RAILROAD COMMISSION OF TEXAS STRATEGIC PLAN

FISCAL YEARS 2015-2019

David Porter
Commissioner

Barry T. Smitherman
Chairman

Christi Craddick
Commissioner

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BY

RAILROAD COMMISSION OF TEXAS

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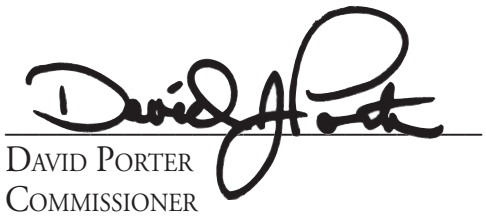

David Porter
Commissioner

Wei Wang
Chief Financial Officer

Christi Craddick
Commissioner

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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. 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' activities contribute to the statewide benchmarks of the Economic Development, Natural Resources and Agriculture, Regulatory and General Government areas.

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	
• Number of employees in targeted industry sectors • Number of new small businesses created • Number of new non-government, non-farm jobs created	• 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	
• 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	• 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	
• 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	• Percent of new and renewed professional licenses issued online • 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	
• 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	• 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 and accepting information in electronic format

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 Texans 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 workplace 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

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!

Our Mission

We serve Texas by:

- 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

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

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 and Consumer Protection

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

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.

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EXTERNAL/INTERNAL ASSESSMENT

PART I: Overview of Agency Scope and Statutory Functions

BASIS FOR REGULATORY FUNCTIONS

The Railroad Commission of Texas is the state agency with primary regulatory jurisdiction over the oil and natural gas industries, pipeline transporters, natural gas and hazardous liquid pipeline industry, natural gas utilities, the LPG/LNG/CNG industries, and coal and uranium surface mining operations. The Commission exists under provisions of the Texas Constitution and exercises its statutory responsibilities under state and federal laws for regulation and enforcement of the state's energy industries.

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

HISTORICAL PERSPECTIVE

The Texas Constitution enabled the Legislature to create the Railroad Commission of Texas in 1891 and the legislature 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 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 of Transportation (TxDOT). In 2005, the Commission's rail safety responsibilities were transferred to TxDOT. The Commission expanded its underground damage prevention program to pipelines, 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 represented 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, oil and gas well plugging, public information, and administration.

The 83rd Legislature in 2013 brought additional changes to the Commission, including the abolition of the AFRED (Alternative Fuels Research and Education Division) fund, and the LP-gas delivery fee that funded the AFRED program's marketing and public education activities. The Commission received additional funding to modernize its information technology systems—a major project that will have far reaching and positive impacts for the management of the Commission's regulatory programs.

History of the Railroad Commission of Texas	
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 1960s	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, 2013.
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.
2013	Commission begins Information Technology Modernization Program. AFRED fund and the LP-gas delivery fee are abolished by the 83rd Legislature.

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% of the Commission's staff (direct and indirect) is dedicated to the oil and natural gas industry; 15.1% to the pipeline and natural gas utility industries; 6.3% to alternative energies such as LPG/LNG/CNG; and the remaining 7.4% to the coal and uranium mining industry.

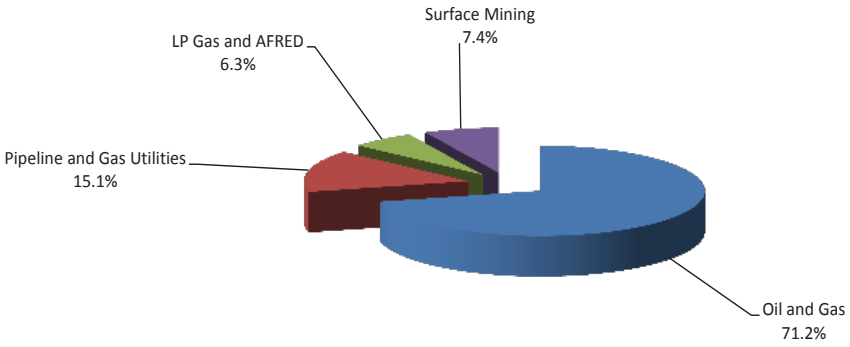


Figure 1-1 Staff Allocation by Industry
Source: RRC

Commission actions affect not only those industries that it regulates, but also many ancillary industries and the general public. 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, 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, oil and gas service companies, and the general public.

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 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

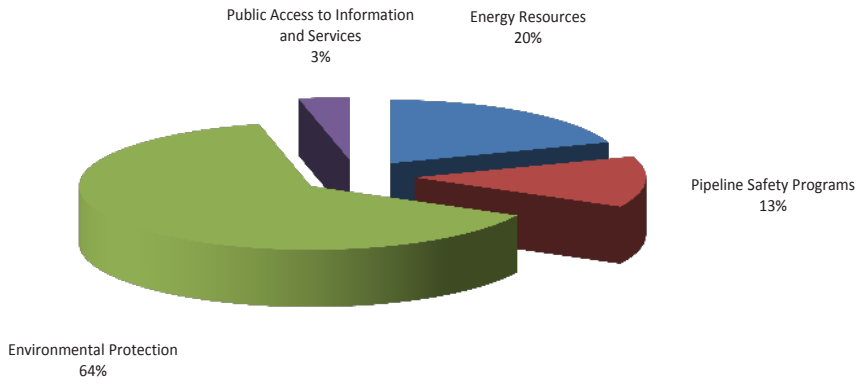


Figure 1-2 Agency Goals by Fiscal Year 2014 Appropriation
Source: 2014-2015 General Appropriations Act

The Railroad Commission is recognized throughout the United States and the world as a leader in developing a workable regulatory structure for the energy industry.

While its primary responsibilities are the protection of the environment and public safety, the Commission also takes a balanced approach to maximize orderly and efficient development of the state's energy resources. This balanced approach sets the Commission apart from the standard model of a regulatory agency. In every regulatory decision 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 impact the development and production of the state's natural energy resources.

PART II: Organizational Aspects

WORKFORCE SIZE AND COMPOSITION

The Commission has a legislative cap of 807.1 full-time equivalent (FTE) positions for fiscal year 2014 and fiscal year 2015. The number of Commission FTEs fluctuated between fiscal year 2004 and fiscal year 2014, with a net increase of 51.9 FTEs, a 6.9% increase in the Commission's workforce. The Commission's legislative FTE cap reached its low in fiscal year 2008 and fiscal year 2009 with 706.1 FTEs, as illustrated in Figure 2-1.

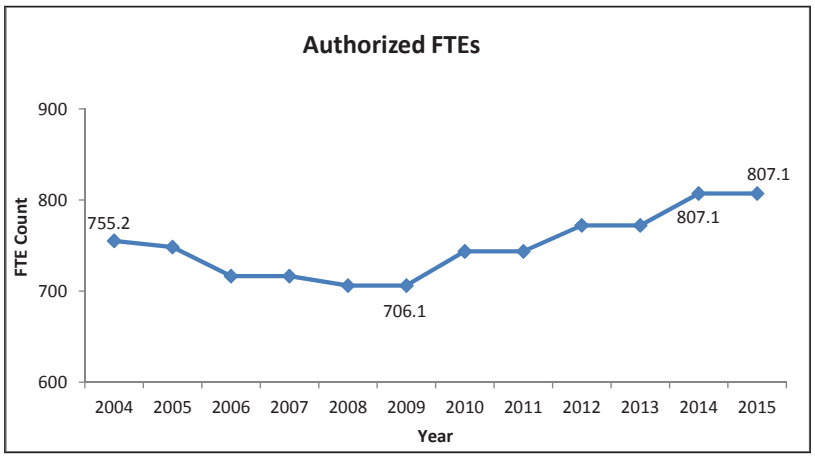


Figure 2-1 Authorized FTEs
Source: General Appropriations Act

The Commission's workforce has fluctuated in the last 10 years as legislative initiatives have affected agency programs, including transfer in the mid-2000s of the Rail Safety Program to the Texas Department of Transportation; a statewide two percent budget reduction in fiscal year 2006; and the elimination of positions resulting from the mandatory Data Center Services contract in fiscal year 2007. The legislative FTE cap increased in fiscal year 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 five percent budget reductions during the 2010-11 biennium.

In fiscal year 2012, the 82nd Legislature transferred nine FTEs, along with the authority for making groundwater protection recommendations, from the Texas Commission on Environmental Quality to the Railroad Commission. Legislation added six 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 regulatory activities. Most recently, the Commission added FTEs to implement legislation from the 83rd Legislative Session, including 11 FTEs for information technology modernization, 20 new pipeline safety FTEs, and four new FTEs to supplement enforcement activities.

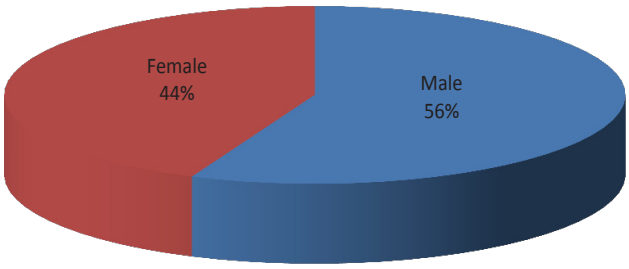


Figure 2-2 Labor Force Gender Distribution
Source: RRC

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: 8.33% African-American, 20.35% Hispanic, and 43.57% 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 statistics.

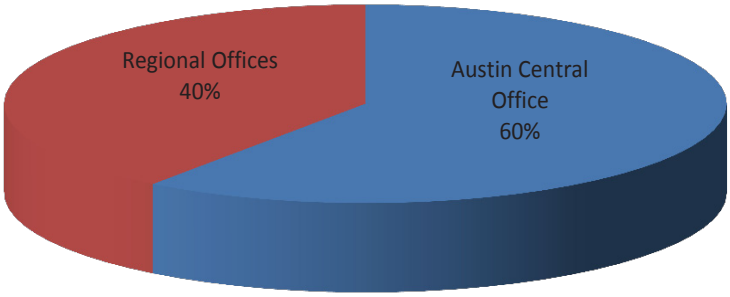


Figure 2-3 Location of Employees
Source: RRC

ORGANIZATIONAL STRUCTURE AND PROCESS

Three statewide officials, elected to six-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 Deputy Executive Director, Chief Financial Officer, General Counsel, and Division Directors who oversee various aspects of the agency. The current organizational chart for the Commission may be found in Appendix B.

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 2-3 illustrates that approximately 60% of the Commission's staff is located in the headquarters office. The remaining staff are located throughout the state in Commission field offices. 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 seeking information not available online.

Railroad Commission Field Offices

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

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 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. One hundred thirteen Oil and Gas field office employees, or 46.31% 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 records at locations outside Texas. Out-of-state travel is also required to maintain membership in 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.

LOCATION OF SERVICE POPULATIONS

The primary responsibility of the Commission involves the expansive 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 405,000 oil and gas wells and related facilities throughout the state, an increase of 12.6%. As of January 2014, more than 82.7% of Texas counties currently report oil production, and 75.6% of the counties produce natural gas. The Commission serves the state's extensive oil and natural gas production 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 at the local level.

Pipelines are extensive throughout the state, creating a broad statewide service population. Texas has the largest pipeline infrastructure in the nation. Each of the 254 counties in Texas has a pipeline facility located within its boundary. 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 Commission. The remaining pipeline miles are either currently exempt from safety regulation (rural gathering

FISCAL YEAR 2014 SOURCE OF FEDERAL AWARDS
U.S. Department of Energy
• Conservation, Research, and Development (ARRA) CFDA 81.086
U.S. Department of the Interior
• Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining CFDA 15.250
• Abandoned Mine Land Reclamation (AMLR) Program CFDA 15.252
U.S. Department of Transportation
• Pipeline Safety CFDA 20.700
U.S. Environmental Protection Agency
• State Underground Water Source Protection CFDA 66.433
• State and Tribal Response Program Grants (Brownfields Program) CFDA 66.817

lines from oil and gas wells), or are interstate lines, which are regulated by the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA). 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 wide-ranging activities such as backyard grilling, forklift and school bus operations. This population is also served through various field offices located in San Angelo, Fort Worth, Midland, San Antonio, Corpus Christi, Austin, Kilgore, and Houston.

The surface coal mining industry operates along the lignite resource belt that extends from northeast Texas toward Laredo. Commission Surface Mining personnel located at the Tyler field office serve mining operations in the northeastern part of the state. Austin headquarters personnel serve central and southwest Texas mining operations. Texas ranks sixth in U.S. coal production, with 43.2 million tons produced in 2013. Texas coal is primarily used as boiler fuel at electric power generation plants. In 2013, according to the U.S. Department of Energy's Energy Information Administration, 44.1% 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

Figure 2-4 Job Categories
Source: RRC

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 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 technical staff are critical to perform the Commission's regulatory responsibilities. Retention and recruitment of these professionals continues to pose a challenge. Figure 2-4 details the Commission's job classification composition.

Figure 2-5
Oilfield Equipment

Austin's position as a high-tech leader makes it more challenging to hire and retain Information Technology (IT) staff with the knowledge and skills necessary to support and expand the agency's critical software applications. The agency has developed and is executing a plan to modernize its computer applications, and a 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 strong performance and retain existing staff. The Commission strongly supports the funding of a competitive salary base, and the continuation of merit-based compensation programs.

More information may be found in the Workforce Plan, Appendix E of this document.

CAPITAL ASSET STRENGTHS, WEAKNESSES AND CAPITAL IMPROVEMENT NEEDS

During the 83rd Legislative Session, Texas lawmakers provided funding allowing the agency to improve services and enhance regulatory efforts statewide. Using the appropriation, the Commission initiated several projects related to the Information Technology Modernization Program during fiscal year 2014. The Commission has long awaited this opportunity to update a portion of its information technology systems, which are vital to support industry, the general public, and Commission employees. The first series of projects related to the modernization program are planned for delivery during fiscal years 2014 and 2015. The Commission will continue to prioritize business needs and present new projects to the legislature in future fiscal years as a part of the modernization program.

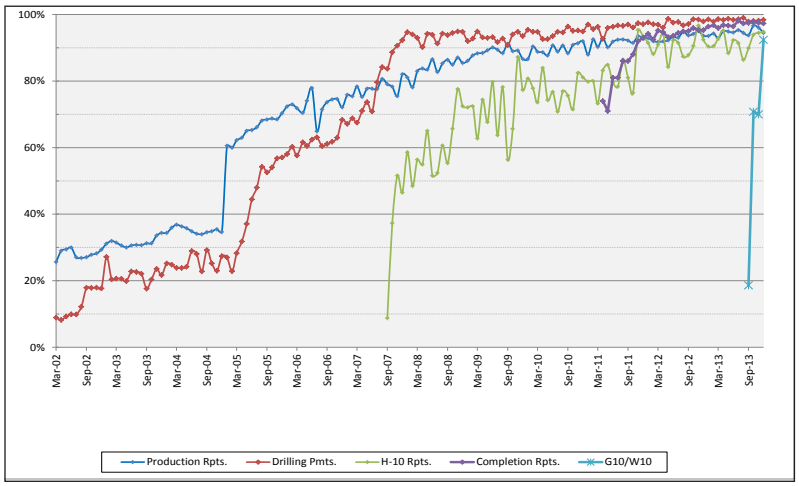


Figure 2-6 Percent of Filings Online
Source: RRC

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

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

INFORMATION TECHNOLOGY MODERNIZATION PROGRAM

The Information Technology Modernization Program (ITMP) will establish a new foundation and modular framework for additional Commission applications, making continued modernization of legacy applications both consistent and efficient. The ITMP will result in improved reporting capabilities for staff as well as individuals, industry, and external stakeholders. The workflow functions will allow more automated handling of permits, which will decrease the time required to approve permits. External access to Commission data will be made easier through use of a consolidated website portal for regulatory entities. Transparency will be improved as more of the legacy systems, applications, and data are moved to the new modern environment.

As the modernization effort continues, more applications will be moved to share a common platform and take advantage of the features that are standard as a result of the initial implementation. Applications moved to the newly established foundation will leverage the improved computing environment with additional capacity and improved performance while allowing for decreased development times for new projects. Additionally, applications that are moved to the new platform will share a common website, improved reporting capabilities, enhanced security, accessibility, and workflow functions.

Several new modernization projects were initiated during fiscal year 2014. The projects focused on updating and improving the information technology

infrastructure and systems both internal to the Commission and outward facing. Customer-facing modernization projects will result in an enhanced Geographic Information Systems (GIS) viewer and a redesigned agency website. Internal initiatives include enhancements and upgrades such as migration to Windows 7, implementation of Microsoft Office 365, retirement of Novell, improved network access, deployment of faster PC workstations, implementation of the Centralized Accounting and Payroll/Personnel System (CAPPS), and Information Security improvements.

The Commission continues to look for ways that technology can increase its efficiency and effectiveness. Existing applications available on the website, such as RRC Online, continue to be enhanced and extended to provide customers as well as Commission staff with flexible access to information and the ability to file permits online. From the GIS Public Viewer, to a redesigned website with enhanced features and usability, to enhanced reporting capability and transparency, the agency is committed to leveraging advances in technology to strengthen the Commission's ability to carry out its regulatory responsibilities and better serve the public.

HARDWARE/SOFTWARE ACQUISITION AND SECURITY

The Commission currently leases personal computers (PCs) based on a four-year refresh schedule for desktops and a three-year refresh cycle for laptops. 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, more evenly distributes information technology expenditures, and reduces budget spikes. Obsolete, broken, or inadequate equipment such as network switches and power supplies can be replaced as needed. Replacement and upgrade of outdated equipment will address obsolescence, growth, and changes in the technical environment. Outdated software also needs to be replaced and software subscriptions need to be renewed. Security is a critical aspect of the agency's infrastructure and must continually be improved.

Acquisition of these information technology resources is necessary due to the implementation of new applications, expansion of existing applications, and improvement of automated processes within the agency. Replacement and upgrade of outdated personal computers will also provide agency staff with an ability to fully utilize the automated systems and software that support the agency's mission and functions, and to enable users to access and share information efficiently both internally and externally. With the implementation of more sophisticated applications, workstations have expanded beyond simply a personal computer and printer to include mobile computing devices, various types of printers, and software as a service, a software distribution model in which applications are hosted by a vendor or service provider and made available to customers over a network, typically the

Internet. Needed network upgrades include switches, routers, power supplies and other network appliances providing essential network services for the agency.

The Commission field staff use rugged mobile devices to conduct inspections in the field. These devices provide critical information needed for the regulatory functions and include essential data as well as mapped locations of oil and gas wells. It is necessary to keep these mobile devices up to date. Continued funding is needed to maintain a three-year replacement schedule for this equipment.

DATA CENTER SERVICES

The Commission participates in the Data Center Services (DCS) interagency contract with the Department of Information Resources (DIR). Although the mainframe was transferred to the Data Center in 2009, the server infrastructure is still in the process of consolidation and transformation to new equipment at the State Data Center. Completion of the server transformation will mitigate some of the server issues the agency experiences, accommodate the anticipated growth as new online applications are developed, and provide improved disaster recovery capability. Progress toward transformation to the data center has been slow; however, fiscal years 2013 and 2014 witnessed a greater momentum toward that goal.

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 by participating in the Department of Information Resources (DIR) bulk purchase program.

VEHICLES

In support of its regulatory operations, the Commission is authorized to maintain a vehicle fleet of 267 vehicles. The Commission currently has a fleet of 267 vehicles as 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 adopted a 100,000-miles/six years of age vehicle replacement schedule, consistent with the schedule adopted by the State

Office of Fleet Vehicle maintenance 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 for the 2012-2013 biennium that allowed it to replace more vehicles that exceeded 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 2014, it is anticipated that the Commission will have approximately 26 vehicles, or almost 10% 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 more fuel efficient.

Table 2-1 Vehicle Replacement Goals

Vehicle Type	Current Vehicle Count	Projected as of August 31, 2014 Number Exceeding Replacement Goals *
Sedans and Wagons	2	2
Trucks and Light Trucks	260	23
Passenger Vans and Suburbans	5	1
TOTAL	**267**	**26**

* Replacement Goal (Age or Mileage): 6 years or 100,000 miles.

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
Fiscal Year 2009–Fiscal Year 2013

	Fiscal Year 09	Fiscal Year 10	Fiscal Year 11	Fiscal Year 12	Fiscal Year 13
Total Agency Expenditures	$26.7 M	$20.3 M	$16.4 M	$23.5 M	$32.9 M
Total dollar amount spent with HUBs	$4.5 M	$3.4 M	$ 2.5 M	$4.1 M	$9.1 M
Percent of total spent with HUBs	16.7%	16.8%	15.0%	17.5%	27.6%

Since fiscal year 2009, the Commission's HUB participation rates have fluctuated from a low of 15.0% to a high of 27.6%, 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, 2006, and 2013 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	Fiscal Year 2012	Fiscal Year 2013
Building Construction	21.1%	0.0%	0.0%
Professional Services	23.6%	37.2%	18.1%
Commodities	21.0%	25.3%	21.8%
Other Services	24.6%	15.6%	17.2%
Special Trade	32.7%	0.0%	0.0%

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.

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

The Commission is recognized as a world leader in developing workable regulations for the energy industry and for its leadership in ensuring that resource recovery operations meet or exceed environmental and safety compliance standards. The Commission responds to changing circumstances, both internally and externally, and any impact they may have on the organization as needed.

USE AND ANTICIPATED USE OF CONSULTANTS

The Commission engages with DIR and Council on Competitive Government (CCG) vendors to implement large-scale technology efforts. Contracted services and consultants will continue to be used as appropriate to leverage marketplace expertise and provide best value solutions for the Commission.

PART III: Fiscal Aspects

BUDGET SIZE

The Commission's appropriation for fiscal year 2014 is $79,725,345 and for fiscal year 2015 is $78,824,688, with 807.1 FTEs for each year of the biennium. General Revenue represents 16.2% of the fiscal year 2014 method of finance and 16.1% of the method of finance for fiscal year 2015. Figure 3-1 and Table 3-1 detail the agency's appropriation for fiscal year 2014.

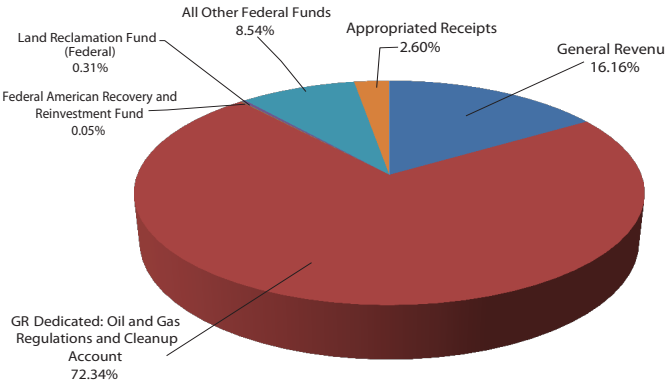


Figure 3-1 Fiscal Year 2014 Appropriated Method of Finance
Source: General Appropriations Act

METHOD OF FINANCE

Senate Bill 1 from the 83rd Legislature appropriated $79,725,345 in fiscal year 2014 and $78,824,450 in fiscal year 2015 to the Commission. In addition, House Bill 1025 appropriated an additional $16.7 million for fiscal year 2013 from the Oil and Gas Regulation and Cleanup Account for the Information Technology Modernization Program (ITMP).

Table 3-1 Fiscal Year 2014 Appropriated Method of Finance

General Revenue	$12,881,324
GR-Dedicated: Oil Field Cleanup	$57,676,962
Federal American Recovery and Reinvestment Fund	$37,715
Land Reclamation Fund (Federal)	$246,545
All Other Federal Funds	$6,809,850
Appropriated Receipts	$2,072,158
Total	$79,725,345

GENERAL REVENUE

Historically, General Revenue was the primary funding source for the Commission's programs but this changed with the creation of 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, gas utilities, pipeline safety, and surface mining divisions.

For fiscal year 2014, the Commission's use of General Revenue continues to be reduced. The Commission was appropriated $12,881,324 in 2014 and $12,704,380 in 2015 from the General Revenue Fund, which is a $4.3 million (or 14.4%) reduction from the 2012-13 biennium.

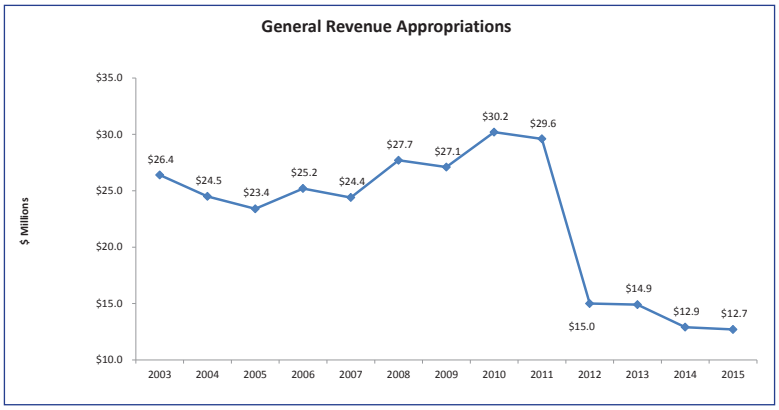


Figure 3-2 General Revenue Appropriation
Source: General Appropriations Act

OIL AND GAS REGULATION AND CLEANUP

The legislature created the Oil Field Cleanup (OFCU) Dedicated Account in 1991 to plug abandoned oil and gas wells and to remediate abandoned oilfield sites statewide. In 2011, 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 can fluctuate. The Commission was appropriated $57.7 million of OGRC funds for fiscal year 2014 and $57.4 million of OGRC funds for fiscal year 2015.

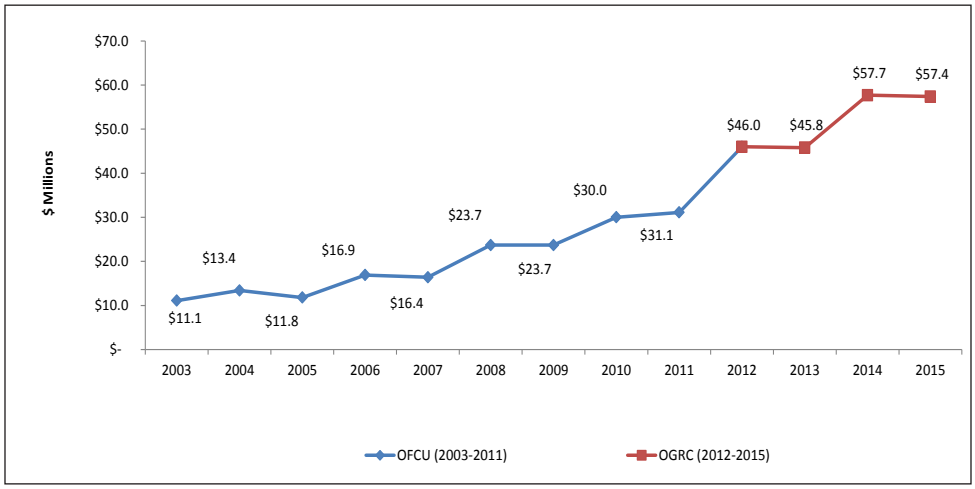


Figure 3-3 Oil Field Clean Up / Oil and Gas Regulation and Cleanup Appropriations
Source: General Appropriations Act

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)

House Bill 7 (83rd Legislature, Regular Session) abolished the AFRED account and authorized the Commission to use the Oil and Gas Regulation and Cleanup fund to pay for direct and indirect costs activities related to the use of alternative fuels that are or have the potential to be effective in improving the air quality, energy security, or economy of this state. The bill also directed any money remaining in the fund be transferred to the undedicated portion of the General Revenue Fund. The Commission transferred $2,673,229 from the AFRED account to the General Revenue Fund at the beginning of fiscal year 2014.

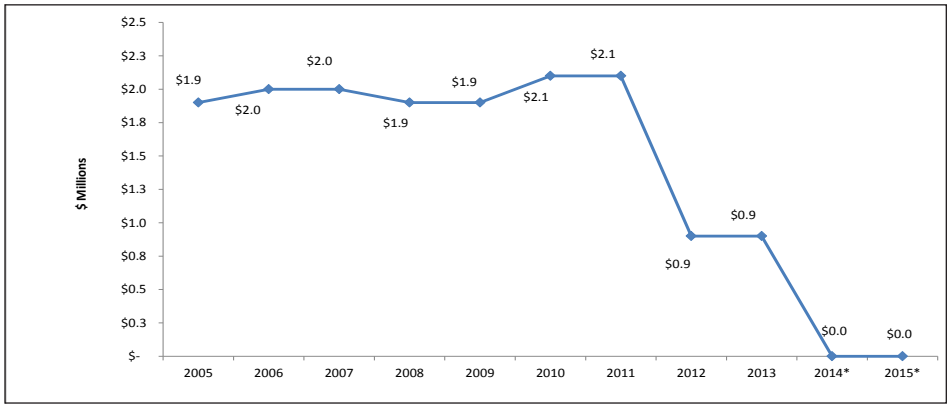


Figure 3-4 AFRED Appropriations
Source: General Appropriations Act

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 80%, based on available funds.

The Underground Injection Control (UIC) program was created on the basis of a 75% federal share with a 25% general revenue state share. As a result of federal funding limitations, the state share now represents significantly more than 25% of the funding for the UIC program as the program's responsibilities and federal compliance requirements have increased.

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% state match. The AML is 100% federally funded. However, the long-term funding for these programs may be affected by federal budget considerations. The fiscal year 2015 federal budget proposes to reduce or eliminate AML funding for all certified 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 19% 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 part of a final federal budget and are subject to change. Should federal funding be reduced the state would need to fund a larger portion of the coal regulatory program with monies from increased fee collection.

Detailed information about each of the Commission's federally funded programs 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 on 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 Commission to offer rebates to buyers who replace older equipment with propane or natural gas equipment that is certified to meet or exceed TERP emissions requirements. The current contract, awarded in fiscal year 2013 for $6 million, brings the total investment to $46 million over the 10-year period ending August 31, 2015. Following the program's conclusion on August 31, 2015 the Commission will continue to monitor compliance with funds previously disbursed, but the program will end with no new funding available for distribution.

Building on this successful partnership, in 2012 the Commission and TCEQ entered into an additional three-year interagency agreement. Under the agreement, the 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.

In fiscal year 2014, with funding from the TCEQ, the Commission began two projects to mitigate non-point source (NPS) contamination that will reduce the salt load from saline groundwater discharging into the Colorado River. The projects will improve surface and groundwater quality through abatement, recovery, and disposal best management plans. Grant funding for the two projects totals more than $1.03 million.

STATE REVENUE SOURCE: ECONOMIC STABILIZATION FUND—RAINY DAY FUND

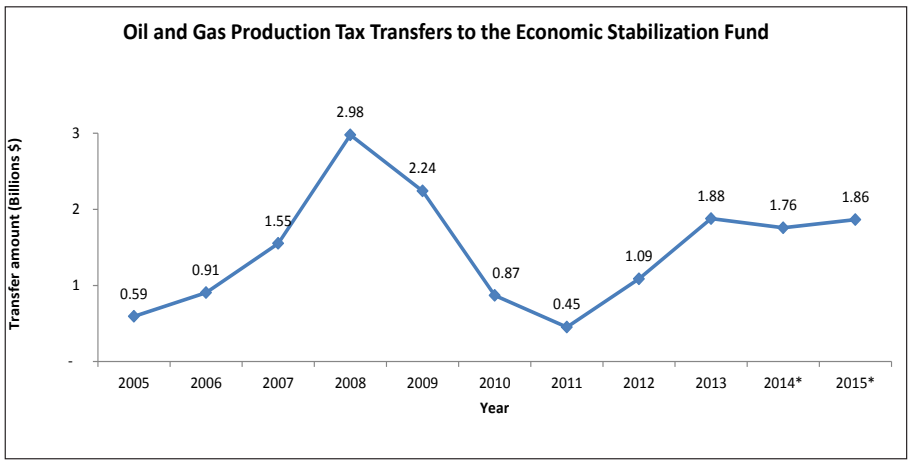


Figure 3-5 Oil and Gas Production Tax Transfers to the Economic Stabilization Fund
Source: Comptroller of Public Accounts

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% 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 $3.6 billion in 2014-15 biennium, according to the Biennial Revenue Estimate from January 2013. The anticipated 22% increase over the 2012-13 biennium's actual revenue is due to ongoing high activity levels in the Eagle Ford Shale formation, the Permian Basin, and the Panhandle. Figure 3-5 highlights the transfer amount, including its peak in fiscal year 2008 at $2.98 billion.

Oil production and regulation taxes are expected to generate $4.6 billion in revenue during the 2014-15 biennium, a 3.8% increase from the $4.43 billion collected in the 2012-13 biennium. Natural gas tax receipts are expected to total $2.5 billion in revenue during the 2014-15 biennium, a decrease of 3.8% from the $2.6 billion collected during the 2012-13 biennium.

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 opportunities 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-by-State Comparison

	2012 Pipeline Safety Expenditures	Pipeline Mileage	Cost per Pipeline Mile
Oklahoma	$1,738,431.00	42,918.40	$40.51
Louisiana	$1,607,043.33	51,309.60	$31.32
New Mexico	$833,161.00	22,711.20	$36.69
Texas	$5,447,772.99	211,459.90	$25.76

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 2013 in each state appears below in Table 3-2.

Table 3-2 Well Plugging and Site Remediation State-by-State Comparison			
	2013 Well Plugging and Site Remediation Expenditures	Number of Wells Plugged	Number of Sites Cleaned-up
Oklahoma	$5,692,967	131	882
Louisiana	$2,195,645	50	6
Texas	$24,949,105	778	280

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 2011 by the total acreage that was permitted in 2011, the most recent data available from the federal 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-by-State Comparison			
	2011 Federal Funding Coal Regulatory	2013 Total Acreage Permitted	Average Cost per Permitted Acre
Colorado	$3,457,867	165,940	$21
Indiana	$2,089,877	215,970	$10
West Virginia	$12,006,793	352,300	$34
Texas	$1,953,557	296,490	$7

DEGREE TO WHICH CURRENT COMMISSION BUDGET MEETS CURRENT AND EXPECTED NEEDS

The Commission has long awaited the opportunity to update information technology (IT) systems that are vital to allowing staff to keep pace with current statewide energy activity. During the 83rd Texas Legislative Session, lawmakers provided funding that will allow the agency to improve services and enhance regulatory efforts statewide.

Using an appropriation of $24.7 million, the Commission began its modernization efforts in fiscal year 2013 with funding continued through fiscal year 2015. Implementation accomplishments will include new GIS mapping functionality and the expansion of online filing and payment options for operators.

The Commission received an additional $3.6 million for the 2014-15 biennium from the OGRC account for targeted pay raises for Oil and Gas division employees to achieve parity with other Texas environmental regulatory agencies. The legislature also authorized the Commission to pay a salary supplement not to exceed $1,200 per

month to employees who live in the Midland metropolitan statistical area. Although this action has helped in hiring and retaining qualified staff, the Commission still faces challenges in attracting and retaining key employees. The Commission is unable to compete with salaries offered by private industry, especially in the field offices.

Turnover is an important metric within any organization and the Commission is no exception. The greatest concern with 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 a desire by 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. More information may be found in the Workforce Plan, Appendix E, of this document.

CAPITAL AND/OR LEASED NEEDS

Current requirements mandate that the Commission's data center services be provided through an interagency agreement with the Department of Information Resources (DIR). Data Center Services funding needs will continue to increase as the Commission develops and implements additional applications as part of the IT Modernization Program (ITMP) platform.

The Commission will use contracts and in-house resources to continue modernization of business applications critical to agency operations supporting 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. Continued funding is needed to procure commodities and services to support the following activities: ITMP, mobile computing, updates to PCs, laptops, printers, software, network equipment and Data Center Services.

Figure 4-1 Barnett Shale

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, CNG, and LNG; 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, multi-national 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.

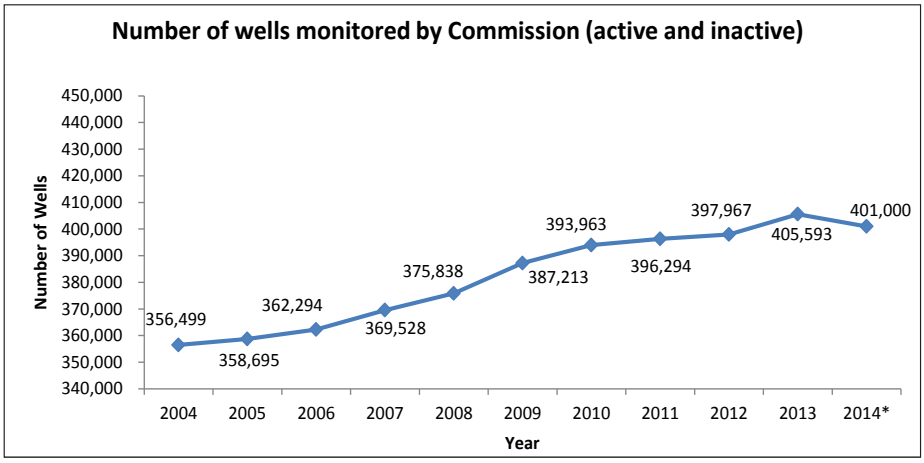


Figure 4-2 Number of Wells Monitored by Commission (Active and Inactive)
Source: Operating Budget Performance Measures

*Indicates 2014 is projected

Texas was once thought to be a mature oil producing state with increasingly marginal production; however, 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, as indicated by the number of wells monitored, made possible with the use of new technologies.

According to the American Enterprise Institute, Texas is the number one oil state in the United States, responsible for roughly one-third of all U.S. oil production. If Texas were a sovereign nation, it would be the world's 10th largest oil producer. Additionally, Texas leads the nation in natural gas production and is the world's third largest producer of natural gas behind Russia and the other 49 states combined. The state provides 38.5% of the domestic onshore oil production, and 32.3% of the domestic onshore-marketed gas production in the United States. According to the most recently available data from the United States Energy Information Administration, as of December 31, 2011, Texas has remaining proven crude oil reserves of 7.014 billion barrels or 26.4% of U.S. crude oil reserves, and proven dry natural gas reserves of 98.165 trillion cubic feet or 29.4% of U.S dry natural gas reserves.

The Permian Basin produces almost half of crude oil production in Texas and is estimated to represent nearly 15% of all U.S. production. One of the oldest fields in the U.S., it contains multiple producing formations, and industry experts estimate it to contain recoverable oil and natural gas resources exceeding what has been produced over the last 90 years.

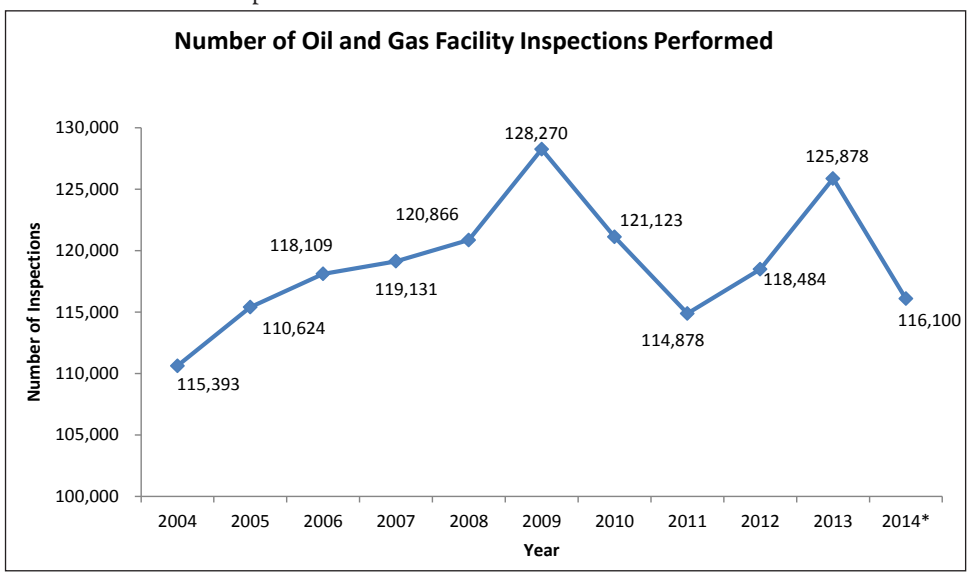


Figure 4-3 Number of Oil and Gas Facility Inspections Performed
Source: Operating Budget Performance Measures

*Indicates 2014 is projected

The Eagle Ford Shale is the largest domestic crude oil and natural gas discovery in the lower 48 states in more than 40 years. In 2008 the Commission issued 26 drilling permits in the Eagle Ford Shale. Five years later in 2013, the number of drilling permits had reached 4,416 and the upward trend is expected to continue. During that same time crude oil production increased by more than 764,000 barrels per day. As for natural gas production, the Barnett Shale—a formation estimated to stretch from the city of Dallas west and south—is thought by some experts to be the largest onshore natural gas field in the United States. The number of producing gas wells throughout the state has more than quadrupled from 23,000 in 1972 to 96,092 as of December 31, 2013.

The Commission's workload is expected to significantly increase in both the short- and long term. An increase in the production of oil and natural gas in Texas results in increased workload activities for the Commission, such as an increase in the issuance of drilling permits, on-site field inspections, and post-production completion reporting. Figure 4-3 highlights the number of inspections performed by the Commission.

PIPELINE OPERATIONS

An extensive network of pipelines is required to gather, transport, and deliver the state's valuable energy resources. The Commission has responsibility to ensure that pipeline systems are designed, constructed, operated, and maintained safely.

Figure 4-4 Transmission pipeline construction project near Fort Worth

Texas has the largest pipeline infrastructure in the nation, as shown in Figure 4-5, with approximately 374,318 miles of pipeline

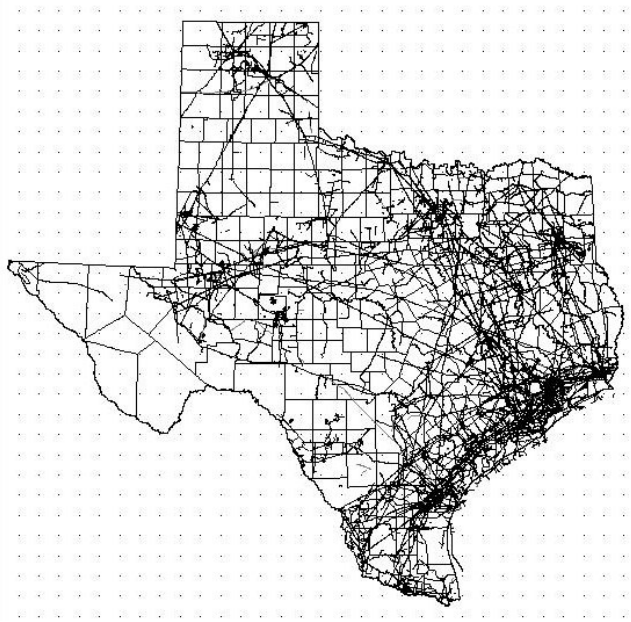


Figure 4-5 Railroad Commission Regulated Pipelines
Source: RRC

representing about 1/6 of the total pipeline mileage of the entire United States. Texas' pipelines are divided into the categories of natural gas and LP-gas distribution lines (100,404 miles), hazardous liquid and natural gas transmission lines (67,577 miles), intrastate production and gathering lines that leave leases (159,604 miles), and interstate lines (46,150 miles). The Commission has safety responsibility over the first three aforementioned categories. These regulatory responsibilities extend to more than 1,468 operators of intrastate gathering, transmission, distribution, and master-metered systems. Figure 4-6 details the number of pipeline safety inspections performed 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 this area. 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.

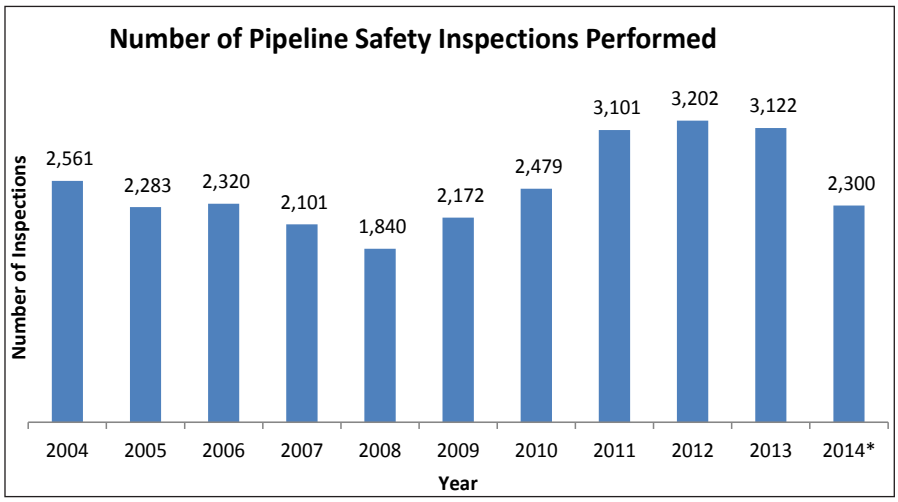


Figure 4-6 Number of Pipeline Safety Inspections Performed
Source: Operating Budget Performance Measures

*Indicates 2014 is projected

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

Figure 4-7 Residential Gas Utility Meter

The Commission has original jurisdiction over investor-owned gas utility rates outside a municipality as well as rates a pipeline can charge for transporting gas to a town's border. Cities have rate jurisdiction over investor-owned gas distribution utilities within their boundaries, but utilities may appeal municipal decisions to the Commission. The Commission carries out rate-related regulation of about 212 investor-owned natural gas transmission and distribution utilities to help ensure fair and equitable gas rates in the gas utility industry.

There are approximately 4.6 million customers served by investor-owned and municipally-owned natural gas pipeline systems. An investor-owned utility often serves customers within a city, as well as in the environs surrounding a city and unincorporated areas. There are approximately 8,300 active tariffs on file with the Commission that reflect rates charged for intrastate natural gas utility transmission and distribution services.

The Commission typically holds hearings for major contested cases in which it has original jurisdiction or cases on appeal by the utility from a city rate decision. Generally, Gas Services division staff present a case to help develop the public record before a Commission hearing examiner and technical examiner, who preside together over hearings and develop a proposal for decision for Commissioners' consideration and ruling. In fiscal year 2013, the Commission received 11 filings for full ratemaking review. Five of these cases came to the agency under its original jurisdiction, and the remaining six cases came to the Commission on appeal.

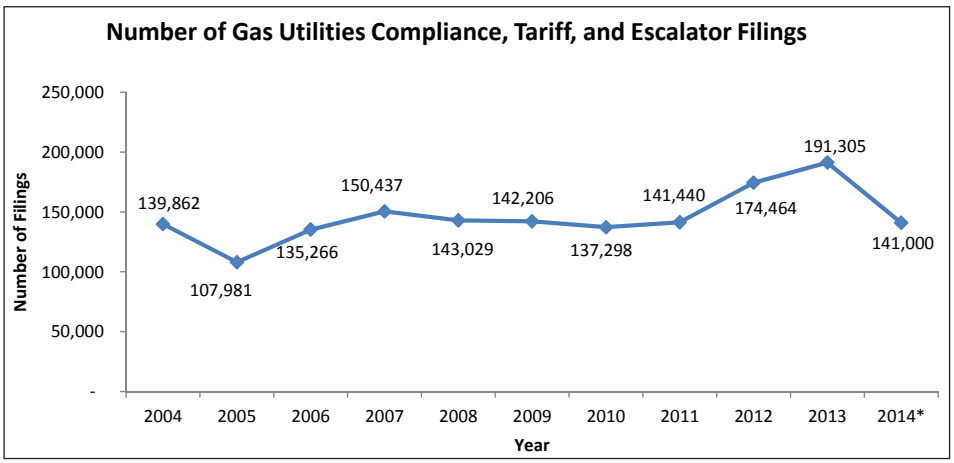


Figure 4-8 Number of Gas Utilities Compliance, Tariff, and Escalator Filings
Source: Operating Budget Performance Measures

*Indicates 2014 is projected

The Gas Services Division also handles utility-related consumer complaints, inquiries from residential and small commercial consumers, and business-to-businesses complaints involving negotiated rates for pipeline services. During fiscal year 2013 the division received approximately 700 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.

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. By statute, these parties may negotiate 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 Commission's 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 dispute was with a formal complaint before a legal examiner. This was time consuming and costly for participants. The informal process allows parties the opportunity to present their positions before trained staff mediators. The goal is a fast and efficient resolution of the complaint. Since its inception, a total of 124 complaints have been received under this informal process. The informal complaint has been well received by participating producers, and gathering and transportation service providers.

At present there are 189 utilities subject to the gas utility tax requirement and staff collected $19.3 million in fiscal year 2013. Utilities that solely distribute to retail customers are not subject to the gas utility tax. 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.

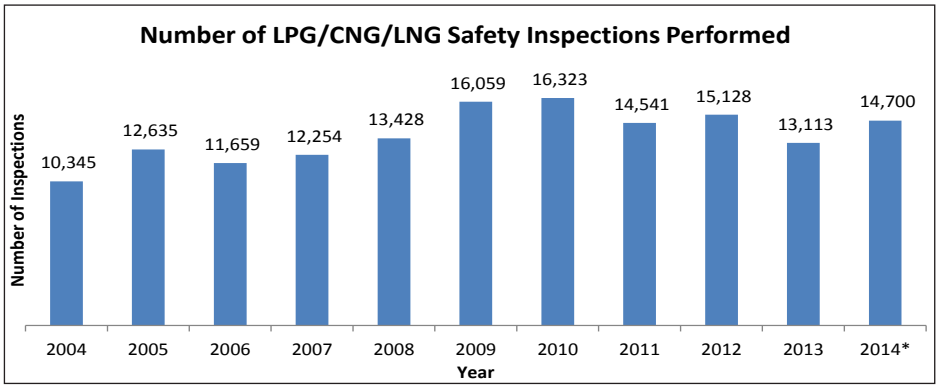


Figure 4-9 Number of LPG/CNG/LNG Safety Inspections Performed
Source: RRC

*Indicates 2014 is projected

ALTERNATIVE ENERGIES LPG/CNG/LNG

The 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 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.

There are 17,905 individuals certified or registered with the Commission to engage in jurisdictional activities. In fiscal year 2013 there were 5,279 company licenses issued and 4,821 transport delivery vehicles registered. The Alternative Energy Division (AED) 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 2013, 13,113 safety inspections were performed at stationary facilities and on mobile/vehicular units as shown in Figure 4-9. The Commission's Alternative Fuels database lists 69,370 installations, which includes 4,514 LPG, CNG, and LNG school buses and public transportation vehicles.

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.

House Bill 7 (83rd Legislature, R.S.) moved the authority for the Commission's alternative fuels outreach and public education program to Texas Natural Resources Code, §81.0681, and broadened the program's statutory mandate to promote alternative fuels *that are or have the potential to be effective in improving the air quality, energy security, or economy of this state*.

In its first year of operation under the new statute, AFRED held natural gas vehicle seminars in Austin, Midland, Longview, and Laredo for a total of more than 1,000 fleet operators and industry stakeholders. AFRED administered $3 million of Texas Emissions Reduction Plan funds and more than $100,000 of Supplemental Environmental Program funds from the Texas Commission on Environmental Quality, and completed a $12.6 million Clean Cities grant from the U.S. Department of Energy that began in 2010.

COAL AND URANIUM MINING

In 2012, Texas produced 43.6 million tons of coal, ranking the state sixth in coal production in the United States. Currently there are 30 coal-mining permits administered by the Commission's Surface Mining and Reclamation Division (SMRD). These mining permits, held by 11 companies, cover over 325,000 acres in 20 counties. The annual coal production from 2003 to 2012 averaged about 43 million short tons. Nine permitted mining operations no longer produce coal and are undergoing final land reclamation.

The vast majority of coal mined in Texas, over 99%, 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 comparatively more economically viable or if federal environmental regulations make it increasingly difficult or too expensive to burn lignite coal.

Figure 4-10 Reclaimed Wetlands and Pastureland–Martin Lake Mine

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 next 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.

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 making 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. The Commission continues to be responsible for the approval, inspection, and enforcement of uranium exploration drilling, which increased after 2005. Currently, there are 12 active uranium exploration permits in Texas that cover approximately 751,109 acres.

PART V: TECHNOLOGICAL DEVELOPMENTS

IMPACT OF TECHNOLOGY ON CURRENT AGENCY OPERATIONS

The Railroad Commission continues to be the nation's leading energy regulatory agency for the 21st century. The Commission supports development of emerging alternative energy sources along with the state's traditional energy sources inside a regulatory model that supports the state's economy while protecting citizens and the environment. Streamlining of the Commission's regulatory functions, through the use of technology, will improve service to the citizens of Texas and advance the energy security of the nation.

With the continued increase in oil and gas drilling and production since the discovery of the various shale plays, the Commission has seen an increase in demand for its services and associated information assets. This growth continues to drive the need to move faster in transforming to a flexible and agile web-based environment.

The increased activity in the oil and gas industry has fueled the demand for even more online filing capacity. Existing systems and business processes can be cumbersome and time consuming for both Commission stakeholders and employees. Improvements to online filing will allow Commission staff to focus on processing permits and monitoring compliance with regulations instead of correcting and handling paper forms and mailings. In addition, outdated existing online systems need to be updated and modified to capture additional data items necessary for accurate oversight of the newer drilling techniques used by industry. Increasing the online filing options and reducing reliance on paper mailings to communicate with customers will greatly benefit both the industry and the Commission.

In addition to online filing of reports, the Commission utilizes the Texas.gov website payment portal to accept 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 protection determination letter expedite requests.

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 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 system is a mission-critical piece of the Commission's technology infrastructure. The system ensures both the public and RRC staff are able to accurately locate facilities even if they may not be visible above ground. An accurate, fully-functioning GIS system is critical to the continued safe operation of the state's energy industries. Commission staff as well as industry and the general public depend upon the agency's GIS data.

The GIS Public Viewer allows the public to locate mapped wells, permitted well locations, and specific wells such as Orphan, Injection, Commercial Disposal, High Cost Tight Sands, and Enhanced Oil Recovery wells. LP-gas installation sites and pipelines are also available on the Commission's map viewer. The GIS viewer allows retrieval of detailed information which connects with drilling permits information, production data information, well log images and other oil and gas imaged records pertaining to the well of interest.

Figure 5-1 Mobile Computing in Luling

Digital imaging technology is used to produce electronic records that allow access to the volumes of information that were previously only available on paper and microfilm at the Commission's headquarters. Electronic records are created, indexed, and made available to the public on the agency's website. Although the Commission was able to leverage limited grant funding to further advance the agency's digitizing efforts, massive volumes of historical information available only on paper remain to be imaged. The agency contracts with an outside digital imaging vendor to convert the historical information and to provide access to the public through the agency's website, but legislative appropriations will be critical to ensure both historical and day forward records can be made available to the public and to industry.

The Commission recognizes the need for its field personnel to have efficient access to data and geospatial information and has responded by providing them with rugged mobile computers, improved network capabilities, and flexible reporting systems. Commission field staff use these field-ready devices to enable more effective and efficient inspections. The mobile devices contain data on responsible parties, permits, pipeline facilities, individual well data, and maps of lease and well locations.

The Commission must maintain and safeguard its information assets. A key component is to remain current in the desktop computing environment to enable communication with stakeholders. The Commission is also required to receive data center services from a Department of Information Resources vendor. The previous vendor contract was terminated early due to inadequate service and responsiveness, which required the Commission to retain aging server components and left minimal capacity to deploy new or enhanced applications delivering business value. Aging server and software infrastructure located at the Commission's headquarters increases

the risk of multiple-day system outages that affect the regulated community, the general public and the Commission's internal users.

COMMISSION TECHNOLOGICAL ADVANCES

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 also streamline operations for the Commission and its regulated constituencies, while improving access to information for all Commission stakeholders.

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)
- Oil and Gas Well Status Reports (W-10/G-10)

As members of the regulated industries and the general public continue to request additional online services and improved access to data, the Commission strives to aggressively use automation as a means to improve access to services, information, and regulatory operations provided to the public. The Information Technology Modernization Program (ITMP) initiated in fiscal year 2013 addresses the needs of the agency and the public that are described above. The initial modernization effort, which began in fiscal year 2013 and continues through fiscal year 2015, includes projects focused on improvements in the following areas:

Online filing expansion and performance improvements:

- W-10/G-10 Online Filing
- Removing daily data access restrictions, thereby allowing continuous access to Commission information
- Performance improvements to specific Public Data Queries for Completions and Annual Reports
- GIS functionality improvements on the Commission website

Desktop Modernization:

- Upgrade to Windows 7 Operating System
- Migration to Office 365 and use of Microsoft Cloud services for electronic mail and collaboration
- Retirement of Novell Operating System
- Improvements to network access and workstation performance

Data Center Services:

- Migrating applications to statewide or other data centers
- Data Center Services Transformation/Consolidation
- Website Redesign

Implemented in calendar year 2013, the Commission has a new online application for the submittal of Gas and Oil Well Status Reports (forms G-10 and W-10). This system will process approximately 250,000 annual well tests filed by operators with daily updates, ensuring accuracy, accelerated processing, and elimination of issues associated with paper filings.

An updated GIS Viewer, deployed in fiscal year 2013, enhanced the public's view of geographic information and improved the ability to share GIS data with public and private entities as well as other agencies. Additional technological enhancements to further enhance GIS capabilities can only be implemented on newer systems. The older GIS applications running on outdated hardware and software need to be migrated and consolidated into the State Data Center.

In fiscal years 2014 and 2015, the ITMP effort includes multiple projects that deliver applications designed and developed to improve both industry and the public's access to services provided by the Commission while reducing the dependency on paper processes, expanding the use of online payments via the Texas.gov payment portal and increasing the number of permits and licenses executed. ITMP establishes a foundation for integrated systems and reduces dependence on legacy systems.

The IT Modernization Program (ITMP) will address many of the needs described herein by:

- Revising outdated manual processes to obtain business process efficiency by developing integrated computer applications;
- Developing integrated browser-based open standard applications that enable filing or exchange of data;
- Integrating additional online filings with a revenue or fee collection portal;
- Providing Railroad Commission of Texas stakeholders efficient access to timely and accurate data;
- Minimizing dependence on legacy systems;
- Further integration of geospatial information;
- Establishing systems capable of performing at anticipated peak usage; and
- Developing applications that can take advantage of mobile technologies in the future.

In order to accomplish these goals while maintaining and extending the current web-based applications, the Commission needs to develop applications in parallel instead of one at a time. ITMP is comprised of the seven projects listed in Table 5-1.

In fiscal years 2016 and 2017 ITMP will build upon the foundation established in fiscal years 2014 and 2015 to further enhance online filing and reporting capabilities and reduce reliance on legacy systems. ITMP will also focus on continued modernization of applications and expanding the use of mobile technologies to obtain greater efficiency in the field.

Table 5-1 Technology Initiatives

Information Technology Modernization Program • Alternative Energy Division (AED) Online Filing Project • Commission Enforcement and Compliance Project • Gas Services Online Filing Project • Geographic Information Systems (GIS) Technology Upgrade Project • Oil and Gas Permitting Online Filing Project • Pipeline Online Permitting Project • Operator Portal Project	**Current Projects FY 14-15**
Technology Replacement and Upgrade	
Software Licenses	
Personal Computer (PC) Leasing	
Mobile Devices	
Website Redesign	
Desktop Modernization	
Data Center Services	
Information Technology Modernization Program	**Future Projects FY 16-17**
Hardware/Software Acquisition and Security • Personal Computers • Security • Mobile Devices • Software • Network Equipment • Printers	
Data Center Services	

These advancements will result in improvements to the security and efficiency of data usage, availability of and access to information and services provided by the Commission to industry, the public, other state agencies, and Commission staff. Technology initiatives are continually identified in support of the Commission's 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 RRC Online Services through continued development of web-based applications and reporting systems via the Information Technology Modernization Program;
- Replace and upgrade outdated personal computers, mobile devices, printers, network equipment and software and security enhancements;
- Update desktop software and services; and
- Transform and consolidate servers in the Data Centers.

DEGREE OF AGENCY AUTOMATION AND TELECOMMUNICATIONS

The Commission relies on technology to conduct permitting, licensure, and regulatory operations to achieve its objectives. The Commission strives to maximize access to agency services and data by providing online service delivery and data retrieval methods that minimize paper transactions. These enhancements promote efficient regulatory programs while preserving and increasing access to agency collected or derived information.

The Commission uses the statewide telecommunications network maintained by the Department of Information Resources (DIR) to deliver voice and Internet-based services. Wireless networks are maintained in appropriate locations to facilitate the computing needs of Commission staff and customers. Additionally, Commission field staff located throughout the state use mobile computing technology to locate wells and document results of inspections.

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 these types of technology reduces travel costs associated with maintenance and shortens the time needed to address IT issues at field offices. Additionally, new information technology management tools allow for system monitoring and performance management, project management, requirements management, document management and sharing, and issue tracking systems.

The Commission views the Internet as a primary method for conducting business with its customers. The Commission's website at www.rrc.texas.gov provides valuable data used regularly by regulated industries, governmental agencies, and the public. 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 additional online services, access to valuable Commission data, online filing, electronic payment capabilities and online access to electronic records.

The Commission's external website was recently redesigned with input from external stakeholders, including the public, industry, and stakeholder groups. The new website features improved navigation and ease of use, with a responsive design that allows website content to be easily viewed on a variety of devices such as smartphones, tablets, laptops, and desktop computers.

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 Internet.

Table 5-2 Information on the Internet

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

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

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 using 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 Internet. Electronic filing for both drilling permit applications and oil and gas production reports exceed 88% of the applications received with the trend 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.

ANTICIPATED NEED FOR AUTOMATION

Further automation is needed in the following areas:

- RRC Online Services expansion of web-based applications and reporting systems via the Information Technology Modernization Program;
- Continued replacement and upgrade of outdated personal computers, mobile devices, printers, network equipment and software and security improvements;
- Updated desktop software and services; and
- Support of ongoing Data Center Services needs.

PART VI: Economic Variables

IDENTIFICATION OF KEY ECONOMIC VARIABLES

From the discovery of the Spindletop Field in southeast Texas in 1901, the Texas economy and the oil and gas industry shared a fundamental 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 such 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's 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 remain primary contributors 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 Commission's service populations and the resulting impact on the agency are all related to energy supply and demand. The cost, availability, and consumption level of energy are the leading factors that determine the direction of the energy industries. In 1999 energy industry employment was at a low of 140,400 jobs according to data from the Texas Workforce Commission in the category of mining and logging, which includes all oil and natural gas extraction jobs as well as industries ancillary to oil and natural gas extraction, and also includes coal mining employment. A period of sustained rising energy prices that began in 2003 again buoyed employment in the energy producing sector, as total mining and oil and gas industry jobs peaked in 2008 at 230,200 jobs, followed by a two-year contraction that mirrored the effects of the national recession. By 2011, 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 290,100 jobs for 2013, as shown in Figure 6-1.

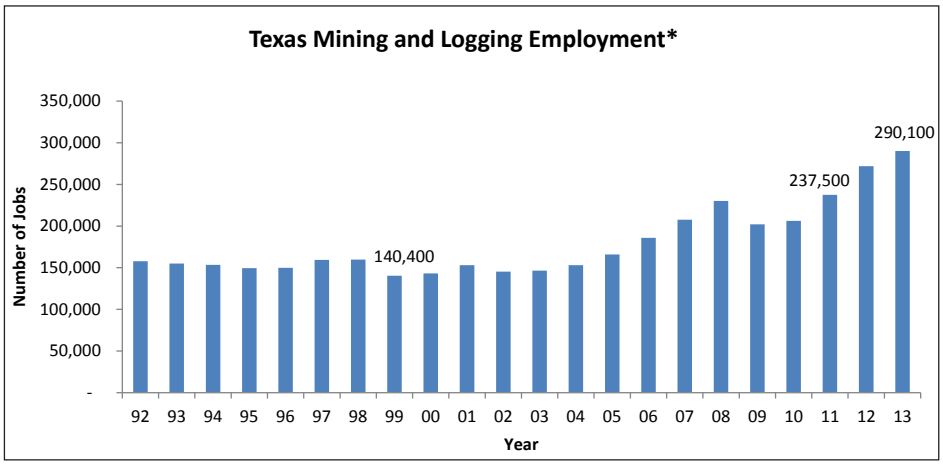


Figure 6-1 Texas Mining and Logging Employment

Source: Texas Workforce Commission

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

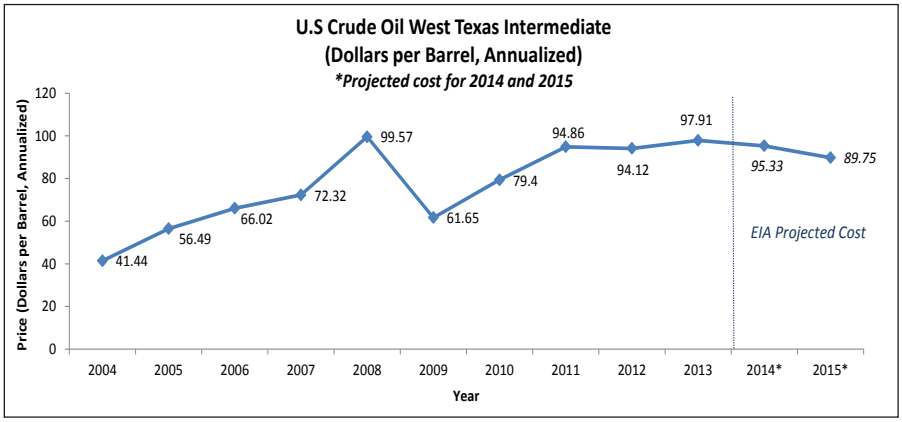


Figure 6-2 West Texas Intermediate Crude Oil Price
Source: Energy Information Administration, Department of Energy

Changes within 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 West Texas Intermediate (WTI) Crude Oil price to an all-time high of $133.88 per barrel in June 2008, with the average WTI for the year at a high of $99.57 per barrel. 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 71% to a monthly average of $39.09 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. The 2013 average price per barrel was $97.91, with projections trending down slightly for 2014 and 2015.

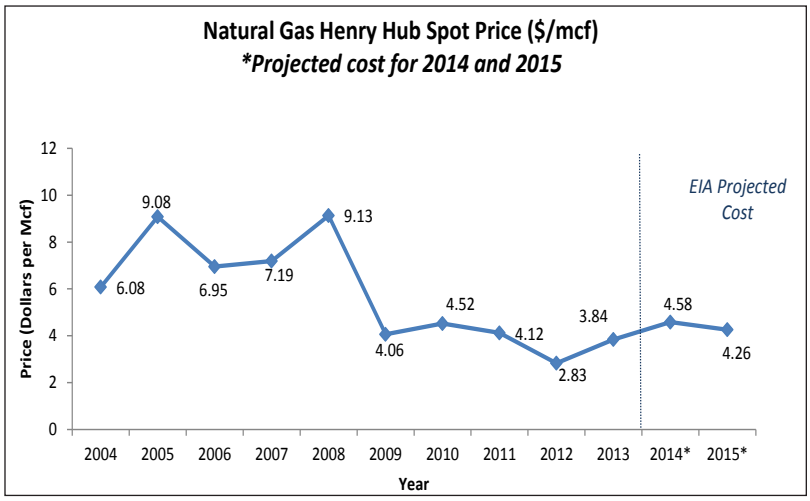


Figure 6-3 Natural Gas Henry Hub Spot Price
Source: Energy Information Administration, Department of Energy

Natural gas prices have historically moved in direct relation to world oil prices. In the past decade, however, there has been a distinct change in that relationship. While oil prices are directly affected by world oil prices, natural gas prices are affected by patterns in North American supply and demand, as reflected in the Henry Hub natural gas spot price ($/mcf). In June 2008 natural gas prices peaked at $13.07 per mcf, but prices have fallen in ensuing years and are estimated to be $4.58 per mcf in 2014, as shown in Figure 6-3. Texas natural gas tax receipts are expected to total $2.9 billion in 2014–15, down 27% from the approximate $4 billion collected in 2008–09.

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 prices there is a direct correlation to increased oil production tax revenues, regardless of ongoing production declines. In 2014 the oil production severance and regulation tax transfer is estimated to total approximately $3.26 billion.

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%) is for electric power generation, with the generation plants located in areas of the state where coal is mined. The cost of coal delivered to electric generating plants has slowly increased over the preceding 10 years, with an annualized 2013 cost of $2.35 per million Btu, as shown in Figure 6-4.

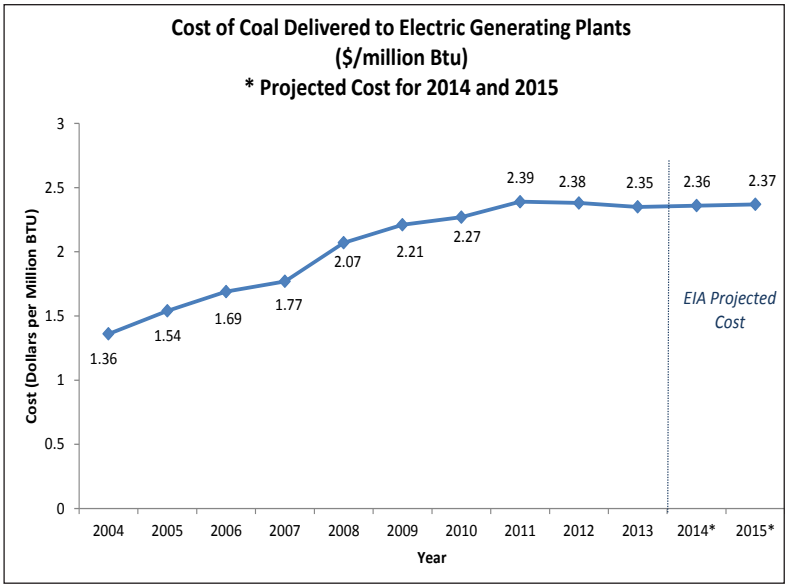


Figure 6-4 Cost of Coal Delivered to Electric Generating Plants
Source: Energy Information Administration, Department of Energy

EFFECT OF ECONOMIC CONDITIONS ON SERVICE POPULATIONS

The oil and gas producing industry remains four to five times as important in the state's economic mix compared to the national economy, and the industry accounted for 17% of Texas' gross state product in 2012. Increases in the price of oil typically have a much smaller negative effect on Texas than on 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 shows an increasing trend to a monthly average of 836 rigs by January of 2014. This represented an increase of 154%, with approximately 78% of rigs drilling for crude oil and 22% 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% to 8,706 producing wells in 2009, and then increased to 8,133 wells in 2010 before declining again to 4,917 producing wells in 2013.

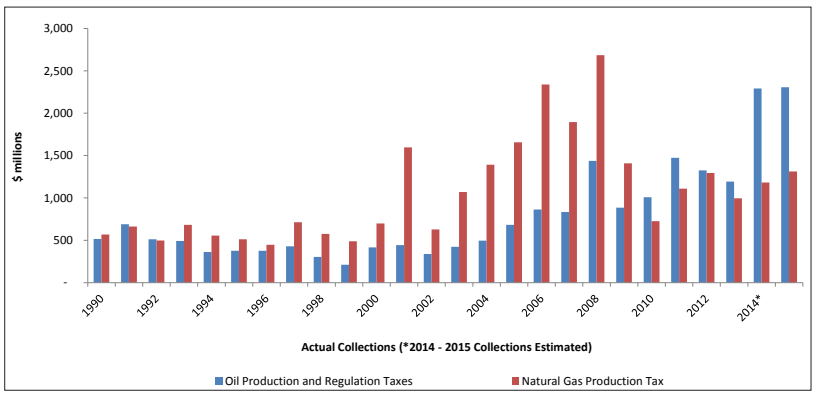


Figure 6-5 Oil and Natural Gas Severance Tax Collections
Source: Texas Comptroller of Public Accounts

IMPACT OF EXPECTED FUTURE ECONOMIC CONDITIONS

With energy prices reaching their most recent peak in 2008, it is not surprising that following the 2008-09 biennium, severance tax collections in the 2010-11 biennium decreased by approximately $2.1 million (31.8%), largely as a result of continued moderating oil and gas prices. However, with increased development of the Eagle Ford Shale in South Texas, Texas oil production increased to 600 million barrels of production in 2012 and with strengthened oil prices this has dramatically increased production tax revenues. 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 6-5 shows the historic collection of these taxes.

In the 2014-15 biennium, oil production and regulation taxes are expected to generate $6.5 billion, and natural gas production taxes are estimated to be $2.9 billion.

Table 6-1 Basis for Oil and Gas Tax Rates

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

Despite recent recessionary economic conditions, the fundamentals underlying energy markets have supported recent growth in oil prices with the first quarter 2014 West Texas Intermediate crude oil price at $98.75, an increase of $4.41 a barrel from the first quarter of 2013. Natural gas prices also increased from the $3.59 per mcf Henry Hub spot price during the first quarter of 2013 to the first quarter 2014 Henry Hub spot price of $5.36 per mcf. 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 that the legislature's intent is that at least 50% of new electric generating capacity in Texas use natural gas as its primary fuel. More significantly, future federal environmental regulations regarding the use of coal for power generation will likely lead to an increase in the use of natural gas.

Since January 1, 2000, 90.6% of the new non-renewable, and 46.6% of the total generating capacity added in Texas has been gas-fired, generation-driven demand. Over the last decade, technology improvements have 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 1992.

Table 6-2 Oil and Natural Gas Production

Calendar Year	RRC Total Oil Production (Million Bbl)	Percentage CHANGE in Texas Oil Production	Total Natural Gas Production	Percentage CHANGE in Texas Gas Production
1992	613	-5.27%	5.44	-1.34%
1993	578	-5.72%	5.65	3.87%
1994	543	-5.99%	5.71	1.17%
1995	515	-5.24%	5.71	-0.13%
1996	500	-2.87%	5.88	2.98%
1997	491	-1.68%	5.86	-0.34%
1998	459	-6.49%	5.83	-0.46%
1999	409	-10.97%	5.61	-3.83%
2000	401	-1.95%	5.76	2.71%
2001	381	-4.97%	5.83	1.32%
2002	366	-4.05%	5.73	-1.71%
2003	359	-1.73%	5.82	1.56%
2004	351	-2.26%	6.02	3.45%
2005	349	-0.66%	6.02	-0.11%
2006	347	-0.45%	6.34	5.35%
2007	343	-1.28%	6.92	9.15%
2008	354	3.08%	7.75	11.98%
2009	350	-1.06%	7.61	-1.84%
2010	370	5.72%	7.50	-1.46%
2011	448	21.15%	7.88	5.08%
2012	603	34.56%	8.09	2.77%
2013	723	19.94%	7.89	-2.52%

Table 6-2 Oil and Natural Gas Production
Source: Texas Comptroller of Public Accounts

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 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.

Should 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 to plug and clean 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 downtimes, more disputes may also develop, which will require 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 Commission.

AGENCY RESPONSE TO CHANGING CONDITIONS

The potential scenarios facing the energy industry illustrate a basic shift in the Commission's response to the changing economic climate of Texas' energy industry. Where the focus was once 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, provides 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 in conjunction 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 Brownfields 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 $1.8 million through FY 2014 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.

Voluntary and third-party cleanups reduce dependence on the Oil and Gas Regulation and Cleanup Fund to address abandoned sites.

The 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% federal share and a 25% state share. In actuality, the state's share is closer to 65% 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.

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's pipeline safety program is certified, 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 80% of program costs, limited by the total amount of federal funds available, which typically amount to 50% of program costs. Continuation of this federal program is essential to maintaining the integrity of the Commission's pipeline safety 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% federal match to maintain a state regulatory program. As an added incentive to assume state primacy, states are also provided with 100% 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 the Texas Surface Coal Mining and Reclamation Act (enacted in 1975) to allow the 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 2014 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

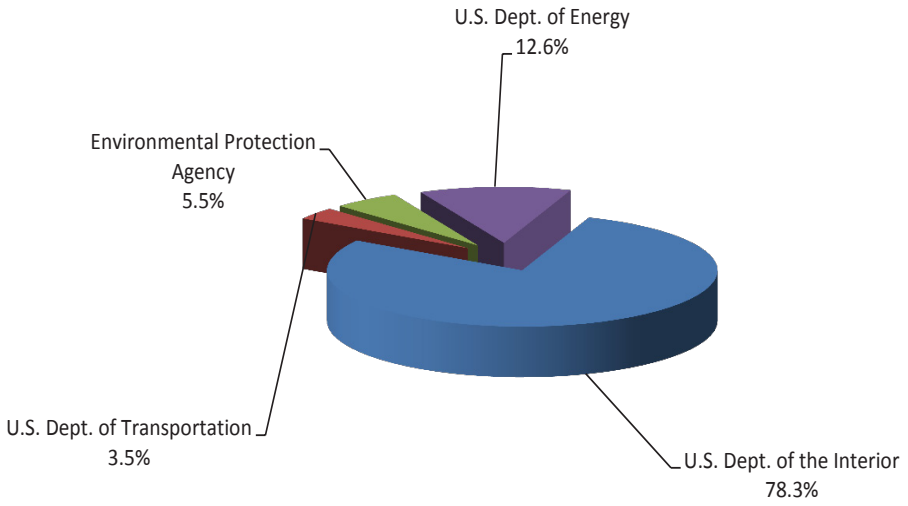
In recent years, the EPA has increased its focus on oil and gas exploration and production activities in Texas and other states. Examples of this increased interest include the EPA's action to prohibit oil and gas discharges; attempts to regulate exempt oil and gas storm-water discharges and hydraulic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

Hydraulic fracturing—a well stimulation technique used in several plays across the nation—of oil and gas wells is the subject of several state and federal initiatives that impact key functions of the RRC. In the Energy Policy Act of 2005, Congress

amended the 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.

On February 5, 2014 the EPA finalized UIC Class II permitting guidance for hydraulic fracturing activities that use diesel fuel in hydraulic fracturing fluids. EPA issued an interpretative memorandum to state and EPA UIC program directors to clarify the Underground Injection Control (UIC) program requirements under the Safe Drinking Water Act (SDWA) for underground injection of diesel fuels in hydraulic fracturing for oil and gas extraction. This memorandum clarifies EPA's position that all UIC programs—including those in most oil and gas producing states such as Texas—must require permits for hydraulic fracturing of wells using fluids that contain diesel fuels as EPA has defined that term. In the interpretive memorandum and the guidance document, EPA defined "diesel fuel" using five (5) Chemical Abstract Service registration numbers (CASRNs) (CASRN 68334-30-5, Fuels, diesel; CASRN 68476-34-6, Fuels, diesel, No. 2; CASRN 68476-30-2, Fuel oil No. 2; CASRN 68476-31-3, Fuel oil, No. 4; and CASRN 8008-20-6, Kerosene). Failure by a state to comply with the Class II requirements for hydraulic fracturing using diesel fuel as defined by EPA could result in a threat by EPA to withdraw the state's UIC program approval. Such a threat could come directly from EPA or from environmental and other outside groups that could bring SDWA citizens' suits to challenge primacy of a state program that fails to enforce the permitting of hydraulic fracturing using diesel fuels.

Figure7-1 Federal Funding, State Fiscal Year 2013
Source: 2013 RRC AFR SEFA



At the request of Congress the EPA is conducting a study to assess any potential impacts of hydraulic fracturing on drinking water resources. The initial research results and study findings were released to the public in 2012, and were organized according to five different types of research activities: analysis of existing data, scenario evaluations, laboratory studies, toxicity assessments, and case studies. EPA estimates that the final report will be released for public comment and peer review in 2014. The scope of the study includes the full cycle of water in hydraulic fracturing, from the acquisition of the water, through the mixing of chemicals and actual fracturing, to the post-fracturing stage, including the management of flowback and produced or used water as well as its ultimate treatment and disposal.

On March 13, 2014, the U.S. Environmental Protection Agency (EPA) sent a pre-rule notice to the White House Office of Management and Budget on "Hydraulic Fracturing Chemicals and Mixtures." This announcement comes in response to a petition for rulemaking from Earthjustice and several other environmental nonprofit groups sent to the EPA on August 4, 2011. The petition requested EPA to promulgate rules under the Toxic Substances Control Act regarding chemical substances and mixtures used in oil and gas exploration or production. On 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. This proposed rulemaking could impact how the state regulates disclosure of hydraulic fracturing chemical ingredients.

On July 6, 2011, the EPA finalized the Cross-State Air Pollution Rule (formerly referred to as the Clean Air Transport Rule or CATR). 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 sulfur dioxide and nitrogen oxide 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, and the D.C. Circuit Court of Appeals vacated the rule in its entirety in August 2012, with the subsequent en banc appeal denied in January 2013. On April 29, 2014, the Supreme Court ruled 6-2 that the EPA reasonably interpreted the Clean Air Act in adopting the cross-state rule. Implementation of the rule will require a 47% reduction in sulfur dioxide emissions and about eight percent in nitrogen oxide from all coal-fired power plants in Texas. This could result in the retirement or temporary closure of 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% of the lignite fueled power plants would be retired or converted to other fuels over the next few years. This would result in a commensurate reduction in lignite production. Coal mining permits would still be required until reclamation of the mines is complete—approximately 10 years after closure.

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

On February 16, 2012, the EPA published the Mercury and Air Toxics Standards (MATS) in the Federal Register. These standards establish numerical emissions limits for mercury, particulate matter, arsenic, chromium, nickel, hydrochloric acid, and hydrofluoric acid. They apply to coal-fired and oil-fired power plants including many plants now supplying electricity in Texas. The projected cost of approximately $9.6 billion per year makes MATS potentially one of the most expensive regulations in American history. The compliance date for MATS is 2015, with extensions available for power plants unable to comply by the deadline that also hold a crucial role in electricity reliability in their state. Until recently, legal challenges filed in the D.C. Circuit were held in abeyance pending reconsideration of the emissions requirements for new power plants by the EPA. On April 15, 2014, the D.C. Circuit upheld the MATS in *White Stallion Energy Ctr., LLC v. EPA*, No. 12-1100 (D.C. Cir. Apr. 15, 2014) in a 2-1 decision. The decision hinged upon many issues, the most important being the EPA's interpretation of the term "appropriate and necessary" in Section 112 of the Clean Air Act, which the EPA used to assert regulatory jurisdiction over the coal-fired and oil-fired power plant emissions. The court upheld the EPA's interpretation of this section as well as the EPA's refusal to consider the cost to industry as one of the "appropriate" factors in developing the MATS. Dissenting Judge Kavanaugh argued that the legislative history indicated that cost was meant to be considered as an analytical factor when creating new standards, and that failing to consider cost will have important practical consequences because the law is prohibitively expensive to enact. The decision is expected to result in the retirement of a significant number of coal-fired electric generating units.

The December 7, 2009, finding by the EPA that six greenhouse gases threaten the public health and welfare of current and future generations began a lengthy legal battle that may be concluded in the near future with a ruling from the Supreme Court. The EPA coupled their finding with a declaration that the cause of these allegedly harmful gas concentrations was due to new motor vehicles and their engines. This finding was directly related to the earlier 2007 Supreme Court ruling in *Massachusetts v. Environmental Protection Agency* 549 U.S. 497 (2007) where the court held 5-4 that the EPA was required to regulate emissions of greenhouse gases from new motor

vehicles if the EPA found that such vehicles endangered public health and welfare. This cause-and-effect finding then enabled the EPA to attempt an assertion of jurisdiction through the Clean Air Act over all stationary sources of greenhouse gases. The D.C. Circuit denied or dismissed all petitions for review related to this issue between June and December of 2012. The Supreme Court granted certiorari in several cases identified under *Utility Air Regulatory Group v. EPA* (No. 121146) on October 15, 2013, limiting the question to: "Whether the EPA permissibly determined that its regulation of greenhouse gas emissions from new motor vehicles triggered permitting requirements under the Clean Air Act for stationary sources that emit greenhouse gases." The Court issued its opinion June 23, 2014. The opinion does not change EPA's authority to regulate greenhouse gases from the large emitters already subject to Prevention of Significant Deterioration (PSD) permitting for conventional pollutants, such as power plants, which is significant to the Commission because it will affect coal-fired, oil-fired, and potentially gas-fired power plants in Texas. *How* these and related activities, such as Texas lignite mining, are affected will be issues facing the Commission in the near future.

Figure 7-3 Clean Energy Propane-powered School Bus

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

On September 20, 2013 EPA released a proposal to limit greenhouse gas emissions from new power plants, following a June 2013 directive from the White House to develop a proposal to limit carbon emissions from existing power plants. The proposed rules would set separate standards for power plants fueled by natural gas and coal. New,

large plants (roughly 100 MW or larger) fueled by natural gas could emit no more than 1,000 pounds of carbon dioxide per megawatt-hour (MWh) of electricity produced, which is achievable with the latest combined cycle technology. Smaller natural gas plants, which tend to be less efficient and operate less frequently, would have to achieve a less stringent rate of 1,100 lbs CO2/MWh. To achieve these emissions level coal plants would need to use carbon capture and storage (CCS) technology.

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 store high-value carbon dioxide. Of the nearly 2.9 million metric tons of carbon dioxide to be captured annually at the Texas plant, 83% 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.

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

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

Since 1977, under the federal Clean Water Act (CWA), the United States Environmental Protection Agency (the EPA) and the United States Army Corps of Engineers' (the Corps) broad interpretation of the term "waters of the United States" has been the subject of three major Supreme Court cases. EPA and the Corps also have published several guidance documents trying to clarify the definition of "waters of the United States." There remains still considerable confusion. On March 25, 2014, EPA and the Corps released a proposed rule revising the definition of "waters of the United States" under the CWA. The proposed rule was published in the Federal

Register in early April 2014 and is expected to be finalized in 2015. The proposed rule would expand the reach of CWA jurisdiction by finding that all "tributaries" and "adjacent waters including wetlands" have a significant nexus and, therefore, are categorically included as jurisdictional. While the agencies claim that the scope of CWA regulation under the proposed rule is narrower than current regulations, it is likely that new types of waters will be regulated. The impact of this proposed rule would especially be felt in the arid West, with many isolated waters that are normally wet only during seasonal rain events. The proposed rule would, among other things, allow EPA and the Corps to consider all isolated waters and wetlands together within a large landscape area to support a jurisdictional determination by allowing EPA and the Corps to "aggregate" normally dry prairie potholes that have no hydrologic connection to the closest navigable water by finding that they perform certain functions during the wet season on the theory that excluding any single "similarly situated" water would adversely affect the ecological integrity of that entire watershed.

The Commission continues to seek out and apply for funding from outside sources. The Commission anticipates that FY 2015 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 2014 budget proposals seek to reduce or eliminate AML funding for all certified states, including Texas. Also proposed is a 19% reduction for the coal regulatory federal grant program.

The Office of Surface Mining Reclamation and Enforcement's draft proposal for a new Stream Protection Rule could affect the 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 most recent federal pipeline safety legislation, the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (H.R. 2845), made greater use of studies and evaluations rather than mandates to achieve enhancements on pipeline safety. The legislation also increased civil penalties, required mapping of Class 1 and 2 high consequence areas (HCAs), implemented cost recoveries for design reviews, and

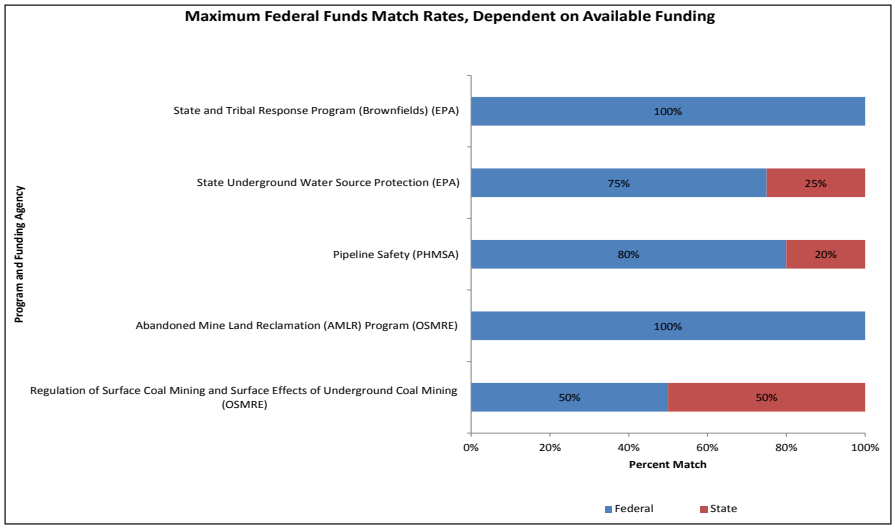
expanded coverage of pipeline safety regulations to non-petroleum hazardous liquids (biofuels) and safety standards for gaseous carbon dioxide pipelines. Items to have been studied in the first two years after passage include:

- 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% SMYS (specified minimum yield strength) in HCAs.

The 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 most recent agreement set an indirect cost recovery of 33.74% for state fiscal year 2013. Negotiations are in progress to set a new rate. Matching rates for the Commission's major grants are detailed in Figure 7-4.

Figure 7-4 Match Rates
Source: RRC



PART VIII: Other Legal Issues

RECENT STATE STATUTORY CHANGES

The Legislature enacted several statutory changes during the 83rd Legislative Session (2013) that affect the Commission's regulatory programs and functions.

Programs and Functions with Statutory Changes
Alternative Energy
Appropriations
Gas Utility Regulation
Oil and Gas Regulation
Pipeline Safety Regulation
Surface Mining Regulation

Alternative Energy

HB 2305 adds new requirements for obtaining a passing vehicle report for vehicles equipped with a CNG container; and relevant to vehicle registration and obtaining a passing vehicle report, it adds new sections or amends existing sections and subsections of the Transportation Code, Code of Criminal Procedure, Government Code, Health and Safety Code, Education Code and Occupation Code, and repeals sections and subsections of certain statutes. Portions of the bill took effect September 1, 2014; others will take effect September 1, 2014 and March 1, 2014.

Appropriations

HB 7 (1) abolishes the AFRED fund and transfers AFRED fund money to the undedicated portion of the general revenue fund; (2) repeals AFRED's existing statutory authority found in Texas Natural Resources Code, Chapter 113, Subchapter I; the LP-gas delivery fee that fed the fund and paid for AFRED's marketing and public education program; (3) reestablished AFRED's statutory authority in Texas Natural Resources Code, Chapter 81 and instructs the Commission to adopt all necessary rules related to alternative fuel program activities; (4) directs a $75 expedite fee collected in connection with the issuance of surface casing determination letters pursuant to Texas Natural Resources Code, §91.0115 to be deposited to the Oil and Gas Regulation and Cleanup fund, an account in the general revenue fund of the state treasury; and (5) authorizes Oil and Gas Regulation and Cleanup fund monies to be used by the Commission for certain types of geologic and surface casing data studies as well as to fund the alternative fuels programs authorized under new provisions of Texas Natural Resources Code, Chapter 81. This bill's effective date was June 14, 2013.

HB 1025 appropriates to the Commission an additional $16,711,989 out of the Oil and Gas Regulation and Cleanup Fund (Fund 5155) for the purpose of projects relating to information technology modernization. The bill also authorizes 11 additional FTEs for the Commission. The funding appropriated is for a two-year period beginning on the effective date of the bill, June 14, 2013. The funding appropriated is for a two-year period beginning on the effective date of the bill, June 14, 2013.

SB 1 (various sections) appropriates funds and provides administrative guidance to state agencies and authorizes the Pipeline Safety Division to increase staff by 20 FTEs. The current plan is for 14 positions to be new pipeline safety inspectors; four to be damage prevention specialists; and two to be administrative support. The general revenue portion of this new expense is derived from the pipeline safety and regulatory fees, authorized by Tex. Util. Code, §121.211, which sets a statutory maximum of $1.00 per service line per year, and 16 Tex. Admin. Code §8.201, which sets the rate currently at $0.75 per service line per year. SB 1 also appropriates funds and authorizes the Commission to increase its staff by four FTEs to supplement enforcement activities. This bill's effective date was September 1, 2013.

Gas Utility Regulation

HB 1772 is designed to provide adequate notice of service termination to tenants in non-submetered master metered properties. This bill's effective date was January 1, 2014.

HB 2532 adds a new Chapter to Title 3 of the Utilities Code setting up regulation by the Commission of propane gas systems. Those systems are defined as serving at least 10 customers through contiguous piping. The bill requires financial surety from the system operators in the form of a letter of credit or bond that can be drawn upon by the Commission if, under certain circumstances, the Commission assumes temporary operational control of a system that is unable to provide service. The Commission is required to operate a toll-free number for customers to report service interruptions. The Commission is required to identify the Allowable Spot Price for each month and publish that price on the Commission's website. The Act applies only to the retail sale of propane made by a distribution system retailer through a propane gas system. It does not apply to any other retail or wholesale sale of propane gas. This bill's effective date was September 1, 2013.

HB 2585 will continue a sharing of the cost for relocation of utilities related to tolled highways that was set to expire September 1, 2013. This will continue the equal sharing of such costs between TxDOT and the utility. This bill's effective date was June 14, 2013.

SB 885 allows a gas utility to have an additional option related to Notice of Intent to Increase Rates. It would allow for sending notice by e-mail if that customer address was known to the utility. It also removes the population limitation of less than 2,500 from the option of using a direct notification to customers, such as notice by bill insert, in lieu of the publication in a newspaper described in paragraph (a) of Utilities Code §104.103. It also adds a new subsection (c) that specifies that notice by e-mail can only be used by the utility if the customer has consented in writing to the use of the customer's e-mail address for this purpose. This bill's effective date was September 1, 2013.

SB 1063 adds to the group considered a public facility when natural gas is purchased by a corporation for resale to a local government under an interlocal cooperation contract described by Section 791.025, Government Code, between the sponsor and the local government. This bill's effective date was June 14, 2013.

Oil and Gas Regulation

HB 586 provides that the Commission will lose sovereign immunity from suit for breach of a written contract claim for engineering, architectural, or construction services or for materials related to engineering, architectural, or construction services. The bill does not waive sovereign immunity from liability. This bill's effective date was September 1, 2013.

HB 878 requires operators to file well logs electronically with the Commission 90 days after completion of the well. It extends the confidentiality period upon request from one year to three years for onshore wells and five years for offshore wells. Upon written request, operators may keep logs during the confidentiality period. It also adds authority to assess administrative penalties for failure to submit logs. This bill's effective date was September 1, 2013.

HB 2446 amends current law relating to the definitions of advanced clean energy projects and clean energy projects and to franchise tax credits for certain projects. This bill's effective date was June 14, 2013.

HB 2767 establishes who owns treated or re-treated fluid oil and gas waste intended for beneficial reuse. This bill's effective date was September 1, 2013.

HB 3309 changes the cap on the Oil and Gas Regulation and Cleanup (OGRC) Fund to $30 million and moves the program revenues and expenses of the Groundwater Advisory Unit (GAU) into the Oil and Gas Regulation and Cleanup (OGRC) Fund. This bill's effective date was September 1, 2013.

SB 59 requires minor changes to be made to Commission procedures with respect to the frequency and number of recipients of various statutorily required reports, statements, and notices. Changes may be required to Commission forms or documentation reflecting the name change of the existing "Oil Field Cleanup Advisory Committee" and "oil field cleanup fund" to the "Oil and Gas Regulation and Cleanup Fund Advisory Committee" and "oil and gas regulation and cleanup fund." Policy measures will need to be developed in order to create a plan for conserving energy that includes a percentage goal for reducing the agency's use of electricity, gasoline, and natural gas. The Commission must file a quarterly report with the governor and LBB listing the goals that were identified in the plan, a description of progress made toward meeting those goals, as well as ideas for additional energy

savings. The agency must make this report publicly available by posting it in a conspicuous place on its website. This bill's effective date was September 1, 2013.

SB 138 requires the Commission to forward to the Texas Board of Professional Geoscientists (TBPG) information relating to a potential violation of Chapter 1002 or a TBPG rule adopted under that chapter. This bill's effective date was September 1, 2013.

SB 1300 revises the Texas Environmental, Health, and Safety Audit Privilege Act (the Act) with respect to transfer of property and audits performed prior to transfer of property. This bill's effective date was September 1, 2013.

Pipeline Safety Regulation

HB 2982 expressly authorizes the Railroad Commission to exercise safety regulatory authority over gas gathering pipelines in Class 1 locations and over hazardous liquids gathering pipelines in rural locations, based on the risk such pipelines present. This bill's effective date was September 1, 2013.

SB 514 entitles the operator of a saltwater pipeline to install, maintain, and operate a saltwater pipeline facility through, under, along, across, or over a public road if certain conditions are met. The bill was amended to remove a requirement that saltwater pipelines comply with safety regulations (there are none), and that change effectively removed the Railroad Commission from the requirements to administer and enforce safety provisions related to saltwater pipelines. This bill's effective date was June 14, 2013.

SB 900 authorizes the Commission to impose a penalty of up to $200,000 per day for a violation of a pipeline safety rule, provided that the maximum penalty that may be assessed for any related series of violations related to pipeline safety may not exceed $2 million. This bill's effective date was September 1, 2013.

SB 901 amends various statutes that contain references to federal pipeline safety laws to make the citations to those laws current and uniform. In addition, the bill amends the definition of the term "hazardous liquid" to include non-petroleum fuel, including biofuel, to be consistent with federal law. This bill's effective date was September 1, 2013.

Surface Mining Regulation

SB 138 requires the Commission to forward to the Texas Board of Professional Geoscientists (TBPG) information relating to a potential violation of Chapter 1002 or a TBPG rule adopted under that chapter. This bill's effective date was September 1, 2013.

IMPACT OF CURRENT AND OUTSTANDING COURT CASES

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

1) The Texas Supreme Court opinion in Cause No. 12-0102, *Texas Coast Utilities Coalition v. Railroad Commission of Texas*, was delivered on January 17, 2014. The Court affirmed the Commission and approved CenterPoint's use of a Cost of Service Adjustment (COSA). The District Court had previously reversed the Commission, holding that there was no statutory authority allowing for a COSA. The Third Court of Appeals subsequently reversed the District Court and ordered a remand to the Commission for further proceedings consistent with its Order.

A COSA allows for automatic adjustments to rates based on increases or decreases in a utility's cost of service. The COSA mechanism is designed to make an adjustment to rates without incurring the expense of a full Statement of Intent rate case. The expenses of those cases can exceed several million dollars. Those expenses are borne by the ratepayers. The Supreme Court examined the statutory authority of the Commission under the Gas Utility Regulatory Act (GURA) and determined that the Commission did have authority to approve a rate schedule that included a COSA. The Court systematically rejected the arguments raised by the appellants and upheld the Commission.

(2) *The Third Court of Appeals opinion in Cause No. 03-13-00018-CV, The State of Texas, Atmos Texas Municipalities, City of Dallas, and Atmos Cities Steering Committee v. Railroad Commission of Texas and Atmos Pipeline-Texas*, was delivered on January 17, 2014. The Court approved the use by Atmos Pipeline-Texas (APT) of a Rider-Rev mechanism. The Rider-Rev adjusts the capacity-charge components of the tariff. The District Court affirmed the Commission, and the Third Court of Appeals has now affirmed the District Court.

The Rider-Rev mechanism was employed by APT as a way to fairly account for the fact that some of the customers of APT are not regulated, but have negotiated rates. The Rider-Rev develops a capacity adjustment that accounts for the negotiated customers and credits the regulated customers with either increases or decreases to their tariff depending on the revenues flowing from the negotiated customers as a result of market volatility. The Court found that the Commission did have authority under the Gas Utility Regulatory Act (GURA) to approve the request by APT to implement the Rider-Rev.

PART IX: Self-Evaluation and Opportunities for Improvement

THE AGENCY HAS EFFECTIVELY AND EFFICIENTLY 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 receives regular assessments of its performance from various external oversight committees that have jurisdiction over Commission activities.

Energy Resources

Figure 9-1 Pipeline Warning Sign

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 because Texas' energy industry is unique, it 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 sixth largest coal producer.

Pipeline Safety Programs

Public safety is a top priority for the Commission. In 2013, the Commission completed 3,122 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% 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 15,687 reports of damage in fiscal year 2013 through the online damage reporting system, and 3,714 agreed orders were signed as a part of the agency's enforcement process.

Environmental and Consumer 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 fiscal year 2013, the Commission plugged 33,860 wells at a cost of approximately $225 million. From 1992 to the end of fiscal year 2013, the Commission completed 5,230 cleanups, investigations, or assessments for a total cost of approximately $64.6 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 fiscal year 2013, the Commission's Operator Cleanup Program issued 84 "No Further Action" closure letters, and the Voluntary Cleanup Program issued three 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 an historically fast pace. Field operations staff implemented goals and job-based priorities to ensure that inspectors have 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 measures 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 2,700 acres of abandoned coal and uranium surface mines, located at 46 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, as well as to ensure that the effects of surface mining do not extend beyond a permitted mine's boundaries.

Public Access through Technology Enhancement

The Commission's Information Technology Modernization Program (ITMP) is establishing a new foundation and modular framework for Commission IT applications. This platform will make continued modernization of legacy applications consistent and efficient. The ITMP will result in improved reporting capabilities for staff as well as individuals, industry, and external stakeholders.

Access to the Commission's vast data will be made easier through use of a consolidated website for regulatory entities with improved transparency as legacy systems, applications, and data are transitioned to the new modern environment.

AGENCY CHARACTERISTICS REQUIRING IMPROVEMENT

The Commission regularly reviews its organizational structure and makes changes, as appropriate, that allocate resources across divisions 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.

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

KEY OBSTACLES

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

OPPORTUNITIES

Opportunities
Information Technology Modernization Program (ITMP)
Recent rule changes
CAPPS (Centralized Accounting and Payroll/Personnel System) Implementation

Information Technology Modernization Program

Funding appropriated to the Commission during the 83rd Legislative Session allows for improvements to the Commission's antiquated information technology systems, including:

- Revising outdated manual processes to obtain process efficiency through automation;
- Developing integrated web-based applications that enable filing or exchange data;
- Integrating additional online filings with revenue or fee collection;
- Commission website redesign based on stakeholder input;
- Developing integrated web-based applications that enhance internal business (permitting) efficiency;
- Providing Commission stakeholders (industry, public, interest groups) efficient access to timely and accurate data;
- Minimizing dependence on mainframe systems; and
- Developing applications that can take advantage of mobile technologies in the future.

The Commission's IT systems are vital to support industry, the general public, and Commission staff. The first series of ITMP projects is currently underway for expected completion in fiscal year 2015. The Commission will continue to prioritize business needs and present new projects to the legislature in future fiscal years as a part of its ongoing modernization program.

Recent Rule Changes

The Commission is beginning to see the effect of rule amendments adopted recently that demonstrate a proactive approach to implementing best practices in the field. These include amendments to water recycling rules and amendments to the Commission's well construction requirements rule. The Commission values the opportunity to work with all stakeholders to develop a comprehensive suite of rules as technology and industry practices continue to evolve.

One such recent rule amendment encourages Texas operators to continue their efforts at conserving water used in the hydraulic fracturing process for oil and gas wells. Recent changes to the Commission's water recycling rules include eliminating the need for a Commission recycling permit if operators are recycling fluid on their own leases or transferring their fluids to another operator's lease for recycling. The changes adopted by the Commission also clearly identify recycling permit application requirements and reflect existing standard field conditions for recycling permits.

The rule amendment also establishes five categories of commercial recycling permits to reflect industry practices in the field:

- On-lease Commercial Solid Oil and Gas Waste Recycling
- Off-lease or Centralized Commercial Solid Oil and Gas Waste Recycling
- Stationary Commercial Solid Oil and Gas Waste Recycling
- Off-lease Commercial Recycling of Fluid
- Stationary Commercial Recycling of Fluid

The changes to the rule also establish a tiered approach for the reuse of treated fluid, including both authorized reuse of treated fluids in oil and gas operations and provisions for reusing the fluid for other non-oilfield related uses.

The Commission also recently adopted amendments to the its well construction requirements rule (Statewide Rule 13) that clarify current oil and gas well construction requirements related to casing, cementing, drilling, well control and completions. Adoption of the rule amendments demonstrates the Commission's continuing effort to refine and advance state regulation with the goal of protecting usable quality groundwater.

CAPPS (Centralized Accounting and Payroll/Personnel System) Implementation

The Commission is in the final stage of converting its financial accounting system from USAS to the new CAPPS enterprise resource planning system. In the initial implementation phase the Commission will transition to the following modules on September 1, 2014: Accounts Payable, General Ledger/Commitment Control, Asset Management, and Purchasing. CAPPS implementation will allow the Commission to

better manage its various funding sources, which include the surcharge-based Oil and Gas Regulation and Cleanup Fund, various sources of appropriated receipts, as well as federal grant funding, with real-time information. CAPPS will improve the ease and accuracy of reporting both for internal users, as well as for financial data that is provided to the Legislature and other external oversight organizations.

The Commission anticipates that in future years, additional modules will be implemented to ensure accuracy through interconnected financial and human resources data.

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

The Commission partners with federal entities to secure grants funding for vital projects to meet public and industry needs. The Commission works with the legislature to facilitate legislation critical to regulate the state's energy industries. 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.

Figure 9-2 Using the 811 One-Call Number

The Commission works closely with other state agencies to share information resources, coordinate jurisdiction, and uphold the state's goals. The Commission works closely with the Texas Commission on Environmental Quality and the General Land Office on topics of aligned or shared jurisdiction, such as well plugging in coastal waters, remediation of former oil and gas sites, and federal grant projects, as well as cooperating closely on specific issues as they arise. The Commission works with other state agencies as an active member of the Texas Groundwater Protection Committee, the Texas Coastal Coordination Advisory Committee, and the Texas RESTORE Act Advisory Board. The RESTORE Act creates the potential for a tremendous impact on the Texas coast to reduce the threat of pollution and improve the coastal ecosystem for future generations through projects that combine remediation and restoration.

The Commission continues to work 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 in the Interstate Oil and Gas Compact Commission (IOGCC), among other national energy policy groups. 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. The Commission seeks input from 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 gather feedback on proposed rule changes. The Commission also provides the public and industry with the option to provide feedback electronically.

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, 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 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 strives to support its employees by recognizing their outstanding service, providing continuing education and training, and as funding allows, providing merit-based compensation increases.

AGENCY GOALS, OBJECTIVES, STRATEGIES AND RELATED MEASURES

GOAL 1 – ENERGY RESOURCES	
To support the development of the state's energy resources while protecting public health and the environment through an effective regulatory program.	
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
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 Average number of days to process a drilling permit
Explanatory Measures	Number of active oil and gas rigs Volume of oil produced from active CO2 injection recovery Volume of CO_2 stored underground Number of horizontal drilling permit applications processed Number of vertical drilling permit applications processed Annual calendar year production of Texas crude oil Annual calendar year production of Texas natural gas Annual calendar year production of Texas lignite coal
OBJECTIVE 1.2.	Encourage the use of alternative energy sources through training activities.
STRATEGY 1.2.1. Promote Alternative Energy Resources	
Develop and implement technical training programs and safety seminars for the regulated alternative fuel industries, emergency responders and the public to ensure the safe storage, transportation and use of alternative fuels.	
Output Measures	Number of training hours provided to Texas alternative fuels licensees and certificate holders, operators of alternative fuels equipment, and emergency responders

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 fiscal year 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
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 excavation damage enforcement cases completed
OBJECTIVE 2.2.	Ensure safety through regulation of the LPG/CNG/LNG alternative energy industries.
Outcome Measures	Average number of LPG/CNG/LNG safety inspections 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 and transportation 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
Efficiency Measures	Average number of LPG/CNG/LNG safety inspections per inspector

GOAL 3 – ENVIRONMENTAL AND CONSUMER PROTECTION	
To protect the environment and consumers by ensuring that energy production, storage and delivery minimize harmful effects on the state's natural resources and that just and reasonable natural gas rates promote a safe and efficient supply of natural gas.	
OBJECTIVE 3.1.	Reduce the occurrence of identified pollution violations associated with fossil fuel energy production in Texas from fiscal year 2002 levels.
Outcome Measures	Percentage of oil and gas facility inspections that identify environmental violations.
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 uranium exploration permitting actions Percent of coal permitting actions completed within statutory review time frames
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% 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
OBJECTIVE 3.3.	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 3.3.1. 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.	
Outcome 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
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.
STRATEGY 4.1.1. 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 Number of Railroad Commission records imaged from non-digital formats. Number of reports provided to customers from electronic data records

TECHNOLOGY INITIATIVE ALIGNMENT

Initiative Name

Information Technology Modernization Program (ITMP)

Initiative Description

Information Technology Modernization Program (ITMP) consists of multiple projects that deliver applications designed and developed to improve industry and the general public's access to services provided by the Railroad Commission while reducing the dependency on paper processes, expanding the use of online payments via the Texas Payment Portal and increasing the number of permits executed. This program will establish a foundation for integrated systems and reduce dependence on legacy systems during fiscal years 2014 and 2015. In fiscal years 2016 and 2017, ITMP will build upon the foundation to expand integrated systems and take advantage of mobile technologies to obtain greater efficiency.

Associated Project(s)

Data Center Services
Information Technology Modernization Program
- Alternative Energy Division (AED) Online Filing Project
- Commission Enforcement & Compliance Project
- Gas Services Online Filing Project
- Geographic Information Systems (GIS) Technology Upgrade Project
- Oil and Gas Permitting and Online Filing Project
- Pipeline Online Permitting Project
- Operator Portal Project

Status

Current and Planned

Agency Objectives

This initiative supports all agency objectives.

Statewide Technology Priority(ies)

- Security and Privacy
- Cloud Services
- Legacy Applications
- Business Continuity
- IT Workforce
- Data Management
- Mobility
- Network

Anticipated Benefits

The following benefits are anticipated as a result of the IT Modernization Program (ITMP):

- Developing integrated open standard applications that enable filing or exchange of data;
- Integrating additional online filings with a revenue or fee collection portal;
- Developing integrated clientless open standard applications that enhance internal business efficiency;
- Providing Railroad Commission of Texas stakeholders efficient access to timely and accurate data;
- Minimizing dependence on legacy systems;
- Further integration of geospatial information;
- Establishing scalable foundational application and infrastructure capable of performing at anticipated peak usage;
- Developing applications that can take advantage of mobile technologies in the future;
- Increasing efficiency related to compliance and agenda services.
- Security improvements
- Foundation for future operational improvements
- Compliance (required by State/Federal laws or regulations)

Capabilities or Barriers

Additional funding is needed to expand services due to increased use of current applications and development of new applications.

TECHNOLOGY INITIATIVE ALIGNMENT

Initiative Name

Hardware/Software Acquisition and Security

Initiative Description

Replacement and upgrade of outdated personal computers, mobile devices, printers, network equipment and software used within the agency and security improvements due to obsolescence, growth and changes in the technical environment.

Associated Project(s)

- Technology Replacement and Upgrade
- Software Licenses
- Personal Computing (PC) Leasing
- Mobile Devices

Status

Current and Planned

Agency Objectives

This initiative supports all agency objectives.

Statewide Technology Priority(ies)

- Security and Privacy
- Cloud Services
- Legacy Applications
- Business Continuity
- IT Workforce
- Data Management
- Mobility
- Network

Anticipated Benefits

- Ability to utilize the automated systems and software that support the agency's mission and functions
- Access and share information efficiently both internally and externally
- Essential network services for the agency
- More focus on business needs rather than equipment maintenance and repair due to leasing
- More predictable computer equipment costs and information technology expenditures
- Replacement of obsolete, broken, or inadequate equipment such as network switches and power supplies
- Enhance staff efficiency
- Improved Security
- Ability to locate Oil and Gas wells efficiently
- Ability to document inspection information more quickly and accurately

Capabilities or Barriers

- Continued funding is needed to continue replacement of the desktop and laptop workstations and mobile computing devices on the corresponding three or four year replacement schedule.
- Continued funding is necessary to update or replace end-user computing software, printers and network equipment and to maintain and support software and services.
- Additional funding is needed to expand services due to increased use of current applications and development of new applications.

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.

Status

Current and Planned

Agency Objectives

This initiative supports all agency objectives.

Statewide Technology Priority(ies)

- Security and Privacy
- Cloud Services
- Legacy Applications
- Virtualization
- Business Continuity
- IT Workforce
- Data Management
- Mobility
- Network

Anticipated Benefits

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

- Continued availability of mission-critical computing resources and efficient delivery of services
- Completion of the server transformation will mitigate some of the server issues the Commission currently experiences due to production applications running on legacy equipment
- Ability to develop and deploy new online applications
- Improved disaster recovery capability
- Ability to implement new applications, expand existing applications, and improve automated processes within the agency
- Ability to utilize the automated systems and software that support the agency's mission and functions
- Enable users to access and share information efficiently both internally and externally
- Provide essential network services for the agency
- More predictable computer equipment costs and information technology replacement of obsolete, broken, or inadequate equipment such as network switches and power supplies.
- Enhance staff efficiency
- Ability to locate Oil and Gas wells efficiently
- Ability to document inspection information more quickly and accurately

Capabilities or Barriers

- Continued funding is needed to continue, maintain and support software and services.
- Additional funding is needed to expand services due to increased use of current applications and development of new applications.

TECHNOLOGY INITIATIVE ALIGNMENT

Initiative Name

Desktop Modernization

Initiative Description

Several new modernization projects initiated that focus on updating and improving the Commission's information technology. Desktop Modernization initiatives included enhancements and upgrades such as migration to Windows 7, migration to Office 365 and use of Microsoft "Cloud" services for electronic mail and collaboration, retirement of Novell, improved network access and workstation performance.

Associated Project(s)

- Data Center Services
- Software Licenses
- Personal Computing (PC) Leasing

Status

Current

Agency Objectives

This initiative supports all agency objectives.

Statewide Technology Priority(ies)

- Security and Privacy
- Cloud Services
- Legacy Applications
- Business Continuity
- IT Workforce
- Data Management
- Network

Anticipated Benefits

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

- Continued availability of mission-critical computing resources and efficient delivery of services.
- Ability to implement new applications, expand existing applications, and improve automated processes within the agency
- Ability to utilize the automated systems and software that support the agency's mission and functions
- Enable users to access and share information efficiently both internally and externally
- Replacement of obsolete, broken, or inadequate equipment such as network switches and power supplies
- Enhance staff efficiency

Capabilities or Barriers

None.

TECHNOLOGY INITIATIVE ALIGNMENT

Initiative Name

Website Redesign

Initiative Description

The Commission's external website is being redesigned with input from external stakeholders, including the public, industry, and interest groups. The new website at www.rrc.texas.gov features improved navigation and ease of use, with a responsive design that allows the website content to be easily viewable on a variety of devices such as smartphones, tablets, laptop and desktop computers.

Associated Project(s)

N/A

Status

Current

Agency Objectives

This initiative supports Goal 4: Public Access to Information and Services
Objective 4.1: Increase efficiency in providing public access to information and provide more efficient interaction with regulated industries.

Statewide Technology Priority(ies)

- Security and Privacy
- Cloud Services
- Legacy Applications
- IT Workforce
- Data Management

Anticipated Benefits

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

- Continued availability of mission-critical computing resources and efficient delivery of services
- Ability to implement new applications, expand existing applications, and improve automated processes within the agency
- Ability to utilize the automated systems and software that support the agency's mission and functions
- Enable users to access and share information efficiently both internally and externally
- Replacement of obsolete, broken, or inadequate equipment such as network switches and power supplies
- Enhance staff efficiency

Capabilities or Barriers

None.

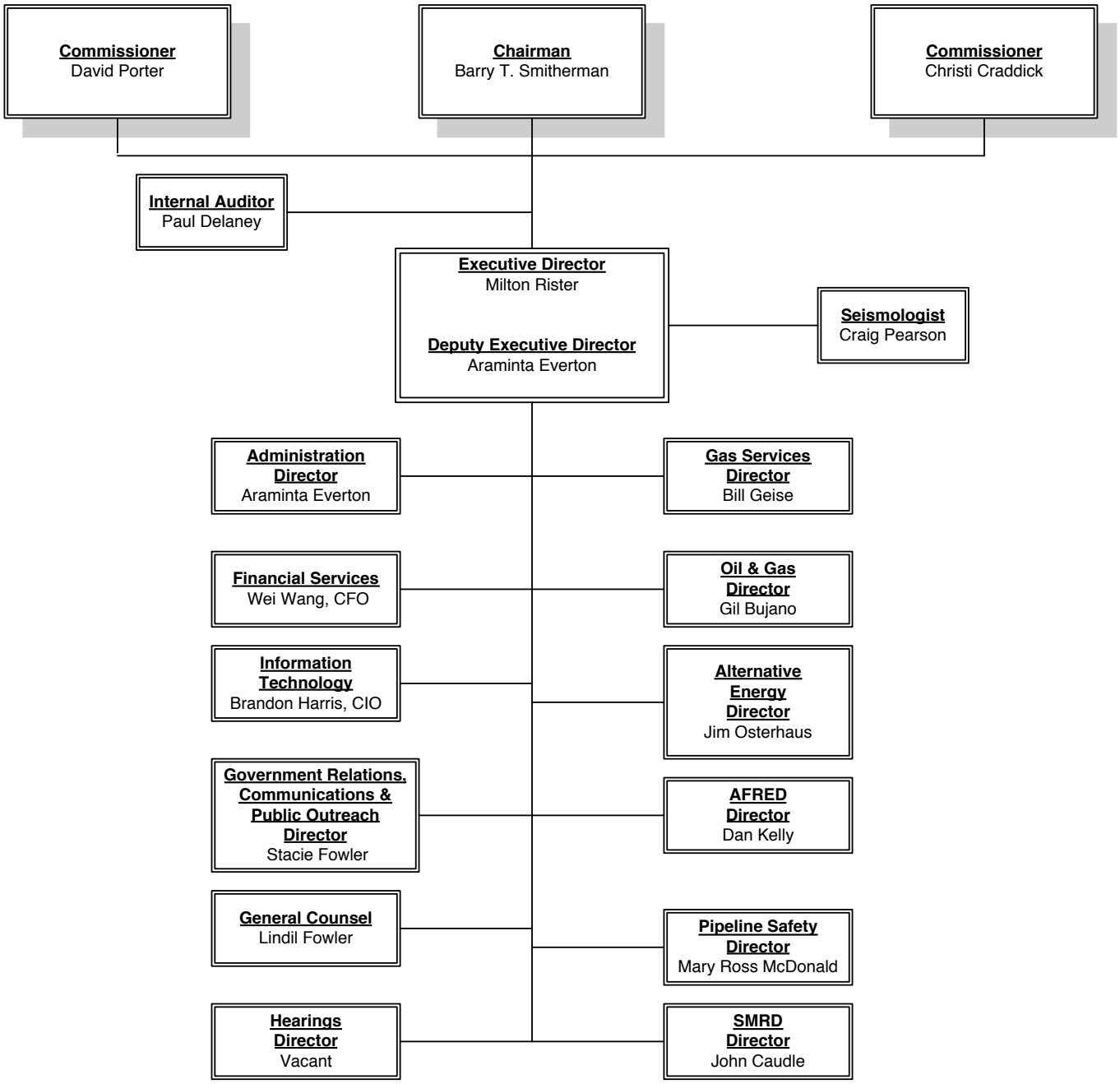
APPENDIX A—RAILROAD COMMISSION PLANNING PROCESS

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 2014 with each Commission division performing a comprehensive review of the Commission's budget structure including performance measures and measure definitions respective to their regulatory assignments. Budget structure modifications were submitted to the Governor's Office of Budget, Planning and Policy and the Legislative Budget Board on April 7, 2014. 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 an open conference of the Railroad Commission for consideration and approval on June 17, 2014.

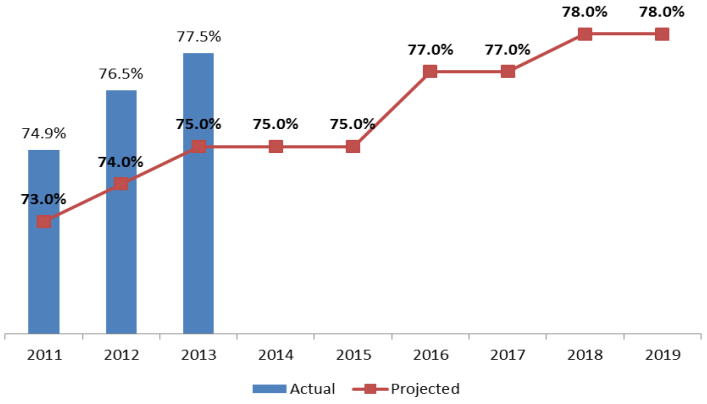
APPENDIX B—ORGANIZATIONAL CHART

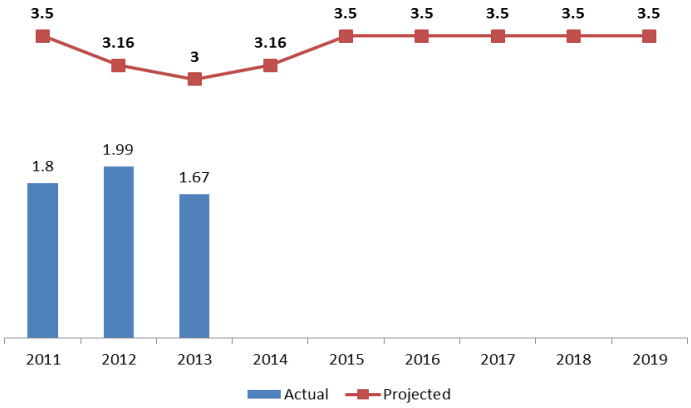
The Railroad Commission of Texas – Overview
Effective June 1, 2014

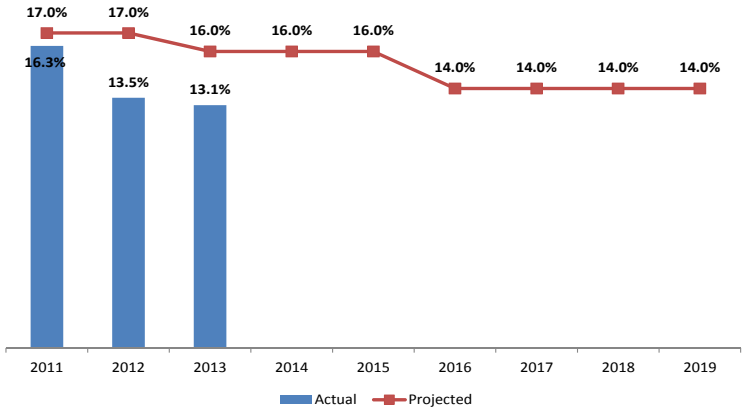
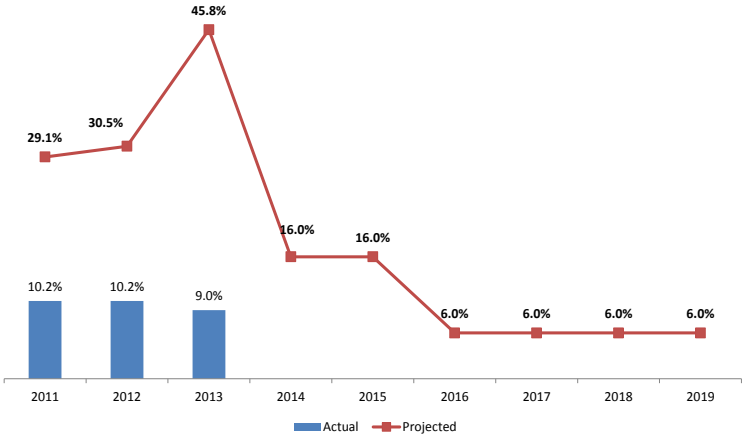


APPENDIX C—FIVE-YEAR PROJECTIONS FOR OUTCOMES

	Outcome	2015	2016	2017	2018	2019
1.1.1	Percent of oil and gas wells that are active. ***KEY Measure***	75%	77%	77%	78%	78%
2.1.1	Average number of pipeline safety violations per equivalent 100 miles of pipe identified through inspections. ***KEY Measure***	3.16	1.85	1.85	1.85	1.85
2.2.1	Average number of LPG/CNG/ LNG safety violations identified per inspection unit.	1.2	1.1	1.1	1.1	1.1





	Outcome	2015	2016	2017	2018	2019
3.1.1	Percentage of oil and gas facility inspections that identify environmental violations. ***KEY Measure*** 	16%	14%	14%	14%	14%
3.2.1	Percentage of known orphaned wells plugged with the use of state managed funds. ***KEY Measure*** 	16%	6%	6%	6%	6%
3.2.2	Percentage of identified abandoned pollution sites investigated, assessed, or cleaned up with state managed funds.	11.1%	10%	10%	10%	10%
3.3.1	Average Texas residential gas price for RRC regulated utilities as a percentage of the national average residential gas price.	98%	98%	98%	98%	98%

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.

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.

Efficiency Measure	1.1.1.4 Average number of days to process a drilling permit.
Short Definition	The average number of staff days required to review and process a drilling permit application during the reporting period.
Purpose/Importance	This measure provides an indication of staff's timeliness to process drilling permits, which are required before wells can be drilled. This measure may also be an indicator of industry activity.
Source/Collection of Data	The processing time of each drilling permit application is available from computer– generated statistical listings and maintained in the Drilling Permit section and on-line query programs.
Method of Calculation	Average the time per drilling permit application processed during the three months within the reporting period to get the reporting period average. The second, third, and fourth quarter averages are calculated as discrete, non-cumulative averages.
Data Limitations	Drilling permit application processing time is a well-defined parameters and is easily identified. The average 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. Processing time calculated for this measure will exclude time periods associated with hearings and exceptions to Commission rules.
Calculation Type	Non-cumulative.
New Measure	Yes.
Desired Performance	Less than 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 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 CO2 injection wells are actively injecting CO2.
Purpose/Importance	This metric focuses on the volume of oil produced from leases on which CO2 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 CO2 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 CO2 and records the monthly volume of injected gas. Production for the leases with active CO2 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 CO2. 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	1.1.1.3 Volume of CO2 stored underground.
Short Definition	This measure is the reported volume of CO2 injected in underground reservoirs other than for enhanced oil recovery purposes.
Purpose/Importance	The capture and storage of CO2 that would otherwise be released to the atmosphere is an important strategy for both environmental and economic reasons. Release of CO2 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 CO2 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 CO2.
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.
Method of Calculation	Extract volumes from Commission database.
Data Limitations	Injection wells are permitted to inject fluids that may not be pure CO2. Other gaseous constituents may be mixed with the CO2 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 CO2.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Increase in volumes stored.

Explanatory Measure	1.1.1.4 Number of horizontal drilling permit applications processed.
Short Definition	The number of horizontal 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, including an indicator of whether the well is classified as "Horizontal", 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 where the application indicates that the well is a "Horizontal" well 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	Yes.
Desired Performance	Higher than target.

Explanatory Measure	1.1.1.5 Number of vertical drilling permit applications processed.
Short Definition	The number of vertical 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, including an indicator of whether the well is classified as "Horizontal", 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 where the application indicates that the well is not a "Horizontal" well 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	Yes.
Desired Performance	Higher than target.

Explanatory Measure	1.1.1.6 Annual calendar year production of Texas crude oil.
Short Definition	The reported amount of crude oil produced in Texas expressed as barrels of oil.
Purpose/Importance	Production of crude oil 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 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.
Method of Calculation	Oil is reported and maintained in a Commission database in barrels. The number will be the sum of each month's data and reported on a calendar year basis.
Data Limitations	Some monthly oil production is reported late or inaccurately and revisions to a particular month's production can continue for several months into the future. Confident annual calendar year volumes for oil are typically not available until at least 6 months after the end of the calendar year.
Calculation Type	Cumulative.
New Measure	Yes
Desired Performance	Higher than target.

Explanatory Measure	1.1.1.7 Annual calendar year production of Texas natural gas.
Short Definition	The reported amount of natural gas produced in Texas expressed as thousand cubic feet.
Purpose/Importance	Production of natural gas 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 natural 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.
Method of Calculation	Natural gas is reported and maintained in a Commission database in thousand cubic feet (Mcf). The number will be the sum of each month's data and reported on a calendar year basis.
Data Limitations	Some monthly natural gas production is reported late or inaccurately and revisions to a particular month's production can continue for several months into the future. Confident annual calendar year volumes for oil are typically not available until at least 6 months after the end of the calendar year.
Calculation Type	Cumulative.
New Measure	Yes.
Desired Performance	Higher than target.

Explanatory Measure	1.1.1.8 Annual calendar year production of Texas lignite coal.
Short Definition	The reported amount of lignite coal produced in Texas year expressed in tons.
Purpose/Importance	Production of lignite coal 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 lignite coal 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	The total number will be summed from production reports submitted in March of each year.
Data Limitations	Annual calendar lignite production is not required to be reported until March of each year for the previous year.
Calculation Type	Cumulative.
New Measure	Yes.
Desired Performance	Higher than target.

Output Measure	1.2.1.1 Number of training hours provided to Texas alternative fuels licensees and certificate holders, operators of alternative fuels equipment, and emergency responders.
Short Definition	Training hours are the hours an instructor spends in a classroom or in the field teaching a class or seminar.
Purpose/Importance	This measure tells how much technical training the division provides annually to alternative fuels technicians, other industry personnel, emergency responders, and consumers, e.g., alternative fuels school bus fleet operators, and emergency responders. The more training that is provided, the more likely industry personnel, emergency responders and consumers are to competently and safely operate alternative fuels equipment and installations, and respond to emergencies.
Source/Collection of Data	Commission records of classes. For classes that confer Railroad Commission training or continuing-education credit, instructors report class length to their supervisor in writing within one day of their return to Commission headquarters. Information from these reports is entered into the Commission's LIS Oracle training database. For non-credit training classes and seminars, training hours are recorded in a separate Excel spreadsheet.
Method of Calculation	Retrieve from the LIS Oracle training database the total number of class training hours. Retrieve from the non-credit training class Excel spreadsheet the total number of class training 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.

Outcome Measure	2.1.1 Average number of pipeline safety violations per equivalent 100 miles of pipe identified through inspections.
Short Definition	Average number of safety violations noted per 100 miles for distribution, transmission, and hazardous liquid pipeline systems inspected.
Purpose/Importance	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 are 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 liquid) 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, other than master meter systems, within the state that are inspected each year.
Data Limitations	None.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Maintain or reduce baseline level.

Output Measure	2.1.1.1 Number of standard and follow-up comprehensive pipeline safety inspections performed.
Short Definition	A total of the standard and follow-up comprehensive safety compliance inspections conducted on intrastate hazardous liquids and natural gas pipelines.
Purpose/Importance	Standard and follow-up comprehensive 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 inspections/evaluations and investigations are conducted using inspections forms to record the data relevant to the safety evaluation, in addition to data from other sources entered into the PES system. All of the data are maintained in the Commission's PES system.
Method of Calculation	PES can be utilized to total the number of standard and follow-up comprehensive 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 standard and follow-up comprehensive 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. Non-compliance 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 incident, accident and other special investigations performed.
Short Definition	In addition to routine standard and follow-up comprehensive safety inspections, special investigations and incident and accident investigations are conducted on pipeline facilities to determine operators' compliance with Commission safety regulations. Many special inspections are initiated through public complaints; incident and accident investigations are conducted in the event an incident or accident occurs on a pipeline facility.
Purpose/Importance	Incident and accident investigations are conducted to determine the probable cause of the incident and to determine if an operator's non-compliance may have contributed to the incident. Special investigations are conducted to monitor such activities as new construction, operator qualifications, and integrity management, and to respond to consumer/public complaints.
Source/Collection of Data	Using PES, the number of incident, accident, and other special investigations can be determined. Each inspection or investigation requires an on-site visit, which includes the completion of a field report that documents what the inspector found as well as the amount of time spent conducting the investigation.
Method of Calculation	PES can be used to total the number of incident, accident, and other special 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 incident, accident, and other special inspections approved within the time period selected will be totaled.
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 are 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 total number of all types of inspections (standard and follow-up comprehensive inspections, and incident, accident, and other special inspections) 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	Yes (Revised definition will change history).
Desired Performance	Higher than target.

Output Measure	2.1.2.1 Number of excavation damage enforcement cases completed.
Short Definition	The number of excavation damage enforcement and complaint cases completed.
Purpose/Importance	This measure determines 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 as a result of the damage to 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 over a designated time period.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Outcome Measure	2.2.1 Average number of LPG/CNG/LNG safety violations identified per inspection.
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	No.
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 safety inspections conducted on jurisdictional LPG/LNG/CNG stationary and mobile installations.
Purpose/Importance	Onsite inspections are conducted on jurisdictional LPG/LNG/CNG installations to monitor compliance with Commission safety regulations. The more inspections that are performed the more likely violations and hazardous conditions will be identified and corrected; reducing the risk of personal injury and property damage.
Source/Collection of Data	All safety inspections are conducted using data collection sheets to record data relevant to safety evaluations. Inspections are tracked within the LIS Oracle system by evaluation type. All of the data is transferred into the Commission's LIS Oracle database each week by the inspector that conducts the inspection.
Method of Calculation	The total number of LPG/CNG/LNG inspections conducted within a prescribed time interval is calculated using the LIS Oracle database.
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/CNG/LNG 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/CNG/LNG 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 with applicable safety regulations 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. Special inspections also include certain follow up inspections to determine compliance from a previous inspection.
Source/Collection of Data	Division staff enters accidents and complaints into an access database, and final approval inspections, follow-up re-inspections and other special inspections are entered in the LIS Oracle database.
Method of Calculation	Adding the totals from each database equals the total number of accidents and special inspections.
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	Persons engaged in jurisdictional LPG, CNG and LNG activities are required to be licensed, certified or registered with the Railroad Commission. To obtain a certification a person must pass a written examination. Forms, fees and insurance must be filed with the division to obtain a license, and certain licenses require cargo tank motor vehicles and delivery units to be registered with the Commission. Licensed master and journeyman plumbers and air-conditioning and refrigeration (ACR) licensees who perform certain LPG or CNG activities may register for an exemption with the Commission in lieu of maintaining a current Railroad Commission license or certification. Annual renewal of each license, certification and/or registration is required.
Purpose/Importance	Persons who perform jurisdictional LPG, CNG or LNG activities in Texas are required by statute to hold a license or registration from the Commission. All licensees must have insurance and employees performing jurisdictional activities must be certified by testing on safety regulations. Licensees, certified employees, and registrants must renew annually. Licensees with transports must register each truck annually.
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.

Efficiency Measure	2.2.1.1 Average number of LPG/CNG/LNG safety inspections per inspector.
Short Definition	Each division 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 number of inspections performed by inspectors.
Source/Collection of Data	The data is collected in the Commission's LIS Oracle database 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 by the division.
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.

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 known 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 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.
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 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	3.1.2.2 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.

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.
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 Clean-up 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 noncompliance with the Commission's plugging rule.
Method of Calculation	This measure is generated monthly from the Commission's main-frame 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 noncompliance 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	3.3.1 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	3.3.1.1 Number of field audits conducted.
Short Definition	These are on-site audits conducted on intrastate (natural) gas utilities. 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 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	3.3.1.2 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 Market Oversight Section (MOS). A MOS Research Specialist assigns a unique, sequential docket number to each filing. The list of docket numbers is maintained and kept current by MOS 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	3.3.1.3 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 Market Oversight Section (MOS). A MOS Research Specialist 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	3.3.1.1 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 Human Resources 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 impacts the resulting average.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Explanatory Measure	3.3.1.1 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.

Output Measure	4.1.1.1 Number of documents provided to customers by Information Services.
Short Definition	Number of documents provided to customers from Information Services for public information requests. 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 who request public information.
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.

Output Measure	4.1.1.2 Number of Railroad Commission records imaged from non-digital formats
Short Definition	This measure represents the number of new paper and microformat records that are digitized by the Railroad Commission, added to the imaged records databases and made available through the agency website.
Purpose/Importance	Imaging the paper and microformat records of the Commission allows a higher level of access to regulatory information by the industries and public who require it. Imaging also preserves these historically significant records for future use.
Source/Collection of Data	The number of images created during the quarter is manually counted from the invoices received from the imaging contractor.
Method of Calculation	Each month the number of images stored by the imaging contractor for each Railroad Commission division and imaging project is compared to the previous month's image count. The increase in the number of images stored represents the new images that were added to the data base for the month.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	Yes.
Desired Performance	Higher than target

Output Measure	4.1.1.3 Number of reports provided to customers from electronic data records received through Internet-based technology.
Short Definition	This measure represents the number of public information requests received within Information Services for reports including either hardcopy reports or electronic data records generated from RRC computer resources.
Purpose/Importance	This measure reflects the level of public demand for energy information maintained at the Commission in electronic formats. 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.

APPENDIX E—WORKFORCE PLAN

I. AGENCY OVERVIEW

The Texas Constitution enabled the Legislature to create the Railroad Commission of Texas in 1891 and the legislature 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 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.

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 required.
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, 2013.
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.
2013	Commission begins Information Technology Modernization Program. AFRED fund and the LP-gas delivery fee are abolished by the 83rd Legislature.

The Commission has 11 field locations

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

More recently, 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 named 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.

The 83rd Legislative Session in 2013 brought additional changes to the Commission, including the abolition of the AFRED fund, and the LP-gas delivery fee that funded the AFRED program's marketing and public education activities. The Commission also received additional funding to modernize its information technology systems—a project that will have far-reaching impacts on the management of the Commission's regulatory programs.

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% of the Commission's staff (direct and indirect) is dedicated to the oil and natural gas industry, 15.1% to the pipeline and natural gas utility industries, 6.3% to alternative energies such as LPG/LNG/CNG, and the remaining 7.4% to the coal and uranium mining industry.

Three statewide officials, elected to six-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 Deputy Executive Director, Chief Financial Officer, General Counsel, and Division Directors who oversee various aspects of the agency.

The Commission's current appropriation for fiscal year 2014 is $79,725,345 with 807.1 FTEs. The Commission's central office is located in the Capitol Complex at the

William B. Travis Building, 1701 North Congress, Austin, Texas. Approximately 59.2% of the Commission's staff are located in the Austin office. The remaining staff are located throughout the state in 11 Commission field offices.

These offices contain various combinations of employees from the following functional areas: Oil and Gas, Pipeline Safety, Gas 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

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

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. Encourage the use of alternative energy sources through training activities.

Strategy 1.2.1. Develop and implement technical training programs and safety seminars for the regulated alternative fuel industries, emergency responders and the public to ensure the safe storage, transportation and use of alternative fuels.

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 fiscal year 2002 levels.

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

Strategy 2.1.2 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. Protect the health, safety and welfare of the general public by ensuring the safe storage and transportation of 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 and Consumer Protection

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

Objective 3.1. Reduce the occurrence of identified pollution violations associated with fossil fuel energy production in Texas from fiscal year 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.

Objective 3.3. Maintain competitive prices and adequate natural gas supplies for Texas energy consumers.

Strategy 3.3.1. 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.

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 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. WORKFORCE DEMOGRAPHICS (AS OF FEBRUARY 28, 2014)

Age		
Age Group	Head Count	Percent
Under 30 years	84	11.4%
30 - 39 years	117	15.9%
40 - 49 years	145	19.7%
50 - 59 years	229	31.2%
60 years and over	160	21.8%
TOTAL	735*	100.0%
*Includes three elected officials.		

Age

Records reflect that 72.7% of the RRC's current employees are over the age of 40. With only 27.3 % of the Commission's workforce under 40 years of age, the Commission must aggressively plan to replace the institutional knowledge of its 340 employees who are eligible to retire before the end of fiscal year 2019.

Gender		
Gender	Head Count	Percent
Male	415	56.5%
Female	320	43.5%

Gender

As of February 28, 2014, the RRC has 415 male employees (56.5%) and 320 female employees (43.5%). The total employee count of 735 includes both full-time and part-time employees, as well as three statewide elected officials.

Ethnicity

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 2013, indicates the Commission's performance in attracting and retaining a diverse workforce has experience some important success, as shown in the charts titled RRC Diversity by EEO Job Category.

Job Categories As of February 28, 2014		
EEO Category	Head Count	Percent
Officials, Administration	47	6.4%
Professional	251	34.3%
Technical	270	36.9%
Para-professional	19	2.6%
Elected Official Staff	9	1.2%
Administrative Support	136	18.6%
TOTAL	732*	100.0%
*Does not include three statewide elected officials.		

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-American, Hispanics and female state employees in each job category in order 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 data detailing the availability of the civilian labor force used for comparison purposes.

RRC Diversity by EEO Job Category As of February 28, 2014*						
	African American		Hispanic		Female	
EEO Job Category	RRC %	State Goal	RRC %	State Goal	RRC %	State Goal
Officials, Administration	2.12%	3.7%	8.51%	10.0%	14.89%	30%
Professional	7.56%	8.7%	14.74%	9.3%	41.03%	46.3%
Technical	7.77%	13.2%	21.48%	16.4%	24.81%	39.7%
Para-professional**	10.52%	22.7%	31.57%	28.5%	78.94%	55.6%
Administrative Support	13.23%	19.2%	31.61%	21.6%	88.97%	81.3%
Total	**8.33%**		**20.35%**		**43.57%**	

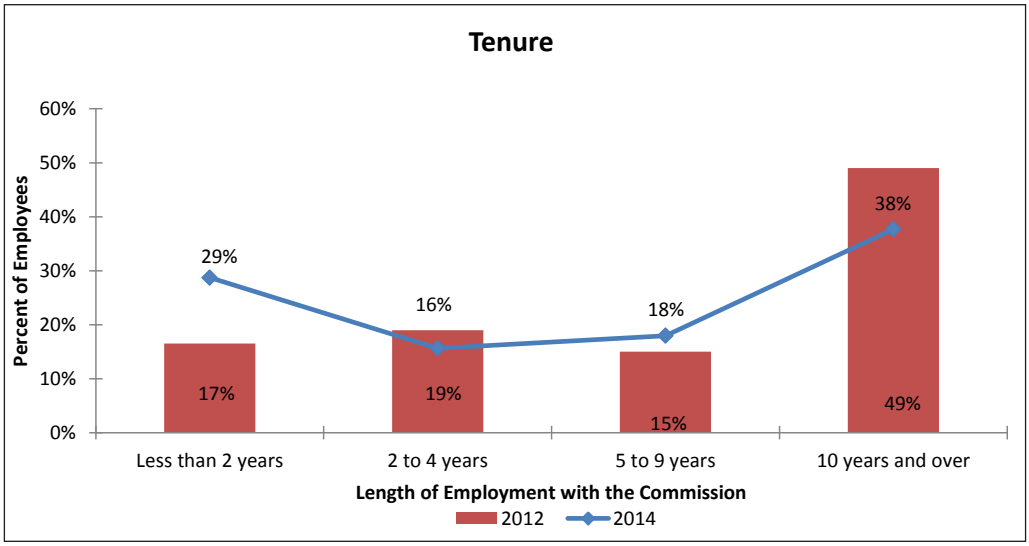
	Availability in Civilian Labor Force Percent			Underutilization (-) or Over-utilization (+) of Available Labor Force		
EEO Job Category	African American	Hispanic	Female	African American	Hispanic	Female
Officials, Administration	7.51%	21.1%	37.53%	(5.39)	(12.59)	(22.64)
Professional	9.74%	18.83%	53.3%	(2.18)	(4.09)	(12.27)
Technical	13.94%	27.11%	53.93%	(6.17)	(5.63)	(29.12)
Para-professionals**	14.1%	49.9%	39.1%	(3.58)	(18.33)	39.84
Administrative Support	12.7%	31.9%	67.13%	0.53	(0.29)	21.84

*Source: Comptroller of Public Accounts, State Auditor's Human Resource Information System, and Texas Workforce Commission's EEO Report, January 2013.

**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. As of July 2007, the RRC does not have any employees in the Skilled Craft category.

Length of Service

On February 28, 2014, the Commission had 211 employees with less than two years of Commission service, and 115 employees with less than five years of service with the Commission. There were 132 employees (18.0%) with five to nine years of



service, and 277 (37.7%) had 10 or more years of service. Results from the *Survey of Employee Engagement* (found in Appendix F) indicate there is a desire by employees to continue long-term employment, but inadequate pay is a primary concern about continued employment at the Commission.

B. PERCENT OF WORKFORCE ELIGIBLE TO RETIRE

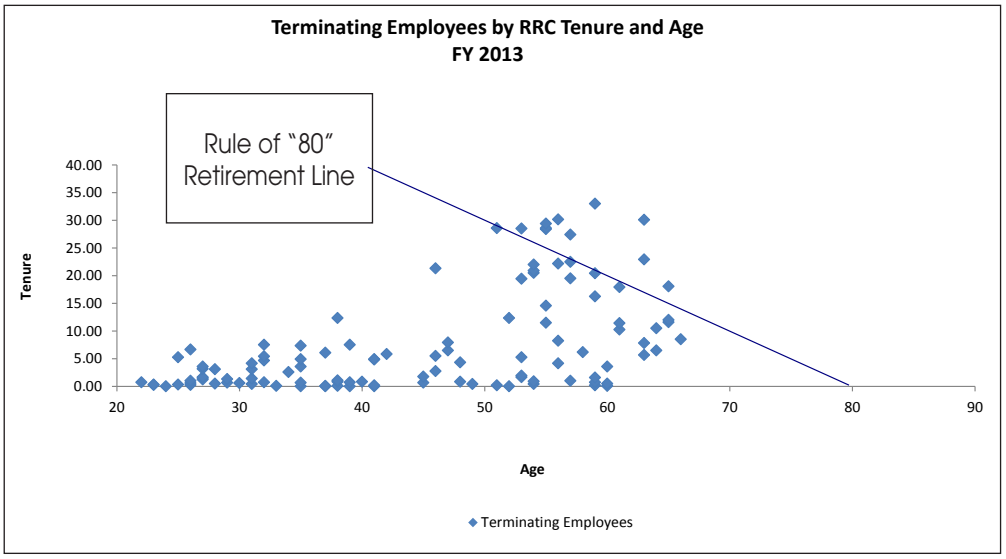
Projections indicate a gradual increase in the number of Commission employees eligible to retire between now and August 31, 2019. By fiscal year 2019, more than 46% of the Commission's current workforce will be eligible to retire. This steady increase in the number of employees retiring indicates the Commission will lose a significant portion of its most knowledgeable employees, including many in critical positions.

Projection of Commission Employees Eligible for Retirement in the Next Five Years		
Currently Eligible	115	21.2%
Fiscal Year 2014	32	4.4%
Fiscal Year 2015	27	3.7%
Fiscal Year 2016	30	4.1%
Fiscal Year 2017	31	4.2%
Fiscal Year 2018	38	5.2%
Fiscal Year 2019	27	3.7%
Total	**340**	**46.4%**
Percentages are based on a headcount of 732 that does not include three statewide elected officials.		

Two factors about retirement eligibility deserve emphasis. More than 21% of the Commission's current employees can retire now and several have been eligible for more than five years. Over 46% of current employees are eligible to retire now or are projected to become eligible by August 31, 2019. This constitutes almost half of the Commission's workforce and is exclusive of other turnover.

A compounding problem is the Commission's employment of 26 retire-rehires. When these individuals are included with the 340 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.

Many of the Commission's leadership positions, including Division Directors and District Office Directors, will be eligible to retire during the next five 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.



C. EMPLOYEE TURNOVER AND PROJECTED ATTRITION

Employee Turnover Rate						
Fiscal Year	2008	2009	2010	2011	2012	2013
RRC	12.0%	8.8%	8.5%	14.0%	13.6%	15.7%
State of Texas	19.3%	15.6%	15.9%	17.7%	19.6%	18.9%
Article VI Agencies	12.2%	8.0%	8.1%	13.8%	13.8%	15.6%

Results from the *Survey of Employee Engagement* indicate that there is a desire by Commission employees to continue long-term employment, but inadequate pay is a primary concern. Exit interview statistics confirm low pay as a motivator to leave the Commission.

Fiscal Year 2013 Separating Employees By Tenure		
Less than 2 years	48	41.8%
2 to 5 years	15	13.0%
5 to 10 years	18	15.7%
10 to 15 years	9	7.8%
15 to 20 years	7	6.1%
20 to 30 years	15	13.0%
Greater than 30 years	3	2.6%
Total	115	100%

Many leave employment in state government for higher compensation in the private sector, but a significant number of Commission employees go to other state or federal agencies for similar jobs posted in a higher salary group.

The highest percentage of turnover (29.6%) occurs among employees ages 50–59. As mentioned in previous iterations of the Workforce Plan, the greatest concern for turnover among different age groups continues to be the Commission's inability to retain employees under the age of 40.

Fiscal Year 2013 Separating Employees By Age		
Under 30	20	17.4%
30-39	26	22.6%
40-49	16	13.9%
50-59	34	29.6%
60+	19	16.5%
Total	115	100.0%

Forty-six employees under the age of 40 elected to leave the Commission in fiscal year 2013, a number equal to 40% of separating employees.

D. WORKFORCE SKILLS CRITICAL TO THE MISSION AND GOALS OF THE AGENCY

The Commission employs qualified individuals in numerous program disciplines. Strong employee knowledge and skill 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

Critical skills and qualifications include:

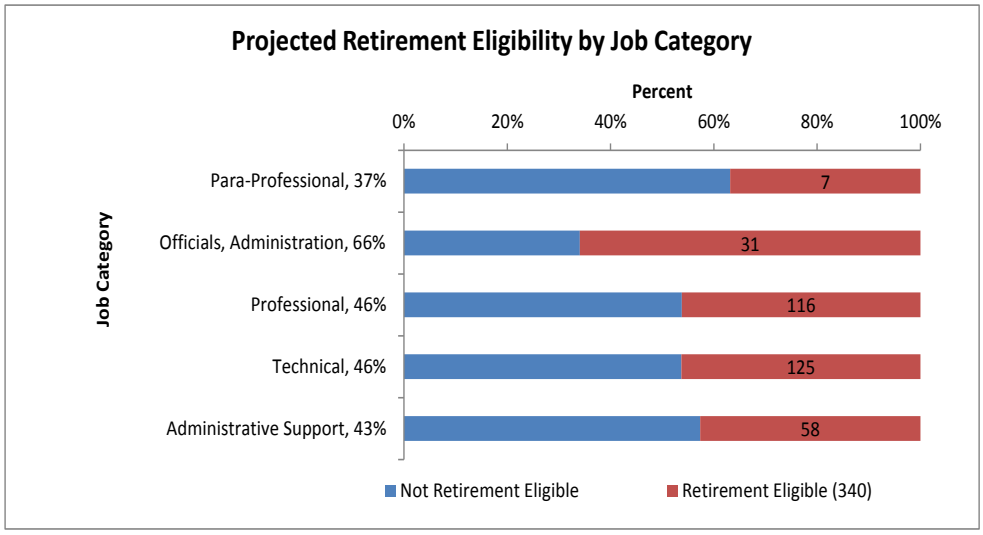
- Technology and automation skills and competencies
- Ability to apply scientific principles (i.e., engineering, geology)
- Leadership and management skills

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 36.9% of the Commission's workforce. This reflects the qualifications, knowledge, and skill sets necessary to accomplish the Commission's regulatory goals.

III. FUTURE WORKFORCE PROFILE

A. EXPECTED WORKFORCE CHANGE

Although approximately 46% of the workforce will be eligible to retire between now and August 31, 2019, the Commission presently has informal succession plans that are division specific. The Commission anticipates that many division director, manager, and highly skilled professional employee positions may become 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.



B. FUTURE WORKFORCE SKILLS NEEDED

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

- Engineering
- Computer Programming and Systems Analysis
- Legal
- Science (Geo-sciences, 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 the 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 utilize such advances. Functions to accomplish future Railroad Commission goals will focus on:

- Increasing computer skill sets for employees;
- Increasing electronic recordkeeping and information processing;
- Increasing customer service 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.

C. 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 increased Commission resources will be directed to these areas in the future and 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.

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 the Texas Workforce Commission's Work In Texas website; placing job postings on college and university websites; recruiting at select college and university career fairs; building relationships with academic professionals who have students studying in the critically needed fields; increasing referrals by encouraging existing staff; joining professional organizations; and using all other available resources.

The Commission has 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 in order to post jobs with distinct or hard-to-find skill sets.

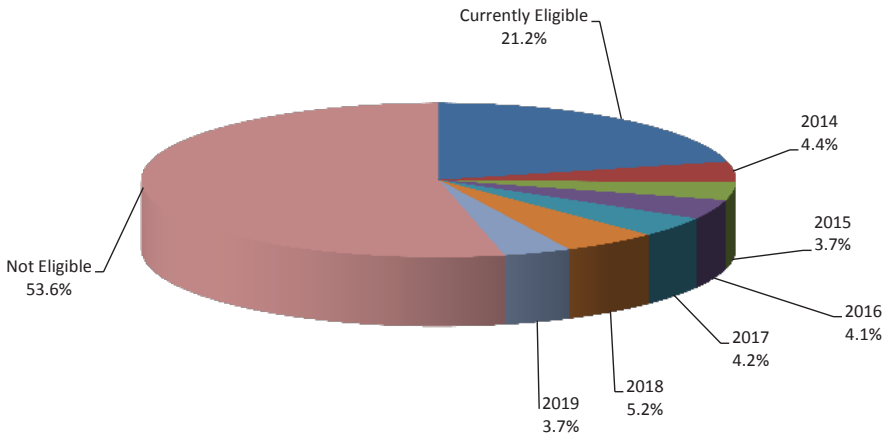
A critical barrier to recruitment is the high cost of advertising jobs in print media, such as newspapers and professional publications. When funds permit, difficult-to-fill positions will be advertised using low-cost Internet job search sites, especially those hosted by professional organizations.

IV. GAP ANALYSIS

A. ANTICIPATED SURPLUS OR SHORTAGE OF WORKERS OR SKILLS

With more than 46% of the Railroad Commission's workforce eligible for retirement by fiscal year 2019, 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 retirement eligibility include:

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



46.4% of Staff Are Retirement Eligible Through Fiscal Year 2019

The Commission anticipates that replacing projected retirements and anticipated turnovers in management will require succession planning and greater emphasis on professional development training to replace skill sets that will potentially be lost. With additional professional development and training, the Commission anticipates that its 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.

V. STRATEGY DEVELOPMENT

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

- Career development programs – Mentoring, the use of internships for professional areas, and an increase in professional training and development for staff.

- Recruitment plans – Recruitment efforts to focus on positions that are difficult to attract and retain such as engineers, attorneys, and the recruitment of more women and minorities.

- Leadership development – Efforts to identify, retain, and develop existing employees with management and leadership capabilities. Increased funding will be necessary to provide leadership training.

- Organizational training and development – Funding for in-house training such as IT training, managerial training, and skill development can be used to address individual employee training needs for the Commission's day-to-day operations.

- Succession planning – Managers and supervisors can identify the skill sets critical to meeting their objectives in order to work with agency leadership on a plan for employee attrition. Succession planning can also address staffing or skill imbalances due to turnover and retirements.

- Retention programs – Some programs are already in place to help retain the employees with 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

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 will result in adjustments to the Workforce Plan.

To begin the implementation of the Workforce Plan the following actions will be key:

- Development of a strong business partnership between Human Resources and each of the Commission's divisions. By doing so, such areas as training needs, strategic planning of the workforce to meet division objectives, and long-range planning of workforce needs can be addressed on an ongoing basis. The addition of a Management Analyst to the agency to target workforce needs has also been implemented.

- 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 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 surpluses within the division.
- The Commission's information technology modernization program will improve efficiency and accuracy in business processes throughout the agency.

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:

- 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

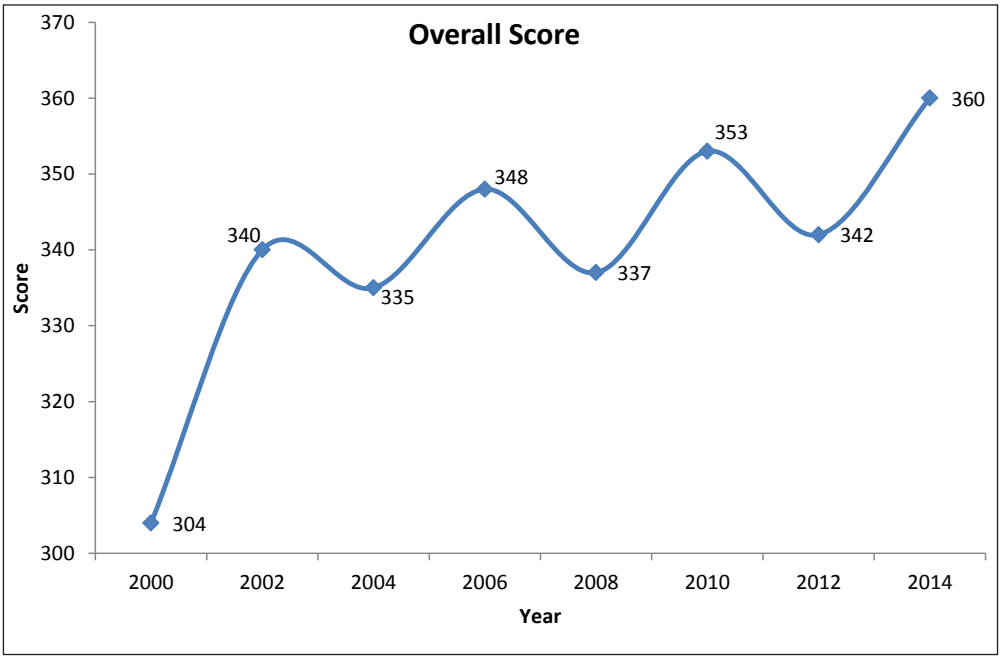
The Commission will review its efforts to revise and implement its Workforce Plan each even-numbered fiscal year in preparation for the upcoming biennium. As with this workforce planning effort, Commissioners, agency management and Division Directors will participate to ensure that the plan evolves into a document reflecting 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 key to a successful transition, both from a budgetary perspective as well as a business process perspective. The Commission may suffer productivity losses in the near-term, but the long-term benefits should outweigh any such losses.

APPENDIX F—SURVEY OF EMPLOYEE ENGAGEMENT

The Railroad Commission participated in the 2013 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 assists the Commission in understanding, from the employees' 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 efforts.

Conclusions from the survey are based on 468 respondents (66%) from 714 distributed surveys. Females represented 43% of respondents, almost equal to the 44% of female 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 360. 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.



On a scoring range from a low of 100 to a high of 500, the agency's scores ranged from 387 to 235. Scores above 350 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:

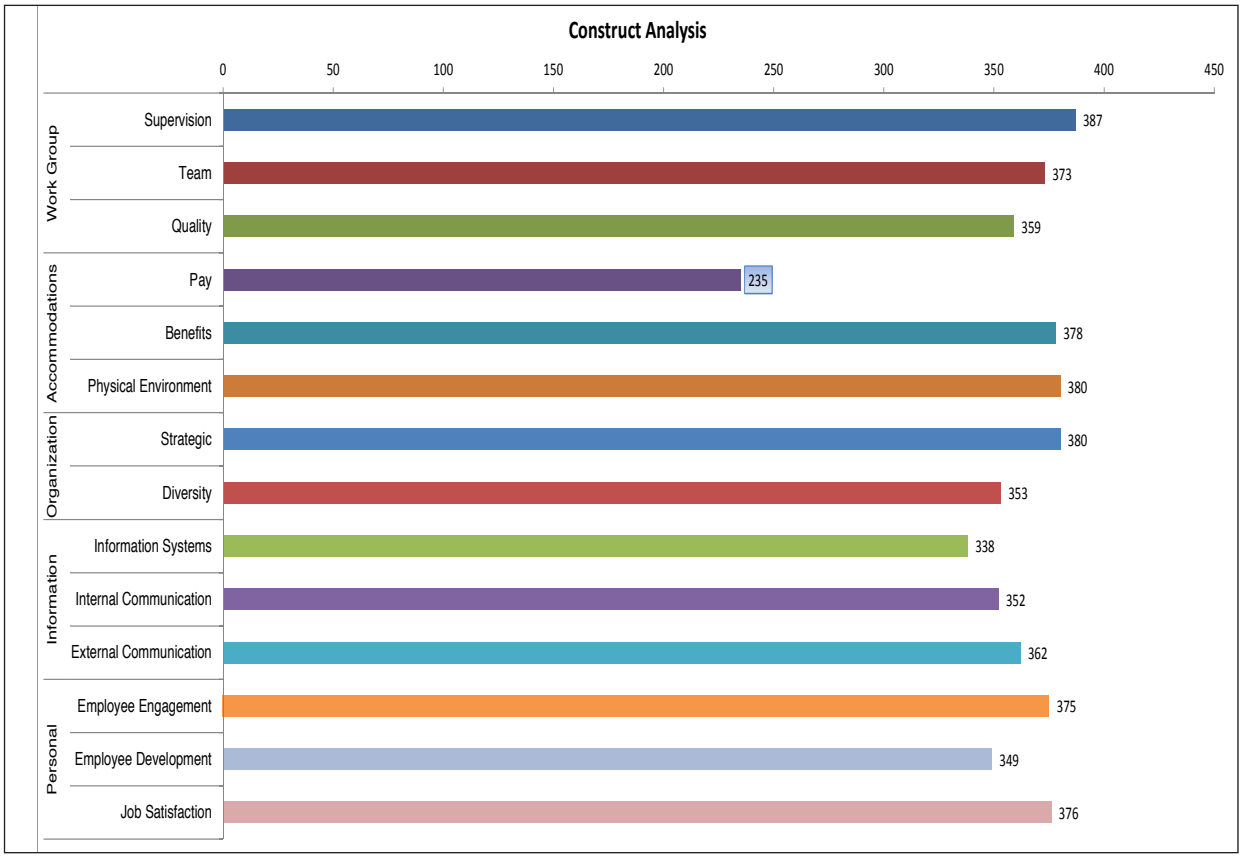
- **Supervision (387)** – This series of questions provides insight into the nature of supervisory relationships within the organization including aspects of leadership, the communication of expectations, and sense of fairness that employees perceive exists between supervisors and themselves.

- **Strategic Orientation (380)** – 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.

- **Physical Environments (380)** – Physical Environment captures employees' perceptions of the work setting and the degree to which employees believe that a safe and pleasant working environment exists.

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

- **Pay** (235) – 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.

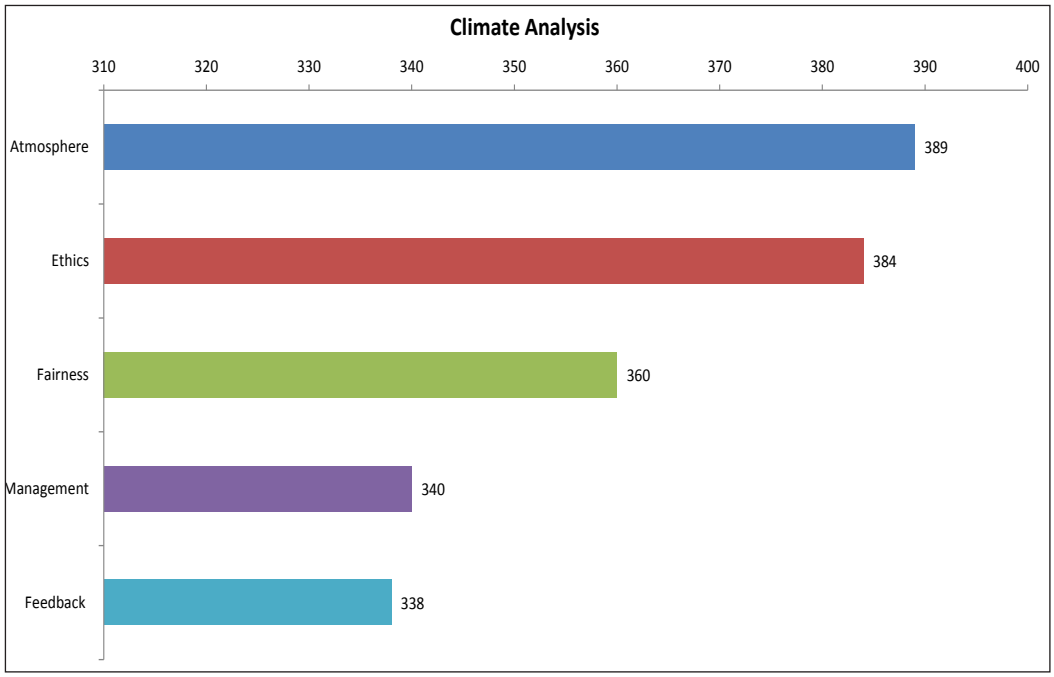


- **Information Systems** (338) – Questions on Information Systems provide insight into whether computer and communication systems utilized by employees enhance the ability to get the job done by providing accessible, accurate, and clear information.

- **Employee Development** (349) – Employee Development questions capture 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, to a large extent, determines the efficiency and effectiveness of an organization. The Institute for Organizational Excellence found that an appropriate climate is a combination of a safe, non-harassing environment with ethical 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 that must be free of harassment in order to establish a community of reciprocity.

- **Ethics:** An ethical climate is a foundation for building trust within an organization where employees are ethical in their behavior and 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.

- **Management:** The climate presented by management as being accessible, visible, and an effective communicator of information is a basic tenant of successful leadership.

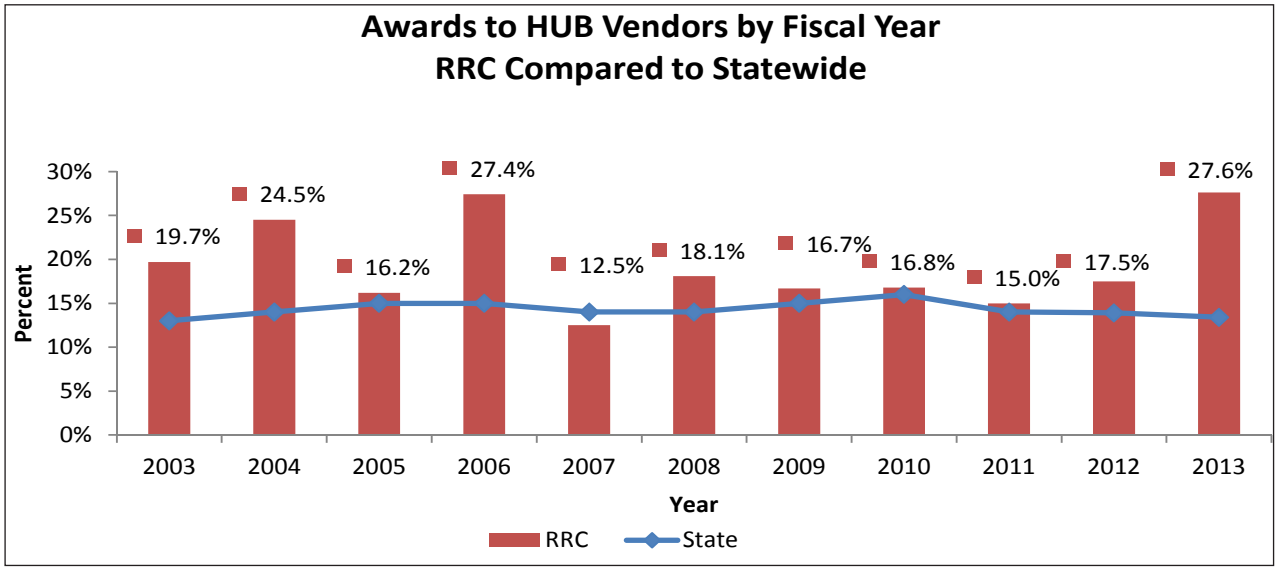
- **Feedback:** Appropriate feedback is an essential element of organizational learning by providing the data necessary for improvement to occur.

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.
	Outcome
	Percentage of dollars spent with HUB vendors
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 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.
	Output Number of dollars spent with HUB vendors Number of bids obtained from HUB vendors Number of purchases awarded to HUB vendors

Procurement Category	Fiscal Year 2013 Agency Goal	Fiscal Year 2013 State Goal
Heavy Construction	0.0% *	11.2%
Building Construction	0.0% *	21.1%
Special Trade Construction	0.0% *	32.7%
Professional Services	20.0%	23.6%
Commodities	20.0%	21.0%
Other Services	15.0%	24.6%

* 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.



Fiscal Year	Total Agency Expenditures	$ Spent with HUBs	% of Total Spent with HUBs
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%
2012	$23,491,698	$4,099,334	17.5%
2013	$32,875,608	$9,071,741	27.6%

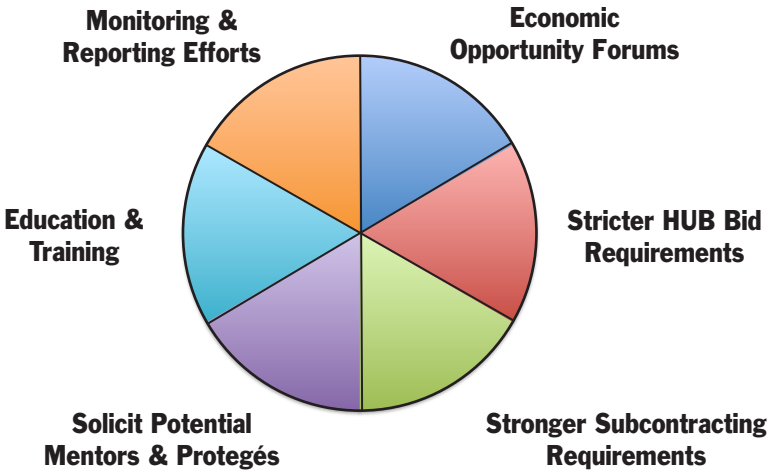
State Procurement Categories	State Goals % spent with HUBs	RRC Actual Fiscal Year 12 % spent with HUBs	RRC Actual Fiscal Year 13 % spent with HUBs
Building Construction	21.1%	0.0%	0.0%
Special Trade Construction Contracts	32.7%	-8.3%	0.0%
Professional Services Contracts	23.6%	37.2%	18.1%
Other Services Contracts	24.6%	15.6%	28.6%
Commodities Contracts	21.0%	25.3%	21.8%

* An accounting adjustment resulted in a negative percentage; however, it does not affect the total HUB percentage of 17.5% for fiscal year 2012.

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 has implemented several initiatives to further support this 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 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 are 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
    - 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.

EDUCATION AND TRAINING EFFORTS

- Inform vendors about the CMBL requirements with bid information, pamphlets, electronic bulletin boards, 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.

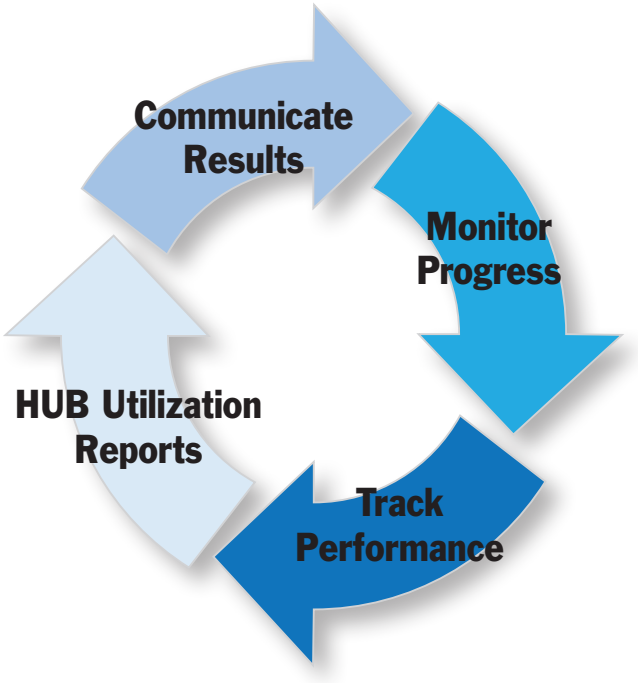
Fiscal Year 2012 - 2013 HUB Forums	
HUB Discussion Workgroup Meeting	June 2012
HUB Discussion Workgroup Meeting	August 2012
HUB Discussion Workgroup Meeting	December 2012
HUB Discussion Workgroup Meeting and University of Texas Annual HUB Vendor Fair	April 2013
"Doing Business Texas Style" HUB Spot Bid Fair	May 2013

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 purchasing 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 REQUIREMENTS

- 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:
    - A hard copy by alpha, county, or commodity code which is available through the purchasing department
    - HUB/CMBL via the Internet on the CPA website: www.cpa.state.tx.us
- The Historically Underutilized Business Plan will be used on all purchases, including expenditures of federal funds. This plan will ensure compliance with procurement standards.



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