

RAILROAD COMMISSION OF TEXAS ANNUAL REPORT SUMMARY FISCAL YEAR 2017

The Texas Legislature has charged the Railroad Commission of Texas (Commission) with the responsibility of regulating gas utility and hazardous liquids pipeline companies in Texas. The Commission has original jurisdiction over rates, operations, and services of natural gas transportation, sales, and service in unincorporated areas and by utilities at a city gate, in addition to appellate review of municipal rate actions. The Commission's Oversight and Safety Division has oversight of these responsibilities.

The Oversight and Safety Division's Gas Services department performs the day-to-day regulatory activities on behalf of the Commission as they pertain to gas utilities. The department's Fiscal Year 2017 budget was \$1,663,768. In this Annual Report for Fiscal Year 2017, the Gas Services department presents all information as required by law, plus pertinent Calendar Year 2016 data obtained from gas utilities in Texas.

Gas Services' Utility Audit section is charged with in-house auditing of annual reports, quarterly tax reports, and other filings required of gas utilities by the Commission. There are approximately 212 investor owned gas utilities operating in Texas. In Fiscal Year 2017, 136 audits were performed on gas utilities. The Utility Audit section also administers and collects a gas utility tax of one-half of one percent of a utility's gross income. In Fiscal Year 2017, \$24,759,091 was collected in gas utility tax. These funds were allocated to the state's General Revenue Fund.

In Fiscal Year 2017, 88 Gas Utility Docket filings were submitted to the Gas Services department and 52 dockets were completed. Some of the dockets completed were within the Commission's original jurisdiction and included review of rate changes for unincorporated areas and city gate rates. Some cases involved appeals from city rate determinations. Other types of dockets included safety violations, requests for authority to abandon service, reports of sales of property, jurisdictional questions, and rulemakings.

Gas Services' Market Oversight section serves as a technical resource for analysis, evaluation, and planning related to natural gas issues downstream of the wellhead for the purposes of encouraging efficiencies and non-discriminatory treatment and maintaining compliance of regulated parties with Texas statutes and rules.

The Market Oversight section maintains oversight of all policy and regulatory issues concerning the services and rates of those sectors of the natural gas industry that impact natural gas flow from its origin at the wellhead to the end-user, including gas gathering, processing, marketing, storage, transportation and distribution. The Market Oversight section intervenes as Staff in natural gas utility rate setting hearings, administratively reviews and processes applications, making recommendations on final disposition to the Commission, and maintains natural gas utility filings and tariffs.

The Market Oversight section also monitors natural gas supplies and supply disruptions during periods of potential shortage to maintain reliable gas flow and determine that human needs are given priority service over other customers. In addition, the Market Oversight section coordinates the informal resolution of natural gas transportation disputes by acting as a facilitator between disagreeing parties, and responds to complaints and inquiries regarding gas utility matters from the general public.