



STRATEGIC PLAN

FOR THE FISCAL YEARS
2013 - 2017



DAVID PORTER
COMMISSIONER

BARRY T. SMITHERMAN
CHAIRMAN

BUDDY GARCIA
COMMISSIONER



STRATEGIC PLAN

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BY

RAILROAD COMMISSION OF TEXAS

BARRY T. SMITHERMAN

JULY 8, 2011–DEC. 31, 2012

HOUSTON, TEXAS

DAVID PORTER

JAN. 5, 2011–DEC. 31, 2016

MIDLAND, TEXAS

BUDDY GARCIA

APRIL 12, 2012–DEC. 31, 2012

AUSTIN, TEXAS

JUNE 22, 2012

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MISSION, PHILOSOPHY AND BENCHMARKS

THE MISSION OF TEXAS STATE GOVERNMENT

Texas State Government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim high...we are not here to achieve inconsequential things!

THE PHILOSOPHY OF TEXAS STATE GOVERNMENT

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise we will promote the following core principles:

First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics, or individual recognition.

Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.

Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.

Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. And just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future, and the future of those they love.

Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.

State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse, and providing efficient and honest government.

Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

RELEVANT STATEWIDE GOALS AND BENCHMARKS

The Railroad Commission of Texas' responsibilities relate to the following statewide goals that have been established for Texas State Government:

ECONOMIC DEVELOPMENT

To provide an attractive economic climate for current and emerging industries and market Texas as a premier business expansion and tourist destination that fosters economic opportunity, job creation, and capital investment by:

- promoting a favorable and fair system to fund necessary state services;
- addressing transportation needs;
- maintaining economic competitiveness as a key priority in setting State policy; and
- developing a well-trained, educated, and productive workforce.

Benchmarks	
<ul style="list-style-type: none"> • Number of employees in targeted industry sectors • Number of new small businesses created • Number of new non-government, non-farm jobs created 	<ul style="list-style-type: none"> • Per capita gross state product • State and local taxes as a percent of personal income • Texas unemployment rate • Median household income

NATURAL RESOURCES AND AGRICULTURE

To conserve and protect our state's natural resources (air, water, land, wildlife, and mineral resources) by:

- providing leadership and policy guidance for state, federal, and local initiatives; and
- encouraging responsible, sustainable economic development.

Benchmarks	
<ul style="list-style-type: none"> • Percent of nitrogen oxide and criteria pollutants reduced in the air • Acre-feet of desalinated brackish and ocean water for Texas • Percent of water conservation through decreased water usage, increased water reuse, and brush control • Percent of Texas waters that meet or exceed safe water quality standards • Percent of polluted site clean-ups to protect the environment and public health • Percent of regulatory permits while ensuring appropriate public input 	<ul style="list-style-type: none"> • Percent of environmental violations tracked and reported • Percent of land that is preserved and accessible through continuation of public and private natural and wildlife areas • Percent of renewable energy usage and production of domestic fuel sources • Percent of implemented new technologies to provide efficient, effective, and value-added solutions for a balanced Texas ecosystem

REGULATORY

To ensure Texans are effectively and efficiently served by high-quality professionals and businesses by:

- implementing clear standards;
- ensuring compliance;
- establishing market-based solutions; and
- reducing the regulatory burden on people and business.

Benchmarks	
<ul style="list-style-type: none"> • Percent of state professional licensee population with no documented violations • Percent of new professional licensees as compared to the existing population • Percent of documented complaints to professional licensing agencies resolved within six months • Percent of individuals given a test for professional licensure who received a passing score 	<ul style="list-style-type: none"> • Percent of new and renewed professional licenses issued via Internet • Ratio of supply of electricity generation capacity to demand • Number of new business permits issued online • Percent increase in utilization of the state business portal

GENERAL GOVERNMENT

To provide citizens with greater access to government services while reducing service delivery costs and protecting the fiscal resources for current and future taxpayers by:

- supporting effective, efficient, and accountable state government operations;
- ensuring the state's bonds attain the highest possible bond rating; and
- conservatively managing the state's debt.

Benchmarks	
<ul style="list-style-type: none"> • Total state taxes per capita • Total state spending per capita • Percent change in state spending, adjusted for population and inflation • State and local taxes per capita • Ratio of federal dollars received to federal tax dollars paid 	<ul style="list-style-type: none"> • Number of state employees per 10,000 population • Number of state services accessible by Internet • Total savings realized in state spending by making reports / documents / processes available on the Internet

RAILROAD COMMISSION OF TEXAS

OUR MISSION

We 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.

OUR PHILOSOPHY

- The Railroad Commission and its employees take pride in the services they perform for the people of Texas.
- We will work to develop, protect and conserve for future generations of Texas their valuable natural resources.
- We will foster an atmosphere for growth and entrepreneurship that will improve opportunities for jobs, a clean safe environment, education and a better quality of life.
- We will accomplish these goals by maintaining a work place that values a diverse workforce, ethical management practices, public accountability, efficiency, teamwork and quality customer service for the people of Texas.
- At all levels, we will demonstrate and exemplify leadership, responsibility, directness, innovative thinking, and responsiveness to public input.
- We will strive to provide both financial and intrinsic rewards for individual contributions to these goals.
- By maintaining an organization that promotes employee pride and commitment, we will build our future upon a long, proud tradition of courteous, efficient and responsive public service to the people of Texas.

THE MISSION OF TEXAS STATE GOVERNMENT

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It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children.

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OUR MISSION

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- Our stewardship of natural resources and the environment
- Our concern for personal and community safety
- Our support of enhanced development and economic vitality for the benefit of Texans

OUR GOALS

Energy Resources

Support the development, management, and use of Texas' oil and gas energy resources to protect correlative rights, provide equal and fair energy access to all entities, ensure fair gas utility rates, and promote research and education on use of alternative fuels.

Safety Programs

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.

Environmental Protection

Assure that Texas fossil fuel energy production, storage, and delivery is conducted to minimize harmful effects on the state's environment and to preserve natural resources.

Public Access to Information and Services

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.



EXTERNAL/INTERNAL ASSESSMENT

PART I

OVERVIEW OF AGENCY SCOPE AND FUNCTIONS

STATUTORY BASIS FOR REGULATORY FUNCTIONS

The Railroad Commission of Texas is the state agency with primary regulatory jurisdiction over the oil and natural gas industry, pipeline transporters, natural gas and hazardous liquid pipeline industry, natural gas utilities, the LPG/LNG/CNG industries, and coal and uranium surface mining operations. In addition, the Legislature passed laws mandating that the Railroad Commission is responsible for research and education to promote the use of LP-gas as an alternative fuel in Texas. The Commission exercises its statutory responsibilities under provisions of the Texas Constitution and has statutory responsibilities under state and federal law for regulation and enforcement of the state's energy industries.

HISTORICAL PERSPECTIVE

The Texas Legislature created the Railroad Commission of Texas in 1891 and gave the agency jurisdiction over rates and operations of railroads, terminals, wharves, and express companies. In 1917, the Legislature declared pipelines to be common carriers, giving the Commission regulatory authority over pipelines. It also gave the Railroad Commission jurisdiction and responsibility to administer conservation laws relating to oil and natural gas production. During the 1920s, the Commission was given additional regulatory responsibility over motor carriers and natural gas utility companies. In the 1930s, additional regulations over oil and natural gas production were enacted, primarily to conserve natural resources and protect the correlative rights of mineral interest owners. The first pipeline safety regulations requiring the odorization of natural gas were adopted during that decade, as well.

During the 1950s and 1960s, environmental concerns were addressed by the adoption of additional oil and gas operation regulations. Also during this period, safety authority over LP-gas products was delegated to the Commission. In the 1970s, the Commission assumed authority over coal and uranium surface mining operations, and federal pipeline safety standards were adopted for natural gas pipelines. Throughout the 1980s and 1990s, additional environmental and safety responsibilities in the oil and gas production, natural gas utility, hazardous liquids pipelines, LP-gas, and surface mining industries were delegated to the Commission.

In 1994, the motor carrier industry was deregulated and the Commission's remaining motor carrier responsibilities were transferred to the Texas Department

Major State and Federal Laws for Which All or Partial Responsibility is Delegated to the Commission

- Texas Natural Resources Code
- Texas Water Code
- Texas Health and Safety Code
- Texas Utilities Code
- Texas Coal Surface Mining and Reclamation Act
- Texas Uranium Surface Mining and Reclamation Act
- Safe Drinking Water Act
- Natural Gas Pipeline Safety Act
- Hazardous Liquid Pipeline Safety Act
- Surface Coal Mining Control and Reclamation Act
- Resource Conservation Recovery Act
- Clean Water Act

of Transportation (TxDOT). In 2005, the Commission's rail safety responsibilities were transferred to TxDOT. The Commission expanded its underground damage prevention to pipelines program, following legislation enacted by the 80th Legislature in 2007. Following legislation enacted by the 81st Legislature in 2009, the Commission implemented a program to monitor the capture, injection, sequestration, or geologic storage of carbon dioxide. The Commission implemented an inactive well program that mandated surface equipment removal, and established options to obtain well plugging exceptions. In 2011, the Legislature passed legislation requiring the Commission to institute surcharges on existing industry fees. This Legislation also eliminated the Oil Field Clean Up Fund and replaced it with a new general revenue dedicated fund—the Oil and Gas Regulation and Cleanup fund. This represents a shift away from using taxpayer dollars to fund the Commission's activities. The fund can be used for purposes related to the regulation of oil and gas development, including oil and gas monitoring and inspections, oil and gas remediation, and oil and gas well plugging, public information, and administration.

History of the Railroad Commission of Texas	
1891	Texas Railroad Commission created.
1917	Regulation of pipelines. Conservation laws relating to oil & natural gas production.
1920s	Regulation of motor carriers and natural gas utility companies.
1930s	Additional regulation over oil and natural gas production. Odorization of natural gas.
1950s and 1960s	Environmental concerns. Safety authority over LP-gas products.
1970s	Authority over coal & uranium surface mining. Federal pipeline safety standards.
1980s	Additional environmental and safety responsibilities.
1990s	Research & education on alternative fuels. Transfer of motor carrier responsibilities to TxDOT.
2001	Sunset Review continued the Commission until September 1, 2014.
2005	Transfer of last rail function to TxDOT.
2007	Expansion of One Call Program for third party damage prevention to pipelines.
2008	Implemented an informal process for matters related to lost or unaccounted for natural gas.
2009	Natural gas production and flow lines in heavily populated areas now fall under the state's safety jurisdiction.
2010	Expansion of jurisdiction to include the injection and extraction of anthropogenic carbon dioxide stored in geological storage facilities.
2011	Legislature creates new Oil and Gas Regulation and Cleanup Fund and transfers Groundwater Advisory Unit from the Texas Commission on Environmental Quality to the Railroad Commission.

AFFECTED POPULATIONS

Over time the industries regulated by the Commission have also changed. Presently, the Commission has responsibility for five basic industry segments: oil and natural gas exploration and production; natural gas and hazardous liquids pipeline operations; natural gas utilities; alternative energies such as LPG/LNG/CNG; and surface coal and uranium mining. The majority of the Commission's resources are dedicated to the regulation of oil and natural gas exploration and production, as shown in **Figure 1-1**. Approximately 71.2 percent of the Commission's staff (direct and indirect) is dedicated to the oil and natural gas industry; 13.7 percent to the pipeline and natural gas utility industries; 7.0 percent to alternative energies such as LPG/LNG/CNG; and the remaining 8.1 percent to the coal and uranium mining industry.

Changes in demand for any of the Commission's service areas may result in increases or decreases in Commission resources dedicated to each Commission program. Additional resources would likely be required to address additional demand. The Commission continually seeks technological advancements to meet its challenges. Technology will satisfy some of the increased demand, but technology alone cannot address all needs for monitoring, reviewing, and physically inspecting industry facilities regulated by the Commission.

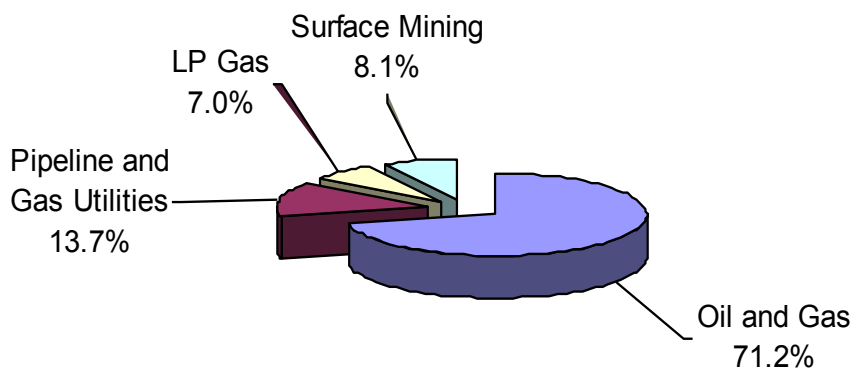


Figure 1-1 Staff Allocation by Industry
Source: RRC

Railroad Commission actions affect not only those industries regulated by the Commission, 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, LPG/LNG/CNG suppliers and marketers, LPG/LNG/CNG consumers, LPG equipment manufacturers, coal and uranium mining industries, environmental associations, safety associations, other local, state and federal agencies, labor unions, legal practitioners, the general public, public school students, 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 facility operators, and oil and gas service companies.

MAIN FUNCTIONS

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.

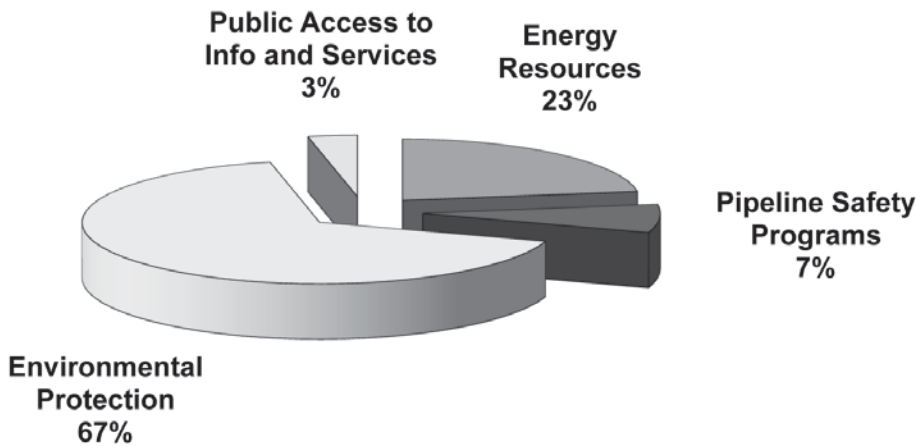


Figure 1-2 Agency Goals by FY 2012 Appropriation

Source: General Appropriations Act

Figure 1-2 illustrates the agency’s resource allocation to its goals. 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; maintaining records and maps; reviewing variance requests; investigating complaints; responding to emergencies; plugging abandoned

wells; cleaning up abandoned sites; educating the public; researching and providing education about alternative fuels; providing public information; resolving disputes; conducting hearings on disputed matters; and rendering decisions.

PUBLIC PERCEPTION

Within the energy industry, the Railroad Commission is recognized throughout the United States and the world as a leader in developing workable regulation for the energy industry. However, the general public typically is not aware that the Commission’s predominant responsibilities involve Texas’ energy industries. The Railroad Commission’s name creates a perception among the general public that the Commission regulates railroads. As of October 2005, all of the Commission’s remaining authority over railroad industry safety was transferred to the Texas Department of Transportation.

While its primary responsibilities are the protection of the environment and public safety, the Commission also takes a balanced approach to maximize the development of the state’s important energy resources. One of the Commission’s four goals seeks the orderly and efficient development of the state’s energy resources. This balanced approach sets the Railroad Commission apart from the standard model of a regulatory agency. In every decision that is made or rule that is adopted, the Commission not only looks at how the potential change protects the environment and public safety, but also how the change will affect the development and production of the state’s natural energy resources.

PART II

ORGANIZATIONAL ASPECTS

WORKFORCE SIZE AND COMPOSITION

The Railroad Commission of Texas has a legislative cap of 772.1 full-time equivalent (FTE) positions for FY 2012 and FY 2013. The number of Commission FTEs fluctuated between FY 2003 and FY 2012, with a net reduction of 12 FTEs, a 1.5 percent reduction in the Commission's workforce. The Commission's legislative FTE cap reached its low in FY 2008 with 706.1 FTEs, as illustrated in **Figure 2-1**.

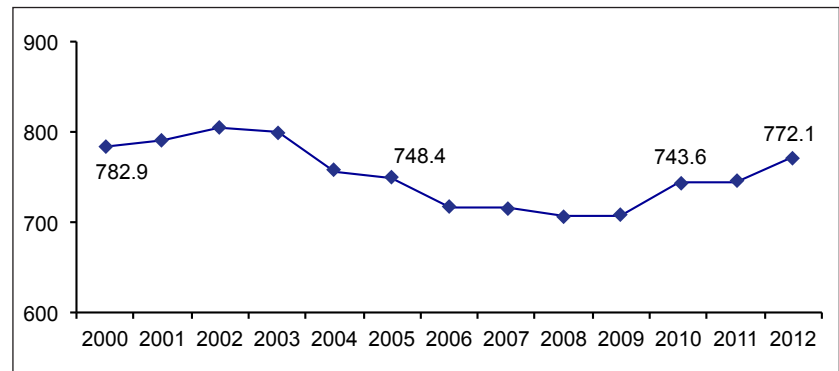


Figure 2-1 Authorized FTEs

Source: General Appropriations Act

Contributing factors to the reduction in the mid-2000s included the transfer of the Rail Safety Program to Texas Department of Transportation; a statewide two percent budget reduction in FY 2006; and the elimination of positions resulting from the mandatory Data Center Services contract in FY 2007. The legislative cap increased in FY 2010 to implement initiatives from the 81st Legislative Session for pipeline safety inspections and increased staffing in the oil and gas field operations and technical permitting programs. The Commission eliminated 21 FTE positions due to the statewide 5 percent budget reductions during the 2010-11 biennium.

In FY 2012, the 82nd Legislature House Bill 2694 transferred 9 FTEs along with the authority for making groundwater protection recommendations from the Texas Commission on Environmental Quality to the Railroad Commission. House Bill 3134 added 6 FTEs to address operators who fail to comply with requirements related to inactive wells. Article IX, §18.11 of the 2012-13 General Appropriations Act added 41 FTEs for the Commission's oil and gas activities.

Despite ongoing recruiting challenges, the Commission remains committed to a diverse workforce that includes more women and minorities.

The current diversity profile at the Commission is: 8.4 percent African American, 21.6 percent Hispanic, and 43.3 percent of the Commission's workforce are women, as shown in **Figure 2-2**. The Workforce Plan, found in Appendix E, provides additional Workforce demographics, such as age, tenure, job category, and employee turnover.

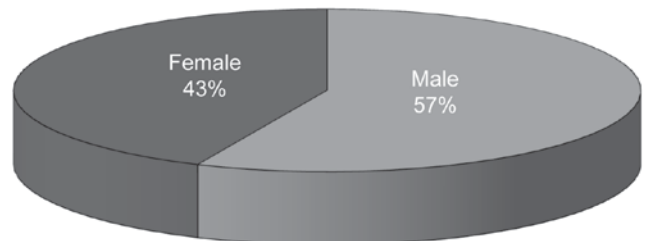


Figure 2-2 Labor Force Gender Distribution

Source: RRC

ORGANIZATIONAL STRUCTURE AND PROCESS

Three statewide officials elected to six-year, staggered terms lead the Commission. Serving at the discretion of the Commissioners is an Executive Director who implements policies and rules and manages the daily operations of the Railroad Commission. Supporting the Executive Director is a management team comprised of a Chief Financial Officer and Division Directors, who oversee various aspects of the organization. The current organizational chart for the Railroad Commission may be found in Appendix B.

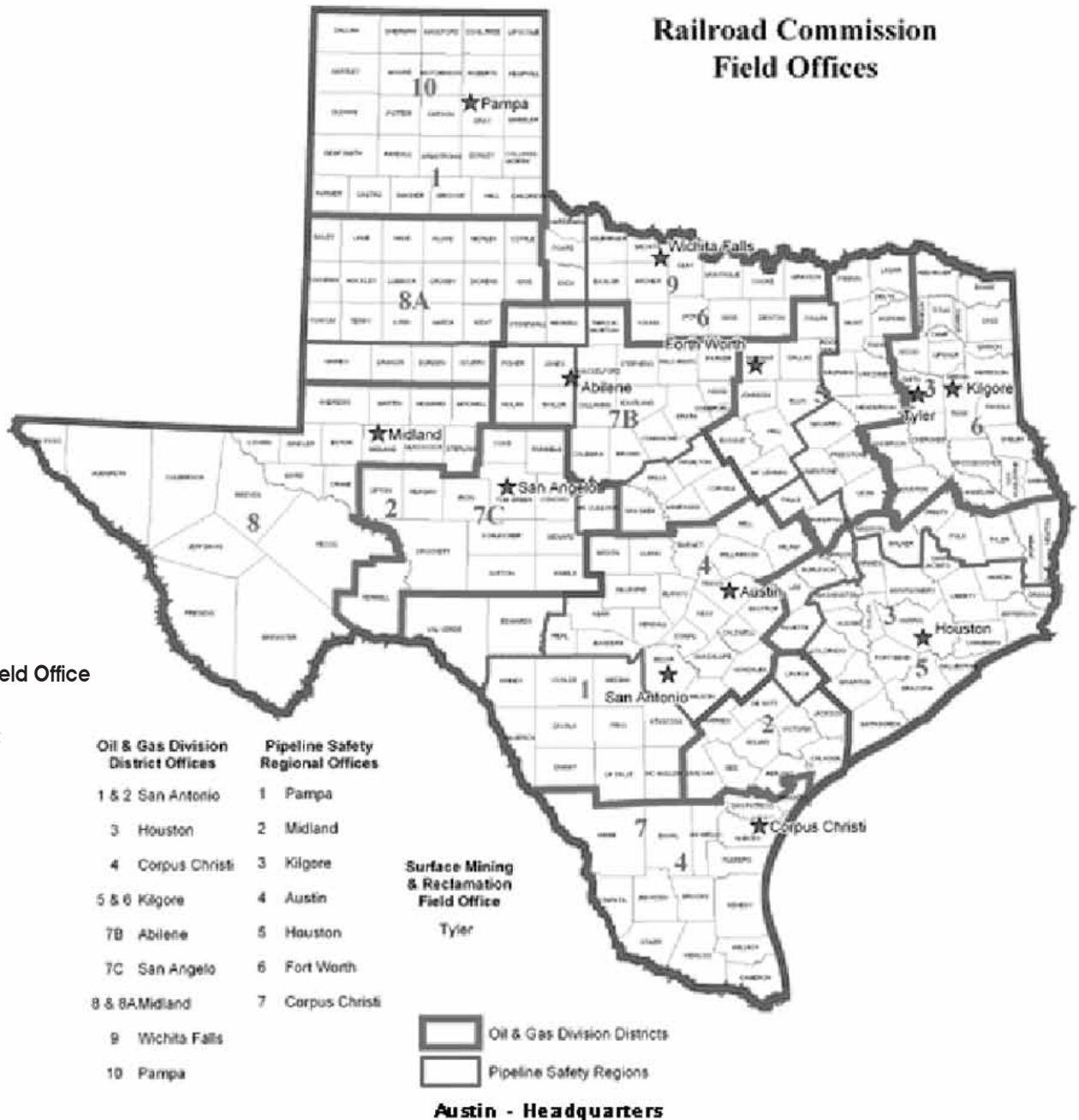


Figure 2-3 Field Office Locations
Source: RRC

GEOGRAPHICAL LOCATION OF AGENCY

The Commission's central office is located in the Capitol Complex at the William B. Travis Building, 1701 North Congress, Austin, Texas. **Figure 2-4** illustrates that approximately 60 percent of the Commission's staff is located in the headquarters office. The remaining staff is located throughout the state in Commission field offices shown in **Figure 2-3**. Much of the work of the Commission involves on-site inspection of regulated industry facilities. The most cost-effective business model to conduct on-site inspections involves a network of field offices. In addition, many of the field locations serve as public information portals for walk-in customers. As Internet information capabilities grow, the public information aspect of field locations is expected to diminish.

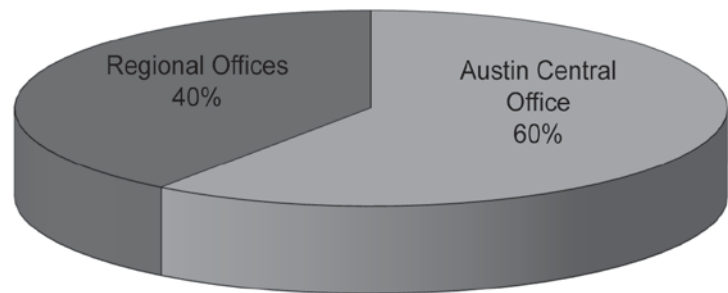


Figure 2-4 Location of Employees

Source: RRC

Railroad Commission field offices house various combinations of employees from the Commission's functional areas depending on the area of the state. A field office may include employees from the Oil and Gas, Pipeline Safety, Gas Services, Surface Mining, or Alternative Energy divisions.

Although the field offices are located in the proximity to the industries that they regulate, the Commission also uses an "outrider" system to decrease the amount of time employees need to travel to their work areas. Ninety-four Oil and Gas field office employees, or 40.69 percent of field office personnel, do not commute to their assigned field office each day. Instead these employees travel directly to the field from their homes, in many instances drastically reducing their commute time each day. The "outrider" system increases the amount of time spent inspecting field operations as well as investigating accidents and complaints. Reduced employee commute time also results in lower travel costs and decreased wear and tear on Commission vehicles.

The Commission requires out-of-state travel to perform many of its regulatory functions and to meet requirements for obtaining federal funds. Federally-mandated training for Pipeline Safety Inspectors is only offered in Oklahoma City. This required training represents the bulk of the Commission's out-of-state travel costs. In some situations, out-of-state travel is required to audit financial statements and records of natural gas utilities and propane distributors that only maintain their

Railroad Commission Field Offices	
<ul style="list-style-type: none"> • Abilene • Corpus Christi • Fort Worth • Houston • Kilgore • Midland 	<ul style="list-style-type: none"> • Pampa • San Angelo • San Antonio • Tyler • Wichita Falls

records at locations outside Texas. Out-of-state travel is also required to maintain input into national policy-setting organizations such as the Interstate Oil and Gas Compact Commission, the national Ground Water Protection Council, the Interstate Mining Compact Commission, the National Association of Regulatory Utility Commissions, the National Association of Pipeline Safety Representatives, and the national Propane Education and Research Council. Providing input to the Commission's federal funding partners also requires occasional out-of-state travel.



Figure 2-5
Oilfield Equipment

LOCATION OF SERVICE POPULATIONS

The primary responsibility of the Railroad Commission involves the extensive oil and natural gas production industry that affects almost all areas of the state. In 2001, the Commission monitored approximately 354,600 oil and gas wells. Today the Commission monitors more than 396,000 oil and gas wells and related facilities throughout the state, an increase of 11.7 percent. More than 82.5 percent of Texas counties currently report oil production, and 73.6 percent of the counties produce natural gas. The Railroad Commission serves the state's extensive energy industry from nine district offices located in Houston, San Antonio, Corpus Christi, Kilgore, Abilene, San Angelo, Midland, Wichita Falls, and Pampa. The Commission actively seeks to delegate increased responsibility to district offices to serve public and industry needs in these locations.

PIPELINE SAFETY

The pipeline industry may be found throughout the state, creating an extensive statewide service population. Texas has the largest pipeline infrastructure in the nation. Of the 254 counties in Texas, 251 counties have a pipeline facility located within their boundaries. Texas has more than 270,000 miles of pipeline systems within the state, with 156,000 miles of pipeline under the direct safety oversight of the Railroad Commission. The remaining pipeline miles are either currently exempt from safety regulation (rural gathering lines from oil and gas wells), or are interstate lines, which are regulated by the federal Office of Pipeline Safety. The pipeline industry is served through field locations in Austin, Houston, Corpus Christi, Midland, Kilgore, and Fort Worth.

The LP-gas industry is spread throughout the state, but is primarily located in rural areas. Every county in the state uses propane, the primary LP-gas fuel, for activities as wide ranging as backyard grilling to forklift or school bus operations. This population is also served through various field offices.

The surface coal mining industry operates along the lignite resource belt that extends from northeast Texas towards Laredo. Commission Surface Mining personnel in the Tyler field office serve mining operations in the northeast. Austin headquarters serves central and southwest Texas mining operations. Texas ranked fifth in U.S. coal production, with 46.4 million tons produced in 2011. Texas coal is primarily used as boiler fuel at electric power generation plants. In 2011, according to the U.S. Department of Energy's Energy Information Administration, 58.2 percent of the coal burned in Texas for power generation was Texas lignite.

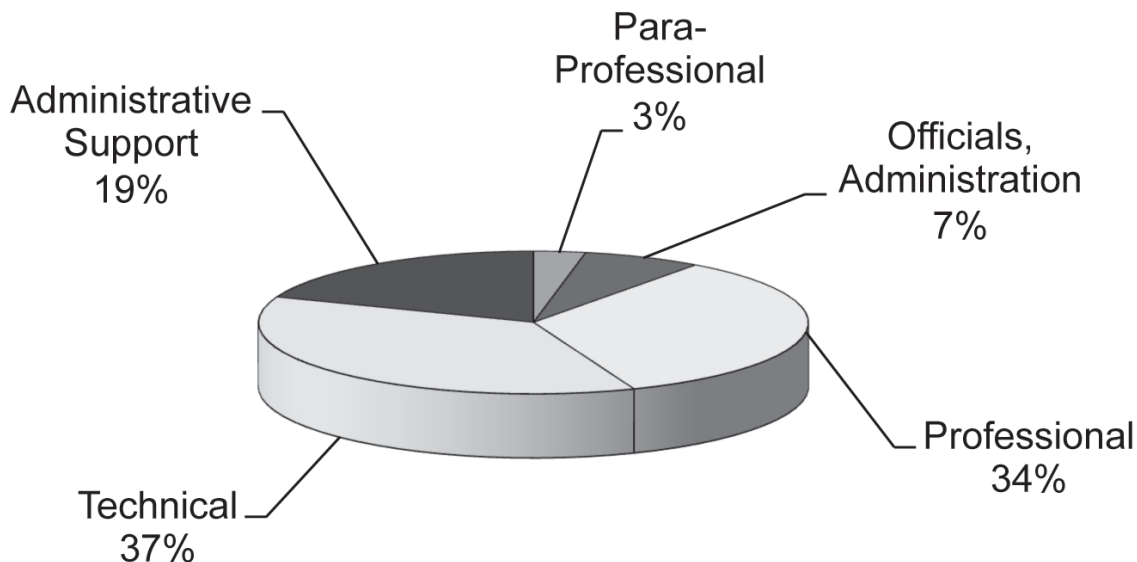
HUMAN RESOURCE STRENGTHS AND WEAKNESSES

The Commission's greatest asset is its employees. The Commission must develop an environment that will allow it to retain, recruit, and develop quality employees. Consistently applied employment practices, training, access to resources, and advancement opportunities are necessary to develop this environment. This also means that the Commission must expect to pay a fair wage in order to attract and retain quality employees.

Results from the *Survey of Employee Engagement*, found in Appendix F, indicate that Commission employees want to continue long-term employment, but compensation that is not competitive with other state agencies is the employees' primary concern. The *Survey* indicates that there is a perception among employees that salaries are not competitive with similar jobs at other state agencies. Exit interview statistics further confirm that low pay is the primary motivator to change jobs and leave the Commission. Additionally, while many Commission employees leave state government for far higher compensation in the private sector, a large number also

Figure 2-6 Job Categories

Source: RRC



go to other state or federal agencies where they can make more money doing the same or similar jobs. The Commission's inability to retain critical staff is hampered by the difficulties of competing with other state agencies for talented employees. The skills of the Commission's engineering and scientific staff are critical to perform the Commission's regulatory responsibilities. Retention and recruitment of these professionals continues to pose a challenge. **Figure 2-6** details the Commission's job classification composition.

As Austin continues to grow as a high tech center, the competition to hire and retain Information Technology (IT) staff with the knowledge and skills to support and extend the agency's critical computer applications increases. The agency has developed and is executing a plan to modernize its computer applications. The key to accomplishing the goals set forth in the plan is to aggressively recruit and retain quality IT staff.

The Commission has an experienced, dedicated, and well-educated workforce. To support critical regulatory functions, the Commission must be able to reward good performance and retain existing staff. The Commission strongly supports the funding of a competitive salary base, and the continuation of merit-based compensation programs.

For more information see the Workforce Plan found in Appendix E.

CAPITAL ASSET STRENGTHS, WEAKNESSES AND CAPITAL IMPROVEMENT NEEDS

In support of regulatory operations, the Commission has created a very successful technology foundation for internal connectivity and web-based applications. The technical architecture was designed to support the growing demands of the Commission's customers for web-based services. Typically when a new application is added to the RRC Online filing web site, it reaches a 90 percent adoption rate within the first two years.

Currently customers can file the following using the RRC Online site:

- Drilling Permits
- Oil and Gas Production Reports
- Annual Disposal/Injection Well Reports (H-10)
- Pipeline Safety Leak and Plastic Pipe Inventory Reports
- Texas Damage Report Forms
- Oil and Gas Well Completion Forms
- Oil and Gas Special Clearance Requests (P-8)

Additional filings to be added during the FY 12 – FY13 biennium are the Organization Report (P-5) Renewals and annual Oil and Gas Well Status Reports (W-10/G-10).

In addition to online filing of reports, as shown in **Figure 2-7**, the Commission utilizes the payment portal of the Texas.gov site for accepting either credit card or ACH payment transactions for Drilling Permits, Liquefied Petroleum Gas (LP-Gas), Compressed Natural Gas (CNG) and Liquefied Natural Gas (LNG) License renewals and examinations, Oil and Gas Seminar registrations, and Groundwater Expedite requests.

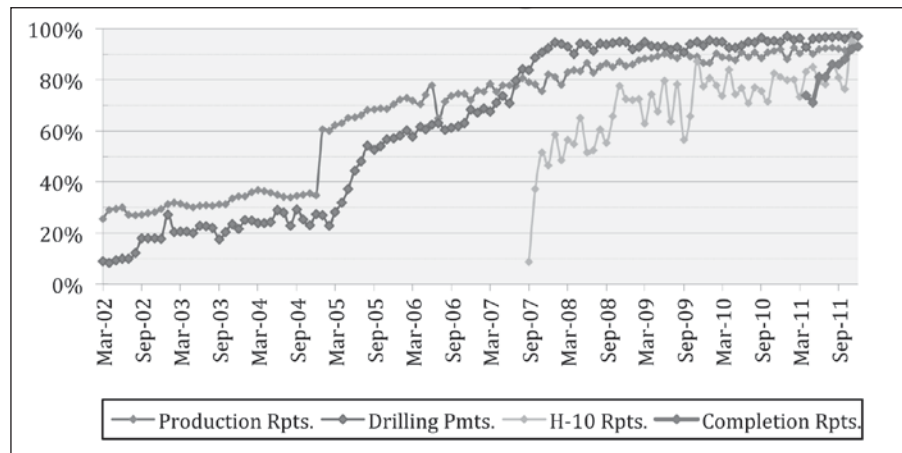


Figure 2-7 Percent of Filings Online

Source: Drilling Permits Staff

*Data for H-10 online filing is only available from September 2007.

*Data for Completion online filing is only available from April 2011.

Not only does the Commission provide opportunities for its customers to file required documents via the web, the Commission also provides multiple ways for the public to access the vast amounts of data collected by the agency. The Commission's most popular website queries are the Production Data Query (PDQ) and the Geographic Information System (GIS) Public Map Viewer. PDQ provides access to valuable oil and gas production data from 1993 to the present.

The GIS Public Viewer allows the public to locate mapped wells, permitted well locations, LP-Gas installation sites and pipelines on Commission maps and drill down to more detailed information. The GIS Viewer also provides links to the Drilling Permit Query, Production Data Query and to well log images.

In FY 2009, the Commission expanded the Oil and Gas regulatory information that is available through a web-based query to include Wellbore, Underground Injection Control (UIC), Producers Transportation Authority (P-4), Severance, Gather/Purchaser, Organization Report (P-5), Inactive Wells, Orphan Wells, Oil and Gas Completions, and Oil and Gas Allowable data. During FY 2011, the web-based queries were enhanced to allow the user to drill down via tabs across all of the queries, to link to the GIS Viewer, and even to access scanned images of the associated paper documents. In FY 2012, download features were added to the queries.

Because the Commission has made these numerous filings web-based, and because of the vast amounts of information that is now accessible to the public via the internet, the Commission has had to dramatically increase our server capacity. Unfortunately, the Commission is legally bound to procure IT services and server capacity through the Texas DCS contract. The DCS contract has prevented the Commission from quickly responding to increased IT demands with additional capacity. The lack of speed from the statewide mandated DCS contractor has caused frequent outages for our public query systems, as well as for internal systems. This leads to public frustration and reduced employee productivity. The mandated statewide contractor will change in

2012, and the Commission is hopeful that the new contractor will be more responsive. If the new contractor fails to do better than the old one, the Commission will request that the Legislature allow the Commission to find better technology solutions itself.

The Commission also uses web-based applications in support of internal functions. During FY 2010, an Oil Field Cleanup System was developed to support contract management, monitoring, and reporting of this important activity. The Online Oil and Gas Completion system was also enhanced to allow messaging between RRC staff and the Operators filing the completions.

Through a contract with an outside vendor for digital imaging, the Commission is working towards providing public access to the agency's massive volume of historical information, which is currently stored on paper and microfilm. Electronic records are created, indexed and made available to the public on the agency's website. The Commission has been able to leverage grant funding to further advance the agency's digitizing efforts.

During FY 2009, the Commission began equipping agency field staff with Toughbooks. The Field Staff, located throughout the state, conduct inspections; witness well completions and pluggings; and investigate complaints, accidents, blowouts, fires, oil spills; and observe surface mining operations. Field staff regularly download current data on responsible parties, permits, pipeline facilities, and individual well data to enable them to be more effective and efficient when conducting inspections. In addition to data, up-to-date maps of lease and well locations are also provided. The Commission is now implementing a mobile application on the laptops which allows the inspectors to fill out their inspection forms and upload them into the District Office Inspection system. This new system saves considerable staff time and effort by eliminating the filling out of paper inspection forms that must later be manually entered into the Inspection system.

The Commission continues to look for ways technology can increase the efficiency and effectiveness of the agency. RRC Online applications continue to be enhanced and extended to provide customers as well as Commission staff with flexible access to information and services. From the GIS Public Viewer, to access to digitized records, to queries and downloads, the agency is committed to leveraging advances in technology to strengthen the Commission's ability to carry out its regulatory responsibilities, achieve its goals, and better serve the public.

TECHNOLOGY REPLACEMENT AND UPGRADE

The Commission needs to continue to acquire technology and replace aging equipment and software. The Commission's current budget will support the acquisition of minor equipment and infrastructure upgrades, but not additional computing capacity.

DATA CENTER SERVICES

In 2005, the Legislature passed legislation requiring most state agencies, including the Railroad Commission to participate in Data Center Services (DCS) contract with the Department of Information Resources (DIR). As part of this contract, the Commission's aging mainframe system was transformed to a new mainframe at the Texas Data Center located in Austin in June 2009. However, with the increased activity in the oil and gas industry, the mainframe is nearing capacity. Currently, the remaining server infrastructure is in the process of consolidation and transformation to new equipment at the State Data Centers at Austin and San Angelo, Texas. This will mitigate some of the server issues the agency is currently experiencing, but will not accommodate the anticipated growth as new online applications are developed.

PERSONAL COMPUTER (PC) LEASING

Maintaining current technology infrastructure for the End User Computing (EUC) environment is essential for Commission regulatory operations. The Commission currently leases personal computers (PCs) based on a four year refresh schedule. Leasing enables information technology staff to focus more on business needs rather than equipment maintenance and repair. It also makes computer equipment costs more predictable, evens out information technology expenditures and reduces budget spikes.

GEOGRAPHIC INFORMATION SYSTEM (GIS) TECHNOLOGY UPGRADE

The Railroad Commission's GIS system is a mission-critical piece of our technology infrastructure. The system ensures both the public and our staff are able to accurately locate facilities that may not be visible above ground. An accurate, fully-functioning GIS system is critical to the continued safe operation of the Commission and the Texas Energy Industry. Not only does the Commission staff depend upon the agency's GIS data, but industry and the general public as well. They access this data via the GIS Public Viewer. The current GIS technical environment is in need of a major technology upgrade. The hardware and software components are not capable of being consolidated into the State Data Center and will need to remain in the Commission's office space in the Capitol Complex. The GIS software itself is no longer supported by the software vendor. With a GIS technology upgrade, the Commission will be able to expand and extend the

Table 2-1 Vehicle Replacement Goals

Vehicle Type	Current Vehicle Count	Projected as of August 31, 2012 Number Exceeding Replacement Goals *
Sedans and Wagons	5	1
Trucks and Light Trucks	226	68
Passenger Vans and Suburbans	3	1
TOTAL	234	70
* Replacement Goal (Age or Mileage): 6 years or 100,000 miles.		

foundation of GIS data already in place to meet the future needs for reliable, current and accurate presentation of the multiple GIS layers. In addition, the GIS upgrade will facilitate data center consolidation and will enable the Commission to take advantage of GIS data sharing and GIS shared services.

The Commission intends to leverage and extend its investment in technology to support the mission of the Commission and overall statewide goals. Statewide contracts and outsourcing will be used, as appropriate, to take advantage of purchasing discounts for procuring capital equipment, software, and services. The Commission will continue its use of statewide telecommunication contracts to realize maximum cost savings. In line with the state's strategic direction, the Commission will partner with other state agencies and councils to take advantage of any cost savings in group technology purchases.

VEHICLES

In support of its regulatory operations, the Commission is authorized to maintain a vehicle fleet of 249 vehicles, shown in **Table 2-1**. A significant part of the Commission's work involves travel for emergency response, monitoring and inspection of regulated facilities, as well as industry training. This involves oil and gas facilities, pipelines, LP-gas systems, and surface mining locations. This travel requirement necessitates an extensive fleet of vehicles for field employees. Much of this vehicle travel is in extreme conditions on minimally maintained roads encountered in rural Texas oilfields and along rural pipeline right-of-ways. The Commission has adopted a 100,000-miles/ six years of age vehicle replacement schedule, consistent with the schedule adopted by the State Office of Fleet Vehicle Management (OFVM). The ability to maintain and replace vehicles under this regular schedule ensures the Commission's fleet is available to respond to emergency situations, minimizes employee downtime, and reduces maintenance costs. The Commission was appropriated increased vehicle funding from the legislature in 2012-2013 that will allow it to replace more vehicles that exceed 100,000 miles. Sufficient budgeting to keep a regular replacement cycle of vehicles will, in the long run, minimize the cost of maintaining the required vehicle fleet.

By the end of fiscal year 2012, it is anticipated that the Commission will have approximately 70 vehicles or 30 percent of its fleet with mileage over 100,000. Vehicles with high mileage cost more to maintain than newer vehicles with fewer miles. Additionally, newer vehicles are generally safer and save money on fuel costs.

AGENCY USE OF HISTORICALLY UNDERUTILIZED BUSINESSES (HUBS)

The HUB Program promotes equal opportunity in the contract awards process for qualified businesses seeking opportunities with state agencies. State law requires each state agency to make a good faith effort to use HUBs in contracts for construction, services, and commodity procurements. The Commission complies with this law by educating vendors on HUB requirements and by helping them obtain the Comptroller of Public Accounts (CPA) HUB certification. Additionally, when soliciting bids from the CPA's Centralized Master Bidders List (CMBL), the Commission follows bid requirements to ensure increased HUB participation. Finally, the Commission requires non-HUB prime contractors to demonstrate that they have solicited bids from HUB subcontractors as well.

Table 2-2 History of Railroad Commission HUB participation

FY 2007–FY 2011

	FY 07	FY 08	FY 09	FY 10	FY 11
Total Agency Expenditures	\$27.2 M	\$29.4 M	\$26.7 M	\$20.3 M	\$16.4 M
Total dollar amount spent with HUBs	\$3.4 M	\$5.5 M	\$ 4.5 M	\$3.4 M	\$2.5 M
Percent of total spent with HUBs	12.5%	18.5%	16.7%	16.8%	15.0%

Since FY 2007, the Railroad Commission's HUB participation rates have fluctuated from a low of 12.5 percent to a high of 18.5 percent, as shown in **Table 2-2**. The Commission was recognized as one of the top agencies spending more than \$5 million with the largest percentage of expenditures spent with HUBs in fiscal years 2003, 2004, and 2006, with **Table 2-3** showing the Commission's most recent performance. Additionally, the Commission was recognized as one of the top 20 agencies by total HUB expenditures in fiscal year 2006. The HUB Plan may be found in Appendix G.

Table 2-3 Categories of HUB Expenditures

Performance Indicators	State Goal	FY 2010	FY 2011
Building Construction	26.1%	44.8%	0.0%
Professional Services	20.0%	47.4%	65.22%
Commodities	12.6%	37.3%	20.9%
Other Services	33.0%	13.5%	13.2%
Special Trade	57.2%	17.7%	0.0%

KEY ORGANIZATIONAL EVENTS AND AREAS OF CHANGE AND IMPACT ON THE ORGANIZATION

In October 2009, the Commission adopted a new organizational structure to improve the efficiency of its alternative energy and pipeline safety programs. The Commissioners unanimously approved the restructuring, which consolidated the former Alternative Fuels Research and Education Division and the former LP-Gas Section of the Safety Division into a new Alternative Energy Division. Also, the Safety Division became the Pipeline Safety Division, made up of a Pipeline Operations Section and a Pipeline Damage Prevention Section.

The Commission is still evaluating the effect this reorganization has had on the efficiency of the agency and the responsiveness to the public and industry.

USE AND ANTICIPATED USE OF CONSULTANTS

For imaging and scanning services, the Commission contracted with Neubus, Inc. through a statewide digital imaging services contract administered by the Texas State Library and Archives Commission. Contracted services and consultants will continue to be used as appropriate to leverage their expertise and provide best value solutions for the Commission.

PART III

FISCAL ASPECTS

BUDGET SIZE

The Railroad Commission's appropriation for FY 2012 is \$74,683,509 and for FY 2013 is \$71,093,217, with 772.1 FTEs for each year of the biennium. General Revenue represents 20.0 percent of the FY 2012 method of finance and 21.0 percent of the method of finance for FY 2013. **Table 3-1** and **Figure 3-1** detail the agency's appropriation for FY 2012.

METHOD OF FINANCE

Senate Bill 2 from the 82nd Legislature, First Called Session, replaced \$16.7 million of General Revenue appropriations for oil and gas regulation with appropriations to the newly created Oil and Gas Regulations and Cleanup Fund (OGRC). Beginning in FY 2012, regulation of the oil and gas industry is funded with an OGRC appropriation of \$46.0 million and a General Revenue appropriation of \$5.0 million.

Method of Finance	Amount
General Revenue	\$14,962,180
GR-Dedicated: Oil Field Cleanup	\$45,980,215
GR-Dedicated: Alternative Fuels Research and Education	\$931,377
Federal American Recovery and Reinvestment Fund	\$3,428,322
Land Reclamation Fund (Federal)	\$161,907
Federal Grants	\$7,043,736
Appropriated Receipts	\$2,072,158
Interagency Contracts	\$103,614
Total	\$74,683,509

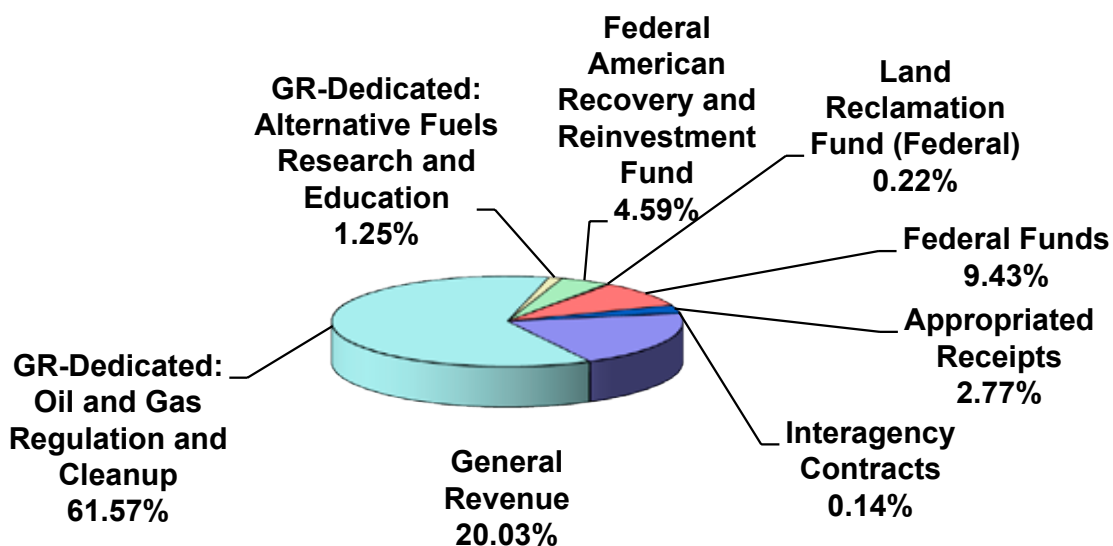


Figure 3-1 FY 2012 Appropriated Method of Finance
Source: General Appropriations Act

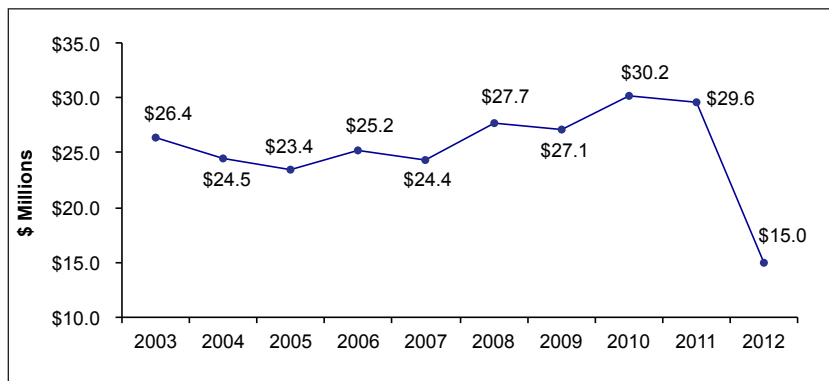


Figure 3-2 General Revenue Appropriation

Source: General Appropriations Act

GENERAL REVENUE

General Revenue was the primary funding source for the Commission's programs but this changed with creation the Oil and Gas Regulation and Cleanup (OGRC) General Revenue dedicated fund during the 82nd Legislature (2011). The Legislature created the OGRC to support the Commission's oil and gas regulatory activities. General Revenue continues to fund Commission

programs in the alternative energy regulation, gas utilities, pipeline safety, and surface mining divisions, as well as some oil and gas regulatory activities.

General Revenue appropriations changed dramatically in FY 2012, including:

- Senate Bill 1 and Senate Bill 2 (82nd Legislature, 1st Called Session) created the OGRC fund and replaced \$16.7 million General Revenue appropriations with OGRC appropriations.
- 2012-13 General Appropriations Act, Article IX, §18.11 appropriated an additional \$5 million per year for oil and gas activities and increased the agency's number of Full-Time Equivalents (FTE) by 41.
- Article IX, §18.56, due to the enactment of House Bill 2694 (82nd Legislature, Regular Session) transferred the authority for making groundwater protection recommendations from the Texas Commission on Environmental Quality to the Railroad Commission, including the transfer of appropriations totaling \$784,740 in General Revenue and 9.0 FTEs.
- Senate Bill 2 §7(b), 82nd Legislature, 1st Called Session, appropriated an additional \$233,000 for the expansion of the pipeline safety fees.

OIL AND GAS REGULATION AND CLEANUP

The Legislature created the Oil Field Cleanup (OFCU) Dedicated Account in 1991 to give the Railroad Commission, on behalf of the State, the financial ability to plug abandoned oil and gas wells and to remediate abandoned oilfield sites statewide. In 2011, Senate Bill 1 (82nd Legislature, First Called Session) replaced the OFCU Dedicated Account with the Oil and Gas Regulation and Cleanup (OGRC) Dedicated Account and mandated that the Commission impose reasonable surcharges on oil and gas fees. The Commission implemented surcharges on May 1, 2012. The Legislature expanded the purpose of the fund from environmental cleanup to include

oil and gas permitting, oil and gas site inspections, and providing public information. The oil and gas industry funds the OGRC through fees for permits, oil and gas production regulatory fees, financial assurance collections, sales of salvageable equipment, reimbursement for plugging and remediation costs, and surcharges. Much of this revenue depends on the financial health of the oil and gas industry, which generally rises during boom times and drops during busts. Senate Bill 2 (82nd Legislature, First Called Session) replaced \$16.7 million of GR appropriations with OGRC funding in each year of the 2012-13 biennium. In FY 2012, the Commission was appropriated \$46.0 million of OGRC funds.

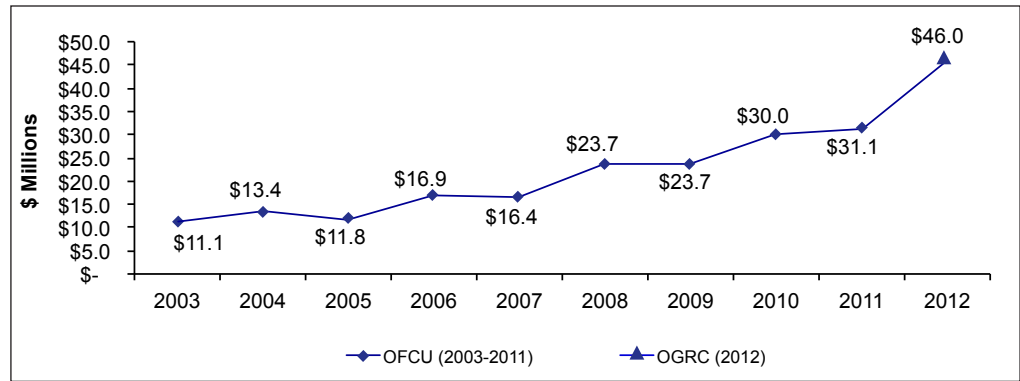


Figure 3-3 Oil Field Clean Up / Oil and Gas Regulation and Cleanup Appropriations
Source: General Appropriations Act

In January 2011, the Texas Comptroller's Biennial Revenue Estimate projected FY 2012 and FY 2013 revenue collections of \$24.9 million and \$25.1 million, respectively. This estimate does not include legislatively mandated oil and gas industry surcharges, or \$2.5 million annually for oil and gas violations. Senate Bill 1 mandated that fine revenue from violations is deposited into unappropriated General Revenue.

The Commission continues to face challenges in finding modestly priced contracts for well plugging or site remediation services due to a limited availability of contractors in certain areas of the state.

ALTERNATIVE FUELS RESEARCH AND EDUCATION (AFRED)

In 1991, House Bill 2505 (72nd Legislature, Regular Session) created the Alternative Fuels Research and Education (AFRED) General Revenue dedicated fund and allowed the Commission to implement

rules related to conducting research and educating the public regarding the use of liquefied petroleum gas (LPG) and other environmentally beneficial alternative fuels to improve the air quality. In FY 2012, the Commission was appropriated \$931,377, which is split between LPG rebates, and marketing and education activities.

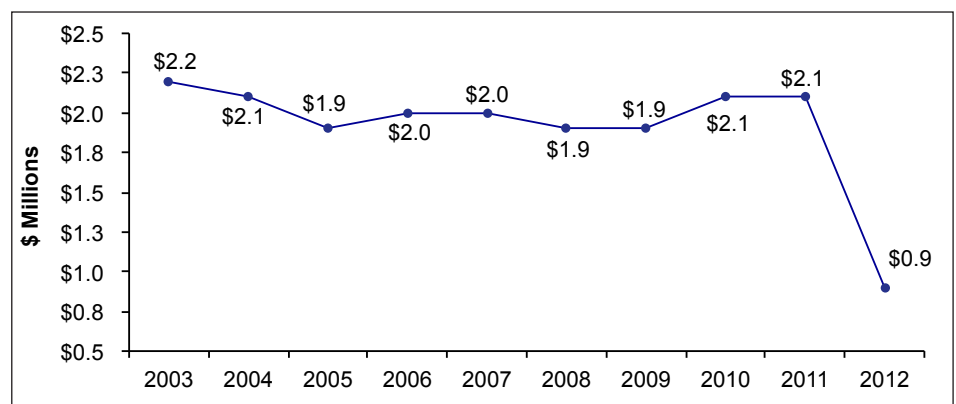


Figure 3-4 AFRED Appropriations
Source: General Appropriations Act

FY 2012 SOURCE OF FEDERAL AWARDS

U.S. Department of Energy
<ul style="list-style-type: none"> • Conservation, Research, and Development (ARRA) CFDA 81.086 • Electricity Delivery and Energy Reliability, Research, Development and Analysis (ARRA) CFDA 81.122 • State Energy Program CFDA 81.041
U.S. Department of the Interior
<ul style="list-style-type: none"> • Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining CFDA 15.250 • Coastal Impact Assistance Program CFDA 15.426 • Abandoned Mine Land Reclamation (AMLR) Program CFDA 15.252
U.S. Department of Transportation
<ul style="list-style-type: none"> • Pipeline Safety CFDA 20.700 • Pipeline Damage Prevention "One Call" CFDA 20.720
U.S. Environmental Protection Agency
<ul style="list-style-type: none"> • State Underground Water Source Protection CFDA 66.433 • State and Tribal Response Program Grants (Brownfields Program) CFDA 66.817

FEDERAL FUNDS

The Commission's Pipeline Safety program is a federal/state partnership program administered by the U. S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA). The federal Pipeline Safety Act provides for state assumption of intrastate pipeline safety regulatory and enforcement responsibilities through this arrangement. The Commission participates in this program and provides an annual progress report to assure compliance with program requirements for intrastate pipeline safety responsibilities. The percentage of funding is determined through a performance based allocation formula with a maximum of 50 percent reimbursement from the federal government. The Pipeline Safety program also qualifies for federal grant programs related to the one-call pipeline damage prevention program.

Federal funding for the Oil and Gas Underground Injection Control (UIC) is inadequate. The program was created on the basis of a 75 percent federal share with a 25 percent general revenue state share. As a result of federal funding limitations, the state share represents more than 25 percent of the funding for the UIC program.

The Commission is also responsible for the State's Coal Regulatory Program and Abandoned Mine Land Reclamation Program (AML) administered with funds provided through the U. S. Department of the Interior. The Coal Regulatory program requires a 50 percent state match. The AML is 100 percent federally funded. However, the long-term funding for these programs may be affected by federal budget considerations. The FY 2013 federal budget proposes to reduce or eliminate AML funding for all certified non-coal states, including Texas. This would eliminate future funding for the AML program and restrict reclamation activities based on current grants. Current grants would enable reclamation of abandoned mines on the current inventory to continue for approximately three years with existing staff. Also proposed is a 15 percent reduction for the coal regulatory program. These cuts may affect the state's ability to fund this program at its current level for the foreseeable future. At this time these changes are proposals and have not been adopted by Congress or signed as a final federal budget and are subject to change.

Detailed information about each of the Commission's federally funded program may be found in Part VII–Impact of Federal Statutes/Regulations.

OTHER FUNDS

Continuously since 2005, the Commission has entered into interagency contracts with the Texas Commission for Environmental Quality (TCEQ) to reduce environmentally hazardous emissions from forklifts, medium-duty trucks and school buses. Funding from the Texas Emissions Reduction Plan (TERP) allows the Railroad Commission to

offer rebates to buyers who replace older equipment with propane equipment that is certified to meet or exceed TERP emissions requirements. The current contract, awarded in FY 2010 for \$10 million, brings the total investment to \$40 million over the seven-year period through August 31, 2012.

Building on this successful partnership, in 2012 the Railroad Commission and TCEQ entered into an additional three-year interagency agreement. Under the agreement, the Railroad Commission will administer up to \$2.18 million of TCEQ Supplemental Environmental Project funds to help school districts statewide acquire low-emission propane and compressed natural gas (CNG) school buses.

STATE REVENUE SOURCE: ECONOMIC STABILIZATION FUND—“RAINY DAY FUND”

In addition to the fees and surcharges paid by the oil and gas industry to fund the Commission’s oil and gas programs, the industry also supports state revenue through oil and natural gas production taxes. These taxes are collected by the Comptroller and deposited in general revenue and the Permanent School Fund. The Texas Constitution mandates that if oil and natural gas production tax receipts exceed the net amount received in fiscal year 1987, an amount equal to 75 percent of the excess must be transferred to the state’s Economic Stabilization Fund (ESF) (commonly called the Rainy Day Fund) from the General Revenue Fund. In 1987 the State received \$531,871,538 in oil production tax receipts and \$599,776,454 in gas production tax receipts.

The state oil production and natural gas tax collections transfers to the ESF are estimated to total \$2.2 billion in 2012-13 biennium. The 67 percent increase over the 2010-11 biennium is due to an increase in oil prices and accelerated activity in the Eagle Ford Shale formation, the Permian Basin, and the Panhandle. **Figure 3-5** highlights the upturn in the transfer amount.

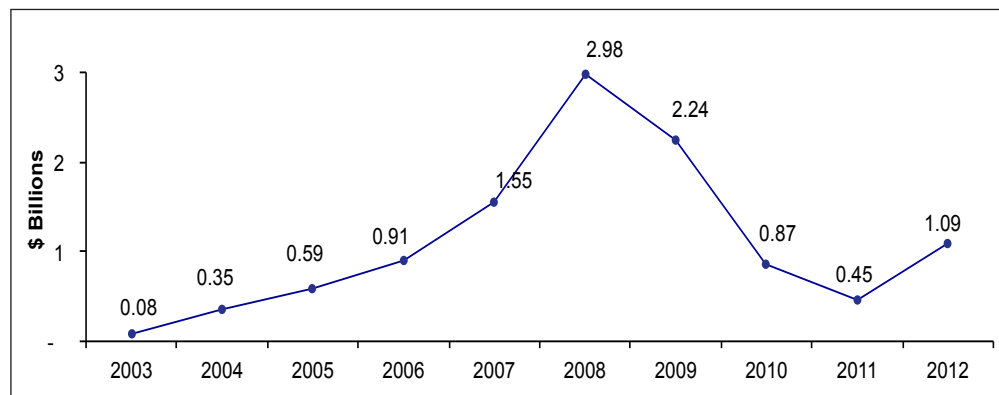


Figure 3-5 Oil and Gas Production Tax Transfers to the Economic Stabilization Fund
Source: Comptroller of Public Accounts

Oil production and regulation taxes are expected to generate \$2.52 billion in revenue for 2012-13, biennium a 1.5 percent increase over the compared to \$2.48 billion collected in 2010-11. Natural gas tax receipts are expected to total \$2.29 billion in 2012-13, an increase of 24.8 percent from the \$1.84 billion collected in 2010-11.

PER CAPITA AND OTHER STATES COMPARISON

The Railroad Commission is an organization unique to Texas. Other states may not have the oil and gas energy resources or the scale of these resources found in Texas, but comparative data offers a useful perspective on both the challenges and opportunity of the state’s energy resources economies of scale.

The most useful comparative data for the Pipeline Safety program is the federally delegated program cost per pipeline mile. While Oklahoma, Louisiana, and New Mexico regulate similar pipeline systems, the size and scope of their systems cannot compare with the Texas system, as shown in **Table 3-1**.

Table 3-1 Pipeline Safety State Comparison			
State	2010 Pipeline Safety Expenditures	Pipeline Mileage	Cost per Pipeline Mile
Oklahoma	\$1,193,494	53,970	\$22.11
Louisiana	\$1,487,058	81259	\$18.30
New Mexico	\$833,222	31,919	\$26.10
Texas	\$4,859,110	240,023	\$20.24

Data for the Well Plugging and Site Remediation programs compares Texas with three neighboring oil and gas producing states. Numbers of wells plugged and sites cleaned up in addition to total expenditures for 2011 in each state appears below in **Table 3-2**.

Table 3-2 Well Plugging and Site Remediation State Comparison			
State	2011 Well Plugging and Site Remediation Expenditures	Number of Wells Plugged	Number of Sites Cleaned-up
Oklahoma	\$6,716,861	195	706
Louisiana	\$1,263,955	7	4
Texas	\$11,044,905	801	200

Comparisons to other states' coal regulatory programs illustrate the relative cost efficiency of the Commission's regulatory programs. The comparative data presented includes the average cost per permitted acre. This benchmark is calculated by dividing the federal funding received in 2009 by the total acreage that was permitted in 2009, the most recent data available from the Office of Surface Mining Reclamation and Enforcement. The Commission's coal regulatory program cost based on federal funding is less than half the national average as illustrated in Table 3-3.

Table 3-3 Federal Funding Coal Regulatory State Comparison			
State	2009 Federal Funding Coal Regulatory	2009 Total Acreage Permitted	Average Cost per Permitted Acre
Colorado	\$2,332,820	164,100	\$14
Indiana	\$1,890,286	211,090	\$9
Texas	\$1,747,598	285,600	\$6
West Virginia	\$11,924,119	348,890	\$34
Total, State and Indian Regulatory Programs	\$63,784,291	4,408,840	\$14

DEGREE TO WHICH CURRENT COMMISSION BUDGET MEETS CURRENT AND EXPECTED NEEDS

The cost increases and overruns in the legally-mandated DCS contract mean that the FY 2012-13 budget may not be sufficient to support continued progress on modernizing the Commission's business applications and upgrading the agency's infrastructure, while maintaining the current level of services. The Commission continues to develop applications to facilitate on line filing and greater access to information.

The Commission received a General Revenue appropriation of \$10 million in the 2012-13 biennium to hire 41 additional FTEs, purchase 88 new vehicles, and create a technical career ladder for the Commissions oil and gas staff. However,

the Commission still faces challenges attracting and retaining key employees. The Commission is unable to come anywhere near salaries offered by private industry, especially in the field offices.

The current fiscal environment creates challenges for attracting and retaining geologists and engineers in the surface mining and pipeline safety divisions.

Turnover is important to any organization and the Commission is no exception. The greatest concern for turnover among different age groups continues to be the Commission's difficulty in retaining employees under the age of 40. Results from the Survey of Employee Engagement indicate there is a desire by employees to continue long-term employment, but inadequate pay is employees' primary concern. Exit interview statistics re-confirm low pay as a motivator to change jobs and leave the Commission. Many leave employment in state government for higher compensation in the private sector, but a significant number go to other state or federal agencies for similar jobs posted in a higher salary group. For more information see the Workforce Plan found in Appendix E.

CAPITAL AND/OR LEASED NEEDS

The Commission will continue modernizing its business applications to support critical agency operations and provide public access to information and services. The Commission will review the current computing infrastructure, develop or update replacement plans and scrutinize purchases to ensure best value for the state.

PART IV

SERVICE POPULATION DEMOGRAPHICS

The Commission's current service responsibilities fall within five basic industry segments: oil and natural gas exploration and production; natural gas and hazardous liquids pipeline operations; natural gas utilities; alternative energies such as LPG/LNG/CNG; and coal and uranium mining. Each of these industries has its own unique service populations.

OIL AND NATURAL GAS EXPLORATION AND PRODUCTION

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 oil and gas waste. Virtually all aspects of the oil and natural gas production cycle from beginning to end are part of the regulatory responsibility of the Commission, with few exceptions.

Texas is the nation's leading oil producing state and the leading gas producing state. Texas provides 31.2 percent of the domestic onshore oil production, and 35.8 percent of the domestic onshore-marketed gas production in the United States. According to the most recent available data from the United States Energy Information Administration, as of 2009 Texas has remaining proven crude oil reserves of 5.006 billion barrels or 24.2 percent of U.S. crude oil reserves, and proven dry natural gas reserves of 80.424 trillion cubic feet or 29.5 percent of U.S. dry natural gas reserves.

Texas was once thought to be a mature oil producing state with increasingly marginal production; however, recent advances in technology now allow producers to extract oil and natural gas from reservoirs that were not easily accessible without recent technological advances. **Figure 4-2** details the increased activity with the use of new technologies. Much of the increased activity across the state may be found in the Permian Basin, the Texas Panhandle, the Barnett Shale and the Eagle Ford Shale. Advanced technologies allowed for production in the Barnett Shale trend, which now produces in 23 north-central Texas counties

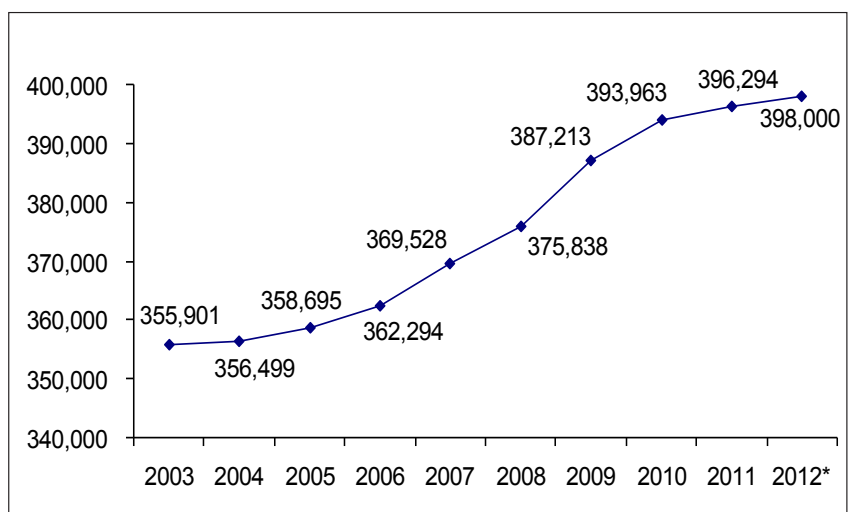


Figure 4-1 Barnett Shale

Figure 4-2 Number of Wells Monitored by Commission (Active and Inactive)

Source: RRC

*2012 Estimate



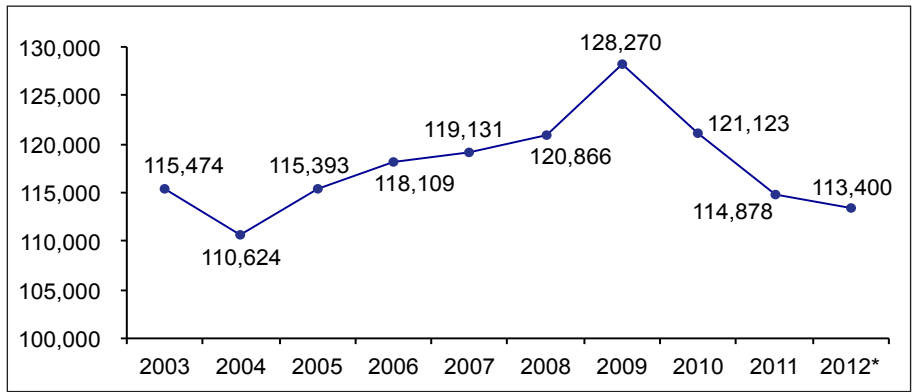


Figure 4-3 Number of Oil and Gas Facility Inspections Performed

Source: RRC
*2012 Estimate

Roughly 50 miles wide and 400 miles long, the Eagle Ford spreads across Texas from the Mexican border covering 24 Texas counties.

There has been a dramatic increase in natural gas production over the last several years. The number of producing gas wells has quadrupled from 23,000 in 1972 to 94,662 as of December 28, 2011.

Due to factors cited above, the Commission’s workload is expected to increase in the short- and long term future, **Figure 4-3** highlights the number of inspections performed by the Commission. This increased domestic production will likely increase drilling and production activity for oil and natural gas in Texas and will result in additional activity for the Railroad Commission.

PIPELINE OPERATIONS

An extensive network of pipelines is required to gather, transport, and deliver the state’s valuable energy resources. The Railroad Commission has responsibility to ensure that pipeline systems are designed, constructed, operated, and maintained safely, and that rates for natural gas service are just and reasonable.

Texas has the largest pipeline infrastructure in the nation, as shown in **Figure 4-5**, with approximately 357,549 miles of pipeline representing about 1/6 of the total pipeline mileage of the entire United States. Texas’ pipelines are divided into the categories of

natural gas distribution lines (103,014 miles), hazardous liquid and natural gas transmission lines (66,107 miles), interstate lines (44,508 miles), and non-regulated lines (143,920 miles). The Railroad Commission has direct safety responsibility over the first two categories. These regulatory responsibilities extend to more than 1,362 operators of intrastate gathering, transmission, distribution, and master-metered systems. **Figure 4-6** details the number of pipeline safety inspectors performed



Figure 4-4 Transmission pipeline construction project near Fort Worth

each year. The Commission continues to lead the nation in adopting and enforcing safety rules to enhance the integrity of pipelines throughout the state.

The Commission promotes and enforces an underground pipeline damage prevention program for Texas. The Commission is responsible for the enforcement of the damage prevention regulations involving the movement of earth (excavation) surrounding pipeline facilities. The Commission adopted national best practices for damage prevention and continues to work with the stakeholders involved in damage prevention. New regulations involving damage prevention continue to develop as the needs for Texas underground damage prevention change. The Commission believes that underground pipeline facilities should be covered by the program and enforcement actions should be applied consistently.

The development of new oil and natural gas markets in Texas is expected to require new pipelines over the short, medium and long term future.

New demands for environmental impact review and more stringent safety standards are also likely to increase the workload of the Commission. New pipeline capacity, as well as the aging infrastructure of existing pipelines and the sprawl of urban areas into right-of-ways once only inhabited by pipelines, will require even closer pipeline safety scrutiny by the Commission.

NATURAL GAS UTILITIES

There are approximately 8,000 active tariffs on file with the Commission that reflect rates charged for intrastate natural gas utility transmission and distribution services. There are 207 investor-owned and 85 municipally owned natural gas utilities in Texas, serving over four and a half million customers.

The 78th Legislature (2003) passed the Interim Rate Adjustment (IRA) as Section 104.301 of the Texas Utilities Code allowing natural gas utilities an interim rate adjustment to capture increases in net investment of invested capital, annually. This change allows a utility to adjust its rates annually, without coming to the regulatory authority for a comprehensive rate case until the end of a five-year period. Commission staff review each IRA filing and make recommendations to the

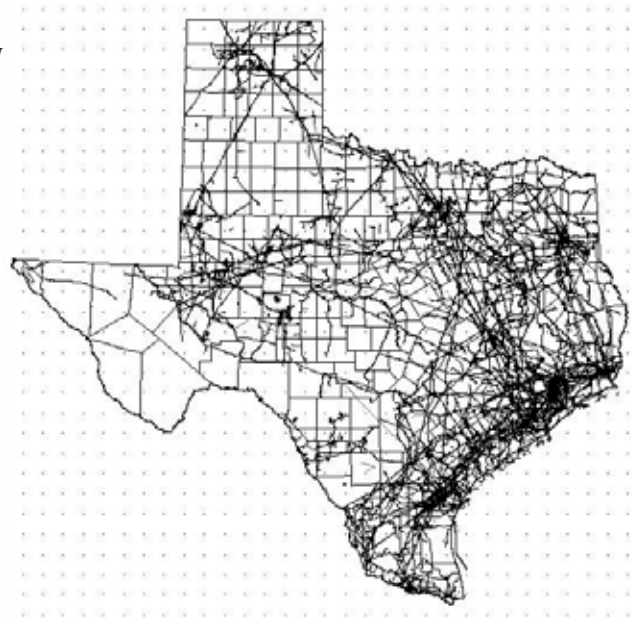


Figure 4-5 Railroad Commission Regulated Pipelines

Source: RRC

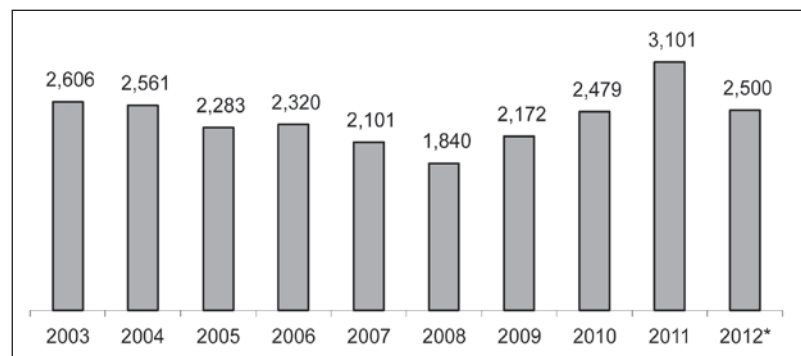


Figure 4-6 Number of Pipeline Safety Inspections Performed

Source: RRC

*2012 Estimate



Figure 4-7 Residential Gas Utility Meter

Commissioners for their approval. Commission staff process several IRA filings each year.

Additionally, a dynamic environment in regulatory rate structures created a general movement among gas utilities to implement “de-coupling” measures of various types. Revenue de-coupling measures seek to establish stable levels of revenue independent of fluctuations of consumer consumption levels. Large natural gas utilities pursue implementation of measures such as cost of service adjustments to allow for periodic and automatic adjustment to service charges in response to changes in utilities’ costs of service. The issues posed by such recent proposals in gas utility rate

cases can make them more contentious, necessitating further policy analysis by staff. **Figure 4-8** illustrates the relative uniformity in the number of gas utility filings over time.

Natural gas utility companies in Texas not only include the distribution utilities most often associated with utilities, but also many natural gas gathering and transporting pipelines. The Commission has statutory authority to allow these parties to develop their own negotiated rates as long as all parties are in agreement. Disputes over such rates or terms of service can be handled as contested cases or through the informal complaint process.

The Commission’s informal complaint process is an alternative dispute resolution (ADR) mechanism that the Commission designed to help resolve disputes between gas producers and gatherers in a quick and economical fashion (16 Tex. Admin. Code, Chapter 2). Prior to the implementation of this process, the only way to resolve a

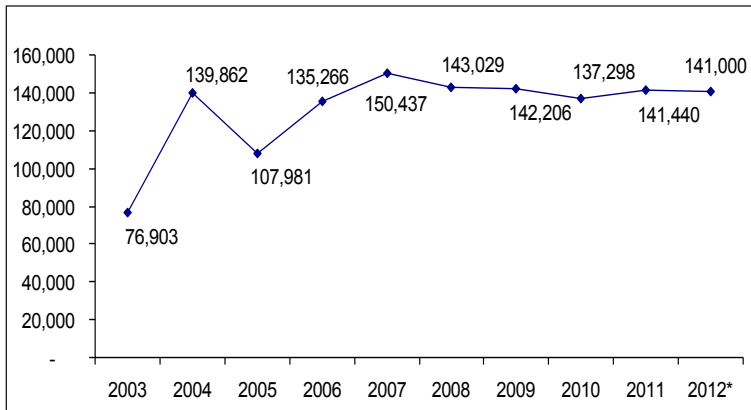


Figure 4-8 Number of Gas Utilities, Tarriff, and Escalator Filings

Source: RRC

dispute was with a formal complaint before a legal examiner. This was time consuming and costly for the participants. The informal process allows parties the opportunity to present their positions before trained staff mediators. The goal is a quick and efficient resolution of the complaint. Since its inception, a total of 121 complaints have been received under this informal process. The informal complaint has been well received by participating producers, and gathering and transportation service providers.

Through an effective audit program, Commission utility field auditors conduct approximately 140 audits each year to ensure that gas utilities are in compliance with various statutory and regulatory requirements. These audits concentrate on proper computation and application of authorized rates and proper remittance of the gas utility tax.

Significant volatility in natural gas prices in past years led the Commission to implement an automated consumer complaint and information system in anticipation of increased consumer calls and complaints. Consumers may listen to recorded information that may help them understand the increases in the price of natural gas on their utility bill, and they may leave a voice message to be returned by Commission staff. Additionally, consumers may file a written comment or a complaint through the Commission's website that will receive a timely response by Commission staff. During FY2011 the section received approximately 870 complaints. Although the Texas Utilities Code states that individual cities have original jurisdiction over customer complaints within their corporate limits, customers, who are not satisfied with assistance provided by their municipalities, typically seek additional help from the Commission. The Market Oversight Section serves as a liaison for other complaints and inquiries as well.

Beginning with the deregulation of natural gas wellhead prices, the natural gas industry began a transition toward a more competitive environment. As a result of these industry changes, ratemaking related inquiries have increased from the various industry groups affected, such as municipally owned utilities, investor-owned utilities, city officials, technical consultants, and natural gas attorneys. The Gas Services' Market Oversight Section developed the Natural Gas Rate Review Manual. The manual is designed to provide general information on the ratemaking process and respond to specific questions from the various customer groups.

ALTERNATIVE ENERGIES LPG/CNG/LNG

The Railroad Commission's jurisdictional authority over alternative energy sources includes LP-gas, commonly referred to as propane, as well as compressed natural gas (CNG) and liquefied natural gas (LNG). The Railroad Commission's responsibilities include oversight to insure that the transportation, storage, distribution and use of these fuels are handled safely. This is accomplished through examination and licensing of persons and companies handling these fuels; and inspection and monitoring of transport trucks, commercial and industrial installations, transit vehicles and storage facilities. In addition, the Commission conducts safety and compliance training and continuing education classes for LP-gas licensees, certificate holders, and emergency response personnel. The Commission also produces safety materials for LP-gas consumers. More than half of Texas' full-service propane marketers use the Commission's safety publications to educate their customers on the safe use of propane. The Commission also produces a monthly LP-gas safety news release, which was picked up by 108 Texas newspapers in fiscal year 2010, the last year for which figures are available.



Figure 4-9 Propane Fleets Help Meet Clean Air Goals

There are 18,231 individuals certified or registered with the Commission to engage in jurisdictional activities and in fiscal year 2011 there were 4,417 company licenses issued. The LP-Gas Operations Section of the Alternative Energy Division fulfills its mission of protecting the health, safety and welfare of the general public by conducting complaint and accident investigations and on-site safety inspections. During fiscal year 2011, 14,541 safety inspections were performed at stationary facilities and on mobile/vehicular units as shown in **Figure 4-11**. The Commission's database

of LPG/CNG/LNG installations lists 59,773 LPG installations, 1,086 registered CNG buses and transit vehicles, and 201 registered LNG buses and transit vehicles under the jurisdiction of the Alternative Energy Division.

The retail propane business primarily supplies fuel for space-heating, cooking, and water-heating appliances in rural residences and commercial buildings; portable applications such as outdoor grills, torches and agricultural tools; and as an engine fuel for off-road vehicles such as industrial lift trucks and on-road vehicles such as school buses and light trucks. These markets are substantial. There are almost one-half million propane-fueled residences in Texas. In addition, propane outdoor cooking now exceeds charcoal grilling. More than 80 percent of the state's forklifts are propane-powered, and about 13,000 Texas highway vehicles are powered by propane. Clean air mandates and incentives are expected to contribute to an increasing demand for propane in the near, medium, and long-term future. This projected growth will require an increase in current levels of safety inspection coverage, safety and technical training, consumer education efforts, and other support services.



Figure 4-10 Propane-powered Residence

Clean burning LPG, CNG and LNG fuel systems installed on buses and public transportation vehicles, help communities in non-attainment areas of the state comply with federal clean air mandates. These mandates and financial incentives for using alternative fuels are expected to contribute to an increasing demand for all three fuels in the near, medium and long-term future. This projected growth will require an increase in current levels of installation permitting, safety inspection and enforcement coverage, safety and technical training, consumer education efforts, and other supporting services.

Another legislatively mandated part of the Commission's responsibility is education and research into promoting the use of propane as an alternative fuel in Texas. Texas is the largest propane producing and consuming state, and promoting efficient, environmentally beneficial uses of this important Texas resource and fuel is the Commission's responsibility. The Alternative Energy Division carries out this responsibility primarily with funding provided by

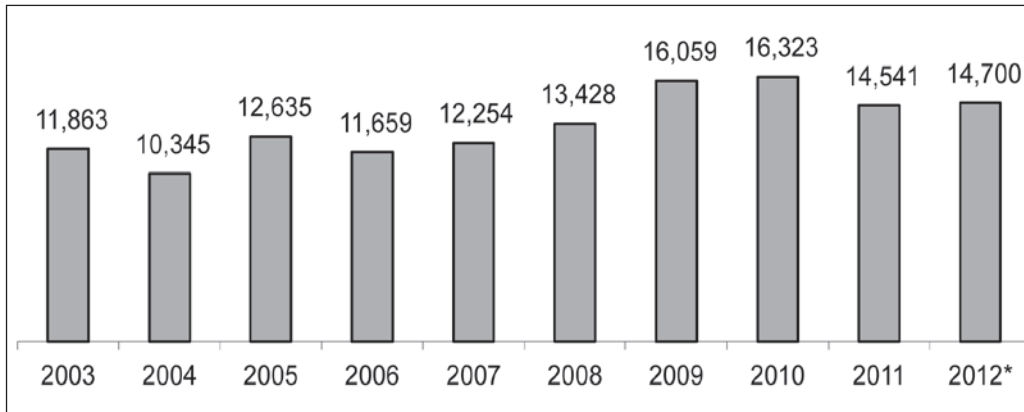


Figure 4-11 Number of LPG/CNG/LNG Safety Inspections Performed
Source: RRC

industry-paid fees. This division was created in 1991 as the first LP-gas “check-off” program (an assessment on wholesale deliveries of odorized propane gas) program in the United States. Since then 12 other states have enacted comparable programs, largely due to the Texas program’s success. In addition, the national Propane Education and Research Council, created by Congress in 1996, began operations in January 1998. As measured by check-off fee collections, the Commission’s efforts resulted in maintaining or increasing retail use of propane in Texas at or above fiscal year 1992 baseline levels in 12 of the 19 fiscal years from 1993–2011. However, use of propane can vary significantly year-to-year based on winter weather, price fluctuations, and other external factors.

COAL AND URANIUM MINING

Coal production of 46.4 million tons in 2011 ranks Texas fifth in coal production in the United States. Currently there are 27 coal-mining permits administered by the Commission’s Surface Mining and Reclamation Division. These mining permits, held by 10 companies, cover over 315,000 acres in 20 counties. The annual coal production from 2002 to 2011 averaged about 44 million short tons. Seven permitted mining operations no longer produce coal and are undergoing final land reclamation.

The vast majority of coal mined in Texas, over 99 percent is used as boiler fuel at electric power generation plants. The long-term fuel commitment required by existing electric power generation facilities suggests that the mining industry in Texas will remain relatively stable for the foreseeable future. This, however, can change if Wyoming Powder River Basin coal or other electric generation fuels become more economically viable.

The expansion of mining areas at existing mines and the development of new deposits will enable annual coal production to remain relatively stable, resulting in a constant permitting workload for the past few years. This trend is expected to continue for the short and medium planning horizons. For the longer term, when economical Texas lignite deposits become mined out, this fuel source will be replaced with Wyoming Powder River Basin coal or other alternatives.



**Figure 4-12 Reclaimed Wetlands and Pastureland—
Martin Lake Mine**

Forty-four uranium surface mines were permitted during the 1970s and early 1980s. These mining operations covered more than 31,000 acres in and around the Karnes County area. Surface uranium mining ceased as the market price for uranium dropped in the early 1980s made it uneconomical. Today all remaining uranium production activities in Texas are confined to in-situ mining techniques, which are regulated by the Texas Commission on Environmental Quality.

However, the Railroad Commission continues to be responsible for the approval, inspection, and enforcement of uranium exploration drilling, which increased after 2005. Currently, there are 15 active uranium exploration permits in Texas that cover approximately 577,000 acres.

PART V

TECHNOLOGICAL DEVELOPMENTS

IMPACT OF TECHNOLOGY ON CURRENT AGENCY OPERATIONS

The Railroad Commission's website is the primary source of information for customers and the preferred method for reporting, filing permit requests, and making payments for fees and services.

As use of the Commission's website increases, so does the need to ensure that users have easy access to information and services. Recognizing that need, the Commission redesigned the agency's website and will continue to update it to ensure that it keeps pace with customers' need for access to information and data. The Commission is also expanding online services through web applications designed to improve the usability and searchability of information.

The Commission continues to add electronic filing and payment capabilities to the agency website by building upon the technical foundation and expanding the options for automated payments for permits, fees and services using the Texas payment portal.

The Commission uses digital imaging technology to produce electronic records that allow access to the volumes of information that was previously only stored on paper and microfilm at the Commission's headquarters. As these records are created, they are indexed and made available to the public through the agency's website.

The Commission recognizes the increasing reliance on the Geographic Information System (GIS). The Commission's GIS data is essential to the daily operations of certain members of the public, industry and other state agencies. The GIS data provided by the Railroad Commission is a critical component of the state's emergency management planning and support efforts. New technology and expanded capabilities should be used to meet current and future needs for available, reliable, current, and accurate GIS data.

The Commission recognized the need for field personnel to have better access to Commission's data and geographic maps and responded by providing field personnel with mobile personal computers and network capability. This improves field staff's ability to communicate with district and Austin offices, and to perform fieldwork more accurately and quickly.



Figure 5-1 Mobile Computing in Luling

COMMISSION TECHNOLOGICAL ADVANCES

Table 5-1 Technology Initiatives	
On-Line Filing of Oil and Gas Well Test (W10/G10)	Current Projects
Personal Computer (PC) Refresh	
Upgrade Infrastructure	
Data Center Consolidation	
<hr/>	
Expanding On-Line Services	Future Projects
Personal Computer (PC) Leasing, Including Toughbooks	
Software Licenses	
Technology Replacement and Upgrade	
GIS Technology Upgrade	
Data Center Services	

Technological advances present opportunities for the long-term improvement of Commission regulatory operations, and the ability to exchange information with customers. Business process improvements through the appropriate use of technology will streamline operations for the Commission and its regulatory constituencies. These technology advancements result in a marked improvement in the availability of and access to information and services for Commission staff, other state agencies, businesses, industry, and the public.

Technology initiatives are continually identified in support of Commission objectives and regulatory operations. While some initiatives support improving and expanding access and exchange of information with the Commission, others support upgrades that are necessary to sustain the Commission's technical infrastructure.

The following information technology plans support the initiatives listed above:

- Expand On-Line Services by developing web-based queries to allow the public to access valuable oil and gas data.
- Continue Personal Computer Leasing program for staff workstations, laptops, and Toughbooks.
- Purchase and upgrade software licenses for staff workstations, laptops and toughbooks.
- Replace and upgrade infrastructure technology through the purchase of end-user computing software, printers and network equipment.
- Upgrade the Geographic Information System (GIS) to a current technology and supported environment.
- Achieve Data Center Consolidation through transformation and consolidation of the Commission's data center operations into the State Data Centers.

DEGREE OF AGENCY AUTOMATION AND TELECOMMUNICATIONS

The Commission strives to maximize the ability of the public to access the agency electronically and to minimize paper transactions by developing enhancements that promote efficient regulatory programs and preserve and increase access to agency information. The Commission also relies on technology to conduct regulatory operations and to achieve its goals.

The Commission uses the statewide telecommunications network maintained by the Department of Information Resources (DIR) to deliver voice and Internet-based services. Wireless networks were installed in appropriate locations to facilitate the computing needs of Commission staff and customers. Additionally, the Commission uses mobile computing technology to provide information to Railroad Commission staff located in the field throughout the state.

Software is used to improve efficiency and reduce costs. Online meeting software is used to reduce travel and training costs and allow the Commission to reach a broader audience. Internally, help desk personnel use software to manage personal computers in the field from the central office. Use of this software reduces the need to travel to the field sites to make software changes and reduced the time to address IT problems at field offices.

INTERNAL AGENCY WEBSITE

Commission employees access the agency's internal website to conduct many job related functions. Information Technology Services develops and maintains various internal applications to support the activities of Commission divisions. The collection of information and tools available to employees includes the leave reporting system, organizational information, financial reports, policies and procedures, forms, manuals, and training information.

EXTERNAL AGENCY WEBSITE

Today, the Commission views the Internet as a primary method for conducting business with its customers. The Commission's website at www.rrc.state.tx.us provides valuable data used regularly by regulated industries, governmental agencies, and the public, with website usage increasing each year as shown in **Figure 5-2**. Through an agreement with TexasAdmin.com, live webcasts of Commission open meetings are available online and with archived versions available for up to six months following each meeting at no cost to the public or taxpayers.

Members of the regulated industries and the general public continue to request more information, data, and easier access, and the Commission places a high priority on

Information on the Web
Online Query Systems
Online Filing
Job Opportunities
Seminars, Meetings and Training
Mining Activities
Environmental Services
Data and Statistics
Forms, Maps and Publications
News Releases
Rules, Orders and Proposals for Decisions
Licenses and Permits

meeting these needs. Several applications were designed and developed to improve the usability and searchability of the agency’s website. These applications provide queries for access to valuable oil and gas data; provide online filing and electronic payment capabilities; and provide online access to electronic records. These applications are listed in Part II Organizational Aspects, Capital Asset Strengths, Weaknesses and Capital Improvement Needs.

Industry and the public can use the GIS Map Viewer to locate various categories of mapped oil and gas wells including natural gas wells, plugged wells, dry holes, injection and disposal wells, and permitted locations for new wells as well as pipelines on the Commission website. Online filing of Commission permit applications and required reports over the Internet and electronically through electronic data interchange (EDI) continues to increase. Operator applications for drilling permits, oil and gas well production reports, and injection well production reports can be submitted to the Commission over the web. Electronic filing for both drilling permit applications, and oil and gas production reports exceed 88 percent of the applications received and is expected to continue to increase.

The Commission is automating the collection of fees through the Internet. The fee collection infrastructure makes use of the Texas payment portal and was designed so that additional fees can be easily added.

The Commission will continue to update, test and refine the agency’s website in accordance with existing statutes, rules and guidelines. Additionally efforts will continue to make more services and data available through the agency’s website.

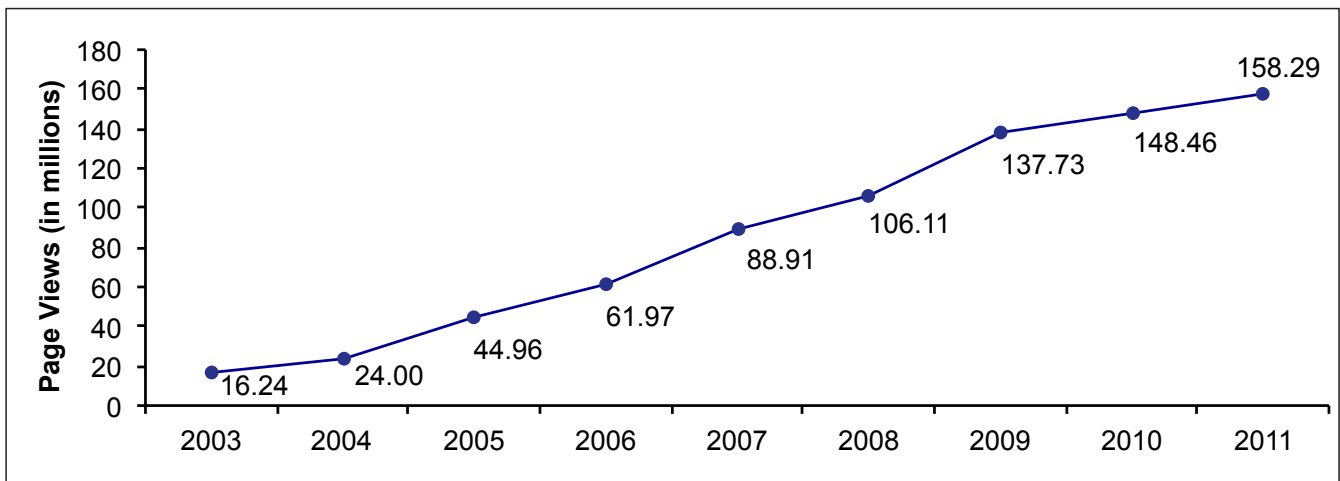


Figure 5-2 Railroad Commission Website Usage
Source RRC

ANTICIPATED NEED FOR AUTOMATION

The Commission uses automation to continue to improve regulatory operations and provide information to the public. Further automation at the Railroad Commission is needed to expand the following services:

- Upgrade the GIS technical environment,
- Expansion of On-Line Systems,
- Enhancement of mobile applications for Commission field staff,
- Continued Integration of GIS, Business Application and Document Imaging.

PART VI ECONOMIC VARIABLES

IDENTIFICATION OF KEY ECONOMIC VARIABLES

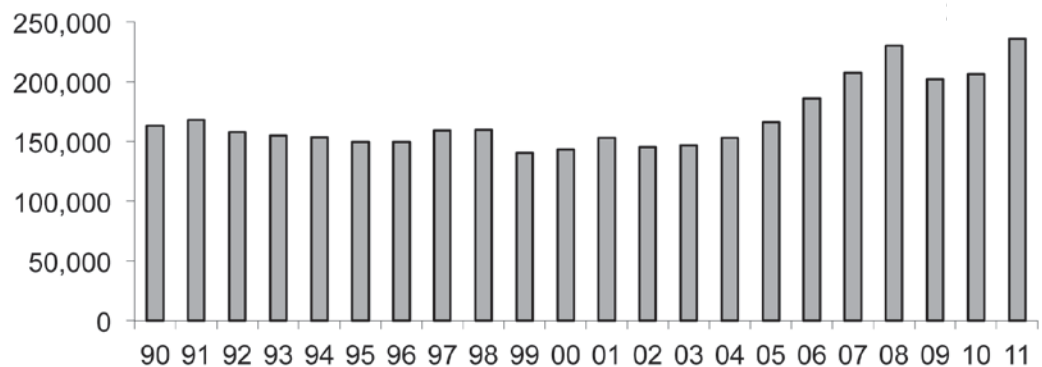
Since the discovery of the Spindletop Field in southeast Texas in 1901, the Texas economy and the oil and gas industry shared an intrinsic connection that lasted until a severe contraction in the industry during the 1980s. Dramatic increases in the price of oil propelled Texas into economic booms that countered trends in the national economy, so that by 1981, the oil and gas industry alone comprised more than one-fourth of the state’s gross state product. A crash in oil prices in 1986 led to greater diversity in the state economy. The rapid growth of service industries, and the decrease in Texas oil and gas production since then has diversified the state’s economy to more closely resemble the nation’s economy. However, oil and gas remains a vital contributor to Texas’ economic health.

The energy industries are basic commodity businesses and, as such, the laws of supply and demand drive their performance. The key economic variables that affect the Railroad Commission’s service populations and the resulting impact on the agency are all energy related. The cost, availability, and consumption level of energy are the leading factors that determine the direction of the energy industries. From mid-1999 to mid-2001, as oil and natural gas prices climbed, the industry added 18,000 jobs (up 13.1 percent), only to lose the majority of these (down 12,800) by January 2003. However, beginning in March 2003, a period of sustained rising energy prices began that again buoyed employment in the oil and gas producing sector, as total mining and oil and gas industry jobs peaked in October 2008 at 238,100 jobs. Since that peak, jobs in the natural resources and mining industry contracted 20 percent to 190,400 jobs in October 2009, as the Texas economy felt the effects of the national recession. By 2010, the Texas economy again exhibited growth, aided in no small measure from a strengthening oil and gas sector which drove increases in rig counts and employment to an annualized total of 236,000 jobs for 2011, as shown in **Figure 6-1**.

Figure 6-1 Texas Mining and Logging Employment

Source: Texas Workforce Commission

In Texas this category of jobs is predominantly employment related to oil and gas.

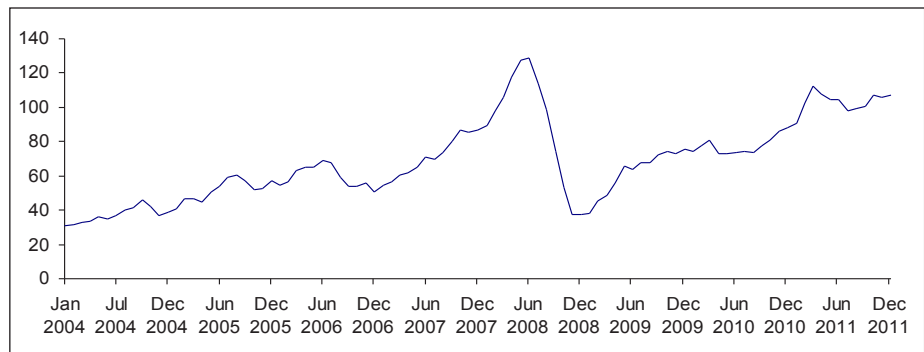


Changes with Texas energy-related industries are not only affected by the state's economic variables, but also by national and world economic conditions. The oil industry operates in a global market, and its economic variables are driven by global supply and demand for oil. In recent years, the prospect of oil supply peaking due to tight product inventories and speculative investment in energy commodities markets raised the Texas average wellhead oil price to an all time high \$131.33 per barrel by June 2008, with the average taxable price for the year above \$98. However, developments within the Permian Basin, the oil and condensate rich Eagle Ford Shale Field and ongoing development of other shale gas fields in Texas has led to slight increases in the state's overall oil and condensate production. The unexpected abundance of natural gas combined with a relatively mild winter has led to low natural gas price. Product inventories are now being reevaluated within the state.

Figure 6-2 U.S. Crude Oil Composite Acquisition Cost by Refiners (Dollars per Barrel)

Source: U.S. Department of Energy

The national recession however, exerted a substantial effect on the energy-producing sector by the fall of 2008, and the Texas wellhead oil price, which peaked in June 2008, fell 75 percent to a monthly average of \$32.41 by February 2009. Since that dramatic decline, illustrated in **Figure 6-2**, world energy markets



have recovered steadily with moderated oil price increases allowing the monthly average Texas wellhead price to increase to \$95.72 by November 2011.

Natural gas prices historically moved in direct relation to world oil prices, however, in the past decade there has been a distinct change in that relationship. While Texas oil prices are directly affected by world oil prices, Texas natural gas prices are affected by patterns in North American supply and demand, as reflected in the natural gas commodity futures market. In fiscal 2008, Texas average taxable natural gas prices peaked at 7.35 per Mcf, but fell in ensuing years and are estimated to be \$3.93 per Mcf in FY 2012, as shown in **Figure 6-3**. Texas natural gas tax receipts are expected to total \$1.48 billion in 2012–13—down 63 percent from the approximate \$4 billion collected in 2008–09.

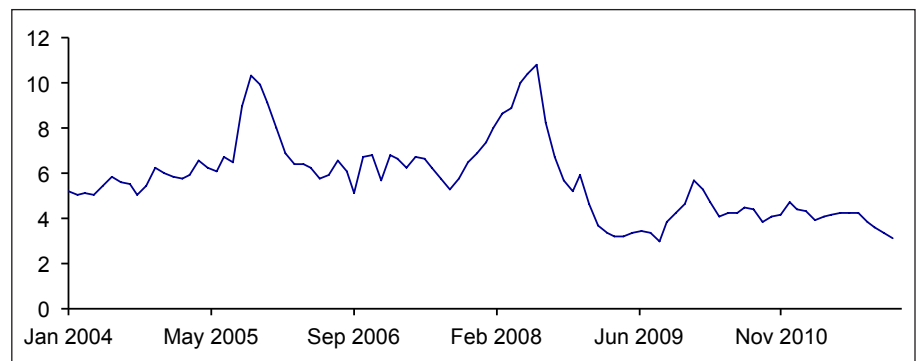


Figure 6-3 U.S. Natural Gas Wellhead Price (Dollars per Thousand Cubic Feet)

Projected: January 2011 to January 2012

Source: U.S. Department of Energy

Another important economic variable for the energy industry in Texas is the revenue from oil and gas severance taxes. As the tax is levied as a percentage of price, there is

a direct correlation to increased oil production tax revenues, regardless of ongoing production declines. In 2012 the oil production severance tax transfer is estimated to total approximately \$954 million.

Finally, Texas coal (lignite) production competes directly with coal delivered by rail from the Powder River Basin of Wyoming. A major portion of the cost of imported coal is the transportation component. Almost all of the consumption of Texas coal (99.6 percent) is for electric power generation, with the generation plants located in areas of the state where coal is mined.

EFFECT OF ECONOMIC CONDITIONS ON SERVICE POPULATIONS

Figure 6-4 Texas Active Rig Count March 2003 to May 2010

Source: Baker-Hughes

Oil and gas remains four to five times as important in the state's economic mix compared to the national economy, and the industry accounted for 15.5 percent of Texas gross state product in 2011. Recent increases in the price of oil has a much smaller negative effect in Texas than in the nation as a whole. The oil and gas industry

helps to support the Texas economy when higher oil and gas prices decrease economic activity in energy-consuming sectors.

Two frequently used barometers of oil and gas exploration activity are the number of rotary drilling rigs and the number of completed producing wells.

Since falling to a monthly average of 329 rigs in operation statewide in June 2009, the statewide rotary rig count increased steadily to a monthly average of 897 rigs by September of 2011, illustrated in **Figure 6-4**. This represented an increase of 170 percent, with approximately 63 percent of rigs drilling for crude oil and 36 percent of activity associated with natural gas exploration and development. Following rig activity, completions of new producing natural gas wells totaled a record 10,361 wells in 2008, fell by 16 percent to 8,706 producing wells in 2009, and then increased to 8,133 wells in 2010 before declining again to 7,756 producing wells

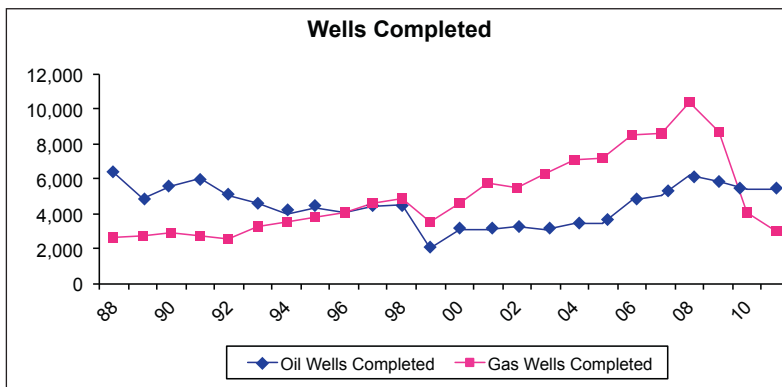
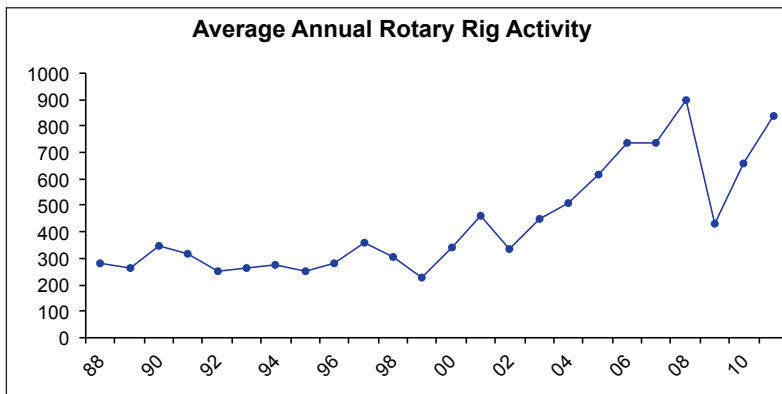


Figure 6-5 Well Completed

Source: RRC and CPA

in 2011, as shown in **Figure 6-5**. In the summer of 2008 crude oil prices increased to a monthly average peak of \$133.88 per barrel for West Texas Intermediate (WTI) in the spot market in June and \$133.48 for the WTI futures contract in July. As the

effects of the recession deepened in 2008 however, energy demand lost momentum and both WTI spot and futures prices fell to a monthly average level of just below \$40 per barrel. Since that low point, oil prices have again regained an upward trend with WTI spot and futures prices trading at a monthly average of just below \$100 per barrel in December of 2011.

Natural gas prices also exhibit a similar trend, with both wellhead and futures prices peaking in the summer of 2008 during the month of June. The monthly average NYMEX natural gas futures price in June 2008 was \$12.78 per Mcf, which fell to levels below \$4.00 per Mcf in trading during the summer of 2009 based on moderate demand and high levels of gas in storage. Since that time, and based on increased production from shale formations, prices have trended lower and natural gas futures traded at an average monthly price of \$3.25 in December 2011.

IMPACT OF EXPECTED FUTURE ECONOMIC CONDITIONS

With energy prices reaching their most recent peak in 2008, it is not surprising that since the 2008-09 biennium, severance tax collections were revised downward by an estimated \$2.1 million (31.8 percent), largely as a result of continued moderating oil and gas prices. Oil and gas tax rates are set as a percent of the market value of the commodity produced in the state, as detailed in **Table 6-1**, while **Figure 6-6** shows the historic collection of these taxes.

Table 6-1 Basis for Oil and Gas Tax Rates	
General Revenue Tax	Rate and Base
Natural Gas	7.5 percent of the market value of gas produced in the state.
	4.6 percent of the market value of condensate produced in the state.
Oil Production	4.6 percent of the market value of oil produced in the state.
Oil Regulatory	3/16 of 1 cent on each barrel produced in the state.

In the 2012–13 biennium, oil production and regulation taxes are expected to generate \$2.52 billion, and natural gas production taxes are estimated to be \$2.29 billion.

Despite recent recessionary economic conditions, the fundamentals underlying energy markets have supported recent growth in oil prices, and natural gas prices have also been stable in the fourth quarter of 2011 and early first quarter of 2012. Current projections indicate a continuing trend toward increasing energy demand in the United States and in Texas. In considering the state's demand sectors, it is also significant to note that Section 39.9044 of the Texas Utilities Code states the intent

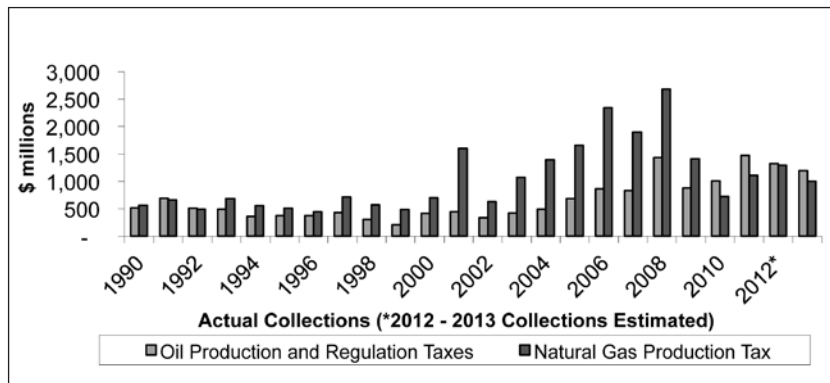


Figure 6-6 Oil and Natural Gas Severance Tax Collections

* Biennial Revenue Estimate
Source: Comptroller of Public Accounts

of the Legislature that at least 50 percent of new generating capacity installed in Texas use natural gas as its primary fuel. Given that since January 1, 2000, 100 percent of the new non-renewable generating capacity added in Texas has been gas-fired, generation-driven demand should stimulate the Texas oil and gas exploration industry and related service industries.

Over the last decade, technology improvements helped Texas operators reduce their exploration costs for new reserves, drill more commercially successful wells, improve operating efficiencies, and increase the ultimate percentage of oil and gas recovered from reserves. Continuing technological advancements in the field will also continue to strengthen the Texas energy industry. Table 6-2 illustrates changes to oil and gas production levels since 1993.

Table 6-2 - Oil and Natural Gas Production

Calendar Year	RRC Total Oil Production (Million Bbl)	Percent Change in Texas Oil Production	Total Natural Gas Production (Trillion CF)	Percent Change in Texas Gas Production
1992	613	(5.27)	5.44	(1.34)
1993	578	(5.71)	5.65	3.86
1994	543	(6.06)	5.71	1.06
1995	515	(5.16)	5.71	0.0
1996	500	(2.91)	5.88	2.98
1997	491	(1.80)	5.86	(0.34)
1998	459	(6.52)	5.83	(0.51)
1999	409	(10.89)	5.61	(3.77)
2000	401	(1.96)	5.76	2.67
2001	381	(4.99)	5.83	1.22
2002	366	(3.94)	5.73	(1.72)
2003	359	(1.91)	5.82	1.57
2004	351	(2.23)	6.04	3.78
2005	349	(0.57)	6.05	0.17
2006	347	(0.57)	6.38	5.45
2007	343	(1.15)	6.97	9.25
2008	353	2.92	7.82	12.20
2009	350	(0.85)	7.69	(1.66)
2010	368	5.14	7.55	(1.82)
2011	396	7.61	7.09	(6.09)

Table 6-2 Oil and Natural Gas Production

Source: RRC and CPA
* Data is still pending as operators continue to file and amend reports for 2009.

All of these factors point to economic conditions providing a favorable energy development scenario for the state's energy industries. Favorable conditions for the energy industries in turn are expected to result in increased workload for the Railroad Commission to address stepped-up exploration and development programs by the oil and gas industry. The increased workload in oil and gas also creates additional workload in all the Commission's other energy related regulatory and administrative functions through the pipeline, gas utility, surface mining, and LP-gas industries.

If, however, these projections are incorrect, and energy production and consumption in Texas decline, the workload of the Commission is still likely to increase. As the energy industry matures in the state and equipment ages, the economics of producing individual wells declines. As a result, the Commission may have greater responsibility in regulating environmental aspects of the oil and gas industry as well as more projects plugging and cleaning up abandoned well sites. If the industry is in a downturn, environmental responsibilities may increase as more abandoned wells and sites fall to the Commission to manage. In downturns, more disputes also develop, which will require more Commission resources for resolution and mediation. Since basic facility maintenance generally is delayed during economic downturns, the Commission is required to perform increased safety oversight of regulated operations.

Ultimately, changes in economic conditions will affect how the Commission's resources are allocated, but neither an upturn nor a downturn in the state's energy industries will diminish the regulatory role of the Railroad Commission.

AGENCY RESPONSE TO CHANGING CONDITIONS

The potential scenarios facing the energy industry illustrate a basic shift in the Railroad Commission's response to the changing economic climate of Texas' energy industry. Where once the focus was on regulating production to conserve energy resources and protect correlative rights, the emphasis has now progressed into a series of coordinated strategies designed to encourage the most complete development of energy resources for the benefit of the Texas economy, while advancing public safety and protecting the environment.

The Commission is recognized nationally and internationally for its leadership role in ensuring that the oil and gas industry meet high standards for environmental and safety compliance. The Commission's proactive stewardship of Texas resources and balanced support for the industry will provide a blueprint for the agency's future direction and resource allocation.

PART VII

IMPACT OF FEDERAL STATUTES/REGULATIONS

ENVIRONMENTAL PROTECTION AGENCY (EPA)

In 1980, Congress specifically exempted most oil and gas wastes from regulation as hazardous wastes under Subtitle C of the Resource Conservation and Recovery Act (RCRA) pending further study by the Environmental Protection Agency (EPA). On July 6, 1988, after conducting the required study, the EPA published a regulatory determination on this issue. The EPA concluded that regulation of exempt oil and gas wastes as hazardous wastes is unnecessary and that oil and gas wastes pose no significant threat to public health or to the environment when managed in accordance with existing federal and state programs. The EPA also concluded that existing programs are adequate to regulate oil and gas wastes. However, the EPA recognized gaps in some state programs. Texas, along with other oil and gas producing states, worked with the EPA to develop guidelines for state oil and gas environmental regulations, and along with stakeholder groups, evaluated each state's hazardous waste program based on the oil and gas waste guidelines.

The Texas Legislature gave the Commission authority to establish a program to regulate the management of hazardous wastes generated at oil and gas exploration and production sites. The Commission adopted regulations (Statewide Rule 98, Standards for Management of Hazardous Oil and Gas Wastes) in 1996. The Commission's hazardous waste program coordinates with and complements the hazardous waste program of the Texas Commission on Environmental Quality (TCEQ).

Through the U. S. Environmental Protection Agency (EPA) Small Business Liability Relief and Brownsfield Revitalization Act of 2002, grant funding became available under the Brownfields Subtitle C State and Tribal Response Program. The Commission received a Subtitle C grant in 2003 and established the Brownfields Response Program (BRP). The BRP does not require matching funds from the state. The BRP encourages redevelopment of abandoned oil and gas facilities in areas destined for redevelopment by local governments, school systems and other non-profit organizations.

The Commission received \$1.6 million through FY 2012 from the EPA in support of the Brownfields Response Program (BRP). BRP activities include building and maintaining an inventory of potential Brownfields sites; cleanup and assessment of targeted Brownfields sites; Brownfields technical assistance to local governments and non-profits; and public outreach to increase awareness of funding available to non-responsible parties who want to participate in the Voluntary Cleanup Program. The overall effect of this grant is that the Commission realizes more voluntary and third party cleanups, which reduces dependence on the Oil and Gas Regulation and Cleanup Fund to address abandoned sites.

The Railroad Commission also receives funding from EPA to ensure clean drinking water. In 1982, the Commission obtained primacy for the Underground Injection Control (UIC) program under the federal Safe Drinking Water Act (SWDA) for Class II wells associated with oil and gas activity. The Commission runs this program for over 50,000 permitted injection wells, with oversight and partial funding from the EPA. Unfortunately, federal funding for the Underground Injection Control (UIC) program is inadequate. The federal UIC funding was developed on the basis of a 75 percent federal share and a 25 percent state share. In actuality, the state share is closer to 65 percent due to the federal funds allocation and federal budget reductions. Inadequate federal funding requires the Commission to reallocate its appropriations to continue established and successful programs in the agency's Oil and Gas Division.

In March 2004, the Commission received approval from the EPA for primacy of the UIC program for Class III brine mining wells, and re-permitted approximately 80 brine-mining wells.

Currently, both a state permit from the Commission and a federal National Pollutant Discharge Elimination System (NPDES) permit from the EPA under the Clean Water Act (CWA) are necessary to discharge oil and gas wastes to surface waters in Texas.

The Commission received EPA grant funds to digitize all of the Commission's disposal well permits, which date back to the 1970s. The EPA has also provided funds to digitize the Commission's injection well permits and mechanical integrity well test reports for both disposal and injection wells, which date back to the 1980s. The electronic records will enhance management of permitted injection sites throughout Texas.

The Commission also recently received EPA funds to purchase field equipment for Oil and Gas Division inspectors that will enhance the efficiency of field inspections.

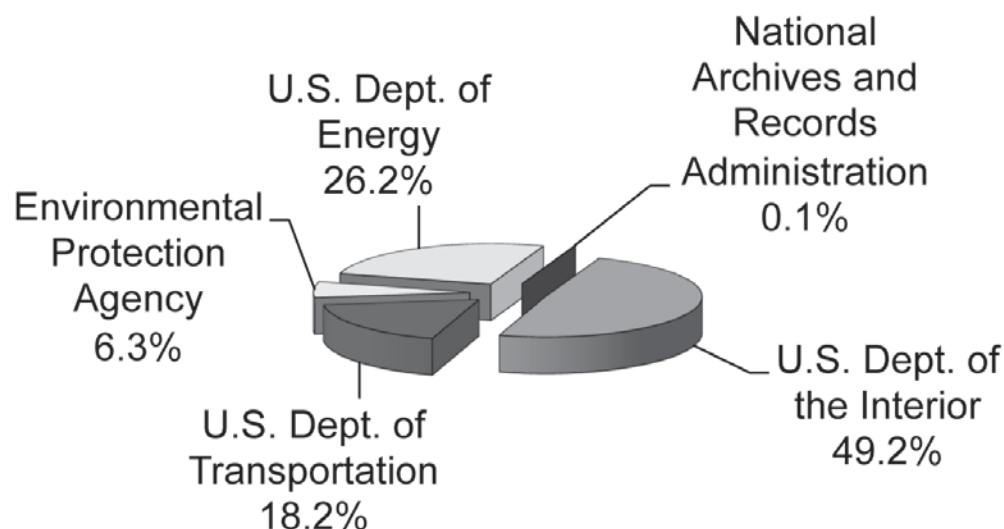


Figure 7-1 Federal Funding, State Fiscal Year 2011
 Source: RRC 2011 Annual Financial Report

DEPARTMENT OF TRANSPORTATION, PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION (PHMSA)

The federal Pipeline Safety Act requires all pipelines (both interstate and intrastate) to adhere to certain safety requirements. The Commission serves as the certified agent, under federal law, to inspect intrastate pipelines—pipelines that begin and end in the state. The federal government, through the Department of Transportation’s Pipeline and Hazardous Materials Safety Administration (PHMSA), provides funding to states to help support these safety requirements. The Commission’s receipt of these funds is based on a grading of its pipeline safety program.

The federal pipeline program reimburses the state for up to 50 percent of program costs, limited by the total amount of federal funds available. Continuation of this federal program is essential to maintaining the integrity of the Commission’s pipeline safety program.

The Commission’s adoption of regulations for the enforcement of underground pipeline damage prevention created additional opportunities for federal funding support. The Commission promotes the prevention of underground pipeline damages by participating in the national Dig Safely program. While limited funding is available to support damage prevention initiatives within the State of Texas, the Commission has applied and received funding under both the One Call Damage Prevention Grant program and the State Damage Prevention Program (SDPP). The Commission uses the funding to support damage prevention public education efforts, data collection efforts, and the Commission’s damage prevention enforcement program.

DEPARTMENT OF THE INTERIOR, OFFICE OF SURFACE MINING RECLAMATION & ENFORCEMENT (OSMRE)

The federal Surface Mining Control and Reclamation Act of 1977 (SMCRA) established a nationwide program to regulate surface coal mining and the effects of underground mining on surface lands. This law provides that the Department of Interior, Office of Surface Mining Reclamation and Enforcement (OSMRE) coordinate the regulation of the coal mining industry with states. The federal program allows states to assume primary regulatory jurisdiction of the coal mining industry in their state if they establish regulatory programs no less effective than the federal program. The program provides states with a 50 percent federal match to maintaining a state regulatory program. As an added incentive to assume state primacy, states are also provided with 100 percent federal grant funds to establish an abandoned mine land reclamation program. This program provides funds to reclaim pre-law abandoned coal mines and eligible abandoned non-coal mines that present public health and safety problems.

In 1979, the 66th Legislature amended Texas Surface Coal Mining and Reclamation Act (enacted in 1975) to allow the Railroad Commission to assume primacy under SMCRA to regulate the Texas coal mining industry. In 1980, Texas became the first state in the nation to have its coal mining regulatory program approved by the Department of the Interior. Both the state coal mining regulatory program and the abandoned mine land reclamation program are subject to annual federal oversight reviews. The federal tax on mined coal used to fund the national abandoned mine program was extended by Congress in December 2006, to continue until September 2021, however a budget proposal for federal fiscal year 2013 seeks to eliminate abandoned mine land funding for states, such as Texas, that certified completion of reclamation of the available pre-1977 abandoned coal mine sites.

DESCRIPTION OF CURRENT FEDERAL ACTIVITIES

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 stormwater discharges and hydraulic fracturing techniques; expanded studies of oil and gas wastes in the states; and possible regulation of well "gathering lines." The EPA 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 the Barnett Shale natural gas play—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 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 UIC regulations, unless diesel fuel is injected or used as the propping agent. EPA currently is developing UIC Class II permitting guidance for hydraulic fracturing



Figure 7-2 Reclaimed Abandoned Uranium Mine—Live Oak County



**Figure 7-3 Clean Energy
Propane-powered School Bus**

activities that use diesel fuel in hydraulic fracturing fluids. Much depends upon how EPA defines “diesel fuel.” Although it is difficult to determine at this time the magnitude of the impact on the RRC’s regulatory program for hydraulic fracturing under the Safe Drinking Water Act, it could be significant.

In addition, EPA is currently studying hydraulic fracturing to determine whether this tight shale gas stimulation technology potentially could pollute ground and surface water supplies. In addition, the EPA recently proposed rules that would require industry to track methane and carbon dioxide emissions from on-

shore and offshore oil and gas production facilities as well as processing and transmission facilities, data collection began in January 2011 and the EPA anticipates it will issue reports of the findings in 2012.

In 2010, the Natural Resources Defense Council (NRDC) petitioned the EPA to begin rulemaking to that would address and reconsider the 1988 regulatory determination about oil and gas wastes, citing among other issues inadequate state regulatory programs. The EPA has not yet responded to this petition. On August 4, 2011, Earthjustice and several other environmental nonprofit groups petitioned the EPA to promulgate rules under the Toxic Substances Control Act regarding chemical substances and mixtures used in oil and gas exploration or production. By letter dated November 23, 2011, EPA responded by partially denying and partially granting aspects of the petition, asserting that there is value in initiating a proposed rulemaking to obtain data on chemical substances and mixtures used in hydraulic fracturing, but to date EPA has proposed no such rulemaking.

On July 6, 2011, the EPA announced the release of the final Cross-State Pollution Air Rule (formerly referred to as the Clean Air Transport Rule or CATR). This rule is intended to regulate coal fired power plant emissions that may affect downwind areas in other states. In the final rule, Texas is included as a state where new limitations on SO₂ and NO_x emissions will be applicable. On December 30, 2011 the United States Court of Appeals for the D.C. Circuit issued its ruling to stay the Cross-State Air Pollution Rule pending judicial review. The EPA filed its brief on the merits of the legal challenges to the rule in March 2012. Should the rule be implemented, the rule will require a 47 percent reduction in SO₂ emissions and about 8 percent in NO_x from all coal fired power plants in Texas. This could result in the retirement or temporary closure of a fair number of 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 in 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 are complete-approximately 10 years after closure.

On April 17, 2012, the EPA Administrator signed national air pollution regulations for hydraulic fracturing. 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.

The U.S. Department of Energy granted \$450 million in funding from the Department's Clean Coal Power Initiative to the Texas Clean Energy Project (TCEP), which will be the cleanest coal-fueled power plant in the world. TCEP will be an integrated gasification combined cycle electric generating facility that will also capture and storage high-value carbon dioxide. Of the nearly 2.9 million metric tons of carbon dioxide to be captured annually at the Texas plant, 83 percent will be used in the West Texas Permian Basin for enhanced oil recovery—a technique where carbon dioxide is pumped into a known reservoir where it expands and forces the oil out of the well. This additional domestic oil production will increase the United States' energy security. The facility is expected to be complete in 2015.

ANTICIPATED IMPACT ON SERVICE POPULATIONS AND AGENCY OPERATIONS OF FUTURE FEDERAL ACTIONS

The Commission continues to seek out and apply for funding from outside sources. The Commission anticipates that FY 2013 will bring changes to federal funding for some its programs, with the potential for new funding opportunities in many of the Commission's divisions. The Commission faces challenges as federal funding levels shift, and are sometimes inadequate to meet cost-sharing commitments. Specifically funding for the Abandoned Mine Lands program may change dramatically, or be eliminated as the FY 2013 budget proposals seek to reduce or eliminate AML funding for all certified states, including Texas. Also proposed is a 15 percent reduction for the coal regulatory federal grant program.

In FY 2012, the Department of the Interior announced a merger of the Office of Surface Mining Reclamation and Enforcement (OSM) with the Bureau of Land Management (BLM). Although details on how this merger will occur are still forthcoming, it is likely that this merger will affect the state programs over which OSM has oversight authority. At present, OSM regulates or has oversight for regulation over the environmental impacts from mining coal while BLM is charged with overseeing revenue generating coal mining on federal lands.



Figure 7-4 Offshore Rig in the Gulf of Mexico

The Office of Surface Mining Reclamation and Enforcement draft proposal for a new Stream Protection Rule could effect on the Railroad Commission as well as the state's coal mining industry. The proposed rule is being developed to reduce the environmental impacts of coal mining in Appalachia, but provisions of the proposed rule could affect mining in all states. Concepts under consideration for inclusion in the rule include: provisions for coal mining companies that elect to mine through or bury streams to gather more specific baseline data on a proposed mine site's hydrology, geology, and aquatic biology; establishing a definition of the term "material damage to the hydrologic balance" of watersheds outside the permit area; and developing more effective requirements for mine operators seeking a variance from the requirement that mined areas be reclaimed to their approximate original contour.

The recent federal pipeline safety legislation, the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (H.R. 2845), will make greater use of studies and evaluations rather than mandates to achieve enhancements on pipeline safety. The legislation will also increase civil penalties, require mapping of Class 1 and 2 high consequence areas (HCAs), implement cost recoveries for design reviews, and expand coverage of pipeline safety regulations to non-petroleum hazardous liquids (biofuels) and safety standards for gaseous carbon dioxide pipelines. Items to be studied in the first two years after passage include:

- Ability of transmission pipeline operators to respond to hazardous liquid or gas releases in high consequence areas;
- Emergency responder awareness of the existence and use of the National Pipeline Mapping System;
- Report on leak detection systems on hazardous liquid pipelines and transportation-related flow lines;
- Verification of MAOP (maximum allowable operating pressure) records for gas transmission pipelines in Class 3 and 4 locations and Class 1 and 2 high consequence areas (HCAs);
- Pipeline inspection and enforcement personnel needs;
- Elimination of exemptions in State one-call systems;
- Evaluation of expanding integrity management systems beyond HCAs and elimination/modification of class location requirements;
- Report and recommendations on sufficiency of existing Federal and State laws and regulations covering gas and hazardous liquid gathering lines; and
- Regulations on testing to reconfirm material strength on transmission pipelines operating at greater than 30 percent SMYS (specified minimum yield strength) in HCAs.

The Railroad Commission will continue to monitor implementation of this legislation, and participate in the comment process as rules are developed.

The Commission has an indirect cost agreement with the U.S. Department of the Interior. The agreement set an indirect cost recovery of 34.13 percent for state fiscal year 2010. Negotiations are in progress to set a new rate. Matching rates for the Commission's major grants are detailed in **Figure 7-5**.

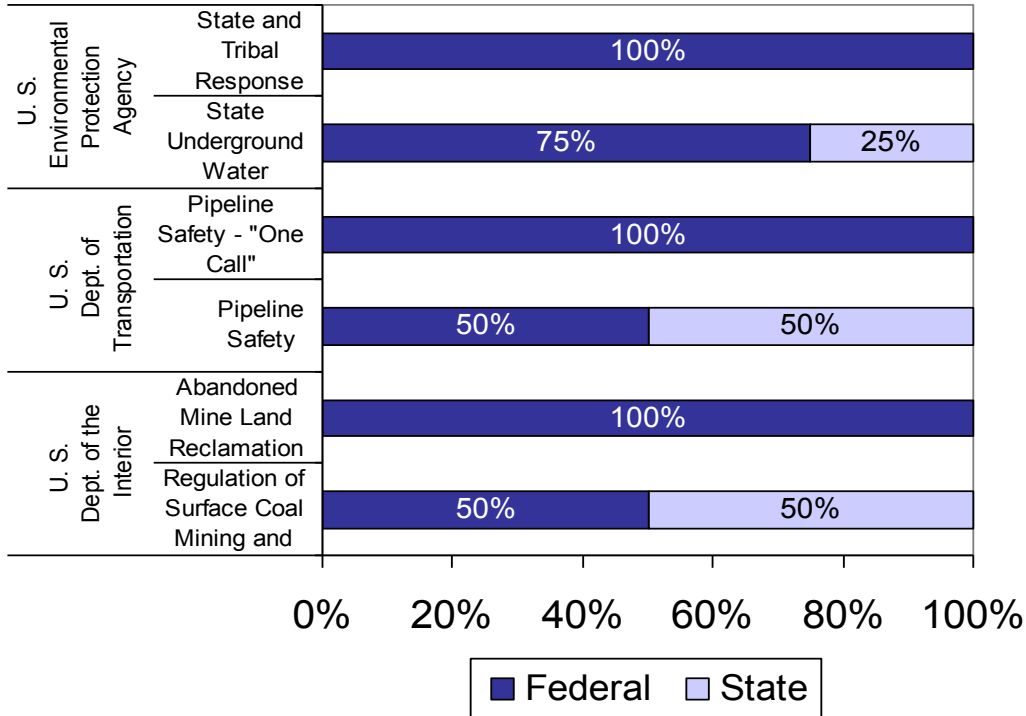


Figure 7-5 Match Rates
Source: RRC

Programs and Functions with Statutory Changes
Oil and Gas Regulation
Pipeline Safety Regulation
LP-Gas Safety Program
Gas Utilities Regulation
Surface Mining Regulation
General Provisions
Appropriations

PART VIII

OTHER LEGAL ISSUES

RECENT STATE STATUTORY CHANGES

The Legislature enacted several statutory changes during the 82nd Legislative Session (2011), which affect the Commission's regulatory programs and functions.

Oil and Gas Regulation

HB 2067 provides that the Commission must accept evaluations of oil and gas resources by Professional Engineers that are licensed in a state that does not prohibit similar activities in that state by a Texas P.E.

HB 2694 moves the surface casing section of TCEQ to the Railroad Commission. The Railroad Commission is required to adopt rules relating to surface casing letters for wells to be drilled, wells to be plugged, and for the underground injection control program, including geologic storage of anthropogenic carbon dioxide. (9 FTEs transferred and \$784,740.00 per year).

HB 3134 provides that before the Railroad Commission declines to renew an operator's organization report (P-5) regarding the plugging of an inactive well as mandated by Texas Natural Resources Code (TNRC) §89.022(c), a Commission designee must determine whether the operator has failed to comply with requirements related to inactive wells in Subchapter B-1 of TNRC, Chapter 89. If the designee determines that the P-5 does not qualify for renewal on that basis, then the designee must: notify the operator of the determination; provide the operator with a written statement of the reasons the P-5 does not qualify for renewal; and notify the operator that they have 90 days to comply with the requirements. If after the expiration of the 90 day period the designee determines that the operator remains ineligible for renewal, the bill provides the operator with a 30-day period to request a hearing on the determination, but requires that the operator pay the associated costs. The bill specifically provides that the operator's organization report remains in effect until the Railroad Commission order reviewing the compliance determination becomes final. (6 FTEs were included and \$354,799 was appropriated for each year).

HB 3328 requires the Railroad Commission to adopt rules relating to public disclosure of hydraulic fracturing chemicals, withholding and declaring trade secret status concerning hydraulic fracturing chemicals, and dissemination of information in the event of an emergency.

SB 1 [1st Called Session] Article 17 of this act creates a general revenue dedicated Oil and Gas Regulation and Cleanup fund to be funded by surcharges on existing industry fees. The fund can be used for purposes related to the regulation of oil and gas development, including oil and gas monitoring and inspections, oil and gas remediation, and oil and gas well plugging, public information, and administration. The Railroad Commission is to levy the surcharges in amounts sufficient to enable the Commission to recover the costs of performing their functions. Art. 17 also would allow for the use of pipeline safety fees for gas utility regulation.

Pipeline Safety Regulation

SB1217 amends Utilities Code 251.155, changes the definition of an emergency as it relates to an excavator's duty to notify a notification center before excavating and creates civil and criminal penalties for the false claiming of an emergency.

HB 2572 clarifies existing statutory provisions governing a gas corporation's use of public right-of-way for a pipeline and adds conditions to that right. The bill makes the right subject to a pipeline's compliance with all safety regulations adopted by the Commission; all federal regulations relating to pipeline facilities; all rules adopted by the Texas Department of Transportation or the Railroad Commission of Texas; and all federal regulations regarding the accommodation of utility facilities on a right-of-way, including regulations relating to the horizontal or vertical placement of the pipeline. There will be no rule change required for the implementation of this bill; however, it may add pipelines under the Commission's regulatory authority; in some instances, if a gas corporation locates a pipeline under a public right-of-way, it may be much more difficult to inspect for compliance with pipeline safety regulations.

LP-Gas Safety Program

HB 2663 provides that the Railroad Commission's LP-gas rules preempt and supersede any ordinance, order, or rule adopted by a political subdivision of this state relating to any aspect or phase of the liquefied petroleum gas industry. However, a political subdivision may petition the executive director for permission to promulgate more restrictive rules and standards only if the political subdivision can prove that they enhance public safety.

Gas Utilities Regulation

SB 403 specifies a means by which a gas utility may, at its option, accrue in reserve accounts changes in pension and other post-employment benefit costs. If a gas utility opts to establish such reserve accounts on or after January 1, 2012, the bill provides the general process to be followed by the Railroad Commission to adjust the utility's rate base to recognize such changes in pension and post-employment benefit costs.

Surface Mining Regulation

SB 1295 amends the Texas Surface Mining and Reclamation Act by including a definition for previously mined land; prohibits the Railroad Commission from denying a coal mining permit application from a permittee that received a violation for a coal mine operation that is on previously mined land if the violation resulted from an event or condition that was not contemplated in the permit. Establishes extended responsibility period for reclamation of land that was previously mined.

SB 1478 sets deadlines for review of surface mining permits, renewals and extensions and requires written notice to the applicant of various events in the review process.

General Provisions

HB 1147 requires a governmental entity to provide a notice, in a form specified by the bill, on certain geospatial data products created or hosted by the governmental entity that were not produced by or under the supervision of a professional land surveyor.

SB 652 subjects the Railroad Commission to Sunset Review again in 2013.

Appropriations

Appropriations Bill (Select Provisions) appropriates, via rider, additional General Revenue of \$10 M for oil and gas strategies. New GR dedicated Oil and Gas Regulatory and Cleanup Fund created. Fund balance of the old Oil and Gas Regulation and Cleanup Fund transferred to the new fund as of 08/31/11. Surcharge revenue on Oil and Gas permits will replace current Railroad Commission appropriation of GR for Oil and Gas activities. Expands the pipeline safety fee to include gas utility regulation. Appropriates \$466,000 in the Gas Utility Compliance strategy. AFRED marketing and rebate program funding reduced by 50 percent.

SB 2 [1st Called Session] reduces appropriations out of the General Revenue Fund by \$16,766,209 in FY2012 and by \$16,716,472 in FY2013, and, replaces these with equal appropriations out of the Oil and Gas Regulation and Cleanup (OGRC) fund.

The bill also allows for the use of pipeline safety fees for gas utility regulatory functions and appropriates to the Railroad Commission in each fiscal year of the 2012-2013 biennium an amount not to exceed \$466,000 in the gas utility compliance strategy. The bill makes the appropriation contingent on the Railroad Commission increasing Pipeline Safety Fees.

IMPACT OF CURRENT AND OUTSTANDING COURT CASES

The following current and outstanding court cases could impact the Commission's regulatory programs.

Texas Coast Utilities Coalition v. Railroad Commission of Texas

Cause No. 12-0102, pending in the Supreme Court of Texas. This is an appeal of the Commission's Order in the CenterPoint Energy Entex (CenterPoint) rate case for the unincorporated areas of the Texas Coast Division, GUD No. 9791. The hearing on the merits was held on December 10, 2009, and on December 18, 2009, the District Court issued a letter indicating that it would reverse the Commission's Order approving a Cost of Service Adjustment tariff (COSA) because it exceeds the Commission's statutory authority. A Final Judgment was issued on January 21, 2010. On October 27, 2011, the Third Court of Appeals affirmed the Commission, reversed the trial court, and remanded the case. After the Third Court denied all Motions for Rehearing, Texas Coast Utilities Coalition and the State Agencies filed Petitions for Review with the Supreme Court on February 3, 2012.

On April 6, 2012, the Court asked for Responses to the Petitions for Review to be filed. On June 8, 2012, the Court asked for briefing on the merits. Petitioners' briefs are due on July 9, 2012. Respondents' briefs, including the one for the for the Commission, are due on July 30, 2012. Petitioners' Reply briefs are due August 14, 2012.

PART IX

SELF-EVALUATION AND OPPORTUNITIES FOR IMPROVEMENT

HOW EFFECTIVELY AND EFFICIENTLY HAS THE AGENCY MET ITS REQUIREMENTS

General Operations

The Commission's outcome and output measures offer the opportunity to evaluate the Commission's effectiveness and efficiency in achieving its goals. The Commission's annual Internal Audit Plan identifies major areas within the Commission that are subject to audit each year. The Commission's receives regular assessments of its performance from various external oversight committees that have jurisdiction over Commission activities. In addition, the Commission will undergo review and evaluation by the Sunset Commission during the 83rd Legislature (2013).

Energy Resources

A Commission goal is to promote the development of the state's energy resources without creating unnecessary barriers to the orderly and efficient development of these resources. Development of the state's energy resources is dependent on the energy industry's general economic condition and Texas' energy industry is unique and should not be compared to other energy producing states.

Texas continues to lead the nation in oil production, natural gas production, propane production, natural gas consumption, coal consumption, and propane consumption. The state also maintains its position as the fifth largest coal producer, while Texas leads the nation in construction of gas-fired electric generation.

Pipeline Safety Programs

Public safety is a top priority for the Commission. In 2011, the Commission completed 3,101 pipeline inspections, and continued to use a risk-based pipeline inspection priority system. The safety evaluations are conducted on a one, two, or three-year interval based on a public safety risk and operating history of a pipeline system.

The Commission adopted the nation's first overall integrity management plan for pipelines in 2001, years ahead of the federal government, which used the Commission's rules as a template to develop their own integrity management plan. As part of its plan, the Commission adopted risk based survey rules complemented by

leak grading and leak repair rules. This is an important enhancement in assuring the safer operation of pipeline facilities in Texas.

In September 2007 the Commission became responsible for the enforcement of underground damage prevention regulations for pipelines. The Commission adopted rules and an enforcement program in a statewide effort to reduce the number of damages caused to underground pipelines due to third parties (excavation). In Texas, over 75 percent of all incidents to pipelines can be attributed to third-party damage. The State of Texas adopted One-Call legislation in 1997, but there had been limited enforcement of the law until 2007. The Legislature granted the Commission authority for the enforcement of the pipeline portion of damage prevention, while all other underground utilities enforcement remains with the One Call Board. The Commission received 15,923 reports of damage in FY 2011 through the online damage reporting system, and 3,499 agreed orders were signed as a part of the agency's enforcement process.



Figure 9-1 Pipeline Warning Sign

Environmental Protection

The Commission uses the Oil and Gas Regulation and Cleanup dedicated account to plug abandoned wells and clean up abandoned sites to fulfill part of its environmental protection mandate. From 1984 to the end of FY 2011, the Commission plugged 32,318 wells at a cost of approximately \$192 million. From 1992 to the end of FY 2011, the Commission completed 4,697 cleanups, investigations, or assessments for a total cost of approximately \$55 million.

Operator or third-party initiated cleanups of contamination at oil and gas exploration and production sites are an important component of the Commission's environmental protection program. In FY 2011, the Commission's Operator Cleanup Program issued 368 "No Further Action" closure letters, and the Voluntary Cleanup Program issued ten Certificates of Completion certifying that the third-party cleanups had been completed to the satisfaction of the Commission allowing these sites to be developed for other uses. The Operator Cleanup Program oversees complex and long-term remediation projects that involve risk assessments and contaminant rate and transport modeling. The Voluntary Cleanup Program is a user-funded, incentive-based program that encourages third-party, non-responsible parties to clean up contamination of historic oilfields in return for a release of liability from the Commission to develop these sites for other uses.

The Commission continues to conduct oil and gas facility inspections at a historical pace. Field operations implemented goals and job-based priorities to ensure that field staff has more time to witness specific jobs related to public safety and protection of the environment. This change increased the Commission's oversight for well

plugging, surface casing jobs, spill response, inspection of hydrogen sulfide facilities, as well as witnessing to mechanical integrity testing of wells. Typically these tasks require more time than a routine lease inspection. Performance measure may indicate a reduction in the total number of facility inspections, but do not account for the complexity of some Commission inspections.

The Commission's federally funded abandoned mine land reclamation program reclaims priority sites based on public health and safety concerns. To date 450 dangerous underground mine openings have been closed. More than 2,600 acres of abandoned coal and uranium surface mines, located at 35 sites in 16 counties, have been reclaimed to eliminate safety concerns and return the land to productive use.

The regulated coal mining industry continues to reclaim land after mining operations. As some mining operations move closer to suburban population centers, the potential for these operations to impact the environment and the general public has brought a greater public focus on the industry. Increased public awareness of the mining industry will demand greater Commission staff resources to address public issues and concerns, and to ensure that the effects of surface mining do not extend beyond a permitted mine's boundaries.

Public Access through Technology Enhancement

The Commission established a foundation for developing new applications to expand RRC Online Services and to improve Commission staff efficiency. The infrastructure used includes both the mainframe and open systems environment. Standards have been established and are used to deploy each type of application. Building on the established foundation improves the Commission's ability to provide new functionality and allows the agency to meet its requirements more effectively and efficiently.

AGENCY CHARACTERISTICS REQUIRING IMPROVEMENT

The Commission is continually making organizational changes that will allow it to more readily allocate resources across divisions as needed to address workload changes and to better serve the regulated community and the public. These changes are also designed to build more uniformity in resource allocation and to balance the workload. The Commission continually reviews its operations and makes improvements as needed to remain innovative and responsive to changes in the industry and to the public it serves, as well as to promote employee pride and commitment.

The Commission continues to emphasize to all of its employees that the three areas of environmental protection, safety, and resource development must remain in balance.

KEY OBSTACLES

Obstacles
Staff Retention and Retirements
Technology Funding
Data Center Services Contract

Staff Retention and Retirements

The Commission's workforce issues are addressed in Appendix E, the agency's Workforce Plan. One of the primary obstacles facing the Commission is a workforce comprised predominantly of employees over the age of 40, with 77 percent in that age group. With less than 23 percent of the Commission's workforce under 40 years old, the Commission must aggressively plan to replace the knowledge of its 326 employees who are eligible to retire before the end of FY 2017. The Commission has made succession planning a top priority due to projected retirements and anticipated turnover in management, working to document the skill sets that are critical to meeting agency objectives, identify experienced and capable staff to fill vacancies, and prepare staff to assume top-level management roles by providing additional training and development opportunities.

Inadequate pay and lack of career advancement are reasons often cited when employees leave the Commission for other employment. The Commission often competes for employees with higher paying private sector jobs. All of these factors combine to make it difficult for the Commission to retain, train, and develop employees to fill vacancies left by retiring top-level managers. Of particular concern is the turnover among technically trained employees in the Pipeline Safety Division. Pipeline safety inspectors undergo federally mandated training that includes fourteen specific courses taken over approximately two years leading to certification by the Pipeline and Hazardous Materials Safety Administration (PHMSA). Most of the courses are held in Oklahoma City, OK, requiring out of state travel authority for attendance. After inspectors are trained—at a substantial cost to the State of dollars and time—without adequate pay increase and opportunities for advancement, many inspectors leave the Commission to work either for PHMSA, particularly in the Houston area, or for the industries regulated by the Commission, taking with them the knowledge and skills they gained from Commission funded training.

Technology Funding

The creation of the Oil and Gas Regulation and Cleanup Fund during the 82nd Legislature created a new funding source for the regulation of oil and gas. This source can be used to implement and extend technological solutions to improve data management and transparency for the public related to oil and gas regulation.

However, other divisions within the Commission also need to improve their technology infrastructure, but lack an adequate funding source for such projects. Funding and capital authority for these projects are vital to the continued success of the Commission's regulatory programs. IT projects to maintain, enhance, and expand current technology applications and the infrastructure to support them are necessary for the Commission to accomplish its mission in an ever-changing environment—one that must be data driven and transparent for the public.

Technology enhancements are critical for the Commission to develop new online applications and queries and to maintain its level of service to the public and industry. This is being accomplished through enhancements to electronic filing and payment systems; expanded online query abilities; mobile computing capabilities; website improvements; and the integration of GIS and imaging applications. As the Commission's customer groups demand additional online resources and information, the Commission is currently leveraging existing resources to meet these demands. Presently, the Commission is working towards gaining additional resources with the consolidation and transformation into the State Data Centers. After this is completed, the agency will need to explore additional funding to meet the additional demand for online resources.

The Railroad Commission has a vast store of information that is useful to industry and to the public. Much of this information is still in paper or microfilm records that must be copied or viewed in person. The Commission has already taken steps to assure that future records are more accessible, and some of the historical data and forms are already available via the web, but much remains to be done. Funding to provide the resources to make all Commission records more accessible needs to be explored.

Data Center Services Contract

Receiving inadequate service from the previous data center service providers significantly affected the ability of the Commission to accomplish its mission. The Commission regularly experienced service issues, such as down servers or email that affected the Commission's ability to provide online service to customers. The Commission relies on the data center services providers to allow for timely processing of permits and access to data that informs commissioners and staff decision making. Additionally, projected cost increases for maintaining the current levels of support under the Data Center Services contract limit the Commission's ability to support increased use of current applications or add new online applications.

OPPORTUNITIES

Opportunities
General Opportunities
Developing Energy Sources
Improving the Enforcement Process

General Opportunities

The RRC is poised to be the nation's leading energy regulatory agency for the 21st century. Using technology to streamline its regulatory functions and move towards a more effective progressive regulatory model, the RRC will be better able to serve the citizens of Texas and advance the energy security of the nation. The RRC has the opportunity to support the development of emerging alternative energy sources, while ensuring that the development of the state's traditional energy sources continues within a regulatory model that protects citizens and the environment while also supporting the state's economy.

Developing Energy Sources

Just as the Commission has historically been the lead agency on oversight of traditional energy sources, the Commission should be the lead agency on new sources of energy. Many of the same siting, operating, and decommissioning issues arise with any sort of energy source, and the Commission uniquely possesses the knowledge and expertise to deal with these as they arise in the future.

Improving the Enforcement Process

Enforcement is a critical component of a successful regulatory process and necessary to ensure regulatory compliance. Changes to the enforcement process could improve the public's perception. During the fourth quarter of FY 2011, the Commission created an internal Enforcement Roundtable. The group meets regularly to discuss enforcement processes, technological improvements to improve transparency, potential training opportunities, and other issues identified by the Sunset Commission during the 82nd Legislature (2011).

HOW WILL THE AGENCY WORK WITH LOCAL, STATE, AND FEDERAL ENTITIES TO ACHIEVE SUCCESS?

The Railroad Commission partners with federal entities to secure grants funding for vital projects to meet public and industry needs. The Commission works closely with other state agencies to share information resources, coordinate jurisdiction, and uphold the state's goals. The Commission also works with the TCEQ and the

GLO to plug abandoned wells and reduce air pollution with funds that these agencies have to protect surface and groundwater, as well as improve air quality. The Commission works with other state agencies as an active member of the Texas Groundwater Protection Committee and the Texas Coastal Coordination Council. The Commission works with the Legislature to introduce and support legislation that is critical to the industries regulated by the Commission. The Commission also works with local municipalities and city governments to monitor and assure compliance with environmental protection standards, and to protect public health and safety.

The Commission continues to work closely with the Department of Information Resources (DIR) on initiatives including Data Center Services, planned procurement schedules, IT commodity purchasing, and the Texas project delivery framework.

As a member organization of the Texas Geographic Information Council (TGIC), the Commission participates in development of GIS systems that are coordinated, cost-efficient, and non-redundant, as well as participating in data sharing among state agencies.

Additionally, the Commission participates in conferences in Texas and by the Interstate Oil and Gas Compact Commission (IOGCC). Through these activities, the Commission staff remains current on the impact of trends and technological advancements on agency operations.

AVAILABILITY OF KEY RESOURCES

The Commission works very closely with the public and regulated industries to make sure that it is using all available resources. There are formal advisory committees for LP-gas, AFRED, and Oil Field Cleanup. The Commission makes use of industry associations as well as public interest groups and other state agencies in developing new rules. The Commission frequently conducts workshops both in Austin and around the state to get input on proposed rule changes. The Commission has provided the public and industry with input opportunities via the Internet to make sure that we are using industry and public resources to the maximum extent possible.

EMPLOYEE ATTITUDES

The Commission has historically maintained a highly experienced and knowledgeable workforce committed to effective and courteous public service. The Commission continually emphasizes customer service, whether that customer is a large operator, or a small producer, or an individual who has problems with his or her local natural gas distribution company. The Commission has always been commended on its responsiveness to the general public and to the industries that it regulates.

However, attracting and maintaining quality, skilled employees is extremely challenging. The salary level of the skilled professionals at the Railroad Commission is not competitive with private industry, or in some cases, even with other state agencies. Commission employees reported in a recent *Survey of Employee Engagement* that fair salary is a prime area of concern.

In other areas, however, employee attitudes are positive. The strategic orientation of the Commission, the sense of making a difference, and having resources to deliver quality services all scored high in the employee survey. Employees take pride in their work and in the services they perform for the people of Texas. The Commission should strive to provide a comprehensive benefits package and competitive salaries. The Commission strives to support its employees by recognizing their outstanding service, providing continuing education and training, and as funding allows, by providing competitive salaries.



**Figure 9-2 Using the 811
One-Call Number**

AGENCY GOALS, OBJECTIVES, STRATEGIES AND RELATED MEASURES

GOAL 1 – ENERGY RESOURCES	
Support the development, management, and use of Texas’ lignite, oil, and gas energy resources to protect correlative rights, provide equal and fair energy access to all entities, ensure fair gas utility rates, and promote research and education on use of alternative fuels.	
OBJECTIVE 1.1.	Increase opportunities for lignite, oil, and gas resource development while preventing waste, protecting the correlative rights of mineral interest owners, and conserving the state’s oil and natural gas resources.
Outcome Measures	Percent of oil and gas wells that are active Percent of forms and reports filed electronically through the RRC Online Systems
STRATEGY 1.1.1. Energy Resource Development	
Protect correlative rights and prevent waste while maximizing opportunities for the development of lignite, oil, and gas resources through well site permitting, production allowables, production rule reviews, and exception processing.	
Output Measures	Number of organizations permitted or renewed Number of drilling permit applications processed Number of wells monitored
Efficiency Measures	Average number of cases completed by examiner Average number of wells monitored per analyst Percent of environmental permit applications processed within established time frames
Explanatory Measures	Number of active oil and gas rigs Annual calendar year production of primary energy sources of crude oil, natural gas and lignite Volume of oil produced from active CO ₂ injection recovery Volume of CO ₂ stored underground Percent of total United States onshore gas coming from Texas Percent of total United States onshore oil coming from Texas
OBJECTIVE 1.2.	Maintain competitive prices and adequate natural gas supplies for Texas energy consumers.
Outcome Measures	Average Texas residential gas price for Commission regulated utilities as a percentage of the national average residential gas price

STRATEGY 1.2.1. Gas Utility Compliance	
Oversee natural gas utility rate structures that promote safe, efficient, and reliable supply at a reasonable cost and audit regulated gas utilities to ensure compliance with rate structures and submission of Gas Utility Taxes.	
Output Measures	Number of field audits conducted Number of Gas Utility dockets filed Number of gas utilities compliance, tariff, and escalator filings
Efficiency Measures	Average number of field audits per auditor
Explanatory Measures	Cost of gas included in average residential gas bill
OBJECTIVE 1.3.	Encourage the use of odorized propane as an alternative energy source through promotion and consumer rebates.
Outcome Measures	Annual percentage change in the level of AFRED account fee revenue
STRATEGY 1.3.1. Promote Alternative Energy Resources	
Develop and implement research and technical services, marketing, and a public education plan to increase the use of LP-gas as an alternative energy source.	
Output Measures	Number of training hours provided to Texas LP-gas licensees and certificate holders, operators of LP-gas equipment, and firefighters
Efficiency Measures	Administrative costs as a percentage of Alternative Fuels Research and Education Account fee revenue
Explanatory Measures	Number of alternative-fuel vehicles in Texas
STRATEGY 1.3.2. Distribute LP-Gas Rebates	
Manage rebate programs that promote the use of LP-gas as an alternative energy source for home and commercial uses.	
Output Measures	Number of rebate and incentive applications handled

GOAL 2 – SAFETY PROGRAMS	
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.	
OBJECTIVE 2.1.	Improve safety in the pipeline industry from FY 2002 levels.
Outcome Measures	Average number of pipeline safety violations per equivalent 100 miles of pipe identified through inspections
STRATEGY 2.1.1. Pipeline Safety	
Ensure the safe operation of pipelines through permitting, field inspections, accident investigations and emergency response.	
Output Measures	Number of pipeline safety inspections performed Number of pipeline safety violations identified through inspections Number of pipeline accident investigations and special investigations performed Number of pipeline permits issued or renewed
Efficiency Measures	Average number of pipeline field inspections per field inspector
STRATEGY 2.1.2. Pipeline Damage Prevention	
Support education and partnership initiatives to increase the overall awareness and effectiveness of damage prevention.	
Output Measures	Number of pipeline education programs administered Number of third party damage enforcement cases completed
Explanatory Measures	Number of calls to Texas “one-call” centers
OBJECTIVE 2.2.	Ensure safety through regulation of the LPG/CNG/LNG alternative energy industries.
Outcome Measures	Average number of LPG/CNG/LNG safety violations identified per inspection unit
STRATEGY 2.2.1. Regulate Alternative Energy Sources	
Regulate Alternative Energy Sources: Protect the health, safety and welfare of the general public by ensuring the safe storage, transportation and LP-gas, Compressed Natural Gas, and Liquefied Natural Gas as alternative energy sources through safety education, accident investigation, inspection and enforcement of safety regulations.	
Output Measures	Number of LPG/CNG/LNG safety inspections performed Number of LPG/CNG/LNG safety violations identified through inspections Number of LPG/CNG/LNG accident investigations and special investigations performed Number of LPG/CNG/LNG qualifying examinations administered and licenses, certifications and registrations Number of LPG/CNG/LNG education programs administered
Efficiency Measures	Average number of LPG/CNG/LNG safety inspections per inspector

GOAL 3 – ENVIRONMENTAL PROTECTION	
Assure that Texas fossil fuel energy production, storage, and delivery is conducted to minimize harmful effects on the state’s environment and to preserve natural resources.	
OBJECTIVE 3.1.	Reduce the occurrence of identified pollution violations associated with fossil fuel energy production in Texas from FY 2002 levels.
Outcome Measures	Percentage of oil and gas facility inspections that identify environmental violations Percent of current surface mining operations (coal and uranium) that are in full compliance with applicable state and federal regulations.
STRATEGY 3.1.1. Oil and Gas Monitoring and Inspections	
Assure that Oil and Gas permitted activities comply with applicable state and federal regulations through field inspections, witnessing tests, monitoring reports, processing applications and enforcement actions.	
Output Measures	Number of oil and gas facility inspections performed Number of enforcement referrals for legal action due to oil and gas rule violations Number of oil and gas environmental permit applications and reports processed Number of lease severances or well seals initiated
Efficiency Measures	Average number of oil and gas facility inspections performed by district office staff
Explanatory Measures	Number of oil and gas wells, and other related facilities subject to regulation Number of statewide rule violations documented
STRATEGY 3.1.2 Surface Mining Monitoring and Inspections	
Assure that Surface Mining permitted activities comply with applicable state and federal regulations through field inspections, witnessing tests, monitoring reports, processing applications and enforcement actions.	
Output Measures	Number of coal mining inspections performed Number of coal mining permit actions processed Percent of uranium exploration sites inspected monthly
Efficiency Measures	Average number of staff review days required to process coal mining permitting actions that require Commission decision Average number of staff review days required to process administrative coal mining permitting actions Average number of staff review days required to process uranium exploration permitting actions Percent of coal permitting actions completed within statutory review time frames
Explanatory Measures	Number of acres permitted

OBJECTIVE 3.2.	Identify and correct existing environmental threats through voluntary operator actions or with use of state funds.
Outcome Measures	Percentage of known orphaned wells plugged with the use of state managed funds Percentage of identified abandoned pollution sites investigated, assessed, or cleaned up with state managed funds
STRATEGY 3.2.1. Oil and Gas Remediation	
Protect public health and the environment by identifying, assessing, and prioritizing sites that require the use of state managed funds for remediation and provide assistance for operator-initiated corrective actions.	
Output Measures	Number of abandoned pollution sites investigated, assessed, or cleaned up with the use of state managed funds
Efficiency Measures	Average number of days to complete abandoned state managed site clean-up
Explanatory Measures	Number of identified abandoned pollution sites that are candidates for state managed funded cleanup Number of Voluntary Cleanup program applicant initiated cleanups monitored and evaluated Number of complex operator initiated cleanups monitored and evaluated
STRATEGY 3.2.2. Oil and Gas Well Plugging	
Protect public health and the environment by identifying, assessing, and prioritizing wells that require the use of state funds for plugging and provide assistance for operator-initiated corrective actions.	
Output Measures	Number of orphaned wells managed plugged with the use of state funds Total aggregate plugging depth of orphaned wells plugged with the use of state managed funds
Efficiency Measures	Average number of days to plug an orphaned well with the use of state managed funds
Explanatory Measures	Number of orphaned wells approved for plugging Number of known orphaned wells in non-compliance with the Commission plugging rule Number of wells plugged, by operators, without the use of state managed funds Percentage of active well operators who have more than 25 percent of their wells inactive Number of shut-in/inactive wells
STRATEGY 3.2.3. Surface Mining Reclamation	
Protect public health and the environment by identifying, assessing, and prioritizing mine lands that require the use of state funds for reclamation and provide assistance for operator-initiated corrective actions.	
Explanatory Measures	Percentage of abandoned surface mine sites on which reclamation has been initiated

GOAL 4 – PUBLIC ACCESS TO INFORMATION AND SERVICES	
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.	
OBJECTIVE 4.1.	Increase efficiency in providing public access to information and provide more efficient interaction with regulated industries.
Outcome Measures	Percent of public requests for research or information received through Internet-based technology.
STRATEGY 4.1.1. GIS and Well Mapping	
Collect, maintain, and preserve GIS and Well Mapping data submitted to the Commission; provide efficient public access to this information; offer regulated industries a means to conduct their business electronically.	
Output Measures	Number of reports provided to customers from electronic data records
STRATEGY 4.1.2. Public Information and Services	
Collect, maintain, and preserve oil and gas data submitted to the Commission; provide efficient public access to this information; offer regulated industries a means to conduct their business electronically.	
Output Measures	Number of documents provided to customers by Information Services
Explanatory Measures	Number of external page views of the Commission's website

TECHNOLOGY INITIATIVE ALIGNMENT

Initiative Name

DATA CENTER SERVICES

Initiative Description

Achieve Data Center Consolidation through transformation and consolidation of the Commission's data center operations into the State Data Centers.

Associated Project(s)

Data Center Services

Status

Planned

Agency Objectives

This initiative supports all agency objectives.

Statewide Technology Priority(ies)

P4 – Infrastructure

P5 – Legacy Applications

Guiding Principles

The guiding principle addressed by this initiative is "Innovate". Participating agencies will be able to move to modern hardware and operating system environments supported by secure and resilient infrastructure. The environments will provide virtualization through major vendor's solutions for various operating systems and platforms. The DCS program has focused on increasing standardization across participating agencies.

Anticipated Benefits

The Railroad Commission's aging mainframe system was transformed to a new mainframe at the Texas Data Center located in Austin, Texas in June 2009. Currently, the remaining infrastructure is in the process of consolidation and transformation to new equipment at the State Data Centers. This will mitigate some of the server issues the agency is currently experiencing.

Capabilities or Barriers

Projected cost increases for maintaining the current levels of support under the Data Center Services contract limit the Commission's ability to support increased use of current applications or add additional online applications. Increased funding is necessary to maintain the current level of service. Additional funding is also needed to expand services due to increased use of current applications and development of new applications.

TECHNOLOGY INITIATIVE ALIGNMENT

Initiative Name

GEOGRAPHIC INFORMATION SYSTEM (GIS) TECHNOLOGY UPGRADE

Initiative Description

Upgrade the Geographic Information System (GIS) to current technology and a supported environment.

Associated Project(s)

Data Center Services

Status

Proposed Exceptional Item

Agency Objectives

Increase efficiency in providing public access to information and provide more efficient interaction with regulated industries.

Statewide Technology Priority(ies)

P3 – Data Sharing

P4 – Infrastructure

P5 – Legacy Applications

Guiding Principles

Updating the Geographic Information System (GIS) technical environment to current technology will address the “Connect” guiding principal by allowing improvements to methods of gaining access to GIS data.

Anticipated Benefits

Anticipated Benefits include continued availability of mission-critical computing resources and efficient delivery of services.

Capabilities or Barriers

Increased funding is necessary to update Geographic Information Systems to current technology.

TECHNOLOGY INITIATIVE ALIGNMENT

Initiative Name

TECHNOLOGY REPLACEMENT AND UPGRADE

Initiative Description

Replace and upgrade infrastructure technology through the purchase of end-user computing software, printers and Railroad Commission computer center equipment.

Associated Project(s)

**Technology Replacement and Upgrade
Software licenses**

Status

Planned

Agency Objectives

This initiative supports all agency objectives.

Statewide Technology Priority(ies)

P4 - Infrastructure

Guiding Principles

This initiative addresses the guiding principles by maintaining the infrastructure necessary to support the Commission staff software and printer needs and also the Railroad Commission Data Center equipment.

Anticipated Benefits

This initiative supports the efficient delivery of services and continued availability of mission-critical computing resources.

Capabilities or Barriers

Continued funding is necessary to update or replace end-user computing software, printers and network equipment. Increased funding is necessary to purchase updates to software to maintain current up-to-date versions.

TECHNOLOGY INITIATIVE ALIGNMENT

Initiative Name

PERSONAL COMPUTER (PC) LEASING

Initiative Description

Leasing personal computer workstations, laptops and toughbooks for Commission staff.

Associated Project(s)

Personal Computer (PC) Leasing

Status

Planned

Agency Objectives

This initiative supports all agency objectives.

Statewide Technology Priority(ies)

P6 – Mobility

Guiding Principles

This initiative addresses the “Deliver” guiding principle. During FY 2009, the Commission began equipping agency field staff with ruggedized laptops used to conduct inspections, investigate complaints and observe surface mining operations. Field operations staff download current data on responsible parties, permits, pipeline facilities, and individual well data to enable them to be more effective and efficient when conducting inspections. In addition to data, maps of lease and well locations are also provided.

Anticipated Benefits

Updating outdated Personal Computers benefits the agency by improving operational efficiencies and providing the foundation for future improvements.

Capabilities or Barriers

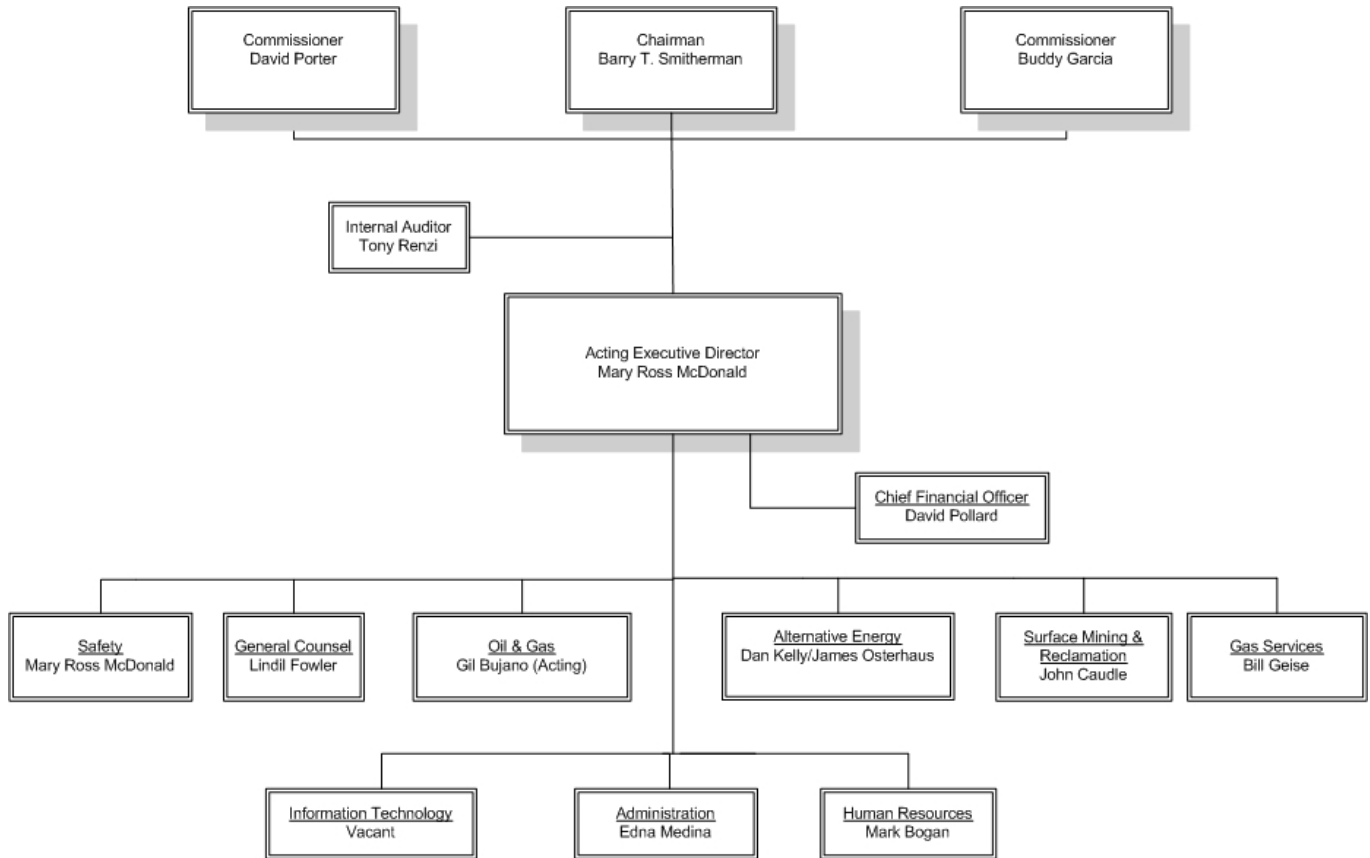
Continued funding is necessary for the current personal computer lease. Increased funding is needed for growth and to add toughbooks to the lease agreement.

APPENDIX A—RAILROAD COMMISSION PLANNING PROCESS

The strategic planning process continues to be an important management tool to monitor and assess the Commission's performance in meeting its regulatory responsibilities. The process further provides management an opportunity to reassess core functions and the agency's mission and philosophy. The directors of each division are accountable for the performance measures attributable to their area of responsibility.

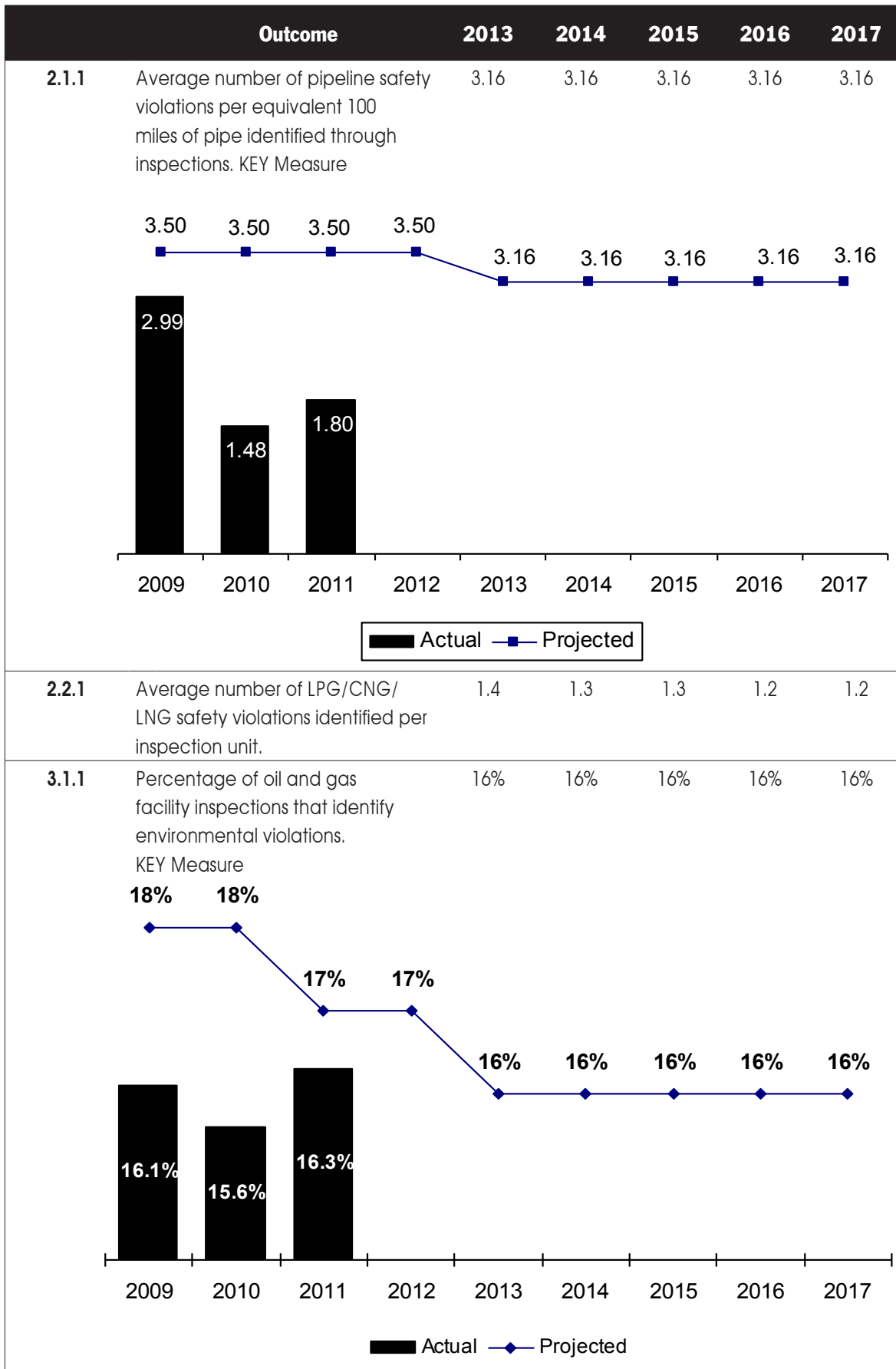
The initial planning process started in February 2012 with each Commission division performing a comprehensive review of the Commission's budget structure including performance measures and measure definitions. Budget structure modifications were submitted to the Governor's Office of Budget, Planning and Policy and the Legislative Budget Board on April 12, 2012. Division directors provided input to the plan, which was then consolidated into the overall plan by the Executive Office. The completed Strategic Plan document was presented at open conference of the Railroad Commission for consideration on June 12, 2012.

APPENDIX B—ORGANIZATIONAL CHART



APPENDIX C—FIVE-YEAR PROJECTIONS FOR OUTCOMES

	Outcome	2013	2014	2015	2016	2017																														
1.1.1	Percent of oil and gas wells that are active. KEY Measure	75%	75%	75%	75%	75%																														
<table border="1"> <caption>Actual and Projected Data for Outcome 1.1.1</caption> <thead> <tr> <th>Year</th> <th>Actual (%)</th> <th>Projected (%)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>74.5%</td> <td>73%</td> </tr> <tr> <td>2010</td> <td>74.2%</td> <td>73%</td> </tr> <tr> <td>2011</td> <td>74.9%</td> <td>73%</td> </tr> <tr> <td>2012</td> <td>-</td> <td>74%</td> </tr> <tr> <td>2013</td> <td>-</td> <td>75%</td> </tr> <tr> <td>2014</td> <td>-</td> <td>75%</td> </tr> <tr> <td>2015</td> <td>-</td> <td>75%</td> </tr> <tr> <td>2016</td> <td>-</td> <td>75%</td> </tr> <tr> <td>2017</td> <td>-</td> <td>75%</td> </tr> </tbody> </table>							Year	Actual (%)	Projected (%)	2009	74.5%	73%	2010	74.2%	73%	2011	74.9%	73%	2012	-	74%	2013	-	75%	2014	-	75%	2015	-	75%	2016	-	75%	2017	-	75%
Year	Actual (%)	Projected (%)																																		
2009	74.5%	73%																																		
2010	74.2%	73%																																		
2011	74.9%	73%																																		
2012	-	74%																																		
2013	-	75%																																		
2014	-	75%																																		
2015	-	75%																																		
2016	-	75%																																		
2017	-	75%																																		
1.1.2	Percent of forms and reports filed electronically through the RRC Online System.	91%	92%	92%	93%	93%																														
1.2.1	Average Texas residential gas price for RRC regulated utilities as a percentage of the national average residential gas price.	98%	98%	98%	98%	98%																														
1.3.1	Annual percentage change in the level of AFRED account fee revenue.	0%	1%	1%	1%	1%																														



Outcome		2013	2014	2015	2016	2017																														
3.1.2	Percent of current surface mining operations (coal and uranium) that are in full compliance with applicable state and federal regulations.	100%	100%	100%	100%	100%																														
3.2.1	Percentage of known orphaned wells plugged with the use of state managed funds. KEY Measure	16%	16%	16%	16%	16%																														
<table border="1"> <caption>Percentage of known orphaned wells plugged with the use of state managed funds</caption> <thead> <tr> <th>Year</th> <th>Actual (%)</th> <th>Projected (%)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>18.5%</td> <td>20.0%</td> </tr> <tr> <td>2010</td> <td>16.8%</td> <td>24.6%</td> </tr> <tr> <td>2011</td> <td>10.2%</td> <td>29.1%</td> </tr> <tr> <td>2012</td> <td></td> <td>30.5%</td> </tr> <tr> <td>2013</td> <td></td> <td>16.0%</td> </tr> <tr> <td>2014</td> <td></td> <td>16.0%</td> </tr> <tr> <td>2015</td> <td></td> <td>16.0%</td> </tr> <tr> <td>2016</td> <td></td> <td>16.0%</td> </tr> <tr> <td>2017</td> <td></td> <td>16.0%</td> </tr> </tbody> </table>							Year	Actual (%)	Projected (%)	2009	18.5%	20.0%	2010	16.8%	24.6%	2011	10.2%	29.1%	2012		30.5%	2013		16.0%	2014		16.0%	2015		16.0%	2016		16.0%	2017		16.0%
Year	Actual (%)	Projected (%)																																		
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2013		16.0%																																		
2014		16.0%																																		
2015		16.0%																																		
2016		16.0%																																		
2017		16.0%																																		
3.2.2	Percentage of identified abandoned pollution sites investigated, assessed, or cleaned up with state managed funds.	11.1%	11.1%	11.1%	11.1%	11.1%																														
4.1.1	Percent of public requests for information through Internet-based technology.	7%	7%	7%	8%	8%																														

APPENDIX D—PERFORMANCE MEASURE DEFINITIONS

Outcome Measure	1.1.1 Percent of oil and gas wells that are active.
Short Definition	This is the number of active wells on the oil and gas proration schedule expressed as a percentage of the total wells (active and inactive) on schedule. Active wells include all producing wells and injection and other service wells.
Purpose/Importance	This measure provides an indication of the effectiveness of efforts to increase opportunities for oil and gas resource development and sustain production levels (e.g. severance tax incentive programs).
Source/Collection of Data	Count the number of active oil and gas, injection/service, and inactive wells on the oil and gas proration schedules at the end of a reporting period. Data is maintained within the mainframe database and downloaded to an Excel spreadsheet, which is retained in the Administrative Compliance section.
Method of Calculation	Sum the total of active and inactive wells on the oil and gas schedule to get the total number of wells. Divide the number of active wells by the total number of wells on schedule to get the percentage of wells that are active.
Data Limitations	The active or inactive classification of wells is based on well status and production information reported by the oil or gas operator. Wells are classified as active or inactive directly from information reported by the operator and in some cases, programmatically adjusted based on whether or not production has been reported over a period of time. Inaccurate or delinquent reporting can impact the accuracy of the data.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

Outcome Measure**1.1.2 Percent of forms and reports filed electronically through the RRC Online System.**

Short Definition	The number of forms and reports that are filed through the RRC Online System expressed as a percentage of the total number of filings (electronic or manual) for those same forms and reports.
Purpose/Importance	This measure is an indicator of the actual impact and effectiveness of the RRC Online System and the level of use by the oil and gas industry.
Source/Collection of Data	Statistical query programs generate counts of the number of forms and reports that are filed electronically through the RRC Online System for a particular time period. The data is stored in an Oracle database. The total count of RRC Online System forms and reports processed (both electronically and manually) is obtained monthly from computer programs and/or listings. The data is maintained in various sections of the Oil and Gas Division.
Method of Calculation	Using programs and listings, sum the total number of forms and reports processed during the reporting period for each type of RRC Online System form and report to get the total number of forms and reports filed. Using the statistical query programs, sum the total number of forms and reports electronically filed through the RRC Online System during the same reporting period. Divide the total number of forms and reports filed electronically through the RRC Online System by the total number of those same forms and reports processed and multiply by 100 to get the percentage of forms and reports filed electronically through the RRC Online System.
Data Limitations	The RRC Online System has been and will continue to be enhanced over time to increase the number of forms and reports that are enabled for electronic filing. The timeline and order of RRC Online System expansion is based on legislative directive, business case, value to the Commission and stakeholders, and resource availability. Since adoption rates during the implementation of new forms and reports impact the percentage of forms and reports that are electronically filed through the RRC Online System, the percentage of RRC online filings for newly implemented forms or reports will begin to be calculated one year after implementation of the form or report in the online system.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure**1.1.1.1 Number of organizations permitted or renewed.**

Short Definition	This is a count of new organizations added to the P-5 database and organizations that renewed their organization report during the reporting period. Organizations performing operations within the jurisdiction of the Railroad Commission must have an approved organization report (Form P-5) on file with the Commission. Active organizations are required to renew their organization report (Form P-5) annually.
Purpose/Importance	This measure is intended to show the number of operators authorized to engage in oil and gas activity in Texas.
Source/Collection of Data	Form P-5 organization report data is maintained in a mainframe database. The count of organizations permitted and renewed each month is manually calculated from consecutive monthly Form P-5 system summaries. Organization reports processed for changes in information are not included in the measure.
Method of Calculation	To get the number of organizations permitted and renewed for each month in the reporting cycle: (a) subtract the number of active organizations at the end of the previous month from the number of active organizations at the end of the current month to obtain the net change in active organizations; (b) add the number of organizations which expired at the beginning of the current month to the net change in active organizations. Sum the totals for each month in the reporting cycle to get the total number of approved organizations permitted and renewed during the reporting cycle. Recalculate the year-to-date total each quarter by summing the counts for each quarter.
Data Limitations	Data is based on a "snapshot" of statistics taken at the end of two consecutive months and may not be an exact reflection of activity within the current reporting period. However, the variance will self-correct over the following three months.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure	1.1.1.2 Number of drilling permit applications processed.
Short Definition	The number of drilling permit applications processed during the reporting period.
Purpose/Importance	This measure is an indication of oil and gas exploration and development activity. Drilling permits are required before wells can be drilled and completed, recompleted or reentered. This measure is intended to be an indicator of industry activity.
Source/Collection of Data	Counts of drilling permit applications processed are available from computer-generated statistical listings and maintained in the Drilling Permit section and on-line query programs.
Method of Calculation	Sum the monthly totals of drilling permit applications processed during the three months within the reporting period to get the reporting period total. When calculating the second, third, and fourth quarter, recalculate the year-to-date total by summing quarter totals.
Data Limitations	Drilling permit applications processed have well-defined parameters and are easily identified. The count may not include permits that are received but are incomplete and have not been built into the computer system, or corrections to previously filed reports.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure**1.1.1.3 Number of wells monitored.**

Short Definition	The number of active and inactive oil, gas, and service wells carried on the master oil and gas schedule in the mainframe database. The schedule shows all known wells currently assigned to an operator and regulated by the Commission.
Purpose/Importance	This measure provides an indication of the number of wells that are currently being operated under the Commission's jurisdiction and monitored by the Commission for regulatory compliance.
Source/Collection of Data	Well counts are computer generated monthly from a database containing oil and gas schedule information. A separate count is generated for wells carried on the oil schedule and wells carried on the gas schedule. Before a well is placed on schedule, a well completion package of forms must be filed as required by Commission rules. The forms become a part of the historical record for each well after they are audited and approved. All wells stay on the schedule and are monitored for compliance with applicable statewide rules until the well is properly plugged.
Method of Calculation	Sum the count of wells carried on the oil schedule and the count of wells carried on the gas schedule as of the last month of the reporting period. For the year-to-date total average the well counts for the reported periods.
Data Limitations	The count of wells monitored only reflects wells that have been built to schedule by personnel after review of the required paperwork and determination of well status. The count does not include wells that have been reported to the Commission but not built to schedule because of permit or paperwork problems or other processing delays.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

Efficiency Measure 1.1.1.1 Average number of cases completed by examiner.

Short Definition	On average, the number of cases, on which final Commission action has been taken (typically a final order has been entered and any motion for rehearing has been disposed of), handled by each oil and gas examiner during the period.
Purpose/Importance	Provides guidelines as to the speed at which cases requiring examiner action are being handled.
Source/Collection of Data	Docket records and monthly mainframe computer reports.
Method of Calculation	Sum of cases completed divided by number of hearing examiners (both legal and technical) assigned cases during the period.
Data Limitations	Because of the significant variance in the complexity of cases and the length of hearings, the average, while a reasonable guideline, often does not accurately reflect the speed or efficiency with which cases are handled. Similarly the variance can cause comparisons between reporting periods to be misleading.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Subject to data limitations, generally on target or slightly above target.

Efficiency Measure**1.1.1.2 Average number of wells monitored per analyst.**

Short Definition	On average, the number of active and inactive oil, gas and service wells on the master oil and gas schedules that are being monitored for regulatory compliance by proration analysts that perform well analysis and set proration allowables.
Purpose/Importance	This measure is intended to show how efficiently wells on schedule are being monitored.
Source/Collection of Data	There are two sources of data used to calculate this measure: 1) the number of wells maintained on the oil and gas master schedules; and 2) the number of personnel positions performing proration work. Well counts are computer generated monthly from a database containing oil and gas schedule information. A separate count is generated for wells carried on the oil schedule and wells carried on the gas schedule. The number of personnel positions are those budgeted to perform proration work.
Method of Calculation	Sum the count of wells carried on the oil schedule and the count of wells carried on the gas schedule as of the last month of the reporting period. Divide the sum by the number of proration analyst positions budgeted as of last month of the reporting period. For the year-to-date average, average by the number of reporting periods.
Data Limitations	The count of wells monitored only includes wells that have been built to schedule by personnel after review of the required paperwork and determination of well status. The count does not include wells that have been reported to the Commission but not built to schedule because of permit or paperwork problems or other processing delays. Efficiency calculations are based on budgeted positions and are not adjusted for temporary vacancies.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

Efficiency Measure 1.1.1.3 Percent of environmental permit applications processed within established time frames.

Short Definition	This measure includes pit permits, land farming and land treatment permits, recycling permits, waste hauler permits, reclamation plant permits, and discharge permits. The targeted time frame for the review of environmental permits is established by statute, agency rules or agency standard operating procedures.
Purpose/Importance	The measure illustrates the overall performance of staff in meeting statutory review time frames.
Source/Collection of Data	This is a comparison of review time frames for all permitting actions completed during the reporting period, compared to the respective statutory review time frame. A spreadsheet that tracks the processing of permit action requests is maintained within the Environmental Permits group. Key processing milestones are documented within the spreadsheet by logging the date of the event. Permit action reviews are considered complete when a deficiency letter or final action/decision letter is sent to the permittee. The number of staff review days is based on the number of calendar days beginning on the stamped receipt date and ending on the date staff completes its review with a deficiency letter or final action/decision letter. Review of initial and subsequent submittals are treated separately.
Method of Calculation	Divide the number of actions with review time frames at or less than the statutory review times by the total number of actions completed in the review period. Multiply this quotient by 100.
Data Limitations	Applications are excluded from the count when suspended from processing in accordance with either agency rules or agency policy.
Calculation Type	Noncumulative.
New Measure	Yes.
Desired Performance	Below target.

Explanatory Measure**1.1.1.1 Number of active oil and gas rigs.**

Short Definition	This is the average number of oil and gas drilling rigs that were actively being used during the last fiscal year to explore for or develop oil or natural gas.
Purpose/Importance	The number of active rigs directly impacts the level of drilling activity in the state. It is a quantitative indicator of the industry's operating environment. Comparing the rig count from year to year provides an indication of industry trend for new operations in Texas.
Source/Collection of Data	The rig count data are taken from a report issued by Baker Hughes (industry standard) titled U.S. Monthly Averages by State. The report is downloaded from the Baker Hughes Internet web site.
Method of Calculation	Use the monthly rig count number shown under "Total Texas" for each month of the fiscal year. Add the monthly numbers and divide that sum by 12 to obtain the average number for the fiscal year.
Data Limitations	Rig count data is compiled by Baker Hughes; its accuracy is not within the control of the agency.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

Explanatory Measure**1.1.1.2 Annual calendar year production of primary energy sources of crude oil, natural gas and lignite.**

Short Definition	The reported amount of crude oil, natural gas, and lignite produced in the most recent calendar year expressed in barrels of oil equivalent.
Purpose/Importance	Production of the three primary energy sources is important to the economy of the state and the United States since energy prices are largely controlled by supply and demand. If the supply of energy is declining, it is an indicator of higher energy prices.
Source/Collection of Data	All Texas oil and gas producers are required to report their monthly production by lease. Volumes are required to be reported by the last day of the month following production. This information is maintained on a Commission database and reported monthly on the website. All Texas lignite producers are required to report to the Commission and the federal Department of the Interior their annual production by mine. This information is maintained on a Commission database and can also be extracted from federal reports.
Method of Calculation	Oil is reported and maintained in the database in Barrels, natural gas is reported and maintained in the database in Mcf, and coal is reported and maintained in the database in Tons. To express all on a common basis, they will be converted to "barrels of oil equivalent." Based on commonly accepted btu conversion factors, 1 Mcf of natural gas is equivalent to 0.176 Barrels of crude oil. The lignite produced in Texas has an average heating value of approximately 6460 btu per pound. When converted, 1 Ton of Texas lignite is equivalent to 2.206 barrels of crude oil.
Data Limitations	Some monthly oil and gas production is reported late or inaccurate and revisions to a particular month's production can continue for several months into the future. Confident annual calendar year volumes for oil and gas are typically not available until at least 6 months after the end of the calendar year. Annual calendar lignite production is not required to be reported until March of each year for the previous year.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Increasing production or at least a slow down of the decline experienced over the past 20 years.

Explanatory Measure**1.1.1.3 Volume of oil produced from leases that have active CO₂ injection wells for tertiary recovery.**

Short Definition	This measure is the reported volume of oil produced from leases on which CO ₂ injection wells are actively injecting CO ₂ .
Purpose/Importance	This metric focuses on the volume of oil produced from leases on which CO ₂ injection is active. These leases are currently associated with the large oil fields in the Permian Basin. Stemming the production decline of large oil fields is critical to sustain overall oil production in Texas and CO ₂ plays an instrumental role in this regard.
Source/Collection of Data	Data are collected through several specialized database queries of the UIC download and the mainframe computer system.
Method of Calculation	Form H-10 (Annual Disposal/Injection Well Monitoring Report) identifies the leases on which there have been injection wells actively injecting CO ₂ and records the monthly volume of injected gas. Production for the leases with active CO ₂ injection is extracted from the mainframe computer system and summed.
Data Limitations	At the end of each quarter, identify from Form H-10 all producing leases that inject CO ₂ . Due to reporting requirements, the most recently available oil production from the leases comes from the previous quarter. Therefore, it is the production from the preceding quarter that is summed and reported.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Increased production volumes.

Explanatory Measure**1.1.1.4 Volume of CO₂ stored underground.**

Short Definition	This measure is the reported volume of CO ₂ injected in underground reservoirs other than for enhanced oil recovery purposes.
Purpose/Importance	The capture and storage of CO ₂ that would otherwise be released to the atmosphere is an important strategy for both environmental and economic reasons. Release of CO ₂ into the atmosphere contributes to the accumulation of "greenhouse" gases that are a component of global climate change concerns. In addition the availability of large volumes of stored CO ₂ could provide a ready source of product for industrial uses and enhanced oil recovery projects. Large-scale storage also provides new business opportunities for entities that wish to provide a service to industries that need to manage CO ₂ .
Source/Collection of Data	All injection well operators are required to report injected volumes on an annual basis. This data is reported by month once a year with reporting cycles staggered among operators. An accumulation of 15 months of data is required to get a complete year for all operators. These data are maintained on the Commission database.
Method of Calculation	Extract volumes from Commission database.
Data Limitations	Injection wells are permitted to inject fluids that may not be pure CO ₂ . Other gaseous constituents may be mixed with the CO ₂ when it is injected into the underground formation. At this time operators are required only to report the total gaseous volume stored, however Commission staff believes that the bulk of the reported volumes consists of CO ₂ .
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Increase in volumes stored.

Explanatory Measure**1.1.1.5 Percent of total United States onshore gas coming from Texas.**

Short Definition	This is the annual amount of Texas gas production expressed as a percentage of the annual onshore gas production from the United States.
Purpose/Importance	This measure is intended to show how Texas gas production compares to total on-shore gas production for the U.S. Over time it will show if Texas is maintaining its market share of production.
Source/Collection of Data	The percentage is hand-calculated from data published in the Natural Gas Annual Report by the Energy Information Administration (EIA) for the prior year. The data used is provided in Table 3 of the report titled "Gross Withdrawals and Marketed Production".
Method of Calculation	Subtract production shown for "Federal and State Offshore" from total marketed production. The difference is the onshore gas production for the U.S. Divide production shown for Texas by the onshore production for the U.S. and multiply the answer by 100 to get the percentage of gas production coming from Texas.
Data Limitations	The data provided in the EIA annual report that is used to calculate the percentage is estimated data based on information reported to the EIA on survey forms. The reliability and accuracy of the data is beyond the Railroad Commission's control. This data is published on a calendar year basis.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

Explanatory Measure **1.1.1.6 Percent of total United States onshore oil coming from Texas.**

Short Definition	This is the annual amount of Texas oil production expressed as a percentage of the annual onshore gas production from the United States.
Purpose/Importance	This measure is intended to show how Texas oil production compares to total on-shore oil production for the U.S.
Source/Collection of Data	The percentage is hand-calculated from data published in the Petroleum Supply Annual Report by the Energy Information Administration (EIA) for the prior year. The data used is provided in Table 14 of the report titled "Production of Crude Oil by PAD District and State".
Method of Calculation	Subtract production shown for "Federal and State Offshore" from Total production. The difference is the onshore oil production for the U.S. Divide production shown for Texas by the total onshore production to get the percentage of oil production coming from Texas.
Data Limitations	The data provided in the EIA annual report that is used to calculate the percentage is estimated data based on information reported to the EIA on survey forms. The reliability and accuracy of the data is beyond the Railroad Commission's control. This data is reported on a calendar year basis.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

Outcome Measure**1.2.1 Average Texas residential gas price for Commission regulated utilities as a percentage of the national average residential gas price.**

Short Definition	The average price of natural gas sold to residential consumers in Texas expressed as a percentage of the national average price of natural gas for residential consumers.
Purpose/Importance	Recognizing that Texas is the largest producer of natural gas in the U.S., effective regulation of natural gas utilities should reflect that rates for natural gas consumers in Texas are lower than rates for consumers in the nation as a whole.
Source/Collection of Data	Data is from the U.S. Energy Information Administration, Natural Gas Monthly, Table 18, Average Price of Natural Gas Sold to Residential Customers, by State.
Method of Calculation	Divide the Texas average residential gas price by the national average residential gas price and multiply by 100 percent.
Data Limitations	The Energy Information Administration collects data from individual utilities, so the data cannot be directly verified and may not match data collected by the Railroad Commission. However, the Energy Information Administration presents both national and state level data on a consistent basis so a relative comparison can be made.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Texas average residential gas price no higher than the targeted performance of 97 percent of the national average residential gas price.

Output Measure**1.2.1.1 Number of field audits conducted.**

Short Definition	These are on-site audits conducted on intrastate (natural) gas utilities and on odorized liquefied petroleum gas fee payers. There are several types of audits conducted, depending upon the specific regulatory focus being made.
Purpose/Importance	Field audits are conducted to ensure that the authorized rates are being accurately computed and billed by gas utilities, and that the proper gas utility tax is being remitted. The audits also include payers of the odorized liquefied petroleum gas fee, to ensure proper reporting and payments. The importance of on-site audits of the companies' books and records is to test the accuracy and completeness of reports made by the gas utilities in compliance with several statutory and regulatory requirements.
Source/Collection of Data	Each audit conducted consists of audit work papers, the auditor's report, the formal notification of results letter, and any needed correspondence to abate violations noted. These audits are maintained in Austin, and are available to the public for review.
Method of Calculation	An audit log is maintained for each fiscal year, which lists all audits conducted. Audit numbers are sequentially assigned all audits, with the first two digits referencing the fiscal year (i.e. Audit No. 00-045). Selected information is also entered into the mainframe computer, allowing for automated counts.
Data Limitations	A simple count cannot differentiate between a simple one-person audit and highly complex group audit.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure**1.2.1.2 Number of gas utility dockets filed.**

Short Definition	This measure reflects regulatory activity by reporting the number of docket numbers assigned to filings made by utilities in a year.
Purpose/Importance	Gas utilities are required by statute to obtain Commission approval prior to increasing environs rates or city gate rates. The Commission is also required to set rates for other jurisdictions when the parties are unable to agree on a rate increase. Additionally, the Commission is required to review requests for Natural Gas Policy Act section 311 rates, abandonment cases, rate complaints and sales, purchases, mergers, acquisitions or transfers of utility assets. Finally, the Commission may initiate enforcement proceedings against non-compliant gas utilities or gas companies, may add, amend or repeal procedural or substantive rules, and may initiate general inquiries into existing rates. Each of these filings is assigned a docket number, so this output measures the level of activity related to these regulatory responsibilities.
Source/Collection of Data	Each request for regulatory review is filed with the Gas Services division Regulatory Analysis and Policy section (RAP). A RAP tariff analyst assigns a unique, sequential docket number to each filing. The list of docket numbers is maintained and kept current by the tariff staff.
Method of Calculation	The number of dockets filed on an annual basis is reported.
Data Limitations	The gross number of dockets filed does not differentiate between the different types of filings that can be made. It also does not provide information regarding the number of dockets completed on an annual basis. Finally, the level of activity (when a filing is made) is dictated for the most part by industry rather than the Commission.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Target.

Output Measure**1.2.1.3 Number of gas utilities compliance, tariff, and escalator filings.**

Short Definition	This measure reflects regulatory activity by reporting the number of compliance, tariff, and escalator filings made by utilities in a year.
Purpose/Importance	Natural gas utilities are required by statute to file tariffs (or contract briefs) and current rate information with the Commission within thirty days of the effective date of the rate. Compliance filings are made to comply with a Commission order, and may include revised tariffs. Escalators (including purchased gas adjustments (PGAs)) are typically filed monthly to reflect changes in the cost of gas that are passed through to customers. The compliance, tariff, and escalator information requires review by Commission staff for reasonableness and correctness. This output measures the level of activity related to these regulatory responsibilities.
Source/Collection of Data	Each of these filings is made with the Gas Services division Regulatory Analysis and Policy section (RAP). A RAP tariff analyst reviews the filing for reasonableness and correctness, and provides notification to the utility concerning approval of the filing. The list of filings is maintained and kept current by the tariff staff.
Method of Calculation	The number of compliance, tariff, and escalator filings made on an annual basis is reported.
Data Limitations	The gross number of filings does not differentiate between the different types of filings that can be made. It also does not provide information regarding the number of filings approved on an annual basis. Finally, the level of activity (when a filing is made) is dictated for the most part by industry rather than the Commission.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Target.

Efficiency Measure**1.2.1.1 Average number of field audits per auditor.**

Short Definition	This is the relationship between the number of audits completed during a specific time frame and the number of auditors conducting audits.
Purpose/Importance	This relationship is important in establishing the proper size of staff needed to conduct field audits in timely cycles. With too few auditors, time between audits would increase and problems found would be magnified.
Source/Collection of Data	All audits completed are maintained in our files and the number of auditors, and any periods of auditor vacancies, can be obtained/verified through the Commission's Personnel division.
Method of Calculation	The number of audits completed during each reporting period is divided by that period's average number of auditors conducting audits. When there are no vacancies, the average number of auditors is eight.
Data Limitations	The mathematical process described above cannot differentiate between a simple one-person audit and highly complex group audit, each of which impacting the resulting average.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Explanatory Measure 1.2.1.1 Cost of gas included in average residential natural gas bill.

Short Definition	This measure is the cost of gas component of average residential gas bill assuming 6 Mcf/month consumption.
Purpose/Importance	Affordable heating cost is a necessity for Texas citizens. The unregulated cost of gas is the biggest component of the average gas bill. Monitoring the cost of gas of the state’s major gas utilities is important to determine if changed policies are needed.
Source/Collection of Data	The Commission maintains information on the gas costs for 25 key cities assuming a 6 Mcf per month consumption. This data is calculated from the tariff sheets applicable to these 25 cities. The information is published quarterly and posted on the Commission’s website.
Method of Calculation	The monthly calculation at the end of each fiscal year quarter for the 25 cities is averaged to determine statewide average cost of gas.
Data Limitations	No known data limitations.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Affordable steady gas costs without major fluctuation.

Outcome Measure**1.3.1 Annual percentage change in the level of AFRED account fee revenue.**

Short Definition	Annual percentage change in the total amount of LPG delivery fee revenue collected and deposited into Alternative Fuels Research and Education Fund Account 101, less revenue that does not reflect actual LPG sales, such as late penalties, administrative and civil penalties, and refunds of payments remitted in error.
Purpose/Importance	Measures by proxy Texans' increased or decreased use of odorized propane as an environmentally beneficial alternative fuel.
Source/Collection of Data	Delivery fee payments received by the Railroad Commission, logged in, deposited with the State Comptroller, and entered into the Uniform Statewide Accounting System (USAS). Records of penalties and refunds maintained by the Alternative Fuels Research and Education Division (AFRED) and entered into the division's delivery fee database.
Method of Calculation	Retrieve from USAS the total amount of delivery fee revenue deposited during the reporting period and the same period of the previous fiscal year. Retrieve from the AFRED LPG delivery fee database the total amount of late penalties, administrative and civil penalties, and refunds of payments remitted in error during the reporting period. Obtain total adjusted revenue by subtracting total penalties and refunds from total revenue. Subtract the previous year's total adjusted revenue from the current year's total adjusted revenue. Make this difference the numerator of a fraction whose denominator is the total adjusted revenue for the same reporting period of the previous fiscal year. Express this fraction as a percentage and report the percentage.
Data Limitations	No direct measure exists of odorized LPG usage in Texas. Delivery fee revenue offers a convenient proxy. However, the proxy is limited in its ability to measure the effectiveness of the division's programs. One reason is that residential LPG usage, which accounts for about 50 percent of total usage, is subject to weather-related ups and downs that are outside the agency's control. Other independent variables that affect sales are price-induced conservation and increased appliance efficiency.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Equal to or greater than target percentage.

Output Measure

1.3.1.1 Number of training hours provided to Texas LP-gas licensees and certificate holders, operators of LP-gas equipment, and firefighters.

Short Definition	Number of contact hours documented by Alternative Fuels Research and Education Division records of training class attendance and course length.
Purpose/Importance	This measure tells how much technical training the division provides annually to LPG technicians, other LPG industry personnel, and LPG consumers, e.g., LPG school bus fleet operators, and LPG emergency responders. The more training that is provided, the more likely the trainees are to work competently and safely.
Source/Collection of Data	Commission records of classes. For classes that confer Railroad Commission training or continuing-education credit, instructors report attendance and class length to their supervisor in writing within one day of their return to Austin. Information from these reports is entered into the Commission’s training database. For non-credit firefighter and emergency responder training classes, contact hours are recorded in a separate Excel spreadsheet. The division retains paper originals of all credit courses.
Method of Calculation	Retrieve from the training database the total number of class contact hours. Retrieve from the firefighter and emergency responder spreadsheet the total number of class contact hours. Add these two totals and report the sum.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Equal to or greater than target.

Efficiency Measure**1.3.1.1 Administrative costs as a percentage of AFRED account fee revenue.**

Short Definition	The portion of division personnel, capital equipment and other operating costs devoted to administration, plus transfers to other Railroad Commission divisions from Alternative Fuels Research and Education Fund Account 101, General Revenue-Dedicated, divided by total annual fee revenue deposited into the fund.
Purpose/Importance	The proportion of Fund Account 101 usable for administration is limited by statute to 25 percent. This measure tells how much of the division's budget is used for administration. The lower the percentage, the more efficiently we fulfill our statutory charge to operate research, marketing and public education programs that benefit propane marketers and consumers.
Source/Collection of Data	Delivery fee payments as recorded in the Uniform Statewide Accounting System (USAS). Amounts spent on administration are compiled and reported by the Commission's Administration division.
Method of Calculation	Retrieve from USAS the total amount of delivery fee revenue deposited during the reporting period. For the same reporting period, retrieve from the Commission's Administration division the total amount spent on administration by AFRED and the total amount of Account 101 funds spent by each other division of the Commission to which transfers are made. Add these spending totals. Divide the USAS revenue total by the spending total. Report the quotient expressed as a percentage.
Data Limitations	Since delivery fee collections vary both seasonally and from year to year, annual reports of this measure reflect performance more accurately than individual quarterly reports.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Equal to or less than target percentage.

Explanatory Measure 1.3.1.1 Number of alternative-fuel vehicles in Texas.

Short Definition	The number of compressed natural gas (CNG), liquefied petroleum gas (LPG) and liquefied natural gas (LNG) vehicles for which the Comptroller has issued a liquefied gas tax decal, plus the number of hybrid electric vehicles registered with the Texas Department of Transportation.
Purpose/Importance	To measure the degree to which Texas is obtaining the energy-security and air-quality benefits of alternative-fuel and hybrid electric vehicles.
Source/Collection of Data	Comptroller's records of liquefied gas tax decals issued; Texas Department of Transportation records of vehicle registrations.
Method of Calculation	Obtain from the Comptroller's Office a report of the total number of vehicles for which the Comptroller has issued liquefied gas tax decals. Obtain from the Texas Department of Transportation's Vehicle Titles & Registration Division a report of the number of vehicles registered in Texas that are identified in the Department's records as hybrid-electric vehicles. Add the two totals and report the sum.
Data Limitations	The methodology outlined above does not include vehicles powered by electricity, biodiesel, ethanol, methanol, or another alternative fuel as that term is defined in the federal Energy Policy Act of 1992 (EPACT). "Alternative fuel" is defined even more broadly under Texas law, as any fuel or power source that allows a vehicle to meet 1994 low-emission vehicle (LEV) emission standards (Texas Health & Safety Code §382.131). Under this definition, gasoline and diesel vehicles are considered alternative-fueled vehicles as long as they meet LEV. Since these vehicles displace no petroleum, they are excluded from this measure.
Calculation Type	Non-cumulative.
New Measure	No.
Desired Performance	Equal to or greater than estimated.

Output Measure**1.3.2.1 Number of rebate and incentive applications handled.**

Short Definition	Annual number of applications for all division rebates and incentives received and paid or rejected, including, but not limited to, consumer rebates, low-emission forklift rebates, and propane equipment rebates.
Purpose/Importance	Fifty percent of AFRED's annual budget is set aside by statute for consumer rebates. This measure tells how many rebate and incentive applications the division processes annually for LPG consumers and marketers. The more rebates and incentives we provide, the better we fulfill our statutory charge to operate rebate and other marketing programs that increase environmentally and economically beneficial usage of LP-gas.
Source/Collection of Data	Commission records of rebate and incentive applications received and processed. Applications received are reviewed for completeness and, if complete, entered into the Commission's rebate and incentive tracking database. Paper originals are retained by the division.
Method of Calculation	Retrieve from the rebate and incentive database the total number of applications for each type of rebate and incentive handled during the reporting period. Add these totals and report the sum.
Data Limitations	Although the total budget for rebates is relatively stable from year to year, rebates come and go, and rebate amounts change. For this reason, simply counting the number of applications handled provides only an approximation of work output. When rebates are issued in larger amounts, e.g., \$800 for a home with multiple appliances as opposed to \$200 for a single appliance, fewer applications will be processed before the budget is exhausted, and vice versa. In addition, the procedure does not track applications that are incomplete or submitted after the due date. (For most rebates, the applications must be submitted within 30 days of date the propane gas to the appliance was turned on.) These applications are returned to the applicant with a letter of explanation.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Equal to or greater than target.

Outcome Measure	2.1.1 Average number of pipeline safety violations per equivalent 100 miles of pipe identified through inspections.
Short Definition	Average of the number of safety violations noted per 100 miles for distribution, transmission, and hazardous liquid pipelines inspected.
Purpose/Importance	In order to determine the level of compliance by the various segments of the pipeline industry, a trending level can be established with this outcome. The Commission’s Pipeline Safety program can be compared to other state or federal programs by type of pipeline to determine the level of compliance by the industry.
Source/Collection of Data	Each pipeline safety evaluation documents the number of miles inspected and the number of violations found. Data is collected during field evaluations and maintained within the Pipeline Evaluation System (PES) database by pipeline system.
Method of Calculation	An average number of violations per 100 miles of pipe for each of the three types of systems (distribution, transmission, and hazardous liquids) will be determined by dividing the number of violations by the mileage of pipe that was inspected. These three averages will then be averaged to get a single equivalent statewide number for all of the pipeline systems within the state.
Data Limitations	None.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Maintain or reduce baseline level.

Output Measure**2.1.1.1 Number of pipeline safety inspections performed.**

Short Definition	A total of the safety compliance inspections conducted on intrastate hazardous liquids and natural gas pipelines.
Purpose/Importance	Safety inspections are conducted on pipeline facilities to monitor compliance with Commission safety regulations. Inspections are conducted on various types of facilities and tracked by the system and evaluation type.
Source/Collection of Data	All safety investigations/evaluations are conducted using data collection sheets to record the data relevant to the safety evaluation in addition to data entered into the PES system. All of the data is transferred into the Commission's PES system.
Method of Calculation	The PES database can be utilized to total the number of inspections conducted within any prescribed time interval to calculate the number of inspections conducted. The inspection will be considered complete based on the supervisor-approved date of the inspection. All inspections approved within the time period selected will be totaled.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure **2.1.1.2 Number of Pipeline safety violations identified through inspections.**

Short Definition	Safety inspections identify violations of Commission safety regulations for pipeline facilities. Violations are listed by each particular code section and associated with each individual safety inspection.
Purpose/Importance	Safety inspections are conducted to determine the compliance with the Commission’s safety regulations for pipeline installations. Noncompliance with the safety regulations are identified and recorded on the field evaluation data sheets and recorded into the PES database system.
Source/Collection of Data	The inspection reports include information on the type of installation and all observed violations. The data is transferred into the Commission’s PES system.
Method of Calculation	The source of data is the PES system.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Lower.

Output Measure**2.1.1.3 Number of pipeline accident investigations and special investigations performed.**

Short Definition	In addition to routine safety evaluations, special investigations and accident investigations are conducted on pipeline facilities to determine compliance with Commission safety regulations. Many investigations are initiated through public complaints and accident investigations in the event an accident occurs on a pipeline facility.
Purpose/Importance	Accident investigations are conducted to determine the probable cause of the incident and to determine if non-compliance may have contributed to the incident. Special investigations are conducted to monitor new construction and installation activities and to respond to consumer/public complaints. Specialized safety inspections also include follow up evaluations to determine compliance from a previous inspection.
Source/Collection of Data	Using the pipeline safety database, the number of accident and special investigations can be determined. Each investigation requires an on-site inspection, which includes the completion of a field report, documenting the amount of time spent conducting the investigation and completing the report.
Method of Calculation	Using totals from the database the number can be determined.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Target.

Output Measure

2.1.1.4 Number of pipeline permits issued or renewed.

Short Definition	All natural gas and hazardous liquids production, gathering, and transmission pipelines are required to have an operating permit from the Commission.
Purpose/Importance	In order to gather and maintain information on the regulated industry, all natural gas and hazardous liquids production, gathering, and transmission pipelines that leave the least of production are required to have a permit from the Commission with an annual renewal.
Source/Collection of Data	All data for permits are entered into the mainframe system for Pipeline Safety. The mainframe system is used for recording information on Pipeline Safety permit applications from applicants.
Method of Calculation	The totals can be calculated using the mainframe system.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Target.

Efficiency Measure**2.1.1.1 Average number of pipeline field inspections per field inspector.**

Short Definition	Each inspector is required to conduct a minimum number of inspections. This summarizes the number of evaluations completed during any specific time frame and the number of inspectors available to conduct inspections.
Purpose/Importance	To maintain adequate staffing levels and projections for workload within fiscal years, it is important to use the average of inspections per inspectors.
Source/Collection of Data	The data is collected in the Commission's PES as part of the inspection process. Each inspection records the inspector performing the inspection and the time the evaluation was conducted. The number of field personnel is maintained in the section.
Method of Calculation	The number of evaluations completed and approved during each reporting period is divided by the number of inspectors available to conduct inspections.
Data Limitations	There is no separate allowance for evaluations where multiple inspectors conduct an evaluation. In this instance the evaluation will only be counted once.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure **2.1.2.1 Number of pipeline education programs administered.**

Short Definition	Seminars are conducted by the pipeline safety and damage prevention representatives to increase awareness of pipeline and underground damage prevention safety and the requirements for compliance with the Commission safety regulations.
Purpose/Importance	Educational seminars are provided to pipeline industry employees, excavators, emergency response offices, as well as the general public to increase awareness regarding the Commission’s safety program to increase compliance with the regulations.
Source/Collection of Data	A count of the number of seminars is maintained and totaled at the end of each quarter.
Method of Calculation	The total can be obtained from adding the record sheets from each meeting that documents the meeting time and location.
Data Limitations	The hand count of records of education program dates.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure**2.1.2.2 Number of third party damage enforcement cases completed.**

Short Definition	The number of third party damage enforcement and complaint cases completed.
Purpose/Importance	To determine the effectiveness of the Commission's damage prevention enforcement program for damages to intrastate pipeline systems by tracking the enforcement activity regarding damage prevention violations.
Source/Collection of Data	Data will be obtained from the Commission's online system (TDRF) used to collect data regarding damages to underground facilities and all enforcement type actions taken on those facilities.
Method of Calculation	The data will be collected from the Commission's online damage reporting system regarding the number of enforcement cases and complaints processed and over a designated time period.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Explanatory Measure 2.1.2.1 Number of calls to Texas “one-call” centers.

Short Definition	This measure tracks the number of calls to Texas “one-call” centers each quarter.
Purpose/Importance	The leading cause of damages to pipelines in Texas result from third parties. Effective damage prevention initiatives should result in an increase in the number of calls made to “one-call” centers to request underground utilities to be marked prior to excavation. This measure will indicate the effectiveness of Commission education initiatives by illustrating a change in the number of calls to “one-call” centers.
Source/Collection of Data	The data will be collected from the three one-call centers that operate in the state. Some of the data will also be collected from the One-Call Board of Texas.
Method of Calculation	The data will be collected quarterly from the state’s three one-call centers and will be added together for a quarterly total.
Data Limitations	The data will be collected from the one-call centers operating in the state, which are not under the Commission’s regulatory authority. While the Commission does not anticipate problems gathering the data from these sources, there may be an unforeseeable delay. The Commission may also gather the data from the One-Call Board of Texas, which oversees the operation of the one-call centers.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	The desired performance is to see an increase in the number of calls made to the one-call centers, which would indicate an increased awareness of damage prevention.

Outcome Measure	2.2.1 Average number of LPG/CNG/LNG safety violations identified per inspection.
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Short Definition	Each safety inspection will identify and record any violation of the LPG/CNG/LNG safety regulations. The average number of violations per inspection can be used as a benchmark for the state of the LPG/CNG/LNG industry.
Purpose/Importance	The Commission's LPG/CNG/LNG safety program conducts field investigations and inspections of stationary and mobile installations to determine compliance with the Commission's safety regulations. By determining the average number of violations per inspection, the overall effectiveness of the program can be monitored by comparing the trend of reported average violations per year.
Source/Collection of Data	Each field inspection documents the number of violations and this data is entered into the LIS Oracle database system. The number of inspections by type and number of violations by type can be retrieved from this system. Each site that is inspected is considered one inspection.
Method of Calculation	The total number of violations noted is divided by the total number of inspections completed to determine the average number of safety violations per inspection.
Data Limitations	None.
Calculation Type	Noncumulative.
New Measure	Yes. (New definition will change history).
Desired Performance	Maintain or reduce baseline level.

Output Measure	2.2.1.1 Number of LPG/CNG/LNG safety inspections performed.
Short Definition	A total of the onsite field inspections conducted on LPG/LNG/CNG stationary and mobile installations.
Purpose/Importance	Field inspections are conducted on LPG/LNG/CNG installations to monitor compliance with Commission safety regulations. Inspections are conducted on various types of facilities and tracked within the system and evaluation type.
Source/Collection of Data	All safety investigations/evaluations are conducted using data collection sheets to record the data relevant to the safety evaluation. All of the data is transferred into the Commission's LIS Oracle database.
Method of Calculation	The LIS Oracle database can be utilized to total the number of inspections conducted within any prescribed time interval to calculate the number of field inspections conducted.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure**2.2.1.2 Number of LPG/CNG/LNG safety violations identified through inspections.**

Short Definition	Safety inspections identify violations of Commission safety regulations for LPG/LNG/CNG facilities, vehicles and mobile equipment. Violations are listed by each particular code section and associated with each individual safety inspection.
Purpose/Importance	Safety inspections are conducted to determine the compliance with the Commission's safety regulations for LPG/LNG/CNG installations. Noncompliance with the safety regulations are identified and recorded on the field evaluation data sheets. The owners or operators of stationary installations or vehicle/mobile equipment cited for violations are notified of the safety issues and afforded a specific time frame to take corrective action or remove the installation or vehicle/mobile equipment from service.
Source/Collection of Data	The inspection reports include information on the type of installation and all observed violations. The data is transferred into the Commission's LPG LIS Oracle database.
Method of Calculation	The source of data is the LPG Oracle database.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Lower.

Output Measure**2.2.1.3 Number of LPG/CNG/LNG Accident Investigations and Special Investigations Performed.**

Short Definition	In addition to routine safety inspections, special investigations and accident investigations are conducted on LPG/CNG/LNG facilities, vehicles and mobile equipment to determine compliance with Commission safety regulations. Investigations of unsafe installations or practices are initiated by complaints from individuals in the regulated industries or from the public. Licensees are required by Commission rules to report incidents or accidents involving LPG/CNG/LNG at installations or on equipment they own, operate or service.
Purpose/Importance	Accident investigations are conducted to determine the probable cause of the incident and to determine if non-compliance may have contributed to the incident. Special investigations are conducted to monitor new construction and installation activities, approve large stationary installations and certain vehicles, and to respond to consumer/public/industry complaints. Specialized safety inspections also include certain follow up inspections to determine compliance from a previous inspection.
Source/Collection of Data	Using an access database and the LIS Oracle database, the number of accident and special investigations can be determined. Most investigations requires an on site inspection, which includes the completion of a field report, documenting the amount of time spent conducting the investigation and completing the report. Investigations not conducted on site are processed administratively.
Method of Calculation	Using totals from each database the number can be determined.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Target.

Output Measure**2.2.1.4 Number of LPG/CNG/LNG qualifying examinations administered and licenses, certifications and registrations issued or renewed.**

Short Definition	LPG, CNG and LNG operators and dealers are required to be licensed by the Railroad Commission, and the companies' managers and employees are required to be certified by examination to perform LPG, CNG or LNG activities. Trucks that deliver LPG, CNG or LNG are required to be registered. Licensed master and journeyman plumbers and air-conditioning and refrigeration (ACR) licensees who perform LP-gas activities may register for an exemption with the Commission in lieu of maintaining a current Railroad Commission license or certification.
Purpose/Importance	Persons who perform LPG, CNG or LNG activities in Texas are required by statute to hold a license from the Commission that requires testing on safety regulations, insurance, truck inspections, registration, certification of employees who perform regulated activities, and annual renewals.
Source/Collection of Data	All data for LPG, CNG and LNG examinations, certification, licenses and registrations are entered into the Commission's LIS Oracle database.
Method of Calculation	The totals can be calculated using reports from the LIS Oracle database.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Equal to or greater than estimated.

Output Measure **2.2.1.5 Number of LPG/CNG/LNG education programs administered.**

Short Definition	Seminars are conducted by the LPG/CNG/LNG safety representatives to increase awareness of LPG/CNG/LNG safety rules and the requirements for compliance with the Commission’s safety regulations.
Purpose/Importance	Educational seminars are provided to LPG/CNG/LNG industry employees, emergency response personnel and the general public to increase awareness of the Commission’s safety program and improve compliance with safety regulations.
Source/Collection of Data	A count of the number of seminars is maintained and totaled at the end of each quarter.
Method of Calculation	The total can be obtained by adding the record sheet from each meeting documenting the date and location.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Efficiency Measure**2.2.1.1 Average number of LPG/CNG/LNG safety inspections per inspector.**

Short Definition	Each field inspector is required to conduct a minimum number of on-site safety inspections. This measure summarizes the number of evaluations completed during any specific time frame and the number of inspectors available to conduct inspections.
Purpose/Importance	To maintain adequate staffing levels and projections for workload within fiscal years, it is important to use the average of inspections performed by inspectors.
Source/Collection of Data	The data is collected in the Commission's LIS Oracle system as part of the inspection process. A record of each inspection is entered into the database that includes the name of the inspector and the time spent conducting the inspection. The number of field personnel is maintained in the section.
Method of Calculation	The number of safety inspections completed during each reporting period is divided by the number of inspectors available to conduct inspections.
Data Limitations	There is no separate allowance for a safety inspection in which multiple inspectors collaborate to complete the inspection. In such an instance the inspection will only be counted once and credited to a single inspector.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

Outcome Measure 3.1.1 Percentage of oil and gas facility inspections that identify environmental violations.

Short Definition	The percentage of the total number of oil and gas facility inspections performed during which at least one pollution-related violation was detected. Pollution-related violations include violations of Statewide Rules 8, 9, 13, 14, 17, 20, 21, 46, 81, 91, 95, 96, 97, and 98 (water protection, disposal wells, well completion and plugging, wellhead pressure, fire prevention and swabbing, fluid injection, brine mining, oil spills, hydrocarbon storage, and hazardous waste management) and violations of 16 TAC Chapter 4, Subchapter F (Oil and Gas NORM).
Purpose/Importance	This percentage measures the level of activity for the Commission’s district offices associated with potential environmental threats, and is an indicator of the overall level of compliance by oil and gas operators in protecting the environment. From this percentage, a statistical projection of the number of compliant and non-compliant facilities and required Commission staffing may be deduced.
Source/Collection of Data	Data is collected manually in the field on “D-Forms” and captured in an automated database. Statistical reports are generated monthly.
Method of Calculation	This percentage is calculated by dividing the total number of oil and gas facility inspections where at least one pollution-related violation was detected by the total number of oil and gas facility inspections.
Data Limitations	The number of non-compliant leases and facilities is affected by the health of the oil and gas industry, or the lack thereof. Increases/decreases in personnel and priority of inspection assignments also affect these numbers.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Less than target. This indicates that oil and gas facility inspections detected fewer pollution-related violations than predicted, thus indicating a higher level of compliance by the oil and gas industry.

Outcome Measure**3.1.2 Percent of current surface mining operations (coal and uranium) that are in full compliance with applicable state and federal regulations.**

Short Definition	The percentage of coal and uranium mining operations that are permitted and not subject to a reclamation bond forfeiture proceeding.
Purpose/Importance	The purpose of this outcome measure is to monitor the financial soundness of the coal and uranium mining industry.
Source/Collection of Data	The permitted acreage is contained in Commission orders and may be adjusted by administrative revisions. Bond forfeiture acres are from Commission bond forfeiture orders. Reclamation is determined to be complete when the acreage is returned to the landowner.
Method of Calculation	This percentage is calculated by dividing the total permitted surface coal and uranium mining acres, less the total reclamation bond forfeiture acres by the total permitted surface coal and uranium mining acres.
Data Limitations	The bond forfeiture process is subject to various legal appeals therefore forfeiture acres may continue to be counted for an extended period of time resulting in a performance target of less than 100% for more than one fiscal year.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Target.

Output Measure	3.1.1.1 Number of oil and gas facility inspections performed.
Short Definition	This measure is the total number of inspections performed at a lease or other oil and gas facility by district staff and documented by a work report during the reporting period.
Purpose/Importance	The number of oil and gas facility inspections performed measures the level of activity for the Commission’s district offices. A subset of this number measures the level of compliance (or non-compliance) by oil and gas operators.
Source/Collection of Data	Data is collected manually in the field on “D-Forms” and captured in a statewide D-System database (Oracle) maintained in the Field Operations section. Statistical reports are generated monthly.
Method of Calculation	This measure is generated monthly from the Field Operations section D-System database by an automated report that provides the total number of oil and gas facility inspections performed during the reporting period.
Data Limitations	Many factors impact the amount of time required to perform an inspection including type of inspection, number of wells inspected during one job, number/magnitude of detected violations, travel time, and weather conditions. As the time required to perform inspections increases, the overall number of inspections performed decreases. Increases/decreases in personnel and priority of inspection assignments also affect this number.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure**3.1.1.2 Number of enforcement referrals for legal action due to oil and gas rule violations.**

Short Definition	The total number of oil and gas leases and facilities referred to the Office of General Counsel, Enforcement section, wherein the responsible operator failed to initiate timely action to bring the lease or facility in compliance with statewide rules.
Purpose/Importance	This measure represents the level of non-compliance at the district office level that requires further enforcement action by the Commission.
Source/Collection of Data	Statistics on referrals to the Enforcement section are maintained in a Field Operations section spreadsheet application.
Method of Calculation	This number is generated monthly by summing the total number of referrals in the Field Operations section spreadsheet application for the reporting period.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Lower than target. This indicates that operators are complying with district directives to bring non-compliant oil and gas facilities into compliance with Commission rules and regulations.

Output Measure**3.1.1.3 Number of oil and gas environmental permit applications and reports processed.**

Short Definition	The number of oil and gas environmental permit applications processed for disposal wells, waste hauler permits, surface storage and disposal, hydrocarbons storage and brine mining, and monitoring reports for UIC well volumes and pressures and mechanical integrity tests (also know as pressure tests) for oil and gas enhanced recovery and disposal wells, and pressure tests or fluid level readings for inactive wells
Purpose/Importance	This measure provides an indication of Oil and Gas division staff workloads and oil and gas activity in the state.
Source/Collection of Data	Count the total number of permit applications processed and monitoring reports received and reviewed during the reporting period. Data is maintained within mainframe and PC programs. Includes: Fluid injection wells (Forms H-1), disposal wells (Forms W-14), hydrocarbon wells (Forms H-4), brine mining wells (Forms H-2), pit applications (Forms H-11), minor permit applications, discharge applications, land farming applications, pipeline hydrostatic test permit applications, new/renewal waste hauler permit applications (Forms WH-1), UIC well monitoring reports (Forms H-10), report on test on inactive wells (Forms H-15), pressure test reports for UIC wells (Forms H-5), brine mining well monitoring reports, and hydrocarbon storage monitoring reports.
Method of Calculation	Add the number of permit applications processed and monitoring reports received and reviewed during the reporting period.
Data Limitations	Can be affected by any data entry delays.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure**3.1.1.4 Number of lease severances or well seals initiated.**

Short Definition	This measure is the total number of actions initiated during the reporting period to terminate the authority of an operator to operate an oil lease or gas well through issuance of severance/seal orders due to violations of oil & gas rules.
Purpose/Importance	The number of lease severances and well seals initiated is an indicator of industry compliance with existing and changing Commission rules. The severance/seal process is an early and effective response to rule violations and often leads to prompt compliance.
Source/Collection of Data	Data on each lease severance/well seal action is accumulated throughout the reporting period within the Commission's mainframe-based Severance/Seal system. Statistical reports are generated quarterly.
Method of Calculation	This measure is generated quarterly by the Oil & Gas Division through a database query that provides the total number of lease severance/well seal processes initiated during the reporting period. Actions closed and reinitiated are excluded to avoid duplication of counts.
Data Limitations	Many factors affect the level of lease severance/well seal activity. Universal compliance with Commission rules or prompt resolution of any violations prior to initiation of action by the Commission is desirable and would result in lower reported counts; compliance and speed of resolution are matters within the control of industry rather than the agency.
Calculation Type	Cumulative.
New Measure	Yes.
Desired Performance	Lower than target. This indicates that operators are complying with district directives to bring non-compliant oil and gas facilities into compliance with Commission rules and regulations.

Efficiency Measure**3.1.1.1 Average number of oil and gas facility inspections performed by district office staff.**

Short Definition	This figure represents the average number of oil and gas facility inspections performed during the reporting period by district staff.
Purpose/Importance	The average number of oil and gas facility inspections performed measures how efficiently the Commission's district office staff conducts the inspections. The number also measures the level of activity for the Commission's district office staff. By tracking the average number of inspections performed, it is possible to determine the total number of inspections that can be performed during a specified period. This measure serves as a management tool to predict future inspection performance.
Source/Collection of Data	Statistics on the total number of inspections, the number of district office staff, and the average number of inspections are maintained in the Field Operations section D-System database. Reports on these statistics are generated monthly.
Method of Calculation	This measure is generated monthly from the Field Operations section D-System database by an automated report that provides the total number of oil and gas facility inspections performed during the reporting period and the total number of district office staff performing the inspections. The report determines the average number of inspections performed by dividing the total inspections by the total number of district office staff performing the inspections.
Data Limitations	An inspection encompasses a lease or other oil and gas facility. Not all inspections require the same amount of time to complete due to the travel time required to reach the lease or facility, the number of wells on a lease, the complexity of the job, and the number of violations identified on the lease or facility. Some inspections (such as well casing cementing operations, well plugging operations, and injection/disposal well mechanical integrity tests) are more time consuming and are performed to verify compliance rather than identify violations. These factors impact the average number of inspections performed by district office staff. Increases/decreases in personnel and priority of inspection assignments also affect this number.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target

Explanatory Measure	3.1.1.1 Number of oil and gas wells and other related facilities subject to regulation.
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Short Definition	Number of oil and gas wells, existing facilities holding an active environmental permit, including disposal and EOR wells carried on the schedule, and the number of other major facilities.
Purpose/Importance	The sum of these units is indicative of our regulatory tasks and allow for better allocation of resources for and prioritization of inspection and monitoring of environmental facilities.
Source/Collection of Data	Data is housed in mainframe and PC databases. This number includes: hydrocarbon storage facilities (wells), brine mining wells, commercial facilities, UIC wells, vehicles permitted by oil and gas waste haulers, in addition to well counts.
Method of Calculation	Add oil and gas well counts, hauler vehicles shown on PC database, commercial injection and disposal wells and hydrocarbon storage and brine mining wells shown on the schedule, commercial storage and disposal facilities permitted under Rules 8, 9 and 46.
Data Limitations	This is a constantly changing number since operators activate and deactivate facilities every day.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Target. Subject to market/field conditions.

Explanatory Measure 3.1.1.2 Number of statewide rule violations documented.

Short Definition	This measure represents the total number of statewide rule violations reported by district office staff as a result of oil and gas facility inspections.
Purpose/Importance	Oil and gas facility inspections are used to identify violations and initiate correction. The Commission takes appropriate enforcement action to achieve compliance on all reported rule violations including legal enforcement action, if necessary.
Source/Collection of Data	The number of rule violations noted is maintained in the Field Operations D-System database.
Method of Calculation	The number is generated by an automated report from the Field Operations section D-System database that tallies the number of inspections and violations during the reporting period. These reports are generated monthly.
Data Limitations	None.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Less than target. This indicates that oil and gas facility inspections detected fewer violations than predicted, thus indicating a higher level of compliance by the oil and gas industry.

Output Measure**3.1.2.1 Number of coal mining inspections performed.**

Short Definition	The total number of inspections conducted during the fiscal year to assure mining operations are conducted in compliance with issued permits and applicable regulations.
Purpose/Importance	This measure identifies the number of field inspections conducted to monitor the activities of permitted mining operations. On-site inspections of mining operations are the primary means to ensure that mining and reclamation is being conducted in accordance with the approved permit.
Source/Collection of Data	The number of inspections is documented through reports prepared for each on-site inspection of permitted mining operations. Inspection reports are prepared and filed in the administrative records for each mining permit.
Method of Calculation	The number of inspections is a cumulative count of all types of inspections performed during a reporting period. This number is determined from a review of the files for each mining permit and exploration registration.
Data Limitations	The frequency and type of inspections are dependent in part on the level of mining, reclamation or exploration activities that are ongoing during the reporting period.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure 3.1.2.2 Number of coal mining permit actions processed.

Short Definition	The number of coal mining permit actions reviewed and processed to completion during the fiscal year. Permit actions include: applications for new permits, permit renewals, transfers, or revisions, exploration registrations renewed or issued, reclamation bond adjustments and releases, monitoring report evaluations, applications for blaster certifications, construction design documents and certifications, and initiation of the extended responsibility period.
Purpose/Importance	This measure provides a numeric count of the major administrative and technical reviews performed by the staff. The majority of program staff resources are allocated to these reviews, which are required to demonstrate mining operations are conducted in compliance with administrative and technical performance standards contained in the regulations or Commission orders.
Source/Collection of Data	The permit actions are tracked in a database with the decision document entry marking the completion of the permit action review. These decision documents consist of Commission orders, administrative approval letters, acknowledgement letters, blaster certificates, and exploration registrations.
Method of Calculation	The number of permit actions completed is a cumulative count of all actions with a decision document issued during a reporting period. This number is determined from a query of the permit actions database for actions completed during the reporting period.
Data Limitations	The number and timing of permit action requests is determined by the mining industry and not controlled by the Commission. Specifically, many of the construction design documents are affected by seasonal weather conditions; therefore creating a workload that is not necessarily linear over the evaluation period.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure**3.1.2.3 Percent of uranium exploration sites inspected monthly.**

Short Definition	The percentage of uranium exploration permits inspected monthly during the fiscal year to assure mining operations are conducted in compliance with issued permits and applicable regulations.
Purpose/Importance	This measure identifies the percentage of uranium exploration permits inspected monthly to monitor the activities of permitted exploration operations. On-site inspections of exploration operations are the primary means to ensure that exploration and site-restoration is being conducted in accordance with the approved permit.
Source/Collection of Data	The percentage of exploration permits inspected monthly is documented through reports prepared for each on-site inspection of permitted exploration operations. Inspection reports are prepared and filed in the administrative records for each permit.
Method of Calculation	Divide the cumulative count of active permit inspections conducted during the reporting period by the number of active permit months for the reporting period. A permit is considered active when an operator is actually conducting exploration and plugging operations in the field.
Data Limitations	None.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Target.

Efficiency Measure**3.1.2.1 Average number of staff review days required to process coal mining permitting actions that require Commission decision.**

Short Definition	The average number of staff days required to review and make a recommendation for approval or denial for permit actions that require a Commission decision. Permitting actions that require Commission decisions are those which are presented to the Commission for decision during a public meeting. These types of actions include those requiring public notice such as new mining permits, permit renewals and transfers, and significant permit revisions.
Purpose/Importance	This measure provides an indication of the responsiveness of staff in meeting certain statutory review time frames identified in Texas Natural Resources Code, Chapter 134, Section 134.085, for major permitting activities.
Source/Collection of Data	This is a count of the number of staff review days, for permit action requests completed during the reporting period that require Commission approval. A database is maintained within the Surface Mining and Reclamation Division that tracks the processing of permit action requests. Key processing milestones are documented with a database entry on the date of the event. Permit action reviews are considered complete when staff review documents are filed with the hearings examiner. The number of staff review days is a count of all calendar days beginning on the stamped receipt date of an administratively complete application through the date of filing the staff review and the division director's recommendation on a final decision.
Method of Calculation	Divide the aggregate total number of staff review days for all actions completed during the reporting period by the number of actions completed for the reporting period.
Data Limitations	The number and timing of applications is determined by the mining industry and not controlled by the Commission. The staff-review time for different types of permitting actions also varies, dependent on the complexity of the permit action requested. The ability to meet the performance measure may be influenced if more complex permit actions are submitted for review during the reporting period than estimated in establishing the performance measure target.
Calculation Type	Cumulative.
New Measure	Yes. (New definition will change history).
Desired Performance	Lower than target.

Efficiency Measure**3.1.2.2 Average number of staff review days required to process administrative coal mining permitting actions.**

Short Definition	The average number of staff days required to review non-significant permit revisions. These actions, which do not require public notice, are administratively approved or denied by the division director.
Purpose/Importance	This measure provides an indication of the responsiveness of staff in meeting certain statutory review time frames identified in Texas Natural Resources Code, Chapter 134, Section 134.085, for non-significant permit revisions. The measure is also important to illustrate to the coal mining industry the timeliness of staff in meeting these review timeframes.
Source/Collection of Data	This is a count of the number of staff review days for all administrative permit revisions completed during the reporting period. A database is maintained within the Surface Mining and Reclamation Division that tracks the processing of permit action requests. Key processing milestones are documented with a database entry logging the date of the event. Permit action reviews are considered complete when the division director's final decision letter is sent to the permittee. The number of staff review days is a count of the calendar days beginning on the stamped receipt date of the administratively complete application through the date of the division director's final decision letter.
Method of Calculation	Divide the aggregate total number of staff review days for administrative permitting action reviews completed during the reporting period by the number of administrative initial reviews completed for the reporting period.
Data Limitations	The number and timing of applications is determined by the mining industry and not controlled by the Commission. The staff-review time for different types of permitting actions also varies, dependent on the complexity of the permit revision. The ability to meet the performance measure may be influenced if more complex permit actions are submitted for review during the reporting period than estimated in establishing the performance measure target.
Calculation Type	Noncumulative.
New Measure	Yes. (New definition will change history).
Desired Performance	Lower than target.

Efficiency Measure 3.1.2.3 Average number of staff review days required to process uranium exploration permitting actions.

Short Definition	The average number of staff days required to review uranium exploration permit actions. These actions include new, revised and renewal applications.
Purpose/Importance	The measure illustrates the responsiveness of staff in meeting target review timeframes for uranium exploration permit actions.
Source/Collection of Data	The measure is based on a count of the number of staff review days for all uranium exploration permit action requests completed during the reporting period. A database is maintained within the Surface Mining and Reclamation division that tracks the processing of permit action requests. Processing milestones are documented with a database entry logging the date of the event. Permit action reviews are considered complete when a deficiency letter or Director’s final decision letter is sent to the permittee. The number of staff review days is based on the number of calendar days beginning on the stamped receipt date until the date staff review is complete resulting in a deficiency letter or director’s final decision letter.
Method of Calculation	Divide the aggregate total number of staff review days by the number of uranium exploration permit action reviews completed for the reporting period.
Data Limitations	The ability to meet the efficiency measure may be influenced if more complex permit actions are submitted for review during the reporting period than estimated in establishing the target.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Lower than target.

Efficiency Measure**3.1.2.4 Percent of coal permitting actions completed within statutory review time frames.**

Short Definition	The percent of total projects within the review period with total staff review days at or less than the statutory review time frame.
Purpose/Importance	This measure illustrates the overall performance of staff in meeting statutory review time frames identified in Texas Natural Resources Code, Chapter 134, Section 134.085.
Source/Collection of Data	This is a comparison of review time frames for all permitting actions completed during the reporting period, compared to the respective statutory review time frame. These include all significant and non-significant permitting actions. A database is maintained within the Surface Mining and Reclamation Division that tracks the processing of permit action requests. Key processing milestones are documented with a database entry logging the date of the event. Permit action reviews are considered complete when the director's final decision letter is sent to the permittee. The number of staff review days is a count of all calendar days beginning on the stamped receipt date of an administratively complete application until the date of the director's final decision letter.
Method of Calculation	Divide the number of actions with review time frames at or less than the statutory review times by the total number of actions completed in the review period. Multiply this quotient by 100.
Data Limitations	The staff-review time for different types of permitting actions can vary significantly, dependent on the complexity of the permit revision. The ability to meet the performance measure may be influenced if more complex permit actions are submitted for review during the reporting period than estimated in establishing the performance measure target.
Calculation Type	Noncumulative.
New Measure	Yes.
Desired Performance	Below target.

Explanatory Measure 3.1.2.1 Number of acres permitted.

Short Definition	The total number of acres permitted for surface coal and uranium mining activities.
Purpose/Importance	The purpose of this measure is to track the amount of land area that is subject to the Commission’s mining regulations. This measure provides information that illustrates the size of the land area that the Commission must inspect.
Source/Collection of Data	Changes to permit acreage are contained in Commission orders (permit revisions, bond releases) or the director’s approval letters for incidental permit boundary revisions. Each document that adjusts the permit area is recorded on the spreadsheet with the source document identified.
Method of Calculation	A spreadsheet is maintained to track adjustments to permit acreage for each mine. Whenever a document that adjusts permit acreage is filed in the administrative records the acreage adjustment is entered on the spreadsheet along with the approval date. The spreadsheet maintains a running total of the permit acreage.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Target.

Outcome Measure**3.2.1 Percentage of known orphaned wells plugged with the use of state managed funds.**

Short Definition	The ratio of the number of orphaned wells plugged with the use of state managed funds to the total number of orphaned wells. An orphaned well is a well for which production of oil or gas or another activity under the jurisdiction of the Commission has not been reported to the Commission for the preceding 12 months, and for which the Commission-approved organization report (Form P-5) has lapsed. State managed funds include the Oil and Gas Regulation and Cleanup Fund and other funds appropriated to the agency.
Purpose/Importance	Provides an indication of the effectiveness of the state managed well plugging program.
Source/Collection of Data	An automated database captures the number of wells plugged with state managed funds. A separate automated database captures the number of orphaned wells.
Method of Calculation	The percentage is calculated by dividing the number of orphaned wells plugged by the number of wells that are orphaned.
Data Limitations	Does not distinguish between complex and/or deep pluggings which may be more time consuming, and have higher costs associated with them and routine shallow pluggings which may be more readily addressed, and less costly. The number of orphaned wells identified by the Commission's mainframe system is a dynamic number that changes daily.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target. This indicates that the number of wells plugged with state managed funds (numerator) is higher than anticipated due to the plugging of more wells and/or the number of orphaned wells is lower than anticipated due to healthy economic conditions for the oil and gas industry.

Outcome Measure**3.2.2 Percentage of identified abandoned pollution sites investigated, assessed, or cleaned up with state managed funds.**

Short Definition	Percentage of identified pollution sites investigated, assessed, or cleaned up with state-managed funds.
Purpose/Importance	Provides an indication of the effectiveness of the cleanup program.
Source/Collection of Data	An automated database captures the completion of abandoned pollution site investigations, assessments, and cleanups. Pollution sites are identified primarily through inspections, referrals from District Office field personnel and the general public.
Method of Calculation	This percentage is calculated by dividing the number of abandoned pollution sites investigated, assessed, or cleaned up using the Oil and Gas Regulation and Cleanup Fund and other state funds appropriated to the agency by the number of identified abandoned pollution sites.
Data Limitations	While the percentage is a reflection of effectiveness it is dependent on abandoned pollution site identification; therefore abandoned sites that have not yet been identified cannot be captured. A candidate site may consist of multiple cleanup activities due to the varying complexity of the sites and the need for multiple bids to ensure a cost effective cleanup.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target. A higher percentage would reflect more effectiveness within the limits of the data.

Output Measure**3.2.1.2 Number of abandoned pollution sites investigated, assessed, or cleaned up with the use of state managed funds.**

Short Definition	Number of clean up activities at abandoned pollution sites where an investigation, assessment, or clean up is completed with the use of Oil and Gas Regulation and Cleanup Fund or other state funds appropriated to the agency.
Purpose/Importance	Provide an indication of the effectiveness of the cleanup program for abandoned sites requiring the use of state managed funds.
Source/Collection of Data	An automated database captures the completion of abandoned pollution site investigations, assessments, and cleanups. Pollution sites are identified primarily through inspections, referrals from District Office field personnel and the general public.
Method of Calculation	A cumulative count of the number of abandoned pollution cleanup activities that are completed at abandoned pollution sites with monies from the Oil and Gas Regulation and Cleanup Fund and other state funds appropriated to the agency. A cleanup activity is considered completed when the final invoices for the cleanup activity are approved for payment by the Site Remediation Section.
Data Limitations	Does not distinguish between major sites that are complex, time consuming, and costly compared to minor sites that may be smaller, more readily addressed, and less costly. Factors affecting this measure include funds availability, number of identified abandoned sites, availability of qualified contractors, and availability of field staff to supervise operations.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	A larger number indicates more pollution cleanup within the limits of the data.

Efficiency Measure 3.2.1.1 Average number of days to complete abandoned state managed site cleanups.

Short Definition	Average number of days to complete state managed fund site cleanup activities.
Purpose/Importance	Provides an indication of the efficiency of state funded cleanups.
Source/Collection of Data	An automated database captures the beginning and completion of site cleanups.
Method of Calculation	Calculation is based on the date the abandoned site cleanup file is closed minus the contract, work order, or award date. The results are then summed for all site cleanup activities and divided by the total number of site cleanup activities completed during the period. A cleanup activity is considered completed when the final invoice for the cleanup activity is approved for payment by the Site Remediation Section.
Data Limitations	Does not distinguish between major sites, which may be complex, costly and require more time to complete and minor sites, which may be more rapidly completed.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Fewer average days generally indicates greater efficiency within the limits of the data.

Explanatory Measure	3.2.1.1 Number of identified abandoned pollution sites that are candidates for state managed funded cleanup.
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Short Definition	Sites identified as abandoned with oil and gas waste, substances, or other materials that are causing or likely to cause pollution.
Purpose/Importance	Provides an indication of the number of pending state managed cleanup activities. Data is updated annually and used to calculate the performance measure regarding the percentage of identified abandoned pollution sites investigated, assessed, or cleaned up with state funds.
Source/Collection of Data	A list of identified abandoned pollution sites that are candidates for state-managed cleanup is compiled in the first quarter of each fiscal year on a statewide basis by surveying field personnel in coordination with databases maintained in headquarters.
Method of Calculation	Identified abandoned sites statewide are summed on an annual basis for a total number.
Data Limitations	While the figure is a total number, it does not differentiate between abandoned sites in terms of size, complexity, number of clean up activities necessary or possible cost. Also, abandoned sites that are not on the list may be cleaned up during the fiscal year.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	A higher number of abandoned sites indicate an increased magnitude of needed cleanups within the limits of the data.

Explanatory Measure 3.2.1.2 Number of Voluntary Cleanup Program applicant initiated cleanups monitored and evaluated.

Short Definition	Number of Voluntary Cleanup Program (VCP) applicant cleanups monitored and evaluated to ensure appropriate remediation and elimination of an environmental threat.
Purpose/Importance	Provides an indication of the effectiveness of the Voluntary Cleanup Program. The purpose of the VCP is to provide an incentive to remediate property by removing the liability to the state of lenders, developers, owners, and operators who did not cause or contribute to contamination released at the site.
Source/Collection of Data	Staff maintains a database of sites. Sites are brought forward by eligible applicants wishing to clean up the property while paying for Commission oversight in return for a release of liability from the state.
Method of Calculation	Reported annually. On the last day of each fiscal year, report the total number of Voluntary Cleanup Program cleanups that are currently in some stage of monitoring or evaluation.
Data Limitations	These sites may take several years to complete and frequently involve many hours of staff time to review and approve technical reports and corresponding site activities. Staff review time can vary significantly depending on technical complexity or other factors.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Within the Data Limitations, lower numbers indicate the need for fewer environmental cleanups while higher numbers indicate more activity in the program.

Explanatory Measure**3.2.1.3 Number of complex operator-initiated cleanups monitored and evaluated.**

Short Definition	Number of complex operator cleanups monitored and evaluated to ensure appropriate remediation and elimination of an environmental threat. Complex cleanups are defined as sensitive site cleanups requiring specific cleanup levels and/or detailed assessments.
Purpose/Importance	Provides an indication of the effectiveness of the cleanup program for complex pollution sites that do not require the use of state managed funds to remediate.
Source/Collection of Data	Staff maintains a database of sites. Sites are identified by district and headquarters technical staff through inspections, complaints, or operators contacting the Commission while conducting environmental investigations as part of due diligence or during property transfers.
Method of Calculation	Reported annually. On the last day of each fiscal year, report the total number of operator cleanups involving sensitive environmental sites that require detailed assessment and cleanup activities that are currently in some stage of monitoring or evaluation.
Data Limitations	These sites may take several years to complete and frequently involve many hours of staff time to review and approve technical reports and corresponding site activities. Staff review time can vary significantly depending on the technical complexity or other factors.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Within the data limitations, lower numbers indicate the need for fewer environmental cleanups while higher numbers indicate more activity in the program.

Output Measure **3.2.2.1 Number of orphaned wells plugged with the use of state managed funds.**

Short Definition	The number of orphaned wells plugged by the Commission with the use of the Oil and Gas Regulation and Cleanup Fund and other funds appropriated to the agency.
Purpose/Importance	This measure shows the level of well plugging activity conducted by the Commission to protect the environment. It represents the number of wells from the pool of orphaned wells that are plugged with state funds.
Source/Collection of Data	The number of wells plugged with Oil and Gas Regulation and Cleanup Fund and other state funds is maintained in the Field Operations section PLUG database. Monthly Field Operations reports generate the number of wells plugged with state funds.
Method of Calculation	A cumulative count of the number of wells plugged with monies from the Oil and Gas Regulation and Cleanup Fund and other funds appropriated to the agency.
Data Limitations	The number of wells plugged with state managed funds includes only those wells that have been physically plugged, have been invoiced by the plugging contractor, and whose invoice has been approved for payment by the Field Operations Section. Due to the complexity of some well plugging operations, higher plugging costs may be incurred, thereby reducing the number of wells actually plugged within budget constraints. Factors affecting this measure include; funds availability, number of approved wells, availability of qualified contractors, and availability of field inspectors to supervise operations.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target. This indicates that the number of wells plugged with state managed funds is higher than anticipated due to the plugging of more wells with fewer complications.

Output Measure**3.2.2.2 Total aggregate plugging depth of orphaned wells plugged with the use of state managed funds.**

Short Definition	The total footage of the plugging depth for all orphaned wells plugged by the Commission with state managed funds.
Purpose/Importance	Provides an indication of the effectiveness of the plugging program for wells requiring the use of state managed funds.
Source/Collection of Data	An automated database captures the plugging depth for all wells plugged with state managed funds.
Method of Calculation	Calculated by summing the plugging depth of each well plugged for a given period.
Data Limitations	Does not distinguish between complex and/or deep pluggings which are more time consuming, and routine shallow pluggings which are more readily addressed.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target. This indicates that the Commission is plugging more wells and/or deeper wells than anticipated.

Efficiency Measure**3.2.2.1 Average number of days to plug an orphaned well with the use of state managed funds.**

Short Definition	The average number of days required to complete the plugging of a well using state managed funds.
Purpose/Importance	Provides an indication of the efficiency of the state managed well plugging program. By tracking the average number of days to plug a well, it is possible to determine the total number of wells that can be plugged during a specified period. This measure serves as a management tool to predict future well plugging performance and staffing needs.
Source/Collection of Data	An automated database captures the beginning and completion date of well plugging on a lease basis.
Method of Calculation	The average is calculated by subtracting the file closure date from the bid award date on a lease basis to obtain a cumulative total days for all wells plugged. This number is then divided by the total number of wells plugged with the use of state-managed funds.
Data Limitations	Due to the complexity and/or depth variations of some well plugging operations, longer plugging times may be incurred, thereby increasing the average number of days to plug a well.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Less than target. Fewer average days generally indicates greater efficiency within the limits of the data.

Explanatory Measure 3.2.2.1 Number of orphaned wells approved for plugging.

Short Definition	The number of orphaned wells that have been inspected, evaluated using a risk based methodology (Well Plugging Prioritization System) and approved for plugging with state-managed funds.
Purpose/Importance	To maintain a continuous population of well plugging candidates that can be bid out and plugged to ensure that numerical and budgetary goals are achieved.
Source/Collection of Data	An automated database captures the number of orphaned wells approved for plugging with state managed funds.
Method of Calculation	A count of the number of orphaned wells approved for plugging with state-managed funds during the fiscal year.
Data Limitations	The number of orphaned wells approved for plugging with state managed funds includes only those wells that meet the well plugging criteria and have been approved for plugging. Because there is a time lag between approval and actual plugging, the wells approved during the reporting period are not necessarily the same wells actually plugged during the reporting period.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	On target. This indicates that a sufficient number of orphaned wells are approved to ensure achievement of goals.

Explanatory Measure 3.2.2.2 Number of known orphaned wells in non-compliance with the Commission plugging rule.

Short Definition	The number of wells that are non-compliant with Statewide Rule 14 (well plugging) and Statewide Rule 1 (delinquent Organization Report). A well is classified as orphaned if it has been inactive for a period of more than 12 months; is not covered by a bond, letter of credit; or other form of financial assurance; and for which the Commission approved Organization Report (P-5) has lapsed.
Purpose/Importance	This measure represents the total population of orphaned wells, and is an indicator of liability for use of state managed funds.
Source/Collection of Data	An automated database captures the number of orphan wells in non-compliance with the Commission’s plugging rule.
Method of Calculation	This measure is generated monthly from the Commission’s mainframe system by an automated report that provides the number of orphan wells from the total population of wells monitored by the Commission.
Data Limitations	The number of orphaned wells is a dynamic number that changes daily. The number of orphan wells is affected by the health of the oil and gas industry, or the lack thereof.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Less than target. This indicates that the number of orphan wells in non-compliance with the Commission’s plugging rule is lower than anticipated as a result of a successful state managed plugging program and /or due to healthy economic conditions for the oil and gas industry.

Explanatory Measure**3.2.2.3 Number of wells plugged, by operators, without the use of state managed funds.**

Short Definition	The number of wells plugged by the oil and gas industry. A well is considered properly plugged when it complies with the provisions of the Statewide Rule 14 (well plugging) including the filing and approval of a well plugging report (Form W-3).
Purpose/Importance	Statewide Rule 14 (well plugging) is designed to prevent the migration of fluid in a well that may pose a threat to public safety and/or cause or threaten to cause pollution of surface and/or subsurface waters. This measure represents the level of plugging activity by the oil and gas industry. An increased level of plugging activity indicates that operators are plugging their wells and removing the threat posed by inactive wells that could potentially become orphaned in the future.
Source/Collection of Data	An automated database captures the total number of wells plugged.
Method of Calculation	The number of wells plugged by operators is determined by subtracting the number of wells plugged with state managed funds for the reporting period from the total number of wells plugged for the reporting period as determined by the Commission's mainframe system, which includes wells plugged with state managed funds. The difference is the number of wells plugged by the oil and gas industry.
Data Limitations	Wells plugged by operators and by the Commission with the use of state managed funds are captured by the Commission's mainframe system only after a well plugging report (Form W-3) has been processed by the Permitting and Production section. There is a time lag between actual plugging and well plugging report processing.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target. An increased level of plugging activity indicates that operators are plugging their wells as required by Commission rules and these wells will not require plugging by the Commission

Explanatory Measure 3.2.2.4 Percentage of active well operators who have more than 25% of their wells inactive.

Short Definition	This measure is the percentage of active well operators for whom more than 25% of their wells are inactive. An inactive well is a well that is not currently producing and is not identified as an active service type well.
Purpose/Importance	An operator who begins to accumulate a large percentage of inactive wells as compared to active wells begins to pose a potential problem of leaving behind abandoned unplugged wells. As long as an operator has a large percentage of active wells it is unlikely that he will be in a position to abandon his operations and leave behind unplugged wells. This measure will be a general indication of whether additional regulations might be necessary to require all operators to plug their inactive wells after a certain period of inactivity.
Source/Collection of Data	Data is collected electronically through a mainframe download (Program BWU180), which provides well status information for wells monitored by the Commission. This program is run monthly.
Method of Calculation	For each active operator with one or more wells, the ratio of inactive wells to total wells is calculated to determine whether that operator has an inactive-to-total ratio greater than 25%. The number of well operators who have an inactive-to-total ratio greater than 25% is divided by the total number of well operators to derive this percentage.
Data Limitations	Well status information is largely based upon findings reported by the operator; the Commission has minimal ability to verify those findings.
Calculation Type	Noncumulative. Well status and the inactive to total ratios for each operator are developed individually at each reporting cycle.
New Measure	No.
Desired Performance	Lower than target.

Explanatory Measure 3.2.2.5 Number of Shut-in/Inactive Wells.

Short Definition	This measure is the total count of all inactive wells, including all wells that currently are not producing, but excluding any well that is identified as an active service type well. For the purposes of this measure, inactive wells include those wells that have been shut-in (i.e., non-producing) for less than 12 months. This definition is different from the definition of an inactive well used in the Commission's Rule 14 (plugging).
Purpose/Importance	A large number of inactive wells indicates a potential threat to the Oil and Gas Regulation and Cleanup Fund should those wells become orphaned in the future. This measure will provide a general indication of whether additional regulations might be necessary to require all operators to plug their inactive wells after a certain period of inactivity.
Source/Collection of Data	Data are collected electronically through a mainframe download (Program BWU180), which provides well status information for wells monitored by the Commission. This program is run monthly.
Method of Calculation	Sum the count of inactive wells carried on the oil schedule and the count of inactive wells carried on the gas schedule as of the last month of the reporting period.
Data Limitations	Well status information is based largely upon findings reported by the operator; the Commission has minimal ability to verify those findings.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Lower than target.

Explanatory Measure**3.2.3.1 Percentage of abandoned surface mine sites on which reclamation has been initiated.**

Short Definition	The number of abandoned surface mines where reclamation has been initiated since September 1, 1998, expressed as a percentage of the total number of prioritized unreclaimed, eligible and accessible abandoned surface mine sites updated as of September 1, 2008.
Purpose/Importance	This measure demonstrates the performance of the Abandoned Mine Land Reclamation program's planning, design and bidding effort and activity.
Source/Collection of Data	The number of Abandoned Mine Land projects initiated is determined by review of AML contract documents. The Abandoned Mine Land Inventory System, maintained by the U.S. Office of Surface Mining Reclamation and Enforcement, determines the total number of prioritized Abandoned Mine Land sites in Texas.
Method of Calculation	Divide the number of abandoned surface mine sites where reclamation has been initiated by the total number of prioritized unreclaimed, eligible and accessible abandoned surface mine sites updated as of September 1, 2008.
Data Limitations	The total number of unreclaimed prioritized, eligible and accessible abandoned surface mines may change if certain landowners change their minds and elect to participate in the Abandoned Mine Land Reclamation program or if federally mandated eligibility requirements change.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Outcome Measure**4.1.1 Percent of public requests for research or information received through Internet-based technology.**

Short Definition	Public requests for research or information received through Internet-based technology will be analyzed on a percentage basis.
Purpose/Importance	The measure is intended to compare the number of requests received through Internet-based technology with the number of requests received by telephone, fax, US mail, and walk-in customers. Over time, the impact of the Internet on public requests can be assessed. For example, an answer to the following question will emerge: As Internet requests go up, will requests made through telephone, fax, US mail, and walk-in customers go up or down?
Source/Collection of Data	Each request received in Central Records or Oil and Gas Mapping by telephone, fax, US mail, in person, and Internet-based technology (e-mail) is tabulated on a daily basis and reported monthly.
Method of Calculation	The percentage is calculated by dividing the total number of requests received by Central Records or Oil and Gas Mapping through Internet-based technology by the total number of requests received.
Data Limitations	One request can represent one document and a few minutes of research time, or one request can represent hundreds of documents and hours of research time.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure 4.1.1.1 Number of reports provided to customers from electronic data records.

Short Definition	This measure represents the number of requests received within Information Services for reports including either hardcopy reports or electronic data records.
Purpose/Importance	This measure reflects the level of public demand for energy information maintained at the Commission. The Commission’s applications systems are used to record and monitor the activities of regulated entities and include regulatory information about each of the Commission’s program areas as well as digital map data representing locations of regulated facilities across the State of Texas.
Source/Collection of Data	An automated system is used to capture the individual requests for information on the number of digital datasets output or the number of jobs required to generate multiple datasets of related information. An external customer is an entity who is external to the Commission such as an operator, another government agency, or a private individual.
Method of Calculation	This measure is determined by tabulating the number of hardcopy reports or digital datasets provided to external customers by Information Services open records representatives. A request for electronic information is a request for electronic data records from the Commission’s mainframe and Unix-based applications systems. For mainframe electronic and hardcopy information requests, job executed is counted as one request. For Unix-based information requests each dataset generated is equal to one request. Individual and subscription information requests are counted using the same process.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure**4.1.2.1 Number of documents provided to customers by Information Services.**

Short Definition	Number of documents provided to customers from Information Services. A customer is an entity such as an operator, government agency other than the Commission, or a private company or individual. Maps, quad reports, vendacard copies, and photocopies made for other agencies are counted manually. One side of a piece of paper is equal to one document. For quad reports and subscriptions, a stapled or bound set of pages or microfiche set equals one document. With well logs and other oversize documents, one square foot of paper is equal to one document. For maps, a plotted map, digital bond map, or graphic image map is equal to one document.
Purpose/Importance	The measure is intended to show the volume of documents provided to customers.
Source/Collection of Data	The total number of documents comes from manual and computer-tabulated counts of the number of documents sold.
Method of Calculation	The total number of documents is determined by both manual and computer-tabulated counts of specific Railroad Commission documents sold or provided to external customers by Information Services.
Data Limitations	The measure captures the number of documents that are photocopied; however, it does not capture the number of documents that customers accessed without photocopying.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Explanatory Measure 4.1.2.1 Number of external page views of the Commission's website.

Short Definition	This measure is the number of page views of the Commission's website originating from outside of the Commission.
Purpose/Importance	This indicator provides a measure of public access. It also provides a way to view trends in website access by the public and to measure the effectiveness of site updates that might include new functions and features.
Source/Collection of Data	Website page views are calculated using the electronic log files that are updated each time the Commission's Internet site is accessed.
Method of Calculation	The number of website page views are determined by a software program that reads the log file and compiles the information captured by the web server. Page views are equal to hit counts minus internal sources and specific file types.
Data Limitations	This measure represents a single dimension of website activities. This measure does not include additional log file information about the website customer such as the number of pages accessed excluding image, templates and style sheets or number of unique visits.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

APPENDIX E—WORKFORCE PLAN

I. AGENCY OVERVIEW

The Texas Legislature created the Railroad Commission of Texas in 1891 when it was given jurisdiction over rates and operations of railroads, terminals, wharves, and express companies. In 1917 the Legislature declared pipelines to be common carriers, giving the Commission regulatory authority over them. It also gave the Railroad Commission jurisdiction and responsibility to administer conservation laws relating to oil and natural gas production. During the 1920s the Commission was given additional regulatory responsibility over motor carriers and natural gas utility companies. During the 1930s additional regulations over oil and natural gas production were enacted, primarily to conserve natural resources and protect the correlative rights of mineral interest owners. The first pipeline safety regulations requiring the odorization of natural gas were adopted during the 1930s as well.

During the 1950s and 1960s environmental concerns were addressed by the adoption of additional oil and gas regulations. Also during this period, safety authority over LP-gas products was delegated to the Commission. In the 1970s the Commission assumed authority over coal and uranium surface mining operations, and federal pipeline safety standards were adopted for natural gas pipelines. Throughout the 1980s and 1990s additional environmental and safety responsibilities in the oil and gas production, natural gas utility, hazardous liquids pipelines, alternative energies such as LPG/LNG/CNG, and surface mining industries were delegated to the Commission. In 1994 the motor carrier industry was deregulated, and the Commission's remaining motor carrier responsibilities were transferred to the Texas Department of Transportation (TxDOT). In 2005 the Commission's rail safety responsibilities were transferred to TxDOT. Most recently, the Commission expanded its underground damage prevention to pipelines program, following legislation enacted by the 80th Legislature.

History	
1891	Texas Railroad Commission created.
1917	Regulation of pipelines. Conservation laws relating to oil and natural gas production.
1920s	Regulation of motor carriers and natural gas utility companies.
1930s	Additional regulation over oil and natural gas production. Odorization of natural gas.
1950s and 60s	Environmental concerns. Safety authority over LP-gas products.
1970s	Authority over coal and uranium surface mining. Federal pipeline safety standards.
1980s	Additional environmental and safety responsibilities.
1990s	Research and education on alternative fuels. Transfer of motor carrier responsibilities to TxDOT.
2001	Sunset Review continued the Commission until September 1, 2014.
2005	Transfer of last rail function to TxDOT.
2007	Expansion of One Call Program for third party damage to pipelines.
2009	The Commission was awarded more than \$16 million from the American Recovery and Reinvestment Act.
2011	Transfer of Groundwater Advisory Unit from TCEQ.

**The Commission has
11 field locations**

Abilene
Corpus Christi
Fort Worth
Houston
Kilgore
Midland
Pampa
San Angelo
San Antonio
Tyler
Wichita Falls

The current service responsibilities of the Commission fall within five basic industry segments: oil and natural gas exploration and production; natural gas, and hazardous liquids pipeline operations; natural gas utilities; alternative energies such as LPG/LNG/CNG; and coal and uranium mining. Today the majority of the Commission's resources are dedicated to oil and natural gas exploration and production regulation. Approximately 71.2 percent of the Commission's staff (direct and indirect) is dedicated to the oil and natural gas industry, 13.7 percent to the pipeline and natural gas utility industries, 7.0 percent to alternative energies such as LPG/LNG/CNG, and the remaining 8.1 percent to the coal and uranium mining industry.

Three statewide officials, elected to 6-year staggered terms, head the Commission. Serving at the discretion of the Commissioners is an Executive Director who implements policies and rules, and manages the Commission's daily operations. Supporting the Executive Director is a management team comprised of a Chief Financial Officer and Division Directors who oversee various aspects of the agency.

The Commission's current appropriation for fiscal year 2012 is \$74,683,509 with 772.1 FTEs. The Commission's central office is located in the Capitol Complex at the William B. Travis Building, 1701 North Congress, Austin, Texas. Approximately 60.09 percent of the Commission's staff is located in the Austin office. The remaining staff is located throughout the state in Commission field offices.

These offices contain various combinations of employees from the following functional areas: Oil and Gas, Pipeline Safety, Utility Audit, Surface Mining, and Alternative Energy.

A. AGENCY MISSION

We 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.

B. STRATEGIC GOALS AND OBJECTIVES

Goal 1: Energy Resources

Support the development, management, and use of Texas lignite, oil and gas energy resources to protect correlative rights, provide equal and fair energy access to all entities, ensure fair gas utility rates, and promote research and education on use of alternative fuels.

Objective 1.1. Increase opportunities for lignite, oil and gas resource development while preventing waste, protecting correlative rights of mineral interest owners, and conserving the state's lignite, oil and natural gas resources.

Strategy 1.1.1. Protect correlative rights and prevent waste while maximizing opportunities for the development of lignite, oil and gas resources through well site permitting, production allowables, production rule reviews, and exception processing.

Objective 1.2. Maintain competitive prices and adequate natural gas supplies for Texas energy consumers.

Strategy 1.2.1. Oversee natural gas utility rate structures that promote safe, efficient, and reliable supply at a reasonable cost and audit regulated gas utilities to ensure compliance with rate structures and submission of gas utility taxes.

Objective 1.3. Encourage the use of odorized propane as an alternative energy source through promotion and consumer rebates.

Strategy 1.3.1. Promote Alternative Energy Resources: Develop and implement a research and technical services, marketing, and public education plan to increase the use of LP-gas as an alternative energy source.

Strategy 1.3.2. Distribute LP-Gas Rebates: Manage rebate and incentive programs that promote the use of LP-gas as an alternative energy source for home and commercial uses.

Goal 2: Safety Programs

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.

Objective 2.1. Improve safety in the pipeline industry from FY 2002 levels.

Strategy 2.1.1. Ensure the safe operation of pipelines permitting, field inspections, accident investigations and emergency response

--- Pipeline Damage Prevention: Support education and partnership initiatives to increase the overall awareness and effectiveness of damage prevention.

Objective 2.2. Ensure safety through regulation of the LPG/CNG/LNG alternative energy industries.

Strategy 2.2.1. Regulate Alternative Energy Sources: Protect the health, safety and welfare of the general public by ensuring the safe storage, transportation and LP-gas, Compressed Natural Gas, and Liquefied Natural Gas as alternative energy sources through safety education, accident investigation, inspection and enforcement of safety regulations.

Goal 3: Environmental Protection

Assure that Texas fossil fuel energy production, storage, and delivery is conducted to minimize harmful effects on the state's environment and to preserve natural resources.

Objective 3.1. Reduce the occurrence of identified pollution violations associated with fossil fuel energy production in Texas from FY 2002 levels.

Strategy 3.1.1. Assure that Oil and Gas permitted activities comply with applicable state and federal regulations through field inspections, witnessing tests, monitoring reports, processing applications, and enforcement actions.

Strategy 3.1.2. Assure that Surface Mining permitted activities comply with applicable state and federal regulations through field inspections, witnessing tests, monitoring reports, processing applications, and enforcement actions.

Objective 3.2. Identify and correct existing environmental threats through voluntary operator actions or with use of state funds.

Strategy 3.2.1. Protect public health and the environment by identifying, assessing, and prioritizing sites that require the use of state funds for remediation and provide assistance for operator-initiated corrective actions.

Strategy 3.2.2. Protect public health and the environment by identifying, assessing, and prioritizing wells that require the use of state funds for plugging and provide assistance for operator-initiated corrective actions.

Strategy 3.2.3. Protect public health and the environment by identifying, assessing, and prioritizing mine lands that require the use of state funds for reclamation and provide assistance for operator-initiated corrective actions.

Goal 4: Public Access to Information and Services

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

Objective 4.1. Increase efficiency in providing public access to information and provide more efficient interaction with regulated industries.

Strategy 4.1.1. Collect, maintain, and preserve GIS and Well Mapping data submitted to the Commission; provide efficient public access to this information; offer regulated industries a means to conduct their business electronically.

Strategy 4.1.2. Collect, maintain, and preserve oil and gas data submitted to the Commission; provide efficient public access to this information; offer regulated industries a way to conduct their business electronically.

C. ANTICIPATED CHANGES IN MISSION, STRATEGIES, AND GOALS

The Railroad Commission does not expect significant changes in its mission, strategies or goals during the next five years, but it does recognize the need to adapt readily to any changes required by legislation.

II. CURRENT WORKFORCE PROFILE

A. CRITICAL WORKFORCE SKILLS

The Commission employs qualified individuals in numerous program disciplines. Strong employee competencies are critical to meet ongoing business objectives and goals. Critical competencies include:

- Engineering: Chemical, Civil, Mechanical, Mining, Natural Gas, and Petroleum
- Information Technology
- Sciences: Agronomy, Chemistry, Geology, Hydrology, Soil Science, Toxicology
- Legal
- Finance

The specific critical skills and qualifications include:

- Technology and automation skills and competencies, and
- Leadership and management skills.

Gender		
Gender	Head Count	Percent
Male	374	57%
Female	285	43%

B. WORKFORCE DEMOGRAPHICS (AS OF FEBRUARY 29, 2012)

Gender

As of February 29, 2012, the RRC has 374 male employees (56.8%) and 285 female employees (43.2%). The total employee count of 659 includes both full-time and part-time employees, as well as three statewide elected officials.

Age

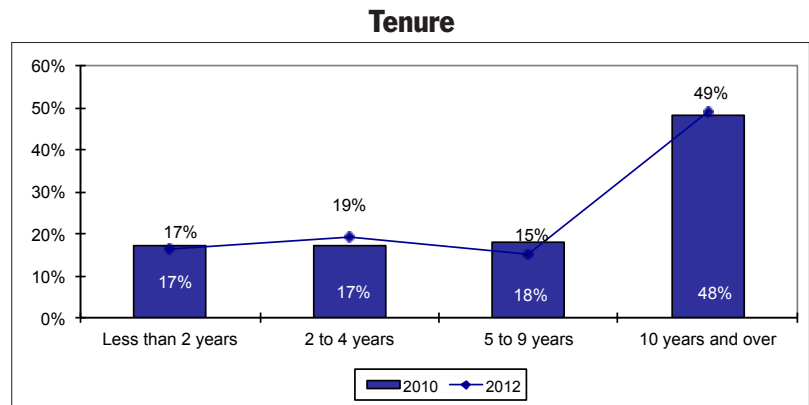
Age		
Age Group	Head Count	Percent
Under 30 years	58	8.8%
30 - 39 years	92	13.9%
40 - 49 years	139	21.1%
50 - 59 years	249	37.8%
60 years and over	121	18.4%
TOTAL	659*	100.0%

Over 77% of the RRC's current employees are over the age of 40. With less than 23 percent of the Commission's workforce under 40 years old, the Commission must aggressively plan to replace the knowledge of its 326 employees who are eligible to retire before the end of FY 2017.

*Includes three elected officials.

Tenure

On February 29, 2012, the Commission had 109 employees with less than two years of Commission service, and 124 employees with less than five years of service with the Commission. There were 101 employees (15.3%) with five to nine years of service, and 325 (49%) had ten or more years of service. Results from the *Survey of Employee Engagement* (found in Appendix F) indicate there is a desire by our employees to continue long-term employment, but inadequate pay is their primary concern about their future employment at the Commission.



Equal Employment Opportunity Job Category

The Commission has a highly educated workforce with many employees holding advanced degrees or credentials. Of the Equal Employment Opportunity job categories, the Commission has the greatest number of employees within the “Technical” category representing 36.7 percent of the Commission’s workforce. This reflects the qualifications and skill sets necessary to accomplish the Commission’s regulatory goals

Diversity

A comparison of the Railroad Commission’s African American, Hispanic and female employees to the available state civilian workforce as reported by the Texas Workforce Commission, Civil Rights Division in January 2007 indicates mixed results as the Commission strives to attract and retain a diverse workforce. The Railroad Commission is committed to a diverse workforce and will continue to work diligently to meet the equal employment goals of the State of Texas.

The Workforce Analysis, required by Texas Labor Code, Chapter 21, Section 21.501, provides an analysis of the Railroad Commission’s current workforce compared to the number of African Americans, Hispanic Americans and females in each job category that are available in the civilian workforce to determine the percentage of exclusion or underutilization in the Commission by each job category.

The Railroad Commission produces a monthly workforce data report. The *Equal Employment Opportunity and Minority Hiring Practices Report* contains the availability in civilian labor force data used for comparison purposes.

Job Categories		
As of February 29, 2012		
EEO Category	Head Count	Percent
Officials, Administration	46	7.01%
Professional	126	19.21%
Technical	223	33.99%
Para-professional	20	3.05%
Administrative Support	241	36.74%
TOTAL	656*	100.0%

*Does not include three elected officials.

RRC Diversity by EEO Job Category						
As of February 29, 2012*						
	African American		Hispanic		Female	
EEO Job Category:	RRC %	State Goal	RRC %	State Goal	RRC %	State Goal
Officials, Administration	4.3%	3.7%	13.0%	10.0%	23.0%	30%
Professional	6.7%	8.7%	16.6%	9.3%	39.5%	46.3%
Technical	6.6%	13.2%	22.4%	16.4%	22.8%	39.7%
Para-professional**	10.0%	22.7%	25.0%	28.5%	75.0%	55.6%
Administrative Support	15.9%	19.2%	31.7%	21.6%	91.3%	81.3%
Total	8.4%		21.6%		43.3%	

EEO Job Category	Availability in Civilian Labor Force			Underutilization (-) or Over-utilization		
	Percent			(+) of Available Labor Force		
	African American	Hispanic	Female	African American	Hispanic	Female
Officials, Administration	7.51%	21.09%	37.53%	(3.21)	(8.09)	(14.53)
Professional	9.74%	18.83%	53.26%	(3.04)	(2.23)	(13.76)
Technical	13.94%	27.11%	53.93%	(7.34)	(4.71)	(31.13)
Para-professionals**	12.06%	48.92%	30.05%	(2.06)	(23.92)	44.95
Administrative Support	3.75%	26.30%	67.13%	12.15	5.40	24.17

*Source: Comptroller of Public Accounts and State Auditor's Human Resource Information System, and Texas Workforce Commission's EEO Report, January 2011.

** Para-professionals were combined with Protective Services and Service and Maintenance categories in 2004 to obtain Availability in Civilian Workforce. Availability data for para-professionals individually is no longer available. The RRC has no employees in the Protective Services or Service and Maintenance categories. Beginning July 2007, the RRC has no employees in the Skilled Craft category.

C. EMPLOYEE TURNOVER AND PROJECTED ATTRITION

Results from the *Survey of Employee Engagement* indicate that there is a desire by our employees to continue long-term employment, but inadequate pay is employees' primary concern. Exit interview statistics confirm low pay as a motivator to change jobs and leave the Commission. Many leave employment in state government for higher compensation in the private sector, but a significant number go to other state or federal agencies for similar jobs posted in a higher salary group.

The highest percentage of turnover (36.2 percent) occurs among employees ages 50–59. As mentioned in previous Workforce Plans, the greatest concern for turnover among different age groups continues to be the Commission's inability to retain the employees under the age of 40. Twenty-one (33 percent) employees under the age of 40 elected to leave the Commission in FY 2011

Retirement Eligibility

Projections indicate a gradual increase in the number of Commission employees eligible to retire between now and August 31, 2017. By fiscal year 2017, more than 49.6 percent of the Commission's current workforce will be eligible to retire. This steady increase in the number of employees retiring indicates the Commission will lose a significant portion of its most knowledgeable employees, including many in critical positions.

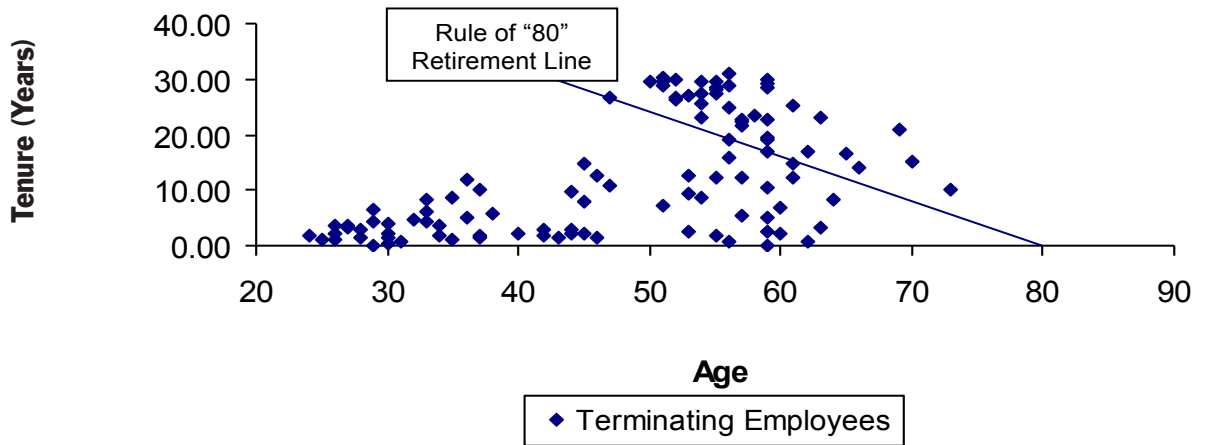
Two factors about retirement eligibility deserve emphasis. Almost 26 percent of the RRC's current employees can retire now and several have been eligible for more than 5 years. Over 49 percent are eligible now or are projected to become eligible by August 31, 2017. This constitutes almost half of the Commission's workforce, and is exclusive of other turnover. A compounding problem is the Commission's employment of twenty retire-rehires. When these individuals are included with the 326 individuals projected to be eligible to retire, then more than half of the workforce is able to retire. It will be a difficult challenge for the RRC to replace these retirees' skills necessary to attain the goals set forth in this strategic plan.

Employee Turnover Rate				
FY	2008	2009	2010	2011
RRC	12.0%	8.8%	8.5%	14.0%
State of Texas	19.3%	15.6%	15.9%	17.7%
Article VI	12.2%	8.0%	8.1%	13.8%

FY 2011 Separating Employees		
By RRC Tenure		
Less than 2 years	17	18.1%
2 to 5 years	20	21.3%
5 to 10 years	13	13.8%
10 to 15 years	12	12.8%
15 to 20 years	7	7.4%
20 to 30 years	22	23.4%
Greater than 30 years	3	3.2%
Total	94	100%

FY 2011 Separating Employees		
By Age		
Under 30 years	12	12.8%
30 – 39 years	19	20.2%
40 - 49 years	14	14.9%
50 - 59 years	34	36.2%
60 years and over	15	16.0%
Total	94	100%

Terminating Employees by RRC Tenure and Age FY 2011



Projection of Commission Employees Eligible for Retirement in the Next Six Years		
Currently Eligible	120	18.3%
FY 2012	49	7.5%
FY 2013	39	5.9%
FY 2014	35	5.3%
FY 2015	28	4.3%
FY 2016	30	4.6%
FY 2017	25	3.8%
Total	326	49.7%
Percentages are based on a headcount of 656 that does not include three elected officials.		

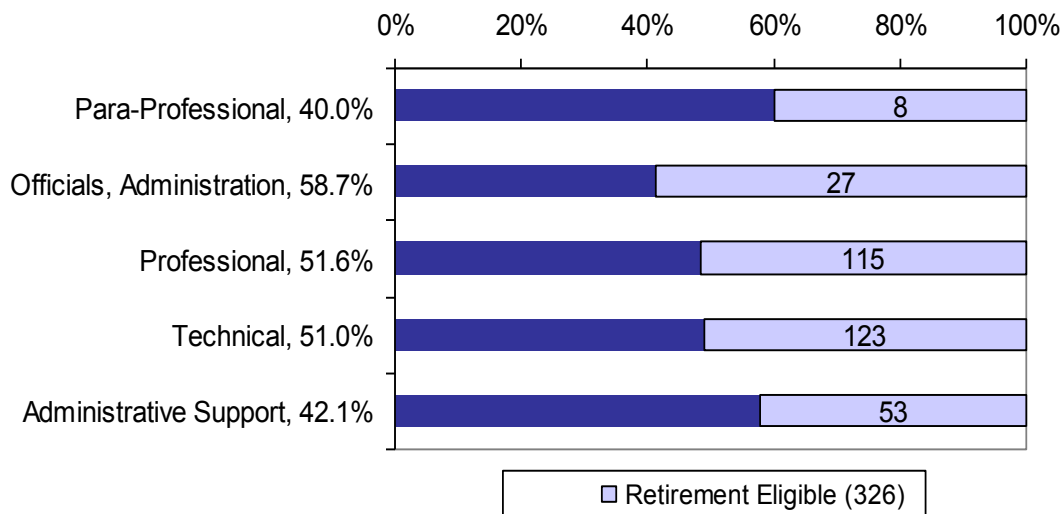
Many of the Commission’s leadership positions, including Division Directors and District Office Directors, will be eligible to retire during the next six fiscal years. The Commission identified specific workforce skills including engineers, scientists, and attorneys who will be eligible for retirement. To replace these important skills, succession planning as well as a greater focus on internal organizational development and training will be required as our workforce planning evolves. When a retirement occurs and no internal applicant emerges, there will be increased pressure to recruit from outside the Commission. The obvious barrier to external recruiting is competition with private sector employers, the associated recruitment costs, and the service delivery downtime.

III. FUTURE WORKFORCE PROFILE

A. EXPECTED WORKFORCE CHANGE

The Commission is currently reviewing a mentoring or succession planning program to address the approximately 50 percent of the workforce who can retire between now and August 31, 2017. The Commission projects that many division director, manager, and highly skilled professional employee positions will be vacant in the next five years. Training existing and new employees to help them learn the workplace culture and to manage the regulatory process is essential to maintaining an appropriate service level for the public and for the regulated industries.

Projected Retirement Eligible by Job Category



B. ANTICIPATED INCREASE OR DECREASE IN NUMBER OF EMPLOYEES NEEDED

As a result of increasing public demands in pipeline safety and environmental protection in the oil and gas industry, it is expected that greater Commission resources will be directed to these areas in the future. To address this public demand, additional resources will be required. Technology advancement is a primary goal of the Commission and will satisfy some of this increasing demand, but technology alone cannot address all concerns for monitoring, reviewing, and physically inspecting regulated industries facilities. One anticipated change would be to increase the Commission's field presence to improve regulatory functions of oil and gas activity statewide.

C. FUTURE WORKFORCE SKILLS NEEDED

The workforce skills needed to meet Railroad Commission performance objectives include:

- Engineering
- Computer Programming and System Analysis
- Legal
- Science (Geo-science, Toxicology, Agronomy, Hydrology, and Chemistry)
- Accounting, Finance, and Budget
- Administrative Support

These functions are also needed to achieve the Commission's Strategic Plan. Workforce skills are developed through various training programs provided by the appropriate professional disciplines. Such training is used to maintain and improve employee skills and enhance performance by incorporating new trends in each discipline.

While Commission anticipates that its basic regulatory functions will remain the same or similar in the future, the development and implementation of technological enhancements will require new skills if the future workforce is to fully use technological advances. Functions to accomplish future Railroad Commission goals will focus on:

- Increasing computer skill sets for employees,
- Increasing electronic record keeping and information processing,
- Increasing customer service skills by maximizing electronic government and minimizing paper transactions, and
- Creating and implementing a comprehensive training program as part of a human resources partnership with Commission management and divisions.

D. CRITICAL FUNCTIONS TO ACHIEVE STRATEGIC PLAN

The Railroad Commission will continue to use its recruitment plan to address critical deficiencies in its labor force and to narrow the gaps in diversity goal attainment. A variety of methods will continue to be used including placing job postings on the Commission's website; placing job postings on Work In Texas; placing job postings on college and university websites; recruiting at select college and university career fairs; and using all other available resources.

The Commission developed contacts at 11 targeted Texas institutions of higher education to recruit engineers and geoscientists and 15 targeted institutions to recruit computer science professionals. The Commission will continue to identify resources associated with professional organizations to post jobs with distinct or hard-to-find skill sets.

A critical barrier to recruitment is the high cost of advertising jobs in print media, such as newspapers and professional publications. When funds permit, difficult to fill jobs will be advertised using low-cost Internet job search sites, especially those hosted by the professional organizations.

IV. GAP ANALYSIS

A. ANTICIPATED SURPLUS OR SHORTAGE OF WORKERS OR SKILLS

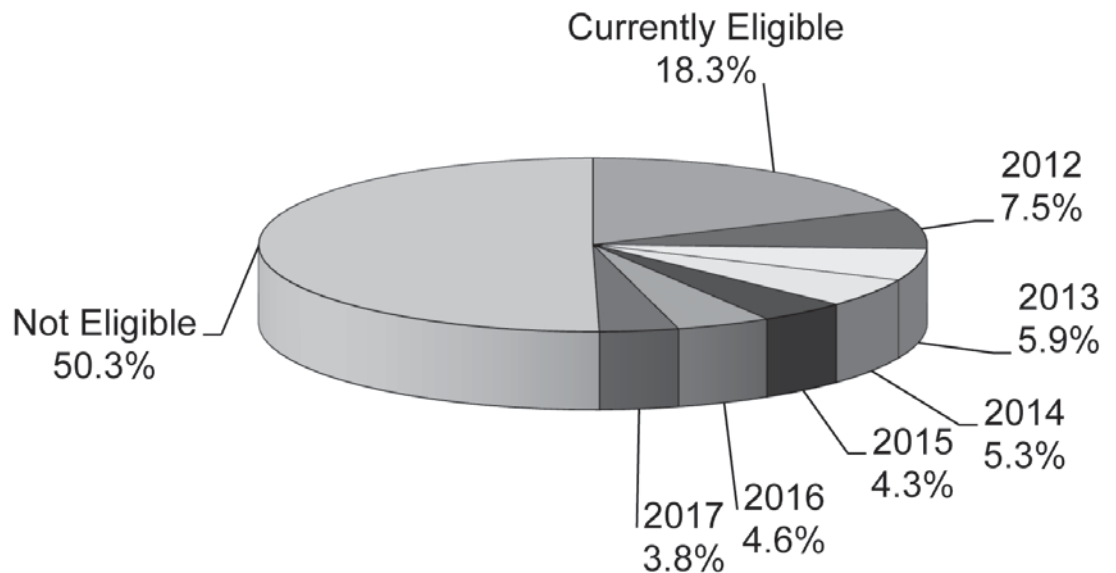
With over 49 percent of the Railroad Commission workforce eligible for retirement by FY 2017, the Commission projects a shortage in staffing and skill levels needed to meet future requirements of the Commission. The projected staffing areas with an anticipated shortage of employees that are most affected by the retirement eligibility include:

- Information Technology
- Engineering, Toxicology, Geology, and Hydrology
- Leadership
- Legal

The Commission anticipates that replacing projected retirements and anticipated turnovers in management will require succession planning and greater emphasis on professional development and training to replace skill sets that will be lost. With additional professional development and training, the Commission anticipates that the Commission’s current workforce has the potential to fill projected staffing needs.

An important barrier the Commission faces in replacing its critical skill sets is funding for professional development, training of existing employees, and recruiting expenses of hiring external employees.

49.7 Percent of Staff Are Retirement Eligible Through FY 2017



V. STRATEGY DEVELOPMENT

Methods to address the Railroad Commission's projected workforce gap include:

- Career development programs – Mentoring, the development of internships for professional areas, and an increase in professional training and development for staff will be initiated throughout the Commission.
- Recruitment plans – Recruitment efforts will focus on positions that are difficult to attract and retain such as engineering, attorneys, and the recruitment of women and minorities.
- Leadership development – Efforts will be made to identify, retain, and develop existing employees with management and leadership capabilities. This will require funding to identify and to increase leadership training.
- Organizational training and development – Funding for in-house training such as IT training, managerial training, and skill development will be needed to address individual employee training needs for Commission's the day-to-day operations.
- Succession planning – By implementing this activity, managers and supervisors will be made aware of what skill sets are critical to meeting their objectives and can plan for employee attrition. Succession planning will also address staffing or skill imbalances due to turnover and retirements.
- Retention Programs – Some programs are already in place to help retain the employees who have skills critical to the Commission's success.

Methods To Address Workforce Gap
Career Development
Recruitment Plans
Leadership Development
Organizational Training and Development
Succession Planning
Retention Programs

The success of these methods depends upon adequate funding.

A. IMPLEMENTATION OF WORKFORCE PLAN

The Workforce Plan will be implemented in connection with the Railroad Commission's Strategic Plan. Any changes to the Strategic Plan or Legislative changes must result in adjustments to the Workforce Plan.

To begin the implementation of the Workforce Plan the following actions have been taken and will proceed as the actions are completed:

- Data representing the Railroad Commission workforce will be distributed to the Directors to assist in completing the questionnaire. Data will include turnover, retirement eligibility, diversity of immediate workforce, and tenure.

- The Human Resource Division will develop a stronger business partnership with each of the Commission’s divisions. By doing so, such areas as training needs, strategic planning of workforce to meet division objectives, and long-range planning of workforce needs can be addressed on an ongoing basis.
- Division Directors along with the Commission will review progress of the workforce planning process biennially. Adjustments to the Plan, if any, will be documented.
- During the next five years, the initiative to automate our regulatory functions in the Oil and Gas Division will require the Commission to critically assess the following areas: competency gaps in technological skills, job functions, and skill shortages or surplus within the division.
- Business process reengineering to ensure an effective and efficient outcome of Commission service.

B. WORKFORCE PLAN EVALUATION AND REVISION

The final phase involves monitoring, evaluating, and revising to ensure a successful Workforce Plan. The following critical employment tools will be available to measure and evaluate changing trends in the workforce:

- The *Survey of Employee Engagement*
- Customer Service questionnaires and feedback
- Retirements, projected retirements, and Commission turnover data
- College and diversity recruiting programs
- The Statewide Exit Survey and the internal Railroad Commission Exit Interview System
- Hiring trends including the lead time to hire



The Commission will review its efforts to revise and implement its Workforce Plan each even-numbered fiscal year in preparation for the upcoming fiscal year. As with this workforce planning effort, Commissioners, upper-level Directors and Division Directors will participate to ensure that the plan evolves into a document that reflects the Commission’s current workforce and its projected workforce for the succeeding five years. The Commission will emphasize professional training and development to address the turnover in management due to the projected increase in retirements. Internal professional training and development will be the key to a successful transition, both from a budgetary perspective as well as business process perspective. The Commission may suffer productivity losses in the near term, but the long-term benefits should outweigh any short-term productivity losses.

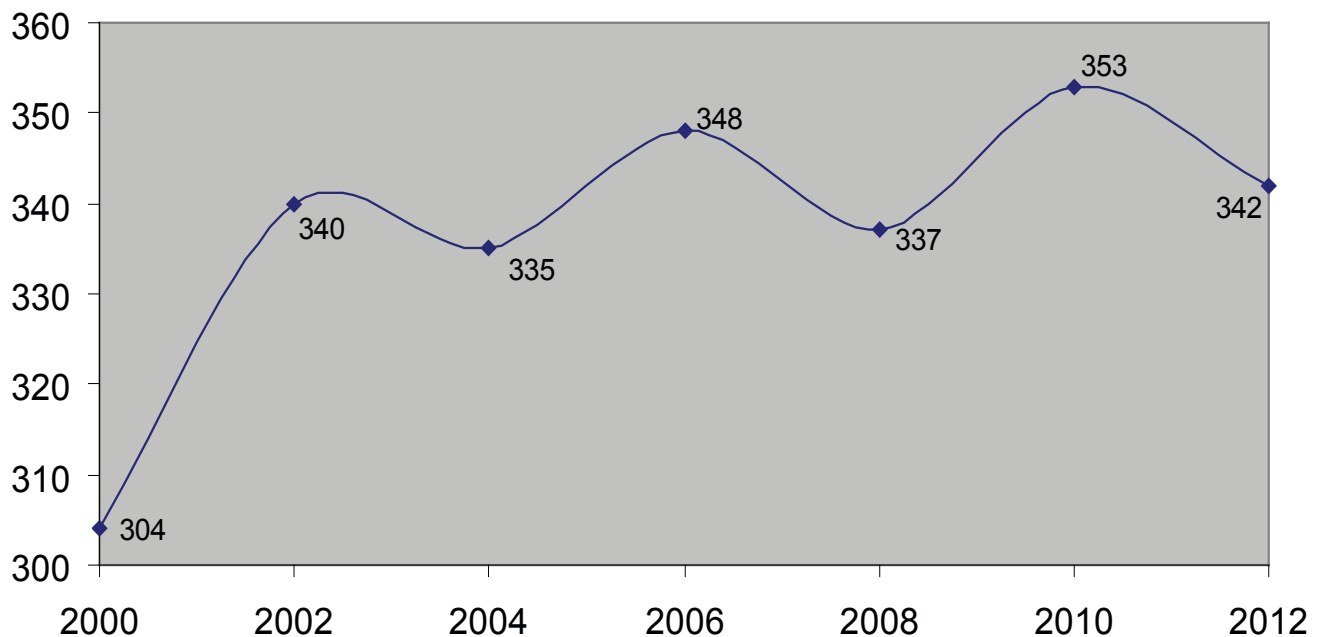
APPENDIX F—SURVEY OF EMPLOYEE ENGAGEMENT

The Railroad Commission participated in the 2011 *Survey of Employee Engagement* to obtain information about workforce issues that affect the quality of service delivered to all customers. The data collected by the Survey assisted the Commission in understanding, from the employee's viewpoint, what the Commission is doing well and where improvement efforts are needed. Understanding how employees perceive various aspects of the workplace is critical to implementing successful change.

Conclusions from the survey are based on 284 respondents (46%) from 622 distributed surveys. Females represented 39 percent of respondents, but 43 percent of agency employees.

The overall score is an average of all survey items and represents the overall score for the agency. Scores typically range from 325 to 375. The Railroad Commission scored a 342. A score above the neutral midpoint of 350 suggests that employees perceive the issues more positively than negatively. Conversely, a score below 350 indicates a more negative view by employees. Possible responses ranged from 200 to 500.

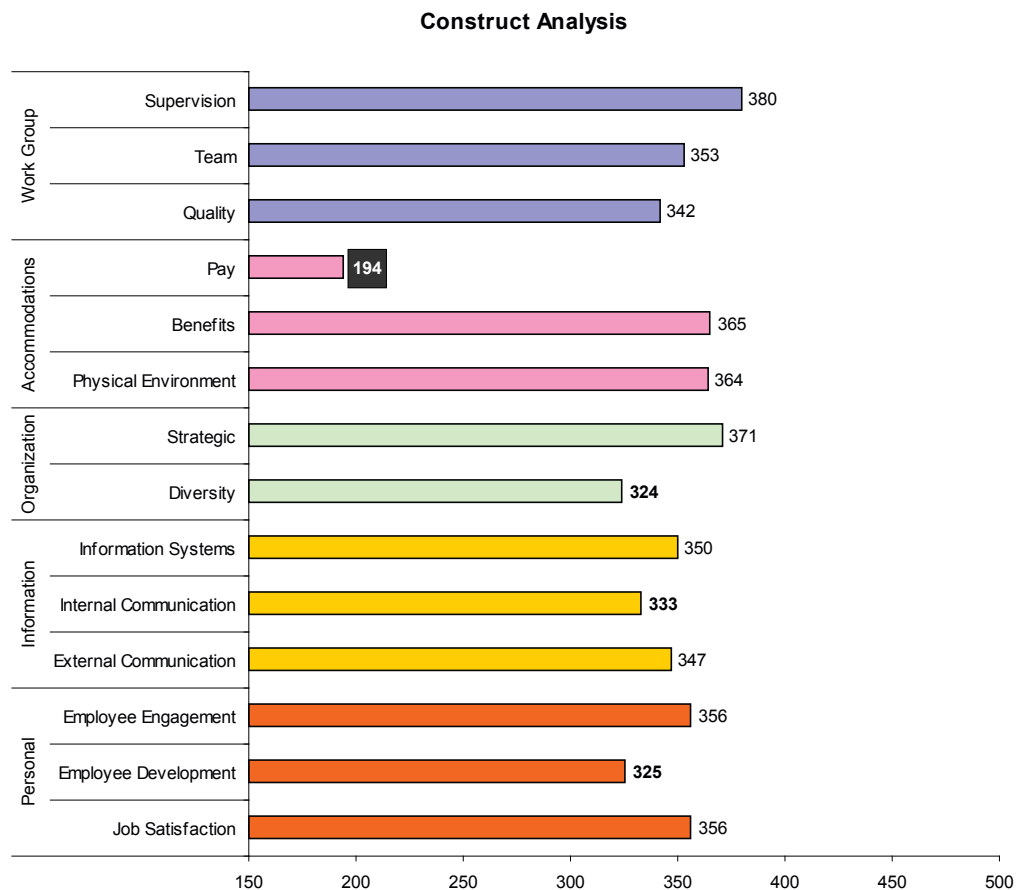
Overall Score



On a scoring range from a low of 100 to a high of 500, the agency’s scores ranged from 380 to 194, with only one score in the 100 range (Fair Pay—194). Scores above 300 suggest that employees perceive the issue more positively than negatively. Scores below 200 should be a significant source of concern for the organization.

The highest scoring constructs, or areas of strength, for the Commission included:

- **Supervision (380)** – Supervisions provides insights into the nature of supervisory relationships within the organization including aspects of leadership, the communication of expectations, and sense of fairness that employees perceive exist between supervisors and themselves.
- **Strategic Orientation (371)** – Strategic orientation secures employees’ thinking about how the organization responds to external influences, including those which play a role in defining the mission, services and products provided by the organization.
- **Benefits (365)** – Benefits provide an indication of the role that the employment benefit package plays in attracting and retaining employees.

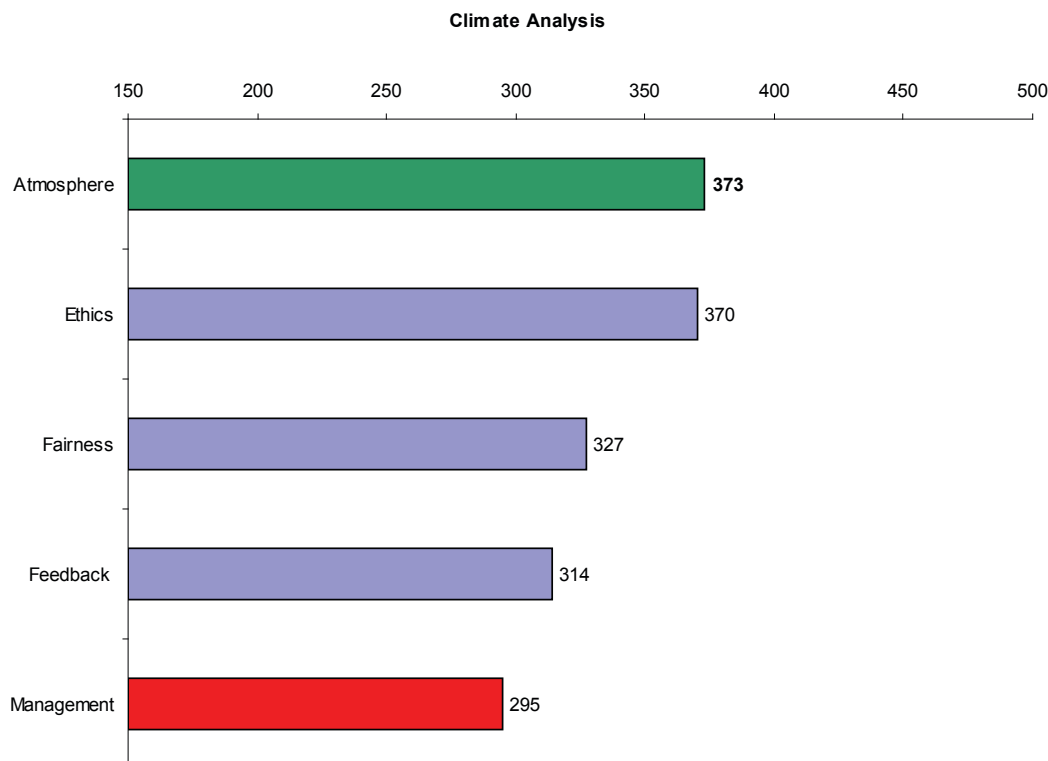


The lowest scoring constructs, or areas of concern, are as follows:

- **Pay (194)** – Pay is an evaluation from the viewpoint of employees of the competitiveness of the total compensation package. It describes how well the package “holds up” when employees compare it to similar jobs in their own communities.
- **Diversity (324)** – Diversity addresses the extent to which employees feel that individual differences, including ethnicity, age and lifestyle, may result in alienation and/or missed opportunities for learning of advancement.
- **Employee Development (325)** – Employee Development captures perceptions of the priority given to the career and personal development of employees by the organization.

Climate analysis provides an indication of employees’ perception of the climate in which work occurs and does, to a large extent, determine the efficiency and effectiveness of an organization. The Institute for Organizational Excellence found that the appropriate climate is a combination of a safe, non-harassing environment with ethical abiding employees who treat each other with fairness and respect. Moreover, it is an organization with proactive management that communicates and has the capability to make thoughtful decisions.

Scores above 350 suggest that employees perceive the issue more positively than negatively, and scores of 375 or higher indicate areas of substantial strength. Conversely, scores below 350 are viewed less positively by employees, and scores below 325 should be a significant source of concern for the organization and should receive immediate attention.



An organizational climate can be assessed through examination of five key indicators:

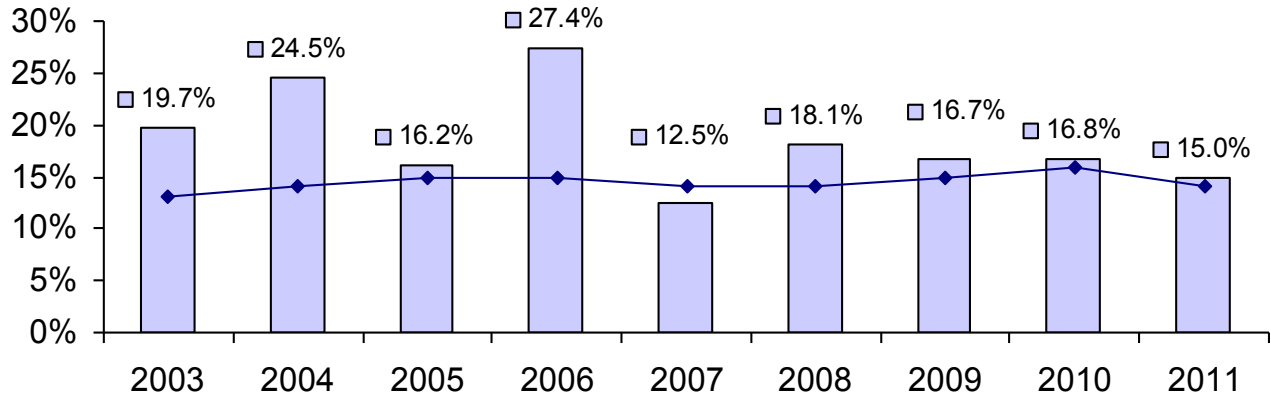
- **Atmosphere:** The aspect of climate and positive Atmosphere of an organization must be free of harassment in order to establish a community of reciprocity.
- **Ethics:** An Ethical climate is a foundation of building trust within an organization where not only are employees ethical in their behavior, but that ethical violations are appropriately handled.
- **Fairness:** Fairness measures the extent to which employees believe that equal and fair opportunity exists for all members of the organization.
- **Feedback:** Appropriate feedback is an essential element of organizational learning by providing the necessary data in which improvement can occur.
- **Management:** The climate presented by Management as being accessible, visible, and an effective communicator of information is a basic tenant of successful leadership.

APPENDIX G—HISTORICALLY UNDERUTILIZED BUSINESS PLAN

HUB GOAL	In accordance with Section 111.11 of the Texas Administrative Code, Chapter 2161 of the Texas Government Code and the State of Texas Disparity Study, the Railroad Commission is dedicated and committed to assisting Historically Underutilized Businesses (HUBs). The Railroad Commission demonstrates a good faith effort to actively educate vendors of HUB requirements by assisting them in obtaining the Comptroller of Public Accounts (CPA) HUB certification. Additionally, when soliciting bids from the CPA's Centralized Master Bidders List (CMBL), internally developed initiatives are followed to ensure increased HUB participation. Finally, the Commission requires non-HUB prime contractors to demonstrate they have solicited bids from HUB subcontractors.
OBJECTIVE	The Railroad Commission will demonstrate a good faith effort to use HUBs in contracts for services and commodities purchases. The annual procurement goal may be achieved by contracting directly with HUBs or indirectly through subcontracting opportunities.
	<p>Outcome</p> <p>Percentage of dollars spent with HUB vendors.</p>
STRATEGY Internal Procurement Initiatives	
	Continue to develop and implement internal procurement initiatives that include, but are not limited to, CPA Certification of Commission purchasers; professional staff development of purchasing liaisons; development of prime contractor and HUB subcontractor relationships; informing HUB vendors of the Railroad Commission's procurement opportunities through the agency's website, the Electronic State Business Daily, local commerce events, and statewide forums; and continuing to promote the Commission's Mentor Protégé Program.
	<p>Output</p> <p>Number of dollars spent with HUB vendors</p> <p>Number of bids obtained from HUB vendors</p> <p>Number of purchases awarded to HUB vendors</p> <p>Number of HUB subcontracting dollars reported</p> <p>Number of HUB forums attended, vendor outreach efforts, and internal training programs conducted</p>

Procurement Category	FY 2011 Agency Goal	FY 2011 State Goal
Heavy Construction	0.0%	11.9%
Building Construction	0.0%	26.1%
Special Trade Construction	0.0%	57.2%
Professional Services	20.0%	20.0%
Commodities	20.0%	12.6%
Other Services	15.0%	33.0%

Awards to HUB Vendors by Fiscal Year RR Compared to Statewide



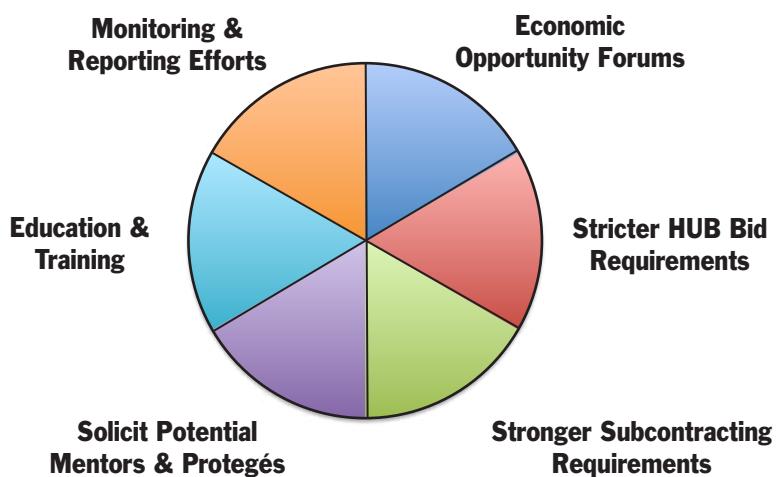
Fiscal Year	Total Agency Expenditures	\$ Spent with HUBs	% of Total Spent with HUBs
2002	\$19,383,195	\$3,192,260	16.4%
2003	\$17,327,612	\$3,430,740	19.7%
2004	\$18,533,477	\$4,547,738	24.5%
2005	\$21,598,657	\$3,503,337	16.2%
2006	\$22,659,618	\$6,226,635	27.4%
2007	\$27,194,343	\$3,406,917	12.5%
2008	\$29,413,483	\$5,460,834	18.5%
2009	\$26,666,948	\$4,475,135	16.7%
2010	\$20,314,830	\$3,429,818	16.8%
2011	\$16,371,064	\$2,455,594	15.0%

State Procurement Categories	State Goals % spent with HUBs	RRC Actual FY 10 % spent with HUBs	RRC Actual FY 11 % spent with HUBs
Building Construction	26.1%	44.8%	0.0%
Special Trade Construction Contracts	57.2%	17.7%	0.0%
Professional Services Contracts	20.0%	47.4%	65.2%
Other Services Contracts	33.0%	13.5%	13.2%
Commodities Contracts	12.6%	37.3%	20.9%

Historically, the Commission has not purchased in the Heavy Construction or Building Construction categories. However, if these categories of services are procured, internal procurement initiatives will be followed.

The Commission spends a substantial amount of the funds earmarked for the Other Services Procurement Category on well plugging services and site remediation services. The Commission continues to increase HUB participation in this category although the number of qualified vendors providing well plugging and site remediation services is extremely limited. The Commission is committed to increasing HUB participation over the prior year and to continuing its recruiting efforts of HUB vendors.

Railroad Commission Initiatives



ADDENDUM TO THE HUB STRATEGIC GOAL

In addition to the Commission’s HUB Strategic Goal, the Commission implemented several HUB initiatives to support its strategic goal.

Bid Efforts

- Adoption of stricter HUB bid requirements than those set by the CPA.

The Commission’s goal is to obtain a bid from a HUB vendor on all purchases, including purchases less than \$2,000. CPA does not require bids be taken for purchases less than \$5,000.

Internal Bid Attempts for All Programs except Site Remediation and Well Plugging	
Amount of Purchase	Number and Type of Bid
\$1,000.00 or less	One verbal bid, attempt to utilize a HUB vendor.
\$1,000.01-\$2,000	Two verbal bids, one bid must be from a HUB Vendor.
\$2,000.01-\$5,000	Three verbal bids, minimum of one minority-owned business and one woman-owned (of any ethnicity) business *
\$5,000.01 - \$25,000	Six written bids, minimum of two minority-owned businesses and two woman-owned (of any ethnicity) businesses *

Site Remediation Program	
Amount of Purchase	Number and Type of Bid
\$2,000.00 or less	One verbal bid, attempt to utilize a HUB vendor
\$2,000.01 - \$10,000	Three verbal bids, minimum of one minority-owned business and one woman-owned (of any ethnicity) business.
\$10,000.01 - \$25,000	Six written bids, minimum of two minority-owned businesses and two woman-owned (of any ethnicity) businesses. *

*Procurement files will include supporting documentation to ensure that internal bid efforts are met.

The Railroad Commission is required to make a good faith effort to assist Historically Underutilized Businesses (HUBs) in receiving contract awards issued by the state. The goal of this program is to promote fair and competitive business opportunities for all businesses contracting with the State of Texas.

- Use CPA's HUB/CMBL directory for approved vendors, except for the Well Plugging program, which is exempt from using the CMBL, and target HUB vendors in local areas when possible.
- Purchase orders will be divided into reasonable lots to keep with industry standards and competitive bid requirements, while ensuring compliance with CPA rules and regulations.
- All purchase specifications, terms, and conditions shall specify reasonable, realistic delivery schedules consistent with the agency's actual requirements.

CONTRACTOR/SUBCONTRACTOR EFFORTS

- The Commission provides contractors and lessors with information about our HUB goals in the bid information. Each contractor or lessor is required to state if they will subcontract any portion of the contract. The Commission also provides the contractor with a list of qualified HUB vendors, if available. The CMBL will be utilized to obtain a list of eligible bidders.
- The Commission has 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.
- The Well Plugging, Site Remediation, and Reclamation programs are specialized areas of service in which the Commission seeks bids and awards contracts. Although exempted from using the CMBL for well plugging and site remediation contracts, the Commission continues to seek, identify and award bids to qualified HUB vendors in these areas.
- The Commission continually researches the Centralized Master Bidders List, the HUB Directory, the Internet, the Commission's list of approved pluggers and other directories, identified by the CPA, for HUB vendors that may be available to perform contract work.
- The Commission has 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.
- As possible sources for obtaining information on other HUB vendors, the Commission contacts:
 - City and County HUB programs
 - Small/Minority Business Associations
 - Chambers of Commerce, and
 - Trade Associations
- The Commission tracks the good faith efforts of prime contractors who subcontract with HUB vendors.

MENTOR PROTÉGÉ PROGRAM AND RECRUITMENT EFFORTS

- Solicit potential mentors and protégés through the use of the CPA CMBL and other business contacts, such as local Chambers of Commerce or contractor associations, on a monthly basis.
- Meet with potential mentors and protégés to discuss the benefits of participating in the program outlined in material developed by the Commission.
- Facilitate negotiations between mentors and protégés formalizing agreements between the parties.
- Schedule and conduct meetings to monitor performance of the parties under negotiated agreements.
- Report participation in the program and progress of the agreements to CPA.

Mentor Protégé Program		
Mentors	Protégés	Term
Twachtman, Snyder, & Byrd, Inc.	Radcon Services, Inc.	March 2007–2009
Ely Environmental, LLC	Cam Environmental Services	March 2007–2009
Sierra Systems	BSD Services, LLC	February 2008–2010
Gartner, Inc.	BSD Services, LLC	March 2008–2010
Perficient, Inc.	BSD Services, LLC	April 2008–2010
Goldstone Technologies	BSD Services, LLC	April 2008–2010
SAS Institute, Inc.	BSD Services, LLC	August 2008–2010
1 Priority Environmental	Environmental Trainers	December 2008–2010
Protect Environmental Services, Inc.	Kennedy Construction Company	December 2008–2010
SKA Consulting	Weishuhn Engineering, Inc.	April 2009–2011
Alpha Testing, Inc.	Addula Consulting Engineers, LLC	May 2009–2011

EDUCATION AND TRAINING EFFORTS

- Inform vendors about the CMBL requirements with bid information, pamphlets, electronic bulletin board, etc.
- Require all Commission purchasers to become certified.
- Provide training as needed to new purchasing assistants, and offer continuing education to ensure compliance with CPA HUB standards.
- Attend a minimum of three economic opportunity forums for HUBs each year to provide information and bid opportunities to vendors.
- Create an internal network to share HUB information.

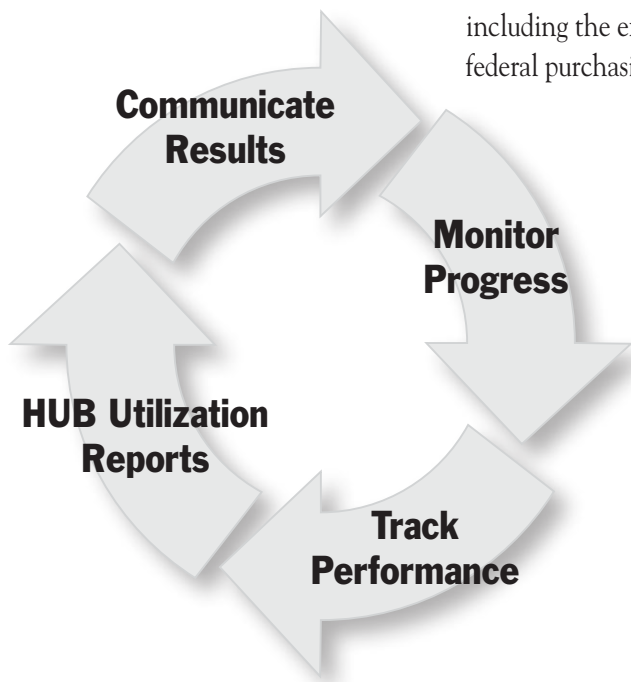
FY 2011 HUB Forums	
HUB Discussion Workgroup Meeting	October 2010
HUB Discussion Workgroup Meeting	December 2010
HUB Discussion Workgroup Meeting and University of Texas 18th Annual HUB Vendor Fair	April 2011
DIR Power to Purchase Technology Expo	April 2011

MONITORING/REPORTING EFFORTS

- Monitor progress of HUB utilization using monthly reports provided by purchasing liaisons of each division. These reports document HUB purchases by division and are compiled for external HUB reporting.
- Enter HUB data into the agency's purchase tracking system.
- Compile HUB data of purchases and report this information to CPA as part of the Semi-Annual and Annual State of Texas HUB Utilization Report.
- Report the effectiveness of HUB participation by analyzing division performance on a regular basis and communicating results to management.

ADDITIONAL REQUIREMENT

- Identify non-CPA certified HUBs being used by the Commission and assist them in obtaining CPA certification. Bids may be obtained from HUBs that are not on the CMBL for purchases that are less than \$2,000.
- Identify vendors used by the Commission that are CPA HUB certified.
- Ensure that each division and district office has access to a HUB/CMBL directory through:
 - o A hard copy by alpha, county, or commodity code is available in the purchasing section.
 - o HUB/CMBL via the Internet on the CPA website: www.cpa.state.tx.us
- This Historically Underutilized Business Plan will be used on all purchases, including the expenditure of federal funds. This plan will ensure compliance with federal purchasing and procurement standards.



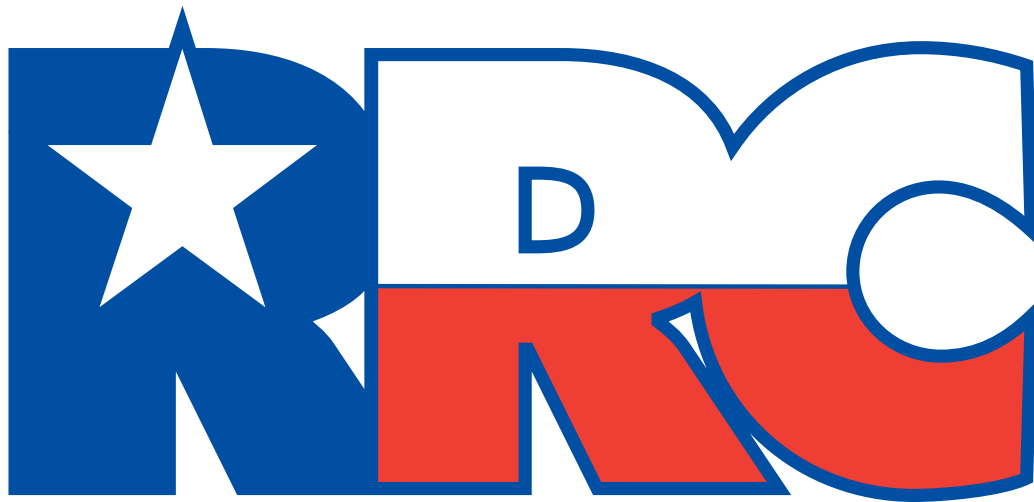
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