole	1	720.00	GR
Surface Mining - Uranium - Borehole Plugging Report	$45.00 per hole	3	12,195.00	GR

Fee Description/ Program/Statutory Citation	Current Fee/ Statutory Maximum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited
Surface Mining Notice of Violation	fee varies	1	14,700.00	GR
Training module (publication)	$18.90	17	1,269.70	GR / AR / Sales Tax
Surface Mining Publications	fee varies	2	58.00	GR / AR / Sales Tax
Drilling Permit Rule Exception Fee	$500.00	118	36,425.00	GR / OGRC
Exception fee for Rule 46 and 9	$375.00	3	36,375.00	GR / OGRC
Statewide Rule 10 Exception - downhole comingle	$375.00	198	1,237,875.00	GR / OGRC
Statewide Rule 31 Exception - diagonal	$375.00	12	9,375.00	GR / OGRC
Statewide Rule 32 Exception - vent flare	$375.00	334	2,084,175.00	GR / OGRC
Statewide Rule 26 and/or 27 - surface comingling (P-17)	$375.00	391	744,957.50	GR / OGRC
Statewide Rule 26 and/or 27 - turbine and coriolis (P-17)	$375.00	69	426,400.00	GR / OGRC

Fee Description/ Program/Statutory Citation	Current Fee/ Statutory Maximum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited
Keep inactive wells inactive for 1 year - SWR 15 exception, individual wells	Fee varies	235	223,920.60	GR / OGRC
Hearing fee to request additional filing time of organizational report	$4,500.00	24	94,500.00	HB 3134 Inactive well
Site Remediation Voluntary Cleanup Application Fees	$2,500.00	26	41,280.00	OGRC
Groundwater Surface Casing Letter expedite fee	$187.50	16,618	2,542,275.00	OGRC
Drilling Permit Application Fee - less than 2,000 ft.	$500	73	82,300.00	OGRC
Drilling Permit Application Fee - 2,001 - 4,000 ft.	$562.50	55	37,712.50	OGRC
Drilling Permit Application Fee - 4,001 - 9,000 ft.	$625	210	115,645.00	OGRC
Drilling Permit Application Fee - more than 9,000 ft.	$750	151	32,950.00	OGRC

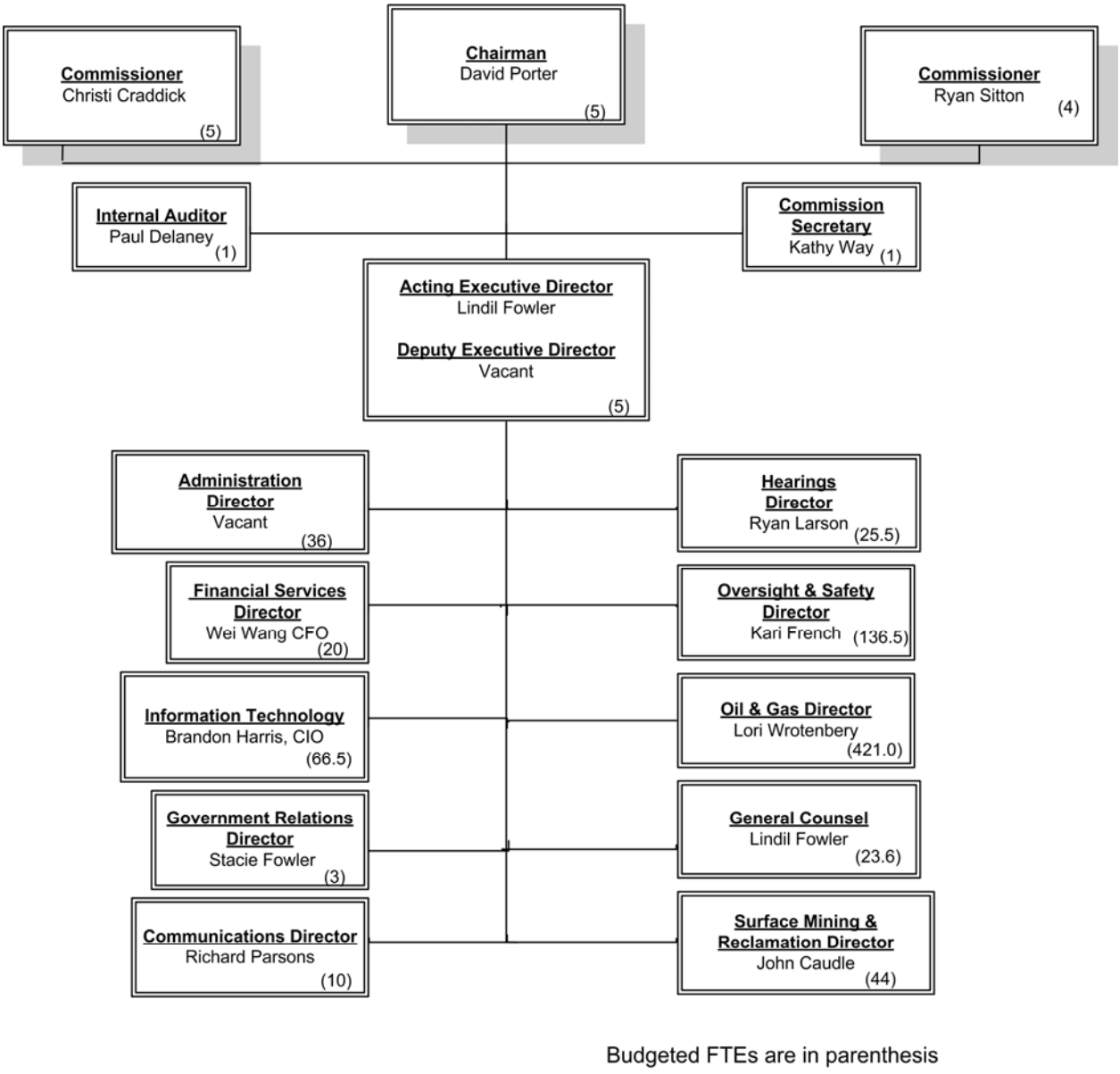
Fee Description/ Program/Statutory Citation	Current Fee/ Statutory Maximum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited
Drilling Permit Expedite Fee	$375.00	246	90,632.50	OGRC
Fluid Injection Well Permit Fee	$500.00	486	1,415,800.00	OGRC
Surface Water Discharge Fee	$750.00	76	142,450.00	OGRC
Brine Mining Facility	$500.00	10	4,225.00	OGRC
Waste Haulers Permit - non-hazardous	$250.00	1,666	432,075.00	OGRC
Annual fee for generators of hazardous oil and gas waste	Fee varies	15	91,900.00	OGRC
Hydrocarbon storage	$500.00	6	7,000.00	OGRC
Well Plugging Reimbursement	Fee varies	3	14,568.00	OGRC
Yearly organization report processing fee	Fee varies	8,613	10,319,511.40	OGRC
Penalty for late filing of organization report	Fee varies	102	3,343,247.14	OGRC

Fee Description/ Program/Statutory Citation	Current Fee/ Statutory Maximum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited
Keep inactive wells inactive for 1 year w/ fluid level test	$250.00	489	601,272.50	OGRC
Keep inactive wells inactive for 1 year	$125.00	165	59,425.00	OGRC
Organization report financial assurance, various	Fee varies	671	12,511,050.42	TRUST

Table 9 Exhibit 8 Fee Revenue

VI. Organization

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division. Detail should include, if possible, Department Heads with subordinates, and actual FTEs with budgeted FTEs in parenthesis.[2]



[2] This organizational chart lists budgeted FTEs for FY 2015. The RRC will provide the Sunset Commission with an updated organizational chart inclusive of actual FTEs once data is finalized in early FY 2016 for submission to the State Auditor's Office for their *Summary Report on Full-time Equivalent State Employees for Fiscal Year 2015*. During the summer of 2015, the RRC experienced several management level retirements and other personnel changes. This version is presented in the interest of offering the most accurate organizational data possible at this time.

B. If applicable, fill in the chart below listing field or regional offices.

Exhibit 9: FTEs by Location — Fiscal Year 2014

Headquarters, Region, or Field Office	Location	Co-Location? Yes / No	Number of Budgeted FTEs FY 2014	Number of Actual FTEs as of August 31, 2014
Headquarters	Austin	Yes	477.6	452.1
Regional Offices	Abilene	No	31.0	29.0
	Corpus Christi	No	37.0	30.0
	Fort Worth	No	15.0	12.0
	Houston	No	47.0	46.0
	Kilgore	No	39.5	35.0
	Midland	No	49	42.0
	Pampa	No	22.0	20.0
	San Angelo	Yes	22.0	22.0
	San Antonio	No	34.0	33.0
	Wichita Falls	No	28.0	26.0
Other Offices	Tyler	No	4.0	4.0
	El Paso	No	1.0	1.0
TOTAL:			807.1	752.1

Table 10 Exhibit 9 FTEs by Location

C. What are your agency's FTE caps for fiscal years 2014–2017?

2014—807.1 FTEs

2015—807.1 FTEs

2016—820.1 FTEs

2017—820.1 FTEs

D. How many temporary or contract employees did your agency have as of August 31, 2014?

As of August 31, 2014, the Railroad Commission had 11 contract employees.

E. List each of your agency's key programs or functions, along with expenditures and FTEs by program.

Exhibit 10: List of Program FTEs and Expenditures — Fiscal Year 2014

Program	Number of Budgeted FTEs FY 2014	Actual FTEs as of August 31, 2014	Actual Expenditures
Energy Resource Development	150.3	161.9	$14,552,345
Gas Utilities Rates and Compliance	25.2	22.4	$2,256,504
Alternative Fuels Training and Education	23.4	21.7	$1,320,216
Pipeline Safety	92.2	61.3	$5,183,682
Pipeline Damage Prevention	19.2	16.6	$928,284
Regulate Alternative Energy Sources	20.9	21.1	$2,147,454
Oil and Gas Monitoring and Inspections	292.6	260	$19,565,129
Surface Mining Regulation	57.4	48	$3,143,994
Oil and Gas Remediation	40.1	38.8	$6,010,898

Program	Number of Budgeted FTEs FY 2014	Actual FTEs as of August 31, 2014	Actual Expenditures
Oil and Gas Well Plugging	44.2	57.7	$19,548,574
Abandoned Mine Lands	10.3	7.1	$3,925,759
GIS and Well Mapping	8.5	7.6	$761,781
Public Information and Services	22.8	27.9	$2,188,623
TOTAL	807.1	752.1	$81,533,243

Table 11 Exhibit 10 List of Program FTEs and Expenditures

VII. Guide to Agency Programs

Energy Resource Development

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

Name of Program or Function: Energy Resource Development

Location/Division: Austin and Regional Offices/Oil and Gas Division

Contact Name: Lori Wrotenbery, Tim Poe, and Leslie Savage

Actual Expenditures, FY 2014: $14,552,345

Number of FTEs as of August 31, 2014: 161.9

Statutory Citation for Program: Texas Natural Resource Code Annotated Title 3.

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

The key function of the Energy Resource Development program is to administer state statutes and RRC rules in a consistent manner to prevent waste and promote the conservation of hydrocarbons, to protect the correlative rights of Texas mineral owners and oil and gas producers, to protect the environment, and to ensure public safety. The RRC administers its Energy Resource Development program through two functions: administrative compliance and technical permitting.

Major activities performed under the administrative compliance function include: processing organization reports for regulated entities, issuing drilling permits (including review to ensure compliance with spacing, density, and other Commission rules), processing well completion reports and assigning production allowables, accepting and compiling production reports, and issuing certificates of compliance for oil and gas producing properties. This function also manages updates to the digital well maps; and makes production, completion, and permitting data available on the RRC's website, by telephone, or in hard copy.

Any organization, including any person, firm, partnership, corporation, or other organization, domestic or foreign, operating wholly or partially within this state, that performs operations within the jurisdiction of the RRC must have on file with the RRC an approved organization report and financial security. This requirement allows the RRC to keep track of operators under its jurisdiction, ensure that adequate financial security is on file, and enforce its regulations, including requirements to properly maintain inactive wells and to plug wells at the end of their productive lives. The Organization Report, Form P-5, must be renewed annually. There are currently approximately 8,680 operators in the state, including 4,980 well operators.

A drilling permit is required before any entity may permit to drill, deepen, plug back, or reenter any oil well, gas well, or geothermal resource in the state. The wells must be drilled in accordance with the RRC's density and spacing regulations. This permitting process ensures conservation of the state's natural resources and protection of the correlative rights of mineral interest owners in a common reservoir. In 2014, the RRC issued over 25,700 drilling permits surpassing a record number of permit applications not seen since 1985.

The program reviews well completion reports to verify compliance with casing, cementing, spacing, and density requirements. The program also sets hydrocarbon production limits, or "allowables," to prevent the early decline of fields because of decreased reservoir pressure and damage to their gas or water drive mechanisms. Each month the RRC assigns production allowables on oil wells and gas wells, receives operators' production reports on oil leases (an oil lease may contain multiple oil wells) and gas wells, and audits the oil disposition path to ensure production did not exceed allowables. Allowables are assigned according to factors such as tested well capability, reservoir mechanics, market demand for production, and past production.

Any operator who seeks to operate any well subject to the RRC's jurisdiction must file Form P-4 for a certificate of compliance and transportation authority for each property on which the wells are located certifying that the operator has complied with all applicable statutes in respect to the property. The certificate of compliance establishes the operator of an oil lease, gas well, or other well; certifies responsibility for regulatory compliance, including plugging wells in accordance with RRC rules; and identifies gatherers, purchasers, and purchasers' RRC-assigned system codes authorized for each well or lease. Operators are required to file Form P-4 for new oil leases, gas wells, or other wells; recompletions; reclassifications of wells from oil to gas or gas to oil; consolidation, unitization or subdivision of oil leases; or change of gatherer, gas purchaser, gas purchaser system code, operator, field name or lease name. The RRC reviews the form for completeness and accuracy and may require the operator to provide evidence that the operator has the right to operate the lease or well. In addition, a transporter may not transport the oil, gas, or geothermal resources from such property until the RRC has approved the certificate of compliance and transportation authority.

All drilling permit, completion and well plugging activity affecting the status of a well is tracked on digital maps. Original permitted locations are spotted, and updated through the life of the well as the status of the well changes. Following the proper plugging of a well, the map is again updated to reflect that change. Well location information is available during any subsequent nearby operations, and is available through a public GIS viewer on the RRC's website to allow any interested person to see activity within an area of interest.

The technical permitting function administers that portion of federal Underground Injection Control (UIC) program relating to injection wells used for disposal of oil and gas wastes and enhanced recovery of oil and gas (Class II injection wells). The EPA delegated enforcement authority to the RRC in 1982 under the federal Safe Drinking Water Act. Technical permitting processes approximately 3,500 injection well permit applications per year and monitors status

and operation of approximately 50,373 permitted injection wells. The RRC seeks to mitigate possible risks of seismicity by gathering and evaluating data, including data on fault locations and stress orientations, in collaboration with researchers and industry.

Technical permitting also permits and monitors underground hydrocarbon storage and the operations of brine mining facilities, which are categorized as Class III injection wells. This activity involves monitoring the operations of 63 hydrocarbon storage facilities with about 738 active wells, 14 natural gas storage reservoirs, and 78 sites with 111 active brine mining wells.

The technical permitting function also issues permits for surface waste management of oil and gas waste and oil and gas waste hauling. Surface waste permits include surface impoundments, landfarms, and discharges. Oil and gas waste haulers also are permitted for the commercial recycling of oil and gas waste and management of oil and gas naturally occurring radioactive material (NORM). This function processes approximately 7,290 permit applications each year and monitors the status and operation of about 4,230 permitted pits, 58 landfarms, 181 active, permitted discharges, and 88 permitted commercial disposal facilities. While the majority of oilfield waste is classified as exempt, this function further oversees permitting associated with hazardous oil and gas wastes that are not exempt from the federal hazardous waste regulations and that are specifically listed as hazardous by EPA or exhibit hazardous waste characteristics of ignitability, corrosivity, reactivity, and toxicity.

Technical permitting also processes applications for certification of eligibility for production incentives. The RRC continues to administer the incentive programs authorized by the Legislature. These programs encourage operators to return wells to production after being inactive (the 2-Year Inactive Well Incentive), encourage operators to undertake enhanced recovery projects (the Enhanced Oil Recovery Incentive), encourage operators to capture casinghead gas previously vented or flared (Vent/Flare Incentive), and encourage operators to commit to prolific but costly-to-drill natural gas supplies (the High-Cost Gas Incentive) that leads to the production of hydrocarbons and adds value to the state’s economy that would have otherwise been unrealized.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2014 performance measures illustrate the effectiveness of the Energy Resource Development program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Outcome	Percent of Oil and Gas Wells that are Active	75%	77.8%	103.73%
Outcome	Percent of forms and reports filed electronically through the RRC Online System	92%	95.4%	103.7%
Output	Number of Wells Monitored	401,000	419,792	104.69%
Output	Number of Drilling Permit Applications Processed	28,800	27,383	95.08%
Output	Number of Organizations Permitted or Renewed	8,000	8,847	110.59%
Output	Number of oil and gas environmental permit applications and reports processed	98,500	107,369	109.00%
Efficiency	Average Number of Cases Completed Per Examiner	120	122	101.67%
Efficiency	Average Number of Wells Monitored Per Analyst	26,000	24,694	94.98%

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Efficiency	Percent of environmental permit applications processed within established time frames.	90%	90%	100%
Efficiency	Average Number of Days to Process a Drilling	3	15	500%
Explanatory	Annual calendar year production of primary energy sources of crude oil, natural gas and lignite	1,750,000,000	2,277,804,859	130.16%
Explanatory	Number of Active Oil and Gas Rigs	915	861	94.10%
Explanatory	Volume of CO2 stored underground	0%	0	100.00%
Explanatory	Volume of oil produced from leases that have active CO2 injection wells for tertiary recovery	100,200,000	88,149,099	87.98%
Explanatory	Percent of Total US Onshore Gas Coming from Texas	35%	32%	90.49%
Explanatory	Percent of Total US Onshore Oil Coming from Texas	32%	41%	129.50%

Table 12 Energy Resource Development Program FY 2014 Performance Measures

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.

The RRC has regulated all aspects of drilling, production, and pipeline transportation both to conserve oil and gas resources and to protect public health and the environment since 1919. The RRC has adopted comprehensive regulations that have been greatly strengthened in recent years and that are constantly updated to address emerging issues in the industry

Many of the RRC's regulatory requirements for oil and gas operations serve multiple, complimentary functions. For example, drilling, completion, and plugging requirements for oil and gas wells protect both water resources and oil and gas resources. Plugging requirements, in particular, have a significant bearing on the ultimate recovery of oil and gas resources, because they determine whether an abandoned well may be reentered in the future. The RRC's injection well regulations provide another example of the multifunctional objectives of the RRC's requirements. The RRC permitting requirements for injection wells used in enhanced recovery operations both protect water resources and conserve oil and gas resources. More than 80 percent of the injection wells regulated by the RRC are associated with enhanced recovery projects. These wells are frequently converted to and from producing wells.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Texas oil and natural gas industry consists of a wide spectrum of businesses, ranging from sole proprietorships to fully integrated, multinational corporations. Activities range from drilling and plugging wells to hauling waste. All aspects of the oil and natural gas production cycle from beginning to end are part of the regulatory responsibility of the RRC.

The Energy Resource Development program affects the extensive oil and natural gas production industry throughout the state. The RRC monitors over 432,360 oil and gas wells and related facilities throughout the state. More than 85 percent of Texas counties currently report oil production, and 82 percent of the counties produce natural gas.

RRC actions affect not only those industries regulated by the RRC, but also many ancillary industries and general public groups. Affected populations include: landowners, mineral interest owners, royalty owners, exploration and production operators, oil and gas transporters, oilfield waste disposal operators, natural gas distribution companies, natural gas consumers, electric utilities, environmental associations, safety associations, the Texas Legislature, other local, state and federal agencies, attorneys, the general public, public school teachers and students, students and faculty at institutions of higher education, research and development organizations, industry organizations, professional organizations, the media, business consulting firms, information brokers, hydrocarbon storage operators, gas gathering and processing companies, commercial disposal facilities, and oil and gas service companies.

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

The Railroad Commission regulates the exploration, production, and transportation of oil and natural gas in Texas. In its statutory role the Energy Resource Development program seeks to prevent waste of the state's natural resources, protect the correlative rights of different interest owners, to prevent pollution, and provide safety in matters such as hydrogen sulfide.

The Energy Resource Development program accomplishes its functions by promulgating rules, registering organizations, maintaining financial assurance of operators, reviewing operator filings, granting permits, monitoring performance, inspecting facilities, enforcing violations of rules, maintaining records and maps, reviewing variance requests, encouraging recycling, investigating complaints, educating the public, and providing public information.

The RRC regulates 272,370 active oil and gas wells, 116,742 inactive wells, and approximately 43,248 injection, disposal, and other service wells. These wells are sited in over 22,800 oil and gas fields spread across the state. Since the drilling of Texas' first commercial well in 1894, over 645,000 wells have been drilled in over 70,000 fields. The total cumulative production since 1935 from those wells has been over 60 billion barrels of crude oil and, more than 462 billion mcf (thousand cubic feet) of natural gas. Production in 2014 was 955.4 million barrels of crude oil and 6.45 Tcf (trillion cubic feet) of gas well gas.

The RRC also regulates allied oil and gas activities, including: 6,216 waste haulers, 84 reclamation plants, 2,376 gas processing plants and compressor stations, 131 gasoline plants, and 243 transporters.

With a large and diverse population subject to its regulatory jurisdiction, the RRC has developed a flexible and effective approach to the permitting and authorization process. Through the development and implementation of statewide and field rules and in accord with the Texas Administrative Procedure Act, the Commission is able to set standards and policies to guide RRC staff in administering the vast majority of the many application processes, while reserving to itself the determination of non-routine or administratively denied applications. Sufficient delegation is necessary in good, efficient, and effective regulation. At the RRC, the process of delegation is under constant review and the mechanisms for change are readily available.

The drilling permit process offers a good example of the RRC's regulatory approach. The RRC set standards that must be met to obtain a drilling permit in Statewide Rules 5, 37, 38, and 78. Administrative staff reviews drilling permit applications to ensure these standards are met. If they are, the application is approved and the drilling permit is issued. In some cases, an application may request an exception to the spacing and/or density rules, Rules 37 and 38. These rules govern the minimum distance a well can be drilled from the nearest well and lease line and the minimum number of acres that a well must be assigned. They were written to take into account that there may be circumstances when the minimum distances can be less without affecting ultimate recovery or another's property rights. Staff with more technical and legal expertise reviews these exception applications. If an exception request is denied administratively, the applicant may request an evidentiary hearing to present more technical data to the RRC's engineering and legal staff. At the conclusion of the hearing process, a Proposal for Decision (PFD) is presented to the Commission. In an open meeting, the Commissioners make the final determination to grant or deny the requested exception. In this way, RRC staff handles standard applications based on Commission rules and policies, while the Commissioners make the decisions on applications involving exceptional or precedent-setting situations.

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	Funding Source	Amount FY 2014
Energy Resource Development	Oil and Gas Regulation and Cleanup Fund—GR Dedicated	$13,527,935
	Federal Funds	$419,092
	Appropriated Receipts	$605,319

Table 13 Energy Resource Development Program FY 2014 Sources of Funding

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

There are no programs internally or externally that provide identical or similar services or functions related to conserving oil and gas resources. Other states with oil and gas production have similar programs. The Texas General Land Office has programs to protect the mineral interests of the State. The Minerals Management Service and the Bureau of Land Management have programs that perform functions similar to those of the General Land Office on federal lands.

The RRC's programs for oil and gas activities are comprehensive as drilling, completion, and plugging requirements for oil and gas wells protect both water resources and oil and gas resources and are interconnected. Jurisdiction over surface water, groundwater, and waste management is split by statute between the RRC and the Texas Commission on Environmental Quality as described in those agencies' Memorandum of Understanding (Rule 30).

The RRC's environmental jurisdiction covers drilling, operation, and plugging of wells; separation and treatment of produced fluids in the field or at natural gas processing plants; storage of crude oil before it enters the refinery; underground storage of hydrocarbons in salt caverns or natural gas depleted reservoirs; transportation of crude oil or natural gas by pipeline; drilling, operation and plugging of brine wells: and storage, hauling, reclamation, or disposal of wastes generated by these activities.

The RRC is responsible for regulating and preventing any discharge to surface water associated with or resulting from oil and gas activities. The TCEQ is authorized by EPA to administer this program for discharges under its jurisdiction. The RRC does not have a federally delegated program and shares this regulatory responsibility with the U.S. EPA. The RRC has not continued to seek delegation of this program from EPA because the EPA has prohibited most discharges associated with oil and gas activities and has adopted, or is considering adopting, general permits for the remainder of the discharges.

The RRC has jurisdiction over virtually all oil field waste. The TCEQ has jurisdiction over all wastes other than oil and gas wastes, sets surface water quality standards for the state, has jurisdiction over disposal of non-oil and gas NORM waste, and regulates air emissions from all activities, including air emissions from oil-field activities.

Most oil field waste is exempt from the federal Resource Conservation and Recovery Act Subtitle C (RCRA) regulations for hazardous waste. Statewide Rule 98 establishes standards for management of hazardous oil and gas waste. The RRC rule is as strict as the federal hazardous waste regulations under RCRA. Generators of hazardous oil and gas waste must comply with RRC Rule 98 and the federal RCRA hazardous waste regulations enforced by EPA. The Texas Commission on Environmental Quality has jurisdiction over hazardous waste generated in connection with activities at natural gas processing plants, repressurization plants, and pressure maintenance plants. TCEQ also administers a hazardous waste program for non-oil and gas hazardous wastes under the federal RCRA regulations.

The RRC is the certifying agency for permits required under sections 401 and 404 of the federal Clean Water Act for projects associated with oil and gas exploration and production activities. The TCEQ is the certifying agency for all other sections 401 and 404 permits. Such certifications are primarily required for permits to fill a wetland or other waters of the United States issued by the Army Corps of Engineers.

The TCEQ regulates UIC wells that are not regulated by the RRC, such as Class I injection wells for hazardous wastes, industrial non-hazardous liquids, or municipal wastewater, Class III injection wells for fluids associated with solution mining of minerals, and most Class V injection wells for non-hazardous fluids, which are typically shallow, on-site disposal systems. The RRC's UIC program covers Class II wells, which are the most prevalent type of UIC well in Texas, as well as nationally, as this type of well is for brines and other fluids associated with oil and gas production, and storage of hydrocarbons.

In the Texas Commission on Environmental Quality's sunset legislation, the Texas Legislature transferred from the TCEQ to the RRC the surface casing program, including personnel and fees (HB 2694, Regular Session 2011). RRC now is responsible for issuing groundwater protection recommendations for wells to be drilled or plugged.

The Texas Department of Health has jurisdiction over the possession, use, transfer, and storage of naturally occurring radioactive material (NORM), including oil and gas NORM waste. The

Commission has jurisdiction over disposal of oil and gas NORM waste and tagging of NORM-contaminated equipment.

The Texas General Land office has programs for oil spill response and cleanup that are similar to the RRC's program, but are limited to coastal waters as a part of the General Land Office's duty to manage state submerged land.

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.

In Texas, there is generally no duplication of effort or conflict with the RRC's role to prevent the waste of oil and gas resources, protect correlative rights, protect the environment, and ensure public safety. The RRC partners with federal entities to secure grant funding for vital projects to meet the needs of the public and industry. The RRC works closely with other state agencies to share information resources, coordinate jurisdiction, and uphold the goals of the state. The RRC works with the Office of the Attorney General to make every effort to recover costs associated with cleanups and well pluggings from the responsible party. The RRC also works with the TCEQ and the GLO to plug abandoned wells with funds that these agencies have available to protect surface and groundwater. The RRC works with other state agencies as an active member of the Texas Groundwater Protection Committee and the Texas Coastal Advisory Committee. The RRC also works with local municipalities and city governments to monitor and assure compliance with environmental protection standards, and to protect public health and safety.

An updated Memorandum of Understanding (MOU) between the RRC and the Texas Commission on Environmental Quality was finalized and became effective on May 1, 2012 (Rule 30). The RRC works with TCEQ to update and amend this MOU as needed. The MOU covers general agency jurisdictions, with specific detail about the role of TCEQ regarding solid waste and water quality, and specific detail about the role of RRC regarding oil and gas waste, water quality, and injection wells, among other areas of understanding.

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 Energy Resource Development program coordinates with and provides data to several state and federal units of government.

The Office of the Comptroller of Public Accounts has oversight of tax incentive programs and responsibility for collecting severance and other taxes imposed on oil and gas produced in the state. The RRC works with the Comptroller's office to determine eligibility for incentives and provide production information.

The program works closely with the General Land Office and University Lands Office as they lease the state's mineral interests for oil and gas development. Wells drilled and operated on these lands are subject to oil and gas regulations administered by the RRC.

The RRC works with both the Bureau of Land Management and the Minerals Management Services of the U.S. Department of the Interior to address oil and gas activity on federal lands in Texas.

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 2014;
- the number of contracts accounting for those expenditures;
- 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 Commission awarded 841 contracts agency-wide in FY 2014. For this purpose contracts include those object codes required by the Comptroller of Public Accounts *FY 2014 Annual HUB Report*. The Energy Resource Development program expended $1,017,661 on general contracts in FY 2014. The majority of general contract expenditures are for services such as mail, printing, and cleaning services that are allocated to each program using a cost allocation model. Of the RRC's five highest value contracted expenditures two contracts were integrated across all agency programs for more efficient management, and were proportionally allocated to each program: a total of $4,439,755 was expended under the Department of Information Resources Data Center Services contract, and $3,560,400 was expended under a contract with CGI Technologies and Solutions, Inc., for the Information Technology Modernization Program.

For the Energy Resource Development program, the top five vendors specific to this program in FY 2014:

1. $61,672 was expended with Tri Development Company for the RRC Well Completion Seminar held May 20-21, 2014.
2. $150,332 was expended with Hilton Austin for the RRC Oil and Gas Regulatory Conference held September 24-25, 2013.
3. $178,032 was expended with Neubus for digital imaging storage.
4. $185,616 was expended with the University of Texas at Austin Bureau of Economic Geology to estimate surface casing needs and costs in collaboration with the RRC Groundwater Advisory Unit.
5. $225,745 was expended with Marriott Business Services for the RRC Oil and Gas Regulatory Conference held August 19-20, 2014.

Conference related expenditures are funded with appropriated receipts specific to each conference. All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Financial Services Division.

Contracts over $300,000 can only be approved by the Commissioners per agency policy. There are no known contracting protocol deficiencies.

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

Not applicable for the Energy Resource Development program.

M. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Energy Resource Development program.

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

The Energy Resource Development program does not have any additional information to provide at this time.

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.

Administration of the program is implemented by the enforcement and monitoring of statewide rules, field rules, and RRC orders and permits for oil, gas, and geothermal operations. The Energy Resource Development program tracks wells from drilling to plugging and abandonment. The Monitoring and Inspections program conducts field inspections and coordinates any follow-up enforcement activities. The Monitoring and Inspections program guide describes these functions in more detail.

In 1993 the Legislature authorized the RRC to assess administrative penalties of up to $10,000 per day for a violation of its safety or pollution prevention rules, and the RRC established a new Legal Enforcement Section to administer the administrative penalty program. In addition to administrative penalties, the RRC has effective enforcement mechanisms tied to production, the most effect of which include pipeline severances, sealing of wells, and “zeroed” allowables. These mechanisms allow the RRC to respond to violations quickly and effectively, with docketed penalty actions used for only the most egregious violators because returning production sites to compliance is the most effective and desired outcome available to protect safety and control pollution.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

The Monitoring and Inspections program tracks regulatory complaints related to this program.

Monitoring and Inspections

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

Name of Program or Function: Monitoring and Inspections

Location/Division: Austin and Regional Offices/Oil and Gas Division

Contact Name: Lori Wrotenbery and Santos Gonzales Jr.

Actual Expenditures, FY 2014: $19,565,129

Number of FTEs as of August 31, 2014: 292.6

Statutory Citation for Program: Texas Natural Resource Code Annotated Title 3.

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

The Monitoring and Inspections program conducted through the RRC's field operations function ensures that Texas oil and gas production, storage, and delivery is conducted to minimize harmful effects on the state's environment, to preserve natural resources, to protect correlative rights, and to safeguard the public. The field operations function coordinates the inspection of oil and gas operations and enforcement of the RRC's environmental and safety rules for oil and gas activities for the agency's nine district offices statewide.

The Monitoring and Inspections program seeks to prevent pollution that might result from activities associated with exploration, development, and production of oil, gas, or geothermal resources of the state and to prevent operations dangerous to life or property, such as operations in areas known to have higher levels of hydrogen sulfide. The program seeks to prevent degradation of land and water resources from activities under its jurisdiction by using its available resources as efficiently as possible to develop effective regulatory and enforcement programs to oversee and control those activities that present the most risk to the environment and human health.

The RRC's Monitoring and Inspection program covers drilling, operation, and plugging of wells; separation and treatment of produced fluids in the field or at natural gas processing plants; storage of crude oil before it enters the refinery; underground storage of hydrocarbons in salt caverns or natural gas depleted reservoirs; transportation of crude oil or natural gas by

pipeline; drilling, operation and plugging of brine wells: and storage, hauling, reclamation, or disposal of wastes generated by these activities.

The RRC has adopted comprehensive regulations, which are constantly reviewed and updated to address new oil and gas technology and emerging environmental issues of concern. Permitting, monitoring, and remediation supplement these regulations. Enforcement programs include inspections, auditing of reports and records, violation notices, pipeline severances, sealing of wells, penalty action, and, in certain limited circumstances, pursuit of criminal action.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2014 performance measures illustrate the effectiveness of the Monitoring and Inspections program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Outcome	Percentage of oil and gas facility inspections that identify environmental violations	16%	14.1%	88.13%
Output	Number of enforcement referrals for legal action due to oil and gas rule violations	250	360	144.00%
Output	Number of lease severances or well seals initiated	26,500	29,503	111.33%
Output	Number of oil and gas facility inspections performed	116,100	130,812	112.67%

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Efficiency	Average number of oil and gas facility inspections performed by district office staff	900	904	100.44%
Explanatory	Number of oil and gas wells, and other related facilities subject to regulation	415,625	447,332	107.63%
Explanatory	Number of statewide rule violations documented	58,050	62,385	107.47%

Table 14 Monitoring and Inspections Program FY 2014 Performance Measures

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.

The expansion of oilfield activities into urban areas has underscored new safety concerns. In particular, the development of the vast Barnett Shale gas resource in the metropolitan Fort Worth area posed a new safety challenge for the RRC. This development presents a unique opportunity to assure that this important natural resource is adequately developed while maintaining the safety and quality of life for the residents in the developing areas. The RRC has assumed a proactive role in addressing community concerns throughout the Barnett Shale region, including opening an office and adding inspectors in the region, as well as attending numerous meetings with local government officials. The Eagleford Shale in south Texas has qualities similar to the Barnett Shale. As development of the trend expands, the RRC is directing additional resources to this area of the state.

As new areas of oil and gas production are developed, conflict between surface owners and mineral owners may arise. State law currently provides that operators can use as much of the surface area as is reasonably necessary to extract the minerals underlying the surface. Texas courts have defined what is reasonably necessary to extract the minerals. Many surface owners do not own the mineral rights and disagreements can develop over this issue. It was not until September 1, 2007, that Texas required operators to notify a surface owner after the RRC issues a permit to drill a new well, or re-enter a plugged well (House Bill 630, 80th Texas Legislature, Regular Session, 2007).

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Monitoring and Inspections program serves the general public, local governments, and local school districts, other state agencies, federal agencies, surface owners, royalty owners, and the oil and gas industry through effective regulation and protection of the state's natural resources, public safety, and the environment. More than one million royalty owners rely on RRC regulations to protect their interests.

The program works with the General Land Office, Comptroller of Public Accounts, University of Texas University Lands, Texas Commission on Environmental Quality, Texas Parks and Wildlife, Office of the Attorney General, Public Utility Commission, Secretary of State, and State Securities Board to provide information and services that they may require to fulfill their missions.

The Environmental Protection Agency, Department of Energy, Department of the Interior, Federal Energy Regulatory Commission, and Department of Commerce rely on the information provided by the Monitoring and Inspections program.

The RRC receives complaints, inquiries, and incident reports by 24-hour telephone service, through the RRC's website, by email, or in writing. There are no eligibility requirements for requesting RRC services in enforcing compliance with regulations.

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

The Monitoring and Inspection program prevents pollution that might result from activities associated with exploration, development, and production of oil, gas, or geothermal resources in the state and to prevent operations dangerous to life or property. Exploration and production activities include drilling, production, and plugging of wells, fluid injection for enhanced recovery of oil and gas, separation and treatment of produced fluids in the field or at natural gas processing plants, storage of crude oil before it enters the refinery, underground storage of hydrocarbons in salt caverns or natural gas depleted reservoirs, transportation of crude oil or natural gas by pipeline, drilling, operation and plugging of brine wells, and storage, hauling, reclamation, or disposal of wastes generated by these activities, including disposal by underground injection and plugging of orphaned wells and remediation of abandoned sites.

The field operations function responds to pollution complaints, conducts inspections, and witnesses tests and plugging operations to evaluate compliance with RRC rules and permit requirements. The field operations function also play a substantial role in sour gas pipeline permitting activities in coordination with the pipeline safety function.

The field operations function ensures that all oil and gas exploration and production activities are performed in accordance with the RRC's rules and regulations, particularly those related to protection of the environment and the general public. Nine district offices strategically located in the major oil and gas producing areas across the State manage compliance activities. In Texas there are 219 counties with oil or gas production, totaling 222,465 square miles.

The field operations function oversees approximately 432,360 wells (as of June 30, 2015) and all related facilities used in the production of oil and gas to ensure compliance with RRC rules and regulations. Related facilities include active drilling rigs, oil and gas leases, storage and processing facilities, pipeline gathering and transmission systems, and gas plants. This function also witnesses well casing and cementing jobs, completions, well pluggings, well testing, and other activities on oil and gas properties. Additionally, they investigate complaints and pollution incidents, blowouts, fires, oil spills, ensure compliance with hydrogen sulfide safety requirements, and provide information to the regulated industry and the general public. Staff in Austin oversee the operations of the nine district offices, and collect and disseminate information from the district offices.

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	Funding Source	Amount FY 2014
Monitoring and Inspections	Oil and Gas Regulation and Cleanup Fund—GR Dedicated	$19,565,129

Table 15 Monitoring and Inspections Program FY 2014 Sources of Funding

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 RRC's programs for oil and gas activities are comprehensive as drilling, completion, and plugging requirements for oil and gas wells protect both water resources and oil and gas resources and are interconnected. Jurisdiction over surface water, groundwater, and waste management is split by statute between the RRC and the Texas Commission on Environmental Quality as described in a memorandum of understanding (Rule 30).

Consolidation of regulatory programs for oil and gas operations in the RRC promotes efficiency and effectiveness. The RRC has 113 field inspectors (not including the additional 45 inspectors working in the Well Plugging and Site Remediation programs) who are trained and experienced in oil and gas operations as well as environmental protection. They staff nine district offices

located to provide optimum coverage of oil and gas activities in the state. Each RRC inspection serves multiple functions—the inspector checks for compliance with environmental protection requirements as well as requirements relating to prevention of waste of oil and gas resources, protection of correlative rights, and safety.

In addition to administrative penalties, the RRC has effective enforcement mechanisms tied to production, such as pipeline severances and "zeroed" allowables. These mechanisms allow the RRC to respond to violations quickly and effectively.

The RRC has sophisticated data systems and mapping systems that contain complete, up-to-date information on oil and gas operators and operations. These systems all contain information that relates to both oil and gas production activities and environmental protection activities.

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.

In Texas, there is generally no duplication of effort or conflict with the RRC's role to prevent the waste of oil and gas resources, protect correlative rights, protect the environment, and ensure public safety. The RRC works closely with other state agencies to share information resources, coordinate jurisdiction, and uphold the goals of the state. The RRC also works with local municipalities and city governments to monitor and assure compliance with environmental protection standards, and to protect public health and safety.

An updated Memorandum of Understanding (MOU) between the RRC and the Texas Commission on Environmental Quality (TCEQ) was finalized and became effective on August 30, 2014. The RRC is working with TCEQ to update and amend this MOU.

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 RRC works when appropriate with the TCEQ and other state agencies on oil and gas related environmental issues. RRC-regulated facilities are typically located in more remote and rural areas than are TCEQ-regulated facilities, which tend to be clustered in industrialized areas. When the RRC receives a complaint relating to a facility regulated by TCEQ, the RRC makes a referral to TCEQ or the citizen is directed to the appropriate TCEQ district office. TCEQ also refers complaints to the RRC when appropriate.

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 2014;
- the number of contracts accounting for those expenditures;

- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The Commission awarded 841 contracts agency-wide in FY 2014. For this purpose contracts include those object codes required by the Comptroller of Public Accounts *FY 2014 Annual HUB Report*. The Oil and Gas Monitoring and Inspections program expended $1,185,985 on general contracts in FY 2014. The majority of general contract expenditures are for services such as mail, printing, and cleaning services that are allocated to each program using a cost allocation model. Of the RRC's five highest value contracted expenditures two contracts were integrated across all agency programs for more efficient management, and were proportionally allocated to each program: a total of $4,439,755 was expended under the Department of Information Resources Data Center Services contract, and $3,560,400 was expended under a contract with CGI Technologies and Solutions, Inc., for the Information Technology Modernization Program.

For the Monitoring and Inspections program, the top five vendors specific to this program in FY 2014:

1. $23,346 was expended with Xerox Corporation for copier services.
2. $40,574 was expended with Verizon Wireless Services, LLC for cellular service.
3. $53,442 was expended with AT&T Mobility National Accounts, LLC for cellular service.
4. $296,347 was expended with Voyager Fleet Systems, Inc. for fuel and vehicle repairs.
5. $493,730 was expended with US Bank National Association for vehicle repairs.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Financial Services Division. Contracts over $300,000 can only be approved by the Commissioners per agency policy. There are no known contracting protocol deficiencies.

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

Not applicable for the Monitoring and Inspections program.

M. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Monitoring and Inspections program.

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

The Monitoring and Inspections program does not have any additional information to provide at this time.

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 RRC's environmental and safety regulatory programs are needed to prevent and abate pollution of surface and subsurface waters from oil and gas exploration and production activities and to protect the public from certain hazards associated with such operations. Field monitoring and inspections are critical to protecting the environmental and the health and safety of the people of the state of Texas. The field operations function is the primary enforcement entity for regulatory programs administered by the Monitoring and Inspections program.

District field offices ensure compliance with RRC rules by field inspections, witnessing of well completions, pluggings, and testing, and investigating complaints, blowouts, fires, and oil spills. Field inspectors and district technical staff conduct lease inspections to check for compliance with RRC rules and permits. Field inspections typically occur without prior notice to operators. Approximately 130,812 lease inspections were conducted during FY 2014, of which many were necessary back checks and repeat inspections. In 2014 inspections resulted in the detection of 62,385 violations of RRC rules. To ensure proper plugging of wells, district office personnel witnessed 4,192 plugging operations in FY 2014. To ensure that the site for a proposed pit or land treatment facility is suitable, district office personnel also perform a pre- permit inspection.

Written reports are filed on all inspections. Field inspectors complete the appropriate form in the field and the technical staff in the district office reviews the forms for violations. Operators are contacted verbally or in writing when violations are noted and back check inspections are scheduled to verify compliance. The information is entered in a database that is used to track types of jobs and violations. When a violation of an environmental permit is discovered through review of reporting information, the RRC sends a violation notice to the operator directing compliance within a specified period. If compliance is not achieved in a timely manner, additional enforcement measures may be taken as discussed.

The RRC is currently deploying a new automated inspection system, which is referred to as the Inspection, Compliance, and Enforcement (ICE) system. The ICE system will streamline the inspection process and assist the field inspectors in filing reports. It will provide field inspectors updated well and compliance information associated with a property being inspected. In addition, it will allow other program personnel to retrieve an inspection report from the system as soon as the field inspector has entered it.

To increase efficiency most field inspectors work as outriders. An outrider is an inspector that works for a particular district office, but is stationed in an area or town other than the actual location of the district headquarters. This puts the field inspectors in areas of dense oil and gas activity and improves efficiency by reducing driving time to and from the district office location. All field inspectors are in daily contact with district technical and management staff for dispatching job assignments and discussion of field related issues. Inspection reports are submitted to the district office on a daily basis.

Field inspectors and district technical staff conduct lease inspections to check for compliance with RRC rules and permits. Field inspections are typically conducted without prior notice to operators. Staff limitations prevent inspection of all facilities on an annual basis so inspection efforts are directed toward areas with concentrated activity. District offices also conduct inspection sweeps of areas that have had a higher number of past violations. These sweeps involve concentrating several inspectors in one area to inspect every lease or specific type of activity being conducted such as surface casing setting or well plugging in a short period of time.

The RRC enforces its regulations through various mechanisms, including notices of violation, pipeline severances, sealing wells, and penalty action. The RRC also has authority to pursue criminal action in limited circumstances. When a violation is noted, the RRC issues a notice of violation. The notice gives the operator a specific time period within which to correct the violation. If the operator fails to correct the violation within the time period, the RRC takes further enforcement action, such as issuing a pipeline severance or a seal order.

A severance or seal prevents an operator from producing oil and gas and from transporting oil or gas from a lease. Before issuing a severance or seal, the RRC notifies the operator by certified mail of the violation and the impending enforcement action. A minimum notice of 10 days is required. Thirty-day notices may be given for paperwork violations. During the specified period, the operator is given the opportunity to demonstrate or achieve compliance to avoid a severance or seal. Once a severance or seal is issued, the operator must correct the violation and pay a $300 fee before the severance or seal may be lifted.

The RRC has authority to assess administrative penalties of up to $10,000 per day for each violation relating to safety or the prevention or control of pollution and up to $1,000 per day for each violation not relating to safety or the prevention or control of pollution. The RRC also has authority to assess administrative penalties of up to $25,000 per day for each violation relating to intentionally damaging underground gas storage facilities or disabling a safety device. In addition, the RRC has the authority to assess administrative penalties of up to $1,000 for each violation for knowingly filing false forms or tampering with gauges. The RRC also has authority to assess administrative penalties of up to $10,000 for each violation relating to producing or transporting from severed leases and breaking RRC placed seals.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Exhibit 11: Monitoring and Inspections Information on Complaints Against Regulated Persons or Entities for Fiscal Years 2013 and 2014

	FY 2013	FY 2014
Total number of regulated persons or entities (identified by a current or delinquent P-5 Organization Report on file with the RRC)	11,587	11,898
Total number of inspections performed	125,878	130,812
Total number of complaints received from the public	791	754
Total number of complaints from the public resolved	663	724
Number of pipeline severances/seal orders issued	11,526	11,541
Total number of enforcement dockets initiated by the agency	320	287
Number of enforcement dockets pending from prior years	171	223
Number of enforcement dockets found to be non-jurisdictional	0	0
Number of enforcement dockets found to be without merit	0	0
Number of enforcement dockets resolved	231	310
Number of enforcement dockets	204	267
Amount of administrative penalties assessed	$1,287,698.50	$2,364,805.24
Enforcement dockets referred to the Attorney General (administrative penalty)	78	75

	FY 2013	FY 2014
Enforcement dockets referred to the Attorney General (reimbursement)	272	279
Enforcement dockets settled	126	192
Enforcement dockets dismissed or consolidated	27	43

Table 16 Exhibit 11 Information on Complaints Against Persons or Entities

Oil and Gas Well Plugging

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

Name of Program or Function: Oil and Gas Well Plugging

Location/Division: Austin and Regional Offices/Oil and Gas Division

Contact Name: Lori Wrotenbery and Santos Gonzales Jr.

Actual Expenditures, FY 2014: $19,548,574

Number of FTEs as of August 31, 2014: 57.7

Statutory Citation for Program: Texas Natural Resource Code Sections 89.001-89.122.

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

The primary objective of the Oil and Gas Well Plugging program is to plug abandoned oil and gas wells that are causing pollution or threatening to cause pollution when: a responsible operator does not exist; or the responsible operator fails to plug the well or otherwise bring the well into compliance. The Well Plugging program submits recommendations for plugging with state funds for approval, prepares and evaluates bids, awards well plugging contracts, supervises well plugging operations, approves well plugging invoices, and prepares payment vouchers. The program also inventories salvageable equipment from wells plugged with state funds, prepares and evaluates bids for the sale of salvageable equipment, awards bills of sale for salvageable equipment, processes and approves salvage claims, and pursues reimbursement of well plugging expenses through the Office of the Attorney General.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2014 performance measures illustrate the effectiveness of the Oil and Gas Well Plugging program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Outcome	Percentage of Known Orphaned Wells Plugged with the use of State-managed Funds	16%	6.0%	37.50%
Output	Number of Orphaned Wells Plugged with the Use of State-Managed Funds	1,200	563	46.92%
Output	Total Aggregate Plugging Depth of Orphaned Wells Plugged with the Use of State-managed Funds (linear feet)	2,293,000	1,366,845	59.61%
Efficiency	Average Number of Days to plug an orphaned well with use of state-managed funds	65	91	140.00%
Explanatory	Number of Orphaned Wells Approved for Plugging	1,200	623	51.92%
Explanatory	Number of Known Orphaned Wells in Non-compliance with the Commission Plugging Rule	7,500	9,349	124.65%
Explanatory	Number of Wells Plugged by Operators without the Use of State-managed Funds	5,200	4,690	90.19%

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Explanatory	Percentage of active well operators who have more than 25% of their well inactive	42%	41%	97.62%
Explanatory	Number of Shut-In/ Inactive Wells	110,000	110,808	100.73%

Table 17 Oil and Gas Well Plugging Program FY 2014 Performance Measures

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.

The RRC's well plugging program began in 1983 with the creation of the Well Plugging Fund, with fees used to plug abandoned oil and gas wells that cause or threaten to cause pollution of the state's surface and ground waters by leaking saltwater or residual hydrocarbon fluids. The more comprehensive Oil Field Cleanup Fund replaced the Well Plugging fund in 1991. The 1986 collapse of the oil and gas industry prompted the expansion of the program, which allowed the RRC to plug additional oil and gas wells. In 1993 the Legislature authorized the RRC to recover some of its well plugging expenses through the sale of salvageable equipment. An annual report to the Legislature on the RRC's Oil Field Cleanup Program is required by statute.

As of August 31, 2014, the RRC had plugged 30,423 abandoned wells since 1983, and there were 9,349 wells throughout Texas that were inactive with the last operator of record delinquent in renewing its organization report (orphan wells). Many of these wellbores are valuable for further geological interpretation or re-completion into previously overlooked reservoirs. If these well bores are not assumed by a responsible operator, it is likely that they will be left to the state for plugging.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The state of Texas benefits from the RRC's Oil and Gas Well Plugging program. Landowners with abandoned oil and gas wells on their property benefit directly from elimination of actual or potential pollution sources through plugging. The population at large also benefits from elimination of actual and potential pollution threats that might impair water quality in the state's streams, rivers, and groundwater. Wells to be plugged are selected from the existing noncompliant wells that are identified through a complaint system or through routine lease inspections conducted by RRC staff. The wells that pose the greatest environmental and safety threats are given priority for plugging.

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

Abandoned oil and gas wells are identified through citizen complaints or through routine lease inspections conducted by the Monitoring and Inspections program. The RRC's intranet includes the State Managed Plugging Manual: Procedures and Documents, which details all applicable policies and procedures for addressing orphaned wells. It also contains a decision tree that is included at the conclusion of this section. Through the decision tree the RRC determines whether a non-compliant well or lease is eligible for plugging with state funds.

If a well or lease is eligible for plugging with state funds, then a prioritization determination scheme is applied to each well to determine the priority on a well basis, and whether the well or lease will be recommended for plugging. A priority 1 well (a leaking well) has top priority for plugging. Priority 2, 2H and 3 wells will also be recommended for plugging. State-funded plugging of priority 4 wells is deferred until a later date. Estimated well plugging costs are determined from historical average well plugging costs incurred by the RRC on a district basis.

As soon as wells are approved for plugging, invitations to bid are developed and sent to well plugging contractors that have registered with the Commission to receive bids. The bids are evaluated, and the bid representing the best value is selected. RRC personnel witness plugging operations, process invoices, and approve payment.

Any salvageable equipment or hydrocarbons are sold to the highest bidder to recover some of the plugging expenses. Salvage claims from potential claimants are reviewed by the Office of General Counsel and presented to the RRC for approval. Once the wells are plugged, reimbursement of well plugging expenses is pursued against the operator of the well through the Office of the Attorney General.

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	Funding Source	Amount FY 2014
Oil and Gas Well Plugging	Oil and Gas Regulation and Cleanup Fund—GR Dedicated	$17,749,665
	Federal Funds	$1,444,387
	Appropriated Receipts	$354,522

Table 18 Oil and Gas Well Plugging Program FY 2014 Sources of Funding

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.

In Texas there are no known internal or external programs identical or similar to the RRC's Oil and Gas Well Plugging program.

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.

The Oil and Gas Well Plugging program does not conflict with other programs or provide duplicated services.

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.

Coordination with local units of government is not required for the majority of the wells plugged with state funds. Occasionally, coordination is required with the U.S. Army Corps of Engineers (USACE) to obtain permits for plugging operations in USACE jurisdictional waters. The Commission also works with the Texas General Land Office (GLO) when wells to be plugged are located in state-owned waters. The GLO is the Texas agency responsible for managing the resources owned by the State of Texas.

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 2014;
- the number of contracts accounting for those expenditures;
- 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 Commission awarded 841 contracts agency-wide in FY 2014. For this purpose contracts include those object codes required by the Comptroller of Public Accounts *FY 2014 Annual HUB Report*. The Oil and Gas Well Plugging program expended $14,959,244 on oil and gas well plugging and $343,587 pollution abatement projects, and $243,429 on general contracts in FY 2014 for a total of $15,546,260. The majority of general contract expenditures are for services such as mail, printing, and cleaning services that are allocated to each program using a cost allocation model. Of the RRC's five highest value contracted expenditures two contracts were integrated across all agency programs for more efficient management, and were proportionally allocated to each program: a total of $4,439,755was expended under the Department of Information Resources Data Center Services contract, and $3,560,400 was expended under a contract with CGI Technologies and Solutions, Inc., for the Information Technology Modernization Program.

For the Oil and Gas Well Plugging program, the top five vendors specific to this program in FY 2014 were:

1. $976,359 was expended with EOS Services for well plugging.
2. $1,293,761 was expended with Double Eagle Oilfield Services Inc. for well plugging.
3. $1,492,611 was expended with Newman Operating Co. for well plugging.
4. $1,648,168 was expended with Quail Well Service Inc. for well plugging.
5. $5,322,852 was expended with Laredo Construction Inc. for well plugging

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Financial Services Division. Contracts over $300,000 can only be approved by the Commissioners per agency policy. There are no known contracting protocol deficiencies.

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

Not applicable for the Oil and Gas Well Plugging program.

M. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Oil and Gas Well Plugging Program.

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

The number of wells remaining to be plugged with state funds depends on the health of the industry and the RRC's program for ensuring that wells are produced, used as service wells, or plugged, or that sufficient financial assurance is in place to plug the well.

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.

Not applicable for the Oil and Gas Well Plugging program.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Complaints related to unplugged and abandoned wells are tracked through the RRC's Monitoring and Inspections program.

Oil and Gas Remediation

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

Name of Program or Function: Oil and Gas Remediation

Location/Division: Austin and Regional Offices/Oil and Gas Division

Contact Name: Lori Wrotenbery and Santos Gonzales Jr.

Actual Expenditures, FY 2014: $6,010,898

Number of FTEs as of August 31, 2014: 38.8

Statutory Citation for Program: Texas Natural Resource Code Section 91.113.

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

The Site Remediation program conducts state-funded assessment and cleanup of abandoned oil and gas sites where the responsible person has failed or refused to control or cleanup oil and

gas waste or other materials or the responsible person is unknown, cannot be found, or has no assets.

Activities associated with this effort involve maintaining an inventory, identifying and recommending sites for cleanup, obtaining fund expenditure approvals, preparing and awarding cleanup bids, reviewing and approving contractor invoices, seeking reimbursement of state cleanup expenses through the Office of the Attorney General, and managing professional engineering service contracts for complex site assessments. The Site Remediation program also monitors complex industry assessment and cleanup activities at active exploration and production sites and administers the Voluntary Cleanup Program.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2014 performance measures illustrate the effectiveness of the Oil and Gas Remediation program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Outcome	Percent of Identified Pollution Sites Investigated, Assessed, Cleaned with State- managed Funds	11.10%	11.8%	106.49%
Output	Number of Abandoned Pollution Sites Investigated, Assessed or Cleaned Up with Use of State-managed Funds	222	238	107.21%
Efficiency	Average Number of Days to Complete abandoned State-managed Site Cleanups	150	100	66.33%
Explanatory	Number of Identified Abandoned Pollution Sites that are Candidates for State Funded Cleanup	2,000	2,014	100.70%

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Explanatory	Number of Voluntary Cleanup Program applicant operator initiated cleanups monitored and evaluated	28	38	135.71%
Explanatory	Number of Complex Operator-initiated Cleanups Monitored and Evaluated	556	593	106.65%

Table 19 Oil and Gas Remediation Program FY 2014 Performance Measures

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.

Dates of major importance to the Site Remediation program are included in the general history of the agency.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The state benefits from the RRC's Site Remediation Programs. Landowners with abandoned oil and gas facilities on their property benefit directly from elimination of actual or potential pollution sources through remediation of abandoned surface facilities. The population at large also benefits from elimination of actual and potential pollution threats that might impair water quality in the state's streams, rivers, and groundwater. Facilities are selected for remediation from the existing noncompliant facilities that are identified through a complaint system or through routine lease inspections conducted by the RRC District Offices.

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

An abandoned site becomes a candidate for state cleanup when the responsible party fails or refuses to take action, or is unknown, deceased, or bankrupt. Similar to the well plugging priority system, abandoned oilfield sites are prioritized based on the present or possible future impact to the environment and public safety. With larger sites and historical sites, the program faces the challenge of identifying the source of the pollution and determining if it is man-made or natural, which operator is potentially responsible, how to evaluate the site, and which remedial method is appropriate for the situation.

Technical staff, including geologists, a certified toxicologist, registered engineers, and an environmental scientist in Austin administer the Site Remediation program along with one to two cleanup coordinators located in each of nine district offices. Abandoned sites are identified primarily through field inspections and complaints.

District personnel are primarily responsible for identifying and ranking abandoned sites and requesting state funds from Austin. Cleanup codes are assigned to the fund requests and tracked on an electronic database to monitor activities and expenditures. Cleanup contractors are selected according to state procurement requirements, with field cleanup activities monitored by RRC personnel and invoices reviewed by the district staff and forwarded to Austin for payment approval. Reimbursement for state cleanup expenses is sought through the Office of the Attorney General.

Program administration follows procedures designed to comply with both internal and external requirements. A Site Remediation Manual was distributed to all staff as a guidance document. The manual is updated regularly with memoranda that provide details on the required procedures and coordination efforts necessary to administer the program.

State-managed remediation activities completed in fiscal year 2014 included 157 routine remediation operations; 40 emergency operations, and 30 site assessment investigations.

The Operator Cleanup function under the Site Remediation program oversees complex pollution cleanup activities performed by the oil and gas industry. Complex sites include those that occur in sensitive environmental areas and may require site-specific cleanup levels based on risk. Additionally, the Operator Cleanup function may review data in cases where the source of contamination is uncertain. Sites are referred to the Site Remediation program by the RRC District Offices, RRC Legal Enforcement Section, and directly from industry.

A significant number of sites are identified by due diligence assessments on oil and gas properties as a result of corporate mergers, acquisitions, or other business activities. The majority of the projects are long-term remediation projects that require specialized skills to review and manage. Importantly, the responsible operator funds environmental cleanup activities under this function. Prompt review and action by the RRC may keep some of these projects from becoming state-funded remediation projects. When the operator successfully completes cleanup activities, RRC staff may issue a “No Further Action” letter acknowledging completion. The RRC tracks approximately 560 complex operator cleanups. These projects involve frequent sampling, reporting, and evaluation to ensure final cleanup is protective of public health, safety, and the environment.

The Voluntary Cleanup function provides an incentive to lenders, developers, owners, and operators to remediate soil and water affected by oil and gas production and exploration. This function uses an application process with an initial $1,000 application fee, which is applied to the costs associated with staff oversight of the cleanup. When cleanup is completed, the RRC issues a Certificate of Completion, which embodies the release of liability to the state for a participant (and subsequent owners) who did not cause or contribute to the contamination or

acquire the certificate by fraud, misrepresentation, or knowing failure to disclose material information. The Voluntary Cleanup function began in 2002 and is self-funded through the collection of application and oversight fees and surcharges. In fiscal year 2014 there were 13 new Voluntary Cleanup applications, with 38 active sites at the end of fiscal year 2014. Fifty-four sites have been cleaned up and certificates of completion issued since the RRC began this effort.

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	Funding Source	Amount FY 2014
Oil and Gas Remediation	Oil and Gas Regulation and Cleanup Fund—GR Dedicated	$5,305,426
	Federal Funds	$525,727
	Appropriated Receipts	$179,745

Table 20 Oil and Gas Remediation Program FY 2014 Sources of Funding

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 Environmental Protection Agency has federal jurisdiction over some types of spills and cleanups. A spill of crude oil into water is a violation of RRC rules as well as federal statute. When a significant spill occurs, a federal presence may be involved in cleanup activities, but the EPA generally defers to the state on spill response matters. A Regional Response Team (RRT) for U.S. EPA Region 6 ensures coordination of federal and state response activities. The team meets regularly to review response policy, coordination, and other pertinent issues. The RRT consists of several federal agencies and is co-chaired by the EPA and United States Coast Guard with state representatives from Texas, New Mexico, Louisiana, Arkansas, and Oklahoma. The Governor designated the RRC as a primary member of the RRT for Texas, along with the Texas Commission on Environmental Quality (TCEQ) and the General Land Office (GLO).

The RRC has statewide responsibilities for oil spills from exploration and production activities, except for spills in coastal areas. The GLO has response authority for coastal oil spills, while the TCEQ has jurisdiction over non-oil and gas hazardous substance spills. In addition, local

governments and other federal or state agencies may be involved in cleanup or response activities. The US Fish and Wildlife Service and the Texas Parks and Wildlife Department may both play a role in responding to a specific spill event if it affects fish or wildlife.

The EPA has site remediation authority over any exploration and production site on the National Priorities List (NPL) under CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act, or Superfund). While some of the 50 NPL sites in Texas could be considered related to oil and gas if, for example, they are former refineries or oil recovery operations, currently there are no RRC Site Remediation cleanup sites on the Texas NPL.

The TCEQ also has significant cleanup responsibilities, but their authority extends only to sites that are not associated with oil and gas exploration and production activities and do not duplicate the Site Remediation program. There is little potential for overlap of responsibilities as the settings of oil and gas operations are typically different from those of activities regulated by the TCEQ. While TCEQ does have operator cleanup oversight and a voluntary cleanup function, it does not have a comparable state-funded cleanup program

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.

Site Remediation program activities are distinct from other programs with procedures designed to avoid conflict or duplication. The RRC routinely shares information on spills or other incidents with federal, state, or local government entities and participates in a variety of councils and teams to avoid duplication and to ensure the safety of the public and protection of the environment.

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 Site Remediation program works cooperatively with local governments as the need arises. For example, the program responds to complaints by local governments filed with the RRC about abandoned sites.

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 2014;
- the number of contracts accounting for those expenditures;
- 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 Commission awarded 841 contracts agency-wide in FY 2014. For this purpose contracts include those object codes required by the Comptroller of Public Accounts *FY 2014 Annual HUB Report*. The Oil and Gas Remediation program expended $2,521,047 on oil and gas site remediation and pollution abatement projects, and $651,788 on general contracts in FY 2014 for a total of $3,172,835. The majority of general contract expenditures are for services such as mail, printing, and cleaning services that are allocated to each program using a cost allocation model. Of the RRC's five highest value contracted expenditures two contracts were integrated across all agency programs for more efficient management, and were proportionally allocated to each program: a total of $4,439,755was expended under the Department of Information Resources Data Center Services contract, and $3,560,400 was expended under a contract with CGI Technologies and Solutions, Inc., for the Information Technology Modernization Program.

For the Oil and Gas Remediation program, the top five vendors specific to this program in FY 2014 were:

1. $237,194 was expended with Envac Environmental Services, Inc. for clean-up services.
2. $262,240 was expended with Terracon Consultants for clean-up services.
3. $339,322 was expended with ETech Environmental and Safety Solutions for clean-up services..
4. $420,584 was expended with Ensource Corporation for clean-up services.
5. $904,095 was expended with Pat's Roustabout Service Inc. for clean-up services.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Financial Services Division. Contracts over $300,000 can only be approved by the Commissioners per agency policy. There are no known contracting protocol deficiencies.

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

Not applicable for the Oil and Gas Remediation program.

M. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Oil and Gas Remediation program.

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

The Site Remediation program does not have additional information to provide at this time.

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.

Not applicable for the Site Remediation program.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Complaints related to abandoned sites are tracked through the RRC's Monitoring and Inspections program.

Geographic Information Systems and Well Mapping

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

Name of Program or Function: Geographic Information Systems and Well Mapping

Location/Division: Austin/Oil and Gas Division

Contact Name: Lori Wrotenbery and Tim Poe

Actual Expenditures, FY 2014: $761,781

Number of FTEs as of August 31, 2014: 7.6

Statutory Citation for Program: Texas Natural Resource Code Annotated Title 3

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

GIS technology is a critical component of the mapping-review step of the drilling permit process. The effectiveness of the GIS technology in this process directly affects the RRC's ability to process drilling permit applications in a timely manner, which in turn has a direct positive impact on the State's economy, relative to the receipt of severance taxes, along with cascading effects on local economies with industry activity.

The Drilling Permits function spots new well locations in the digital database from documents submitted by oil and gas operators, including resolving any discrepancies from inaccurate information reported by an operator about the location of a well.

The Well Mapping function updates the status of existing wells in the digital database from documents submitted by oil and gas operators, edits and maintains the existing mapping base from surveyor plats and other data, and resolves any discrepancies in the mainframe wellbore database.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2014 performance measures illustrate the effectiveness of the Geographic Information Systems and Well Mapping program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Outcome	Percent of Public Requests for Research or Information Received Through Internet-Based Technology	7.0%	27.92%	398.86%
Output	Number of Reports Provided to Customers from electronic data records	2,230	3,517	157.71%

Table 21 Geographic Information Systems and Well Mapping Program FY 2014 Performance Measures

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.

In 2015, the agency's GIS Public Viewer was migrated to a new platform (ArcGIS 10.2.2), which provides enhanced functionality over the legacy program. The enhanced viewer incorporates several new features and tools for users of the RRC's GIS data. The program continues to seek newer technology and expanded capability to meet the current and future needs for GIS data to ensure that stakeholders have access to data that is reliable, current, and accurate. The GIS Public Viewer application averages 2.5 million page views per month.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The RRC, other state agencies, businesses, industry, and the public consider the RRC's GIS data an essential component for daily operations. Using the RRC Viewer or the RRC Public Viewer, the GIS database is available for internal and external stakeholders to retrieve information on demand, at no cost to the end user. Stakeholders can locate various categories of mapped oil and gas wells including plugged wells, dry holes, injection and disposal wells, and permitted locations for new wells on the RRC's website. GIS data is also requested via mail or fax through Central Records and is provided to the requestor on compact disc.

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

The Geographic Information Systems and Well Mapping program combines detailed information and location coordinates for oil and gas wells from the RRC's files with base map data captured from U.S. Geological Survey 7.5 minute quadrangle maps. The program administers interactive maps developed using Environmental Systems Research Institute, Inc. (ESRI) ArcIMS software that interface with the RRC's Production Data Query and Drilling Permit Query applications. The GIS data is available to the public. Older maps may be available only in hard copy, which are available to the public in person at the RRC's Austin office.

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	Funding Source	Amount FY 2014
Geographic Information Systems and Well Mapping	Oil and Gas Regulation and Cleanup Fund—GR Dedicated	$761,781

Table 22 Geographic Information Systems and Well Mapping Program FY 2014 Sources of Funding

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 Geographic Information Systems and Well Mapping program is unique to the RRC relative to the data, but other local, state, and federal agencies have GIS programs to map data specific to their missions.

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.

The RRC maintains unique data sets that are not duplicated elsewhere.

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 Geographic Information Systems and Well Mapping program provides data to local, regional, and federal units of government as requested. This data is also shared with the State Office of Emergency Management, and is particularly useful to assess potential damage from Gulf Coast hurricanes and other storm events.

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 2014;
- the number of contracts accounting for those expenditures;
- 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 Commission awarded 841 contracts agency-wide in FY 2014. For this purpose contracts include those object codes required by the Comptroller of Public Accounts *FY 2014 Annual HUB Report*. The Geographic Information Systems and Well Mapping program expended $3,579 on contracts in FY 2014. All of the Geographic Information Systems and Well Mapping program's general contract expenditures were less than $1,000 each for services such as mail, printing, and cleaning services that are allocated to each program using a cost allocation model. Of the RRC's five highest value contracted expenditures two contracts were integrated across all agency programs for more efficient management, and were proportionally allocated to each program: a total of $4,439,755was expended under the Department of Information Resources Data Center Services contract, and $3,560,400 was expended under a contract with CGI Technologies and Solutions, Inc., for the Information Technology Modernization Program.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Financial Services Division. Contracts over $300,000 can only be approved by the Commissioners per agency policy. There are no known contracting protocol deficiencies.

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

Not applicable for the Oil and Gas GIS and Well Mapping program.

M. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Oil and Gas GIS and Well Mapping program.

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

The Geographic Information Systems and Well Mapping program does not have any additional information to provide at this time.

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.

Not applicable for the Geographic Information Systems and Well Mapping program.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable for the Geographic Information Systems and Well Mapping program.

Gas Utilities Rates and Compliance

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

Name of Program or Function: Gas Utilities Rates and Compliance

Location/Division: Austin and Regional Offices/Gas Services Division

Contact Name: Kari French

Actual Expenditures, FY 2014: $2,256,504

Number of FTEs as of August 31, 2014: 22.4

Statutory Citation for Program: Texas Utilities Code (Chapters 101-105, 121-124, and 141), Texas Natural Resources Code (Chapter 111), and Chapter 7 of the Texas Administrative Code

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

The Gas Utilities Rates and Compliance program provides auditing, market oversight, dispute resolution, and rate analysis and review to ensure that natural gas utilities provide safe and reliable service at just and reasonable rates.

Audits: District personnel travel to the location where the utility's financial records are maintained to perform Field Audits and Gas Utility Tax Audit Functions. Agency staff conduct audits to ensure that natural gas utilities are in compliance with the statutory and regulatory requirements on both rates and taxes. Staff located in Austin complete in-house audits of annual reports and the Gas Utility Tax filings along with procedures concerning Gas Utility status determinations.

Market Oversight: The Market Oversight Section serves as the RRC's chief technical resource for planning and analysis of all policy and regulatory initiatives concerning those sectors of the natural gas industry that affect natural gas flow from its origination at the wellhead to the end-user. Staff monitor and publish regular reports on conditions and events in the natural gas industry.

Dispute Resolution: The Informal Complaint Process allows for an Alternative Dispute Resolution process that facilitates the informal resolution of natural gas industry disputes faster and at less expense than a formal complaint hearings process.

Rate Analysis and Review: Highly trained technical examiners and expert witnesses in ratemaking, complaints, and other formal regulatory proceedings comprise the Rate Analysis and Review function. These staff members review and evaluate certain docketed gas utility actions, such as proposed rate increases, interim rate adjustments, cost of service adjustments, service abandonments, and sales, transfers, and mergers between utilities, to determine whether the action is reasonable and complies with statutory and regulatory requirements. These cases often take months to years to appropriately evaluate, and this process is dependent upon the highly trained expertise of the RRC staff who conduct these analyses.

Staff maintain natural gas utility filings and tariffs to ensure compliance with approved rates and to provide a resource for customers and potential customers to determine if discrimination is occurring with regard to pipeline access or rates being charged.

Staff monitor natural gas supplies and supply disruptions during periods of potential shortage and emergencies to maintain reliable gas flow and to ensure that human needs are given priority service over commercial or industrial customers.

Staff calculate and post a maximum allowable price and administer safeguards for consumers of propane gas distribution systems.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2014 performance measures illustrate the effectiveness of the Gas Utilities Rates and Compliance program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Outcome	Average Texas Residential Gas Price for Commission Regulated Util. as a % of National Gas Price	98%	100%	102.04%
Output	Number of Gas Utility Dockets Filed	80	85	106.25%
Output	Number of Field Audits Conducted	140	139	99.29%
Output	Number of Gas Utilities' Compliance, Tariff and Escalator Filings	141,000	178,999	126.95%
Efficiency	Average Number of Field Audits Per Auditor	17.5	17.4	99.26%
Explanatory	Cost of gas included in average residential natural gas bill	$5.50	$5.87	106.73%

Table 23 Gas Utilities Rates and Compliance Program FY 2014 Performance Measures

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.

The federal government regulated only the interstate natural gas market until 1978. The Natural Gas Policy Act of 1978 (NGPA) granted the Federal Energy Regulatory Commission (FERC) authority over intrastate as well as interstate natural gas commodity pricing. The NGPA was a significant shift from the previous system of bifurcated markets, in which natural gas was

produced and sold in upstream markets—those close to the producing field—under markedly different regulations. This legislation and subsequent FERC decisions allowed interstate pipelines to act solely as transporters of natural gas, rather than filling the role of a natural gas merchant, and eventually lead to the deregulation of the interstate natural gas industry. The Texas Legislature and the Railroad Commission adapted to these federal changes by instituting negotiated rate making for transmission gas utilities and associated services.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Gas Utilities Rates and Compliance program affects approximately 209 investor- owned natural gas utilities, approximately 4.7 million gas distribution customers in approximately 1,100 Texas cities with gas service, the environs of those cities, and unincorporated areas throughout Texas. The legislative process of certifying to non-utility status (Texas Utilities Code §121.005) affected 411 entities that collectively certified approximately 924 pipeline permitted systems through the department's 'certifying-out' screening action. The program responded to over 720 public and industry inquiries and complaints in FY 2014. This program serves both suppliers to and customers of gas utilities by making available information that helps determine if discriminatory activities are taking place. Information is available on the RRC's website including approximately 10,000 current utility rate tariffs and docket rate case information for most of the rate cases filed at the RRC over the preceding 65 years. There are no eligibility requirements in order to receive these services.

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

The RRC administers the Gas Utilities Rates and Compliance program from the main Austin office in conjunction with field auditors in Austin and at two regional audit locations in Houston and Fort Worth. Staff in Austin collect and analyze various required filings and reports from gas utilities, including quarterly tax filings, annual reports, ongoing tariff filings, curtailment reporting, and other utility specific filing requirements. Field auditors visit the location where a utility maintains its financial record to conduct audits to ascertain compliance with all statutory and regulatory requirements of gas utilities, and the accurate reporting of information required by the RRC. Through statutory and regulatory requirements staff administer the key functions of the program concerning rate filing and disputed matters. The gas utility industry or utility customers typically initiate rate changes, complaints, and other regulatory proceedings. Department management assigns financial analysts to serve as expert witnesses when Staff intervenes in contested utility rate case proceedings. In addition, Staff review and evaluate uncontested gas utility filings, which include interim rate adjustments (IRA or GRIP filings), cost of service adjustments, abandonment filings, relocation cost recovery filings, and NGPA §311 filings. Trained staff manage informal complaints by serving as mediators to assist in the resolution of natural gas transportation complaints. Research specialists administer and

maintain statute or rule mandated tariffs and other regulatory filings to determine whether they are timely, complete, and accurate.

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	Funding Source	Amount FY 2014
Gas Utilities Rates and Compliance	General Revenue	$2,256,504

Table 24 Gas Utilities Rates and Compliance Program FY 2014 Sources of Funding

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

The Railroad Commission's Gas Utilities Rates and Compliance program is the sole provider of intrastate natural gas utility regulation for customers residing outside a municipality or inside a municipality that has ceded jurisdiction to the Commission. Additionally, there are no other entities available for dispute resolution of discrimination complaints, or consumer complaints in unincorporated areas throughout the state. The RRC's staff are highly trained with technical knowledge and expertise that allows them to effectively manage these complex cases.

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.

Not applicable for the Gas Utilities Rates and Compliance program.

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.

Not applicable for the Gas Utilities Rates and Compliance program.

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 2014;
- the number of contracts accounting for those expenditures;
- 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 Commission awarded 841 contracts agency-wide in FY 2014. For this purpose contracts include those object codes required by the Comptroller of Public Accounts *FY 2014 Annual HUB Report*. The Gas Utilities Rates and Compliance program expended $28,642 on general contracts in FY 2014. The majority of general contract expenditures are for services such as mail, printing, and cleaning services that are allocated to each program using a cost allocation model. Of the RRC's five highest value contracted expenditures two contracts were integrated across all agency programs for more efficient management, and were proportionally allocated to each program: a total of $4,439,755was expended under the Department of Information Resources Data Center Services contract, and $3,560,400 was expended under a contract with CGI Technologies and Solutions, Inc., for the Information Technology Modernization Program..

For the Gas Utilities Rates and Compliance program, the top five vendors specific to this program in FY 2014 were:

1. $1,289 was expended with Verizon Wireless Services, LLC for cellular phone charges.
2. $1,807 was expended with SHI Government Solutions, Inc. for toner cartridges and a fax machine.
3. $2,273 was expended with Rivercity Communications Inc. for telephone system installation and telephone equipment.
4. $2,716 was expended with Xerox Corporation for copier services.
5. $15,215 was expended with Neubus for digital imaging and storage.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Financial Services Division. Contracts over $300,000 can only be approved by the Commissioners per agency policy. There are no known contracting protocol deficiencies.

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

Not applicable for the energy resources program.

M. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Gas Utilities and Compliance program.

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

The Gas Utilities Rates and Compliance program does not have any additional information to provide at this time.

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.

Regulation of natural gas utilities ensures that, in the absence of competition, a safe and reliable natural gas product is provided to customers at a price that is just and reasonable.

Gas utilities are often referred to as natural monopolies because they do not compete with other natural gas utilities for customers in the areas that they serve. Gas utilities are capital-intensive, investing large sums of money at the outset to build the facilities required to serve their customers. Since a utility's capital investment is relatively high, the existence of competing utilities would be wasteful and inefficient. Regulation of investor owned natural gas utilities operates in lieu of the competitive forces that would otherwise control prices for goods and services in a free market economic environment.

In Texas many natural gas pipelines are not regulated as gas utilities. Rather they are economically unregulated gathering lines operated by gas producers with no movement of gas for others for a fee or they meet a non-utility provision established by the Legislature (Texas. Utilities Code, §§121.002–121.008). All T-4 Permits to Operate Pipelines (natural gas) are screened to identify those entities whose operations constitute that of a gas utility so appropriate steps can be taken to bring them into compliance with their statutory and regulatory obligations and requirements.

In order to ensure compliance with the various statutory and regulatory requirements of gas utilities, the agency conducts field audits in which the operations of the gas utility are reviewed and all required filings are tested for accuracy. Two primary concerns are the computation and application of the authorized rates and the proper payment of the Gas Utility Tax. A formal letter is sent to the utility which summarizes the results of the audit and indicates any violations that will need correction. If necessary, a formal audit violation letter is sent to the utility, and procedures are in place to track abatement of the violations by the utility.

When unable to secure voluntary compliance by a gas utility, staff files a formal complaint against that utility. The complaint is docketed and a formal or informal hearing will result, with the Commissioners making a final decision during a regularly scheduled open meeting. If a gas utility refuses to comply with a Commission Order, sanctions are available to the Commission in Tex. Util. Code, §§105.021–105.027 (Enforcement and Penalties subchapter). The Attorney General represents the Commission in these actions. RRC staff serve as facilitators between the utility and the consumer, and address consumer and public complaints against a gas utility. RRC

staff also investigate and respond to consumers in disputes over billing, service quality, or other issues.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

The RRC has exclusive jurisdiction over gas rates and services supplied to people living in unincorporated areas of the state. The RRC also has original jurisdiction over "city gate" rates - the rates for natural gas charged by a supplier to a city distribution system. The RRC works to resolve natural gas complaints concerning gas billing for those customers located outside of incorporated areas of the state. The RRC conducts periodic, random audits of the utilities to ensure that the utility is charging its approved rate.

Exhibit 11: Gas Utilities and Compliance Information on Complaints Against Regulated Persons or Entities for Fiscal Years 2013 and 2014

	FY 2013	FY 2014
Total number of regulated entities (regulated entities are Intrastate Investor-Owned Gas Utilities)	208	209
Total number of audits conducted	141	139
Total number of complaints received from the public	696	723
Number of complaints pending from prior years	0	0
Number of complaints found to be non-jurisdictional	0	0
Number of complaints resolved	696	723
Average number of days for complaint resolution	3 to 4	3 to 4

Table 25 Exhibit 11 Information on Complaints Against Persons or Entities

Pipeline Safety

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

Name of Program or Function: Pipeline Safety

Location/Division: Austin and Regional Offices/Oversight and Safety Division

Contact Name: Kari French and Jim Osterhaus

Actual Expenditures, FY 2014: $5,183,682

Number of FTEs as of August 31, 2014: 61.3

Statutory Citation for Program: Texas Utilities Code, Chapter 121, and the Texas Natural Resources Code, Chapters 81, 117 & 118, and the Texas Health & Safety Code, Chapter 756.

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

The RRC's Pipeline Safety program is responsible for conducting inspections, responding to complaints, investigating accidents, and taking enforcement action to ensure the safe installation, maintenance and operation over more than 216,200 miles of intrastate pipelines. The program schedules safety inspections using a risk based prioritization schedule to more frequently address those systems with the greatest potential risk or affecting the highest population.

There are currently 48 inspector positions throughout the state that perform pipeline safety inspections on intrastate pipelines. With the increasing size of the pipeline infrastructure and its age, the RRC continues to focus on the integrity of the network of pipelines in Texas. The RRC began integrity rules not only for high consequence segment areas, but also including the entire length of each hazardous liquids and natural gas transmission pipeline system. The integrity management regulations required that gas companies must have had surveyed half of their systems by Dec. 17, 2007. Surveys of the remainder of their systems had to be completed by Dec. 17, 2012. The RRC continues working towards the same safety compliance for the gas distribution industry by requiring a time schedule for leak repair, as well as regulations for leak survey, leak grading, and leak repairs.

The Commission's rule on distribution facilities replacements also adds to the distribution integrity management program by requiring replacement of the riskiest distribution piping or other facilities. The risk analysis for distribution pipelines will include pipe location including proximity to buildings or large populations; composition and nature of the piping system, including pipe age, materials, operating pressures and leak history; corrosion history; environmental factors that affect gas migration, such as extreme weather conditions, soil conditions and extensive growth of tree roots around pipelines; and any other conditions known to operators that have a potential to cause a gas leak or allow gas to migrate to an area

where it could result in a hazard. The rule also requires that all joints on steel and plastic pipe below ground must be welded or designed and installed to resist pullout.

Additionally, if steel service lines are determined to be the greatest risk in a distribution system, an operator must implement a replacement schedule for these lines. The rule's steel service line replacement schedule is as follows:

- A segment with an annualized steel service line leak rate of 7.5 percent or greater is a Priority 1 segment, and an operator must complete all steel service line removal and replacement by June 30, 2013.
- A segment with an annualized steel service line leak rate of between 5 percent and less than 7.5 percent is a Priority 2 segment and an operator must remove or replace no less than 10 percent of the system's original steel service lines per year.
- A segment with an annualized steel service line leak rate of less than 5 percent is a Priority 3 segment, and those lines must be removed and replaced upon discovery of a leak on a Priority 3 pipeline segment.

Unless otherwise approved in an operator's risk-based plan, all replacement programs require a minimum annual replacement of 5 percent of pipelines or facilities posing the greatest risks identified.

The pipeline safety program ensures compliance with state and federal regulations through enforcement actions that include non-compliance notices requiring timely correction of cited safety infractions, monetary penalties, and follow-up inspections verifying compliance. The program also provides for pipeline inspectors to be on-call 24-hours a day to investigate incidents reported to the Commission's 24-hour emergency reporting number, which ensures RRC staff is available to assist first responders and obtain documentation necessary for conducting an investigation. The pipeline permitting process in combination with the RRC's GIS public map viewer, allows the RRC and other regulatory agencies to know the location of permitted pipelines throughout the state. Permitting information provided by pipeline operators is required to identify pipeline systems for inspections, investigations, and follow-up on public complaints.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2014 performance measures illustrate the effectiveness of the Pipeline Safety program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Outcome	Average number of pipeline safety violations per equivalent 100 miles of pipe identified through inspections	3.16	1.56	49.37%
Output	Number of pipeline safety inspections performed	2,300	2,812	122.26%
Output	Number of pipeline safety violations identified through inspections	2,856.00	2,179	76.30%
Output	Number of pipeline accident investigations and special investigations performed	300	248	82.67%
Output	Number of pipeline permits issued or renewed	4,523.00	4,686	103.60%
Efficiency	Average number of pipeline field inspections per field inspector	100	106	106.17%

Table 26 Pipeline Safety Program FY 2014 Performance Measures

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.

Dates of major importance to the Pipeline Safety program are included in the general history of the agency.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The pipeline safety function affects all natural gas distribution operators, both municipally owned and investor-owned, LPG distribution systems, natural gas gathering and transmission facilities, crude oil and products transmission lines, non-rural crude oil gathering facilities, carbon dioxide pipelines, and master meter pipelines. There are 128 distribution pipeline operators, with 83 owned and operated by municipal governments, including the City of San Antonio and the City of Corpus Christi. Other pipeline operators in the pipeline safety program

include gas transmission and gathering (501), hazardous liquids transmission and gathering (226), and apartments or mobile home parks designated as master meter systems (612).

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

The Pipeline Safety program operates from Austin headquarters and seven regional field offices. These regional areas are strategically located throughout the state to provide inspection coverage for each of the 254 counties in Texas and provide a short response time for pipeline incident investigations. Field inspection work is primarily assigned from the Austin office. Field personnel conduct inspections as identified through the Pipeline Safety risk based inspection program. Documentation from each inspection is tracked in an Oracle database allowing the opportunity to identify trends.

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	Funding Source	Amount FY 2014
Pipeline Safety	General Revenue	$3,511,952
	Federal	$1,671,730

Table 27 Pipeline Safety Program FY 2014 Sources of Funding

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 pipeline safety function is unique to the RRC. The federal Office of Pipeline Safety conducts similar services or functions for interstate pipelines. The RRC's rules for intrastate pipelines incorporate all of the federal rules for interstate pipelines, in addition to more stringent regulations adopted by the RRC for intrastate pipelines.

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.

Not applicable for the Pipeline Safety program.

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 RRC is as a certified agent of the federal program and works as a partner with the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA). The RRC's grant program depends on annual program reviews and certifications. The program works closely with PHMSA to meet the state guidelines for participation in the federal program.

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 2014;
- the number of contracts accounting for those expenditures;
- 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 Commission awarded 841 contracts agency-wide in FY 2014. For this purpose contracts include those object codes required by the Comptroller of Public Accounts *FY 2014 Annual HUB Report*. The Pipeline Safety program expended $533,583 on general contracts in FY 2014. The majority of general contract expenditures are for services such as mail, printing, and cleaning services that are allocated to each program using a cost allocation model. Of the RRC's five highest value contracted expenditures two contracts were integrated across all agency programs for more efficient management, and were proportionally allocated to each program: a total of $4,439,755was expended under the Department of Information Resources Data Center Services contract, and $3,560,400 was expended under a contract with CGI Technologies and Solutions, Inc., for the Information Technology Modernization Program.

For the Pipeline Safety program, five vendors were specific to this program in FY 2014:

1. $11,900 was expended with Dealers Truck Equipment Company Inc. for truck tool boxes.
2. $23,100 was expended with AT&T Mobility National Accounts LLC for cellular service.
3. $44,066 was expended with Voyager Fleet Systems, Inc. for fuel and vehicle repairs.
4. $95,355 was expended with US Bank National Association for vehicle repairs.
5. $312,648 was expended with The Evolvers Group LP for information technology development services.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Financial Services Division. Contracts over

$300,000 can only be approved by the Commissioners per agency policy. There are no known contracting protocol deficiencies.

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

Not applicable for the Pipeline Safety program.

M. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Pipeline Safety program.

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

The Pipeline Safety program does not have any additional information to provide at this time.

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.

All pipelines that leave an oil or gas production site are required to have an operating permit from the RRC. These permits are used to identify the pipelines located within the state and in the offshore boundaries of Texas. The permits are used to identify potential safety regulated facilities, record the system into the inventory for inspections, and posted to the RRC GIS public map viewer accessible through the RRC's webpage. Gas distribution mains and services that are typically located in residential or municipal areas do not require a pipeline permit and are not included in RRC mapping system.

The RRC does not have routing, siting or eminent domain authority for the placement of pipelines, and does not have rules specifically for easement or right-of-way issues between pipeline operators and land owners. As of March 1, 2015; pipeline operators as a part of the pipeline permitting process must provide a sworn statement and documentation from the pipeline applicant providing the operator's factual basis supporting the classification and purpose being sought for the pipeline. Classification categories include private, gas utility and common carrier. The purpose of a permitted gas or hazardous liquid pipeline generally would be either gathering or transmission.

Pipeline safety oversight ensures the safe operation of pipelines through permitting, field inspections, compliance and accident investigations and public awareness of applicable safety

standards. Pipeline safety rules cover the design, installation, testing, inspection, operation, maintenance and emergency response requirements for operators of regulated intrastate pipelines within Texas.

Pipeline safety conducts routine comprehensive safety inspections of intrastate gas and hazardous liquids pipelines that are subject to the state and federal pipeline safety rules. Inspectors located in regional field offices use a risk based priority annual work plan to schedule on-site safety evaluations of pipeline operators and their pipeline systems. In addition to comprehensive inspections, field staff participate in focused subject matter specialized inspections at the company-wide level that include various regulatory areas as integrity management, operator qualification, and public awareness. Field inspectors also respond to public complaints and perform investigations of incidents on pipeline facilities.

After completion of pipeline safety inspections or investigations, any found alleged violations of the state or federal safety standards are cited in correspondence to the pipeline operator requiring a plan of correction and time schedule for completion. Additional enforcement actions may be taken that includes penalties for repeat violations, for hazards to the health or safety of the public, and for delinquent corrective measures. Effective September 1, 2013, the RRC was authorized by the Texas legislature to impose an enforcement penalty of up to $200,000 per day for a violation of a pipeline safety rule, provided the maximum penalty assessed for any related series of violations related to pipeline safety not exceed $2 million.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Exhibit 11: Pipeline Safety Information on Complaints Against Regulated Persons or Entities Fiscal Years 2013 and 2014

	FY 2013	FY 2014
Total number of regulated pipeline operators	1,485	1,467
Total number of pipeline operators inspected	639	547
Total number of pipeline safety inspections performed[3]	3,391	3,037
Total number of accident investigations performed	27	23

[3] This number represents the sum of standard/comprehensive inspections along with specialized inspections. It does not have the same definition as the LBB performance measure "Number of Pipeline Safety Inspections Performed," but rather is the total of all pipeline safety inspections performed.

	FY 2013	FY 2014
Number of jurisdictional complaints received from the public	72	36
Number of public complaints found to be non-jurisdictional	26	22
Number of violations cited from safety inspections	2,359	2,144
Number of violations cited from accident investigations	25	20
Total number of enforcement dockets initiated by the agency	33	21
Number of enforcement dockets pending from prior	16	13
Number of violations cited from public complaints	9	15
Number of enforcement dockets from safety inspections	7	17
Number of enforcement dockets from accident investigations	2	4
Number of enforcement dockets from public complaints	1	1
Amount of penalties from enforcement dockets resulting from safety inspections	$14,750	$228,000
Amount of penalties from enforcement dockets resulting from accident investigations	$56,000	$123,000
Amount of penalties from enforcement dockets resulting from public complaints	$500	$5,000

Table 28 Exhibit 11 Information on Complaints Against Persons or Entities

Pipeline Damage Prevention

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

Name of Program or Function: Pipeline Damage Prevention

Location/Division: Austin and Regional Offices/Oversight and Safety Division

Contact Name: Kari French and Jim Osterhaus

Actual Expenditures, FY 2014: $928,284

Number of FTEs as of August 31, 2014: 16.6

Statutory Citation for Program: Texas Utilities Code, Chapter 121, Texas Natural Resources Code, Chapters 81, 117 and 118, and the Texas Health and Safety Code, Section 756.126

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

The RRC's Pipeline Damage Prevention program is responsible for compliance and enforcement of the damage prevention regulations involving the movement of earth and excavation activities surrounding pipeline facilities. Providing ongoing education to pipeline operators, excavators, the public, and other affected stakeholders about preventing excavation damage to underground pipelines is a key element of the program. In FY 2013, the RRC received 15,687 reports of excavation damage to pipelines from pipeline operators and excavators, and in FY 2014 received 16,097 reports. The RRC's enforcement function seeks to reduce the number of pipeline incidents caused by excavation activities through continuing awareness of the state one-call system law, RRC pipeline damage prevention rules, and by providing an enforcement mechanism to help prevent repeat offenses by both pipeline operators and excavators.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2014 performance measures illustrate the effectiveness of the Pipeline Damage Prevention program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Output	Number of third party damage enforcement cases completed.	5,000	4,248*	84.96%*
Output	Number of pipeline education programs administered	24	21	87.50%
Explanatory	Number of calls to “one-call” centers	1,700,000	2,455,888	144.46%

Table 29 Pipeline Damage Prevention Program FY 2014 Performance Measures

*This FY 2014 output measure was reported to the Legislative Budget Board as 3,889. Discovery of a miscalculation error identified the actual number as 4,248.

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.

Dates of major importance to the Pipeline Damage Prevention program are included in the general history of the agency.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The damage prevention program affects pipeline operators and excavators by enforcing the damage prevention regulations on pipeline operators and entities that may be excavating in the vicinity of a pipeline to include property owners, other underground facility operators, excavators, contractors, or others engaging in excavation related activities. This program affects individuals throughout the state.

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

The Damage Prevention program operates from Austin headquarters with eleven compliance specialists, a damage prevention supervisor, and an administrative assistant. Submitted pipeline excavation damage reports are reviewed; and pipeline operators, excavators and other stakeholders are contacted by phone, email or written correspondence as a part of the investigation process. Staff performs follow-up reviews of complaints received from the

regulated industry, affected stakeholders and the general public; responds to inquiries related to damage prevention regulations; conducts educational presentations to target audiences; and processes compliance documentation for legal enforcement action.

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	Funding Source	Amount FY 2014
Pipeline Damage Prevention	General Revenue	$571,265
	Federal	$357,019

Table 30 Pipeline Damage Prevention Program FY 2014 Sources of Funding

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 Texas One-Call Board receives complaints regarding violations of the state's damage prevention law as does the RRC, however, the One-Call Board does not process enforcement actions. The RRC has enforcement authority, but it is limited to only pipelines.

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.

The RRC attends One-Call Board and statewide Damage Prevention Council meetings to stay informed of their activities and to provide any information the Board or Councils would like to know about the RRC's pipeline safety damage prevention initiatives and pipeline excavation damage enforcement efforts.

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 RRC is as a certified agent of the federal program and works as a partner with the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration

(PHMSA). The RRC's grant program depends on annual program reviews and certifications. The program works closely with PHMSA to meet the state guidelines for participation in the federal program.

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 2014;
- the number of contracts accounting for those expenditures;
- 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 Commission awarded 841 contracts agency-wide in FY 2014. For this purpose contracts include those object codes required by the Comptroller of Public Accounts *FY 2014 Annual HUB Report*. The Pipeline Damage Prevention program expended $48,944 on general contracts in FY 2014. The majority of general contract expenditures are for services such as mail, printing, and cleaning services that are allocated to each program using a cost allocation model. Of the RRC's five highest value contracted expenditures two contracts were integrated across all agency programs for more efficient management, and were proportionally allocated to each program: a total of $4,439,755was expended under the Department of Information Resources Data Center Services contract, and $3,560,400 was expended under a contract with CGI Technologies and Solutions, Inc., for the Information Technology Modernization Program.

For the Pipeline Damage Prevention program, the five vendors specific to this program in FY 2014 were:

1. $1,766 was expended with SHI Government Solutions Inc. for toner cartridges and computer monitors.
2. $2,001 was expended with Xerox Corporation for copier services.
3. $2,042 was expended with AT&T Mobility National Accounts LLC for cellular service.
4. $7,447 was expended with Joy Promotions for Damage Prevention promotional materials.
5. $31,757 was expended with TIBH Industries Inc for temporary services.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Financial Services Division. Contracts over $300,000 can only be approved by the Commissioners per agency policy. There are no known contracting protocol deficiencies.

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

Not applicable for the Pipeline Safety program.

M. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Pipeline Damage Prevention program.

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

The Pipeline Damage Prevention programs do not have any additional information to provide at this time.

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.

With the largest pipeline infrastructure in the nation and state damage prevention rules that extend to not only intrastate pipeline operators, but all persons engaged in or preparing to engage in the movement of earth in the vicinity of an intrastate underground pipeline containing flammable, toxic, or corrosive gas, a hazardous liquid, or carbon dioxide, the State must be able to process reports of violations from any stakeholder, and have authority to assess civil penalties for violations of the state's damage prevention laws.

Pipeline incident data for events meeting reportable criteria submitted to the Pipeline Hazardous Materials and Safety Administration (PHMSA) of the U.S. Dept. of Transportation indicates excavation damage is one of the leading causes of natural gas and hazardous liquid pipeline failure incidents. The purpose of the damage prevention regulations is to reduce pipeline accidents and failures resulting from excavation damage through enforcement and public awareness.

In September 2007 the RRC became responsible for the enforcement of underground damage prevention regulations for intrastate pipelines in Texas. The RRC adopted rules and an enforcement program in a statewide effort to reduce the number of damages caused to underground pipelines by excavation activities. The State of Texas adopted One-Call legislation in 1997, but there was limited enforcement of the law until 2007. The Legislature granted the RRC authority to enforce pipeline damage prevention regulations, while leaving the enforcement of all other underground utilities with the One-Call Board of Texas and county or district attorneys.

Reports of excavation damage to pipelines submitted by pipeline operators and excavators are reviewed by staff for non-compliance with damage prevention rules. Alleged violations and penalties are citied for rule areas, such as failure of excavator to make a one-call prior to excavation, failure to wait for pipelines to be located, failure of pipelines to be marked, and failure by a pipeline operator to provide a response if no pipelines are located in an area where excavation will occur. Effective September 1, 2013, the RRC was authorized by the Texas legislature to impose an enforcement penalty of up to $200,000 per day for a violation of a pipeline safety rule, provided the maximum penalty assessed for any related series of violations related to pipeline safety not exceed $2 million.

The pipeline damage prevention program also provides a process for receiving complaints from stakeholders, and follow-up by staff with applicable regulations. Pipeline operators, excavators, emergency responders and the public may report instances of non-compliance with the state's damage prevention regulations through the RRC's online reporting system.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Exhibit 11: Pipeline Damage Prevention Information on Complaints Against Regulated Persons or Entities Fiscal Years 2013 and 2014

	FY 2013	FY 2014
Total number of regulated pipeline operators	1,485	1,467
Total number of pipeline excavation damage incidents	9,625	9,486
Number of pipeline operator damage reports submitted	9,484	9,597
Number of excavator pipeline damage reports submitted	6,203	6,500
Number of complaints received from stakeholders	71	173
Number of enforcement dockets for pipeline operators	1,221	1,777
Number of enforcement dockets for excavators	2,493	2,471
Amount of enforcement penalties for pipeline excavators	$1,200,600	$3,504,150

	FY 2013	FY 2014
Amount of enforcement penalties for pipeline operators	$626,050	$2,053,100

Table 31 Exhibit 11 Information on Complaints Against Persons or Entities

Alternative Fuels Training and Education

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

Name of Program or Function: Alternative Fuels Training and Education

Location/Division: Austin and Regional Locations

Contact Name: Kari French and Dawn Richardson

Actual Expenditures, FY 2014: $1,320,216

Number of FTEs as of August 31, 2014: 21.7

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

The Railroad Commission's Alternative Fuels Training and Education program includes classes for both company managers and their employees who work with alternative fuels, such as LP-gas (LPG), commonly referred to as propane, as well as compressed natural gas (CNG) and liquefied natural gas (LNG), as a function of their jobs. RRC instructors trained approximately 4,000 LPG managers and technicians in FY 2014 on safety and regulatory compliance related to servicing and installing residential and commercial systems and appliances, operating propane dispensers and delivery trucks, and installing and maintaining automotive systems. Training is one part of the RRC's certification function. To be certified to manage a full-service retail or wholesale propane company, applicants are required to complete an 80-hour course of instruction and pass a comprehensive management-level qualifying examination covering all applicable LP-gas activities. A 16-hour course and a management-level examination are required of applicants seeking certification to manage a company that performs a more limited range of LP-gas activities, such as operating a propane service station or cylinder-filling facility; an 8-hour course is required for most technicians in the first year after they pass their qualifying examination. Both managers and technicians are required to complete eight hours of continuing education every four years to maintain their LP-gas certification. Training for CNG and LNG certificate holders are not required by rule.

Individuals who hold a master or journeyman plumbers license or who have an Air Conditioning and Refrigeration contractor's license may register with the RRC to perform LP-gas and CNG activities. All certified individuals and exempt registrants are required to renew their certification/registration with the RRC annually.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2014 performance measures illustrate the effectiveness of the Alternative Fuels Training and Education program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Output	Number of training hours provided to Texas LP-gas licensees and certificate holders, operators of LP-gas equipment, and firefighters.	2,350	2,924	124.43%

Table 32 Alternative Fuels Training and Education Program FY 2014 Performance Measures

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.

The original intent of the program was to promote LP-gas and educate individuals working in the LP-gas industry on the functions of their job duties. The program has changed to focus specifically on the education of industry about the RRC rules and regulations, job functions are discussed as they apply to the rules and regulations. The program is expanding to include education on CNG and LNG regulations. This program administers examinations for certification of all three alternative fuels, as well as registers individuals that are licensed plumbers or ACR contractors to perform work with LP-gas and CNG.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

This program affects individuals who are in the business of performing activities related to alternative fuels in the state of Texas. In order to receive certification for the covered activities the individual must be qualified by understanding the rules required to safely perform each activity. In FY 2014 a total of 5,140 exams were administered for all three fuel types. There were 15,664 certifications renewed for all fuel types and 564 exempt individuals registered for LP-gas and CNG in FY 2014.

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

The program is administered using four instructors, one training manager, one certification manager and one and one-half administrative technicians. The instructors provide classroom training for all courses. These courses are administered at the training center in Austin as well as satellite locations throughout the state. The satellite locations vary and are obtained by partnering with other state agencies, regulated industry, and community centers. Examinations are administered in conjunction with or without a course and may be administered at the training center or a satellite location. The training and examination records are processed by administrative staff. The exempt registrations are processed by administrative staff.

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	Funding Source	Amount FY 2014
Alternative Fuels Training and Education	General Revenue	$408,058
	Oil and Gas Regulation and Cleanup Fund—GR Dedicated	$690,087
	Federal Funds	$222,072

Table 33 Alternative Fuels Training and Education Program FY 2014 Sources of Funding

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 RRC's Alternative Fuels Training and Education program is not duplicated elsewhere in state government.

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.

Not applicable for the Alternative Fuels Training and Education program

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 RRC's alternative fuels training and education program will conduct seminars for local emergency responders, including volunteer fire fighters. The RRC does not regulate emergency responders, but provides training so that they may better respond to emergency situations involving alternative fuels.

The program verifies information on exempt registrant applications with the state agency that has issued the qualified license the individual is stating they currently possess (Texas Department of Licensing and Registration and Texas State Board of Plumbing Examiners). These agencies are support services for properly processing these applications.

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 2014;
- the number of contracts accounting for those expenditures;
- 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 Commission awarded 841 contracts agency-wide in FY 2014. For this purpose contracts include those object codes required by the Comptroller of Public Accounts *FY 2014 Annual HUB Report*. The Alternative Fuels Training and Education program expended $255,868 on general contracts in FY 2014. The majority of general contract expenditures are for services such as mail, printing, and cleaning services that are allocated to each program using a cost allocation model. Of the RRC's five highest value contracted expenditures two contracts were integrated across all agency programs for more efficient management, and were proportionally allocated to each program: a total of $4,439,755was expended under the Department of Information Resources Data Center Services contract, and $3,560,400 was expended under a contract with CGI Technologies and Solutions, Inc., for the Information Technology Modernization Program.

For the Alternative Fuels Training and Education program, the top five vendors specific to this program in FY 2014 were:

1. $5,847 was expended with AT&T Mobility National Accounts LLC for cellular service.
2. $7,750 was expended with Maven Affairs LLC for media services.
3. $8,410 was expended with TIBH Industries Inc. for temporary employment services.
4. $44,242 was expended with Unified Services of Texas Inc. for site preparation for a CNG refueling station.

5. $151,950 was expended with Nat G CNG Solutions LLC. for a CNG refueling station.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Financial Services Division. Contracts over $300,000 can only be approved by the Commissioners per agency policy. There are no known contracting protocol deficiencies.

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

Not applicable for the Alternative Fuels Training and Education program.

M. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Alternative Fuels Training and Education program.

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

The Alternative Fuels Training and Education program does not have any additional information to provide at this time.

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 certification of individuals working with alternative fuels is needed to ensure that all individuals who are performing regulated activities for the general public have a thorough understanding of the regulations they are required to operate under. Understanding the regulations increases the safety of installations and the general public. This program does not inspect or audit regulated entities. This program does not handle complaints.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

The Regulate Alternative Energy Resources program tracks regulatory complaints related to this program.

Regulate Alternative Energy Resources

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

Name of Program or Function: Regulate Alternative Energy Resources

Location/Division: Austin and Regional Offices/Safety Division

Contact Name: Kari French and Dawn Richardson

Actual Expenditures, FY 2014: $2,147,454

Number of FTEs as of August 31, 2014: 21.1

Statutory Citation for Program: Texas Natural Resources Code Chapters 113 and 116

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

The RRC's Regulate Alternative Fuels program is responsible for Liquefied Petroleum Gas (LPG), Compressed Natural Gas (CNG) and Liquefied Natural Gas (LNG) safety. The program utilizes a risk based prioritization format to schedule the frequency with which installations and equipment are inspected. There are twelve alternative fuel inspectors conducting safety evaluations throughout the state's 254 counties, with more than 70,000 alternative fuel facilities or equipment subject to inspection. Each year the program completes an average of approximately 14,000 inspections. Inspections include schools, nursing homes, child care centers, public, commercial and industrial sites, bulk storage and dispensing facilities, cargo tank motor vehicles, school buses, mass transit, and special transit vehicles. In the most recent fiscal year an average of one non-compliance item was cited per inspection, and the inspection process identified more than 14,800 non-compliance items. In addition to safety evaluations, an average of more than 50 safety related complaints are investigated and resolved each year. In the last two fiscal years the program conducted an average of 30 accident investigations to determine the cause, origin, and circumstances of incidents involving alternative fuels.

The program is responsible for administering licenses to individuals and companies that provide alternative fuel services to the general public. There were over 5,400 licenses issued in FY 2014, including annual renewals. Each licensee must have qualified individuals that are certified as managers for the activities the licensee will perform. Each location that the licensee operates must be supervised by a certified manager. Each licensee must employ properly certified individuals or exempt registrants to perform covered activities. (Certification and exempt registration activities are covered by the Alternative Fuels Training program.) All licensees must provide proof of general liability insurance; licensees operating transport units must provide proof of automotive insurance; licensees with employees must provide proof of workers compensation insurance; all insurance policies must be submitted on forms approved by the Texas Department of Insurance. Licensees performing activities involving the manufacture or repair of containers must show proof of authorization by the agency which authorizes the

construction of that container type (i.e. ASME or U.S. DOT). Certain entity types are required to show proof of compliance with the Secretary of State, county clerk's office and/or the Texas Comptroller of Public Accounts. All units transporting alternative fuels in Texas must be registered with the RRC under the licensee that is operating the unit. There were over 4,900 units registered in FY 2014, including annual registration renewals. Each unit must submit record of regular testing as required by U.S. Department of Transportation in order to register or renew registration. In addition, units transporting LP-gas must also be inspected by the RRC every four years. As part of the inspection of transport units, the inspector verifies proper certification of drivers and licensing of the unit's operator.

The program receives notice of new installations by the submission of required forms from the installing licensee or registrant. For smaller capacity installations notice is given after the installation is complete; the installation is allowed to operate and the installation is placed on a schedule for inspection at a later date. For larger capacity installations the installer must submit an application, including plans. The application and plans must be reviewed prior to installation. If the application and plans show the proposed installation is in compliance with all requirements then construction approval is granted. Once construction is complete the installation must be inspected to verify the installation does not vary from the plans submitted and meets all RRC rules. Upon confirmation of meeting all requirements the installation is allowed to be placed into service. There were over 3,600 small installation and 46 large installation applications processed in FY 2014.

The program is also responsible for enforcing the rules and regulations for alternative fuels. Minor non-compliance items must be corrected within 45-days of the written notice sent from headquarters. If not corrected within 45 days then the installation is removed from service until the items are corrected. For severe non-compliance items, a warning letter is sent or an administrative penalty is assessed. A severe non-compliance item could include unlicensed activity, uncertified individuals operating equipment, or a container's improper distance from a building. In FY 2014 there were over 4,900 notices of non-compliance, 1,800 remove from service notices, 196 warning letters and 78 administrative penalties generated.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2014 performance measures illustrate the effectiveness of the Regulate Alternative Energy Resources program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Outcome	Average Number of LPG/CNG/LNG Safety Violations identified per Inspection Unit	1.3	1.6	123.08%
Output	Number of LPG/CNG/LNG safety inspections performed	14,700	13,902	94.57%
Output	Number of LPG/CNG/LNG safety violations identified through inspections	15,875	12,506	78.78%
Output	Number of LPG/CNG/LNG accident investigations and special investigations performed	215	79	36.74%
Output	Number of LPG/CNG/LNG qualifying examinations administered and licenses, certifications and registrations issued or renewed.	27,068	30,652	113.24%
Output	Number of LPG/CNG/LNG education programs administered.	25	18	72.00%
Efficiency	Average number of LPG/CNG/LNG safety inspections per inspector	1,250	1,257	100.59%

Table 34 Regulate Alternative Energy Resources Program FY 2014 Performance Measures

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.

Dates of major importance to the Regulate Alternative Energy Resources program are included in the general history of the agency.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Regulate Alternative Energy Resources program affects individuals storing, transporting, dispensing, and using alternative fuels for cooking, heating, motor fuel, and commercial or industrial applications. Individuals working in the alternative fuel industries must be trained and certified for the work they are performing. Companies engaged in alternative fuel businesses are required to be licensed. This program affects individuals working directly in the alternative fuel industries, as well as the general public.

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

The Regulate Alternative Energy Resources program reviews plans and maintains records of alternative fuel installations and equipment; performs inspections of stationary sites and mobile equipment to verify compliance with applicable statutes and safety regulations; investigates complaints involving safety rule violations; determines the cause, origin and circumstances of accidents involving alternative fuels; and issues licenses to individuals and companies that perform regulated activities involving alternative fuels.

Twelve inspectors are located strategically throughout the state to provide statewide coverage for the program's risk based management schedule of inspections. Each inspector is assigned a district to inspect. The districts are established by determining the number of facilities requiring inspection in each county then determining which counties should be grouped together to evenly distribute the number of facilities in each district.

Two and one-half administrative technicians process the applications for installations and generate correspondence resulting from inspections performed. One safety specialist processes accident and complaint investigations received from inspectors as well as processing warning letters and administrative penalties. Two administrative technicians process license applications, including outlet locations, insurance and transport unit registrations.

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	Funding Source	Amount FY 2014
Regulate Alternative Energy Resources	General Revenue	$2,147,454

Table 35 Regulate Alternative Energy Resources Program FY 2014 Sources of Funding

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.

County and municipal Fire Marshals may conduct inspections of the same type of alternative fuel stationary installations inspected by the RRC, but the safety rules used by the local official for CNG or LNG may conflict with the safety rules adopted by the RRC, or be interpreted differently than the RRC interprets the rules. The conflict between safety requirements can create confusion for stakeholders and the general public. Texas Natural Resources Code §113.054 requires all political subdivisions to use the RRC's LP-Gas Safety Rules for the installation and use of LP-gas.

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.

The RRC's Regulate Alternative Energy Resources program works with local Fire Marshals to explain RRC regulations and their interpretations.

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 program verifies information on license applications with the cooperation of other state agencies such as the Secretary of State, the Comptroller of Public Accounts and the Texas Department of Insurance. These agencies are support services for properly processing these applications.

During accident investigations RRC inspectors will work with local law enforcement, including fire marshals, to gain safe access to the accident scene and assistance with determining cause, including copies of reports or documents pertaining to the investigation.

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 2014;
- the number of contracts accounting for those expenditures;
- 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 Commission awarded 841 contracts agency-wide in FY 2014. For this purpose contracts include those object codes required by the Comptroller of Public Accounts *FY 2014 Annual HUB Report*. The Regulate Alternative Energy Resources program expended $116,318 on general contracts in FY 2014. The majority of general contract expenditures are for services such as mail, printing, and cleaning services that are allocated to each program using a cost allocation model. Of the RRC's five highest value contracted expenditures two contracts were integrated across all agency programs for more efficient management, and were proportionally allocated to each program: a total of $4,439,755was expended under the Department of Information Resources Data Center Services contract, and $3,560,400 was expended under a contract with CGI Technologies and Solutions, Inc., for the Information Technology Modernization Program.

For the Regulate Alternative Energy Resources program, the top five vendors specific to this program in FY 2014 were:

1. $3,734 was expended with Ferrellgas LP for LP-Gas delivery.
2. $6,298 was expended with Printmailpro.com for printing of training materials.
3. $15,736 was expended with AT&T Mobility National Accounts LLC for cellular service.
4. $22,831 was expended with Voyager Fleet Systems, Inc. for fuel and vehicle repairs.
5. $39,393 was expended with US Bank National Association for vehicle repairs.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Financial Services Division. Contracts over $300,000 can only be approved by the Commissioners per agency policy. There are no known contracting protocol deficiencies.

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

Not applicable for the Regulate Alternative Energy Resources program.

M. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Regulate Alternative Energy Resources program.

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

The Regulate Alternative Energy Resources program does not have any additional information to provide at this time.

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 inspection of facilities that use or distribute alternative fuels is necessary to ensure that these fuels are being used in a safe manner and in compliance with the rules and statutes regarding these fuels.

Companies that perform LP-gas, compressed natural gas or liquefied natural gas activities are required by statute to be licensed by the RRC, as these are hazardous materials that must be handled properly to protect public health and safety. Licensee facilities, transport units and commercial customers are inspected using a risk-based schedule. Installations involving transfer of product pose the greatest potential for an accident and are inspected more frequently than those that do not involve product transfer. Inspections of facilities that sell alternative fuels include verification of certified individuals and proper licensing.

When minor non-compliance items are cited during the inspection of installations the facility and supplier receive written notice giving 45 days for the correction of the items cited. If notice of correction is not received within 45 days then a notice is sent out removing the installation from service until the items are corrected. In addition to the non-compliance notice, when more severe non-compliance items are cited, including failure to be properly certified, registered, or licensed, the RRC will either send a warning letter to the facility, supplier, or installer stating that future occurrences may result in administrative penalties or assess an administrative penalty to the party responsible for the non-compliance item.

Companies that fail to comply with all applicable licensing requirements are identified and sent a cease operations letter advising them that their license has expired and they must

immediately cease to perform alternative fuel activities. The Texas Natural Resources Code Chapters 113 and 116 have provisions for enforcement. In instances where an administrative penalty has been assessed and the penalized individual or company fails to respond or show full compliance with the penalty requirements the matter can be submitted as a complaint to RRC's Docket Services. If the involved party fails to respond to the complaint a default hearing is scheduled, from the default hearing the item goes to the Commissioners' Conference, if approved at the open meeting of the Commissioners, the item will forwarded to the Office of the Attorney General if the monetary amount of the penalty meets the established threshold.

Licensees, registrants, emergency responders and the general public may submit complaints regarding the unsafe use or non-compliance with RRC regulations of alternative fuels. The complaint may be submitted using the complaint form for the fuel type involved or it may be called in. When a complaint regarding an alternative fuel safety issue is received the inspector for the district where the complaint is located will investigate the complaint making any necessary inspections as a part of the investigation process. The inspector will document their findings and gather any supporting documentation required. The documentation is submitted to headquarters where it is reviewed and a determination is made on the severity of any non-compliance items found and the appropriate measure is taken.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Exhibit 11: Regulate Alternative Energy Resources Information on Complaints Against Regulated Persons or Entities for Fiscal Years 2013 and 2014

	FY 2013	FY 2014
Total number of regulated persons	15,856	21,368
Total number of regulated entities	5,279	5,475
Total number of entities inspected	13,113	13,902
Total number of complaints received from the public	60	57
Number of complaints pending from prior years	0	0
Number of complaints found to be non-jurisdictional	0	0
Number of jurisdictional complaints found to be without merit	33	25

	FY 2013	FY 2014
Number of complaints from the public resolved	60	57
Warning letter sent	277	196
Non-compliance notice sent	5,016	4,934
Remove from service notice	2,169	1,846
Total number of Enforcement Dockets initiated by the agency	93	86
Number of Enforcement Dockets pending from prior years	5	27
Number of Enforcement Dockets found to be non-jurisdictional	0	0
Number of Enforcement Dockets found to be without merit	0	0
Number of Enforcement Dockets resolved	71	77
Number of Enforcement Dockets settled	65	74
Enforcement Dockets dismissed or consolidated	6	3
Amount of administrative penalties assessed	$51,750.00	$71,350.00
Enforcement Dockets referred to the Attorney General (administrative penalty)	0	0
Enforcement Dockets referred to the Attorney General (reimbursement)	0	0

Table 36 Exhibit 11 Information on Complaints Against Regulated Persons or Entities

Surface Mining Regulation

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

Name of Program or Function: Surface Mining Regulation

Location/Division: Austin and Regional Offices/Surface Mining and Reclamation Division

Contact Name: John Caudle

Actual Expenditures, FY 2014: $3,143,994

Number of FTEs as of August 31, 2014: 48.0

Statutory Citation for Program: Texas Natural Resource Code Annotated Title 4.

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

The Surface Mining Regulation program prevents unreasonable degradation of land and water resources from unregulated mining operations, protects the rights of surface landowners from unregulated surface mining operations, assures that reclamation of all land on which surface mining takes place occurs as contemporaneously as practicable with the surface mining, while ensuring a balance among environmental protection, agricultural productivity, and the state's need for coal as an essential source of energy. This function regulates surface coal mining and uranium exploration in Texas. The Texas Commission on Environmental Quality regulates in-situ or solution uranium mining.

Permit application review requires the Surface Mining Regulation program to conduct a technical evaluation of each permit application to prepare a written technical analysis that describes the adequacy of the application in addressing the requirements of the regulations. This technical analysis includes an evaluation of administrative and baseline environmental information, the mine plan, and the plan for reclamation of areas proposed for mining or disturbed for mining. The review process for exploration notices includes an evaluation of the depth and quality of ground water within the notice or permit area to determine specific plugging and surface reclamation requirements. The permit review process assesses similar types of data whether a coal surface mining or uranium exploration permit is sought.

Bond requirements, evaluation and review ensures that a permitted company provides a bond sufficient to complete reclamation of disturbances associated with a mining permit in the event of forfeiture through a detailed analysis and estimation of reclamation costs to determine an appropriate reclamation bond amount. Upon mining completion this function evaluates reclamation success through an on-site inspection and a technical evaluation of environmental monitoring data for post-mine soil, vegetative cover and productivity, and surface and ground water quality and quantity. Based on a successful evaluation of reclamation activities an entity will be released from its bond.

Permit compliance inspections and monitoring staff conduct unannounced monthly inspections and monitors sites. Inspectors and technical staff perform tests to ensure compliance with the regulations, with civil penalties assessed for violations based on a point system.

Coal mining complaint investigations requires the program to investigate citizen complaints about mining operations, conducting all necessary sampling, testing, and evaluation of data to determine if a mining operation is in compliance with the regulations. Investigation results are documented in written reports to be completed within timeframes specified by regulations. The technical staff provides support and peer review.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2014 performance measures illustrate the effectiveness of the Surface Mining Regulation program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Outcome	Percentage of current surface mining operations (coal and uranium) that are in full compliance with applicable state and federal regulations	100%	100%	100%
Output	Number of Coal Mining Inspections Performed	500	502	100.40%
Output	Number of Coal Mining Permit Actions Processed	550	638	116.00%
Output	Percent of uranium exploration sites inspected monthly	95%	103.50%	108.95%

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Efficiency	Average number of staff review days required to process administrative coal mining permitting actions	60	59	101.69%
Efficiency	Average number of staff review days required to process coal mining permitting actions that require Commission decision	60	124	48.39%
Efficiency	Average number of staff review days required to process uranium exploration permitting actions	30	19	157.89%
Efficiency	Percent of coal permitting actions completed within statutory review time frames.	90%	96%	106.67%
Explanatory	Number of Acres Permitted	320,000	324,724	101.48%

Table 37 Surface Mining Regulation Program FY 2014 Performance Measures

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.

More than 99 percent of the lignite mined in Texas is used as boiler fuel in the production of electricity. Since 2005 lignite production decreased from 47 million tons to a low of about 37 million tons in 2009. In 2014 lignite production was about 42.5 million tons due to two new lignite fueled power plants coming on line in 2010-2011. Increases in lignite consumption will continue to be offset by the blending of western coal with lignite at some power plants in Texas. The continued long-term fuel commitment required for existing lignite fueled electric power generation facilities suggests that the lignite mining industry in Texas will remain relatively stable for the foreseeable future. New regulations being promulgated by the EPA for

power plant emissions are the biggest challenge for continued growth in lignite production as a boiler fuel.

In 1980 the Surface Mining Regulation program administered 34 uranium surface mining permits issued to three major companies. Presently there are no permitted uranium surface mining areas in Texas, with the last remaining uranium surface mining permit granted full bond release in 2003. The required infrastructure for the production of uranium through surface mining includes large-scale ore treatment, milling, and waste disposal facilities, which have all been dismantled and reclaimed. A resurgence of the uranium production industry through surface mining techniques is not predicted in the near future. All current uranium production activities in Texas are confined to in-situ mining regulated by the Texas Commission on Environmental Quality. In 2005 a worldwide shortage of uranium resulted in a price increase. The 80th Texas Legislature passed HB 3837, which provided the RRC the authority to assess fees for uranium exploration permitting. Since 2005, active uranium exploration permits have increased from one to 13 current permits. Current exploration drilling has been drastically reduced due to depressed uranium prices.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Surface Mining Regulation program ensures the restoration of mined lands to their pre-mine productivity while minimizing the health and safety effects on people and the environment. Only entities that have provided the necessary information to obtain a permit are allowed to mine coal or explore for uranium in Texas. The permitting process ensures that the entity has operation and reclamation plans to mine the coal or explore for uranium and reclaim the land, which will result in the condition of the reclaimed land as good as or better than it was before it was mined. If mining and reclamation is conducted according to the approved permit and regulations, there is no effect expected to anyone other than the permitted entity, who must operate in a regulated environment. Permitting and land reclamation activities ensure the prevention of soil erosion and the attendant adverse effects to surface and subsurface waters that can occur if mined lands are not properly reclaimed.

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

The Surface Mining Regulation program is administered by technical and administrative personnel in the Austin office, supported by technical personnel in a field office located in Tyler. The program includes an Application and Permits section and an Inspection and Enforcement section.

The Applications and Permits section consists of scientists and engineers that are responsible for the administrative and technical review of all coal exploration registrations and permits, and coal mining permit applications. This section reviews and makes technical findings and

recommendations on permit revisions to ensure compliance with regulatory performance requirements. This section reviews environmental monitoring data that is required by regulation or permit conditions. In addition, this section also reviews uranium exploration permit applications.

The technical staff reviews and evaluates each coal-mining permit and permit revision application for administrative and technical adequacy. A Technical Analysis (TA) document is provided to the RRC's Office of General Counsel. The TA summarizes the application and identifies whether it complies with regulatory requirements or describes deficiencies in the application. As part of the TA, technical staff includes a Cumulative Hydrologic Impact Analysis. This analysis identifies what surface and ground water impacts are expected from a mine or group of mines within a defined hydrologic area. The technical staff will also include in the TA an independent estimate of the cost to reclaim the mine to determine a minimum reclamation performance bond amount. This reclamation cost estimate is used to establish the amount of financial assurance (reclamation bond) required for issuance of a coal-mining permit. Technical staff meet with mining company representatives to discuss ongoing revisions to permitted operations. These meetings and consultations are crucial to provide mine operators with guidance regarding interpretation of reclamation performance standards and to describe documents and data needed to support revision applications.

The Inspection and Enforcement (I&E) section operates from the Austin and Tyler offices. The section verifies environmental baseline data to ensure it was accurately submitted in a permit application. On-site compliance inspections of each mining and reclamation permit are required to occur on an irregular and unannounced schedule with a minimum frequency of one per month for each inspectable unit. Special site visits are also made at the request of the operator for consultation and observation of various activities involved in permit compliance. Regular inspections can take from one to three days. Additional research or follow-up inspections may be required depending on the size of the operation and whether problem areas are identified during the inspection. Coal exploration areas are inspected to ensure that borehole plugging is in compliance with the regulations and permit conditions and that reclamation of the land surface has been accomplished. Exploration operations can, and often do, involve more than one county and may be active for several years.

The inspection staff investigates complaints filed with the RRC against mining operations promptly. Meetings are scheduled with the complainant pursuant to Texas Administrative Code Title 16, Rule §12.675. Staff conduct their investigation to determine if problems described by the complainant are mining related. If necessary, the inspection staff ensures that any corrective action is completed.

Inspection staff occasionally obtain ground water and surface water samples from within the permitted area. Selective soil handling operations, by random sampling in reclaimed areas, are also monitored to determine if acid or toxic-forming materials occur near the land surface. The water and soil-monitoring program validates the permitted entity's monitoring data and independently documents permit performance standards.

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	Funding Source	Amount FY 2014
Surface Mining Regulation	General Revenue	$2,261,278
	Federal	$828,720
	Appropriated Receipts	$53,996

Table 38 Surface Mining Regulation Program FY 2014 Sources of Funding

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.

Several state and federal entities have jurisdiction over activities that may occur during mining operations. In many instances compliance with the regulations of another entity is a condition of the RRC's surface mining permit.

The RRC has an established memorandum of understanding with the Texas Commission on Environmental Quality (TCEQ) giving the RRC the primary inspection and enforcement role for discharges to surface and subsurface waters from coal mining operations. Compliance with a TCEQ discharge permit is a condition of the surface mining permit. The RRC provides notice of mine permit applications to TCEQ so that they may review the application and comment as appropriate.

The RRC has a similar memorandum of understanding with the Texas Historical Commission (THC) with a primary inspection and enforcement role at mine sites to ensure the identification and mitigation of archaeological sites eligible for listing on the National Register of Historic Places. The THC acts as the expert for review of the cultural resource information in surface coal mining permit applications. The RRC provides notice of mine permit applications to THC so that they may review the application and comment, as appropriate.

Texas Parks and Wildlife (TPWD) and U.S. Fish and Wildlife Services (USFWS) have jurisdiction over activities that impact threatened or endangered species. Where mining operations may impact a protected species, the RRC confers with the appropriate agency regarding possible protection plan alternatives. Applicable requirements for species protection are included in

mine permits. The TPWD has some authority in determining species composition and productivity standards for some post-mine land uses that may be included in a surface coal-mining permit. The RRC provides notice of mine permit applications to these agencies so that they may review the application and comment, as appropriate.

The U.S Army Corps of Engineers (USACE) has jurisdiction over mine activities that affect wetlands and waters of the United States. The RRC requires that authorization from the USACE be obtained prior to conducting mine operations that would result in dredging or filling of a wetland. Mining permits include recommendations of the USACE for mitigation and replacement of wetlands disturbed by mining activities. The RRC provides notice of mine permit applications to the USACE so that they may review the application and comment, as appropriate.

The State Conservationist of the Natural Resources Conservation Service (NRCS) establishes specifications for removal, storage, replacement, and reconstruction of all prime farmlands to be mined and reclaimed. Mine permit reclamation plans include individual specifications and recommendations. The RRC also provides notice of mine permit applications to the NRCS so that they may review the application and comment, as appropriate.

The RRC has jurisdiction over the hydrologic impacts of mining operations, including ground water withdrawals. Some ground water conservation districts have the ability to restrict withdrawals of groundwater, but withdrawals associated with mining operations are not subject to regulation by these local districts.

The Texas Commission on Environmental Quality (TCEQ) regulates the production of uranium through in-situ methods. The Texas Uranium Exploration, Surface Mining, and Reclamation Act, the RRC statutory authority, is confined to uranium exploration and surface mining of uranium, and specifically excludes in-situ mining methods. House Bill 3837 (80th Legislative Session) mandates that the RRC notify groundwater conservation districts, located in areas of uranium exploration, of applications for uranium exploration activities within the district and ensure that the district is provided with any groundwater data collected by the permitted entity. Currently, there are seven groundwater districts subject to the requirements of this legislation.

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.

The RRC coordinates closely with other state and federal agencies that have authority over various activities that may occur at a mine site. Most of these agencies do not have the resources to independently inspect and monitor compliance with applicable requirements at mine sites. The RRC has a considerable presence at permitted mine sites. When a violation of RRC requirements that might also be a violation of rules administered by one of these agencies occurs the RRC notifies the agency of the violation and consults with the agency about RRC

enforcement efforts. In most cases other agencies will defer to the RRC and not bring an independent enforcement action.

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 Surface Mining Regulation program works with various state, local, and federal units of government to ensure compliance with all applicable statutes and regulations. For environmental matters, the program works closely with the Texas Commission on Environmental Quality, the U.S. Army Corps of Engineers, and the Natural Resources Conservation Service, as well as local groundwater conservation districts. For matters related to endangered species, the program coordinates with the Texas Parks and Wildlife Department and the U.S. Fish and Wildlife Service. The program partners with the Texas Historical Commission and the National Register of Historic Places to ensure protection of potentially important archaeological sites.

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 2014;
- the number of contracts accounting for those expenditures;
- 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 Commission awarded 841 contracts agency-wide in FY 2014. For this purpose contracts include those object codes required by the Comptroller of Public Accounts *FY 2014 Annual HUB Report*. The Surface Mining Monitoring and Inspections program expended $69,816 on general contracts. The majority of general contract expenditures are for services such as mail, printing, and cleaning services that are allocated to each program using a cost allocation model. Of the RRC's five highest value contracted expenditures two contracts were integrated across all agency programs for more efficient management, and were proportionally allocated to each program: a total of $4,439,755was expended under the Department of Information Resources Data Center Services contract, and $3,560,400 was expended under a contract with CGI Technologies and Solutions, Inc., for the Information Technology Modernization Program.

For the Surface Mining Regulation program, the top five vendors specific to this program in FY 2014 were:

1. $4,015 was expended with the Texas Department of Criminal Justice for office furniture.
2. $4,308 was expended with SHI Government Solutions Inc. for toner cartridges, card readers, and a scanner.
3. $6,293 was expended with Western Data Systems for computer equipment.

4. $7,727 was expended with Voyager Fleet Systems, Inc. for fuel and vehicle repairs.
5. $13,590 was expended with US Bank National Association for vehicle repairs.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Financial Services Division. Contracts over $300,000 can only be approved by the Commissioners per agency policy. There are no known contracting protocol deficiencies.

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

Not applicable for the Surface Mining Regulation program.

M. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Surface Mining Regulation program.

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

Texas is the largest consumer of coal in the United States and is the sixth largest coal-producing state. Unregulated strip mining in the U.S. prior to 1977 resulted in significant effects to water resources and the loss of agricultural productivity on unreclaimed mined land. In 1975, the Texas Legislature enacted the Texas Surface Mining and Reclamation Act, leading to the promulgation of the Texas Surface Mining Regulations in 1976. Since 1976, the Texas coal mining regulatory program has protected surface and subsurface waters and restored land to a pre-mine productivity that is as good as or better than before it was mined. Currently the program administers 29 coal mining permits, held by 10 companies and covering approximately 324,700 acres in 17 counties.

In FY 2014, 245 uranium exploration boreholes were drilled and plugged. Each uranium exploration permit is reviewed to develop specific borehole plugging procedures based on the nature, location, and type of aquifer that is being penetrated to ensure that the state's ground water resources are protected. Permit conditions included provisions to mark plugged boreholes so that follow-up inspections can be performed. Permits remain active, with boreholes and drill sites inspected until surface restoration is complete.

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.

Surface Mining regulation seeks to prevent adverse effects to the environment from surface coal mining or uranium exploration operations and to assure that the rights of surface landowners and other persons with a legal interest in the land or easements adjacent to their land are protected, while allowing utilization of Texas' natural resources.

RRC rules require an on-site inspection of every inspectable unit at least once a month. Each quarter the RRC conducts a comprehensive inspection of each mine including a records audit and evaluation of all aspects of permit compliance.

Authorized representatives of the RRC may issue cessation orders, notices-of-violation, or suspension or revocation of permits under specific conditions described in RRC regulations. The RRC may assess administrative or civil penalties for each notice-of-violation. RRC rules establish a point system for assessment of administrative penalties. Civil penalties may be assessed in an amount of up to $10,000 for each violation. The RRC may also seek permit revocation or suspension and injunctive relief. In addition, the RRC requires financial assurance to cover estimated costs of reclamation in the event of forfeiture by a permitted entity and may draw on those assurance instruments in the manner provided for under RRC regulations.

A citizen may request an inspection and will be informed of the results of the inspection within 10 days of the inspection. RRC rules also provide citizens with an avenue to appeal the outcome of the complaint investigation.

An administrative penalty for uranium exploration can be assessed if, based on an inspection, the violation has resulted in environmental pollution of the air or water or poses a threat to public safety. The permitted entity must be provided opportunity for public hearing prior to penalty assessment.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Exhibit 11: Surface Mining Regulation Information on Complaints Against Regulated Persons or Entities for Fiscal Years 2013 and 2014

	FY 2013	FY 2014
Total number of regulated entities (an entity is defined as a permit)	43	42
Total number of entities inspected (an entity is defined as a permit)	3	2

	FY 2013	FY 2014
Total number of complaints received from the public	3	2
Total number of Notices of Violations (NOVs) initiated by the agency	2	4
Number of complaints pending from prior years	0	0
Number of complaints found to be non-jurisdictional	0	1
Number of jurisdictional complaints found to be without merit	3	0
Number of complaints resolved	3	2
Average number of days for complaint resolution	52	75
Violation, with no administrative penalty	0	1*

Table 39 Exhibit 11 Information on Complaints Against Regulated Persons or Entities

*In this instance, Natural Resources Code, Title 4, Section 131.262 did not allow for an administrative penalty as the violation did not create imminent danger or cause imminent harm.

Abandoned Mine Lands

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

Name of Program or Function: Abandoned Mine Lands

Location/Division: Austin and Regional Offices/Surface Mining and Reclamation Division

Contact Name: John Caudle

Actual Expenditures, FY 2014: $3,925,759

Number of FTEs as of August 31, 2014: 7.1

Statutory Citation for Program: Texas Natural Resource Code Annotated Title 4

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

The Abandoned Mine Land program protects potential public from the health and safety hazards posed by abandoned mines found throughout the state.

Project Development: The project development function identifies property ownership and eligibility for reclamation through the Abandoned Mine Land Program, develops baseline environmental surveys, conducts environmental assessment, and secures the necessary permits.

The project design function completes engineering designs for earthwork and water control at abandoned mine sites, as well as engineering closure designs for underground mines. The Abandoned Mine Lands program develops revegetation and erosion control plans as a function of project design.

The construction management function completes preparatory specification for all projects, completes inspections of construction sites, and ensures prompt processing of payments for construction contracts.

The program administration function develops and maintains the RRC's mine land inventories and coordinates federal grant application and reporting requirements for the Abandoned Mine Land program.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2014 performance measures illustrate the effectiveness of the Abandoned Mine Lands program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Explanatory	Percent of Abandoned Sites on which Reclamation has been Initiated	70.0%	0.0%*	0.0%*

Table 40 Abandoned Mine Lands Program FY 2014 Performance Measures

*During FY 2014 no new AML projects were initiated because AML engineering resources focused on existing AML reclamation projects.

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.

The federal Surface Mining Control and Reclamation Act of 1977, created the Abandoned Mine Land (AML) Program, and established the authority to collect fees from active coal mining to establish the Abandoned Mine Land Fund. The Texas AML program identified 10 abandoned uranium mines, three coal mines, more than 100 hardrock underground mine openings, and approximately 500 aggregate mining sites in need of reclamation. In 2006, Congress reauthorized funding through the year 2022 for the AML Program.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Abandoned Mine Land program serves the entire state through its reclamation efforts. AML reclamation projects have been completed in 15 counties. Abandoned mine lands are eligible for reclamation through the AML Reclamation Program if they were mined prior to August 3, 1977, and left in an inadequately reclaimed condition, and there is no continuing reclamation responsibility by the operator under state or federal statutes.

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

The Surface Mining and Reclamation Division administers the AML program. The AML program is under the oversight of the federal Office of Surface Mining Reclamation and Enforcement, U.S. Department of the Interior. The RRC has an active inventory of 49 abandoned mine sites that are addressed within the annual funding limitations of the federal program, as reclamation work is 100 percent federally funded through a production tax levied on active coal mining operations in Texas.

The Texas AML program certified completion of all known and accessible Priority 1 and 2 coal AML projects. The program is now focusing its efforts on abandoned surface uranium mines in Karnes and Live Oak counties, and on abandoned underground hard rock mines in Brewster, Presidio, and El Paso counties. The program has recently obtained a right of entry to begin work reclaiming an abandoned coal mine site in Harrison County.

The program solicits construction bids for its reclamation projects and then oversees each phase of a project. Earthwork reclamation projects involve reshaping and recontouring abandoned surface mine pits and spoil piles. Revegetation and erosion control reclamation requires seedbed preparation, seeding native grasses, sprigging coastal Bermuda grass, and installing turf reinforcement mats. Hardrock mine reclamation involves closing abandoned

underground mine shafts and openings by backfilling, constructing rock walls, and installing metal gates and grates.

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	Funding Source	Amount FY 2014
Abandoned Mine Land	General Revenue	$1,117,358
	Federal	$2,561,856
	Federal Land Reclamation Fund	$246,545

Table 41 Abandoned Mine Lands Program FY 2014 Sources of Funding

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.

Federal Abandoned Mine Land funds can be used to restore abandoned mine lands to pre-mine use and to address specific public safety hazards associated with abandoned mines. State and federal Superfund programs may be perceived as similar to the AML program, but Superfund sites remove or isolate specific contaminants from industrial sites to address public health, safety, and environmental hazards posed by those contaminants.

The AML program may also involve to some degree contaminant removal or isolation, but the AML program is more holistic than Superfund remediation as it seeks to return a property to its pre-mine land use. Through revegetation of large areas affected by past surface mining activities a property can be restored to productive use.

AML funds used to address specific safety hazards frequently involve closing mine shafts at state and national parks. The RRC partners with state and national parks in public safety protection efforts to address hazards such as mine shafts within park boundaries. Funding constraints often limit such efforts by park systems, while the AML program frequently has more readily available funding to provide a permanent and protective solution to such hazards located within parks systems.

Federal law restricts expenditure of AML funds to abandoned mine sites and mine wastes. AML funds cannot be used to clean up mill or ore processing contamination, nor can the funds be used on sites on the National Priorities List under Superfund.

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.

The Abandoned Mine Land program coordinates closely with state and national park service personnel to identify mine hazards at parks in Texas and to reach consensus on acceptable methods to address those hazards. Available funds are directed to the greatest hazards within the parks systems.

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 Abandoned Mine Land program is federally funded with federal fees levied on the mining industry. The Abandoned Mine Land program works with the federal Office of Surface Mining Reclamation and Enforcement of the U.S. Department of the Interior. Program staff also work closely with state and national park service personnel to identify mine hazards at parks in Texas and to reach consensus on acceptable means to address those hazards. Such cooperation allows available funds to be directed to the greatest hazards within the parks systems.

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 2014;
- the number of contracts accounting for those expenditures;
- 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 Commission awarded 841 contracts agency-wide in FY 2014. For this purpose contracts include those object codes required by the Comptroller of Public Accounts *FY 2014 Annual HUB Report*. The Abandoned Mine Lands program expended $3,253,737 on re-grade and erosion control projects, and $75,230 on general contracts in FY 2014, for a total of $3,328,967. The majority of general contract expenditures are for services such as mail, printing, and cleaning services that are allocated to each program using a cost allocation model. Of the RRC's five highest value contracted expenditures two contracts were integrated across all agency programs for more efficient management, and were proportionally allocated to each program: a total of $4,439,755was expended under the Department of Information Resources Data Center Services contract, and $3,560,400 was expended under a contract with CGI Technologies and Solutions, Inc., for the Information Technology Modernization Program.

For the Abandoned Mine Lands program, the top five vendors specific to this program in FY 2014 were:

1. $7,131 was expended with G4 Spatial Technologies for surveying equipment.
2. $35,869 was expended with Neubus for digital imaging and storage.
3. $76,010 was expended with Sam Wiley for contract engineering services.
4. $208,575 was expended with Lanco Turf and Seeding Inc. for an AML revegetation and erosion control.
5. $2,969,153 was expended with Kirkland Construction LLP for the Stoeije abandoned mine land grading project.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Financial Services Division. Contracts over $300,000 can only be approved by the Commissioners per agency policy. There are no known contracting protocol deficiencies.

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

Not applicable for the Abandoned Mine Land program.

M. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Abandoned Mine Land program.

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

Only states that have been delegated primacy to implement the federal Coal Mining Regulatory program are eligible to participate in the Abandoned Mine Land 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.

Not applicable for the Abandoned Mine Land program.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable for the Abandoned Mine Land program.

Public Information and Services

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

Name of Program or Function: Public Information and Services

Location/Division: Austin/Administration

Contact Name: Susan Rhyne

Actual Expenditures, FY 2014: $2,188,623

Number of FTEs as of August 31, 2014: 27.9

Statutory Citation for Program: Texas Natural Resource Code Annotated Title 3

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

The Public Information and Services program provides records management and access to public information by managing and maintaining oil and gas records, conducting research for the public, and administering the RRC's subscription services and sales for its data sets and other public information.

Manage and Maintain Records: The Public Information and Services program provides records management services for all oil and gas well records, electric logs, plant and refinery reports, all oil and gas hearings and administrative penalty case files, and various other RRC documents. Staff prepare and file records in paper format, as digital images, or as microfilmed images as appropriate.

Public Research: The Public Information and Services program is the main repository of vital historical documents that are precedent setting, and when viewed in totality shaped the oil and natural gas industry in Texas, and as the leading energy producing state, by association the industry nationwide. The material covers the entire lifecycle of more than one million wells and 75,000 fields, from drilling and completion through production and final plugging reports. The RRC provides research assistance to the public and offers copying services for a fee.

Subscription Services and Sales: The Public Information and Services program administers the RRC's subscription and sales function. The RRC makes available for sale electronic data sets generated from the agency's mainframe, GIS, online systems, and network computers as well as copying services for paper and microform documents. Some data is available by subscription. This function also serves as a central payment portal for customers wishing to pay their Oil and Gas permitting or severance fees in person or by telephone with a credit card.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program.

The Railroad Commission's FY 2014 performance measures illustrate the effectiveness of the Public Information and Services program. In addition to the RRC's key performance measures, which are reported quarterly to the Legislative Budget Board, the RRC relies on its non-key measures to assess the agency's efficiency and effectiveness throughout the year.

Type	Description	FY 2014 Target	FY 2014 Actual	FY 2014 % Target
Output	Number of Documents Provided to Customers by Information Services	612,000	523,246	85.50%

Table 42 Public Information and Services Program FY 2014 Performance Measures

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.

In 2004, the Public Information and Services program began a project to image all well logs received by the RRC in compliance with Statewide Rule 16. In 2007 the RRC began to image all paper format oil and gas well records, effectively altering the way that the general public and the energy producing industries access critical historical and contemporary data about energy production in the state. Through that project all oil and gas well records from 1981 to the present are now digitized, with all new completed well records imaged as they are submitted. In 2009 the Public Information and Services program received a federal grant to digitize historical oil and gas hearings files in the east Texas region. This project was the first step towards digitizing approximately 5,645,000 remaining hearings files. To date, all historical hearings files for districts 1, 2, and part of 3 have been imaged and each new hearings file is imaged after the case is closed. In addition, many other oil and gas forms, such as injection and disposal well forms, are now imaged. All images are searchable through the RRC website.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Public Information and Services program serves the general public, mineral interest owners, and the energy producing industries, but also attracts customers from across the nation and the globe. State and federal agencies such as the General Land Office, the

Comptroller of Public Accounts, the Texas Commission on Environmental Quality, and the U.S. Department of Energy rely on the availability of data provided by this program. Students and educators use the data regularly.

In a typical month the program receives an average of 1,000 requests for information, sells 30,000 documents and 300 electronic data sets, collects approximately $60,400 in payments for research fees, copies, and electronic data sales, and collects approximately $278,900 in permits fees from walk-in and phone customers.

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

Two functional areas comprise this program, which is located in Austin. The Central Records group includes Files and Research teams, while the Public Sales group includes Oil and Gas central fee collection, subscription and publication sales, electronic data set sales, information request desk, and copy cashier.

The Public Information and Services program maintains, preserves, and makes accessible valuable information assets stored in paper, microform, and electronic formats.

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	Funding Source	Amount FY 2014
Public Information and Services	Oil and Gas Regulation and Cleanup Fund—GR Dedicated	$1,919,108
	Appropriated Receipts	$269,515

Table 43 Public Information and Services Program FY 2014 Sources of Funding

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 University Of Texas Bureau Of Economic Geology (BEG) provides complementary services and functions. In 1986 the RRC and the BEG agreed to share well logs submitted to the RRC pursuant to 16 TAC §3.16. After processing and imaging the well logs the RRC sends them on a weekly basis to the BEG's facility at the J.J. Pickle Research Campus.

Many commercial entities, such as information brokers and consultants, offer research and photocopying services and may base their business strategy on the ability to provide access to RRC records. The service offered by the RRC is usually the least expensive, but the process is generally lengthier than that provided by a commercial entity's service.

Most of the RRC's district offices have records—specific to that district—which are available to the public.

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.

The RRC began to image all well logs in July 2004 before sending them to the Bureau of Economic Geology. Prior to that time, well logs were microfiched before being sent to BEG. The RRC retains ownership of all logs, and the BEG is free to set all policies and procedures regarding storage and use of the logs. The agreement solved a major storage problem because the paper well logs are voluminous, and retention periods are lengthy. When a customer requires a full-size paper log received before July 2004 the RRC refers the customer to the BEG to make the required copy.

Many commercial entities such as information brokers and consultants offer research and photocopying services, which are similar to services offered by the Public Information and Services program. The RRC maintains the raw data, including forms, maps, and well logs, while commercial entities have the staff and resources to add value to the data in the form of analyses and reporting. Without the raw data provided by the RRC, the commercial entities would not have information to analyze.

Although most of the RRC's district offices have a central records function, their records are generally unique to the district office.

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 Public Information and Services program works with local, regional, and federal units of government on an as needed basis to provide the requestor with the oil and gas or pipeline data they need for a specific purpose.

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 2014;
- the number of contracts accounting for those expenditures;
- 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 Commission awarded 841 contracts agency-wide in FY 2014. For this purpose contracts include those object codes required by the Comptroller of Public Accounts *FY 2014 Annual HUB Report*. The Public Information and Services program expended $466,723 on contracts in FY 2014. The majority of general contract expenditures are for services such as mail, printing, and cleaning services that are allocated to each program using a cost allocation model. Of the RRC's five highest value contracted expenditures two contracts were integrated across all agency programs for more efficient management, and were proportionally allocated to each program: a total of $4,439,755was expended under the Department of Information Resources Data Center Services contract, and $3,560,400 was expended under a contract with CGI Technologies and Solutions, Inc., for the Information Technology Modernization Program.

For the Public Information and Services program, the top five vendors specific to this program in FY 2014 were:

1. $6,769 with Smart Vend Corporation for lease and maintenance of card readers.
2. $8,243 was expended with Precision Micrographics Inc. for duplication nd microfilming services.
3. $10,987 was expended with Konica Minolta Business Solutions USA Inc. for copier rentals.
4. $11,299 was expended with Imaging Systems Inc. for toner cartridges.
5. $392,285 was expended with Neubus for digital imaging and storage.

All expenditures are reviewed at the division level to ensure accountability for funding and performance and then further reviewed by the Financial Services Division. Contracts over $300,000 can only be approved by the Commissioners per agency policy. There are no known contracting protocol deficiencies.

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

Not applicable for the Public Information and Services program.

M. What statutory changes could be made to assist this program in performing its functions? Explain.

No statutory changes are necessary at this time for the Public Information and Services program.

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

Access to accurate and timely engineering and geoscientific data is critical to the process of finding and producing oil and gas. Such data is also used for a variety of other applications such as environmental protection, water resource management, economic studies, and basic and

applied research. The Public Information and Services program provides historical and contemporary data to the public and the energy producing industries of this state that is unavailable elsewhere and is critical for the ongoing success of these industries and their contributions to the state's economy.

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.

Not applicable for the Public Information and Services program.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not applicable for the Public Information and Services program.

VIII. Statutory Authority and Recent Legislation

A. Fill in the following charts, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact your agency. Do not include general state statutes that apply to all agencies, such as the Public Information Act, the Open Meetings Act, or the Administrative Procedure Act. Provide information on Attorney General opinions from FY 2011–2015, or earlier significant Attorney General opinions, that affect your agency's operations.

Exhibit 12 Statutes / Attorney General Opinions

Statutes

Citation / Title	Authority / Impact on Agency
Tex. Const. Article 16 Section 30(b)	Establishes that when law creates a Railroad Commission, it shall be composed of three Commissioners, elected statewide for staggered six- year terms, and that the Governor shall fill a vacancy by appointment until the next general election.
Tex. Government Code Section 403.028	Requires the Commission to participate in developing strategies for reducing greenhouse gas emissions that will result in economic benefits, cost savings to businesses and consumers, and environmental benefits; deadline is December 31, 2010.
Tex. Health & Safety Code Chapter 382 Subchapter J	Requires the Commission to participate in developing federal greenhouse gas reporting and registry requirements. Establishes a New Technology Implementation grant program to be administered by TCEQ, with assistance as needed by the Commission and other state agencies.

Citation / Title	Authority / Impact on Agency
Tex. Health & Safety Code Chapter 401	Delegates specific duties to the Commission regarding radioactive materials and other sources of radiation. Requires the Commission to consider the recommendations and advice of the Texas Radiation Advisory Board. Requires the Commission, the Texas Commission on Environmental Quality, and the Health and Human Services Commission to adopt, by rule, memoranda of understanding defining their respective duties under Chapter 401. Grants the Commission sole authority to regulate and issue licenses, permits, and orders for the disposal of oil and gas NORM (naturally occurring radioactive material) waste.
Tex. Health & Safety Code Section 756.126	Directs the Commission to adopt and enforce safety standards and best practices, including those described by 49 U.S.C. Section 6105, et seq., relating to the prevention of damage by a person to a facility under the jurisdiction of the Commission.
Tex. Nat. Res. Code Chapter 33	Imposes specific requirements on the Commission with respect to the management of the surface estate in coastal public land. Provides that a member of the Commission, appointed by that body, shall be an ex officio member of the Coastal Coordination Advisory Committee. Requires the following Commission actions (when they might adversely affect a coastal natural resource area) to be consistent with the Coastal Management Program: wastewater discharge permits; waste disposal or storage pit permit; and certification of federal permit for the discharge of dredge or fill material.

Citation / Title	Authority / Impact on Agency
Tex. Nat. Res. Code Chapter 81	General jurisdictional, administrative, and campaigning provisions for the Railroad Commission. Declares that the Commission has jurisdiction over all common carrier pipelines in Texas, as defined in Tex. Nat. Res. Code, Section 111.002; oil and gas wells in Texas; persons owning or operating pipelines in Texas; and persons owning or engaged in drilling or operating oil or gas wells in Texas. Authorizes the Commission to adopt all necessary rules for governing and regulating persons and their operations under the jurisdiction of the Commission as set forth in Section 81.051, including such rules as the Commission may consider necessary and appropriate to implement state responsibility under any federal law or rules governing such persons and their operations. Authorizes the Commission to assess a civil penalty against a person who violates provisions of this title [Natural Resources Code, Title 3] which pertain to safety or the prevention or control of pollution or the provisions of a rule, order, license, permit, or certificate which pertain to safety or the prevention or control of pollution and are issued under this title, and requires the Commission to consider specified factors and by rule adopt guidelines to be used in determining the amount of a penalty under this section. The penalty may not exceed $10,000 a day for each violation that is not related to pipeline safety, or $200,000 a day for each violation that is related to pipeline safety. A penalty collected under this section must be deposited to the credit of the Oil and Gas Regulation and Cleanup fund.

Citation / Title	Authority / Impact on Agency
Tex. Nat. Res. Code Chapter 81, cont.	Establishes the Oil and Gas Regulation and Cleanup Fund as an account in the general revenue fund of the state treasury. Describes the purpose of the Oil and Gas Regulation and Cleanup Fund and specifies the activities for which fund monies may be used. Provides for the oil field cleanup regulatory fee on oil and gas. Authorizes the Commission to impose administrative penalties for violating a Commission rule adopting standards or a code of conduct for entities in the natural gas industry prohibiting unlawful discrimination or unreasonably discriminating against a seller of natural gas in the purchase of natural gas from the seller; engaging in prohibited discrimination against a shipper or seller of natural gas because the shipper or seller filed a formal or informal complaint with the Commission against the person relating to the person's purchase, transportation, or gathering of the gas; failing to participate in an informal complaint resolution proceeding or failing to provide information requested by a mediator in the proceeding.
Tex. Nat. Res. Code Chapter 85	Commission mandate to prevent waste; provides authority to adopt rules, and prosecute and order administrative penalties for violations of Commission conservation rules. Provides Commission authority to establish and manage an informal complaint process regarding loss of or inability to account for natural gas gathered or transported.
Tex. Nat. Res. Code Chapter 86	Provides Commission jurisdiction and authority to regulate natural gas production.

Citation / Title	Authority / Impact on Agency
Tex. Nat. Res. Code Chapter 87	Provides Commission jurisdiction and authority for regulation of sour natural gas production.
Tex. Nat. Res. Code Chapter 88	Provides Commission jurisdiction and authority for regulation of producing oil properties.
Tex. Nat. Res. Code Chapter 89	Provides Commission jurisdiction and authority concerning plugging of wells by operators and the Commission.
Tex. Nat. Res. Code Chapter 90	Ratification of the Interstate Compact to Conserve Oil and Gas; designates governor as official state representative to the Compact.
Tex. Nat. Res. Code Chapter 91	Provides Commission jurisdiction and authority for regulation of various aspects of oil and gas production and related operations, including well casing, waste prevention, natural gas measurement, financial security for operations, record keeping, annual report filing, underground hydrocarbon storage, disposal pits, electric log filing, royalty reporting standards and voluntary cleanup program, etc. Grants Commission the authority to adopt rules and orders and issue permits to prevent pollution of surface or subsurface waters from specified oil and gas exploration, development, and production activities. Specified activities include pipeline transportation of oil or gas prior to refining or use as a fuel or in manufacturing. Directs the Commission to require a bond, letter of credit, cash deposit, or nonrefundable annual fee from a person required to file an organization report with the Commission; this requirement may be met by including a well or well bore in a well-specific plugging insurance policy that meets specified criteria.

Citation / Title	Authority / Impact on Agency
Tex. Nat. Res. Code Chapter 91, cont.	Limits the Commission to approving a transfer of operator of an existing well to operators with a bond, letter of credit, or cash deposit on file with the Commission. Provides Commission the authority to require a bond, letter of credit or cash deposit from a person issued a permit to store, handle, treat, reclaim, or dispose of oil and gas waste; excuses operators engaged in specified activities from filing bonds, letters of credit or cash deposits based on their Commission regulated activities, and requires certain others to file a bond, letter of credit, or cash deposit of $25,000. Grants Commission the authority to conduct control or cleanup operations under specified circumstances. Gives Commission the authority to establish risk assessment as the guide for conducting site investigations and environmental assessments, and controlling and cleaning up of oil and gas wastes and other substances and materials under Commission jurisdiction. Requires the Commission to adopt rules for identifying abandoned wells that pose a high risk of contaminating surface water or groundwater; to periodically test high-risk wells by conducting a fluid level test or, if necessary, a pressure test; and giving priority to plugging high-risk wells with compromised casings.
Tex. Nat. Res. Code Chapter 92	Provides Commission jurisdiction and authority to restrict drilling in qualified subdivisions.
Tex. Nat. Res. Code Chapter 101	Provides Commission jurisdiction and authority over voluntary unitization agreements.

Citation / Title	Authority / Impact on Agency
Tex. Nat. Res. Code Chapter 102	Provides Commission jurisdiction and authority to “force pool” mineral interests.
Tex. Nat. Res. Code Chapter 103	Provides Commission authority to approve agreements by persons owning or controlling leases or other interests in separate property in oil fields, gas fields, or oil and gas fields for the construction and operation of cooperative facilities.
Tex. Nat. Res. Code Chapter 111	Provides Commission jurisdiction and authority for regulation of crude oil common carriers, public utilities, and common purchasers. Authorizes the Commission to regulate certain types of common carriers; declares such businesses to be of public interest and subject to regulation; requires carriers to file tariffs and to transport without discrimination. Authorizes the Commission to regulate public utilities; requires such entities to operate without discrimination in rates or services. Declares that persons, gas pipeline companies, and gas purchasers claiming or exercising the right to carry or transport natural gas by pipeline or pipelines for hire or compensation, are regulated as common purchasers, and that the business of purchasing or purchasing and selling crude petroleum by a gathering system is a common purchaser and subject to the Commission’s jurisdiction; provides that common purchasers are subject to the same regulation concerning rates for gathering, transporting, loading, and delivering crude petroleum as set out in Subchapter F; prohibits discrimination between persons and fields by common purchasers.

Citation / Title	Authority / Impact on Agency
Tex. Nat. Res. Code Chapter 111, cont.	Requires the Commission to adopt rules for gathering, transporting, loading, and delivering crude petroleum by common carriers and for use of storage facilities necessarily incident to this transportation; to prescribe and enforce rules for the government and control of common carriers with respect to their pipelines and receiving, transferring, and loading facilities. Requires the Commission to adopt rates for gathering, transporting, loading, and delivering crude petroleum by common carriers and for use of storage facilities necessarily incident to this transportation, and to hold a hearing once each year for the purpose of adjusting rates to conform to the statutory basis for rates and charges. Provides Commission enforcement authority, including jurisdiction to hear complaints and for appointment of a receiver. Contains penalty provisions; allows recovery by state and by aggrieved parties. Contains provisions governing “common carrier coal pipelines” and states the Commission’s authority to issue certificates of public convenience and necessity.
Tex. Nat. Res. Code Chapter 113	Provides Commission jurisdiction and authority to license Liquefied Petroleum-(“LP”) gas activities, services, and alternative fuels; to regulate LP-gas safety; and to assess administrative penalties for violations. Prohibits the Commission from approving an application for a license or a registration for an exemption for entities that have violated Commission LP- gas safety rules.

Citation / Title	Authority / Impact on Agency
Tex. Nat. Res. Code Chapter 113, cont.	Authorizes the Commission to adopt rules relating to the use of LP-gas and other environmentally beneficial alternative fuels that are or have the potential to be effective in improving the quality of air in this state. Creates the Alternative Fuels Research and Education Fund in the state treasury; declares the composition of the fund; and specifies the activities for which fund monies may be used. Authorizes the Commission to establish consumer rebate programs for purchasers of appliances and equipment fueled by LP-gas or other environmentally beneficial alternative fuels. Imposes a fee on odorized LP-gas delivered into any means of conveyance to be sold and placed into commerce. Establishes the Alternative Fuels Council as an agency of the state; makes the three Railroad Commissioners members of the council (but allows a Commissioner to designate a staff member to serve in place of that Commissioner) and provides that the chairmanship of the council rotates annually between the Commissioner of the General Land Office and the chairman of the Railroad Commission or the individuals designated by those members. Requires testing of LP-gas systems in school facilities at least every two years; requires Commission enforcement.
Tex. Nat. Res. Code Chapter 115	Provides Commission jurisdiction and authority to regulate transporters of petroleum products.

Citation / Title	Authority / Impact on Agency
Tex. Nat. Res. Code Chapter 116	Provides Commission jurisdiction and authority to license compressed natural gas (CNG) and liquefied natural gas (LNG) activities; to regulate CNG and LNG safety; and to assess administrative penalties for violations.
Tex. Nat. Res. Code Chapter 117	Provides Commission jurisdiction over all pipeline transportation of hazardous liquids or carbon dioxide and over all hazardous liquid or carbon dioxide pipeline facilities; authorizes the Commission to adopt rules and safety standards for such pipelines and to require submission to the Commission of facility response plans. Requires the Commission to adopt safety standards related to the prevention of damage to intrastate hazardous liquid or carbon dioxide pipeline facilities resulting from the movement of earth by a person in the vicinity of the facility, other than movement by tillage that does not exceed a depth of 16 inches. Allows the Commission to institute a civil suit in district court for injunctive relief to restrain a person from violating a rule of this chapter. Requires the Commission to hear appeals about municipal assessments against pipeline facilities for the placement, construction, maintenance, repair, replacement, operation, use, relocation, or removal by an owner or operator of a hazardous liquid or carbon dioxide pipeline facility on, along, or across the public roads, highways, streets, alleys, streams, canals, or other public ways located within the city and maintained by the city.
Tex. Nat. Res. Code Chapter 118	Provides Commission authority to require, by rule, that an operator file a plan for assessment or testing of a pipeline.

Citation / Title	Authority / Impact on Agency
Tex. Nat. Res. Code Chapter 119	Provides that the Commission shall acquire title to carbon dioxide captured by a clean coal project, and that the right, title, and interest in carbon dioxide acquired under this section are the property of the Commission, acting on behalf of the state, and must be administered and controlled by the Commission in the name of the state. The transfer of title to the state, however, does not relieve an owner or operator of a clean coal project of liability for any act or omission regarding the generation of carbon dioxide performed before the carbon dioxide was captured.
Tex. Nat. Res. Code Chapter 120	Requires the Commission to certify whether a project meets the requirements for a clean energy project as spelled out in the statute. However, an entity may not submit an application under Section 120.002(b) before September 1, 2018. Once submitted, the application for a certificate of compliance must include a certificate from a qualified independent engineer that the project is operational and meets the required standards; and authorizes the Commission to collect a fee, set by rule at $50,000 or a greater amount if the Commission determines that is necessary to cover the agency's costs of processing an application.

Citation / Title	Authority / Impact on Agency
Tex. Nat. Res. Code Chapter 121	Contains provisions declaring ownership of anthropogenic carbon dioxide. Establishes the Anthropogenic Carbon Dioxide Storage Trust Fund, a special interest-bearing fund in the state treasury, which consists of fees collected by the Commission and penalties imposed under Subchapter C-1, Chapter 27, Water Code. The fund may be used by the Commission only for specified activities associated with geologic storage facilities and associated anthropogenic carbon dioxide injection wells. Gives the Commission jurisdiction over extraction of anthropogenic carbon dioxide stored in a geologic storage facility. Requires the Commission to adopt rules allowing anthropogenic carbon dioxide stored in a geologic storage facility to be extracted for a commercial or industrial use.
Tex. Nat. Res. Code Chapter 122	Requires the Commission to adopt rules to govern the treatment and beneficial use of oil and gas waste.

Citation / Title	Authority / Impact on Agency
Tex. Nat. Res. Code Chapter 131	Provides Commission authority to adopt rules and issue permits and orders relating to uranium exploration and surface uranium mining and reclamation. Declares the Commission to be the mining and reclamation authority for the State of Texas and to have exclusive jurisdiction for establishing reclamation requirements for mining and exploration operations in this state, except for in situ recovery processes, and states the scope and duration of the Commission's exclusive jurisdiction and responsibility for the regulation of all exploration activities. Prohibits the conduct of exploration activity unless the person holds an exploration permit issued by the Commission, which may contain provisions and conditions necessary to implement the policies of this subchapter. Requires the Commission to adopt rules governing the amendment, revocation, transfer, or suspension of an exploration permit; states the required provisions of an exploration permit.

Citation / Title	Authority / Impact on Agency
Tex. Nat. Res. Code Chapter 133	Authorizes the Commission to adopt rules and regulations consistent with the provisions of Chapter 133, relating to Quarry Safety, and issue orders necessary to implement and enforce the chapter; conduct research necessary for the discharge of its duties under Chapter 133; collect and make available to the public information relating to the inventory and classification of quarries, including maps and other technical data; apply for, accept, receive, and administer grants, gifts, loans, or other funds from any source; and hold public hearings, take written sworn testimony, hear witnesses upon oath, and consider reports in regard to the classifications of pits within the definitions of hazardous proximity to a public road and unacceptable unsafe location, issuing rules and orders in relation thereto.
Tex. Nat. Res. Code Chapter 134	Provides Commission authority to adopt rules and issue permits and orders as necessary to enforce provisions relating to surface coal, iron ore, and iron ore gravel exploration, mining, and reclamation; training, examination, and certification of blasters engaged in blasting for mining operations. Requires filing a reclamation bond with Commission prior to issuance of a permit for surface mining. Provides Commission authority to administer money received from abandoned mine reclamation or related purposes and to enter land for purposes of conducting reclamation under specified circumstances.
Tex. Nat. Res. Code Chapter 141	Provides Commission authority to regulate the exploration, development, and production of geothermal energy and associated resources.

Citation / Title	Authority / Impact on Agency
Tex. Nat. Res. Code Chapter 211	Provides Commission jurisdiction over all salt dome storage of hazardous liquids and directs Commission to adopt by rules for safety standards and practices for salt dome storage of hazardous liquids.
Tex. Tax Code Sections 201.001-201.057	Provisions concerning gas severance tax.
Tex. Tax Code Sections 202.001-202.059	Provisions concerning oil severance tax.
Tex. Util. Code Chapter 101	Declares that the purpose of this subtitle [Util. Code, Title 3, "Gas Regulation," Subtitle A, "Gas Utility Regulatory Act"] is to establish a comprehensive and adequate regulatory system for gas utilities to assure rates, operations, and services that are just and reasonable to the consumers and to the utilities to protect the public interest inherent in the rates and services of gas utilities. Makes legislative finding that gas utilities are by definition monopolies in the areas they serve. As a result, the normal forces of competition that regulate prices in a free enterprise society do not operate. Public agencies regulate utility rates, operations, and services as a substitute for competition.

Citation / Title	Authority / Impact on Agency
Tex. Util. Code Chapter 102	Declares that the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas or synthetic natural gas in areas outside a municipality and areas inside a municipality that surrenders its jurisdiction to the railroad commission under Section 103.003 and that transmits, transports, delivers, or sells natural gas or synthetic natural gas to a gas utility that distributes the gas to the public. The Commission has exclusive appellate jurisdiction to review an order or ordinance of a municipality exercising exclusive original jurisdiction as provided by this subtitle.
Tex. Util. Code Chapter 103	Provisions governing municipalities' jurisdiction and powers. Allows municipalities to surrender to the Commission their original jurisdiction over gas utilities. Directs that appeals of municipal decisions be made to the Commission.

Citation / Title	Authority / Impact on Agency
Tex. Util. Code Chapter 104	Provisions governing gas utility rates and services; prohibiting unreasonable preferences, prejudices, or differences in rates and services; establishing procedures and standards for setting gas utility rates. Requires the Commission to approve rates for certain types of transactions if neither the gas utility nor the customer had an unfair advantage during the negotiations; the rate is substantially the same as the rate between the gas utility and at least two of those customers under the same or similar conditions of service; or competition does or did exist with another gas utility, another supplier of natural gas, or a supplier of an alternative form of energy. Authorizes gas utilities' recovery of costs of relocating a facility to accommodate construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States, this state, a political subdivision of this state, or another entity having the power of eminent domain that are not reimbursed through a surcharge on gas volumes sold and transported to customers in the service area where the relocation occurred, without filing a statement of intent; Commission may deny based only on particular findings. Authorizes the Commission to review and approve an interim adjustment in a gas utility's rates to recover the cost of changes in the investment in service for gas utility services.
Tex. Util. Code Chapter 105	Provisions governing judicial review of Commission orders in gas utility rate cases; authorizes the Commission to pursue enforcement actions, seek penalties, and accept complaints related to gas utilities.

Citation / Title	Authority / Impact on Agency
Tex. Util. Code Chapter 121	Establishes Commission jurisdiction to regulate the transportation and use of natural gas; defines “gas utility” and exclusions from the definition. Provides Commission jurisdiction and authority to regulate safety for intrastate natural gas pipelines and pipeline facilities. Authorizes the Commission to adopt safety standards for the transportation of gas and for gas pipeline facilities, including safety standards related to the prevention of damage to such a facility resulting from the movement of earth by a person in the vicinity of the facility, other than movement by tillage that does not exceed a depth of 16 inches. Authorizes the Commission to adopt safety standards and practices for gathering facilities and transportation activities in Class 1 locations, as defined by 49 C.F.R. Section 192.5. Grants authority for the Commission to adopt an inspection fee to be assessed annually against operators of natural gas distribution systems and master meter systems operators to recover the costs of administering the pipeline safety program. Contains provisions governing the Commission’s enforcement remedies, including receivership, administrative penalties, civil penalties, and appeals of Commission decisions. Requires a permit to construct and operate a sour gas pipeline facility; establishes procedures and standards by which the Commission is authorized to issue such permits. Requires testing of natural gas piping systems in schools every two years; requires Commission enforcement.

Citation / Title	Authority / Impact on Agency
Tex. Util. Code Chapter 122	Establishes gas utility tax; requires Commission to administer and collect the tax.
Tex. Util. Code Chapter 124	Provides Commission authority to regulate delivery of natural gas to dwellings through sub-meters.
Tex. Util. Code Chapter 141	Prohibits a distribution system retailer from disconnecting propane gas service to a residential customer on certain days or during an extreme weather emergency. Requires a distribution system retailer to make all reasonable efforts to prevent service interruptions, sets out recordkeeping and notification requirements regarding such interruptions, and requires the Commission to establish and maintain a toll-free telephone number by which a customer may notify the Commission of a service interruption. Requires the Commission to immediately investigate such a notification. Authorizes the Commission, in order to restore and maintain service, to assume temporary operational control of a propane gas system that experiences certain service interruptions. Authorizes the Commission to impose sanctions on a distribution system retailer if the Commission determines the retailer has violated Section 141.003.

Citation / Title	Authority / Impact on Agency
Tex. Water Code Chapter 26	Section 26.121 prohibits water pollution from oil and gas waste. Section 26.131 establishes sole Commission responsibility for preventing and abating water pollution resulting from oil and gas exploration, development, production, and pipeline transportation activities and from its oil and gas waste. Sections 26.401-26.407 create the Texas Groundwater Protection Committee and establish the requirements of the Committee, including the publishing of an annual report on known groundwater contamination sites. Identifies the Commission as one of the state agencies with responsibility related to the protection of groundwater, and mandates that the Commission's executive director serve as a member of the Committee.
Tex. Water Code Chapter 27	Sections 27.001-27.105 concern the regulation of injection wells. Section 27.034 provides Commission authority to adopt rules and procedures reasonably necessary for issuance of UIC permits. Section 27.035 provides Commission jurisdiction over in situ recovery of tar sands and authority to adopt rules to regulate in situ recovery of tar sands. Section 27.036 provides Commission jurisdiction over brine mining and authority to adopt rules to regulate brine mining.

Citation / Title	Authority / Impact on Agency
Tex. Water Code Chapter 27, cont.	Subchapter C-1, Sections 27.041-27.050, gives the Commission jurisdiction over the geologic storage of carbon dioxide in, and the injection of carbon dioxide into, a reservoir that is initially or may be productive of oil, gas, or geothermal resources or a saline formation directly above or below that reservoir ("stacked storage"), with some exceptions. Grants Commission jurisdiction over a well-used for carbon dioxide injection and sequestration regardless of whether the well was initially completed for that purpose or was initially completed for another purpose and is converted. States the requirements for permitting, financial assurance, monitoring, and inspection. Establishes an Anthropogenic Carbon Dioxide Storage Trust Fund to include fees established by the Commission. Requires the Commission to adopt regulations that are consistent with those of the federal Environmental Protection Agency (EPA) and to seek enforcement primacy from the EPA for the program. Requires the Commission, with the Texas Commission on Environmental Quality (TCEQ) and the University of Texas Bureau of Economic Geology (BEG), to conduct a study of, and report back to the legislature on, the appropriate agency to regulate the long-term storage of carbon dioxide into non-oil, gas, or geothermal producing geologic formations.

Citation / Title	Authority / Impact on Agency
Tex. Water Code Chapter 27, cont.	Requires the Commission, with the Texas General Land Office (GLO) in conjunction with the TCEQ and the BEG, to develop recommendations for managing geologic storage of carbon dioxide on state-owned lands, including an assessment of storage capacity and new legal and regulatory frameworks that could be necessary based on the GLO recommendations.
Tex. Water Code Chapter 29	Sections 29.001-29.053 provide Commission jurisdiction to regulate oil and gas waste haulers, including authority to adopt rules and issue permits.
Tex. Rev. Civ. Stat. Title 112	Governs the organization and administration of the Railroad Commission. These sections were repealed and re-enacted in the Transportation Code and Natural Resources Code by Senate Bill 1540, 81st Legislature (effective 4/1/11).
30 U.S.C. Section 1235	Authorizes states to administer AML (abandoned mine lands) program.
30 U.S.C. Section 1253	Authorizes states to assume exclusive jurisdiction over regulation of coal mining and reclamation operations.
42 U.S.C. Section 300h	Authorizes states to administer the federal underground injection control program.
42 U.S.C. Section 6926	Authorizes states to administer hazardous waste programs.

Citation / Title	Authority / Impact on Agency
9 U.S.C. Section 60105	Authorizes certification of state pipeline safety programs for intrastate pipelines. In the event of certification, the federal Department of Transportation may not regulate intrastate natural gas or hazardous liquids pipelines.

Table 44 Exhibit 12 Statutes

Attorney General Opinions

Attorney General Opinion No.	Impact on Agency
GA-0294 (January 19, 2005)	Confirms the Commission's authority to use money in the Oil Field Cleanup Fund to plug abandoned oil and gas wells and to remediate oil and gas well sites, and to remediate commercial disposal sites to the extent a site is contaminated with oil and gas wastes or other substances or materials associated with oil and gas production, the drilling of exploratory wells, and the operation, abandonment and plugging of wells.

Table 45 Exhibit 12 Attorney General Opinions

B. Provide a summary of recent legislation regarding your agency by filling in the charts below or attaching information already available in an agency-developed format. Briefly summarize the key provisions. For bills that did not pass, briefly explain the key provisions and issues that resulted in failure of the bill to pass (e.g., opposition to a new fee, or high cost of implementation). Place an asterisk next to bills that could have a major impact on the agency.

Exhibit 13 Legislation 84th Legislative Session

Legislation Enacted

Bill Number	Author	Summary of Key Provisions
HB 1	Otto	General Appropriations Bill - $174.5M total funding with 820 FTEs. Rider 14 transfer authority and Rider 15 unexpended balances between fiscal years.
HB 2	Otto	Supplemental Appropriations – making an appropriation in the amount of $4,471,800 to the University of Texas, Bureau of Economic Geology for TexNet Seismic Monitoring program. Creating a technical advisory committee that includes one Railroad Commission of Texas seismologist.
HB 6	Otto	This bill allows revenue dedications in HB 7 to take effect.
HB 7	Darby	Dedicates several revenue streams to the Oil and Gas Regulation and Cleanup (OGRC) account (5155). Amends the Nat.Res. code to change the percentage of the exemption fee deposited to the OGRC from 2/3rds to 100% of the proceeds. Directs the tax levied on crude petroleum produced in this state (3/16ths of one cent on each barrel) to the OGRC from GR. Redirects pipeline safety inspection fee revenue from GR to the OGRC. Deposits the $100 application fee for a disposal well permit to the OGRC.
HB 40	Darby	Clarifies state preemption of regulation of oil and gas operations, reduces areas of conflicting state and local regulation and clarifies areas in which a city does have regulatory authority.
HB 497	Wu	This bill defines “saltwater pipeline facility” as a pipeline conducting saltwater (1) for drilling or operating a well, including injection for enhanced recovery, (2) produced during drilling or operating a well, or (3) conducting flowback from an oil or gas well that has been fracked -that entitle an operator of a saltwater pipeline to install, maintain, and operate a saltwater pipeline facility through, under, along, across, or over a public road.

Bill Number	Author	Summary of Key Provisions
HB 1331	P. King	The bill transfers ownership of, and liability for, oil and gas drill cuttings that are recycled from generator to recycler to user.
HB 2230	Larson	Allows TCEQ to permit by rule or individual/general permit disposal of drinking water treatment residuals into a Class II disposal well permitted by the Oil & Gas Division.
HB 2558	Isaac	This bill makes it clear that a propane customer's bill may not include charges for a period of more than 31 days.
SB 1589	Zaffirini	Operator or gatherer that maintains mineral proceeds belonging to unknown or unlocatable mineral/royalty interest owners will be required to provide additional information to the comptroller regarding the location and identification of the well that produced the hydrocarbons that resulted in unclaimed mineral proceeds. The required additional information should be readily available in the records of the operator of the well at issue.

Table 46 Exhibit 13 Legislation Enacted 84th Legislative Session

Legislation Not Passed

Bill Number	Author	Summary of Key Provisions / Reason Bill Did Not Pass
HB 224	Guillen	Changes the name of the Railroad Commission of Texas to Texas Energy Resources Commission. The bill never received a hearing.
HB 251	J. White	This bill would require a study and report on the feasibility of authorizing the Railroad Commission of Texas or another state regulatory agency to process certain federal oil and gas drilling permit applications. The bill never received a hearing.
HB 539	P. King	This bill would require a municipality proposing to restrict or prohibit oil and gas activities to obtain a fiscal note and an education funding impact statement from the LBB, to publish these forecasted impacts, and to annually reimburse the state for the estimated lost revenue to the state as a result of the restriction or prohibition.

Bill Number	Author	Summary of Key Provisions / Reason Bill Did Not Pass
HB 540	P.King	Requires a municipality to submit a petition-driven ballot proposal to enact or repeal an ordinance to the Attorney General for review at to constitutionality and potential impact as a governmental taking.
HB 748	Isaac	This bill would prevent homeowners associations, municipalities, and counties from passing regulations prohibiting the use of liquid propane gas tanks on residential property.
HB 1106	Phillips	Changes the name of the Railroad Commission of Texas to Texas Energy Commission.
HB 1125	M. Gonzalez	Requires the Commission to do a statewide study of the availability of natural gas utility service and report to the legislature no later than November 30, 2016. The report must suggest ways to expedite the extension of natural gas utility service to those areas that do not presently have it.
HB 1178	Isaac	The bill would prohibit a property owners' association or declarant from enforcing or imposing a restrictive covenant that requires a property owner to use a certain kind of fuel or pay a fee to opt out of using a certain type of fuel.
HB 1392	Bell	The bill would provide for compulsory unitization for tertiary recovery of hydrocarbons from Cenozoic Era reservoirs.
HB 1552	Craddick	The bill would allow industry to drill wells across lease lines between leases that do not grant pooling authority for oil, unless there is an express prohibition against such expressed in the lease, deed or contract. In addition, the bill provided for a manner of allocation of the production among the various leases. Royalty owners opposed.
HB 1575	Guillen	The bill requires holders of mineral interests that are unclaimed to provide the comptroller with certain information the bill recites is available from the Commission's records in the Form of the W-1 (Application for Permit to Drill, Deepen, Plug-back or Re-enter) including the GPS coordinates for the location of the well. As well as all information required for check subs under §91.502(1), Natural Resources Code.

Bill Number	Author	Summary of Key Provisions / Reason Bill Did Not Pass
HB 1576	Guillen	The bill requires the holder of mineral interest proceeds that are reported to the comptroller in the property report to include all the information required to be included on a check stub, attachment to a payment form, or other remittance required by Section 91.502 of the Natural Resources Code.
HB 1633	Romero	This bill required the commission to adopt rules requiring that an application to drill a well include an affirmation as to whether the well is located in a TxDOT easement or within 50 yards of a TxDOT (department) easement. Not later than 14 days after the RRC receives an application to drill a well that contains an affirmation that the well is within a department easement or within 50 yards of a department easement, the RRC shall transmit the drilling application to the Department. This will require rulemaking and may require a modification to the Drilling Permit System to flag such wells in order to notify the department if such a drilling permit application is received. **VETOED**.
HB 1823	Anchia	The Bill changes the Name of the Railroad Commission of Texas to the Texas Energy Resources Commission. The bill also adds new sections regarding the election and terms of Commissioners, establishes a period of time in which a Commissioner may not accept political contributions (during the pendency of a contested case) from any party to a contested case during the pendency of the case, and provides for the automatic resignation of a Commissioner upon announcement of candidacy for another elective office, other than that of Commissioner.
HB 2003	Raymond	The Bill amends Section 92.002(3), Natural Resources Code, to define the Term “qualified subdivision” as a tract of land not more than 640 acres, located in a county having a population of more than 100,000, or located on a barrier island.
HB 2191	Anchia	This bill requires that certain information be posted on the Commission’s website related to enforcement provisions contained in Title 81 of the Natural Resources Code.

Bill Number	Author	Summary of Key Provisions / Reason Bill Did Not Pass
HB 2236	Romero	The Bill amends Section 91.011, Natural Resources Code, by amending the wording of subsection (a) and adding new subsection (a-1). Subsection (a) is amended by adding language requiring that well casing be cemented in a manner to exclude surface water from the oil and gas bearing rock. New subsection (a-1) provides that a well be cased and cemented to a depth at least 50 feet below the depth of suitable drinking water supply.
HB 2256	Keffer	The bill transfers RRC duties related to gas utilities under Subtitle A, Title 3, Utilities Code; the rates and services of propane distribution system retailers under Subtitle C, Title 3 Utilities Code, and submetering under Chapter 124, Utilities Code.
HB 2535	Bell	The bill makes an addition to the Underground Facility Damage Prevention and Safety Act by adding Sections 251.160 and 251.161 of the Utilities Code. Section 251.160 provides that a Class A underground facility operator is liable for damages incurred by an excavator as a result of an excavation that encounters and damages the operator's underground facilities in certain circumstances: where the excavator relied on the operator to mark the location of the operator's underground facility (Class A operators), the Class A operator failed to mark it or does not accurately mark it, and where the damages would not have occurred if the excavation had not encountered the facility and the damages would not have occurred if the facility were accurately marked as provided by Subchapter D of the Utilities Code. The bill also provides that the prevailing party in a suit for damages is entitled to reasonable attorney's fees in addition to damages.
HB 2581	Springer	Gives operators additional avenue to challenge municipal ordinance affecting drilling or producing oil and gas well.
HB 2758	Martinez	Notification of excavation activities and limiting the size of a location request, thus requiring separate locate tickets for large excavation projects.
HB 2855	Darby	The Bill provides that a political subdivision may not adopt or enforce an order, ordinance or similar measure that prohibits an operation under the jurisdiction of the RRC as described by Section 81.051.

Bill Number	Author	Summary of Key Provisions / Reason Bill Did Not Pass
HB 2901	Rodriguez	The bill requires that the Commission set up a method by which a person may submit a written complaint to the Commission through e-mail and for the commission to provide follow-up assistance to identify and obtain information for the commission to begin investigating the complaint.
HB 2932	Anchia	Requires a study and report by the Bureau of Economic Geology on land shifting.
HB 2988	Keffer	This bill prevents the Railroad Commission of Texas from adopting any rule that relates to the commission's ratemaking procedures, including new 16 TAC §1.86, relating to Alignment of Municipal Interveners for Purposes of Discovery, new TAC §1.87, relating to Limitations on Discovery Requests, and amendments to §7.5530, relating to Allowable Rate Case Expenses.
HB 3001	Guillen	Would require an operator who is fracture stimulating a well to collect and maintain data regarding the source, composition and disposition of water used for fracturing that is not now required. Would also require testing of water (to determine TDS, cat ions and anions) that is not currently required.
HB 3044	Dale	This bill precludes a political subdivision from adopting any rules that conflict with Commission regulations related to pipelines.
HB 3198	Cyrier	This bill would require a person applying for an oil and gas waste disposal well permit for a location within a RRC oil and gas division district with 315 or more total completions in the preceding year to submit with the application a letter of support or opposition from the governing body of the county in which the well is to be located. The letter must state with specificity the reasons the governing body supports or opposes the proposed well. Requires RRC to consider the letter in determining whether the issuance of the permit is in the public interest. The bill did not receive a hearing.

Bill Number	Author	Summary of Key Provisions / Reason Bill Did Not Pass
HB 3217	Dale	Provides for statewide preemption of RRC regulations. Accordingly, authority of political subdivision to issue regulations over which RRC has jurisdiction is limited. The political subdivision must petition the RRC before adopting or enforcing an ordinance that affects an oil and gas operator or pipeline. The bill did not receive a hearing.
HB 3291	Raymond	This bill provides that a person who is not authorized and who recklessly possesses, transports, removes, delivers, accepts, purchases, sells, or physically moves oil, gas, or condensate, commits a felony of the second degree unless the commission has issued a permit approving the transaction or has received a request for a permit and the request is pending before the commission. **VETOED**.
HB 3313	Shaheen	This bill sets up a detailed procedure for the approval of secondary recovery units and carbon dioxide storage. The bill would authorize involuntary unitization of working and royalty interests for the first time in Texas. The Commission is directed to adopt Rules to approve the units and hold hearings to approve proposed units. The Commission may collect a fee to implement the Act. The bill never received a hearing.

Bill Number	Author	Summary of Key Provisions / Reason Bill Did Not Pass
HB 3554	Dale	This bill would require the RRC to implement a program to encourage enhanced oil and gas production by providing operators with training and technical assistance on enhanced oil and gas production; assisting operators in developing enhanced oil and gas production; and by rule establishing incentives for enhanced oil and gas production. HB 3554 also makes eligible for a severance tax credit against the gas production tax and oil production tax persons who use enhanced recovery to increase production at a well by more than 5% for a period of no less than four months. The tax credits are only available if, at the time the application for a tax credit is made, the well that is the basis for the tax credit is producing oil or gas from the discovery field. Limits the credit to $200,000 per well in which the enhanced recovery is implemented. Requires the person to submit an application any relevant information the Commission determines is required to administer this chapter. Requires the RRC to determine whether a producer qualifies for the tax credit and issue a certificate. Requires the person who receives a certificate from the Commission to apply to the comptroller for the tax credit. The fiscal note indicated a negative impact of ($802,156,504) through the biennium ending August 31, 2017.
HB 3749	Keffer	This bill requires a municipality to allow a gas utility to recover through its rates on a system wide basis only, as an operating expense, the gas utility's reasonable and necessary expenses of participating in a municipal ratemaking proceeding; determines that reimbursement of reasonable municipal rate case expenses is a reasonable and necessary expense of participating in a rate case proceeding; and requires a regulatory authority (including the Railroad Commission of Texas) to allow a gas utility to recover through its rates on a system wide basis only, as an operating expense, the gas utility's reasonable and necessary expenses of participating in a ratemaking proceeding.
HB 4021	Herrero	The Railroad Commission of Texas would be required to collect and report additional information to RRC. Possible tax credit of $50,000 per well hydraulically fractured without use of freshwater.
HB 4023	Nevarez	The Bill amends Chapter 92, Natural Resources Code, to allow for the creation of qualified subdivisions for "energy development". Did not receive a hearing.

Bill Number	Author	Summary of Key Provisions / Reason Bill Did Not Pass
HB 4034	Darby	The bill would transfer approximately $1,778,000 a year from the General Revenue Fund to the Oil and Gas Cleanup Fund.
HB 4044	Paddie	The Bill amends Subchapter C, Chapter 27, Water Code, by adding Section 27.037, which imposes a fee on each barrel of disposal water that originates in a district other than the one in which it will be disposed of or if the disposal district is once removed from the district the disposal water is produced from. The disposal well operator shall collect the fee from the generator of the waste and remit the fee to the Comptroller. The Comptroller shall place 25% of the fee in the Oil and Gas Cleanup Fund and the remaining 75% shall go to the counties of the State, to be allocated based on the ratio of the amount of fees collected for disposal under this Section compared to the total amount of fees collected under this section. Fee collection and distribution shall be the responsibility of the Comptroller. The RRC, by rule, may divide the state into disposal districts, but, if it does not, the RRC's existing District boundaries shall be considered the disposal districts. The RRC may provide one or more exemptions from the fee by rule.
HJR 76	Phillips	This is a proposed joint resolution proposing to change the name of the Railroad Commission of Texas to the Texas Energy Commission. It relates to HB 1106
SB 118	V. Taylor	This bill sets up a detailed procedure for the approval of secondary recovery units and carbon dioxide storage. The bill would authorize involuntary unitization of working and royalty interests for the first time in Texas. The Commission is directed to adopt Rules to approve the units and hold hearings to approve proposed units. The Commission may collect a fee to implement the Act. The bill never received a hearing. Companion to HB 3313 by Shaheen
SB 517	Uresti	This bill would require an injection well applicant to provide notice of the application to any GCD with a boundary within 10 miles of the proposed injection well location and to provide proof of such notice. It did not receive a hearing.
SB 720	Burton	This bill would preclude cities and other political subdivisions from banning hydraulic fracturing of wells. The bill did not receive a hearing.

Bill Number	Author	Summary of Key Provisions / Reason Bill Did Not Pass
SB 757	Perry	Repeal of the production taxes on crude petroleum and sulphur. The companion bill by Rep. Drew Springer passed.
SB 969	Zaffirini	The Bill amends Section 92.002(3), Natural Resources Code to alter the definition of a "qualified subdivision". Section 92.002(3)(A) is divided into subparts (i), (ii), (iii) and (iv). The changes in subparts (i), (ii) and (iv) are mainly grammatical. Subpart (iii) is a substantive change, conferring qualified subdivision status on a tract of land in a county with a population of less than 300,000 that is located on the Texas-Mexico border and containing one or more municipalities with a population of 200,000 or more.
SB 1165	Fraser	Clarifies state preemption of regulation of oil and gas operations, reduces areas of conflicting state and local regulation and clarifies areas in which a city does have regulatory authority. Companion to HB 40 by Darby.
SB 1865	Zaffirini	This bill amends the Natural Resources Code by adding new Section 81.0593, Titled COMPLAINT FILING ASSISTANCE, which requires the Commission to provide a method by which a person may email the Commission for assistance in filing and following up on a complaint, provide a user-friendly format on the Commission website which allows the Commission to provide follow-up assistance in identifying and obtaining information necessary to investigate a complaint, and provide a toll-free telephone number through which a person may obtain assistance in filing a written complaint with the Commission.
SB 1905	Perry	This bill prohibits the RRC from issuing any procedural regulations, including regulations intended to streamline discovery, in ratemaking proceedings.
SB 1926	Zaffirini	The Bill amends Subchapter D, Chapter 91, Natural Resources Code by adding Section 91.118 titled PERMITS REQUIRED FOR COMMERCIAL STORAGE AND DISPOSAL FACILITIES. The RRC, through the OGC, will be required to adopt a rule regulating permits for commercial storage and disposal facilities for oil and gas wastes. Oil and Gas will receive the permits and determine if they meet the requirements of the new rule or rules. If there is a protest, the Hearings Division will conduct a hearing on the subject.

Bill Number	Author	Summary of Key Provisions / Reason Bill Did Not Pass
SB 1975	Zaffirini	This bill requires the Comptroller in conjunction with other agencies including the Railroad Commission to conduct a study of the economic cost of significant oil and gas activity in rural areas of the state.
SB 1990	Menendez	The Bill amends Subchapter S, Chapter 91, Natural Resources Code by changing the Subchapter heading to DISCLOSURE OF HYDRAULIC FRACTURING INFORMATION, and amends Section 91.852 to require disclosure of hydraulic fracturing water volumes.

Table 47 Exhibit 13 Legislation Not Passed 84th Legislative Session

IX. Major Issues

Protecting public safety and the state's natural resources, while providing a fair, stable, and predictable regulatory environment for the oil and gas industry, as well as the surface mining industry, are the highest priorities of the Railroad Commission of Texas. Because the energy industries of Texas are part of an interconnected global economy they can change rapidly in response to advances in technology, global energy markets, and even international events. To ensure the RRC efficiently and effectively regulates these industries vital to the state's economic interests and security, the Texas Legislature provides the RRC with important flexibility through statutory rulemaking authority. This flexibility is critical to the RRC's ability to maintain a flexible regulatory framework that keeps pace with dynamic changes in the safe and responsible production of the state's natural resources.

This flexibility promotes strong partnerships with the Legislature, the public, and the energy industries to develop and implement regulatory rules and procedures. Recent examples include

- hydraulic fracturing chemical disclosure rule, the first in the nation, which
    - requires oil and gas operators to disclose the chemicals used in the hydraulic fracturing fluid pumped into their wells;
    - requires drillers to disclose the amount of water used for hydraulically fracturing each well in the state; and
    - makes each listing of chemical ingredients used to hydraulically easily accessible to the public by requiring that the list be uploaded to the public national chemical disclosure registry, FracFocus.org.
- water recycling rules, major components of the rule include:
    - eliminating the need for a Commission recycling permit if operators are recycling fluid on their own leases or transferring their fluids to another operator's lease for recycling;
    - identifying recycling permit application requirements and;
    - establishing five categories of commercial recycling permits to reflect industry practices in the field:
        - On-lease Commercial Solid Oil and Gas Waste Recycling
        - Off-lease or Centralized Commercial Solid Oil and Gas Waste Recycling
        - Stationary Commercial Solid Oil and Gas Waste Recycling
        - Off-lease Commercial Recycling of Fluid; and
        - Stationary Commercial Recycling of Fluid
- amendments relating to well integrity and construction requirements that specifically updated existing requirements to address areas in which the risks to groundwater may be higher, including:

- codifying groundwater protection requirements for operations within RRC jurisdiction, including requirements relating to the depth of surface casing for wells;
- more clearly outlining the requirements for all wells such as wellbore diameters and casing and cementing measurements;
- consolidating the requirements for well control and blow-out preventers; and
- updating the requirements for drilling, casing, cementing, and fracture stimulation for both land and bay wells.

- disposal well rule amendments that are designed to address disposal well operations in areas of historical or future seismic activity, major components of the rule include:
  - requiring applicants for new disposal wells to conduct a search of the U.S. Geological Survey seismic database for historical earthquakes within a circular area of 100 square miles around a proposed, new disposal well;
  - clarifying the Commission's staff authority to modify or suspend or terminate a disposal well permit, including modifying disposal volumes and pressures or shutting in a well if scientific data indicates a disposal well is likely to be or determined to be contributing to seismic activity;
  - allowing Commission staff to require operators to disclose the current annually reported volumes and pressures on a more frequent basis if staff determines a need for this information; and
  - allowing Commission staff to require an applicant for a disposal well permit to provide additional information, including pressure front boundary calculations, to demonstrate that disposal fluids will remain confined if the well is to be located in an area where conditions exist that may increase the risk that the fluids may not be confined.

The RRC maintains an especially close partnership with the Legislature, working to implement policy initiatives passed into law. Important issues relating to the regulation of the state's energy industries are regularly brought forth during each legislative session, and most frequently focus on funding mechanisms to improve program delivery (see for example legislative policy initiatives implemented through the appropriations process in HB 1, HB 2, or HB 7, 84th Legislative Session, HB 7 83rd Legislative Session, or SB 1, 82nd Legislative Session). Legislation also often attempts to clarify definitions of the regulatory role of the RRC (see for example HB 40, 84th Legislative Session).

The Commissioners and RRC staff will continue to work closely with the Legislature, the public, and the energy industries to ensure the Commission's regulatory structure and actions protect the public, the state's natural resources, and provide a fair, stable, and predictable regulatory environment for the state's energy industries.

X. Other Contacts

A. Fill in the following charts with updated information on people with an interest in your agency, and be sure to include the most recent email address.

Exhibit 14: Contacts

Interest Groups

(groups affected by agency actions or that represent others served by or affected by agency actions)

Group or Association Name Contact Person	*Address*	*Telephone*	*Email Address*
Association of Energy Service Companies Kenny Jordan	14531 FM 529, Suite 25 Houston, Texas 77095	713 781-0758	kjordan@aesc.net
Energy Security Council Rob Ream Chairman, Butch Brazell, Clete Buckaloo	9720 Cypresswood Dr, Suite 206 Houston, TX 77070	281 587-2700	info@energysecuritycouncil.org
Environmental Defense Fund Texas Scott Anderson	44 East Avenue #304 Austin, Texas 78701	512 478-5161	sanderson@edf.org
Independent Petroleum Association of America Lee O. Fuller	1201 15th Street NW Suite 300 Washington, D.C. 20005	202 857-4722	No email address available
National Association of Royalty Owners Candice Upton Brewer	1103 Algerita Drive San Angelo, Texas 76901	325 942-2237	texas@naro-us.org
Panhandle Producers and Royalty Owners Association Judy Stark	3131 Bell #209 Amarillo, Texas 79106	806 352-5637	pproa@pproa.org

Group or Association Name Contact Person	*Address*	*Telephone*	*Email Address*
Permian Basin Petroleum Association Ben Shepperd	415 West Wall Midland, Texas 79701	432 684-6345	ben@pbpa.info
Texas Alliance of Energy Producers William J. Stevens	1007 East 8th St. Austin, Texas 78702	512 524-8076	bills@texasalliance.org
Texas Energy Reliability Council Ron Kitchens	16649 Highway 290 West Harper, Texas 78631	512 680-4015	Rlk32ford@aol.com
Texas Gas Association Darrell Cherry, President	800 W. Sam Houston PKWY S, Suite 900 Houston, Texas 77042	713 784-2121	www.texasgas.com
Texas Gas Processors Association Mark Sutton	3526 East 60th Street Tulsa, Oklahoma 74145	918 493-3872	msutton@gpaglobal.org
Texas Independent Producers and Royalty Owners Association Lindsey Miller	919 Congress Avenue Suite 1000 Austin, Texas 78701	512 477-4452	lskinner@tipro.org
Texas Land and Mineral Owners Association Laura Buchanan	1005 Congress Avenue Suite 360 Austin, Texas 78701	512 479-5000	execdir@tlma.org
Texas Mining and Reclamation Association Ches Blevins	100 Congress Avenue Suite 1100 Austin, Texas 78701	512 236-2325	Information@tmra.com

Group or Association Name Contact Person	*Address*	*Telephone*	*Email Address*
Texas Municipal League, Bennett Sandlin	1821 Rutherford Lane, Suite 400 Austin, Texas 78754	512 719-6300	exec@tml.org
Texas Oil and Gas Association Todd Staples	304 West 13th St. Austin, Texas 78701	512 478-6631	Tstaples@txoga.org
Texas Pipeline Association Thure Cannon	604 W 14th Street Austin, Texas 78701	512 478-2871	texaspipelineassociation@ yahoo.com
Texas Propane Gas Association Bill Van Hoy	8408 N IH 35 Austin, Texas 78753	512 836-8620	bvanhoy@txpropane.com
Water Research Group Kenneth Schustereit	275 Baass Lane Victoria, TX 77905	361 578-4463	No email address available
Lone Star ChapterSierra Club, Cyrus Reed	P.O. Box 1931 Austin, TX 78767-1931	512 477-1729	cyrus.reed@sierraclub.org
Public Citizen, Tom Smith	815 Brazos St., Suite 300 Austin, Texas 78701	512 477-1155	texasfeedback@citizen.org

Table 48 Exhibit 14 Interest Groups

Interagency, State, or National Associations

(that serve as an information clearinghouse or regularly interact with your agency)

Group or Association Name/Contact Person	Address	Telephone	Email Address
Ground Water Protection Council Mike Paque	13308 N. MacArthur Blvd Oklahoma City, Oklahoma 73142	405 516-4972	mpaque.gwpc.org
National Association of Abandoned Mine Land Programs Eric Cavazza	445-A Carlisle Drive Herndon, VA 20170	703 709-8654	ecavazza@pa.gov
Interstate Oil & Gas Compact Commission (IOGCC) Mike Smith	P. O. Box 53127 Oklahoma City, OK 73152- 3127	405 525-3556	iogss@iogcc.state.ok.us
National Association of Pipeline Safety Representatives Robert Miller, Chairman, Pipeline Safety	Arizona Corporation Commission Pipeline Safety Section 2200 N. Central Ave., Suite #300, Phoenix, AZ 85004	503 378-6760	rmiller@azcc.gov
National Association of Regulatory Utility Commissioners Charles D. Gray	1101 Vermont Avenue, NW Suite 200 Washington, D.C.20005	202 898-2208	cgray@naruc.org
National Fire Protection Association Eric Nette	1 Battery March Park, Quincy, MA 02169	617 770-3000	wdc@nfpa.org
National Propane Gas Association Richard Roldan	1150 17th Street. NW, Suite 130 Washington, DC 20036	202 466-7200	rroldan@npga.org

Group or Association Name/Contact Person	Address	Telephone	Email Address
National Regulatory Research Institute Natural Gas Research and Policy Ken Costello	8730 Georgia Ave. #201 Silver Spring MD 20910	614 532-9397	kcostello@nrri.org
Propane Council of Texas Jackie Mason	104 Breakaway Road Cedar Park, Texas 78613	512 834-0758	jmason@txpropane.com
Propane Education and Research Council Roy Willis	1140 Connecticut Avenue NW, Washington, DC 20036	202 452-8975	roy.willis@propanecouncil.org
State Review of Oil and Natural Gas Environmental Regulations, Inc. (STRONGER, Inc.) Ryan Steadley	C O GWPC 13308 N. MacArthur Blvd. Oklahoma City, OK 73142	405 516-4972	rsteadley.stronger@gmail.com
Texas Farm Bureau Ned Meister, Regulatory Activities	P.O. Box 2689 Waco, Texas 76702-2689	254 751-2457	nmeister@txfb.org
Texas and Southwestern Cattle Raisers, Jason Skaggs	1005 Congress Ave #825, Austin, TX 78701	512 469-0171	tscra@tscra.org
Southern States Energy Board, Kenneth K. Nemeth, Executive Director	6325 Ameherst Couty, Norcross, GA 30092	770 242-7714	nemeth@sseb.org

Table 49 Exhibit 14 Interagency, State, and National Associations

Liaisons at Other State Agencies

(with which your agency maintains an ongoing relationship, e.g., the agency's assigned analyst at the Legislative Budget Board, or attorney at the Attorney General's office)

Agency Name / Relationship/ Contact Person	Address	Telephone	Email Address
Bureau of Economic Geology - University of Texas at Austin Scott Tinker Ian Duncan	University of Texas University Station Box X Austin, Texas 78713	512 471-1534 512 471-5117 512 471-8242 512 313-9763	scott.tinker@beg.utexas.edu ian.duncan@beg.utexas.edu
Department of Information Resources / Customer Representative Lynn Whitten	300 W. 15th Ste. 1300 Austin, Texas 78701	512 475-0659	lynn.whitten@dir.texas.gov
Evergreen Underground Water Conservation District Mike Mahoney, Manager	110 Wyoming Blvd. Pleasanton, TX 78064	830 569-4168	euwcd@karnesec.net
Galveston Bend Bays & Estuaries Program	17041 El Camino Real Suite 210 Houston, Texas 77058	281 218-6461	gbep@tceq.state.tx.us
General Land Office Minerals Leasing Robert Hatter Interagency Council on Coastal Spills Gary Pollock Coastal Resources Helen Young	Stephen F. Austin Building 1700 N. Congress Austin, Texas 78701-1495	512 463-5256 512 475-1542 512 475-5720 512 463-5338	robert.hatter@glo.state.tx.us helen.young@glo.state.tx.us

Agency Name / Relationship/ Contact Person	Address	Telephone	Email Address
Governor's Office John M. Zerwas, Jr.	1100 San Jacinto Austin, Texas 78701	512 463-5856	John.Zerwas@gov.texas.gov
H.B. "Trip" Doggett Electric Reliability Council of Texas (ERCOT)	2705 West Lake Dr Taylor, Texas 76574	512 248-3011	tdoggett@ercot.com
Legislative Budget Board Tina Beck	1501 N. Congress Avenue Fifth Floor Austin, Texas 78701	512 936-1609 512 475-1905	tina.beck@lbb.state.tx.us
Live Oak Underground Water Conservation District Mr. Lonnie Stewart, General Manager	3460A Hwy 281 George West, TX 78022	361 449-1151	louwcd@yahoo.com
McMullen Ground Water Conservation District Mr. Lonnie Stewart, General Manager	P O Box 232 Tilden, TX 78022	361 274-3365	mcmullengcd@yahoo.com
High Plains Underground Water Conservation District No. 1 Jason Coleman, General Manager	2930 Ave. Q Lubbock, TX 79411	806 762-0181	jason.coleman@hpwd.com

Agency Name / Relationship/ Contact Person	Address	Telephone	Email Address
Lone Star Groundwater Conservation District Kathy Turner Jones, General Manager	655 Conroe Park North Drive Conroe, TX 77303	936 494-3436	kjones@lonestargcd.org
Panola County Groundwater Conservation District Leah Adams, General Manager	419 W Sabine Street Carthage, TX 75633	903 690-0143	ladams@pcgcd.org
Rolling Plains Groundwater Conservation District	135 N Munday Ave Munday, TX 76371	940 422-1095	mmcguire@ rpgcd.org
Upper Trinity Groundwater Conservation District	1250 E Hwy 199 Springtown, TX 76082	817 523-5200	
North Texas Groundwater Conservation District, Drew Satterwhite	5100 Airport Drive Denison, TX 75020	855 426-4433	d.satterwhite@northtexasgcd.org
Prairielands Groundwater Conservation District, Jim Conkwright	P.O. Box 3128 Cleburne, Texas 76033	817 556-2299	jimconkwright@prairielandsgcd.org

Agency Name / Relationship/ Contact Person	Address	Telephone	Email Address
Texana Groundwater Conservation District, Tim Andruss, General Manager	Jackson County Services Building 411 N. Wells, Room 118	361 781-0624	
Mina M. Dioun International Association For Energy Economics (IAEE)	Lower Colorado River Authority 3700 Lake Austin Blvd MS L200 Austin, TX 78703	512 473-3200 x2549	minadioun@yahoo.com
Office of Public Utility Counsel Tonya Baer	P.O. Box 12397 Austin, Texas 78711-2397	512 936-7523	Tonya.baer@opc.state.tx.us
Public Utility Commission Donna Nelson	William B. Travis Building 1701 N. Congress Austin, Texas 78711	512 936-7026	Donna.Nelson@puc.state.tx.us
State Auditor's Office Audrey O'Neill	Robert E. Johnson, Sr. Building 1501 N. Congress Ave. Austin, TX 78701 P.O. Box 12067 Austin, TX 78711-2067	512 936-9500	aoneill@sao.state.tx.us
State Emergency Management Council W. Nim Kidd	5805 N. Lamar Box 4087 Austin, Texas 78773-0001	512 424-2138 512 424-2443	Nim.Kidd@dps.texas.gov
State Energy Conservation Office Dub Taylor	111 E. 17th St. Austin, Texas 78774	512 463-8352	dub.taylor@cpa.state.tx.us

Agency Name / Relationship/ Contact Person	Address	Telephone	Email Address
Texas Commission on Environmental Quality Bryan W. Shaw, Chairman Richard Hyde Executive Director, Charles McGuire, Office of Waste	P.O. Box 13087 Austin, Texas 78711-3087	512 239-5510 512 239-6466 512 239-6633 512 239-1321 512 239-4954 512 239-2047 512 239-4612	CMcGuire@tceq.state.tx.us Richard.Hyde@tceq.gov
Texas Comptroller of Public Accounts Phillip Ashley	111 E 7th Street Austin, Texas 78711	512 463-4000	phillip.ashley@cpa.state.tx.us
Texas Department of Licensing and Regulation (TDLR) Water Well Drillers Program Lee Parham	920 Colorado Austin, Texas 78701	512 463-3536	c.s.water.erll@license.state.tx.us
Texas Department of State Health Services (DSHS) Bureau of Radiation Control Richard Ratliff	P. O. Box 149347 Austin, Texas 78714-9347	512 834-6679 512 834-6688	richard.ratliff@dshs.state.tx.us
Texas Department of Transportation Environmental Affairs Division Dianna Noble	125 E. 11th St, Bldg 118 Austin, Texas 8701-2483	512 416-2734	dnoble@dot.state.tx.us
Texas Groundwater Protection Committee Cary Betz	C/O TCEQ P.O. Box 13087 Austin Texas 78768-3087	512 239-4506	cary.betz@tceq.state.tx.us

Agency Name / Relationship/ Contact Person	Address	Telephone	Email Address
Texas Parks and Wildlife Department (TPWD) Rebecca Hensley, Regional Director, Dickinson, TX Karen B. Hardin Kathy Boydston	1502 FM 517 East Dickinson, TX 77539 P.O. Box 30 Athens, Texas 75751 4200 Smith School Rd. Austin, TX 78744-3251	281 534-0108 903 676-2277 512 389-4800	Rebecca.Hensley@tpwd.texas.gov karen.hardin@tpwd.state.tx.us kathy.boydston@tpwd.state. tx.us
Texas Water Development Board Surface Water Resources Division Dr. Barney Austin Groundwater Monitoring Janie Hopkins Robert Mace	1700 N. Congress Ave. Austin, TX 78711-3231	512 463-8856 512 936- 0816 512 936-0841	barney.austin@twdb.state.tx.us janie.hopkins@twdb.state.tx.us Robert.Mace@twdb.state.tx.us

Table 50 Exhibit 14 Liaisons at Other State Agencies

XI. Additional Information

A. Texas Government Code, Sec. 325.0075 requires agencies under review to submit a report about their reporting requirements to Sunset with the same due date as the SER. Include a list of each agency-specific report that the agency is required by statute to prepare and an evaluation of the need for each report based on whether factors or conditions have changed since the statutory requirement was put in place. Please do not include general reporting requirements applicable to all agencies, reports that have an expiration date, routine notifications or notices, posting requirements, federally mandated reports, or reports required by G.A.A. rider. If the list is longer than one page, please include it as an attachment.

Exhibit 15: Evaluation of Agency Reporting Requirements

Report Title	Legal Authority	Due Date and Frequency	Recipient	Description	Is the Report Still Needed? Why?
Equal Employment Opportunity Policy	Natural Resources Code, § 81.01014	The policy statement is updated annually.	Reviewed by the Texas Workforce Commission civil rights division and it is filed with the Governor's office.	The RRC prepares and maintains a written policy statement that implements a program of equal employment opportunity to ensure that all personnel decisions are made without regard to race, color, disability, sex, religion, age, or national origin.	Yes, to be in compliance with Natural Resources Code, § 81.01014

Report Title	Legal Authority	Due Date and Frequency	Recipient	Description	Is the Report Still Needed? Why?
Oil-Field Cleanup Fund, Quarterly Report on the	Natural Resources Code, § 91.1135(e)	Quarterly	Legislative Budget Board and the Oil and Gas Regulation and Cleanup Fund Advisory Committee	The following information must be included: amount of money deposited in the Oil and Gas Regulation and Cleanup Fund, amount of money spent from the fund, number of wells plugged from the fund, the number of abandoned wells, and any additional requested information.	Yes, to provide the Oil and Gas Regulation and Cleanup Fund Advisory Committee accurate concise information that is up to date.

Report Title	Legal Authority	Due Date and Frequency	Recipient	Description	Is the Report Still Needed? Why?
Unlawful Oil or Petroleum Product, Report on Discovery of an	Natural Resources Code, § 115.032	As occurs	Attorney General	On the discovery of unlawful oil or an unlawful petroleum product, a member of the commission, an agent or employee of the commission, or a peace officer shall immediately file with the attorney general a report that describes the unlawful oil or unlawful petroleum product. The report must state the ownership, party in possession, amount, location, and classification of the oil or petroleum product.	Yes, to put the Attorney General on notice of unlawful acts.

Table 51 Exhibit 15 Agency Reporting Requirements

B. Has the agency implemented statutory requirements to ensure the use of "first person respectful language"? Please explain and include any statutory provisions that prohibits these changes.

In accordance with Texas Government Code Chapter 392, the Railroad Commission of Texas recognizes the importance of the initiative and is committed to the intent of the law.

The Commission requires each employee to complete Equal Employment Opportunity Training every two years person, which includes a section on person first respectful language. The training encourages Railroad Commission employees to use words and phrases recommended by Chapter 392 providing fair, equal and respectful treatment of all of our employees and customers.

The Railroad Commission also uses the person first respectful language in its communications and publications, including the agency website at www.rrc.texas.gov.

C. Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate. The chart headings may be changed if needed to better reflect your agency's practices.

Exhibit 16: Complaints Against the Agency — Fiscal Years 2013 and 2014

	Fiscal Year 2013	Fiscal Year 2014
Number of complaints received	4*	15
Number of complaints resolved	2	7
Number of complaints dropped / found to be without merit	1	7
Number of complaints pending from prior years	1	1
Average time period for resolution of a complaint	236 days	66 days

Table 52 Exhibit 16 Complaints Against the Agency

*(*The RRC received 11 additional complaints from the State Auditor's Office in FY 2013, however data about the length of time to resolve those complaints is unavailable from RRC records. Those numbers are not included to avoid skewing the average time for resolution.)*

D. Fill in the following charts detailing your agency's Historically Underutilized Business (HUB) purchases.

Exhibit 17: Purchases from HUBs

Fiscal Year 2013

Category	Total $ Spent	Total HUB $ Spent	Percent	Agency Specific Goal*	Statewide Goal
Heavy Construction	$0	$0	0%	0%	11.2%
Building Construction	$0	$0	0%	0%	21.1%
Special Trade	$1,165	$0	0%	0%	32.7%
Professional Services	$1,611,643	$291,854	18.1%	20%	23.6%
Other Services	$28,961,357	$8,279,212	28.6%	15%	24.6%
Commodities	$2,301,441	$500,674	21.8%	20%	21.0%
TOTAL	$32,875,608	$9,071,741	27.6%		

Table 53 Exhibit 17 HUB Purchases for FY 2013

Fiscal Year 2014

Category	Total $ Spent	Total HUB $ Spent	Percent	Agency Specific Goal	Statewide Goal
Heavy Construction	$0	$0	0%	0%	11.2%
Building Construction	$44,242	$44,242	100%	0%	21.1%
Special Trade	$8,262	$732	8.9%	0%	32.7%

Category	Total $ Spent	Total HUB $ Spent	Percent	Agency Specific Goal	Statewide Goal
Professional Services	$595,154	$26,340	4.4%	20%	23.6%
Other Services	$27,649,883	$2,069,780	7.5%	15%	24.6%
Commodities	$2,572,052	$563,692	21.9%	20%	21.0%
TOTAL	$30,869,594	$2,704,788	8.8%		

Table 54 Exhibit 17 HUB Purchases for FY 2014

Fiscal Year 2015

Category	Total $ Spent	Total HUB $ Spent	Percent	Agency Specific Goal	Statewide Goal
Heavy Construction	$150	$0	0%	0%	11.2%
Building Construction	$72	$0	0%	0%	21.1%
Special Trade	$5,233	$121	2.3%	0%	32.7%
Professional Services	$470,882	$48,163	10.2%	20%	23.6%
Other Services	$13,094,922	$339,067	2.6%	15%	24.6%
Commodities	$1,441,767	$579,029	40.2%	20%	21.0%
TOTAL	$15,013,767	$966,381	6.4%		

Table 55 Exhibit 17 HUB Purchases for FY 2015

E. Does your agency have a HUB policy? How does your agency address performance shortfalls related to the policy? (Texas Government Code, Sec. 2161.003; TAC Title 34, Part 1, rule 20.15b)

Yes. It is included in the RRC's Strategic Plan. In addition, the RRC has adopted by reference the statewide HUB rules in its rules TAC Title 16, Part 1, Chapter 20, Subchapter A, Division 1, Rule 20.5. Historically, the Commission has not purchased in the Heavy Construction, Building Construction, and Special Trade categories. The Commission's goals are determined from historical HUB expenditure data. The RRC reports the effectiveness of HUB participation by analyzing division performance monthly and quarterly, and communicates the results to management.

F. For agencies with contracts valued at $100,000 or more: Does your agency follow a HUB subcontracting plan to solicit bids, proposals, offers, or other applicable expressions of interest for subcontracting opportunities available for contracts of $100,000 or more? (Texas Government Code, Sec. 2161.252; TAC Title 34, Part 1, rule 20.14)

Yes. The RRC developed a HUB subcontracting plan for the procurement of professional services, construction, and commodities in an amount equal to or greater than $100,000 where subcontracting opportunities are believed to exist.

G. For agencies with biennial appropriations exceeding $10 million, answer the following HUB questions.

1. Do you have a HUB coordinator? If yes, provide name and contact information. (Texas Government Code, Sec. 2161.062; TAC Title 34, Part 1, rule 20.26)

Yes, the agency has a HUB coordinator

2. Has your agency designed a program of HUB forums in which businesses are invited to deliver presentations that demonstrate their capability to do business with your agency? (Texas Government Code, Sec. 2161.066; TAC Title 34, Part 1, rule 20.27)

Yes, the Commission meets with HUB vendors and participates in several HUB forums each year.

3. Has your agency developed a mentor-protégé program to foster long-term relationships between prime contractors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract? (Texas Government Code, Sec. 2161.065; TAC Title 34, Part 1, rule 20.28)

Yes, the Commission designed a Mentor Protégé Program to foster long-term relationships between contractors/vendors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract.

H. Fill in the charts below detailing your agency's Equal Employment Opportunity (EEO) statistics.

Exhibit 18: Equal Employment Opportunity Statistics

Officials / Administration

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2013	56	3.57%	8.99%	10.71%	19.51%	23.21%	39.34%
2014	52	1.92%	8.99%	7.69%	19.51%	17.31%	39.34%
2015	57	3.51%	8.99%	5.26%	19.51%	26.32%	39.34%

Table 56 Exhibit 18 EEO Statistics for Officials/Administration

Professional

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2013	281	7.47%	11.33%	14.95%	17.4%	40.93%	59.14%
2014	319	7.52%	11.33%	51%	17.4%	43.26%	59.14%
2015	318	7.23%	11.33%	15.72%	17.4%	23.73%	59.14%

Table 57 Exhibit 18 EEO Statistics for Professionals

Technical

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2013	297	7.41%	14.16%	21.89%	21.36%	20.20%	41.47%
2014	299	8.70%	14.16%	22.07%	21.36%	24.75%	41.47%
2015	280	9.64%	14.16%	20.20%	21.36%	23.93%	41.47%

Table 58 Exhibit 18 EEO Statistics for Technical

Administrative Support

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2013	163	14.11%	13.57%	36.20%	30.53%	91.41%	65.62%
2014	143	13.29%	13.57%	35.66%	30.53%	87.41%	65.62%
2015	147	10.88%	13.57%	38.10%	30.53%	90.48%	65.62%

Table 59 Exhibit 18 EEO Statistics for Administrative Support

Service / Maintenance

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2013	None	N/A	14.68%	N/A	48.18%	N/A	40.79%
2014	None	N/A	14.68%	N/A	48.18%	N/A	40.79%

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	None	N/A	14.68%	N/A	48.18%	N/A	40.79%

Table 60 Exhibit 18 EEO Statistics for Service and Maintenance

Skilled Craft

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2013	19	10.53%	6.35%	31.58%	47.44%	78.95%	4.19%
2014	18	5.56%	6.35%	31.58%	47.44%	77.78%	4.19%
2015	19	5.26%	6.35%	31.58%	47.44%	68.42%	4.19%

Table 61 Exhibit 18 EEO Statistics for Skilled Craft

I. Does your agency have an equal employment opportunity policy? How does your agency address performance shortfalls related to the policy?

The Railroad Commission has an EEO policy. Any performance shortcomings related to the policy are addressed as they arise specific to those unique circumstances.

XII. Agency Comments

The Commissioners and Railroad Commission staff will be pleased to provide any additional information to assist the Sunset Commission in its review of the agency. Additionally, the agency looks forward to the opportunity to discuss Commission operations with Sunset staff as the process moves forward.