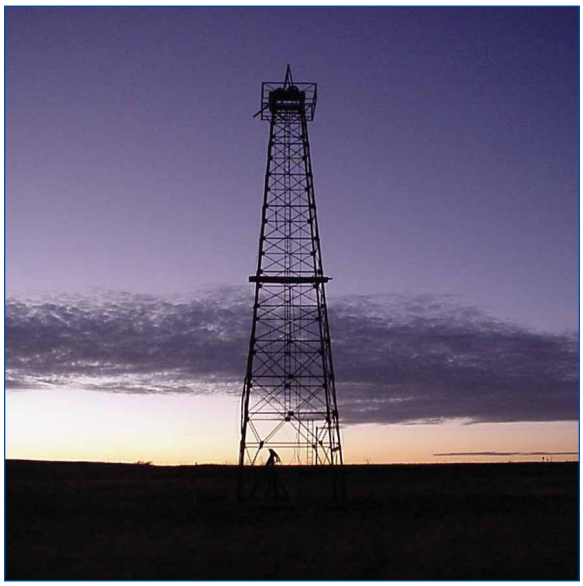
STRATEGIC PLAN

FOR THE FISCAL YEARS 2009 - 2013



MICHAEL L. WILLIAMS - CHAIRMAN
VICTOR G. CARRILLO - COMMISSIONER
ELIZABETH A. JONES - COMMISSIONER

June 2008

STRATEGIC PLAN

FOR THE FISCAL YEARS 2009 - 2013

BY

RAILROAD COMMISSION OF TEXAS

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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. And just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future, and the future of those they love.

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

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

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

RELEVANT STATEWIDE GOALS AND BENCHMARKS

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

ECONOMIC DEVELOPMENT

To provide an attractive economic climate for current and emerging industries that fosters economic opportunity, job creation, capital investment, and infrastructure development by:

- promoting a favorable and fair system to fund necessary state services;
- addressing transportation and housing;
- promoting a favorable business climate; 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 via Internet • Ratio of supply of electricity generation capacity to demand • Number of new business permits issued online • Percent increase in utilization of the state business portal

GENERAL GOVERNMENT

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

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

Benchmarks	
• 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

RAILROAD COMMISSION OF TEXAS

OUR MISSION

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

OUR PHILOSOPHY

- The Railroad Commission and its employees take pride in the services they perform for the people of Texas.
- We will work to develop, protect and conserve for future generations of Texas their valuable natural resources.
- We will oversee a safe, economical and efficient pipeline transportation system.
- We will foster an atmosphere for growth and entrepreneurship that will improve opportunities for jobs, a clean safe environment, education and a better quality of life.
- We will accomplish these goals by maintaining a work place that values a diverse work force, 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 legendary 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.

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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

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

Safety Programs

Advance safety in the delivery and use of Texas petroleum products through training, monitoring and enforcement.

Environmental Protection

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

Public Access to Information and Services

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

EXTERNAL/INTERNAL ASSESSMENT

PART I
OVERVIEW OF AGENCY SCOPE AND FUNCTIONS

STATUTORY BASIS FOR REGULATORY FUNCTIONS

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

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

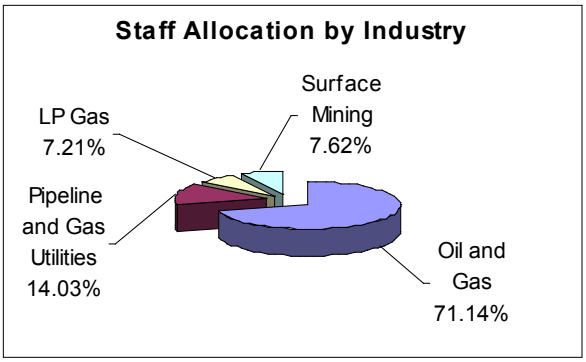
were transferred to TxDOT. Most recently, the Commission expanded its underground damage prevention to pipelines program, following legislation enacted by the 80th Legislature.

History of the Railroad Commission of Texas	
1891	Texas Railroad Commission created.
1917	Regulation of pipelines. Conservation laws relating to oil & natural gas production.
1920s	Regulation of motor carriers and natural gas utility companies.
1930s	Additional regulation over oil and natural gas production. Odorization of natural gas.
1950s and 1960s	Environmental concerns. Safety authority over LP-gas products.
1970s	Authority over coal & uranium surface mining. Federal pipeline safety standards.
1980s	Additional environmental and safety responsibilities.
1990s	Research & education on alternative fuels. Transfer of motor carrier responsibilities to TxDOT.
2001	Sunset Review continued the Commission until September 1, 2014.
2005	Transfer of last rail function to TxDOT.
2007	Expansion of One Call Program for third party damage prevention to pipelines.

AFFECTED POPULATIONS

With legislative changes, 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, LP-gas service, and coal and uranium mining. The majority of the Commission's resources are dedicated to the regulation of oil and natural gas exploration and production. Approximately 71 percent of the Commission's staff (direct and indirect) is dedicated to the oil and natural gas industry, 14 percent to the pipeline and natural gas utility industries, 7 percent to the LP-gas industry, and the remaining 8 percent to the coal and uranium mining industry.

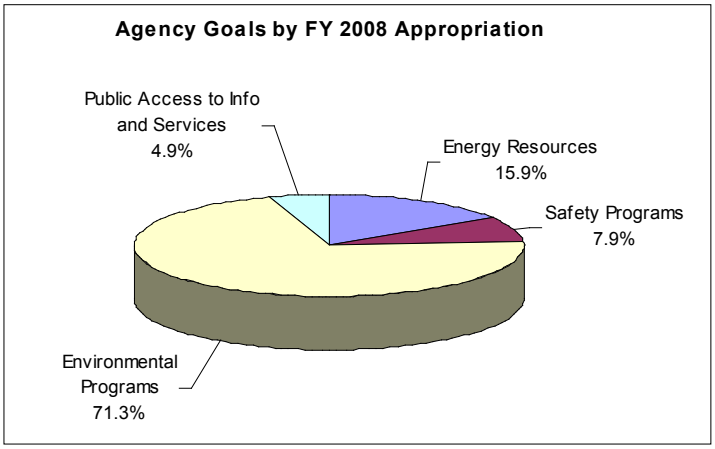
Increasing public demand for pipeline and LP-gas safety as well as environmental protection in the oil and gas industry, may result in an increased distribution of Commission resources to these areas in the future. To address this public demand additional resources will be required. The Commission continually seeks technological advancements to meet its challenges. Technology will satisfy some of the increased demand, but technology alone cannot address all of the concerns for monitoring, reviewing, and physically inspecting the facilities of the industries regulated by the Commission.



Actions of the Railroad Commission affect not only those industries regulated by the Commission, but also many ancillary industries and general public groups. Affected populations include: landowners, mineral interest owners, royalty owners, exploration and production operators, oil and gas transporters, oilfield waste disposal operators, natural gas distribution companies, natural gas consumers, electric utilities, LPG/LNG/CNG suppliers and marketers, LPG/LNG/CNG consumers, LPG equipment manufacturers, coal and uranium mining industries, environmental associations, safety associations, the Texas Legislature, other local, state and federal agencies, labor unions, legal practitioners, the general public, public school teachers and 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 facilities, and oil and gas service companies.

MAIN FUNCTIONS

The Commission's main functions are to protect the environment, protect public safety, protect the correlative rights of mineral interest owners, prevent waste of natural resources, and assure fair and equitable utility rates in those industries over which it has been granted authority. The Commission accomplishes its functions by promulgating rules, registering organizations, maintaining financial assurance of operators, reviewing operator filings, granting permits and licenses, monitoring performance, inspection of 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 concerning alternative fuels, providing public information, resolving disputes, conducting hearings on disputed matters, and rendering decisions.



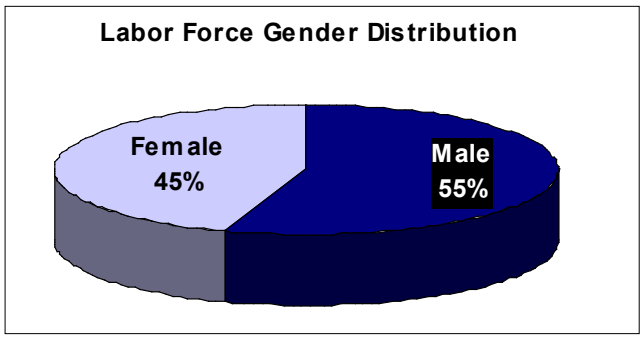
PUBLIC PERCEPTION

The Railroad Commission's name creates a perception among the general public that the Commission regulates the railroads. As of October 2005, all of the Commission's remaining authority over the railroad industry (safety) was transferred to the Texas Department of Transportation. There is little recognition by the general public that the Commission's predominant responsibilities involve the energy industries of Texas. Within the energy industry, however, the Railroad Commission is recognized throughout the United States and the world as a leader in developing workable regulation 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 the development of the state's important energy resources. One of the Commission's four goals seeks the orderly and efficient development of the state's energy resources. This balanced approach sets the Railroad Commission apart from the standard model of a regulatory agency. In every decision that is made or rule that is adopted, the Commission not only looks at how the prospective change protects the environment and public safety, but also how the change would affect the development and production of the state's natural energy resources.

PART II

ORGANIZATIONAL ASPECTS

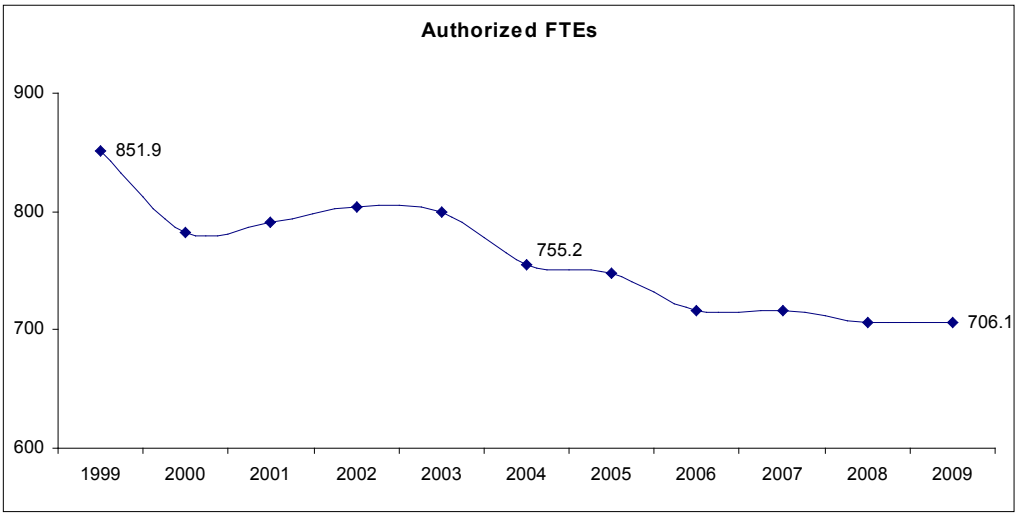
SIZE AND COMPOSITION OF WORK FORCE



The Railroad Commission of Texas has a legislative appropriations cap of 706.1 full-time equivalent (FTE) positions for FY 2008 and FY 2009. The Commission eliminated 145.8 FTEs between FY 1999 and FY 2008, a seventeen percent reduction. In FY 1999 a Commission restructuring reduced FTEs by 69 and a FY 2003 efficiency review eliminated another 44.4 FTEs. In 2006 the transfer of the rail safety program to the Texas Department of Transportation reduced the FTE count by 16.1 and a two percent statewide reduction eliminated another 14.4 FTEs. The Commission reduced its FTE count by 17.0 in FY 2007 as a result of the Data Center Services contract.

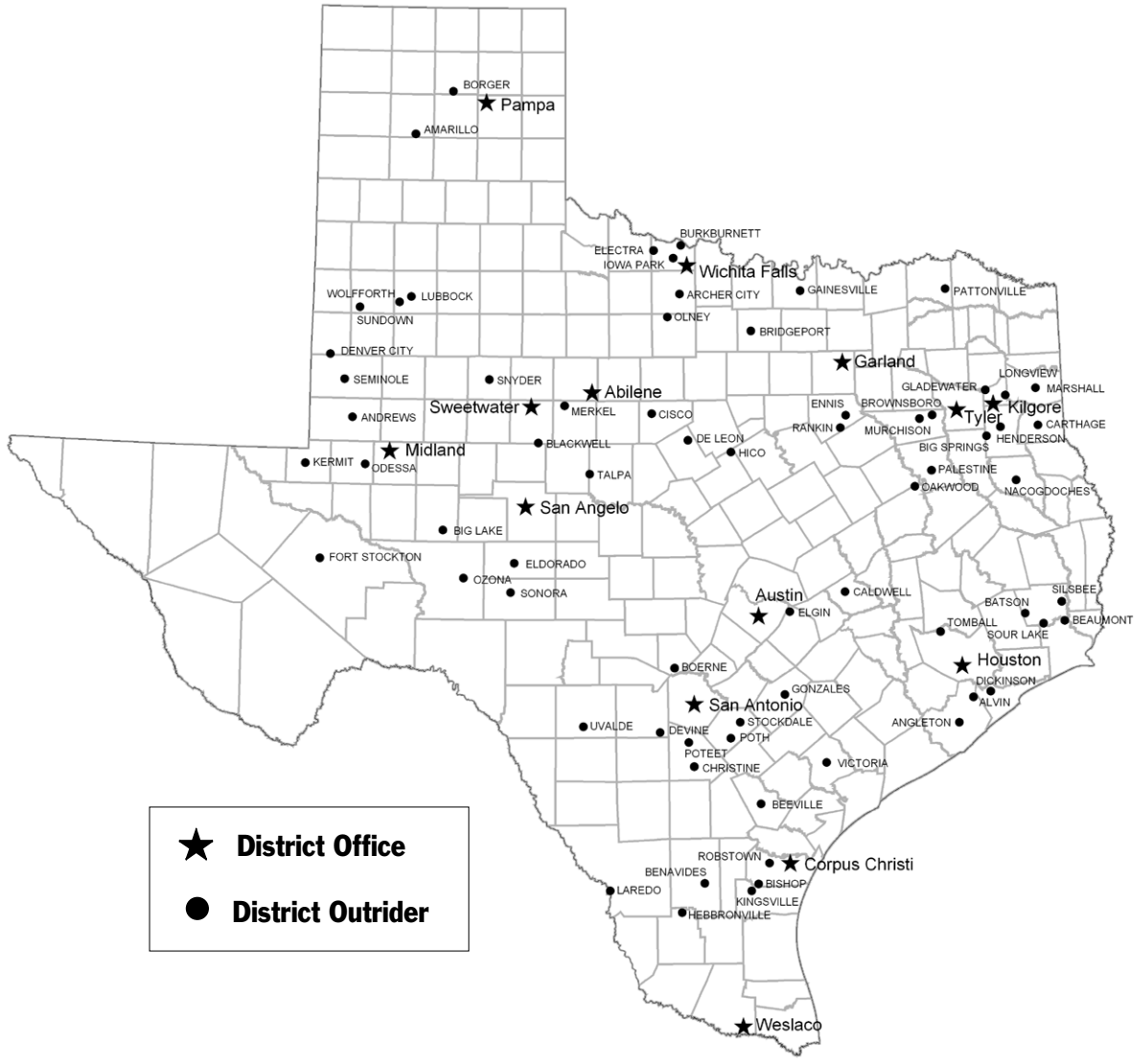
Despite ongoing recruiting challenges, the Commission remains committed to a diverse workforce with the participation of women and minorities.

The current diversity profile at the Commission is: African American 7.5 percent, Hispanic 20.5 percent, and women 44.7 percent. The Workforce Plan, found in Appendix F, provides additional workforce demographics, such as age, tenure, job category, and employee turnover.



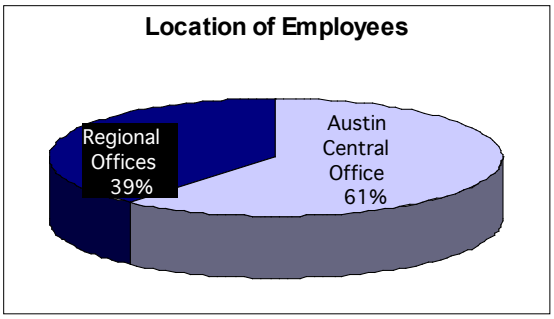
ORGANIZATIONAL STRUCTURE AND PROCESS

Three statewide officials elected to six-year, staggered terms lead the Commission. Serving at the discretion of the Commission is an Executive Director who implements policies and rules and manages the daily operations of the Railroad Commission. Supporting the Executive Director is a management team comprised of the Deputy Executive Director and Division Directors who oversee various aspects of the organization. The current organizational chart for the Railroad 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. Approximately 61 percent of the Commission's staff is located in the headquarters office. The remaining staff is located throughout the state in Commission field offices. Much of the work of the Commission involves on-site inspection of facilities of regulated industries. The most cost-effective business model to conduct on-site inspections involves a network of field offices. In addition, many of the field locations serve as public information portals for walk-in customers. As Internet information capabilities grow, the public information aspect of the field locations is expected to diminish.



Railroad Commission Field Offices	
• Abilene • Corpus Christi • Garland • Houston • Kilgore • Midland • Pampa	• San Angelo • San Antonio • Sweetwater • Tyler • Weslaco • Wichita Falls

Railroad Commission field offices house various combinations of employees from the Commission's functional areas depending on the area of the state. A field office may include employees from the Oil and Gas, Pipeline/LP-gas Safety, Utility Audit, Surface Mining, or Alternative Fuels Research and Education divisions.

Although the field offices are located in the proximity to the industries that they regulate, the Commission also utilizes an "outrider" system to decrease the amount of time employees must use to travel to their work areas. Eighty-four Oil and Gas field office employees, or 37 percent of field office personnel, do not commute to their assigned field office each day. Instead these employees travel directly to the field from their homes, in many instances drastically reducing the commute time each day. The "outrider" system increases the amount of time spent inspecting field operations as well as investigating accidents and complaints. Reduced commute time 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. Training for pipeline safety employees to maintain their required federal certification is only offered out-of-state. Pipeline safety courses are taught in Oklahoma City. Maintaining required training levels requires a significant amount of out-of-state travel annually. In some situations out-of-state travel is required to audit financial statements and records of natural gas utilities and propane distributors that maintain their records at locations outside Texas. Out-of-state travel is also required to maintain input into national policy-setting organizations such as the Interstate Oil and Gas Compact Commission, the national Ground Water Protection Council, the Interstate Mining Compact Commission, the National Association of Regulatory Utility Commissions, the National Association

of Pipeline Safety Representatives, and the national Propane Education and Research Council. Providing input to the Commission's federal funding partners also requires occasional out-of-state travel.

LOCATION OF SERVICE POPULATIONS

The primary responsibility of the Railroad Commission involves the extensive oil and natural gas production industry that affects almost all areas of the state. There are more than 370,000 oil and gas wells and related facilities throughout the state that the Commission monitors. More than 85 percent of Texas counties currently report oil production, and 77 percent of the counties produce natural gas. The Railroad Commission serves the state's extensive energy industry from nine district offices located in Houston, San Antonio, Corpus Christi, Kilgore, Abilene, San Angelo, Midland, Wichita Falls, and Pampa. The Commission actively seeks to delegate increased responsibility to the district offices to serve the needs of the public and the industry in these locations

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

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

The surface coal mining industry operates along the lignite resource belt that extends from northeast Texas towards Laredo. Commission Surface Mining Division personnel in the Tyler field location serve mining operations in the northeast. The Austin headquarters serves central and southwest Texas mining operations.

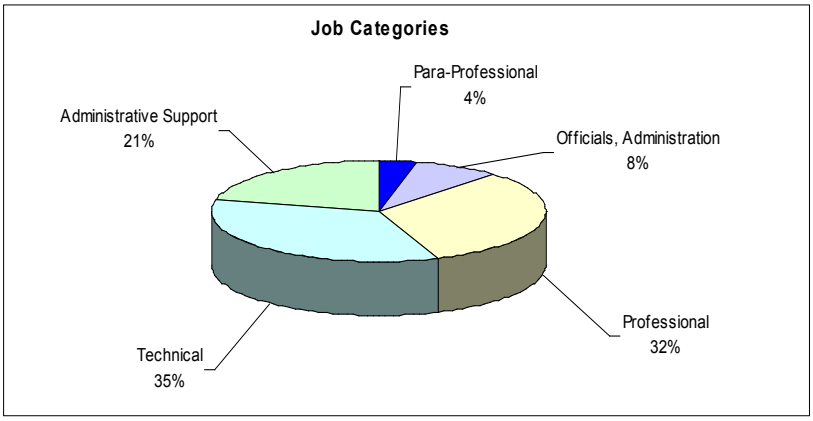
HUMAN RESOURCE STRENGTHS AND WEAKNESSES

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

Results from the *Survey of Organizational Excellence* (found in Appendix G) indicate that Commission employees want to continue long-term employment, but non-competitive compensation is the employees' primary concern. Exit interview statistics re-confirm low pay as a motivator to change jobs and leave the Commission. Many leave state government for higher compensation in the private sector, but a number go to other state or federal agencies for similar jobs posted in a higher salary group. The Commission's inability to retain critical staff is hampered by its inability to compete with other state agencies for talented employees. The skills of the Commission's engineering and scientific staff are critical to perform the Commission's regulatory responsibilities. Retention and recruitment of these professionals continues to pose a challenge.

Advancements in technology, including enhancements to maximize electronic government, ensure the continued importance of maintaining a stable and skilled Information Technology (IT) workforce. As the Commission modernizes its applications, the need to develop staff with the knowledge and skills to support these critical applications increases. The lack of adequate skilled staff, in both the legacy and the new technology environments, could jeopardize the ability of the Commission to accomplish key technological goals. It is imperative that the Commission not only continue to aggressively recruit the necessary professional IT staff to meet its technology needs, but that it actively work to retain them as well.

The Commission has an experienced, dedicated, and well-educated workforce. To support critical regulatory functions, the Commission must be able to pay for good performance and retain existing staff. The commission strongly supports the funding of a competitive salary base, and the continuation of bonus or incentive programs.



For more information see the Workforce Plan contained in Appendix F.

CAPITAL ASSET STRENGTHS AND WEAKNESSES; AND CAPITAL IMPROVEMENT NEEDS

In support of regulatory operations, the Commission has established a solid technical foundation for internal connectivity and e-government applications. The web-based architecture was designed to support the growing demands of the Commission's customers for web-based services.

The following technology initiatives and system enhancements enable the Commission to operate more efficiently and improve services:

RRC Online represents the conglomeration of the Commission's web-based online filing, reporting and query systems and is widely used by the Commission's customers.

The **Production Data Query System (PDQ)** provides Internet access to valuable oil and gas production data from 1993 to the present. It is one of the Commission's most popular web-based applications, receiving an average of 2.1 million page views per month.

The **Drilling Permit System** enabled 33 percent of the 19,000 Drilling Permit Applications filed in FY 2005 to be filed online; the percentage of online filings had grown to more than 70 percent in FY 2007.

When the **Production Reporting System** was deployed in February 2005, only 23 percent of the two million oil and gas production reports filed each year were filed electronically; by FY 2007, more than 75 percent of those reports were filed online or through electronic data interchange (EDI).

The **Disposal/Injection Well Monitoring Report (H-10) System** was implemented in 2007 and supports online filing as well as EDI.

The **Online Fee Payment System** automates fee collection through the Internet. The fee collection infrastructure makes use of the Texas Online payment portal and has been designed so that additional fees can be easily added.

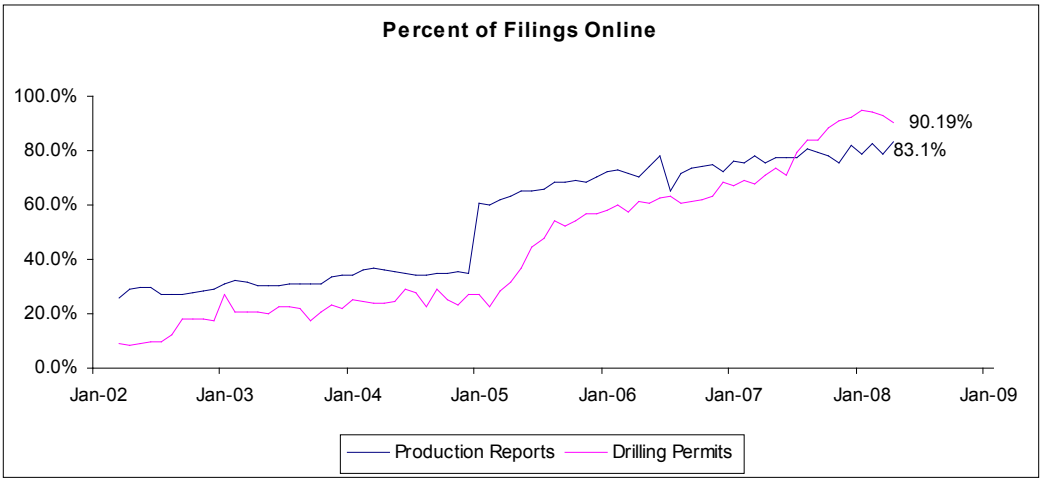
The **Geographic Information System (GIS) Viewer** allows users to locate mapped wells, permitted well locations, and pipelines on Commission maps, and drill down to more detailed information with the click of their mouse. The GIS Viewer receives an average of 2.5 million page views per month.

Electronic Records are created, indexed and made available to the public on the agency's website. Digital imaging technology is used to produce electronic records and provide immediate access to the Commission's volumes of information stored on paper and microfilm.

Mobile Computing is equipping and empowering Commission field staff with computing resources that they did not have in the past. Conditions in the environment (e.g., temperature, shock, vibration, moisture, dust, etc.), in which these staff work, dictate that the mobile computing devices be rugged. Deployment of these devices in the field lays the foundation for empowering these staff with the ability to look up, store and exchange information.

GIS, Business Application and Document Imaging Integration. From the GIS Public Viewer, the Commission has established links with business applications to view oil and gas well attributes, permit information and production data as well as with well log and completion packet document images. From this foundation, the Commission is poised to provide customers with flexible access to information and services.

Implementation of these automated systems has increased the efficiency and accuracy of these processes, thereby strengthening the Commission's ability to carry out its regulatory responsibilities, achieve its goals, and better serve the public.



INFRASTRUCTURE UPGRADE

Maintaining current end user and network computing infrastructure is essential for Commission regulatory operations. Funds will be needed to continue to acquire technology and to replace aging equipment as needed to support Commission staff in performing regulatory tasks.

GEOGRAPHIC INFORMATION SYSTEM (GIS) TECHNOLOGY UPGRADE

The Commission, other state agencies, businesses, industry, and the public view the Commission's Geographic Information System (GIS) data as an essential component for daily operations. The GIS technical environment is in need of a major technology upgrade. The hardware and software components presently installed are not capable of being consolidated into the statewide data center. With a GIS technology upgrade, the Commission will leverage newer technology and expanded capability to meet the current and future needs for GIS to ensure that customers have GIS data that is available, reliable, current and accurate. In addition, the GIS technology upgrade will facilitate data center consolidation and will position the Commission to be able to take advantage of GIS data sharing and GIS shared services.

PERSONAL COMPUTER (PC) REFRESH

In August 2005, the Commission secured additional capital authority to replace aging end user computing (EUC) equipment with new workstations and laptops.

Maintaining current technology infrastructure for EUC equipment is essential for Commission regulatory operations. While the current budget will support the acquisition of minor equipment and infrastructure upgrades, it will be difficult to refresh outdated EUC equipment on a regular basis. Based on a four-year refresh schedule, the Commission's personal computers (workstations and laptops) will be due for replacement during the FY 2010 –2011 biennium. Establishing a EUC refresh program would improve the ability of information technology staff to focus more on business needs rather than equipment maintenance and repair. It would also make these costs more predictable, level information technology expenditures and reduce budget spikes.

The Commission will continue its investment in technology to provide the best value in direct support of Commission and statewide goals. Capitalized and controlled asset acquisitions are monitored and purchases are scrutinized to determine best value. Statewide contracts and outsourcing will continue to be used, as appropriate, to leverage purchasing discounts for procuring capital equipment, software, support, and services. The Commission will continue to maximize its use of statewide telecommunications technologies to realize maximum cost savings. These services are essential for improving the effectiveness of e-government and other Internet-based business solutions. In line with the state's strategic direction, the Commission will partner with other state agencies and councils to gain economies in technology purchases. The Commission will use these strategies to: review the current infrastructure; develop update or replacement plans; and acquire technology updates for capital equipment.

VEHICLES

In support of its regulatory operations, the Commission is authorized to maintain a vehicle fleet of 249 vehicles. A significant part of the work of the Commission 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 the oilfield and along pipeline right-of-ways. The Commission has adopted a 100,000-miles/six years of age vehicle replacement schedule, consistent with the schedule adopted by the State Office of Fleet Vehicle Management (OFVM).
The ability to maintain and replace vehicles under this regular schedule ensures the Commission's fleet is available to respond to emergency situations, minimizes employee downtime, and reduces maintenance costs. However, reduced vehicle replacement funding during the last two legislative sessions has limited the Commission's ability to maintain a regular vehicle replacement schedule. Sufficient budgeting to keep a regular replacement cycle of vehicles will, in the long run, minimize the cost of maintaining the required vehicle fleet.

Vehicle Replacement Goals
as of February 29, 2008

Vehicle Type	Authorized	Projected Number Exceeding Replacement Goals *
Sedans and Wagons	10	3
Trucks and Light Trucks	237	97
Passenger Vans and Suburbans	2	0
TOTAL	**249**	**100**

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

By the end of fiscal year 2008, it is anticipated that the Commission will have approximately 100 vehicles or 40 percent of its fleet with mileage over 100,000. Vehicles with high mileage cost more to maintain than vehicles with fewer miles and age, and fuel efficiency and safety also decrease with older vehicles.

AGENCY USE OF HISTORICALLY UNDERUTILIZED BUSINESSES (HUBS)

The HUB Program promotes equal opportunity in the contract awards process for qualified businesses seeking contracting opportunities with state agencies. Each state agency is required to make a good faith effort to use HUBs in contracts for construction, services, and commodity procurements, and the Commission is extremely dedicated and committed to assisting HUBs. The Commission actively educates vendors on 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 bid requirements are followed 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.

History of Railroad Commission HUB participation FY 2001–FY 2007					
	FY 03	FY 04	FY 05	FY 06	FY 07
Total Agency Expenditures	$17.3 M	$18.5 M	$21.6 M	$22.7 M	$27.2 M
Total dollar amount spent with HUBs	$3.4 M	$4.5 M	$3.5 M	$6.2 M	$3.4 M
Percent of total spent with HUBs	19.8%	24.5%	16.2%	27.4%	12.5%

Since FY 2003 the Railroad Commission's HUB participation rates have fluctuated from a low of 12.5 percent to a high of 27.4 percent. The Commission was recognized as one of the top agencies spending more than $5 million with the largest percentage of expenditures spent with HUBs in fiscal years 2003, 2004, and 2006. 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 H.

Performance Indicators	State Goal	FY 2006	FY 2007
Professional Services	20.0%	52.9%	23.1%
Commodities	12.6%	22.8%	14.1%
Other Services*	33.0%	27.3%	11.5%
Special Trade	57.2%	0.0% *	70.2%

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

In July 2003, the Commission adopted a new organizational structure following an efficiency review of operations and to prepare for reduced appropriations for the FY 2004–2005 biennium. The Commission's efficiency review commenced in March 2003 under the leadership of Commissioner Carrillo. The efficiency gains recognized through this effort allowed the Commission to absorb reduced appropriations with minimal impact on the Commission's operations and employees. The new structure has enabled the Commission to be more responsive and focused in its approach to the work ahead, and it more closely aligns the agency organization structure with budget priorities. More importantly, the new structure improves the agency planning process,

* The Commission spends a substantial amount (approximately 83% for FY 2006 and 2007) of the funds earmarked for the Other Services Procurement category on well plugging and site remediation services. The Commission is committed to increasing HUB participation over the prior year and to continue to actively recruit HUB vendors. Even though the Commission continues to increase HUB participation in this category, the number of qualified vendors providing well plugging and site remediation services is extremely limited.

the identification of business process improvements, and the implementation of technological enhancements.

The Railroad Commission is committed to fostering a competitive business environment for the industries it regulates. The Commission seeks to increase the availability of electronic permitting with regular enhancements to the Commission's web-based filing opportunities. In FY 2008 the Commission implemented its third party damage reporting system. Increased enforcement of third party damage to pipeline facilities should reduce damage incidents and improve the timeliness of pipeline transport for businesses in the state. The Commission reviews each proposed rule with the intent to protect the environment and public safety without creating an undue regulatory burden for industry.

USE AND ANTICIPATED USE OF CONSULTANTS

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

PART III
FISCAL ASPECTS

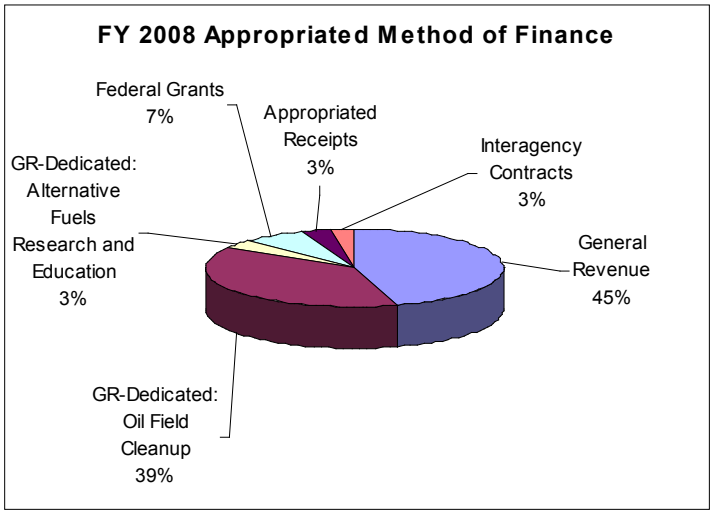
SIZE OF BUDGET

The Railroad Commission's appropriation for FY 2008 is $61,128,960 and $60,650,211 for FY 2009, with 706.1 FTEs for each year of the biennium. General Revenue represents 45.3 percent of the FY 2008 method of finance and 45.7 percent of the method of finance for FY 2009. Funding reductions continue to have a negative effect on the agency by reducing the number of FTE in all divisions.

METHOD OF FINANCE

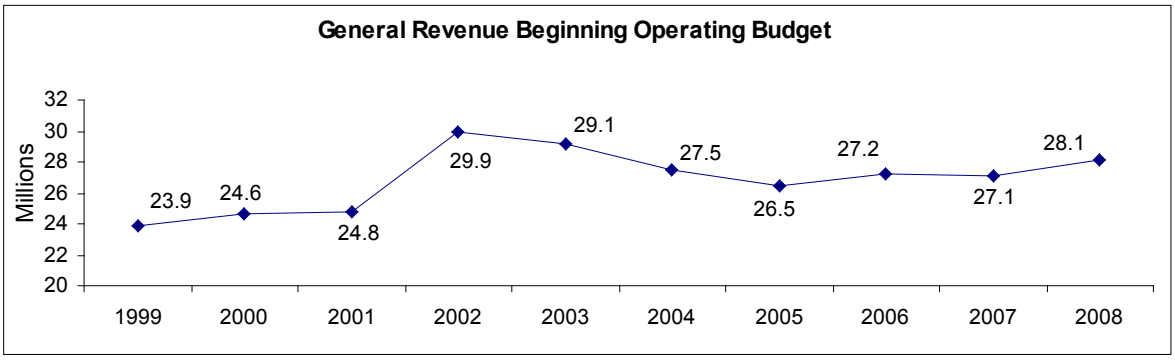
The total budget increased from $44 million in 1999 to $66.8 million in FY 2006, but declined to $61.1 million in FY 2008. During the same period, General Revenue (GR) peaked at $29.9 million in 2002 and declined to its current level of $27.6 million. The Oil Field Cleanup Fund increased from $10.5 in FY 1999 to $23.7 million in FY 2008.

FY 2008 Appropriated Method of Finance	
General Revenue	$27,661,067
GR-Dedicated: Oil Field Cleanup	$23,675,986
GR-Dedicated: Alternative Fuels Research and Education	$1,907,159
Federal Grants	$4,369,616
Appropriated Receipts	$1,938,910
Interagency Contracts	$1,576,222
TOTAL	$61,128,960



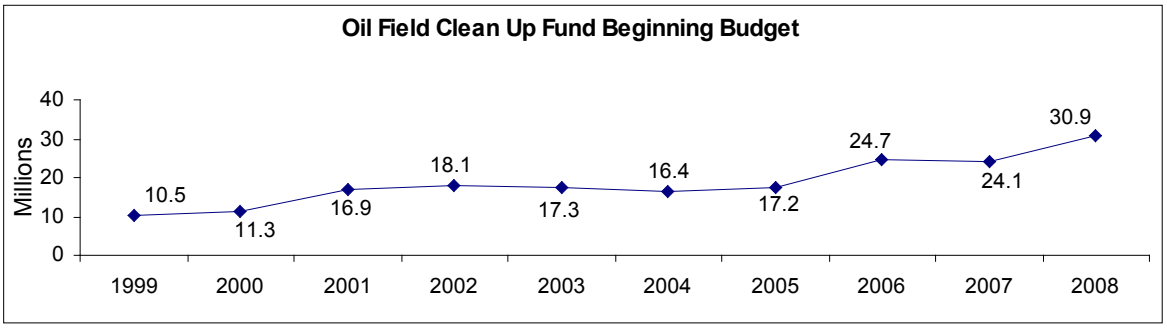
GENERAL REVENUE

While the Commission's General Revenue appropriation remained relatively flat over the last two biennia, the Commission increased the fees borne by the regulated community to offset inflationary cost drivers. Most recently, the Commission increased fees associated with surface mining permits and pipeline safety fees. The majority of appropriation increases were for legislatively mandated salary and longevity increases for employees, and did not address non-personnel related cost drivers, such as the increase in fuel prices.



OIL FIELD CLEANUP

The Legislature created the Oil Field Cleanup Dedicated Account (OFCU) in 1991 to give the Railroad Commission, on behalf of the State, the financial ability to plug abandoned oil and gas wells and to remediate abandoned oilfield sites throughout the state. Revenue for the Oil Field Cleanup Dedicated Account comes from the oil and gas industry in the form of fees for permits, oil and gas production regulatory fees, financial assurance collections, sales of salvageable equipment, reimbursement for plugging and remediation costs, administrative penalties and civil penalties. Much of this revenue depends on the health of the industry. During periods of low prices and low rig counts, revenue from permit fees and production decreases, while the fiscal demands on the account increase as the state must address more abandoned wells and neglected sites. Senate Bill 310 (77th Legislature) increased the fees that operators are required to pay to the account. The legislation anticipated that increased fees would generate an increase in the annual collections from approximately $12 million to $20 million. Actual collections for the FY 2006 were $27.0 million and $28.9 million for FY 2007.



Collections in FY 2008 and FY 2009 are expected to be $28.1 million and $29.7 million, respectively. Provided the current economic conditions remain relatively stable, future collections through fiscal year 2013 should be about $30 million per year. While the forecast for revenue collections is good, the Commission continues to face challenges in its ability to enter into modestly priced contracts for well

plugging or site remediation services due to limited availability of contractors in certain areas of the state.

FEDERAL FUNDS

FY 2008 SOURCE OF FEDERAL AWARDS
• U.S. Department of Agriculture
• Environmental Quality Incentives Program
• U.S. Department of the Interior
• Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining
• Abandoned Mine Land Reclamation (AMLR) Program
• U.S. Department of Transportation
• Pipeline Safety
• U.S. Environmental Protection Agency
• State Underground Water Source Protection
• Source Reduction Assistance
• State and Tribal Response Program Grants (Brownfields Program)

The Commission's Pipeline Safety program falls under a federal/state partnership program administered by the U. S. Department of Transportation. The federal Pipeline Safety Act provides for state assumption of the intrastate regulatory and enforcement responsibilities through this arrangement. The Commission participates in this program and provides annual certification to assume the safety responsibilities. The percentage of funding is determined through a performance-based allocation formula with a maximum of 50 percent reimbursement from the federal government. The Pipeline Safety program also qualifies for federal grant programs related to the One-Call damage prevention system.

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

The Commission is also responsible for the State's Coal Regulatory Program and Abandoned Mine Land Reclamation Program (AML) administered with funds provided through the U. S. Department of Interior. The Coal Regulatory program requires a fifty percent state match. The AML is one hundred percent federally funded. At this time, the long-term funding for these programs is not projected to change substantially.

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

OTHER FUNDS

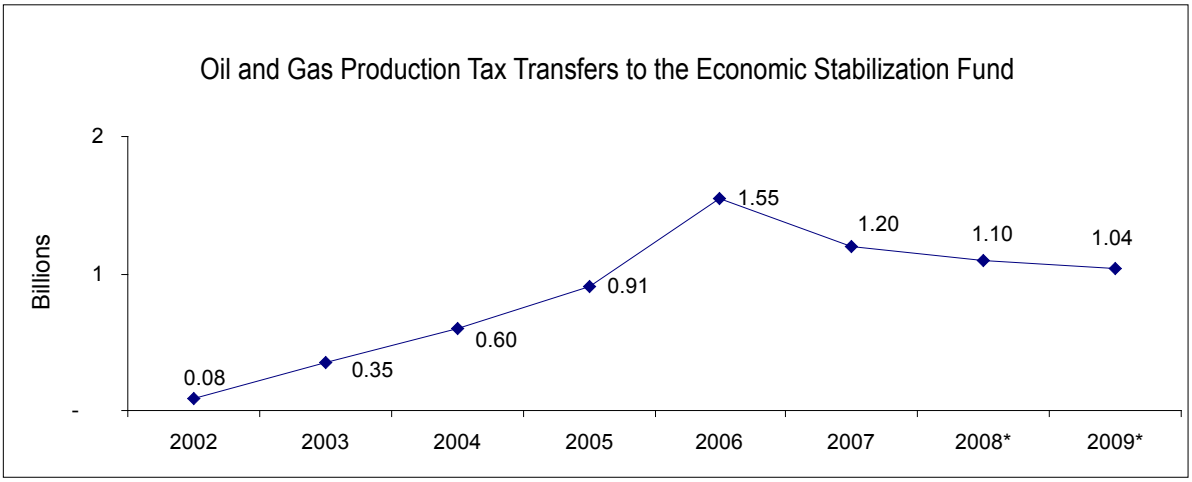
In 2006 the Commission entered into an $8 million contract with the Texas Commission for Environmental Quality (TCEQ) to reduce environmentally hazardous emissions from forklifts by offering rebates to customers purchasing more efficiently fueled forklifts. In February 2008 the contract increased to $12 million, and eligibility for rebates was extended to other types of low-emissions equipment, such as bobtails and school buses.

STATE REVENUE SOURCE: ECONOMIC STABILIZATION FUND—"RAINY DAY FUND"

The Texas Constitution mandates that if oil and natural gas production tax receipts exceed the net amount received in fiscal 1987, an amount equal to 75 percent of the excess must be transferred to the state's Economic Stabilization Fund (ESF) from the General Revenue Fund. In 1987 the State received $537,871,538 in oil production tax receipts and $599,776,454 is gas production tax receipts.

Transfers from state oil production and natural gas tax collections to the ESF should total $3.7 billion over the three-year period 2007–09. The 27.6 percent increase in available revenue for the State from the period 2005–07 results from stronger than expected national and state economic growth, sustained high oil and gas prices, and greater than expected non-tax revenue.

Oil production and regulation taxes were anticipated to generate $1.4 billion in revenue for 2008-09, compared to $1.6 billion in 2006-07, a 13.6 percent decline. Natural gas tax receipts were expected to total $3.5 billion in 2008-09, a decrease of 15.1 percent from the $4.1 billion collected in 2006-07. Further, expected exploration activity in the Barnett Shale may result in natural gas tax refunds of approximately $80 million over the three-year period 2007-09.



* Estimated by CPA

PER CAPITA AND OTHER STATES COMPARISON

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

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

State	2006 Expenditures	Pipeline Mileage	Cost per Pipeline Mile
Oklahoma	$1,132,825	35,689	$31.74
Louisiana	$1,615,112	26,167	$44.66
New Mexico	$1,075,823	16,230	$66.29
Texas	$3,628,8153	173,625	$20.90

Comparative 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 2007 in each state appears below.

State	2007 Expenditures	Number of Wells Plugged	Number of Sites Cleaned-up
Oklahoma	$7,689,141	253	862
Louisiana	$4,286,574	160	14
New Mexico	$3.337.387	215	15
Texas	$27,953,224	1,536	308

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 2006 by the total acreage that was permitted in 2006. The Commission's coal regulatory program cost based on federal funding is less than half the national average.

State	2006 Federal Funding	Total Acreage Permitted	Average Cost per Permitted Acre
Colorado	$1,903,776	162,750	$12
Indiana	$1,787,798	258,230	$7
Texas	$1,399,190	270,200	$5
West Virginia	$11,199,595	334,087	$33
Total, State and Indian Regulatory Programs	$56,365,347	4,411,231	$13

DEGREE TO WHICH CURRENT BUDGET MEETS CURRENT AND EXPECTED NEEDS

The FY 2008–2009 budget is sufficient to support continued progress on modernizing the Commission's business applications and upgrading the infrastructure. The Commission continues to develop applications to facilitate on line filing and to allow greater access to information.

Based on Data Center Services (DCS) revised budget estimated provided by the Department of Information Resources (DIR), the DCS Project budget for FY 2008-2009 is not sufficient to support the current level of data center services. For the FY 2010–2011 biennium, the Commission expects the DCS baseline expenditures to increase due to incremental network costs to connect to the statewide data centers, changes associated with transformation to the state data centers, and expected increases in the allocation of one-time charges. In addition, some amount of increase in DCS charges will be attributable to growth in storage and processing requirements related to the development and implementation of new applications,

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

CAPITAL AND/OR LEASED NEEDS

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

PART IV

SERVICE POPULATION DEMOGRAPHICS

Barnett Shale

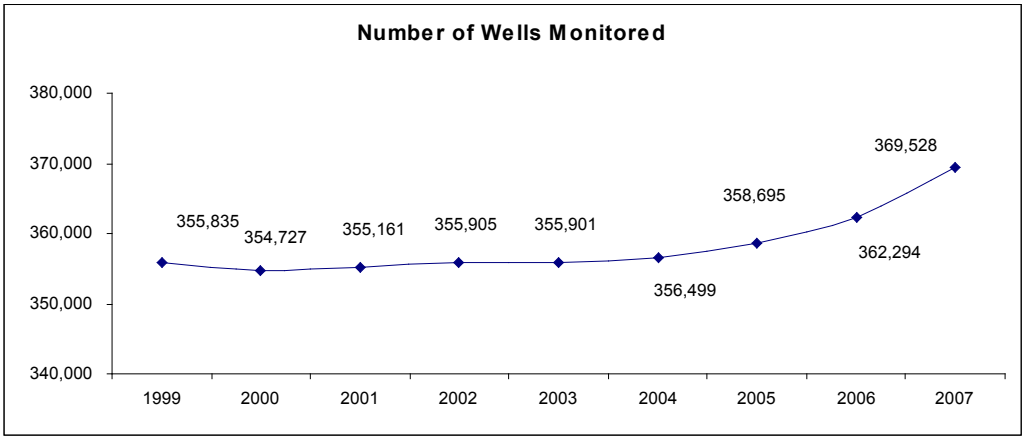
The current service responsibilities of the Commission fall within five basic industry segments: oil and natural gas exploration and production, natural gas and hazardous liquids pipeline operations, natural gas utilities, LP-gas service, and coal and uranium mining. Each of the distinct industries have their own unique service populations.

OIL AND NATURAL GAS EXPLORATION AND PRODUCTION

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

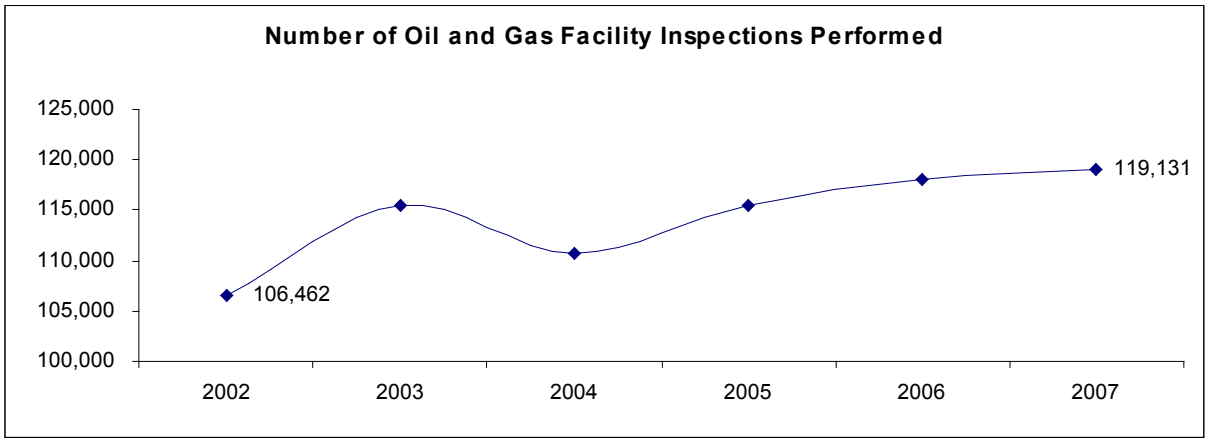
Texas is the nation's leading oil producing state and the leading gas producing state. Texas provides 29 percent of the domestic onshore oil production, and 35 percent of the domestic onshore-marketed gas production in the United States. According to the United States Energy Information Administration as of December 2006 Texas has remaining proven oil reserves of 4.87 billion barrels, and proven gas reserves of 61.84 trillion cubic feet.

Texas is a mature oil producing state with increasingly marginal production. Peak annual oil production for Texas was in 1972 when the average oil production was almost 3.5 million barrels of oil per day coming from 167,000 active oil wells. In 2006 production from Texas oil wells averaged only 949,904 barrels per day, less than one-third of the rate produced in 1972. However, the number of active producing oil wells is approximately 144,500.



Although the oil production rate is declining, the Railroad Commission's responsibilities may actually increase. It takes just as much effort to perform an inspection, or administer a permit for a well producing one barrel of oil per day as it does for a well producing 100 barrels

of oil per day. As wells become even more marginal, the likelihood of operators leaving abandoned wells for the Commission to plug will increase during periods of low oil and gas prices. Over the past several years, the Commission strengthened financial assurance requirements for operators, culminating in universal bonding for all operators of wells in an effort to reverse this trend. Over the long term, this action should reduce the Commission's need to plug abandoned wells.



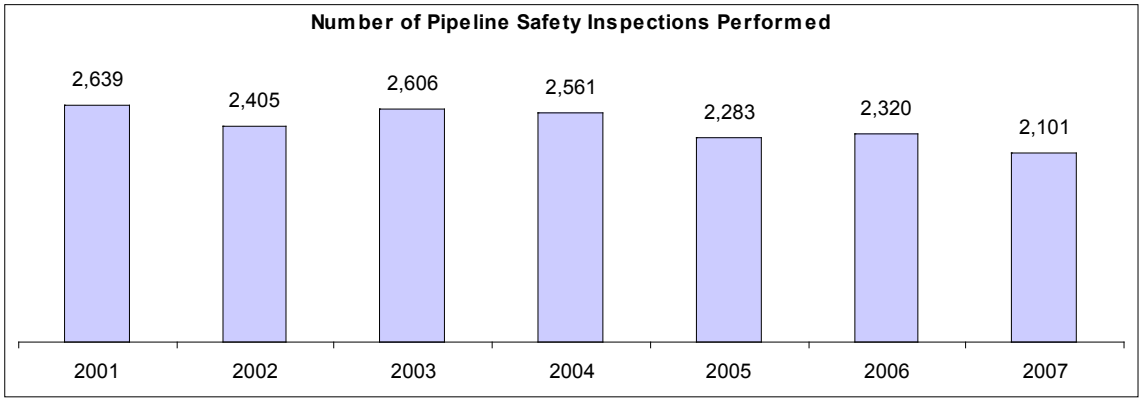
Natural gas appears to have a much brighter outlook than oil. Texas natural gas production also peaked in 1972 at 26 billion cubic feet of gas per day. As of 2006, gas production is approximately 16.6 billion cubic feet per day, which is a 38 percent decline from the peak year. However, there has been a slight increase in gas production over the last several years. The number of producing gas wells has almost quadrupled from 23,000 in 1972 to 88,021 in 2006. The Commission's workload is not expected to decrease in the short or medium term. In the long term, increasing demand for natural gas that must be met by North American production (natural gas cannot be economically imported in large quantities like oil), will likely increase drilling and production activity for natural gas in Texas. This increased activity will also mean additional activity for the Railroad Commission

PIPELINE OPERATIONS

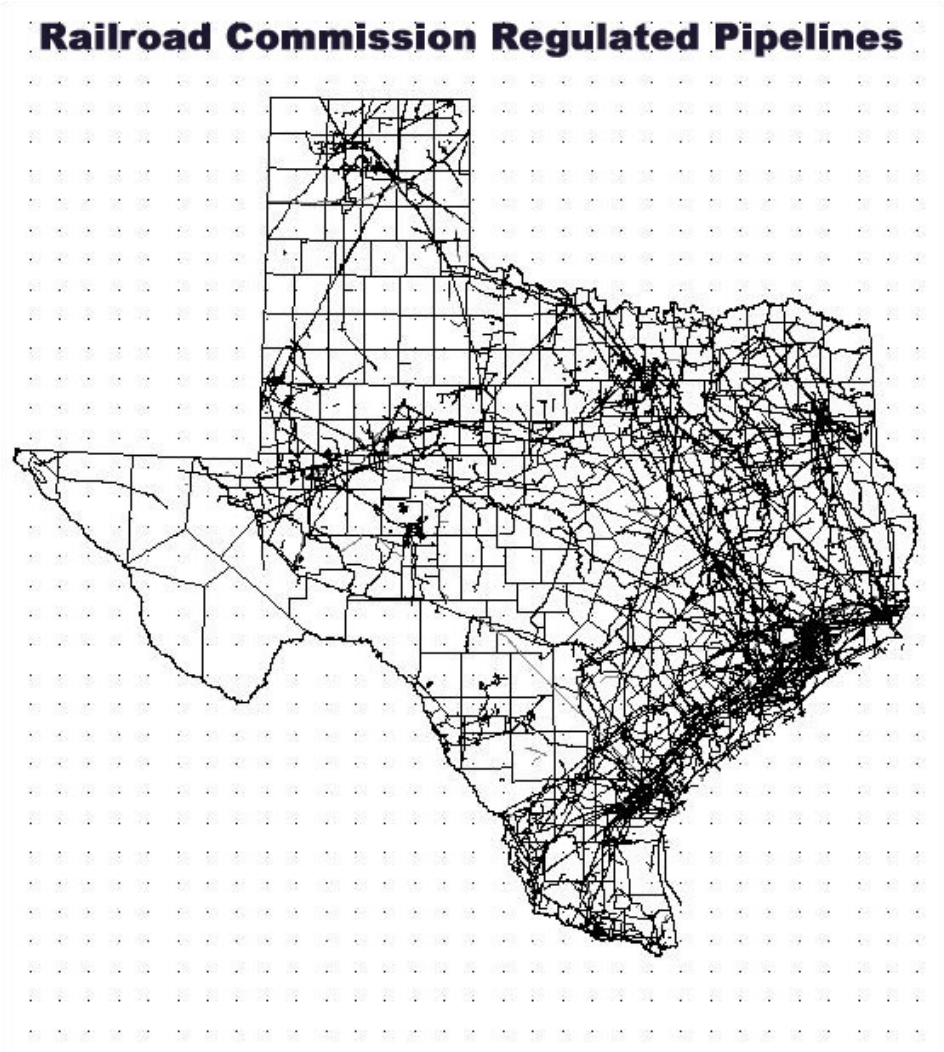
An extensive network of pipelines is required to gather, transport, and deliver the state's valuable oil and natural gas resources. The Railroad Commission has responsibility to ensure that pipeline systems are designed, constructed, operated, and maintained safely, and that rates for natural gas service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

There are approximately 281,000 miles of pipeline in Texas, about 1/6 of the total pipeline mileage of the entire United States. They are divided into the categories of natural gas

Midland to Corsicana Refined Products Pipeline



distribution lines (90,000 miles), hazardous liquid and natural gas transmission lines (76,000 miles), interstate lines (80,000 miles), and non-regulated lines (35,000 miles). The Railroad Commission has direct safety responsibility over the first two categories. These regulatory responsibilities extended to more than 1,500 operators of intrastate gathering, transmission, distribution, and master metered systems.



The development of new natural gas markets, especially for gas-fired electric generation, is expected to require new pipelines over the short, medium and long term.

Increasing public demand for environmental impact review and more stringent safety standards are also likely to increase the workload of the Commission. Not only new capacity, but also the aging infrastructure of existing pipelines and the sprawl of urban areas into right-of-ways once only inhabited by pipelines will require even closer pipeline safety scrutiny by the Commission.

NATURAL GAS UTILITIES

There are approximately 7,500 active tariffs on file with the Commission that reflect rates charged for intrastate natural gas utility transmission and distribution services. There are 194 investor-owned and 85 municipally owned natural gas utilities in Texas, serving nearly four million customers.

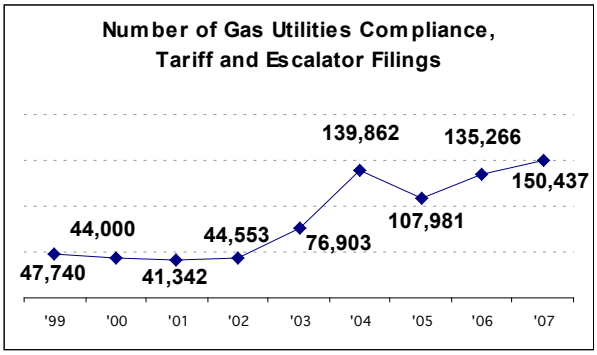
Residential Gas Utility Meter

The 78th Legislature passed the Interim Rate Adjustment (IRA) as Section 104.301 of the Texas Utilities Code allowing natural gas utilities an interim rate adjustment to capture increases in net investment of invested capital, annually. This change allows a utility an adjustment to its rates annually without coming to the regulatory authority for a full-blown rate case until the end of a five-year anniversary. Administratively approved by the regulatory authorities, this change has increased the Commission staff's workload dramatically.

Natural gas utility companies in Texas not only include the distribution utilities that most people associate with utilities, but also many natural gas gathering and transporting pipelines. The Commission has had statutory authority for many years to allow these parties to develop their own negotiated rates as long as all parties are in agreement. Disputes over such rates or terms of service were handled as contested cases. The Commission has since developed a mediation process to resolve such disputes without the associated cost of a contested hearing. This informal complaint process has been extremely successful in reaching resolution of such issues. Expansion of this process to other areas of dispute within the Commission is currently being evaluated.

The natural gas industry has seen a significant increase in the price of natural gas to consumers since 2005. In an anticipation of increased consumer calls and complaints, the Gas Services Division implemented an automated consumer complaint and information system. Consumers that call the Commission may listen to a recorded message that may help them understand the increases in the price of natural gas on their utility bill, and they may leave a voice message to be returned by Commission staff. Additionally, consumers may file a written comment or a complaint through the Commission's website that is monitored daily, resulting in timely response by Commission staff.

Mandated by the 79th Legislature, the Commission initiated a Natural Gas Pipeline Competition Study to evaluate the competitiveness of the natural gas regulatory environment, especially with respect to the working relationships between natural



gas producers, gatherers, and transporters and concerns that have been expressed about discriminatory and anticompetitive behavior.

Pursuant to initial market analyses by Commission staff, the Commission held seven workshops around the state from November 2005 through January 2006 to receive input from all interested parties.

An Advisory Committee comprised of representatives from all segments in the natural gas industry was appointed in April 2006 to address the issues identified in the workshops and to present a report of its findings and recommendations to the Commission by July 2006. The report was submitted to the Texas Register to receive comments from interested parties.

The final study report was submitted to the Legislature on November 1, 2006. The study included several recommendations for improvement, including:

Informal Complaint Procedure

- Codify the existing informal complaint procedure as a rule with enhancements regarding mandatory participation, information discovery and access, mediation options, and more timely complaint resolution.
- Seek enforcement and administrative penalty authority from the Legislature regarding discriminatory behavior and failure to comply with the informal complaint rule.

Transparency

- Seek legislation to allow producers the option of not having a confidentiality provision in future sales, gathering, and transportation contracts.

Marginal Wells

- Continue the severance and franchise tax abatements approved in the 79th Legislature to sustain the viability of marginal wells.

Gathering and Transportation Fees

- Seek Legislative authority to set a natural gas rate for gathering and/or transportation using either cost of service or market-based methods in a formal complaint proceeding.

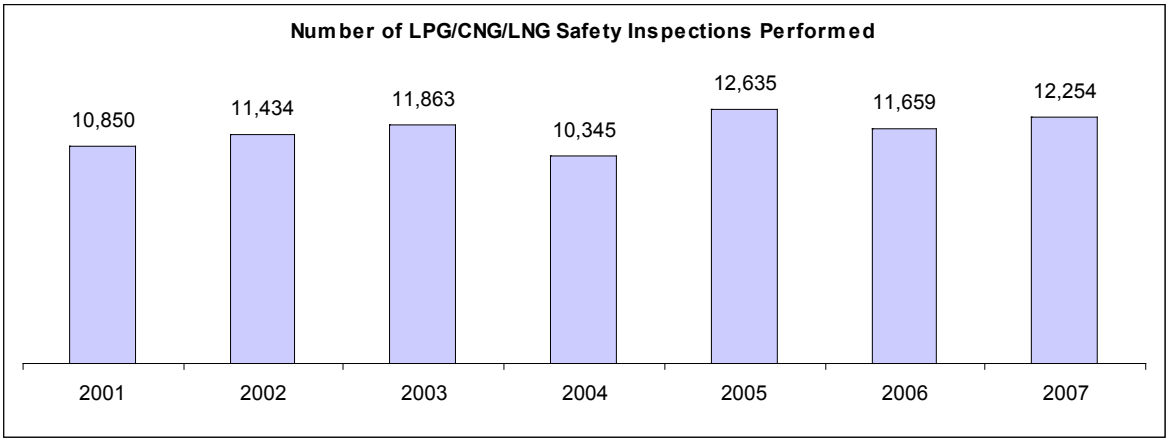
LP-GAS SERVICE COMPANIES

This industry includes LP-gas, commonly referred to as propane, as well as compressed natural gas (CNG) and liquefied natural gas (LNG). The Railroad Commission's responsibilities include oversight to insure that the transportation, storage, distribution and use of these fuels are handled safely. This is done through examination and licensing of persons and companies handling these fuels; and inspection and monitoring of transport trucks, facility installations and storage facilities. In addition, the Commission conducts training and continuing education for LP-gas licensees, certificate holders, and emergency response personnel.

There are 11,000 individuals working in the industry, with about 2,500 dealer licenses issued annually and about 11,000 facility inspections conducted each year.

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

Another important part of the Commission's responsibility is education and research into promoting the use of propane as an alternative fuel in Texas. Texas is the largest propane producing and consuming state, and promoting efficient, environmentally beneficial uses of this important Texas resource and fuel is the Commission's



Residence with underground propane tank

responsibility. The Alternative Fuels Research and Education Division (AFRED) carries out this responsibility primarily with funding provided by industry-paid fees. This division was created in 1991 as the first LP-gas "check-off" (an assessment on each gallon of odorized propane gas sold) program in the United States. Since then 12 other states have enacted comparable programs, largely due to the Texas program's success. LPG check-off programs now exist in Alabama (1993), Missouri (1993), Oklahoma (1994), Mississippi (1996), Illinois (1997), Florida (1997), Nebraska (1998), Kentucky (1998), New Jersey (1999), Minnesota (2001), Kansas (2003), and Iowa (2007). In addition, the national Propane Education and Research Council, created by Congress in 1996, began operations in January 1998.

AFRED fulfills its mission through research, development and demonstration programs, public and industry education programs, and rebate and other marketing programs. As measured by check-off fee collections, AFRED efforts resulted in maintaining or increasing retail use of propane in Texas at or above fiscal year 1992 baseline levels in 11 of the 15 years from 1993–2007. Use of propane can vary significantly year-to-year based on winter weather.

COAL AND URANIUM MINING

Currently there are 21 coal-mining permits administered by the Surface Mining Division. These mining permits, held by ten companies, cover 18 counties. The annual coal production from 1997 to 2006 averaged about 48.3 million short tons. Coal production of 46.13 million tons in 2006 ranks Texas 5th in coal production in the United States. Seven permitted mining operations no longer produce coal and are undergoing final land reclamation.

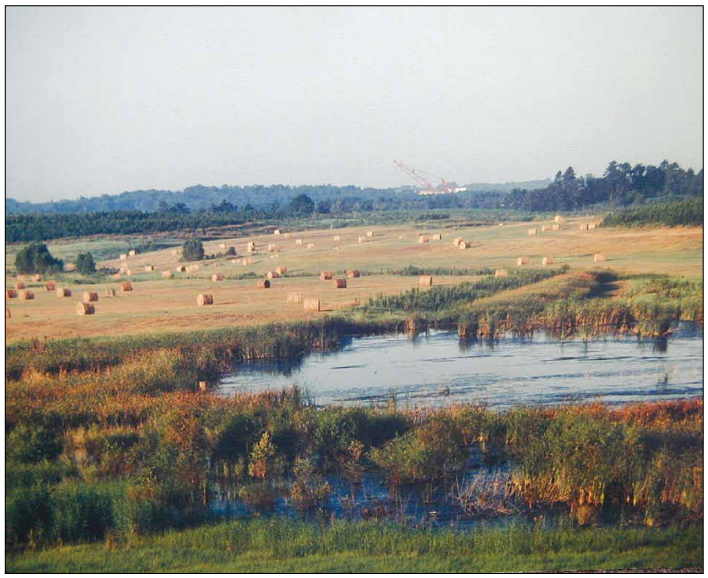
The vast majority of coal mined in Texas (99.8 percent) is used as boiler fuel at electric power generation plants. The long-term fuel commitment required by existing electric power generation facilities suggests that the mining industry in Texas will remain relatively stable for the foreseeable future. This, however, can change if Wyoming Powder River Basin coal becomes a more economically viable fuel source.

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

There were forty-four (44) uranium surface mines permitted during the 1970s and early 1980s. These mining operations covered more than 31,000 acres in and around the Karnes County area. Due to substantial reductions in the market price for uranium in the early 1980s, surface uranium mining became uneconomical and ceased.

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 Railroad Commission continues to be responsible for the approval, inspection, and enforcement of uranium exploration drilling, which increased in recent years. Currently, there are fifteen active uranium exploration permits that cover approximately 840,000 acres.



Reclaimed Wetlands and Pastureland–Martin Lake Mine

PART V
TECHNOLOGICAL DEVELOPMENTS

IMPACT OF TECHNOLOGY ON CURRENT AGENCY OPERATIONS

The Railroad Commission made significant strides in automating agency operations to provide better service. The most significant affect of technology is the growth and usage of the Internet and the agency's website for exchanging information with customers and delivering services. The Railroad Commission's website has become the primary source of information for customers. It is also rapidly becoming the preferred method for reporting, filing permit requests, and making payments for fees and services. The Commission recognizes the increasing needs of customers and leverages technology to respond with new capabilities that have helped redefine and reshape the way energy information is portrayed and provided.

Requests for more immediate access to the Commission's volumes of information stored on paper and microfilm are being addressed through the use of digital imaging technology to produce electronic records As these records are created, they are indexed and made available to the public through the agency's website.

Mobile Computing in Luling

The Commission recognized the need for field personnel to have better access to Commission information and geographic maps and has responded by providing field personnel with mobile personal computers and network capability. This has improved their ability to communicate with the district and home offices, and perform their work more accurately and expeditiously.

The Commission continues to add electronic filing capabilities to the agency website by building upon the technical foundation previously established for electronic filing of permits.

Electronic payment technology is utilized to automate payments for permits, fees and services. This technology is being expanded to include additional payment options for Commission customers.

The Commission recognizes the increasing reliance on the Geographic Information System (GIS). Other state agencies, businesses, industry, and the public now view GIS data as essential for their daily operations. The GIS data provided by the Railroad Commission has become a critical component of the state's emergency management

planning effort. Newer technology and expanded capabilities should be utilized to meet the current and future needs for available, reliable, current and accurate GIS data.

As use of the Commission's website increases, so does the need to ensure that users have easy access to information and services. The Commission is in the process of redesigning the agency's website to ensure that it keeps pace with the customers' need for access to information and data. Online services are being expanded through website applications that are designed to improve the usability and searchability of information.

These technology advancements have resulted in a marked improvement in the availability of and access to information and services for Commission staff, other state agencies, businesses, industry, and the public.

IMPACT OF ANTICIPATED TECHNOLOGICAL ADVANCES

Technology Initiatives	
Expand Web Access to Oil and Gas Data	**Current Projects**
Online Filing—Completion Forms	
Oil Field Cleanup Business Process Management System	
Increase Access to Electronic Records	
Upgrade Infrastructure	
Data Center Consolidation	
Automate Field Inspection and Tracking	**Future Projects**
Online Licensing and Registration	
Geographic Information System (GIS) Technology Upgrade	
Personal Computer (PC) Refresh	

Technological advances present opportunities for the long-term improvement of Commission regulatory operations and the ability to exchange information with customers. Business process improvements through the appropriate use of technology will streamline operations for the Commission and its regulatory constituencies. Also, the Commission has long recognized the value of its information and strategically positions itself to continually improve access to its data repositories. Technology initiatives are identified in support of Commission objectives and regulatory operations. While some initiatives support improving and expanding access and exchange of information with the Commission, others support upgrades that are necessary to sustain the Commission's technical infrastructure.

The following information technology plans support the initiatives listed above:

- Expand Web Access to Oil and Gas data by developing web-based queries to access valuable oil and gas data;
- Develop Online Filing and Completion Forms for certain well completion and plugging activities;
- Develop a web-based Oil Field Cleanup Business Process Management System to support the administration of the well plugging and site remediation programs.
- Increase Access to Electronic Records by providing web-based access to digitized images of Commission hardcopy records.
- Upgrade Infrastructure by implementing improvements and enhancements in the Commission's end-user computing, local area network and wide area network environments.
- Achieve Data Center Consolidation through transformation and consolidation of the Commission's data center operations into the State Data Centers.
- Automate Field Inspections and Tracking by developing a system to support Oil and Gas field staff with the provision of mobile computing capabilities.
- Develop an On line Licensing and Registration system to replace the current manual paper system.
- Upgrade the Geographic Information System (GIS) to a current technology and supported environment.
- Establish a Personal Computer Refresh program for workstations and laptops.

DEGREE OF AGENCY AUTOMATION, TELECOMMUNICATIONS, ETC.

One of the Commission's goals is to 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. The Commission relies on technology to conduct regulatory operations and to achieve its goals.

Effective communication, critical for collaborating with customers as well as peers, has moved beyond just voice mail and e-mail to use of calendars, meeting schedulers, shared information folders, and the agency website. The Commission uses the statewide telecommunications network maintained by the Department of Information Resources (DIR) to deliver voice and Internet-based services. The Commission has taken advantage of the latest mobile computing technology available to put information at the fingertips of Railroad Commission staff located in the field all over Texas.

INTERNAL AGENCY WEBSITE

Commission employees access the agency's internal website to conduct many job related functions and enrich their work experience. The collection of information and tools available to the employee is extensive and includes: the leave reporting system, organizational information, policies and procedures, forms, manuals and training information.

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

EXTERNAL AGENCY WEBSITE

Today, the Commission views the Internet as a primary method for conducting business with its customers. The Commission's website at www.rrc.state.tx.us provides valuable data that is used by the regulated industry, governmental agencies, and the public. As of March 29, 2007, Commission open meetings are available online. Through an agreement with TexasAdmin.com webcasts of Commission open meetings are available live, with archived versions available for up to six months following the meeting at no cost to the public or taxpayers.

External stakeholders who once could only obtain regulatory information by going to the Commission's headquarters in Austin or to one of the district offices, can now view and print information from the website locally. Members of the regulated industries and the general public continue to request more information, data, and easier access. The Commission places a high priority on meeting these needs.

Several applications have been designed and developed to improve the usability and searchability of the agency's website. These applications provide queries for access to valuable oil and gas data, provide online filing and electronic payment capabilities, and provide on line access to electronic records. Online queries include:

- Oil and Gas Production,
- Drilling Permits,
- Disposal/Injection Well Monitoring Report (H-10),
- Gas Utility Information,
- Geographic Information, and
- Gas Tariffs

Online filing includes forms for:

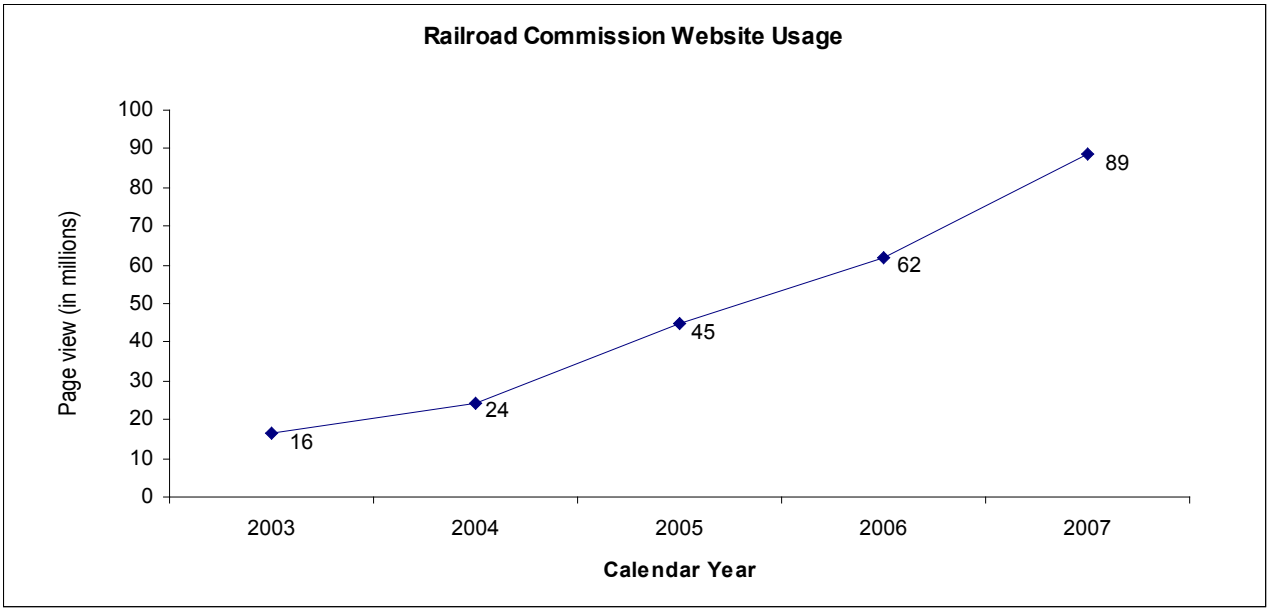
- Production Reports,
- Drilling Permits,
- Disposal/Injection Well Monitoring Report (H-10),
- Texas Damage Reporting, and
- Pipeline forms.

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. The GIS Public Viewer application averages 2.5 million page views per month.

Online filing of permit applications and required reports over the Internet and electronically through electronic data interchange (EDI) continues to increase. To date, applications for drilling permits, oil and gas well production reports, and injection well production reports can be submitted over the web. Electronic filing for both drilling permit applications, and oil and gas production reports exceed 80 percent of the applications received and is expected to continue to increase.

The Commission is in the process of automating the collection of all of its fees through the Internet. The fee collection infrastructure makes use of the Texas Online payment portal and has been designed so that additional fees can be easily added.

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



ANTICIPATED NEED FOR AUTOMATION

The Commission uses automation to continue to improve regulatory operations and provide information to the public. The anticipated need for further automation at the Railroad Commission is to expand the following services:

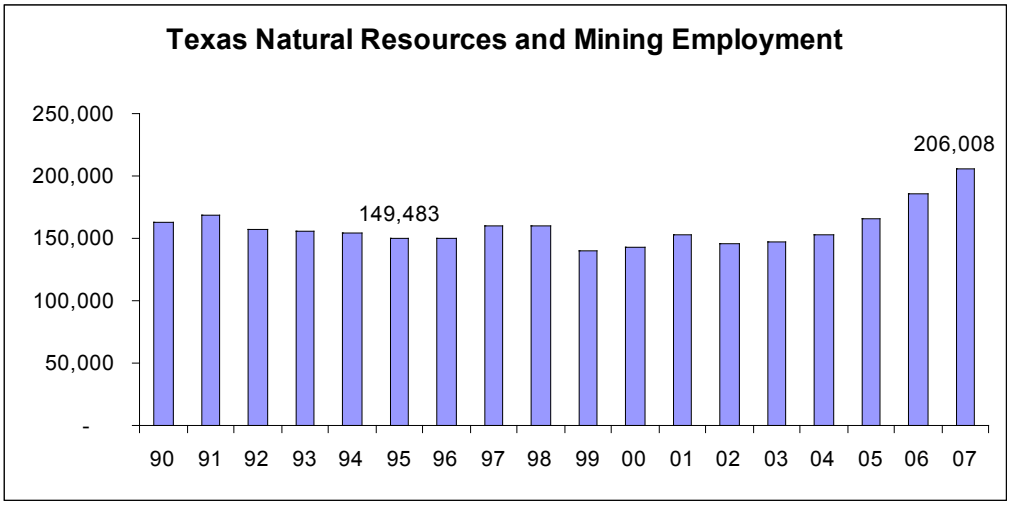
- Expansion of Data Query Systems,
- Development of mobile applications for Commission field staff,
- Implementation of additional RRC Online Filing and Payment Applications, and
- Continued Integration of GIS, Business Application and Document Imaging.

PART VI
ECONOMIC VARIABLES

IDENTIFICATION OF KEY ECONOMIC VARIABLES

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

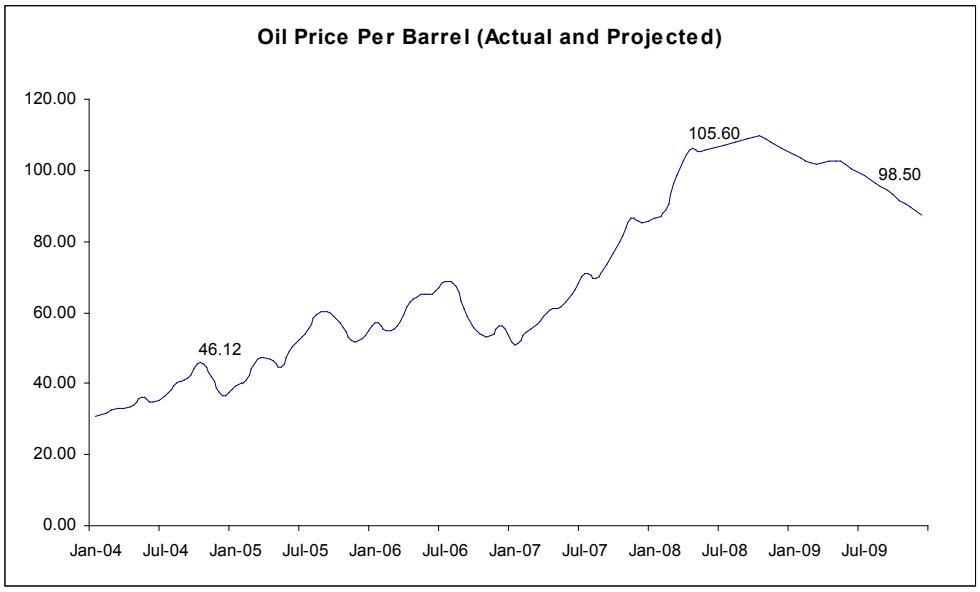
The energy industries are basic commodity businesses and, as such, the laws of supply and demand drive their performance. The key economic variables that affect the Railroad Commission's service populations and the resulting affect on the agency are all energy related. The cost, availability, and consumption level of energy are the leading factors that determine the direction of the energy industries. From mid-1999 to mid-2001, as oil and natural gas prices climbed, the industry added 18,000 jobs (up 13.1 percent), only to lose the majority of these (down 12,800) by January 2003. Record-breaking oil and gas prices boosted the industry, and by February 2008, the natural resources and mining industry had an additional 69,800 jobs.



Source: Texas Workforce Commission

Changes to the state's energy-related industries are not only affected by Texas economic variables, but also by national and world economic variables. The oil industry is truly a global market, and its economic variables are driven by global supply and demand for oil. In 2007, the prospect of oil production peaking in the near future, along with tight inventory, sustained stronger global demand, and increased speculative investment in energy commodities markets raised the Texas average taxable oil price to an all time high, above $90 per barrel by November 2007 and raised the average price for the year to above $68. High oil prices also helped increase the state's rig count by 11.5 percent over 2006. The reduction in the nation's oil refining capacity, already close to its physical-limits, helped push U. S. gasoline prices up beyond $3 per gallon.

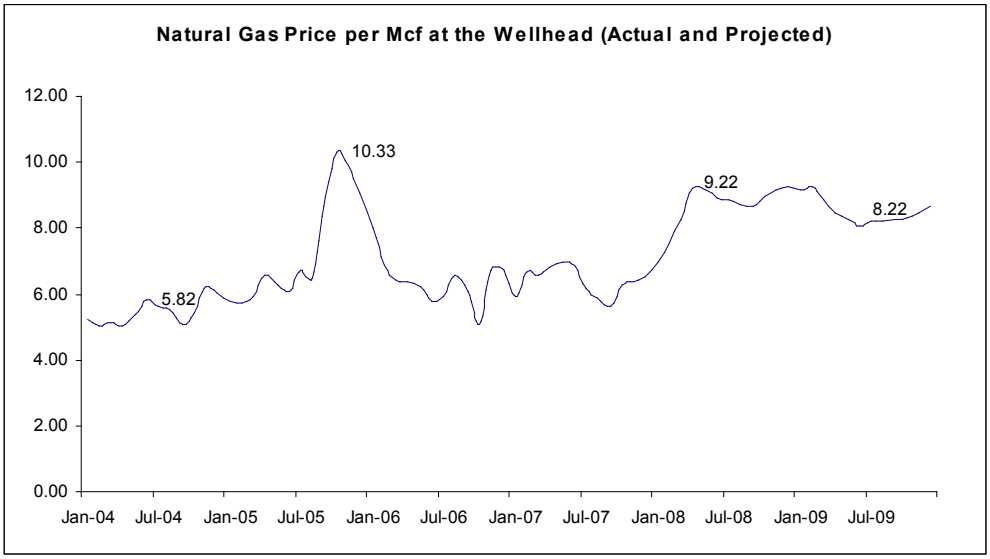
By March 2008, spot market oil prices averaged $105.45 per barrel, and the average price of natural gas rose to $9.44 per Mcf due to colder late-winter conditions in most parts of the country. Although gasoline prices retreated briefly, they subsequently increased to $3.50 per gallon, and continue to increase.



Projected: July 08 to July 09
Source: U.S. Department of Energy

The environmental impact of fossil fuels is another important variable that drives energy economics. The need to reduce emissions from coal and oil-derived petroleum products contributes to a shift in demand from these products to natural gas, liquefied natural gas (LNG) and renewable energy sources. Recent technology improvements and overall demand for natural gas have renewed an interest in LNG transported by tanker ships. With its existing deepwater ports, large petrochemical industry, and extensive pipeline infrastructure, the Texas Gulf Coast is well positioned to become a major source for LNG regasification terminals in the United States. When these terminals are in operation they will have a positive effect, not only on Texas, but also on the national supply and demand balance for natural gas.

Historically natural gas prices moved in direct relation to world oil prices, however, in the past decade there has been a distinct change in that relationship. While Texas oil prices still are directly affected by world oil prices, Texas natural gas prices are now directly effected by U.S. supply and demand, as reflected in the NYMEX natural gas commodity futures market. Texas average taxable natural gas prices continued to rise in fiscal 2006 to $6.96 per Mcf, but fell in fiscal 2007 to $5.86 per Mcf. Texas natural gas tax receipts are expected to total $3.6 billion in 2008-09—down 16.2 percent from the $4.2 billion collected in 2006-07.



Projected: July 08 to July 09
Source: U.S. Department of Energy

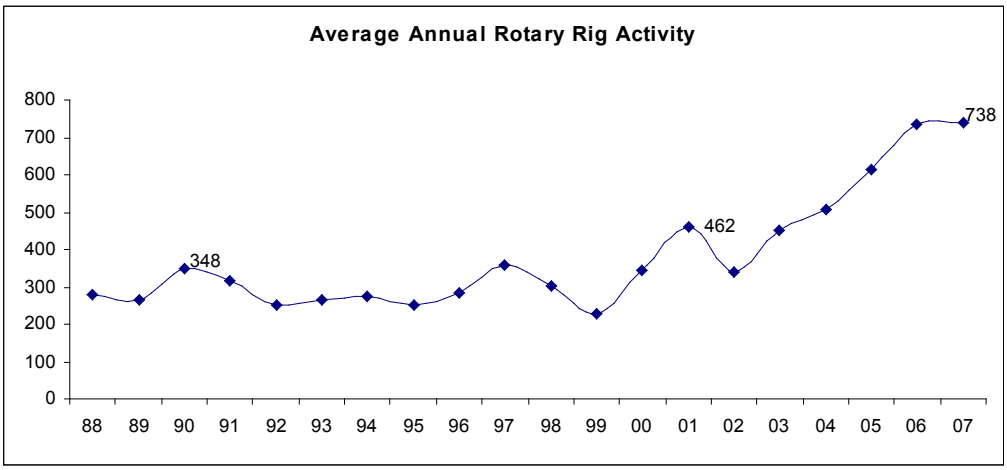
Another important economic variable for the energy industry in Texas is the revenue from oil and gas severance taxes. As the tax is levied as a percentage of price, there is a direct translation to increased oil production tax revenues, regardless of ongoing production declines. In 2007 the transfer totaled approximately $2.0 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 the imported coal is the transportation component. Almost all of the consumption of Texas coal (99.8 percent) is for electric power generation, with the generation plants located near the source of the coal being mined.

EFFECT OF ECONOMIC CONDITIONS ON SERVICE POPULATIONS

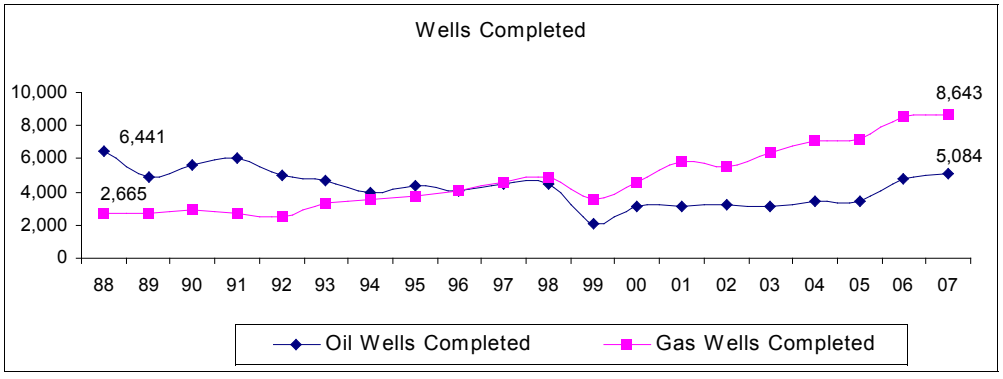
Oil and gas remains five times as important in the state's economic mix compared to the national economy. Recent increases in the price of oil and natural gas have much smaller negative effect in Texas than in the nation as a whole. The oil and gas industry helps to support the Texas economy when higher oil and gas prices decrease economic activity in energy-consuming sectors.

Two frequently used barometers of oil and gas exploration activity are rotary drilling rig usage and the number of wells drilled.



Source: Baker-Hughes

Since Texas oil and natural gas prices reached a new low in fiscal year 2002, the statewide rotary rig count increased by 146 percent, with approximately 80 percent of new drilling activity associated with the search for natural gas, and industry employment has increased directly with the new drilling activity. In 2007, a variety of factors including tight inventories, stronger demand, losses of production from the Gulf of Mexico caused by hurricanes Katrina and Rita, and increased speculative commodity demand fueled by a weakening dollar helped move the Texas average oil price to an all time high above $90 per barrel by November 2007 and above $68 for the year. High oil prices also helped increase Texas rig counts in 2007 by 11.5 percent over 2006. Firm prices brought the number of operating oil and gas rigs in Texas to 887 in April 2008, its highest level since before the oil price crash in January 1986. The gross state product from the upstream, or producing segment of the oil and gas industry was estimated to be $110 billion in 2007.

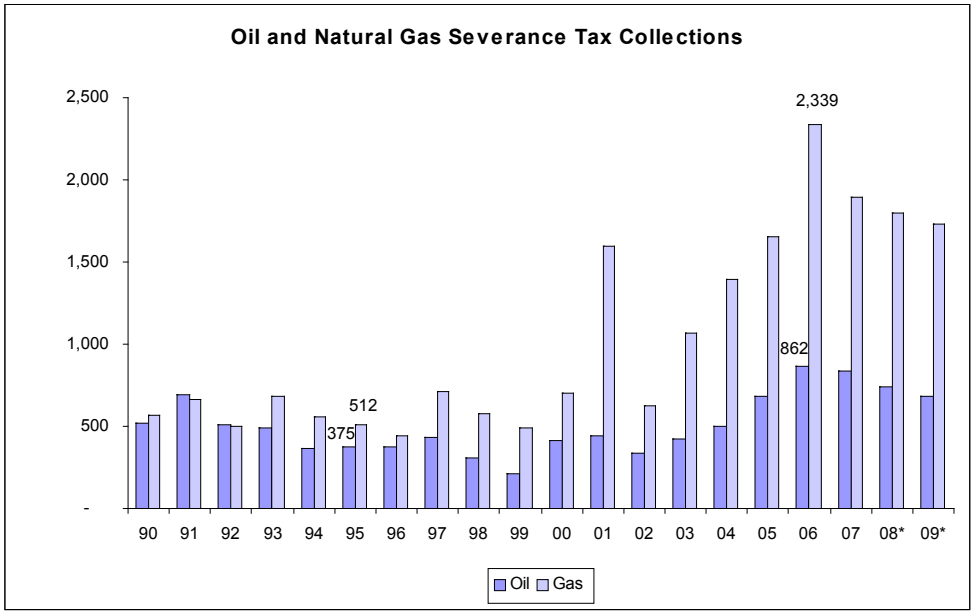


Source: RRC and CPA

From the fourth quarter of calendar year 2002 through the first quarter of calendar year 2008 Texas oil and gas employment increased by an estimated 73,100 jobs, or 50.8 percent. Still, as a proportion of all nonfarm jobs in Texas, natural resources and mining employment dropped from about 4 percent in 1985 to 1.5 percent in January 2003, before rising back to 2.1 percent by the second quarter of calendar 2008.

As a result of burgeoning worldwide demand for oil, refining capacity constraints, speculation in commodities markets, and political tensions, oil prices rose from $18 per barrel in late 2001 to levels that topped $105 per barrel in March 2008. As a result, natural resources and mining jobs increased by 14,500, or 7.16 percent over the previous year by March 2008.

IMPACT OF EXPECTED FUTURE ECONOMIC CONDITIONS



*Projected
Source: Comptroller of Public Accounts

Since the 2006-07 biennium severance tax collections were revised downward by $700 million (11.8 percent), largely as a result of continued oil production declines statewide, severance tax exemptions, and an expectation of moderating natural gas prices. Of these, oil production and regulation tax revenues have been revised downward by $100 million (7.4 percent), while projected natural gas tax revenues have been decreased by $6 million (16.2 percent). In the 2006-07 biennium increased severance tax revenue resulted in increased transfers of General Revenue-related funds to the Economic Stabilization Fund.

In the 2008-09 biennium, oil production and regulation taxes are expected to generate $1.6 billion, compared to $1.7 billion in 2006-07—a 7.4 percent decrease.

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

In the aftermath of hurricanes Katrina and Rita, U. S. economic growth temporarily decelerated in response to surging oil and gas prices and economic dislocation along the Gulf Coast. After this pause, the Texas economy benefited from new oil and gas exploration and development, sustained by the recent energy price environment.

The NYMEX monthly futures price of oil more than quadrupled to $94.63 per barrel in November 2007, up from a low of $19.40 per barrel in December 2001. During this same period, the one-month futures price of natural gas increased almost three times, from $2.69 per thousand cubic feet (Mcf) to $7.81 per Mcf. Subsequently, the price of natural gas reached almost $10.69 per Mcf in March of 2008.

Current projections indicate a continuing trend toward increasing energy demand in the United States and in Texas. Section 39.9044, Texas Utilities Code, states the intent of the Legislature that at least 50 percent of new generating capacity installed in Texas use natural gas as its primary fuel. Since January 1, 2000, 100 percent of the new non-renewable generating capacity added in Texas has been gas-fired. This increased demand should stimulate the Texas oil and gas exploration industry and related service industries.

Over the last decade, technology improvements helped Texas operators reduce their exploration costs for new reserves, drill more commercially successful wells, improve operating efficiencies, and increase the ultimate percentage of recovery from oil and gas reserves. Continuing technological advancements in the field will also continue to strengthen the Texas energy industry.

All of these factors point to a series of economic conditions that should provide a favorable energy development scenario for the state's energy industries. Favorable conditions for the energy industries should result in increased workload for the Railroad Commission to address a stepped-up program of exploration and development in the oil and gas regulatory area. The increased workload in oil and gas also transitions into additional workload in all the other energy related regulatory and administrative functions of the Commission as it ripples through the pipeline, gas utility, surface mining, and LP-gas industries.

If, however, these projections are incorrect, and energy production and consumption in Texas decline, the workload of the Commission will still increase. As the energy industry matures in the state, the Commission has a greater degree of responsibility in regulating environmental aspects for the exploration and production phases of the industry, as well as expanding operations in plugging and site cleanup of abandoned well locations. If the industry is in a downturn, environmental responsibilities will increase as more abandoned wells and sites fall to the Commission to manage. In downtimes more disputes develop, which will require more Commission resources for resolution, and since basic maintenance of facilities is delayed during these periods, the Commission is required to perform increased safety oversight of regulated operations.

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

AGENCY RESPONSE TO CHANGING CONDITIONS

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

The Commission is recognized nationally and internationally for its leadership role in ensuring that resource recovery operations meet applicable standards for environmental and safety compliance. This proactive stewardship of Texas resources and support for the industry that is regulated and served by the Commission will provide the blueprint for future direction and resource allocation of the agency.

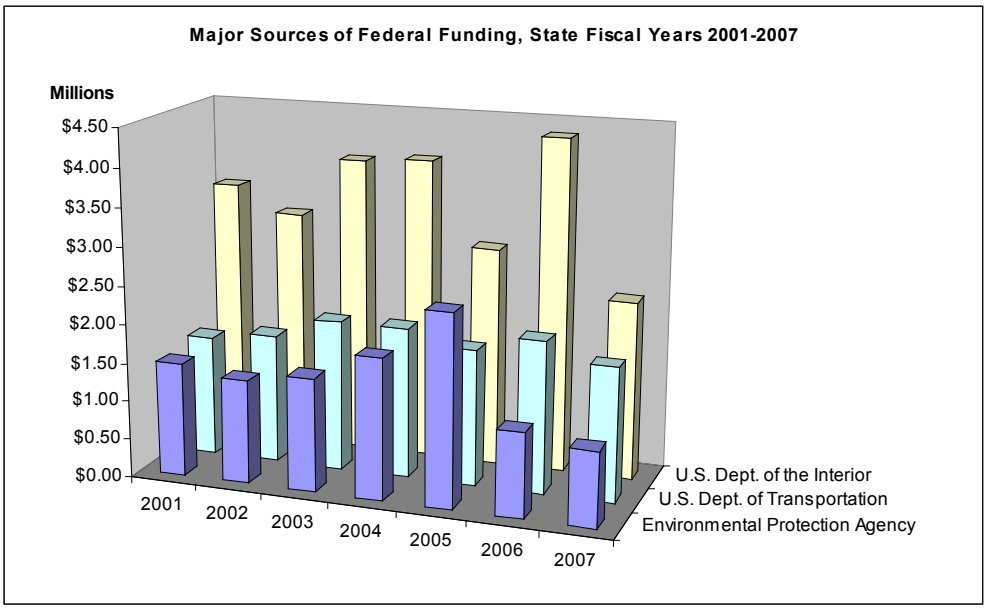
The Commission responded to economic changes by developing a more flexible agency that can readily shift resources as needed to address changes in workload. Where once the Commission had rigid separation of authority and resources in its operating divisions, the current structure allows for rapid deployment of resources among divisions, encourages cross-training of staff across divisions, and has supervision in place to maintain uniformity in policy throughout the agency.

Oil and Natural Gas Production				
Calendar Year	**RRC Total Oil Production (Million Bbl)**	**Percentage CHANGE in Texas Oil Production**	**Total Natural Gas Production (Trillion CF)**	**Percentage CHANGE in Texas Gas Production**
1992	613	-5.27	5.44	-1.34
1993	578	-5.72	5.65	3.88
1994	543	-5.99	5.71	1.17
1995	515	-5.24	5.71	-0.12
1996	500	-2.87	5.88	2.98
1997	491	-1.68	5.86	-0.34
1998	460	-6.49	5.83	-0.46
1999	409	-10.97	5.61	-3.83
2000	401	-1.95	5.76	2.72
2001	381	-4.93	5.83	1.32
2002	366	-3.99	5.73	-1.73
2003	360	-1.65	5.82	1.55
2004	352	-2.40	6.01	3.20
2005	349	-0.85	6.05	0.67
2006	347	-0.57	6.35	4.96
2007	340	-2.02	6.62	4.25

Source: RRC and CPA

PART VII
IMPACT OF FEDERAL STATUTES/REGULATIONS

HISTORICAL ROLE OF FEDERAL INVOLVEMENT



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; that oil and gas wastes pose no significant threat to public health and the environment when managed in accordance with existing federal and state programs; and that existing programs are adequate for oil and gas wastes. However, the EPA recognized gaps in some state programs. Texas, along with other oil and gas producing states, worked with the EPA to develop guidelines for state oil and gas environmental regulations, and along with stakeholder groups, evaluated each state's hazardous waste program based on the oil and gas waste guidelines.

During its study, the EPA narrowed the scope of the exemption to exclude some oil and gas wastes from exemption. 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). The Commission's receives funding from the EPA's Brownfields program for outreach and assessment efforts related to oil and gas hazardous waste sites.

The Railroad Commission also receives funding from the 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 injection wells, with oversight and partial funding from the EPA.

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 for any discharge of oil and gas wastes to surface waters in Texas.

In addition, in 2006 and 2007 the Commission's Alternative Fuels Research and Education Division administered two EPA grants. The first demonstrated environmentally beneficial thermal cultivation practices in cotton, while the second tested equipment designed to reduce emissions from propane motor-fuel tanks during refueling. In FY 2008 the Commission received a third grant from the EPA to continue testing technology that reduces emissions during LP-gas motor refueling.

DEPARTMENT OF TRANSPORTATION, OFFICE OF PIPELINE SAFETY (OPS)

The federal Pipeline Safety Act requires all pipelines (both interstate and intrastate) to adhere to certain safety requirements. The Commission serves as the certified agent, under federal law, to inspect intrastate pipelines. The federal government, through the Department of Transportation's Office of Pipeline Safety (OPS), provides funding to the states to help support its safety requirements. The Commission's receipt of funds is based on a grading of its pipeline safety program.

The federal pipeline program reimburses the state at a fifty percent match rate that is limited by the total amount of federal funds available. Continuation of this federal program is essential to maintaining the integrity of the Commission's pipeline safety program.

The Commission promotes the prevention of underground damages by participating

in the national Dig Safely program. Limited funding is available to support damage prevention initiatives within the State of Texas. In FY 2008 the Commission received funding to promote the 811 One-Call system. During the 80th Legislative Session, the Commission received legislative authority to draft rules for the regulation of underground damage prevention involving pipeline facilities, with implementation in September 2007. The Commission also received additional federal funds to improve its third party damage reporting system.

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 with states in the regulation of the coal mining industry. The federal program provides states the opportunity to assume primary jurisdiction in the regulation 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 fifty percent federal match to maintaining a state regulatory program. As an added incentive to assume state primacy, states are also provided with 100 percent federal grant funds to establish an abandoned mine land reclamation program. This program provides funds to reclaim pre-law abandoned coal mines and eligible abandoned non-coal mines that present health and safety problems.

The 66th Legislature amended Texas Surface Coal Mining and Reclamation Act (enacted in 1975) in 1979 to allow the Railroad Commission to assume primacy under SMCRA to regulate the Texas coal mining industry. In 1980 Texas became the first state in the nation to have its coal mining regulatory program approved by the Department of Interior. Both the state coal mining regulatory program and the abandoned mine land reclamation program are subject to annual federal oversight reviews. Federal cost sharing for the regulatory program is expected to remain at 50

Reclaimed Abandoned Uranium Mine–Live Oak County

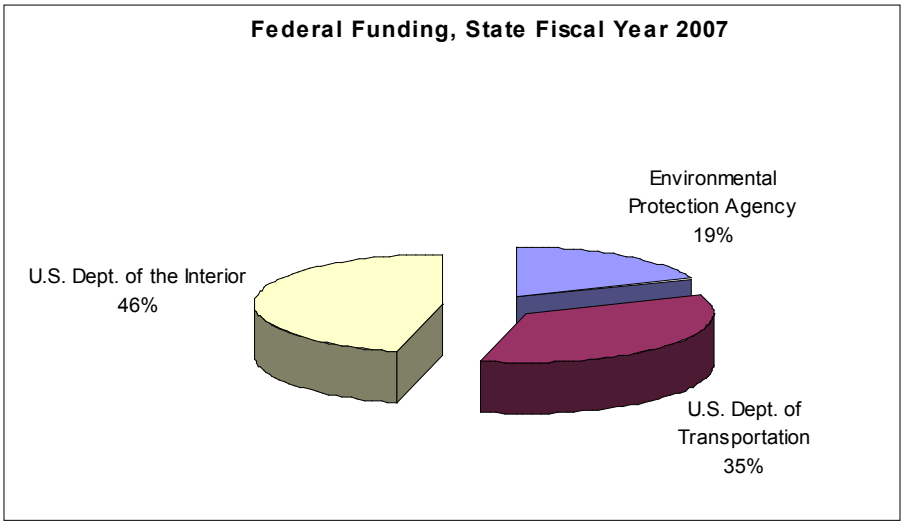
percent. The federal tax on mined coal used to fund the national abandoned mine program was extended by Congress in December 2006, to continue until September 2021.

DESCRIPTION OF CURRENT FEDERAL ACTIVITIES

In recent years, the EPA increased its focus on oil and gas exploration and production activities in Texas and other states. Examples of this increased interest include the EPA's action to prohibit oil and gas discharges, attempts to regulate exempt oil and gas stormwater discharges and hydraulic fracturing techniques, expanded studies of oil and gas wastes, increased presence in the states, and possible regulation of "gathering lines." The EPA conducted compliance inspections under the federal Spill Prevention, Control, and Countermeasures (SPCC) program, and the Clean Water Act. The EPA joined the United States Fish and Wildlife Service (USFWS) to perform flyovers of states to inspect oil and gas facilities. Typically, the EPA will conduct aerial inspections to identify and prioritize any necessary corrective actions.

Increased communication as well as the creation of several task forces improved coordination of state and federal activities. In 2003, Railroad Commissioner Victor Carrillo was named to the Interstate Oil and Gas Compact Commission (IOGCC)/EPA Task Force. The task force seeks to provide long-term improvement in communication between the EPA and the states, to discuss the need for results-based environmental management plans for oil and natural gas development, to serve as a permanent forum for consultation as new issues emerge, and to identify other mutually beneficial joint activities. In addition, the IOGCC coordinated meetings between the EPA regional offices and the states within those regions to foster discussion.

An EPA initiative is underway to assess the creation of a national regulatory program to address the disposal of coal combustion waste at mine sites. The potential effect of this initiative on the Commission's coal mining regulatory program is uncertain at this time.



The Railroad Commission believes that strong state programs will minimize further federal activity in these areas. The Commission's efforts in strengthening its program, such as waste management, inspections, abandoned well plugging, and cleanup of abandoned oilfield sites, will act to limit the EPA's involvement in state programs.

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

The Commission continues to seek out and apply for funding from outside sources. The Commission anticipates that FY 2009 will bring additional federal dollars to its programs, with 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.

The Commission's Alternative Fuels Research and Education Division (AFRED) has a successful record of securing outside funding. In recent years AFRED received competitive grants from the U.S. Department of Agriculture and the national Propane Education and Research Council, as well as the EPA. Currently, AFRED has grant funding to develop and demonstrate an LPG combined heat and power system in dairy operations, evaluate LPG in-field refueling applications in agriculture, train LPG forklift technicians to minimize emissions, and demonstrate a propane-fired residential desiccant dehumidifier.

Upper Colorado River Salt Water Minimization Plugging Project

Federal funding for the Underground Injection Control (UIC) program is inadequate. The federal UIC funding was developed on the basis of a 75 percent federal share and a 25 percent state share. In actuality, the state share is closer to 65 percent due to the federal funds allocation and budget reductions in Washington, D.C. Inadequate federal funding requires the Commission to reallocate its general revenue to continue established and successful programs in the Oil and Gas Division.

The Commission receives many grants from the TCEQ that are pass through dollars from the EPA. Through FY 2008, the Commission received over $5.9 million to plug 1,080 wells in the Upper Colorado River Basin, Red River Basin, Canadian River Basins, Trinity River Basin and Petronila Creek. Funds from the Commission's TCEQ well plugging grant will be exhausted in FY 2008.

In January 2006 Governor Perry created a three-member Coastal Land Advisory Board to manage federal funds distributed to states to mitigate impacts of oil and gas activities. Commissioner Elizabeth Jones, serving as a member of this Board to protect Texas' coastal assets, makes recommendations regarding the best use of these funds by evaluating and prioritizing fund application requests.

Offshore Rig in the Gulf of Mexico

In FY 2008 the Advisory Board made recommendations to the Governor regarding the best use of state-level CIAP funds and prepared the Texas Coastal Impact Assistance Program (CIAP) Plan for the Governor to submit to the U.S. Department of the Interior, Minerals Management Service. The CIAP authorizes funds to be distributed to Outer Continental Shelf (OCS) oil and gas producing states to mitigate the impacts of OCS oil and gas activities. The current proposal includes two Railroad Commission projects. The first project will plug bay and offshore wells to eliminate a potential threat of pollution to Texas coastal natural resources. The second project will assess and cleanup various abandoned sites where soil, surface water, and groundwater are affected by oil and gas activities The Commission anticipates a funding decision during the latter part of FY 2008.

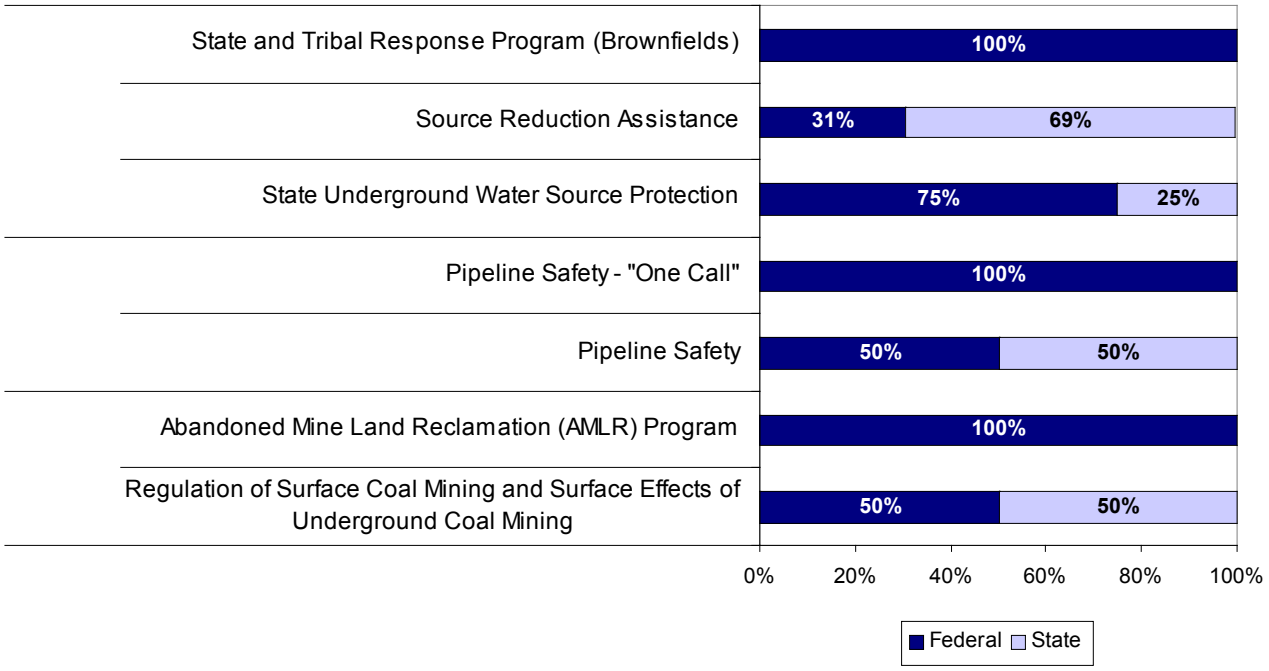
The Site Remediation section of the Commission's Oil and Gas Division receives funding from the EPA Brownfields Subtitle C State and Tribal Response Program. Renewed since 2003, the grant has a cumulative value at $1.1 million through FY 2008. The grant allowed the Commission to build a Brownfields Response program in Texas. The program includes building and maintaining an inventory of potential Brownfields sites, outreach to increase the Voluntary Cleanup Program, and a limited number of federally-funded targeted brownfields site assessments for non-responsible parties to help facilitate third party cleanup and redevelopment projects. The overall effect of this grant is that the Commission will realize more voluntary and third party cleanups, which reduces dependence on the Oil Field Cleanup Fund.

In December 2005 the Commission completed a two-year research study funded by the EPA characterize certain hydrocarbons in tank sediments and associated contaminated soils at oil and gas exploration and production sites in Texas. The Commission is seeking a new grant to pursue this research further, with the goal of developing more effective tools to protect the environment.

The Site Remediation section also received Non-point Source (NPS) funding to address water quality issues. The $1.4 million grant funds site remediation projects in three areas of the state: the Colorado River upstream of Spence Reservoir, the Colorado River downstream of Spence Reservoir, and the Petronila Creek. The projects have a similar scope of work, investigating possible point and non-point sources of oilfield pollution that could contribute to pollutant loading of the watersheds, and developing remedies to reduce pollutant loading from any oilfield sources.

The Commission has an indirect cost agreement with the United States Department of the Interior. The agreement set an indirect cost recovery of 33.34% for state fiscal year 2008.

Match Rates



PART VIII

OTHER LEGAL ISSUES

IMPACT OF ANTICIPATED STATE STATUTORY CHANGES

The Legislature enacted several statutory changes during the 80th legislative session, which impact the Commission's regulatory programs and functions.

Programs and Functions with Statutory Changes
Informal Complaint Resolution
Gas Utility Regulation
Oil and Gas Regulation
LP-Gas Safety Program
Surface Mining and Reclamation

Informal Complaint Resolution

HB 1920 added new Section 85.065 to Subchapter C, Chapter 85, Natural Resources Code, which authorizes a producer to submit a written request to a person who gathers or transports gas for the producer for an explanation of any loss of or inability to account for the gas tendered to the person by the producer; describes the contents of such requests; sets deadlines by which the response must be made; and establishes conditions under which a complaint may be filed at the Commission. It is likely that the new section will bring new informal complaints to the Commission, but it is not possible to estimate how many or when these might be filed. The Commission has adopted implementing rules in Title 16, Tex. Admin. Code Chapter 2.

HB 1967 amended Natural Resources Code, §111.002, to add, as a common carrier, a person who owns, operates, or manages a pipeline or any part of a pipeline in the State of Texas for the transportation of feedstock for carbon gasification, the products of carbon gasification, or the derivative products of carbon gasification, in whatever form, to or for the public for hire, but only if the person files with the Commission a written acceptance of the provisions of this chapter expressly agreeing that, in consideration of the rights acquired, it becomes a common carrier subject to the duties and obligations conferred or imposed by Chapter 111. Adding a new category of pipelines to the types of common carriers subject to Railroad Commission jurisdiction means that the Commission has the same kind of authority over these pipelines as the Commission already has over other kinds of common carriers and common purchasers. That means, among other things, that the Commission could be required to entertain and resolve complaints about such gasification pipelines or to set rates for transportation services. It is likely that the universe of gasification pipelines is or will be small; still, the impact on the Commission is not predictable.

Gas Utility Regulation

HB 2174 amended Utilities Code, §101.003(7), by adding a subsection (E) to make it clear that a person excluded from being considered a gas utility under Utilities Code, §121.007, is also excluded from the definition of "gas utility" found in §100.003(7). The bill also added new §121.007 to the Utilities Code which excludes a person operating a natural gas pipeline, a liquefied natural gas pipeline, or an underground storage facility, from being treated as a gas utility if that person transports natural gas or liquefied natural gas solely to or from a liquefied natural gas marine terminal. The Commission does not have any gas utility regulatory jurisdiction involving the transport of natural gas or liquefied natural gas to or from a liquefied natural gas marine terminal.

HB 3273 added new §§81.058-81.061 to the Natural Resources Code. These new sections give the Commission the authority to impose an administrative penalty for certain natural gas-related activities; add provisions concerning appointment of a mediator in an informal complaint; prohibit mandatory confidentiality provisions in a contract to which a producer is a party for the sale, transportation, or gathering of natural gas; establish the Commission's authority to set market-based rates in certain circumstances; and confirm the Commission's authority to set a transportation or gathering rate for an entity whether or not it is classified as a utility by other law. Prohibiting the imposition of confidentiality provisions as a contract term will not, in and of itself, cause changes to the Commission's operations; however, greater transparency may create greater perception of discriminatory treatment and thus more complaints being filed at the Commission. The Commission has adopted implementing rules in Title 16, Tex. Admin. Code Chapter 7. In addition, the Commission must notify oil and gas producers of the existence of any informal complaint resolution process provided for by the Commission, at least annually; this will be accomplished using a monthly mailing and the gas services bulletin.

Oil and Gas Regulation

HB 2654 amended Water Code, §27.021, to authorize the Texas Commission on Environmental Quality (TCEQ) to issue a permit to dispose of drinking water treatment residuals, in addition to brine from desalination operations, into a Class I injection well. The bill allows the Railroad Commission to authorize injection of drinking water treatment residuals and brine from desalination activities for enhanced recovery purposes. The bill also allows industry to use, and requires TCEQ to adopt a general permit to streamline approval of the use of, brine and residuals instead of fresh water in enhanced recovery projects. HB 2654 is intended to streamline the process used to permit underground injection wells for either the disposal of these non-hazardous wastes or their use in enhanced oil recovery and to remove several statutory impediments.

HB 3732 amended the Clean Air Act and the Tax Code to provide incentives for the use of clean energy, including an exemption on oil produced from enhanced recovery projects using anthropogenic carbon dioxide (CO_2). The Railroad Commission must issue certification if the CO_2 used in the enhanced recovery project is to be sequestered in a reservoir productive of oil or natural gas; the Texas Commission on Environmental Quality (TCEQ) must issue the certification if the CO_2 used in the enhanced recovery project is to be sequestered in a formation other than a reservoir productive of oil or natural gas; and both the Commission and TCEQ must issue certifications if the CO_2 is sequestered in both a formation not productive of oil or natural gas and a reservoir productive of oil or natural gas.

The bill authorizes the Commission to issue a certification for a severance tax rate reduction on oil produced using CO_2 in an enhanced oil recovery project, if that CO_2 is to be sequestered in a reservoir productive of oil or natural gas. In addition, both agencies must find that there is a reasonable expectation that the operator's planned sequestration program will ensure that at least 99% of the CO_2 sequestered will remain sequestered for at least 1,000 years and that the program includes appropriately designed monitoring and verification measures that will be employed for a period sufficient to demonstrate whether the sequestration program is performing as expected. The Bureau of Economic Geology (BEG) currently is performing studies on CO_2 sequestration. In addition, SB 1461 (effective September 1, 2007) amends the Natural Resources Code by adding a section entitled "Monitoring of Sequestered Carbon Dioxide," which requires BEG to monitor, measure, and verify the permanent status of sequestered CO_2 in which the Commission has acquired the right, title, and interest.

The Commission has amended rules 16 Tex. Admin. Code §§3.50 and 3.80 to specify the information required to apply for the certification, and to make the required finding regarding sequestration performance.

SB 1604 amended Health and Safety Code, §401.414, to require the Commission to adopt memoranda of understanding (MOU) with the Texas Commission on Environmental Quality (TCEQ) and the Department of State Health Services (DSHS) to define each agency's respective duties under Health and Safety Code, Chapter 401, Radioactive Materials and other Sources of Radiation, and added new Water Code, §27.0513, authorizing TCEQ to issue area permits for uranium mining production areas. The bill transfers from DSHS to TCEQ the responsibility for processing and storage of low level radioactive waste, non-oil and gas naturally occurring radioactive material (NORM) waste, recovery and processing of source material, processing of by-product material, and sites for disposal of these materials. The Commission must coordinate with TCEQ and DSHS to develop and adopt a memorandum of understanding. Staffs of DSHS and the Commission already have been working on a MOU, as recommended by the Texas Radiation Advisory Board.

SB 1670 redesignated provisions in Natural Resources Code, Chapter 85, Subchapter E, as Natural Resources Code, Chapter 91, Subchapter P, and amended some of those provisions. Chapter 91, Natural Resources Code. The bill clarifies that any well under the Commission's jurisdiction, including an injection or disposal well, for which the Commission has cancelled the certificate of compliance cannot be used until the Commission has reissued the certificate of compliance. The bill also provides that where an operator uses a well, or reports such use, after the certificate of compliance for the well has been canceled, the Commission may refuse to renew the operator's organization report until the operator has paid the reconnect fee(s) and the certificate of compliance has been reissued. The proposed change would accelerate compliance and ensure that the Commission receives all payments due it at the time of P-5 renewal.

While the previous statutory language made it very clear that an operator could not produce an oil or gas well without a certificate of compliance, it was less clear that an operator could not use an injection or disposal well without a certificate of compliance. This bill clarifies that any well under the Commission's jurisdiction, including an injection or disposal well, may not be used until the Commission has issued or reissued a certificate of compliance.

The bill also added a new provision that if an operator uses or reports use of a well for production, injection, or disposal for which the operator's certificate of compliance has been cancelled, the Commission may refuse to renew the operator's organization report until the operator pays the reconnect fee and the Commission issues a new certificate of compliance for the well. This change will accelerate compliance and ensure that the Commission receives all reconnect payments due from operators who have produced or used a well with a cancelled certificate at the time of the P-5 renewal.

The bill allows the Commission to refuse to renew an Organization Report if the operator has not paid reconnect fees, but only in cases where the operator has "used or reported use" for production, injection, or disposal. Therefore, the bill requires some mechanism to monitor the systems where activity is reported (production, UIC, etc.) to allow for triggering of the requirement and the ability to flag the system for leases where actual operation is occurring but not being reported.

The Commission adopted amendments to rules 16 Tex. Admin. Code §3.1, §3.58, §3.73, and §3.78, to implement the provisions of this bill, and to make conforming changes.

LP-Gas Safety Program

HB 1170 amended Natural Resources Code, Chapter 113, to add new Subchapter M, consisting only of §133.401. The new statutory provision requires that certain LPG licensees provide specific warning information to consumers regarding the modification of an LPG system by an unlicensed person, and amends the current limitation of liability provisions to expand the exemption. The bill also includes an express requirement that the Railroad Commission adopt rules pertaining to the warning notice. Because the Commission has authority to enforce "this chapter," meaning Chapter 113 of the Natural Resources Code, it is likely that the intent of this legislation is that the Commission will enforce the new provision. However, it may be extremely difficult to do so, because the LPG system, piping, and appliances required to have warning signs are likely to be located in homes or businesses where the Commission does not have statutory authority to enter and inspect except with permission of the owner (not occupant) of the property. The Commission adopted new 16 Tex. Admin. Code §9.32 to implement this new statutory provision.

Surface Mining and Reclamation

HB 3837 amended existing sections of Natural Resources Code, Chapter 131, and added new provisions. In general, the bill replaced the broad statutory language concerning the Railroad Commission's jurisdiction over uranium exploration with very specific statutory language. The bill requires additional notice to local groundwater conservation districts, legislators, and governmental officials on receipt of an exploration permit application and upon issuance of permit. The bill also provides for an exploration permit fee to cover the cost of implementing the exploration permitting and inspection program.

A rulemaking to implement the specific elements of the bill that deal with the Commission's existing responsibilities in regulating uranium exploration is currently pending. This comprehensive rulemaking integrates the new requirements of this bill into the rules, reorganizes and clearly states requirements that are contained in existing statute with no current counterpart in the rules, and clearly identifies the inspection and enforcement elements of this program. The rulemaking also addresses a new permit fee structure that must cover costs of implementing the program.

SB 1666 eliminated the requirement for the Commission to file a lien on property reclaimed under the Abandoned Mine Land Reclamation Program even if the property was not owned by the current owner before May 2, 1977, as long as the owner did not consent to, participate in, or exercise control over the affected mining operation. The Commission will no longer be required to file a reclamation lien on property reclaimed that was not owned by the current owner prior May 2, 1977.

Implementation required the Commission to obtain a federal Office of Surface Mining (OSM) program amendment to reflect changes in the Texas statute and regulations concerning the lien exemption and to amend Commission rule 16 Tex. Admin. Code §12.816 to conform to the statute.

SB 1667 amended Natural Resources Code, §134.174(b), to increase the maximum administrative penalty amount that can be imposed for a violation of Chapter 134 (the Texas Surface Coal Mining and Reclamation Act) from $5,000 to $10,000. The bill made no changes to administrative penalties assessment process.

Implementation required the Commission to obtain a federal Office of Surface Mining (OSM) program amendment to reflect the change in the statute concerning the amount of maximum administrative penalty and to amend its rule 16 Tex. Admin. Code §12.688 to conform to the statute.

IMPACT OF CURRENT AND OUTSTANDING COURT CASES

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

Osage Environmental, Inc. v. Texas Railroad Commission

*Osage Environmental, Inc. v. Texas Railroad Commissio*n, in the 353rd Judicial District Court of Travis County, Texas. The plaintiff challenges the authority of the Commission to regulate Osage's oil and gas waste recycling facility and to pursue enforcement actions for violations of its permit. The District Court affirmed the Commission's regulatory and enforcement actions. Osage has now appealed to the Third Court of Appeals under Cause No. 03-08-00005-CV.

Cities of Allen, et al. v. Railroad Commission of Texas

Cities of Allen, et al. v. Railroad Commission of Texas, Cause No. 03-06-00691-CV, pending in the Third Court of Appeals (previously Cause No. D-1-GV-05-005221, in the 53rd Judicial District Court of Travis County, Texas). This is a declaratory judgment action filed by a group of cities seeking to invalidate the Gas Reliability Infrastructure Program (GRIP) rule, 16 TAC §7.7101, to the extent that it prohibits an opportunity for an evidentiary hearing on appealed municipal GRIP determinations before issuance of a final Commission order. The District Court issued an opinion invalidating a portion of the Commission's rule. The case was appealed to the Third Court of Appeals and argued on September 26, 2007. No opinion has issued.

TXU Gas Company v. Railroad Commission of Texas

Atmos Energy Corporation, as successor by merger to TXU Gas Company v. Railroad Commission of Texas, Cause No. 03-06-00580-CV, pending in the Third Court of Appeals (previously TXU Gas Company v. Railroad Commission of Texas, Cause No. GN402652, in the 345th Judicial District Court of Travis County, Texas). This is a consolidated appeal by Atmos and several other parties of the Commission's final order in this system wide rate case. Several significant ratemaking and jurisdictional issues are raised. The hearing on the merits was held on July 25, 2006. On September 18, 2006, the District Court signed a final judgment affirming the Commission' final order. Atmos and Longview, and other cities appealed. All parties, except Atmos and the City of Dallas, have now settled and moved to dismiss their appeals.

Texas Citizens for a Safe Future and Clean Water and Mr. James G. Popp v. Railroad Commission of Texas

Cause No. 03-07-00025-CV, pending in the Third court of Appeals (previously Cause No. D-1-GN-06-001303, pending in the 126th Judicial Court of Travis County, Texas.) This is an appeal of the Commission's final order granting Pioneer Exploration LTD a permit for a saltwater disposal well. The District Court affirmed the Commission's final order on December 15, 2006. On December 6, 2007, the Third Court of Appeals issued an opinion reversing the District Court and remanding the case to the Commission stating that the Commission used an improperly narrow definition of "the public interest." On January 18, 2008, the Attorney General filed on behalf of the Commission a Motion for Rehearing and a Motion for Rehearing *En Banc*. On May 23, 2008, the Court denied the Commission's Motions. On June 10, 2008, the Commission authorized the Attorney General to file a Petition for Review with the Texas Supreme Court.

PART IX
SELF-EVALUATION AND OPPORTUNITIES FOR IMPROVEMENT

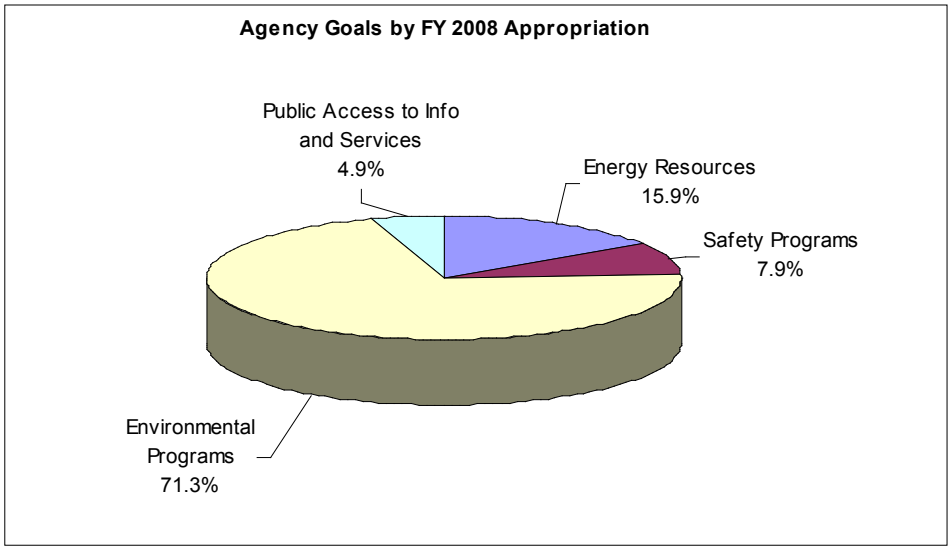
HOW EFFECTIVELY AND EFFICIENTLY HAS THE AGENCY MET ITS REQUIREMENTS

General Operations

The Commission's outcome and output measures offer the opportunity to evaluate the effectiveness and efficiency of the Commission's efforts to achieve its goals. The Commission's annual Internal Audit Plan identifies major areas within the Commission that are subject to audit each year. The Commission's receives regular assessments of its performance from various external oversight committees with jurisdiction over the Commission's activities.

Energy Resources

The underlying theme of the Commission is to promote the development of the state's energy resources without creating unnecessary barriers to the orderly and efficient development of those resources. Development of the state's energy resources is dependent on the general economic condition of the energy industry. Comparisons between Texas and other energy producing states do not address disparities between economic conditions in Texas and other energy producing states.



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

Safety Programs

Public safety is a top priority for the Commission. In 2007 the Commission completed 2,101 pipeline inspections and 12,254 LP-gas inspections. Pipeline safety evaluations are conducted on a one, two, or three-year interval based on the public safety risk of the system. The risk-based plan for inspection of LP-gas installations ranges from one to seven years.

The Commission adopted the nation's first overall integrity management plan for pipelines, ahead of the federal government, which used the Commission's rules as a template to develop their own integrity management rules. This is considered the premiere step in assuring the safer operation of pipeline facilities in the state. The Commission uses a formal risk-based evaluation system to assess pipeline systems throughout the state and in FY 2005 began using a similar system to inspect LP-gas installations.

Environmental Protection

The Commission utilizes the Oil Field Cleanup dedicated account to plug abandoned wells and clean up abandoned sites to fulfill its environmental protection mandates. From 1992 to the end of FY 2007 the Commission plugged 27,614 wells, and has consistently stepped up the number, complexity, and expenditures on sites remediated with 308 completed cleanups, investigations, or assessments in 2007, with contract services expended of $8.3 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. The Commission's Operator Cleanup Program issued 460 "No Further Action" closure letters, and the Voluntary Cleanup Program issued a record ten Certificates of Completion certifying that the third-party cleanups had been completed to the satisfaction of the Commission and that the sites were suitable for reuse in FY 2007. 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 in return for a release of liability from the Commission.

The Commission continues to conduct facility inspections at a historical pace. Field operations implemented goals and job-based priorities to ensure that field staff 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 acting as witnesses to mechanical integrity testing. Typically these tasks are require additional time than a routine lease inspection. Performance measure may indicate a reduction in the total number of facility inspections, but do not account for the complexity of some inspections.

The Commission's federally funded abandoned mine land reclamation program reclaims priority sites based on public health and safety concerns. To date 440 dangerous underground mine openings have been closed. More than 2,550 acres of abandoned coal and uranium surface mines, located at 34 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 contemporaneous with 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 staff resources to address public issues and concerns, and to ensure that the effects of surface mining do not extend beyond the permit boundaries.

Public Access through Technology Enhancement

The Commission established a foundation for developing new applications to expand *RRC Online Services* and to improve the internal efficiency of Commission staff. The infrastructure used includes both the mainframe and open systems environment. Standards have been established and are used to deploy each type of application. The web-based applications have been validated for usability, and skill set requirements of the application development staff have been validated. Building on this established foundation for future development would improve the Commission's ability to provide new functionality and allow the agency to meet its requirements more effectively and efficiently.

AGENCY CHARACTERISTICS REQUIRING IMPROVEMENT

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

innovative and responsive to changes in the industry and to the public it serves, as well as to promote employee pride and commitment.

The Commission is also placing greater emphasis on environmental protection in every action it takes. The Commission continues to emphasize to all of its employees that the three areas of environmental protection, safety, and resource development must remain in balance.

KEY OBSTACLES

Obstacles
Staff Retention in Engineering and Technical Oilfield Disciplines
Technology Funding

Funding and staffing levels decreased as the Commission strives to maintain the same high level of service and to manage increased workloads. Retention of employees in the engineering and technical oilfield disciplines is increasingly difficult. Without these employees, progressive regulatory models cannot be implemented, and basic services begin to deteriorate. A program to provide competitive salaries to maintain our human resources is critical.

Maintaining current technology infrastructure affects the ability of the Commission to accomplish its mission. Funding for this equipment is vital to the continued success of the Commission's regulatory programs.

OPPORTUNITIES

Opportunities
Severance Tax Incentives
Reduce Regulatory Burdens
New Technology in Coal Gasification and LNG Imports
Conventional Alternative Fuels
Transfer of State Energy Conservation Office (SECO) to RRC
Best Practices for Excavation near Pipelines
Oilfield Activities Encroaching into Urban Areas
Well Plugging and Site Cleanup
Access to Paper Records and Other Public Access via the Internet
Conflict of Rights of Mineral Owners and Surface Owners
Competitive Salaries to Retain Staff

Energy Resources

The continuing depletion of Texas oil and gas reservoirs is known throughout the industry. It is critical to the Texas economy that the Commission provide a business environment that will encourage exploration and development of the remaining resources. Tax incentive opportunities that encourage new exploration and production should increase the Texas oil and gas reserve base, and serve as an integral part of the Commission's efforts to encourage exploration. Incentives result in an increase in recovery of oil and gas and plugging of fewer marginal wells, which positively affects the state's economy and employment rate with higher than average paying jobs. Consideration should be given to further severance tax incentives or elimination of the severance tax altogether. While it seems unreasonable to consider tax reductions when product prices are high, such reductions could have the effect of bringing prices lower for consumers if more supply is brought to the market.

In 1999 the Commission initiated a regulatory reform program to systematically review all of its regulatory requirements to determine the current applicability of the regulations. Significant changes in the industry demand a renewed look at regulations. Regulatory reform efforts indicate success in reducing the regulatory burden on oil and gas operators. Implementation of additional regulatory reform ideas is ongoing. In addition, the Commission's development of new oil and gas computer systems will include a business re-engineering effort to identify more efficient methods of regulation and to examine all regulations to determine their current relevance. Particular emphasis should be put on relaxation of regulatory burdens on marginal oil and gas wells to encourage their continued production.

Clean Energy
Propane-powered School Bus

Texas is the nation's leading petroleum and natural gas producer and fifth producer of coal, with reserves estimated to last more than 200 years. Several new LNG facilities are planned along the Texas Gulf Coast to bring much needed additional natural gas resources into the state. This opportunity to strengthen Texas as the natural gas leader should be given top priority. Texas must also look to alternative fuels and alternative uses of existing fuels to reduce CO_2 emissions throughout the state, particularly in the EPA air quality non-attainment areas. Commission Chairman Michael Williams seeks to establish the legal and regulatory framework to enable carbon capture and storage, which could reduce CO_2 emissions from power plants by as much as ninety percent. The Chairman also encourages municipalities and school districts throughout the state to convert fleet vehicles and school buses to compressed natural gas or propane-powered vehicles.

The Commission's responsibility for supporting research, education, training and marketing of clean-burning alternative fuels offers a key opportunity to improve the state's air quality and develop an industry in which Texas is the national leader. The Commission's commitment to alternative fuels will increase in importance through 2013 under Texas' Air Quality State Implementation Plan and the clean-air incentives of the Texas Emissions Reduction Plan (TERP) established under Senate Bill 5 (77th Legislature). As of March 31, 2008, the Commission documented 1,608 tons of NOx reductions from LPG forklifts and other LPG equipment and is working closely with the Texas Commission on Environmental Quality to realize additional NOx reductions.

Research and education complement and reinforce other Commission programs that ensure safe storage, transportation, handling and use of alternative fuels. The Commission coordinates closely with propane check-off programs in other states, with federal agencies, and with the national check-off program to leverage limited Texas funds by co-funding projects and conducting joint programs. Continued emphasis on the alternative fuels program will contribute to attaining clean air standards and the development of the LP-gas business in Texas.

The State Energy Conservation Office (SECO) oversees many programs that could be effectively and efficiently consolidated within the Railroad Commission, creating a single state agency responsible for state energy policy, programs, and federal and interstate relations in the state's primary energy agency. SECO's mission is closely related to that of the Railroad Commission. The Commission is the state's chief energy agency, responsible for stewardship of Texas' energy resources and for energy-

SECO Programs
Energy Efficiency
• Texas Energy Partnership
• Utility audits·
• LoanSTAR, Housing Partnership·
• State Facilities Utility Management
Clean Fuels
• Clean Cities
• Alternative Fuels
Fuel Cells
• Texas Fuel Cell Initiative
Nuclear Waste Disposal
• Pantex
Training
• Energy Education Outreach
• Energy Manager Training
Building Design
• Codes and Standards
• Sustainable School Design

related environmental, safety, and economic-development matters. SECO's mission is to promote energy efficiency while protecting human health and safety and the environment. The Commission's operating divisions are key state resources in these areas.

Transfer of SECO's energy-efficiency, renewable-energy, research, educational, and technology-transfer programs to the Railroad Commission could benefit the economy and environment by encouraging new technology and reducing energy costs for institutional, industrial, transportation, and residential consumers. The SECO programs would be more effective as part of a consistent and comprehensive state energy policy shaped by the Commission's market, regulatory, and technical experience.

The Railroad Commission is rich in the technical, legal and policy resources needed to maximize the value to Texas of federal energy programs. Petroleum Violation Escrow (oil overcharge) settlement funds administered by the U. S. Department of Energy serve as the primary funding source for SECO programs. Consolidating SECO's functions at the Railroad Commission would consolidate related Commission functions, and strengthen the state's ability to attract federal funds for energy conservation initiatives.

Currently, SECO serves as the state's point of contact with the Department of Energy for the State Energy Program and other funding solicitations, manages the oil-overcharge and State Energy Program grants, and represents Texas on the board of the National Association of State Energy Officials. The Railroad Commission communicates regularly with the federal Department of Transportation, Federal Energy Regulatory Commission, Environmental Protection Agency and other federal and interstate entities that have energy-related regulatory, safety, economic-development and environmental responsibilities. These relationships will also help the Commission incorporate SECO programs within a more comprehensive state energy policy.

Safety Programs

The 75th Legislature's enactment of a statewide One-Call damage prevention program was a major step forward in pipeline safety. By far, the leading cause of pipeline accidents in Texas is damage from excavation near pipeline facilities. Enforcement of the statute is currently left to the local county government and the Governor's One-Call Board. Although the One-Call Program involves all underground utilities, (electric, water, telephone, etc.), it is pipelines that pose the greatest risk of catastrophic consequences from damage.

The leading cause of all pipeline incidents in Texas is third party damage. Over 77

Using the 811 One-Call Number

percent of all incidents involving pipeline facilities in Texas result from third party digging or damaging pipeline facilities. In 2005 the Railroad Commission was given authority to enforce damage prevention for the movement of earth near pipelines. The Commission developed an online reporting system for excavators, government officials, pipeline operators, and the general public to report damages to pipelines and other violations of the state's One-Call damage prevention regulations. In September 2007 the Commission began taking damage reports, with over 6,000 reports received within the first six months. In March 2008 the Commission processed the first enforcement case. The Commission has the opportunity with its new enforcement authority to promote a decline in third party damage to pipeline facilities throughout the state.

The Commission created an inventory program for all plastic pipe installed in pipeline systems in the state to aid in predicting potential material defects in plastic pipe. The inventory would allow for any replacement program that may become necessary to remove the affected pipe. The state of Texas also has a considerable amount of steel pipeline in the ground. Much of the pipe will be evaluated through the integrity program, but another larger portion of the pipe is installed within distribution systems. The Commission may need additional resources to develop a plan for assessment and the potential replacement of steel pipelines as well.

LP-gas is an important fuel for many Texans. There are more than one million LP-gas installations in Texas at this time. Safe handling in the storage, delivery, and use of this product is a prime concern of the Commission. To safely handle this product, operators need specialized training. The Commission licenses businesses that handle the product and tests and certifies the employees working for these businesses. During fiscal 2006 and 2007, the Commission's Alternative Fuels Research and Education Division administered 6,586 qualifying examinations and provided training and continuing education classes for 6,149 commercial handlers of LP-gas in Texas.

The expansion of oilfield activities into urban areas creates new safety concern. In particular, the development of the vast Barnett Shale gas resource in the metropolitan Fort Worth area poses a new safety challenge for the Commission. This development mingled among residential areas presents a unique opportunity to assure that this important natural resource is adequately developed while maintaining the safety and quality of life for the residents in the developing areas. The Commission assumed a proactive role in addressing community concerns throughout the Barnett Shale region.

Environmental Protection

Due to an increase in the number of orphaned wells and sites resulting from marginal production and volatile oil and gas prices, the Commission, with support from the Texas Legislature, strengthened the financial assurance requirements for operators with a transition to universal bonding beginning in September 2004. The Commission continues to evaluate the effects of this measure to reduce the liabilities to the Oil Field Cleanup Fund.

The Oil Field Cleanup Fund collects fees from industry to plug abandoned wells and remediate orphaned oilfield pollution sites. In addition, grant awards and other miscellaneous collections supplement industry fees. Since its inception, the successful program plugged more than 28,000 wells, and investigated, assessed, or cleaned up more than 3,700 sites.

In recognition of the financial resources necessary to deal with the increasing liability, the 78th Legislature passed a revised fee structure to increase Oil Field Cleanup Fund Revenues. The intent was to increase annual revenues from approximately $12 million to $20 million. With the current high level of activity brought on by increased product prices annual revenue to the fund exceeded the targeted level.

The Commission works with active operators to help them in their voluntary efforts to clean up pollution sites. In the past year, this activity and requests for guidance from industry escalated significantly, with more than 530 complex pollution sites in the Operator Cleanup Program as of February 2008. Operators in this program seek the Commission's expertise to provide an evaluation of their cleanup activities, and official notice that their site meets current requirements with no further action necessary.

The Voluntary Cleanup Program continues to be well received, with non-responsible parties seeking to clean up oil- and gas-contaminated sites that they did not cause or contribute to in return for a release of liability from the Commission. As of February 2008 there are more than 35 active Voluntary Cleanup Program sites and twenty-seven completed cleanups.

At the present time there are about 11,000 wells in the state that are inactive with the last operator of record delinquent in renewing its organization report (orphan wells). Many of these well bores are valuable for further geological interpretation, or re-completion into previously overlooked reservoirs. If these well bores are not assumed by a responsible operator, it is likely that they will ultimately be left to the state for plugging. In addition, there are 1,771 abandoned sites eligible for state-funded remediation.

House Bill 2161 (79th Legislature) established an Orphaned Well Reduction Program (Section 89.047, Texas Natural Resources Code). This program was effective from Jan. 1, 2006 to Dec. 31, 2007, and included procedures, requirements, and incentives to assume operatorship and regulatory responsibility for orphaned oil or gas wells. More incentives are needed to encourage active operators to take responsibility for wells and sites that have been abandoned.

The Commission continues to use the "Prioritization of High Risk Wells" program established by Senate Bill 310 (77th Legislative Session). Developed by the Commission, this is a system to identify abandoned wells that pose a high risk of water contamination; periodically test high-risk wells; and give priority to plugging high-risk wells with compromised casings. Testing criteria were established; a tracking system was developed to monitor progress toward achieving goals, and a revised well plugging priority system was approved to ensure that high risk abandoned wells are plugged first.

In the first five years of the program, staff tested more than 17,345 wells and identified more than 11,188 wells (about 65 percent) as failing a fluid level test, which requires plugging the wells with the use of Commission-managed funds.

Public Access through Technology Enhancements

Technology enhancements are critical for the Commission to develop new information products and maintain its level of service to the public and to industry. As the Commission's customer groups demand additional online resources and information the Commission must leverage existing resources to meet these demands. This can be accomplished through enhancements to electronic filing and payment systems, expanded online query ability, mobile computing capabilities, website redesign, and the integration of applications with GIS and imaging resources.

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

General Opportunities

As new areas of oil and gas production are developed, the conflict between surface owners and mineral owners escalates. State law currently provides that mineral owners can use as much of the surface area as is reasonably necessary to extract the minerals underlying the surface. Many surface owners do not also own the mineral rights and conflicts are developing over this issue. The law currently does not provide for notice to surface owners nor does it define what is "reasonably necessary" to extract the minerals. This issue is likely to result in the need for policy development.

Other sections of the Strategic Plan identify the Commission's challenges related to attracting and retaining qualified employees. The budget allocated to the Commission for salaries is not sufficient to attract and keep quality employees. The Commission's employees are like the capital assets of an industrial firm: if the Commission is unable to properly maintain those assets the business will ultimately fail. The Commission must develop a program to provide competitive salaries and incentives to maintain its human resources.

The Texas Department of Transportation has a unique program that aids it in recruiting engineering and computer science professionals. Established by the 72nd Legislature, the TxDOT Conditional Grant Program allows economically disadvantaged students to receive a stipend from TxDOT to complete their undergraduate education at a Texas institution of higher education with the commitment to work for TxDOT for two years immediately following graduation. A similar program at the Railroad Commission could assist the Commission to recruit for some of its hard-to-fill positions in science and engineering.

Providing the tools to Commission employees to carry out their assigned duties is one of the responsibilities of senior management of any organization. In an effort to maintain a flat budget year-to-year, the Commission sacrificed capital spending, especially in the area of vehicles and information technology. Regular appropriations are needed to maintain the Commission's vehicle fleet and technology infrastructure.

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

The Railroad Commission partners with federal entities to secure grants funding for vital projects to meet the needs of the public and industry. The Commission works closely with other state agencies to share information resources, coordinate jurisdiction, and uphold the goals of the state. The Commission also works with the TCEQ and the GLO to plug abandoned wells and reduce air pollution with funds that these agencies have available to protect surface and groundwater, as well as improve air quality. The Commission works with other state agencies as an active member of

the Texas Groundwater Protection Committee and the Texas Coastal Coordination Council. The Commission works with the legislature to introduce and support legislation that is critical to the industries regulated by the Commission. The Commission also works with local municipalities and city governments to monitor and assure compliance with environmental protection standards, and to protect public health and safety.

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

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.

The Commission participates actively in the Data Center Services (DCS) Advisory Council, which allows the Commission to be aware of DCS activities, issues, and opportunities.

Participation in the Texas Online Visionary Council gives the Railroad Commission valuable input in planning the future of Texas Online services.

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

AVAILABILITY OF KEY RESOURCES

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

The Commission continues its efforts to secure funding from non-traditional sources by dedicating resources for the sole purpose of seeking additional grant funding.

EMPLOYEE ATTITUDES

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

Attracting and maintaining quality, skilled employees is extremely challenging. The salary level of the skilled professionals at the Railroad Commission is not competitive with private industry, or in some cases, with other state agencies. Commission employees reported in the recent Survey of Organizational Excellence that fair salary is a prime area of concern. The lack of normal advancement in salaries is beginning to deteriorate the attitudes of the employees.

In other areas however, 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 survey. Employees take pride in their work and in the services they perform for the people of Texas. The Commission should strive to provide a comprehensive benefits package and competitive salaries. The Commission strives to support its employees by recognizing their outstanding service, providing continuing education and training, and providing competitive salaries.

AGENCY GOALS, OBJECTIVES, STRATEGIES AND RELATED MEASURES

GOAL 1 – ENERGY RESOURCES	
Support the development, management, and use of Texas' lignite, oil, and gas energy resources to protect correlative rights, provide equal and fair energy access to all entities, ensure fair gas utility rates, and promote research and education on use of alternative fuels.	
OBJECTIVE 1.1.	Increase opportunities for lignite, oil, and gas resource development while preventing waste, protecting the correlative rights of mineral interest owners, and conserving the state's oil and natural gas resources.
Outcomes	Percent of oil and gas wells that are active Percent of forms and reports filed electronically through the RRC Online Systems
STRATEGY 1.1.1. Energy Resource Development	
Protect correlative rights and prevent waste while maximizing opportunities for the development of lignite, oil, and gas resources through well site permitting, production allowables, production rule reviews, and exception processing.	
Output Measures	Number of organizations permitted or renewed Number of drilling permit applications processed Number of wells monitored
Efficiency Measures	Average number of cases completed by examiner Average number of wells monitored per analyst
Explanatory Measures	Number of active oil and gas rigs Annual calendar year production of primary energy sources of crude oil, natural gas and lignite Volume of oil produced from active CO2 injection recovery Volume of CO2 stored underground Percent of total United States onshore gas coming from Texas Percent of total United States onshore oil coming from Texas
OBJECTIVE 1.2.	Maintain competitive prices and adequate natural gas supplies for Texas energy consumers and reduce the historical decline in use of odorized propane in Texas markets.

Outcome Measures	Average Texas residential gas price for Commission regulated utilities as a percentage of the national average residential gas price Annual percentage change in the level of AFRED account fee revenue
STRATEGY 1.2.1. Gas Utility Compliance	
Oversee natural gas utility rate structures that promote safe, efficient, and reliable supply at a reasonable cost and audit regulated gas utilities to ensure compliance with rate structures and submission of Gas Utility Taxes.	
Output Measures	Number of field audits conducted Number of Gas Utility dockets filed Number of gas utilities compliance, tariff, and escalator filings
Efficiency Measures	Average number of field audits per auditor
Explanatory Measures	Cost of gas included in average residential gas bill
STRATEGY 1.2.2. Promote LP Gas Usage	
Develop and implement research and technical services, marketing, and a public education plan to increase the use of LP-gas as an alternative fuel.	
Output Measures	Number of rebate and incentive applications handled Number of training hours provided to Texas LP-gas licensees and certificate holders, operators of LP-gas equipment, and firefighters
Efficiency Measures	Administrative costs as a percentage of Alternative Fuels Research and Education Account fee revenue
Explanatory Measures	Number of alternative-fuel vehicles in Texas

GOAL 2 – SAFETY PROGRAMS	
Advance safety in the delivery and use of Texas petroleum products and in the operation of the Texas pipeline system through training, monitoring and enforcement.	
OBJECTIVE 2.1.	Improve safety in the pipeline industry and the LPG/CNG/LNG products business from FY 2002 levels.
Outcome Measures	Average number of pipeline safety violations per equivalent 100 miles of pipe identified through inspections Average number of LPG/CNG/LNG safety violations identified per inspection unit
STRATEGY 2.1.1. Pipeline and LP Gas Safety	
Ensure the safe operation of pipelines and LPG/CNG/LNG businesses through licensing and permitting, field inspections, accident investigations and emergency response.	

Output Measures	Number of pipeline safety inspections performed Number of LPG/CNG/LNG safety inspections performed Number of pipeline safety violations identified through inspections Number of LPG/CNG/LNG safety violations identified through inspections Number of pipeline and LP-gas accident investigations and special investigations performed Number of pipeline and LP-gas education programs administered Number of pipeline and LP-gas permits and licenses issued or renewed Number of third party damage enforcement cases completed
Efficiency Measures	Average number of pipeline field inspections per field inspector Average number of LPG/CNG/LNG safety inspections per inspector
Explanatory Measures	Number of calls to Texas "one-call" centers

GOAL 3 – ENVIRONMENTAL PROTECTION

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

OBJECTIVE 3.1.	Reduce the occurrence of identified pollution violations associated with fossil fuel energy production in Texas from FY 2002 levels.
Outcome Measures	Percentage of oil and gas facility inspections that identify environmental violations

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
Efficiency Measures	Average number of oil and gas facility inspections performed by district office staff
Explanatory Measures	Number of oil and gas wells, and other related facilities subject to regulation Number of statewide rule violations documented

STRATEGY 3.1.2 Surface Mining Monitoring and Inspections

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

Output Measures	Number of coal mining inspections performed Number of coal mining permit actions processed Percent of uranium exploration sites inspected monthly
Efficiency Measures	Average number of staff review days required to process coal mining permitting actions that require Commission decision Average number of staff review days required to process administrative coal mining permitting actions Average number of staff review days required to process uranium exploration permitting actions
Explanatory Measures	Number of acres permitted
OBJECTIVE 3.2.	Identify and correct existing environmental threats through voluntary operator actions or with use of state funds.
Outcome Measures	Percentage of known orphaned wells plugged with the use of state managed funds Percentage of identified abandoned pollution sites investigated, assessed, or cleaned up with state managed funds
STRATEGY 3.2.1. Oil and Gas Remediation	
Protect public health and the environment by identifying, assessing, and prioritizing sites that require the use of state 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 operator initiated cleanups monitored and evaluated Number of complex operator initiated cleanups monitored and evaluated
STRATEGY 3.2.2. Oil and Gas Well Plugging	
Protect public health and the environment by identifying, assessing, and prioritizing wells that require the use of state funds for plugging and provide assistance for operator-initiated corrective actions.	
Output Measures	Number of orphaned wells managed plugged with the use of state funds Total aggregate plugging depth of orphaned wells plugged with the use of state managed funds
Efficiency Measures	Average number of days to plug an orphaned well with the use of state managed funds

Explanatory Measures	Number of orphaned wells approved for plugging Number of known orphaned wells in non-compliance with the Commission plugging rule Number of wells plugged, by operators, without the use of state managed funds Percentage of active well operators who have more than 25 percent of their wells inactive Number of shut-in/inactive wells

STRATEGY 3.2.3. Surface Mining Reclamation

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

Explanatory Measures	Percentage of abandoned surface mine sites on which reclamation has been initiated

GOAL 4 – PUBLIC ACCESS TO INFORMATION AND SERVICES

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

OBJECTIVE 4.1.	Increase efficiency in providing public access to information and provide more efficient interaction with regulated industries.
Outcome Measures	Percent of public requests for research or information received through Internet-based technology

STRATEGY 4.1.1. GIS and Well Mapping

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

Output Measures	Number of reports provided to customers from electronic data records

STRATEGY 4.1.2. Public Information and Services

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

Output Measures	Number of documents provided to customers by Information Services
Explanatory Measures	Number of external page views of RRC website (in thousands)

TECHNOLOGY INITIATIVE ALIGNMENT

Technology Initiative	Related Agency Objective	Related SSP Strategy/ (Ies)	Status	Anticipated Benefit(S)	Innovation, Best Practice, Benchmarking
1. Develop web-based queries to access valuable oil and gas regulatory data.	Objective 1.1: Increase opportunities for lignite, oil, and gas resource development while protecting the correlative rights of mineral interest owners, and conserving the state's oil and natural gas resources. Objective 4.1: Increase efficiency in providing public access to information and provide more efficient interaction with regulated industries.	4-1 5-1	Current	• Increased access to information for tasks such as inspections and data analysis. • Ad-hoc tool to answer specific/unique public queries. • Reduced staff time answering public phone queries. • Easy-to-use, self-service general query Internet tool. • 24/7 access to valuable oil and gas data.	
2. Develop online filing system for certain well completion and plugging forms.	Objective 1.1: Increase opportunities for lignite, oil, and gas resource development while protecting the correlative rights of mineral interest owners, and conserving the state's oil and natural gas resources. Objective 4.1: Increase efficiency in providing public access to information and provide more efficient interaction with regulated industries.	4-1 5-1	Current	• Streamlined internal processing. • Reduction in phone queries and data requests from external stakeholders. • An automated mechanism for management reporting and resource allocation. • Cost savings associated with postage expenses. • Public access to completion and plug data. • Internet based mechanism to locate pending applications and obtain approval information. • Simplified filing procedures for external stakeholders.	
3. Develop web-based system to support the administration of the well plugging and site remediation programs.	Objective 3.2: Identify and correct existing environmental threats through voluntary operator actions or with use of state funds.	4-1 5-1	Planned	• An integrated, secure database. • Improved efficiencies in management of the orphaned well population to ensure wells posing the greatest risk receive first priority for plugging. • Decrease the time spent in data entry and other manual tasks. • Increased public requests for information received through Internet-based technology and decrease the time spent responding to open records requests by making information from these two programs more widely available via the web. • Expanded access to program information for Commission management and staff. • Allow landowners and mineral estate owners access to track the status of orphaned wells located on their property	.
4. Provide web-based access to digitized images of Commission hardcopy records.	All Objectives.	4-1 5-1	Current	• Increase the percentage of public requests for information received through Internet-based technology and decrease the time spent responding to open records requests by making information from these two programs more widely available via the web. • Expanded access by Commission management and staff to information.	Best Practice: Utilize the statewide digital imaging services contract.

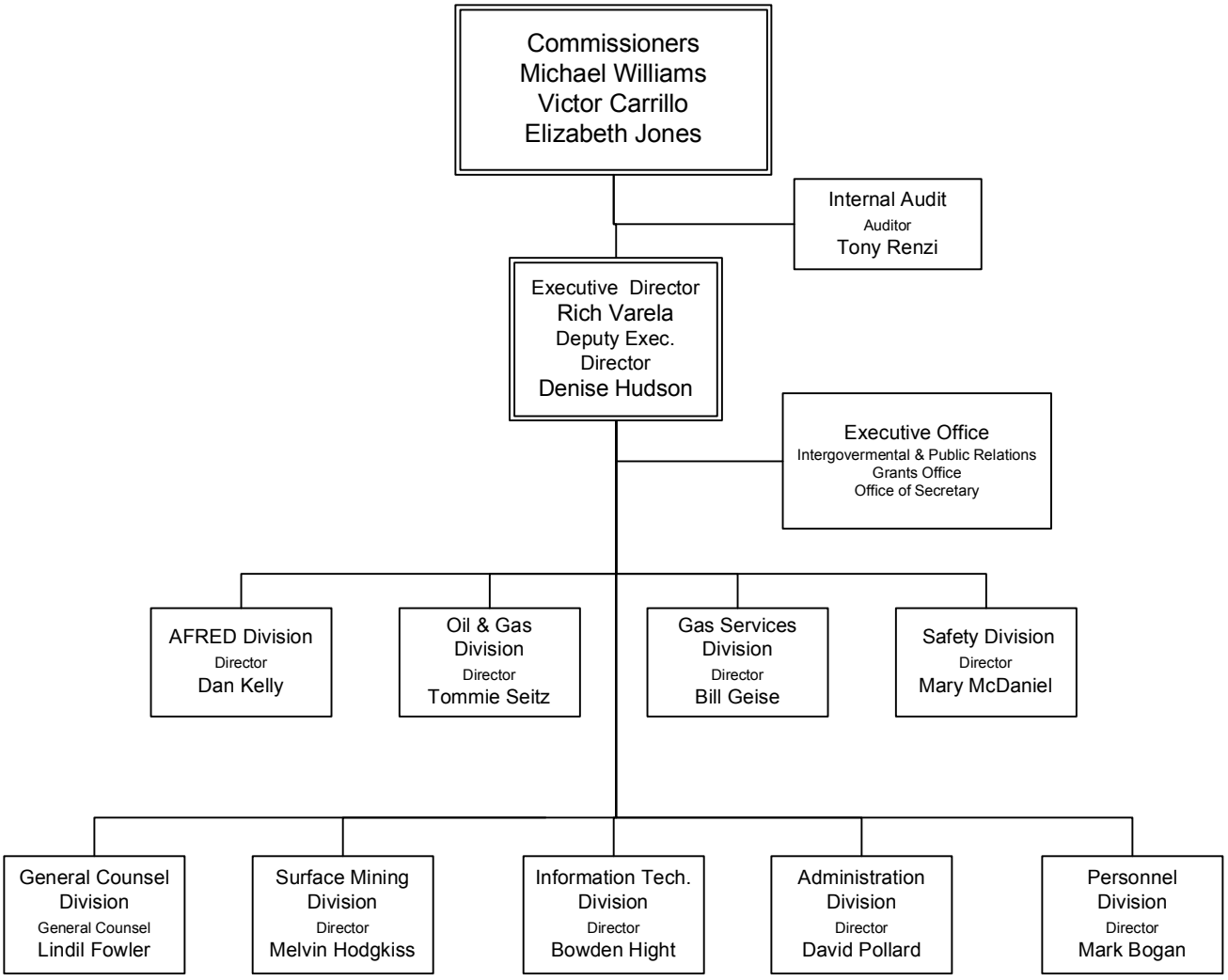
Technology Initiative	Related Agency Objective	Related SSP Strategy/ (ies)	Status	Anticipated Benefit(S)	Innovation, Best Practice, Benchmarking
5. Implement improvements and enhancements in the Commission's end-user computing, local area network and wide area network environments.	All Objectives.	1-1 4-1 5-1	Planned	• Continued availability of mission-critical computing resources and the support of efficient delivery of services.	
6. Transformation and consolidation of the Commission's data center operations into the State Data Centers.	All Objectives.	1-1 -1	Current	• Replacement of the outdated mainframe computer. • Improved bulk print/mailing capacity.- Enable agencies to focus on support of their core competencies and missions rather than Data Center operations. • Enhance information security levels. • Improve disaster recovery capabilities.	
7. Develop system to support Oil and Gas field staff inspection and tracking activities.	Objective 1.1: Increase opportunities for lignite, oil, and gas resource development while protecting the correlative rights of mineral interest owners, and conserving the state's oil and natural gas resources. Objective 3.1: Reduce the occurrence of identified pollution violations associated with fossil fuel energy production in Texas from FY2002 levels. Objective 3.2: Identify and correct existing environmental threats through voluntary operator actions or with use of state funds.	4-1 5-1	Planned		
8. Develop online licensing and registration system.	Objective 2.1: Improve safety in the pipeline industry and the LPG/CNG/ LNG products business from FY2002 levels. Objective 4.1: Increase efficiency in providing public access to information and provide more efficient interaction with regulated industries.	4-1 5-1	Planned	• Decrease the time required for application, renewal and registration processing • Reduced staff time needed to respond to inquiries. • Enables tracking of submissions • Simplified filing process	
9. Upgrade the existing outdated and unsupported Geographic Information System (GIS) technical environment to current technology.	All Objectives.	4-1 4-4 5-1	Planned	• Continued availability of mission-critical computing resources and the support of efficient delivery of services.	
10. Establish a Personal Computer (PC) Refresh program.	All Objectives.	5-1	Planned	• Continued availability of mission-critical computing resources and the support of efficient delivery of services.	

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.

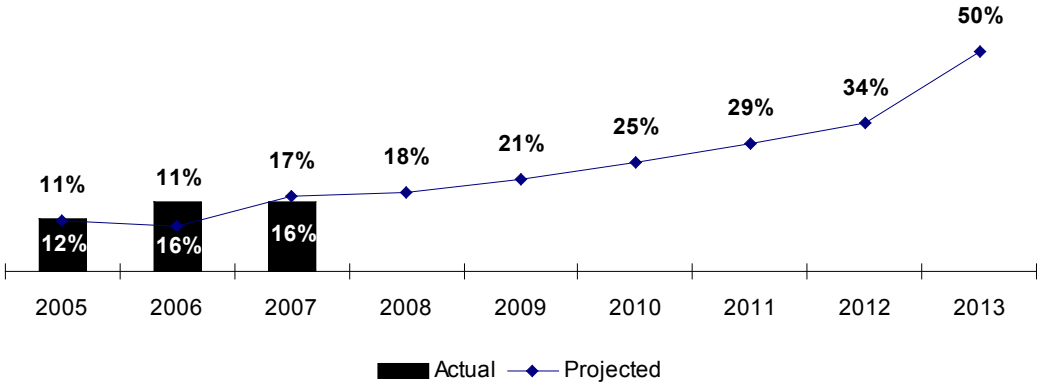
The initial planning process started in February with each division performing a comprehensive review of the Commission's budget structure including performance measures and measure definitions. Budget structure modifications were adopted by the Commission on April 8, 2008 and submitted to the Governor's Office of Budget, Planning and Policy and the Legislative Budget Board. Division directors provided input to the plan, which was then consolidated into the overall plan by the Executive Office. The completed Strategic Plan document was presented at open conference of the Railroad Commission for consideration on June 10, 2008.

APPENDIX B—ORGANIZATIONAL CHART

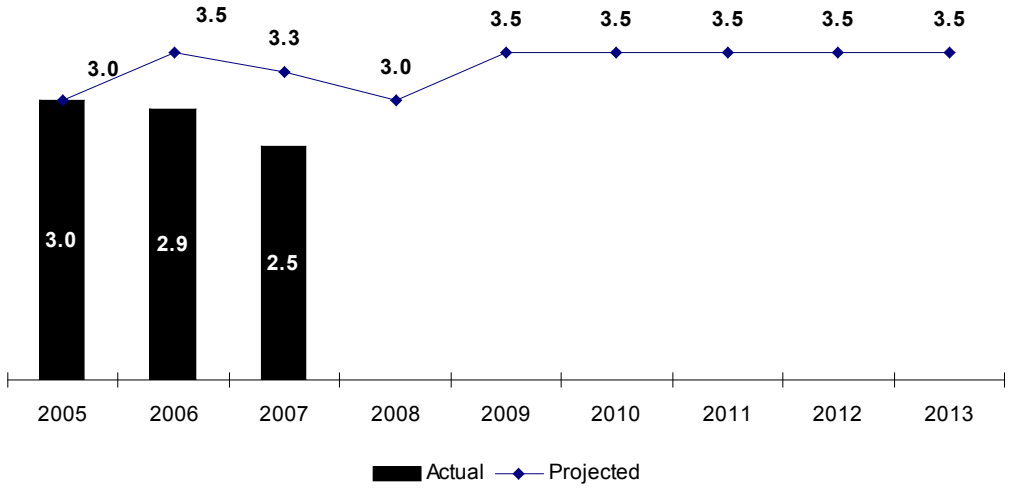


APPENDIX C—FIVE-YEAR PROJECTIONS FOR OUTCOMES

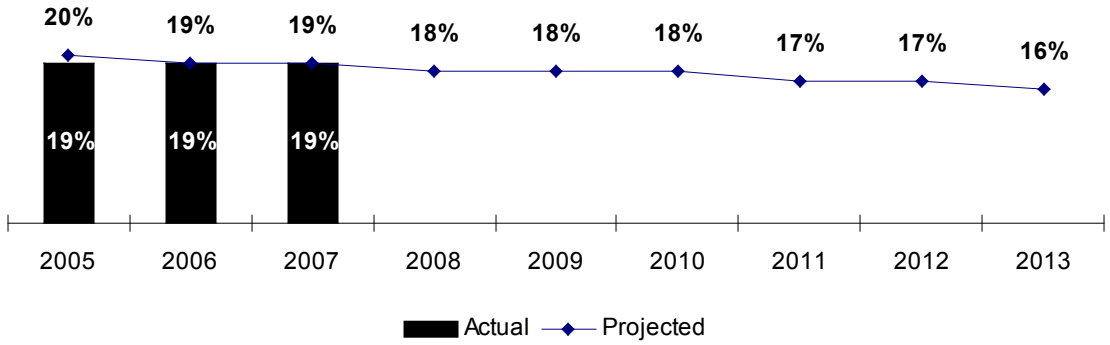
	Outcome	2009	2010	2011	2012	2013
1.1.1	Percent of oil and gas wells that are active. KEY Measure	73%	73%	73%	73%	74%



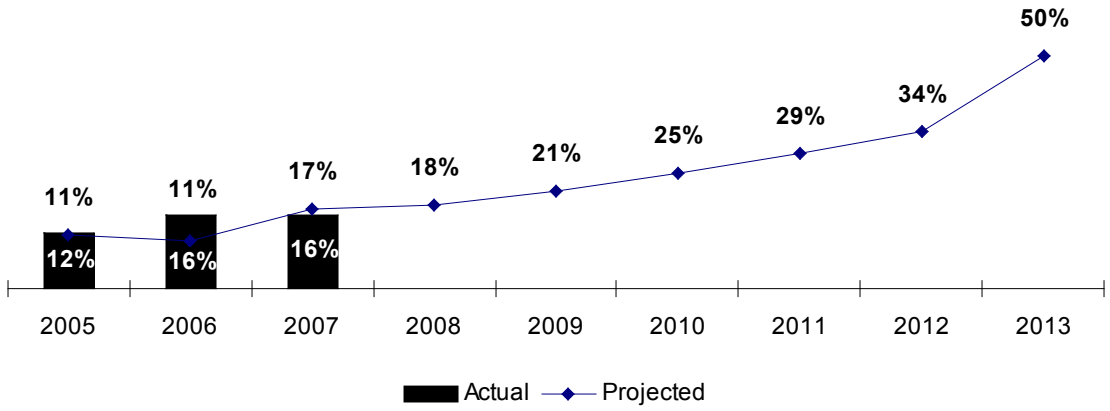
1.1.2	Percent of forms and reports filed electronically through the RRC Online System.	80%	81%	82%	82%	82%
1.2.1	Average Texas residential gas price for RRC regulated utilities as a percentage of the national average residential gas price.	98%	98%	98%	98%	98%
1.2.2	Annual percentage change in the level of AFRED account fee revenue.	0%	0%	0%	0%	0%
2.1.1	Average number of pipeline safety violations per equivalent 100 miles of pipe identified through inspections. KEY Measure	3.5	3.5	3.5	3.5	3.5



	Outcome	2009	2010	2011	2012	2013
2.1.2	Average number of LPG/CNG/LNG safety violations identified per inspection unit.	0.6	0.7	0.7	0.7	0.7
3.1.1	Percentage of oil and gas facility inspections that identify environmental violations. KEY Measure	18%	18%	17%	17%	16%



3.1.2	Percent of current surface mining operations (coal and uranium) that are in full compliance with applicable state and federal regulations.	100%	100%	100%	100%	100%
3.2.1	Percentage of known orphaned wells plugged with the use of state managed funds. KEY Measure	21%	25%	29%	34%	50%



3.2.2	Percentage of identified abandoned pollution sites investigated, assessed, or cleaned up with state managed funds.	15%	15%	15%	15%	15%
4.1.1	Percent of public requests for information through Internet-based technology.	4%	4%	5%	5%	6%

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, 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 Permitting and Production section.
Method of Calculation	Sum the total of active and inactive wells on the oil and gas schedule to get the total number of wells. Divide the number of active wells by the total number of wells on schedule to get the percentage of wells that are active
Data Limitations	The active or inactive classification of wells is based on well status and production information reported by the oil or gas operator. Wells are classified as active or inactive directly from information reported by the operator and in some cases, programmatically adjusted based on whether or not production has been reported over a period of time. Inaccurate or delinquent reporting can impact the accuracy of the data.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

Outcome Measure	1.1.2 Percent of forms and reports filed electronically through the RRC Online System.
Short Definition	The number of forms and reports that are filed through the RRC Online System expressed as a percentage of the total number of filings (electronic or manual) for those same forms and reports.
Purpose/Importance	This measure is an indicator of the actual impact and effectiveness of the RRC Online System and the level of use by the oil and gas industry.
Source/Collection of Data	Statistical query programs generate counts of the number of forms and reports that are filed electronically through the RRC Online System for a particular time period. The data is stored in Oracle. The total count of RRC Online System forms and reports processed (both electronically and manually) is obtained monthly from computer programs and/or listings. The data is maintained in various sections of the Oil and Gas Division.
Method of Calculation	Using programs and listings, sum the total number of forms and reports processed during the reporting period for each type of RRC Online System form and report to get the total number of forms and reports filed. Using the statistical query programs, sum the total number of forms and reports electronically filed through the RRC Online System during the same reporting period. Divide the total number of forms and reports filed electronically through the RRC Online System by the total number of those same forms and reports processed and multiply by 100 to get the percentage of forms and reports filed electronically through the RRC Online System.
Data Limitations	The RRC Online System has been and will continue to be enhanced over time to increase the number of forms and reports that are enabled for electronic filing. The timeline and order of RRC Online System expansion is based on legislative directive, business case, value to the Commission and stakeholders, and resource availability. Since adoption rates during the implementation of new forms and reports impact the percentage of forms and reports that are electronically filed through the RRC Online System, the percentage of RRC online filings for newly implemented forms or reports will begin to be calculated one year after implementation of the form or report in the online system.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure	1.1.1.1 Number of organizations permitted or renewed.
Short Definition	This is a count of new organizations added to the P-5 database and organizations that renewed their organization report during the reporting period. Organizations performing operations within the jurisdiction of the Railroad Commission must have an approved organization report (Form P-5) on file with the Commission. Active organizations are required to renew their organization report (Form P-5) annually.
Purpose/Importance	This measure is intended to show the number of operators authorized to engage in oil and gas activity in Texas.
Source/Collection of Data	Form P-5 organization report data is maintained in a mainframe database. The count of organizations permitted and renewed each month is manually calculated from consecutive monthly Form P-5 system summaries. Organization reports processed for changes in information are not included in the measure.
Method of Calculation	To get the number of organizations permitted and renewed for each month in the reporting cycle: (a) subtract the number of active organizations at the end of the previous month from the number of active organizations at the end of the current month to obtain the net change in active organizations; (b) add the number of organizations which expired at the beginning of the current month to the net change in active organizations. Sum the totals for each month in the reporting cycle to get the total number of approved organizations permitted and renewed during the reporting cycle. Recalculate the year-to-date total each quarter by summing the counts for each quarter.
Data Limitations	Data is based on a "snapshot" of statistics taken at the end of two consecutive months and may not be an exact reflection of activity within the current reporting period. However, the variance will self-correct over the following three months.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

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

Output Measure	1.1.1.3 Number of wells monitored.
Short Definition	The number of active and inactive oil, gas, and service wells carried on the master oil and gas schedule in the mainframe database. The schedule shows all known wells currently assigned to an operator and regulated by the Commission.
Purpose/Importance	This measure provides an indication of the number of wells that are currently being operated under the Commission's jurisdiction and monitored by the Commission for regulatory compliance.
Source/Collection of Data	Well counts are computer generated monthly from a database containing oil and gas schedule information. A separate count is generated for wells carried on the oil schedule and wells carried on the gas schedule. Before a well is placed on schedule, a well completion package of forms must be filed as required by Commission rules. The forms become a part of the historical record for each well after they are audited and approved. All wells stay on the schedule and are monitored for compliance with applicable statewide rules until the well is properly plugged.
Method of Calculation	Sum the count of wells carried on the oil schedule and the count of wells carried on the gas schedule as of the last month of the reporting period. For the year-to-date total average the well counts for the reported periods.
Data Limitations	The count of wells monitored only reflects wells that have been built to schedule by personnel after review of the required paperwork and determination of well status. The count does not include wells that have been reported to the Commission but not built to schedule because of permit or paperwork problems or other processing delays.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

Efficiency Measure	1.1.1.1 Average number of cases completed by examiner.
Short Definition	On average, the number of cases, on which final Commission action has been taken (typically a final order has been entered and any motion for rehearing has been disposed of), handled by each oil and gas examiner during the period.
Purpose/Importance	Provides guidelines as to the efficiency of the examiners and 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.
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.

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	Yes. (New method of calculation, with new historical data)
Desired Performance	Higher than target.

Explanatory Measure	1.1.1.2 Annual calendar year production of primary energy sources of crude oil, natural gas and lignite.
Short Definition	The reported amount of crude oil, natural gas, and lignite produced in the most recent calendar year expressed in barrels of oil equivalent.
Purpose/Importance	Production of the three primary energy sources is important to the economy of the state and the United States since energy prices are largely controlled by supply and demand. If the supply of energy is declining, it is an indicator of higher energy prices.
Source/Collection of Data	All Texas oil and gas producers are required to report their monthly production by lease. Volumes are required to be reported by the last day of the month following production. This information is maintained on a Commission database and reported monthly on the website. All Texas lignite producers are required to report to the Commission and the federal Department of the Interior their annual production by mine. This information is maintained on a Commission database and can also be extracted from federal reports.
Method of Calculation	Oil is reported and maintained in the database in Barrels, natural gas is reported and maintained in the database in Mcf, and coal is reported and maintained in the database in Tons. To express all on a common basis, they will be converted to "barrels of oil equivalent." Based on commonly accepted btu conversion factors, 1 Mcf of natural gas is equivalent to 0.176 Barrels of crude oil. The lignite produced in Texas has an average heating value of approximately 6460 btu per pound. When converted, 1 Ton of Texas lignite is equivalent to 2.206 barrels of crude oil.
Data Limitations	Some monthly oil and gas production is reported late or inaccurate and revisions to a particular month's production can continue for several months into the future. Confident annual calendar year volumes for oil and gas are typically not available until at least 6 months after the end of the calendar year. Annual calendar lignite production is not required to be reported until March of each year for the previous year.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Increasing production or at least a slow down of the decline experienced over the past 20 years.

Explanatory Measure	1.1.1.3 Volume of oil produced from leases that have active CO_2 injection wells for tertiary recovery.
Short Definition	This measure is the reported volume of oil produced from leases on which CO_2 injection wells are actively injecting CO_2
Purpose/Importance	This metric focuses on the volume of oil produced from leases on which CO_2 injection is active. These leases are currently associated with the large oil fields in the Permian Basin. Stemming the production decline of large oil fields is critical to sustain overall oil production in Texas and CO_2 plays an instrumental role in this regard.
Source/Collection of Data	Data are collected through several specialized database queries of the UIC download and the mainframe computer system.
Method of Calculation	Form H-10 (Annual Disposal/Injection Well Monitoring Report) identifies the leases on which there are have injection wells actively injecting CO_2 and records the monthly volume of injected gas. Production for the leases with active CO_2 injection is extracted from the mainframe computer system and summed.
Data Limitations	At the end of each quarter, identify from Form H-10 all producing leases that inject CO_2. Due to reporting requirements, the most recently available oil production from the leases comes from the previous quarter. Therefore, it is the production from the preceding quarter that is summed and reported.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Increased production volumes.

Explanatory Measure	1.1.1.4 Volume of CO_2 stored underground.
Short Definition	This measure is the reported volume of CO_2 injected in underground reservoirs other than for enhanced oil recovery purposes.
Purpose/Importance	The capture and storage of CO_2 that would otherwise be released to the atmosphere is an important strategy for both environmental and economic reasons. Release of CO_2 into the atmosphere contributes to the accumulation of "greenhouse" gases that are a component of global climate change concerns. In addition the availability of large volumes of stored CO_2 could provide a ready source of product for industrial uses and enhanced oil recovery projects. Large-scale storage also provides new business opportunities for entities that wish to provide a service to industries that need to manage CO_2.
Source/Collection of Data	All injection well operators are required to report injected volumes on an annual basis. This data is reported by month once a year with reporting cycles are staggered among operators. An accumulation of 15 months of data is required to get a complete year for all operators. These data are maintained on the Commission database.
Method of Calculation	Extract volumes from Commission database.
Data Limitations	Injection wells are permitted to inject fluids that may not be pure CO_2. Other gaseous constituents may be mixed with the CO_2 when it is injected into the underground formation. At this time operators are required only to report the total gaseous volume stored, however Commission staff believes that the bulk of the reported volumes consists of CO_2.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Increase in volumes stored.

Explanatory Measure	1.1.1.5 Percent of total United States onshore gas coming from Texas.
Short Definition	This is the annual amount of Texas gas production expressed as a percentage of the annual onshore gas production from the United States.
Purpose/Importance	This measure is intended to show how Texas gas production compares to total on-shore gas production for the U.S. Over time it will show if Texas is maintaining its market share of production.
Source/Collection of Data	The percentage is hand-calculated from data published in the Natural Gas Annual Report by the Energy Information Administration (EIA) for the prior year. The data used is provided in Table 3 of the report titled "Gross Withdrawals and Marketed Production".
Method of Calculation	Subtract production shown for "Federal and State Offshore" from total marketed production. The difference is the onshore gas production for the U.S. Divide production shown for Texas by the onshore production for the U.S. and multiply the answer by 100 to get the percentage of gas production coming from Texas.
Data Limitations	The data provided in the EIA annual report that is used to calculate the percentage is estimated data based on information reported to the EIA on survey forms. The reliability and accuracy of the data is beyond the Railroad Commission's control. This data is published on a calendar year basis.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

Explanatory Measure	1.1.1.6 Percent of total United States onshore oil coming from Texas.
Short Definition	This is the annual amount of Texas oil production expressed as a percentage of the annual onshore gas production from the United States.
Purpose/Importance	This measure is intended to show how Texas oil production compares to total on-shore oil production for the U.S.
Source/Collection of Data	The percentage is hand-calculated from data published in the Petroleum Supply Annual Report by the Energy Information Administration (EIA) for the prior year. The data used is provided in Table 14 of the report titled "Production of Crude Oil by PAD District and State".
Method of Calculation	Subtract production shown for "Federal and State Offshore" from Total production. The difference is the onshore oil production for the U.S. Divide production shown for Texas by the total onshore production to get the percentage of oil production coming from Texas.
Data Limitations	The data provided in the EIA annual report that is used to calculate the percentage is estimated data based on information reported to the EIA on survey forms. The reliability and accuracy of the data is beyond the Railroad Commission's control. This data is reported on a calendar year basis.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

Outcome Measure	1.2.1 Average Texas residential gas price for Commission regulated utilities as a percentage of the national average residential gas price.
Short Definition	The average price of natural gas sold to residential consumers in Texas expressed as a percentage of the national average price of natural gas for residential consumers.
Purpose/Importance	Recognizing that Texas is the largest producer of natural gas in the U.S., effective regulation of natural gas utilities should reflect that rates for natural gas consumers in Texas are lower than rates for consumers in the nation as a whole.
Source/Collection of Data	Data is from Gas Facts, a statistical report published annually by the American Gas Association (AGA). Table 9-3, Gas Utility Industry Average Prices by State and Class of Service provides the national and Texas-specific average residential gas prices.
Method of Calculation	Divide the Texas average residential gas price by the national average residential gas price and multiply by 100 percent.
Data Limitations	Gas Facts is based on data collected from individual utilities, so the data cannot be directly verified and may not match data collected by the Railroad Commission. However, Gas Facts presents both national and state level data on a consistent basis so a relative comparison can be made. The measure also does not address the cost of natural gas for other classes of consumers, such as commercial, industrial, or electric utilities.
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.

Outcome Measure	1.2.2 Annual percentage change in the level of AFRED account fee revenue.
Short Definition	Annual percentage change in the total amount of LPG delivery fee revenue collected and deposited into Alternative Fuels Research and Education Fund Account 101, less revenue that does not reflect actual LPG sales, such as late penalties, administrative and civil penalties, and refunds of payments remitted in error.
Purpose/Importance	Measures by proxy Texans' increased or decreased use of odorized propane as an environmentally beneficial alternative fuel.
Source/Collection of Data	Delivery fee payments received by the Railroad Commission, logged in, deposited with the State Comptroller, and entered into the Uniform Statewide Accounting System (USAS). Records of penalties and refunds maintained by the Alternative Fuels Research and Education Division (AFRED) and entered into the division's delivery fee database.
Method of Calculation	Retrieve from USAS the total amount of delivery fee revenue deposited during the reporting period and the same period of the previous fiscal year. Retrieve from the AFRED LPG delivery fee database the total amount of late penalties, administrative and civil penalties, and refunds of payments remitted in error during the reporting period. Obtain total adjusted revenue by subtracting total penalties and refunds from total revenue. Subtract the previous year's total adjusted revenue from the current year's total adjusted revenue. Make this difference the numerator of a fraction whose denominator is the total adjusted revenue for the same reporting period of the previous fiscal year. Express this fraction as a percentage and report the percentage.
Data Limitations	No direct measure exists of odorized LPG usage in Texas. Delivery fee revenue offers a convenient proxy. However, the proxy is limited in its ability to measure the effectiveness of the division's programs. One reason is that residential LPG usage, which accounts for about 60-70 percent of total usage, is subject to weather-related ups and downs that are outside the agency's control. Other independent variables that affect sales are price-induced conservation and increased appliance efficiency.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Equal to or greater than target percentage.

Output Measure	1.2.1.1 Number of field audits conducted.
Short Definition	These are on-site audits conducted on intrastate (natural) gas utilities and on odorized liquefied petroleum gas fee payers. There are several types of audits conducted, depending upon the specific regulatory focus being made.
Purpose/Importance	Field audits are conducted to ensure that the authorized rates are being accurately computed and billed by gas utilities, and that the proper gas utility tax is being remitted. The audits also include payers of the odorized liquefied petroleum gas fee, to ensure proper reporting and payments. The importance of on-site audits of the companies' books and records is to test the accuracy and completeness of reports made by the gas utilities in compliance with several statutory and regulatory requirements.
Source/Collection of Data	Each audit conducted consists of audit work papers, the auditor's report, the formal notification of results letter, and any needed correspondence to abate violations noted. These audits are maintained in Austin, and are available to the public for review.
Method of Calculation	An audit log is maintained for each fiscal year, which lists all audits conducted. Audit numbers are sequentially assigned all audits, with the first two digits referencing the fiscal year (i.e. Audit No. 00-045). Selected information is also entered into the mainframe computer, allowing for automated counts.
Data Limitations	A simple count cannot differentiate between a simple one-person audit and highly complex group audit.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure	1.2.1.2 Number of gas utility dockets filed.
Short Definition	This measure reflects regulatory activity by reporting the number of docket numbers assigned to filings made by utilities in a year.
Purpose/Importance	Gas utilities are required by statute to obtain Commission approval prior to increasing environs rates or city gate rates. The Commission is also required to set rates for other jurisdictions when the parties are unable to agree on a rate increase. Additionally the Commission is required to review requests for Natural Gas Policy Act section 311 rates, abandonment cases, rate complaints and sales, purchases, mergers, acquisitions or transfers of utility assets. Finally, the Commission may initiate enforcement proceedings against non-compliant gas utilities or gas companies, may add, amend or repeal procedural or substantive rules, and may initiate general inquiries into existing rates. Each of these filings is assigned a docket number, so this output measures the level of activity related to these regulatory responsibilities.
Source/Collection of Data	Each request for regulatory review is filed with the Gas Services division Regulatory Analysis and Policy section (RAP). A RAP tariff analyst assigns a unique, sequential docket number to each filing. The list of docket numbers is maintained and kept current by the tariff staff.
Method of Calculation	The number of dockets filed on an annual basis is reported.
Data Limitations	The gross number of dockets filed does not differentiate between the different types of filings that can be made It also does not provide information regarding the number of dockets completed on an annual basis. Finally, the level of activity (when a filing is made) is dictated for the most part by industry rather than the Commission.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Target.

Output Measure	1.2.1.3 Number of gas utilities compliance, tariff, and escalator filings.
Short Definition	This measure reflects regulatory activity by reporting the number of compliance, tariff, and escalator filings made by utilities in a year.
Purpose/Importance	Natural gas utilities are required by statute to file tariffs (or contract briefs) and current rate information with the commission within thirty days of the effective date of the rate. Compliance filings are made to comply with a commission order, and may include revised tariffs. Escalators (including purchased gas adjustments (PGAs)) are typically filed monthly to reflect changes in the cost of gas that are passed through to customers. The compliance, tariff, and escalator information requires review by commission staff for reasonableness and correctness. This output measures the level of activity related to these regulatory responsibilities.
Source/Collection of Data	Each of these filings is made with the Gas Services division Regulatory Analysis and Policy section (RAP). A RAP tariff analyst reviews the filing for reasonableness and correctness, and provides notification to the utility concerning approval of the filing. The list of filings is maintained and kept current by the tariff staff.
Method of Calculation	The number of compliance, tariff, and escalator filings made on an annual basis is reported.
Data Limitations	The gross number of filings does not differentiate between the different types of filings that can be made It also does not provide information regarding the number of filings approved on an annual basis. Finally, the level of activity (when a filing is made) is dictated for the most part by industry rather than the Commission.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Target.

Efficiency Measure	1.2.1.1 Average number of field audits per auditor.
Short Definition	This is the relationship between the number of audits completed during a specific time frame and the number of auditors conducting audits.
Purpose/Importance	This relationship is important in establishing the proper size of staff needed to conduct field audits in timely cycles. With too few auditors, time between audits would increase and problems found would be magnified.
Source/Collection of Data	All audits completed are maintained in our files and the number of auditors, and any periods of auditor vacancies, can be obtained/verified through the Commission's Personnel division.
Method of Calculation	The number of audits completed during each reporting period is divided by that period's average number of auditors conducting audits. When there are no vacancies, the average number of auditors is eight.
Data Limitations	The mathematical process described above cannot differentiate between a simple one-person audit and highly complex group audit, each of which impacting the resulting average.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Explanatory Measure	1.2.1.1 Cost of gas included in average residential natural gas bill.
Short Definition	This measure is the cost of gas component of average residential gas bill assuming 6 Mcf/month consumption.
Purpose/Importance	Affordable heating cost is a necessity for Texas citizens. The unregulated cost of gas is the biggest component of the average gas bill. Monitoring the cost of gas of the state's major gas utilities is important to determine if changed policies are needed.
Source/Collection of Data	The Commission maintains information on the gas costs for 25 key cities assuming a 6 Mcf per month consumption. This data is calculated from the tariff sheets applicable to these 25 cities. The information is published quarterly and posted on the Commission's website.
Method of Calculation	The monthly calculation at the end of each fiscal year quarter for the 25 cities is averaged to determine statewide average cost of gas.
Data Limitations	No known data limitations.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Affordable steady gas costs without major fluctuation.

Output Measure	1.2.2.1 Number of rebate and incentive applications handled.
Short Definition	Annual number of applications for all division rebates and incentives received and paid or rejected, including, but not limited to, consumer rebates, low-emission forklift rebates, and propane equipment rebates.
Purpose/Importance	Fifty percent of AFRED's annual budget is set aside by statute for consumer rebates. This measure tells how many rebate and incentive applications the division processes annually for LPG consumers and marketers. The more rebates and incentives we provide, the better we fulfill our statutory charge to operate rebate and other marketing programs that increase environmentally and economically beneficial usage of LP-gas.
Source/Collection of Data	Commission records of rebate and incentive applications received and processed. Applications received are reviewed for completeness and, if complete, entered into the Commission's rebate and incentive tracking database. Paper originals are retained by the division.
Method of Calculation	Retrieve from the rebate and incentive database the total number of applications for each type of rebate and incentive handled during the reporting period. Add these totals and report the sum.
Data Limitations	Although the total budget for rebates is relatively stable from year to year, rebates come and go, and rebate amounts change. For this reason, simply counting the number of applications handled provides only an approximation of work output. When rebates are issued in larger amounts, e.g., $800 for a home with multiple appliances as opposed to $200 for a single appliance, fewer applications will be processed before the budget is exhausted, and vice versa. In addition, the procedure does not track applications that are incomplete or submitted after the due date. (For most rebates, the applications must be submitted within 30 days of date the propane gas to the appliance was turned on.) These applications are returned to the applicant with a letter of explanation.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Equal to or greater than target.

Output Measure	1.2.2.2 Number of training hours provided to Texas LP-gas licensees and certificate holders, operators of LP-gas equipment, and firefighters.
Short Definition	Number of contact hours documented by Alternative Fuels Research and Education Division records of training class attendance and course length.
Purpose/Importance	This measure tells how much technical training the division provides annually to LPG technicians, other LPG industry personnel, and LPG consumers, e.g., LPG school bus fleet operators, and LPG emergency responders. The more training that is provided, the more likely the trainees are to work competently and safely.
Source/Collection of Data	Commission records of classes. For classes that confer Railroad Commission training or continuing-education credit, instructors report attendance and class length to their supervisor in writing within one day of their return to Austin. Information from these reports is entered into the Commission's training database. For non-credit firefighter and emergency responder training classes, contact hours are recorded in a separate Excel spreadsheet. The division retains paper originals of all credit courses.
Method of Calculation	Retrieve from the training database the total number of class contact hours. Retrieve from the firefighter and emergency responder spreadsheet the total number of class contact hours. Add these two totals and report the sum.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Equal to or greater than target.

Efficiency Measure	1.2.2.1 Administrative costs as a percentage of AFRED account fee revenue.
Short Definition	The portion of division personnel, capital equipment and other operating costs devoted to administration, plus transfers to other Railroad Commission divisions from Alternative Fuels Research and Education Fund Account 101, General Revenue-Dedicated, divided by total annual fee revenue deposited into the fund.
Purpose/Importance	The proportion of Fund Account 101 usable for administration is limited by statute to 25 percent. This measure tells how much of the division's budget is used for administration. The lower the percentage, the more efficiently we fulfill our statutory charge to operate research, marketing and public education programs that benefit propane marketers and consumers.
Source/Collection of Data	Delivery fee payments as recorded in the Uniform Statewide Accounting System (USAS). Amounts spent on administration are compiled and reported by the Commission's Administration division.
Method of Calculation	Retrieve from USAS the total amount of delivery fee revenue deposited during the reporting period. For the same reporting period, retrieve from the Commission's Administration division the total amount spent on administration by AFRED and the total amount of Account 101 funds spent by each other division of the Commission to which transfers are made. Add these spending totals. Divide the USAS revenue total by the spending total. Report the quotient expressed as a percentage.
Data Limitations	Since delivery fee collections vary both seasonally and from year to year, annual reports of this measure may reflect performance more accurately than individual quarterly reports.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Equal to or less than target percentage.

Explanatory Measure	1.2.2.1 Number of alternative-fuel vehicles in Texas.
Short Definition	The number of compressed natural gas (CNG), liquefied petroleum gas (LPG) and liquefied natural gas (LNG) vehicles for which the Comptroller has issued a liquefied gas tax decal, plus the number of hybrid electric vehicles registered with the Texas Department of Transportation.
Purpose/Importance	To measure the degree to which Texas is obtaining the energy-security and air-quality benefits of alternative-fuel and hybrid electric vehicles.
Source/Collection of Data	Comptroller's records of liquefied gas tax decals issued; Texas Department of Transportation records of vehicle registrations
Method of Calculation	Obtain from the Comptroller's Office a report of the total number of vehicles for which the Comptroller has issued liquefied gas tax decals. Obtain from the Texas Department of Transportation's Vehicle Titles & Registration Division a report of the number of vehicles registered in Texas that are identified in the Department's records as hybrid-electric vehicles. Add the two totals and report the sum.
Data Limitations	The methodology outlined above does not include vehicles powered by electricity, biodiesel, ethanol, methanol, or another alternative fuel as that term is defined in the federal Energy Policy Act of 1992 (EPACT). "Alternative fuel" is defined even more broadly under Texas law, as any fuel or power source that allows a vehicle to meet 1994 low-emission vehicle (LEV) emission standards (Texas Health & Safety Code §382.131). Under this definition, gasoline and diesel vehicles are considered alternative-fueled vehicles as long as they meet LEV. Since these vehicles displace no petroleum, they are excluded from this measure.
Calculation Type	Non-cumulative.
New Measure	Yes. (New method of calculation, with new historical data)
Desired Performance	Greater than estimated.

Outcome Measure	2.1.1 Average number of pipeline safety violations per equivalent 100 miles of pipe identified through inspections.
Short Definition	Average of the number of safety violations noted per 100 miles for distribution, transmission, and hazardous liquid pipelines inspected.
Purpose/Importance	In order to determine the level of compliance by the various segments of the pipeline industry, a trending level can be established with this outcome. The Commission's Pipeline Safety program can be compared to other state or federal programs by type of pipeline to determine the level of compliance by the industry.
Source/Collection of Data	Each pipeline safety evaluation documents the number of miles inspected and the number of violations found. Data is collected during field evaluations and maintained within the mainframe database by pipeline system.
Method of Calculation	An average number of violations per 100 miles of pipe for each of the three types of systems (distribution, transmission, and hazardous liquids) will be determined by dividing the number of violations by the mileage of pipe that was inspected. These three averages will then be averaged to get a single equivalent statewide number for all of the pipeline systems within the state.
Data Limitations	Future enhancements to this measure may consider including diameter of the pipeline. Over a two-year period data will be collected to determine the total statewide pipeline mileage expressed in a way to also take into account pipeline diameter.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Maintain or reduce baseline level.

Outcome Measure	2.1.2 Average number of LPG/CNG/LNG safety violations identified per inspection unit.
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 unit can be used as a benchmark for the state of the LPG/CNG/LNG industry.
Purpose/Importance	The Commission's LPG/CNG/LNG program conducts field investigations of stationary and mobile LPG-gas facilities to determine compliance with the Commission's safety regulations. By determining the average number of violations per inspection unit, 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 an 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 unit except for forklift inspections. Each forklift inspection is considered to be 1/3 of an inspection unit.
Method of Calculation	The total number of violations noted is divided by the total number of inspection units completed to determine the average number of safety violations per inspection unit.
Data Limitations	None.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Maintain or reduce baseline level.

Output Measure	2.1.1.1 Number of pipeline safety inspections performed.
Short Definition	A total of the onsite field inspections conducted on intrastate hazardous liquids and natural gas pipelines.
Purpose/Importance	Field inspections are conducted on pipeline facilities to monitor compliance with Commission safety regulations. Inspections are conducted on various types of facilities and tracked within the system and evaluation type.
Source/Collection of Data	All safety investigations/evaluations are conducted using data collection sheets to record the data relevant to the safety evaluation. All of the data is transferred into the Commissions mainframe system.
Method of Calculation	The mainframe database can be utilized to total the number of inspections conducted within any prescribed time interval to calculate the number of field inspections conducted. The inspection will be considered complete based on the ending date of the inspection. All inspections completed 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 LPG/CNG/LNG safety inspections performed.
Short Definition	A total of the onsite field inspections conducted on LPG/LNG/CNG stationary and mobile installations.
Purpose/Importance	Field inspections are conducted on LPG/LNG/CNG installations to monitor compliance with Commission safety regulations. Inspections are conducted on various types of facilities and tracked within the system and evaluation type.
Source/Collection of Data	All safety investigations/evaluations are conducted using data collection sheets to record the data relevant to the safety evaluation. All of the data is transferred into the Commission's LPG Oracle database.
Method of Calculation	The Oracle database can be utilized to total the number of inspections conducted within any prescribed time interval to calculate the number of field inspections conducted.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure	2.1.1.3 Number of Pipeline safety violations identified through inspections.
Short Definition	Safety inspections identify violations of Commission safety regulations for pipeline facilities. Violations are listed by each particular code section and associated with each individual safety inspection.
Purpose/Importance	Safety inspections are conducted to determine the compliance with the Commission's safety regulations for pipeline installations. Noncompliance with the safety regulations are identified and recorded on the field evaluation data sheets.
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 mainframe system.
Method of Calculation	The source of data is the mainframe system and is drawing from the pipeline database.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Lower.

Output Measure	2.1.1.4 Number of LPG/CNG/LNG safety violations identified through inspections.
Short Definition	Safety inspections identify violations of Commission safety regulations for LPG/LNG/CNG facilities. Violations are listed by each particular code section and associated with each individual safety inspection.
Purpose/Importance	Safety inspections are conducted to determine the compliance with the Commission's safety regulations for LPG/LNG/CNG installations. Noncompliance with the safety regulations are identified and recorded on the field evaluation data sheets.
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 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	2.1.1.5 Number of pipeline and LP-gas accident investigations and special investigations performed.
Short Definition	In addition to routine safety evaluations, special investigations and accident investigations are conducted on LP-gas and pipeline facilities to determine compliance with Commission safety regulations. Many investigations are initiated through public complaints and accident investigations in the event an accident occurs on a pipeline or at a LP-gas facility.
Purpose/Importance	Accident investigations are conducted to determine the probable cause of the incident and to determine if non-compliance may have contributed to the incident. Special investigations are conducted to monitor new construction and installation activities and to respond to consumer/public complaints. Specialized safety inspections also include follow up evaluations to determine compliance from a previous inspection.
Source/Collection of Data	Using the pipeline safety database and the LPG database, the number of accident and special investigations can be determined. Each investigation requires an on-site inspection, which includes the completion of a field report, documenting the amount of time spent conducting the investigation and completing the report.
Method of Calculation	Using totals from each database the number can be determined.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Target.

Output Measure	2.1.1.6 Number of pipeline and LP-gas education programs administered.
Short Definition	Seminars are conducted by the LP-gas and pipeline safety representatives to increase awareness of pipeline and LP-gas safety and the requirements for compliance with the Commission safety regulations.
Purpose/Importance	Educational seminars are provided to pipeline and LP-gas industry employees as well as the general public to increase awareness regarding the Commission's safety program to increase compliance with the regulations.
Source/Collection of Data	A count of the number of seminars is maintained and totaled at the end of each quarter.
Method of Calculation	The total can be obtained from adding the record sheets from each meeting that documents the attendance.
Data Limitations	The hand count of records of education program dates.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure	2.1.1.7 Number of pipeline and LP-gas permits and licenses issued or renewed.
Short Definition	Each LP-gas operator and dealer is required to have a license from the Commission to perform LP-gas activities and all pipelines are required to have an operating permit from the Commission.
Purpose/Importance	In order to gather and maintain information on the regulated industry, each LP-gas operator/dealer is required to have a license from the commission that requires testing, fee, and annual renewal. Pipelines are also required to have a permit from the Commission with an annual renewal.
Source/Collection of Data	All data for licensing and permits are entered into the Oracle database for LPG and the mainframe system for Pipeline Safety. The mainframe system is used for recording information on Pipeline Safety permit and licensing applications from applicants and the Oracle database is used for recording similar information for LPG/CNG/LNG
Method of Calculation	The totals can be calculated using the mainframe system.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Target.

Output Measure	2.1.1.8 Number of third party damage enforcement cases completed.
Short Definition	The number of third party damage enforcement and complaint cases completed.
Purpose/Importance	To determine the effectiveness of the Commission's damage prevention enforcement program for damages to intrastate pipeline systems by tracking the enforcement activity regarding damage prevention violations.
Source/Collection of Data	Data will be obtained from the Commission's online system (TDRF) used to collect data regarding damages to underground facilities and all enforcement type actions taken on those facilities.
Method of Calculation	The data will be collected from the Commission's online damage reporting system regarding the number of enforcement cases and complaints processed and over a designated time period.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	Yes.
Desired Performance	Higher than target.

Efficiency Measure	2.1.1.1 Average number of pipeline field inspections per field inspector.
Short Definition	Each field inspector is required to conduct a minimum number of field inspections. This summarizes the number of evaluations completed during any specific time frame and the number of inspectors available to conduct inspections.
Purpose/Importance	To maintain adequate staffing levels and projections for workload within fiscal years, it is important to use the average of inspections per inspectors.
Source/Collection of Data	The data is collected in the Commission's mainframe system as part of the inspection process. Each inspection records the inspector performing the inspection and the time the evaluation was conducted. The number of field personnel is maintained in the section.
Method of Calculation	The number of evaluations completed during each reporting period is divided by the number of inspectors available to conduct inspections.
Data Limitations	There is no separate allowance for evaluations where multiple inspectors conduct an evaluation. In this instance the evaluation will only be counted once.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Efficiency Measure	2.1.1.2 Average number of LPG/CNG/LNG safety inspections per inspector.
Short Definition	Each field inspector is required to conduct a minimum number of field 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 performed by inspectors.
Source/Collection of Data	The data is collected in the Commission's Oracle system as part of the inspection process. Each inspection records the inspector performing the inspection and the time the evaluation was conducted. The number of field personnel is maintained in the section.
Method of Calculation	The number of evaluations completed 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	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

Explanatory Measure	2.1.1.1 Number of calls to Texas "one-call" centers.
Short Definition	This measure tracks the number of calls to Texas "one-call" centers each quarter.
Purpose/Importance	The leading cause of damages to pipelines in Texas result from third parties. Effective damage prevention initiatives should result in an increase in the number of calls made to "one call" centers to request underground utilities to be marked prior to excavation. This measure will indicate the effectiveness of Commission education initiatives by illustrating a change in the number of calls to "one-call" centers.
Source/Collection of Data	The data will be collected from the three one-call centers that operate in the state. Some of the data will also be collected from the One Call Board of Texas.
Method of Calculation	The data will be collected quarterly from the state's three one-call centers and will be added together for a quarterly total.
Data Limitations	The data will be collected from the one-call centers operating in the state, which are not under the Commission's regulatory authority. While the Commission does not anticipate problems gathering the data from these sources, there may be an unforeseeable delay. The Commission may also gather the data from the One Call Board of Texas, which oversees the operation of the one-call centers.
Calculation Type	Cumulative.
New Measure	Yes.
Desired Performance	The desired performance is to see an increase in the number of calls made to the one-call centers, which would indicate an increased awareness of damage prevention.

Outcome Measure	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 waste disposal).
Purpose/Importance	This percentage measures the level of activity for the Commission's district offices associated with potential environmental threats, and is an indicator of the overall level of compliance by oil and gas operators in protecting the environment. From this percentage, a statistical projection of the number of compliant and non-compliant facilities and required Commission staffing may be deduced.
Source/Collection of Data	Data is collected manually in the field on "D-Forms" and captured in an automated database. Statistical reports are generated monthly.
Method of Calculation	This percentage is calculated by dividing the total number of oil and gas facility inspections where at least one pollution-related violation was detected by the total number of oil and gas facility inspections
Data Limitations	The number of non-compliant leases and facilities is affected by the health of the oil and gas industry, or the lack thereof. Increases/decreases in personnel and priority of inspection assignments also affect these numbers.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Less than target. This indicates that oil and gas facility inspections detected fewer pollution-related violations than predicted, thus indicating a higher level of compliance by the oil and gas industry.

Outcome Measure	3.1.2 Percent of current surface mining operations (coal and uranium) that are in full compliance with applicable state and federal regulations.
Short Definition	The percentage of coal and uranium mining operations that are permitted and not subject to a reclamation bond forfeiture proceeding.
Purpose/Importance	The purpose of this outcome measure is to monitor the financial soundness of the coal and uranium mining industry.
Source/Collection of Data	The permitted acreage is contained in Commission orders and may be adjusted by administrative revisions. Bond forfeiture acres are from Commission bond forfeiture orders. Reclamation is determined to be complete when the acreage is returned to the landowner.
Method of Calculation	This percentage is calculated by dividing the total permitted surface coal and uranium mining acres, less the total reclamation bond forfeiture acres by the total permitted surface coal and uranium mining acres.
Data Limitations	The bond forfeiture process is subject to various legal appeals therefore forfeiture acres may continue to be counted for an extended period of time resulting in a performance target of less than 100% for more than one fiscal year.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Target.

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

Output Measure	3.1.1.2 Number of enforcement referrals for legal action due to oil and gas rule violations.
Short Definition	The total number of oil and gas leases and facilities referred to the Office of General Counsel, Enforcement section, wherein the responsible operator failed to initiate timely action to bring the lease or facility in compliance with statewide rules.
Purpose/Importance	This measure represents the level of non-compliance at the district office level that requires further enforcement action by the Commission.
Source/Collection of Data	Statistics on referrals to the Enforcement section are maintained in a Field Operations section spreadsheet application.
Method of Calculation	This number is generated monthly by summing the total number of referrals in the Field Operations section spreadsheet application for the reporting period.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Lower than target. This indicates that operators are complying with district directives to bring non-compliant oil and gas facilities into compliance with Commission rules and regulations.

Output Measure	3.1.1.3 Number of oil and gas environmental permit applications and reports processed.
Short Definition	The number of oil and gas environmental permit applications processed for disposal wells, waste hauler permits, surface storage and disposal, hydrocarbons storage and brine mining, and monitoring reports for UIC well volumes and pressures and mechanical integrity tests (also know as pressure tests) for oil and gas enhanced recovery and disposal wells, and pressure tests or fluid level readings for inactive wells
Purpose/Importance	This measure provides an indication of Oil and Gas division staff workloads and oil and gas activity in the state.
Source/Collection of Data	Count the total number of permit applications processed and monitoring reports received and reviewed during the reporting period. Data is maintained within mainframe and PC programs. Includes: Fluid injection wells (Forms H-1), disposal wells (Forms W-14), hydrocarbon wells (Forms H-4), brine mining wells (Forms H-2), pit applications (Forms H-11), minor permit applications, discharge applications, land farming applications, pipeline hydrostatic test permit applications, new/renewal waste hauler permit applications (Forms WH-1), UIC well monitoring reports (Forms H-10), report on test on inactive wells (Forms H-15), pressure test reports for UIC wells (Forms H-5), brine mining well monitoring reports, and hydrocarbon storage monitoring reports.
Method of Calculation	Add the number of permit applications processed and monitoring reports received and reviewed during the reporting period.
Data Limitations	Can be affected by any data entry delays.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Efficiency Measure	3.1.1.1 Average number of oil and gas facility inspections performed by district office staff.
Short Definition	This figure represents the average number of oil and gas facility inspections performed during the reporting period by district staff.
Purpose/Importance	The average number of oil and gas facility inspections performed measures how efficiently the Commission's district office staff conducts the inspections. The number also measures the level of activity for the Commission's district office staff. By tracking the average number of inspections performed, it is possible to determine the total number of inspections that can be performed during a specified period. This measure serves as a management tool to predict future inspection performance.
Source/Collection of Data	Statistics on the total number of inspections, the number of district office staff, and the average number of inspections are maintained in the Field Operations section D-System database. Reports on these statistics are generated monthly.
Method of Calculation	This measure is generated monthly from the Field Operations section D-System database by an automated report that provides the total number of oil and gas facility inspections performed during the reporting period and the total number of district office staff performing the inspections. The report determines the average number of inspections performed by dividing the total inspections by the total number of district office staff performing the inspections.
Data Limitations	An inspection encompasses a lease or other oil and gas facility. Not all inspections require the same amount of time to complete due to the travel time required to reach the lease or facility, the number of wells on a lease, the complexity of the job, and the number of violations identified on the lease or facility. Some inspections (such as well casing cementing operations, well plugging operations, and injection/disposal well mechanical integrity tests) are more time consuming and are performed to verify compliance rather than identify violations. These factors impact the average number of inspections performed by district office staff. Increases/decreases in personnel and priority of inspection assignments also affect this number.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target

Explanatory Measure	3.1.1.1 Number of oil and gas wells and other related facilities subject to regulation.
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	Yes.
Desired Performance	Target.

Efficiency Measure	3.1.2.1 Average number of staff review days required to process coal mining permitting actions that require Commission decision.
Short Definition	The average number of staff days required to review and file requests for permit actions that require Commissioner's decision. Actions that require Commission decisions are those which are presented to the Commissioners for decision during a public meeting. These types of actions include those requiring public notice (new mining permits, permit renewals and transfers, significant permit revisions, release from reclamation bond liability), reclamation bond replacements in form or amount, and contested administrative permit revisions.
Purpose/Importance	This measure provides an indication of the responsiveness of staff in meeting certain target review time frames for major permitting actions. The measure is also important to illustrate to the coal mining industry the timeliness of staff in meeting these review timeframes.
Source/Collection of Data	This is a count of the number of staff review days, for permit action requests that require Commissioner's approval, completed during the reporting period. A database is maintained within the Surface Mining and Reclamation division that tracks the processing of permit action requests. Key processing milestones are documented with a database entry on the date of the event. Permit action reviews are considered complete when staff review documents are filed with the hearings examiner. The number of staff review days is a count of the calendar days beginning on the stamped receipt date through the staff review filing date.
Method of Calculation	Divide the aggregate total number of staff review days for all actions completed during the reporting period by the number of actions completed for the reporting period.
Data Limitations	The number and timing of applications for permitting actions is determined by the mining industry and not controlled by the Commission. The staff review time for different types of permitting actions also vary, dependent on the complexity of the permit action requested The ability to meet the performance measure may be influenced if more complex permit actions are submitted for review during the reporting period than estimated in establishing the performance measure target.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Lower than target.

Efficiency Measure	3.1.2.2 Average number of staff review days required to process administrative coal mining permitting actions.
Short Definition	The average number of staff days required to review administrative permitting action requests. These actions, which do not require public notice, are approved or denied by the division director and include: non-significant permit revisions, exploration registrations renewed or issued, reclamation bond map adjustments, monitoring report evaluations, applications for blaster certifications, construction design documents and certifications, and initiation of the extended responsibility period.
Purpose/Importance	This measure provides an indication of the responsiveness of staff in meeting certain target review time frames for administrative permitting actions. The measure is also important to illustrate to the coal mining industry the timeliness of staff in meeting these review timeframes.
Source/Collection of Data	This is a count of the number of staff review days for all administrative permit 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. Key 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 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 for administrative permitting action initial reviews completed during the reporting period by the number of administrative initial reviews completed for the reporting period.
Data Limitations	The number and timing of applications for permitting actions is determined by the mining industry and not controlled by the Commission. The staff review time for different types of permitting actions also vary, dependent on the complexity of the permit action requested. The ability to meet the performance measure may be influenced if more complex permit actions are submitted for review during the reporting period than estimated in establishing the performance measure target.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Lower than target.

Efficiency Measure	3.1.2.3 Average number of staff review days required to process uranium exploration permitting actions.
Short Definition	The average number of staff days required to review uranium exploration permit actions. These actions include new, revised and renewal applications.
Purpose/Importance	The measure illustrates the responsiveness of staff in meeting target review timeframes for uranium exploration permit actions.
Source/Collection of Data	The measure is based on a count of the number of staff review days for all uranium exploration permit action requests completed during the reporting period. A database is maintained within the Surface Mining and Reclamation division that tracks the processing of permit action requests. Processing milestones are documented with a database entry logging the date of the event. Permit action reviews are considered complete when a deficiency letter or Director's final decision letter is sent to the permittee. The number of staff review days is based on the number of calendar days beginning on the stamped receipt date until the date staff review is complete resulting in a deficiency letter or director's final decision letter.
Method of Calculation	Divide the aggregate total number of staff review days by the number of uranium exploration permit action reviews completed for the reporting period.
Data Limitations	The ability to meet the efficiency measure may be influenced if more complex permit actions are submitted for review during the reporting period than estimated in establishing the target.
Calculation Type	Cumulative.
New Measure	Yes.
Desired Performance	Lower than target.

Explanatory Measure	3.1.2.1 Number of acres permitted.
Short Definition	The total number of acres permitted for surface coal and uranium mining activities
Purpose/Importance	The purpose of this measure is to track the amount of land area that is subject to the Commission's mining regulations. This measure provides information that illustrates the size of the land area that the Commission must inspect.
Source/Collection of Data	Changes to permit acreage are contained in Commission orders (permit revisions, bond releases) or the director's approval letters for incidental permit boundary revisions. Each document that adjusts the permit area is recorded on the spreadsheet with the source document identified.
Method of Calculation	A spreadsheet is maintained to track adjustments to permit acreage for each mine. Whenever a document that adjusts permit acreage is filed in the administrative records the acreage adjustment is entered on the spreadsheet along with the approval date. The spreadsheet maintains a running total of the permit acreage.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Target.

Outcome Measure	3.2.1 Percentage of known orphaned wells plugged with the use of state managed funds.
Short Definition	The ratio of the number of orphaned wells plugged with the use of state managed funds to the total number of orphaned wells. An orphaned well is a well for which production of oil or gas or another activity under the jurisdiction of the Commission has not been reported to the Commission for the preceding 12 months, and for which the Commission-approved organization report (Form P-5) has lapsed. State managed funds include the Oil Field 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 Field 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.
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 Field Cleanup 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 Field 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 cleanups.
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 date the abandoned site is approved for cleanup with state managed funds, summed for all sites and divided by the total number of site cleanups completed during the period. The file is closed when the final invoice is approved for payment.
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 operator initiated cleanups monitored and evaluated.
Short Definition	Number of Voluntary Cleanup Program (VCP) applicant cleanups monitored and evaluated to ensure appropriate remediation and elimination of an environmental threat.
Purpose/Importance	Provides an indication of the effectiveness of the Voluntary Cleanup Program. The purpose of the VCP is to provide an incentive to remediate property by removing the liability to the state of lenders, developers, owners, and operators who did not cause or contribute to contamination released at the site.
Source/Collection of Data	Staff maintains a database of sites. Sites are brought forward by eligible applicants wishing to clean up the property while paying for Commission oversight in return for a release of liability from the state.
Method of Calculation	Reported annually. On the last day of each fiscal year, report the total number of Voluntary Cleanup Program cleanups that are currently in some stage of monitoring or evaluation.
Data Limitations	These sites may take several years to complete and frequently involve many hours of staff time to review and approve technical reports and corresponding site activities. Staff review time can vary significantly depending on technical complexity or other factors.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Within the Data Limitations, lower numbers indicate the need for fewer environmental cleanups while higher numbers indicate more activity in the program.

Explanatory Measure	3.2.1.3 Number of complex operator-initiated cleanups monitored and evaluated.
Short Definition	Number of complex operator cleanups monitored and evaluated to ensure appropriate remediation and elimination of an environmental threat. Complex cleanups are defined as sensitive site cleanups requiring specific cleanup levels and/or detailed assessments.
Purpose/Importance	Provides an indication of the effectiveness of the cleanup program for complex pollution sites that do not require the use of state managed funds to remediate.
Source/Collection of Data	Staff maintains a database of sites. Sites are identified by district and headquarters technical staff through inspections, complaints, or operators contacting the Commission while conducting environmental investigations as part of due diligence or during property transfers.
Method of Calculation	Reported annually. On the last day of each fiscal year, report the total number of operator cleanups involving sensitive environmental sites that require detailed assessment and cleanup activities that are currently in some stage of monitoring or evaluation.
Data Limitations	These sites may take several years to complete and frequently involve many hours of staff time to review and approve technical reports and corresponding site activities. Staff review time can vary significantly depending on the technical complexity or other factors.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Within the data limitations, lower numbers indicate the need for fewer environmental cleanups while higher numbers indicate more activity in the program.

Output Measure	3.2.2.1 Number of orphaned wells plugged with the use of state managed funds.
Short Definition	The number of orphaned wells plugged by the Commission with the use of the Oil Field 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 Field Cleanup 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 Field 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 cumulative count of the number of orphaned wells approved for plugging with state-managed funds.
Data Limitations	The number of orphaned wells approved for plugging with state managed funds includes only those wells that meet the well plugging criteria and have been approved for plugging. Because there is a time lag between approval and actual plugging, the wells approved during the reporting period are not necessarily the same wells actually plugged during the reporting period.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	On target. This indicates that a sufficient number of orphaned wells are approved to ensure achievement of goals.

Explanatory Measure	3.2.2.2 Number of known orphaned wells in non-compliance with the Commission plugging rule.
Short Definition	The number of wells that are non-compliant with Statewide Rule 14 (well plugging) and Statewide Rule 1 (delinquent Organization Report). A well is classified as orphaned if it has been inactive for a period of more than 12 months; is not covered by a bond, letter of credit; or other form of financial assurance; and for which the Commission approved Organization Report (P-5) has lapsed.
Purpose/Importance	This measure represents the total population of orphaned wells, and is an indicator of liability for use of state managed funds.
Source/Collection of Data	An automated database captures the number of orphan wells in non-compliance with the Commission's plugging rule.
Method of Calculation	This measure is generated monthly from the Commission's mainframe system by an automated report that provides the number of orphan wells from the total population of wells monitored by the Commission.
Data Limitations	The number of orphaned wells is a dynamic number that changes daily. The number of orphan wells is affected by the health of the oil and gas industry, or the lack thereof.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Less than target. This indicates that the number of orphan wells in non-compliance with the Commission's plugging rule is lower than anticipated as a result of a successful state managed plugging program and /or due to healthy economic conditions for the oil and gas industry.

Explanatory Measure	3.2.2.3 Number of wells plugged, by operators, without the use of state managed funds.
Short Definition	The number of wells plugged by the oil and gas industry. A well is considered properly plugged when it complies with the provisions of the Statewide Rule 14 (well plugging) including the filing and approval of a well plugging report (Form W-3).
Purpose/Importance	Statewide Rule 14 (well plugging) is designed to prevent the migration of fluid in a well that may pose a threat to public safety and/or cause or threaten to cause pollution of surface and/or subsurface waters. This measure represents the level of plugging activity by the oil and gas industry. An increased level of plugging activity indicates that operators are plugging their wells and removing the threat posed by inactive wells that could potentially become orphaned in the future.
Source/Collection of Data	An automated database captures the total number of wells plugged.
Method of Calculation	The number of wells plugged by operators is determined by subtracting the number of wells plugged with state managed funds for the reporting period from the total number of wells plugged for the reporting period as determined by the Commission's mainframe system, which includes wells plugged with state managed funds. The difference is the number of wells plugged by the oil and gas industry.
Data Limitations	Wells plugged by operators and by the Commission with the use of state managed funds are captured by the Commission's mainframe system only after a well plugging report (Form W-3) has been processed by the Permitting and Production section. There is a time lag between actual plugging and well plugging report processing.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target. An increased level of plugging activity indicates that operators are plugging their wells as required by Commission rules and these wells will not require plugging by the Commission

Explanatory Measure	3.2.2.4 Percentage of active well operators who have more than 25% of their wells inactive.
Short Definition	This measure is the percentage of active well operators for whom more than 25% of their wells are inactive. An inactive well is a well that is not currently producing and is not identified as an active service type well.
Purpose/Importance	An operator who begins to accumulate a large percentage of inactive wells as compared to active wells begins to pose a potential problem of leaving behind abandoned unplugged wells. As long as an operator has a large percentage of active wells it is unlikely that he will be in a position to abandon his operations and leave behind unplugged wells. This measure will be a general indication of whether additional regulations might be necessary to require all operators to plug their inactive wells after a certain period of inactivity.
Source/Collection of Data	Data is collected electronically through a mainframe download (Program BWU180), which provides well status information for wells monitored by the Commission. This program is run monthly.
Method of Calculation	For each active operator with one or more wells, the ratio of inactive wells to total wells is calculated to determine whether that operator has an inactive-to-total ratio greater than 25%. The number of well operators who have an inactive-to-total ratio greater than 25% is divided by the total number of well operators to derive this percentage.
Data Limitations	Well status information is largely based upon findings reported by the operator; the Commission has minimal ability to verify those findings.
Calculation Type	Noncumulative. Well status and the inactive to total ratios for each operator are developed individually at each reporting cycle.
New Measure	No.
Desired Performance	Lower than target.

Explanatory Measure	3.2.2.5 Number of Shut-in/Inactive Wells.
Short Definition	This measure is the total count of all inactive wells, including all wells that currently are not producing, but excluding any well that is identified as an active service type well. For the purposes of this measure, inactive wells include those wells that have been shut-in (i.e., non-producing) for less than 12 months. This definition is different from the definition of an inactive well used in the Commission's Rule 14 (plugging).
Purpose/Importance	A large number of inactive wells indicates a potential threat to the Oil Field 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	Yes.
Desired Performance	Lower than target.

Explanatory Measure	3.2.3.1 Percentage of abandoned surface mine sites on which reclamation has been initiated.
Short Definition	The number of abandoned surface mines where reclamation has been initiated since September 1, 1998, expressed as a percentage of the total number of prioritized unreclaimed, eligible and accessible abandoned surface mine sites updated as of September 1, 2008.
Purpose/Importance	This measure demonstrates the performance of the Abandoned Mine Land Reclamation program's planning, design and bidding effort and activity.
Source/Collection of Data	The number of Abandoned Mine Land projects initiated is determined by review of AML contract documents. The Abandoned Mine Land Inventory System, maintained by the U.S. Office of Surface Mining Reclamation and Enforcement, determines the total number of prioritized Abandoned Mine Land sites in Texas.
Method of Calculation	Divide the number of abandoned surface mine sites where reclamation has been initiated by the total number of prioritized unreclaimed, eligible and accessible abandoned surface mine sites updated as of September 1, 2008.
Data Limitations	The total number of unreclaimed prioritized, eligible and accessible abandoned surface mines may change if certain landowners change their minds and elect to participate in the Abandoned Mine Land Reclamation program or if federally mandated eligibility requirements change.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Outcome Measure	4.1.1 Percent of public requests for research or information received through Internet-based technology.
Short Definition	Public requests for research or information received through Internet-based technology will be analyzed on a percentage basis.
Purpose/Importance	The measure is intended to compare the number of requests received through Internet-based technology with the number of requests received by telephone, fax, US mail, and walk-in customers. Over time, the impact of the Internet on public requests can be assessed. For example, an answer to the following question will emerge: As Internet requests go up, will requests made through telephone, fax, US mail, and walk-in customers go up or down?
Source/Collection of Data	Each request received by telephone, fax, US mail, in person, and Internet-based technology (e-mail) is tabulated on a daily basis and reported monthly.
Method of Calculation	The percentage is calculated by dividing the total number of requests received by the Commission through Internet-based technology by the total number of requests received.
Data Limitations	One request can represent one document and a few minutes of research time, or one request can represent hundreds of documents and hours of research time.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure	4.1.1.1 Number of reports provided to customers from electronic data records.
Short Definition	This measure represents the number of requests received within Information Services for reports including either hardcopy reports or electronic data records.
Purpose/Importance	This measure reflects the level of public demand for energy information maintained at the Commission. The Commission's applications systems are used to record and monitor the activities of regulated entities and include regulatory information about each of the Commission's program areas as well as digital map data representing locations of regulated facilities across the State of Texas.
Source/Collection of Data	An automated system is used to capture the individual requests for information on the number of digital datasets output or the number of jobs required to generate multiple datasets of related information. An external customer is an entity who is external to the Commission such as an operator, another government agency, or a private individual
Method of Calculation	This measure is determined by tabulating the number of hardcopy reports or digital datasets provided to external customers by Information Services open records representatives. A request for electronic information is a request for electronic data records from the Commission's mainframe and Unix-based applications systems. For mainframe electronic and hardcopy information requests, each dataset generated is equal to one request. For Unix-based information requests each job executed is counted as one request. Individual and subscription information requests are counted using the same process.
Data Limitations	None.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Output Measure	4.1.2.1 Number of documents provided to customers by Information Services.
Short Definition	Number of documents provided to customers from Information Services. A customer is an entity such as an operator, government agency other than the Commission, or a private company or individual. Maps, quad reports, vendacard copies, and photocopies made for other agencies are counted manually. One side of a piece of paper is equal to one document. For quad reports and subscriptions, a stapled or bound set of pages or microfiche set equals one document. With well logs and other oversize documents, one square foot of paper is equal to one document. For maps, a plotted map, digital bond map, or graphic image map is equal to one document.
Purpose/Importance	The measure is intended to show the volume of documents provided to customers.
Source/Collection of Data	The total number of documents comes from manual and computer-tabulated counts of the number of documents sold.
Method of Calculation	The total number of documents is determined by both manual and computer-tabulated counts of specific Railroad Commission documents sold or provided to external customers by Information Services.
Data Limitations	The measure captures the number of documents that are photocopied; however, it does not capture the number of documents that customers accessed without photocopying.
Calculation Type	Cumulative.
New Measure	No.
Desired Performance	Higher than target.

Explanatory Measure	4.1.2.1 Number of external visits to the Commission's website.
Short Definition	This measure is the number of page views of the Commission's website originating from outside of the Commission.
Purpose/Importance	This indicator provides a measure of public access. It also provides a way to view trends in website access by the public and to measure the effectiveness of site updates that might include new functions and features.
Source/Collection of Data	Website page views are calculated using the electronic log files that are updated each time the Commission's Internet site is accessed.
Method of Calculation	The number of external website page views are determined by a software program that reads the log file and complies the information captured by the web server.
Data Limitations	This measure represents a single dimension of website activities. This measure does not include additional log file information about the website customer such as the number of pages accessed excluding image, templates and style sheets or number of unique visits.
Calculation Type	Noncumulative.
New Measure	No.
Desired Performance	Higher than target.

APPENDIX E—IMPLEMENTING THE TEXAS TRANSFORMATION

Managed Service Delivery	Objective 1: Solve common business problems through managed services
Question 1	Has the agency considered use of managed services in order to focus more on its business needs?
Agency Plans, Practices, and Initiatives	The Railroad Commission uses TEX-AN and the Texas Online payment portal. The Railroad Commission has an interagency agreement with the DIR for Data Center Services. The Railroad Commission is considering establishing an end user computing refresh program for personal computers (workstations and laptops) that are due for replacement during the FY 2010–2011 biennium.
Major Accomplishments	TEX-AN has provided a dependable telecommunications service at a reasonable cost to the agency. Use of the Texas Online payment portal has allowed the Railroad Commission to increase and improve services by adding more online payment options for customers and industry. The Data Center Services agreement will allow the Railroad Commission Information Technology staff to focus more on improving and expanding information technology services to meet staff and customer needs while reducing the focus on day-to-day data center operations. The state's data center services program leverages statewide resources to provide improved security and disaster recovery services. Additionally, outdated data center equipment will be replaced by current technology. This will improve the current and future performance, stability and reliability of data center services. Document imaging services are provided though a statewide digital imaging services contract. These services leverage expertise, allow Commission staff to focus on business needs and increase access to electronic information for industry and other stakeholders.
Challenges	It will be necessary for the Railroad Commission to replace aging end user computing equipment. Based on a four-year refresh schedule, this equipment is due for replacement during the FY10/FY11 biennium. One option under consideration is to establish an end-user computing workstation and printer refresh program. This would involve leasing the personal computers (PCs) and acquiring managed print services. This refresh program could improve the ability of information technology staff to focus more on business needs rather than equipment maintenance and repair. There are also opportunities to leverage shared applications and processes where common business needs exist including Geographic Information Systems (GIS), e-mail, messaging and Enterprise Resource Planning (ERP).

Managed IT Supply Chain	Objective 2: Deliver business value and maximize buying power through integrated technology supply chain services
Question 2	Does the agency leverage and obtain additional value from the Information and Communications Technology (ICT) Cooperative Contracts program; for example, by further negotiating not-to-exceed pricing?
Agency Plans, Practices, and Initiatives	The ICT Cooperative Contracts program leverages the states' purchasing power to provide lower pricing and obtain best value for agencies. The Railroad Commission uses the contracts negotiated through this program for the majority of its purchases. The agency further negotiates the not-to-exceed pricing to achieve even greater cost reductions. The ICT Cooperative Contracts program also benefits the agency by streamlining the purchasing process and reducing the contract and purchase cycle time.
Major Accomplishments	The Railroad Commission's overall experience with ICT Cooperative Contracts has been positive. The program is extremely beneficial and has improved the process for procuring goods and services. Master Contracts with not-to-exceed pricing have allowed the Railroad Commission to negotiate even lower pricing. The addition of base pricing allows the agency to compare vendor's prices and has reduced the time required to obtain quotes from multiple vendors for comparison.
Challenges	The statewide challenge is to continue to negotiate contracts for products and services that keep pace with needs of the agency and further reduce costs.

Security and Privacy	Objective 3: Provide leadership to secure the state's technology assets and promote appropriate use of citizen information.
Question 3	Describe the agency's strategies to align with the State Enterprise Security Plan (http://www.dir.state.tx.us/pubs/securityplan2007/index.htm).
Agency Plans, Practices, and Initiatives	The Railroad Commission works in partnership with the Department of Information Resources (DIR) to develop and implement a security plan that meets with TAC 202 requirements. The agency continues to participate in regular controlled penetration tests and network assessments.
Major Accomplishments	Penetration tests and network assessments have proven to be a valuable tool in identifying areas of weakness and thus allowing the Commission to make changes to strengthen its security posture. A redesign of agency desktop operating system and application software in conjunction with centralized virus and patch management has produced a more secure end user desktop environment.
Challenges	Increased commitments and investments in security are needed to ensure that the agency meets the state's enhanced security requirements. Security measures must be reviewed and revised continuously to protect state assets against internal and external threats.

Security and Privacy	Objective 3: Provide leadership to secure the state's technology assets and promote appropriate use of citizen information.
Question 3	Describe the agency's policies, practices and programs, implemented or planned, that comply with relevant statutes and administrative rules to ensure the privacy of confidential data. Consider federal privacy requirements (e.g., the Health Insurance Portability and Accountability Act or the Family Educational Rights and Privacy Act) that apply to the agency. List the organizational units (program offices, IT, legal, etc.) that manage privacy functions. Describe any future plans for improvement.
Agency Plans, Practices, and Initiatives	The Railroad Commission works in partnership with the Department of Information Resources (DIR) to develop and implement a security plan that meets with TAC 202 requirements. The agency continues to participate in regular controlled penetration tests and network assessments. All Commission divisions have responsibility for ensuring the confidentiality of personal identifying information and other information subject to privacy rights. The Commission has designated a member of the records management team and an in-house counsel with records expertise to provide support to all division records coordinators and supervisory staff on these issues. Division records coordinators are responsible for segregating confidential information from public view and in-house counsel directly resolves all requests for access to or copies of this type of information. Railroad Commission data is related to economic regulation and is not subject to HIPAA or FERPA.
Major Accomplishments	The Railroad Commission participates in the Department of Information Resources (DIR) annual controlled penetration test program provided by the Network and Security Operations Center to reduce cybersecurity risks. The Commission has made an effort to minimize retention periods for personal information. An internal staff review process is in place to ensure that imaged records do not include any protected personal identifying information. The Railroad Commission includes remarks in the records retention schedule to inform staff and the public of every records series that contains or might contain confidential or otherwise protected personal information. These remarks, which include specific legal references applicable to each such records series, are primarily intended to assist staff in readily identifying these types of records so they can be segregated from the public and from staff who do not require access to these records.

Challenges	The Commission faces an ongoing challenge to make its information readily accessible to the public while, at the same time, ensuring compliance with existing laws protecting personal identifying information and information protected by citizens' and employees' privacy rights. The Commission must review its information in all media following each legislative session to ensure compliance with new laws aimed at protecting personal identifying information and other personal information subject to privacy rights.

Technology Policy, Best Practices, and Partnerships	**Objective 4: Enhance Statewide Technology Management and Collaboration**
Question 5	What current practices or plans are in place to improve usability and searchability of the agency's Web content? (2007 SSP, Strategy 4-1)
Agency Plans, Practices, and Initiatives	The Railroad Commission has been working to redesign its website to improve usability, accessibility, and searchability. This process included evaluating the current site, learning about our users, conducting surveys and discussions, developing personas, writing scenarios, conducting content inventory, developing prototypes, developing usability test plans and establishing guidelines and goals. In addition to the accomplishments listed below, the Commission plans to add online licensing and registration capabilities, expand access to oil and gas data and improve access to geographic information. The Railroad Commission will continue to work with Texas Geographic Information Council as a member to develop standards for Geographic Information Systems.
Major Accomplishments	Guidelines have been established for RRC Web development for accessibility. These accessibility guidelines were developed in compliance with the requirements of 1 TAC Chapter 206. The agency's Web site redesign work is underway and includes building of the new agency site. Several applications have been designed and developed to improve the usability and searchability of the agency's website. These applications provide queries for access to valuable oil and gas data, provide online filing and electronic payment capabilities, and provide on line access to electronic records.
Challenges	One of the Commission's goals is to 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. In support of this goal, the Commission will continue to update, test and refine the agency's website in accordance with existing statutes, rules and guidelines on accessibility, usability and searchability. Additionally, efforts should continue to increase the amount of Commission data that is available through the agency's website.

Technology Policy, Best Practices, and Partnerships	Objective 4: Enhance Statewide Technology Management and Collaboration
Question 6	What current practices or plans are in place to improve life cycle management of agency data and information? Include the agency's approach and ability to meet future open records and e-discovery requests. (2007 SSP, Strategy 4-1)
Agency Plans, Practices, and Initiatives	Records in electronic media are included in the Commission's retention schedule in the record series represented by their content. The majority of electronic information related to data systems has a permanent retention period on the agency's retention schedule. Data is migrated as necessary to new technology. The agency manages information in accordance with procedures outlined in 13 TAC part 1 Chapter 6 on state records. The State Library's publication "State Bulletin 1: Electronic Records Standards and Procedures" is incorporated in the statewide digital imaging services contract that the Commission uses. Therefore, all electronic records are created and retained in accordance with the rules in 13 TAC 6-93-6.97. To date, all of the imaged records have had a permanent retention requirement. However, when records to be imaged with less than permanent retention periods are identified, they will be included in the Statement of Work for disposition at the expiration of the retention period for the particular state record.

Major Accomplishments	The Commission has developed an internal records disposition procedure to ensure that no Commission electronic or paper records are disposed of improperly. That procedure requires review and signatory approval of every records disposition by the applicable division records coordinator, division director, in-house counsel, internal auditor, records management officer and deputy executive director. The Commission benefits from a comprehensive archival review conducted by the State Library Archivist in 2001. The archival list can be referenced to identify any records that have archival or potential archival requirements. Under the Commission's email retention policy, each user is responsible for retention of records in accordance with the records retention schedule. Individual users can consult with their Division's records coordinator who received training with regard to educating staff on the proper retention of electronic mail and other electronic data. The Commission has been a frontrunner in the state in migrating its paper records to digital images that are then searchable through the website. To date, over 12 million images have been indexed. The imaging is performed though the statewide digital imaging services contract. With regard to electronic discovery issues, Commission counsel audited the Attorney General's electronic discovery task force meetings. Commission in-house counsel is currently reviewing electronic discovery policies in place at several other agencies. Electronic discovery issues are presently addressed on a case-by-case basis using a decision-tree approach recommended by the Attorney General's task force.
Challenges	Commission records date back to the 1930s. The challenge is to continue to migrate paper records as quickly as possible to searchable electronic formats that can be easily accessed by the public.

Technology Policy, Best Practices, and Partnerships	Objective 4: Enhance Statewide Technology Management and Collaboration
Question 7	Describe agency methods and standards (federal, state, industry), implemented or planned, intended to enhance data sharing (i.e., improve interoperability) with other entities. (2007 SSP, Strategy 4-2)
Agency Plans, Practices, and Initiatives	The Railroad Commission collaborates with the Comptroller of Public Accounts on severance tax and fees and provides data to other agencies such as Federal Lands, General Land Office, Office of the Attorney General and the University of Texas Land Office.
Major Accomplishments	The Council on Competitive Government has identified the provisioning of geospatial technology as an identified state service and authorized a feasibility review of alternative approaches. The Council is a venue for state leadership to identify business processes in Government that should be reviewed across state agencies to yield savings, improved capacity, speed and efficiency, transparency, and advance a citizen-centered government.
Challenges	A statewide Geographic Information Systems (GIS) vision would help identify potential interoperability opportunities and would add value within and outside the agency. Multiple standards, data interchange formats and security gaps often decrease the efficiency of collaborative efforts.

Core Missions	Objective 5: Deploy value-added technology solutions to meet agency core missions and serve Texas citizens
Question 7	What current practices or plans are in place to improve life cycle management of agency data and information? Include the agency's approach and ability to meet future open records and e-discovery requests. (2007 SSP, Strategy 4-1)
Agency Plans, Practices, and Initiatives	Records in electronic media are included in the Commission's retention schedule in the record series represented by their content. The majority of electronic information related to data systems has a permanent retention period on the agency's retention schedule. Data is migrated as necessary to new technology. The agency manages information in accordance with procedures outlined in 13 TAC part 1 Chapter 6 on state records. The State Library's publication "State Bulletin 1: Electronic Records Standards and Procedures" is incorporated in the statewide digital imaging services contract that the Commission uses. Therefore, all electronic records are created and retained in accordance with the rules in 13 TAC 6-93-6.97. To date, all of the imaged records have had a permanent retention requirement. However, when records to be imaged with less than permanent retention periods are identified, they will be included in the Statement of Work for disposition at the expiration of the retention period for the particular state record.
Major Accomplishments	The Commission has developed an internal records disposition procedure to ensure that no Commission electronic or paper records are disposed of improperly. That procedure requires review and signatory approval of every records disposition by the applicable divisiote. To date, over 12 million images have been indexed. The imaging is performed though the statewide digital imaging services contract. With regard to electronic discovery issues, Commission counsel audited the Attorney General's electronic discovery task force meetings. Commission in-house counsel is currently reviewing electronic discovery policies in place at several other agencies. Electronic discovery issues are presently addressed on a case-by-case basis using a decision-tree approach recommended by the Attorney General's task force.
Challenges	Commission records date back to the 1930s. The challenge is to continue to migrate paper records as quickly as possible to searchable electronic formats that can be easily accessed by the public.

Core Missions	Objective 5: Deploy value-added technology solutions to meet agency core missions and serve Texas citizens
Question 8	Does the agency have any plans to simplify or reduce the number of existing software platforms (e.g., operating systems, application development environments, database systems, office suites, other COTS applications)? If no, is the agency fully leveraging its technology to support both its current and future business environment?
Agency Plans, Practices, and Initiatives	The Railroad Commission is leveraging technology to optimize applications and databases. Technology is also leveraged to increase efficiency in providing public access to information and to provide more efficient interaction with regulated industries. The technical foundation has been built to enable electronic filing of permits and forms on the Commission's website. Commission applications leverage the Texas Online secure payment portal for payment processing for permits, fees, and services. Digital imaging technology services are used to transfer Commission data into electronic records that are easily accessible through the Commission's website. The Commission also leverages technology by making geographic data available in a variety of ways. Railroad Commission staff in the field have access to the data on their mobile computers. Oil and Gas operators and consultants can access geographic data using the drilling permits Geographic Information Systems (GIS) viewer. Commission staff have access to the data for approving permits using the Current Forms Processing (CFP) GIS application. These technology solutions have resulted in a marked improvement in the availability of and access to information for not only the public and industry, but for Commission staff as well.
Major Accomplishments	The Railroad Commission, as one of the agencies participating in the Data Center Services contract with DIR, will achieve combined reductions statewide in software and hardware platforms. Participation with other agencies in this agreement, which includes data center consolidation, will allow the state to fully leverage its data center mainframe and server technology. The Commission has leveraged mobile computing technology by deploying GIS data as well as other data needed for inspections on mobile computers that are used by Commission field staff.
Challenges	The Commission should expand on capabilities inherent in mobile computing to increase applications deployed on the mobile computers. By fully leveraging mobile computing technology, field staff will be able to perform the Commission's regulatory responsibilities more accurately and efficiently.

Core Missions	Objective 5: Deploy value-added technology solutions to meet agency core missions and serve Texas citizens
Question 8	Does the agency have any plans to simplify or reduce the number of existing software platforms (e.g., operating systems, application development environments, database systems, office suites, other COTS applications)? If no, is the agency fully leveraging its technology to support both its current and future business environment?
Agency Plans, Practices, and Initiatives	The Railroad Commission is leveraging technology to optimize applications and databases. Technology is also leveraged to increase efficiency in providing public access to information and to provide more efficient interaction with regulated industries. The technical foundation has been built to enable electronic filing of permits and forms on the Commission's website. Commission applications leverage the Texas Online secure payment portal for payment processing for permits, fees, and services. Digital imaging technology services are used to transfer Commission data into electronic records that are easily accessible through the Commission's website. The Commission also leverages technology by making geographic data available in a variety of ways. Railroad Commission staff in the field have access to the data on their mobile computers. Oil and Gas operators and consultants can access geographic data using the drilling permits Geographic Information Systems (GIS) viewer. Commission staff have access to the data for approving permits using the Current Forms Processing (CFP) GIS application. These technology solutions have resulted in a marked improvement in the availability of and access to information for not only the public and industry, but for Commission staff as well.
Major Accomplishments	The Railroad Commission, as one of the agencies participating in the Data Center Services contract with DIR, will achieve combined reductions statewide in software and hardware platforms. Participation with other agencies in this agreeters that are used by Commission field staff.
Challenges	The Commission's Geographic Information System (GIS) is part of the agency's critical infrastructure and is widely used by the Commission, industry and the public. Unfortunately, the increased demand for GIS information has outpaced the capacity of the current GIS system. Additionally, the GIS hardware and software are outdated and are in need of updates and expansion to meet the current and future needs of the Commission, other agencies and the public. The GIS system should be updated to run on current technology to support current and future needs.

Core Missions	Objective 5: Deploy value-added technology solutions to meet agency core missions and serve Texas citizens
Question 9	Describe any current or planned activities targeted at reducing the environmental resource consumption of technology equipment (recycling, consolidating, virtualizing, buying energy efficient equipment, etc.).
Agency Plans, Practices, and Initiatives	Implementing an end user computing (EUC) refresh program could result in replacement of older equipment with more energy efficient end user equipment.
Major Accomplishments	Outdated workstations and printers were replaced in early FY06 with smaller, more energy efficient devices. As part of the data center services contract, equipment from the agency data centers will be migrated to the state data centers. The legacy agency data center space will be released for other state uses. Since data centers consume significantly more electricity per square foot than other office space, freeing this space for other use provides an opportunity to reduce the state's utility bill and reduce its carbon footprint.
Challenges	The Railroad Commission will continue to identify opportunities to reduce environmental resource consumption of technology equipment.

APPENDIX F—WORKFORCE PLAN

I. AGENCY OVERVIEW

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

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

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. Most recently, the Commission expanded its underground damage prevention to pipelines program, following legislation enacted by the 80th Legislature.

The Commission has 13 field locations

- Abilene
- Corpus Christi
- Garland
- Houston
- Kilgore
- Midland
- Pampa
- San Antonio
- Sweetwater
- Tyler
- Weslaco
- Wichita Falls

The current service responsibilities of the Commission fall within five basic industry segments, oil and natural gas exploration and production, natural gas, and hazardous liquids pipeline operations, natural gas utilities, LP-gas service, and coal and uranium mining. Today the majority of the Commission's resources are dedicated to the area of oil and natural gas exploration and production regulation. Approximately 72 percent of the staff (direct and indirect) is dedicated to the oil and natural gas industry, 14 percent to the pipeline and natural gas utility industries, 6 percent to the LP-gas industry, and the remaining 8 percent to the coal and uranium mining industry.

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

The Commission's current appropriation for fiscal year 2008 is $61,128,960 with 706.15 FTEs. The Commission's central office is located in the Capitol Complex at the William B. Travis Building, 1701 North Congress, Austin, Texas. Approximately 61 percent of the Commissions staff is located in this headquarters office. The remaining staff is located throughout the state in Commission field offices.

These offices contain various combinations of employees from the following functional areas: Oil and Gas, Pipeline/LP-gas Safety, Utility Audit, Surface Mining, and Alternative Fuels Research and Education.

A. AGENCY MISSION

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

B. STRATEGIC GOALS AND OBJECTIVES

Goal 1: Energy Resources

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

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

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

Objective 1.2. Maintain competitive prices and adequate natural gas supplies for Texas energy consumers and reduce the historical decline in use of odorized propane in Texas markets.

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

Strategy 1.2.2. Develop and implement research and technical services, marketing, and a public education plan to increase the use of LP-gas as an alternative fuel.

Goal 2: Safety Programs

Advance safety in the delivery and use of Texas petroleum products and in the operation of the Texas pipeline system through training, monitoring, and enforcement.

Objective 2.1. Improve safety in the pipeline industry and the LPG/CNG/LNG products business from FY 2002 levels.

Strategy 2.1.1. Ensure the safe operation of pipelines and LPG/CNG/LNG businesses through licensing and permitting, field inspections, accident investigations and emergency response.

Goal 3: Environmental Protection

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

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

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

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

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

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

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

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

Goal 4: Public Access to Information and Services

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

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

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

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

C. ANTICIPATED CHANGES IN MISSION, STRATEGIES, AND GOALS

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

II. CURRENT WORKFORCE PROFILE

A. CRITICAL WORKFORCE SKILLS

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

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

The specific critical skills and qualifications include:

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

B. WORKFORCE DEMOGRAPHICS (AS OF FEBRUARY 29, 2008)

Gender		
Gender	Head Count	Percent
Male	374	55.2%
Female	303	44.8%

Gender

As of February 29, 2008, the RRC has 374 male employees (55.2 percent) and 303 female employees (44.8 percent). The total employee count of 677 includes both full-time and part-time employees.

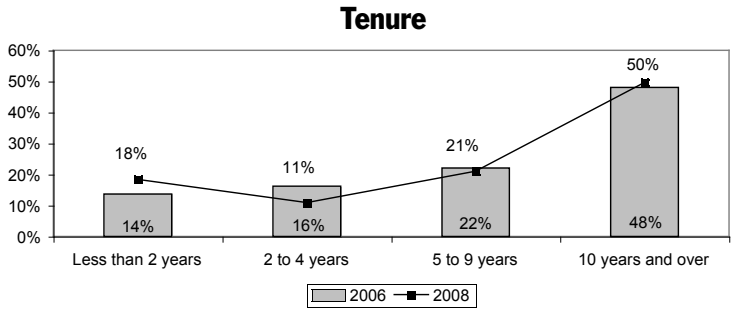
Age		
Age Group	Head Count	Percent
Under 30 years	52	7.7%
30 - 39 years	90	13.3%
40 - 49 years	188	27.8%
50 - 59 years	260	38.4%
60 years and over	87	12.8%
TOTAL	677	100.0%

Age

Over 79 percent of the RRC's current employees are over the age of 40. With less than 21 percent of the Commission's workforce under 40 years old, the Commission must aggressively plan to replace the knowledge of the 315 employees who are eligible to retire before the end of FY 2013.

Tenure

On February 29, 2008, the Commission had 126 employees with less than two years of Commission service, and 74 employees with less than five years of service with the Commission. There were 142 employees (21.0 percent) with five to nine years of service, and 335 (49.5 percent) had ten or more years of service. Results from the Survey of Organizational Excellence (found in Appendix G) indicate there is a desire by our employees to continue long-term employment, but inadequate pay is the primary concern for employees regarding their future employment with the Commission.



Equal Employment Opportunity Job Category

The Commission has a highly educated workforce with many employees holding advanced degrees or credentials. Of the Equal Employment Opportunity job categories, the Commission has the greatest number of employees within the "Technical" category representing 34.4 percent of the Commission's workforce. This reflects the qualifications and skill sets necessary to accomplish the Commission's regulatory goals.

Job Categories
As of February 29, 2008

EEO Category	Head Count	Percent
Officials, Administration	57	8.4%
Professional	218	32.2%
Technical	233	34.4%
Para-professional	24	3.6%
Administrative Support	145	21.4%
TOTAL	677	100.0%

Diversity

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

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

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

RRC Diversity by EEO Job Category
As of February 29, 2008*

	African American		Hispanic		Female	
EEO Job Category:	RRC %	State Goal	RRC %	State Goal	RRC %	State Goal
Officials, Administration	3.5%	6.6%	15.8%	14.2%	19.3%	37.3%
Professional	6.9%	8.3%	13.8%	13.4%	39.5%	53.2%
Technical	6.0%	12.4%	23.2%	20.2%	24.5%	53.8%
Para-professional**	20.8%	13.8%	20.8%	40.7%	79.2%	39.0%
Administrative Support	15.9%	11.2%	30.3%	24.1%	89.7%	64.7%
TOTAL	**8.71%**		**20.97%**		**44.76%**	

	Availability in Civilian Labor Force Percent			Underutilization (-) or Over-utilization (+) of Available Labor Force		
EEO Job Category	Black	Hispanic	Female	Black	Hispanic	Female
Officials, Administration	6.60	14.20	37.30	-3.09	1.59	-18.00
Professional	8.30	13.40	53.20	-1.42	0.36	-13.75
Technical	12.40	20.20	53.80	-6.39	2.98	-29.34
Para-professionals**	13.80	40.70	39.00	7.03	-19.87	40.17
Administrative Support	11.18	24.11	64.71	4.68	6.23	24.95

* Source: Comptroller of Public Accounts and State Auditor's Human Resource Information System, and Texas Workforce Commission's EEO Report, January 2007.

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

C. EMPLOYEE TURNOVER AND PROJECTED ATTRITION

Turnover is important to any organization and the Commission is no exception. Since the dramatic upturn in the industries regulated by the Commission, turnover has increased from 10 percent in FY 2004 and FY 2005 to almost 14 percent or more in FY 2006 and FY 2007. RRC turnover exceeds other Article VI agencies by almost 2 percent or more over the last 2 fiscal years. Much of the turnover is attributed to employees moving to the private sector for substantial pay increases.

Employee Turnover

FY	2004	2005	2006	2007
RRC	9.3%	10.0%	13.9%	14.9%
State of Texas	14.8%	18.9%	17.9%	19.2%
Article VI	9.5%	11.5%	11.2%	13.1%

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

FY 2007 Separating Employees
By RRC Tenure

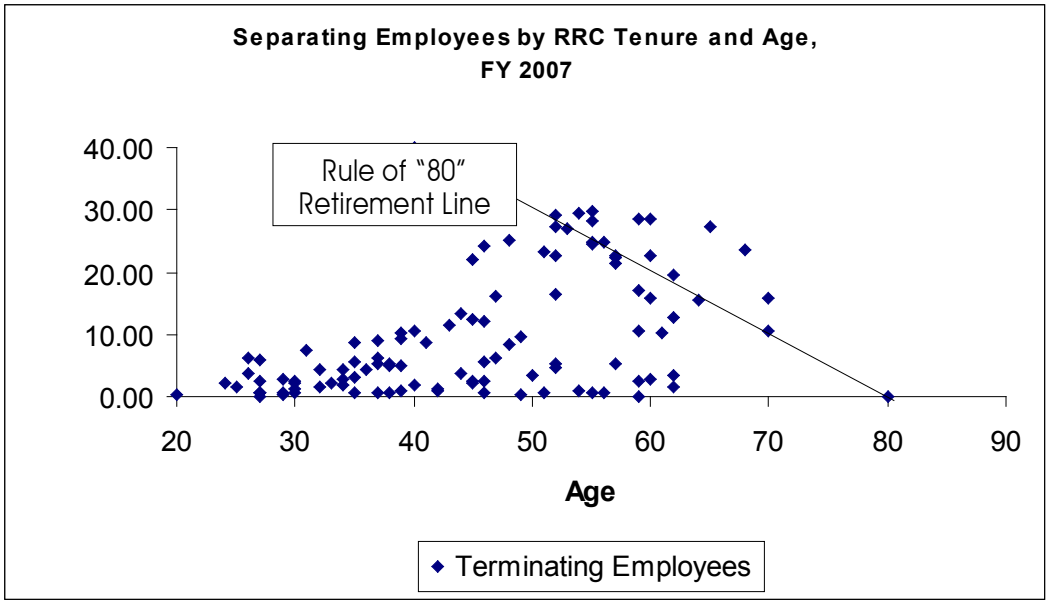
Less than 2 years	27	25.5%
2 to 5 years	22	20.8%
5 to 10 years	18	17.0%
10 to 15 years	10	9.4%
15 to 20 years	7	6.6%
20 to 30 years	22	20.8%
Greater than 30 years	0	0
Total	106	100%

The highest percentage of turnover (38.8 percent) occurs among employees under 40 years of age. As mentioned in previous Workforce Plans, the greatest concern for turnover among different age groups continues to be the Commission's inability to retain the employees under the age of forty. Forty-one (38.7 percent) employees under the age of forty elected to leave the Commission in FY 2007. Twenty-two of the 41 had tenure of less than five years.

FY 2007 Separating Employees
By Age

Under 30 years	14	13.2%
30 – 39 years	27	25.5%
40 - 49 years	23	21.7%
50 - 59 years	28	26.4%
60 years and over	14	13.2%
Total	106	100%

Retirement Eligibility



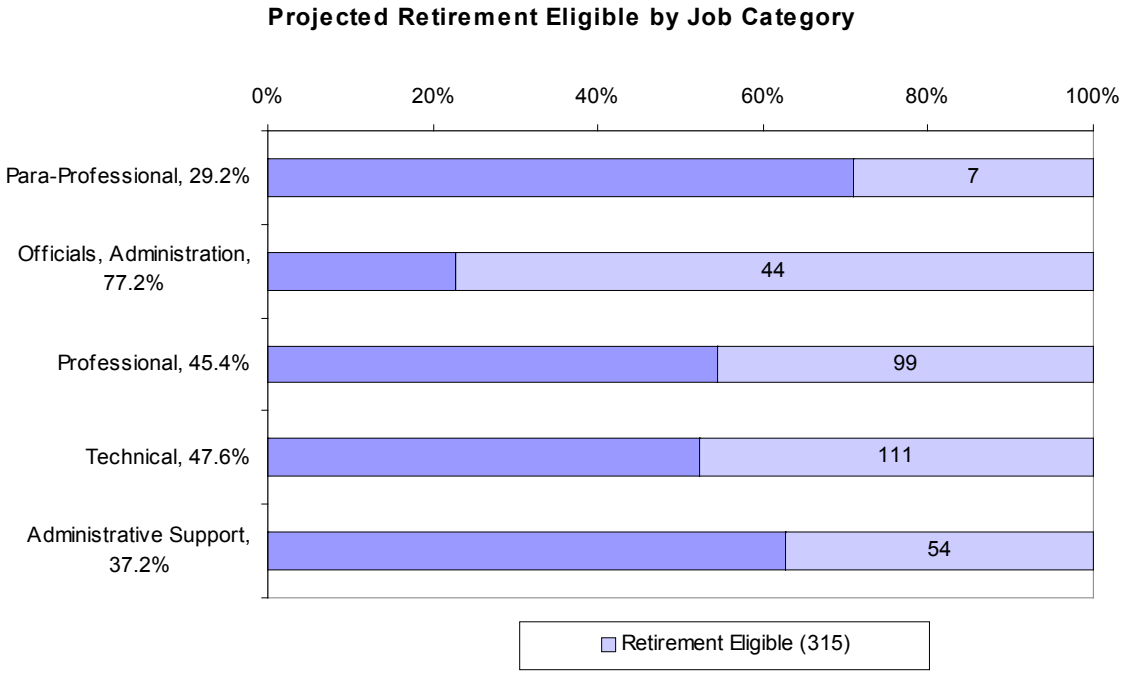
Projection of Commission Employees Eligible for Retirement in the Next Six Years		
Currently Eligible	87	12.9%
FY		
2008	29	4.3%
2009	38	5.6%
2010	27	4.0%
2011	35	5.2%
2012	56	8.3%
2013	43	6.4%
Total	**315**	**46.5%**
Percentages are based on a headcount of 677.		

Projections indicate a gradual increase in the number of Commission employees eligible to retire between now and August 31, 2013. By fiscal year 2013, more than 46 percent of the Commission's current workforce will be eligible to retire. By comparison, the 2007-11 Workforce Plan projected 36.9 percent for an increase of 20.7 percent. This steady increase in the number of employees retiring indicates the Commission will lose a significant portion of its most knowledgeable employees, including many in critical positions.

Two factors about retirement eligibility deserve emphasis. Over one-fourth (27.6 percent) can retire currently and several have been eligible for more than 5 years. Over 46 percent are eligible now or are projected to become eligible by August 31, 2013. This constitutes almost half of the workforce, and is exclusive of other turnover. A compounding problem is, the Commission's employment of twenty-one retiree-rehires. When these individuals are included with the 228 individuals projected to be eligible to retire, then just less than half of the workforce is in the shadow of retirement. It will be a difficult challenge for the RRC to replace the skills necessary to attain the goals set forth in this strategic plan.

Most of the Commission's leadership positions, including Division Directors and District Office Directors, will be eligible to retire during the next six years. The Commission identified specific workforce skills

including engineers, scientists, and attorneys who will be eligible for retirement. In order to replace these important skills, succession planning as well as a greater focus on internal organizational development and training will be required as our workforce planning evolves. When a retirement occurs and no internal applicant emerges, there will be increased pressure to recruit from outside the Commission. The obvious barrier to external recruiting is competition with private sector employers, the associated recruitment costs, and the service delivery downtime.



III. FUTURE WORKFORCE PROFILE

A. EXPECTED WORKFORCE CHANGE

The Commission is currently reviewing a mentoring or succession planning program to address the nearly fifty percent of the workforce that can retire between now and August 31, 2013. The Commission projects that many division director, manager, and highly skilled professional employee positions will be vacant in the next five years. Training existing and new employees to learn the workplace culture and to manage the regulatory process is essential to maintaining an appropriate service level for the public and for the industries that the RRC regulates.

B. ANTICIPATED INCREASE OR DECREASE IN NUMBER OF EMPLOYEES NEEDED

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

C. FUTURE WORKFORCE SKILLS NEEDED

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

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

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

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

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

D. CRITICAL FUNCTIONS TO ACHIEVE STRATEGIC PLAN

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

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

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

IV. GAP ANALYSIS

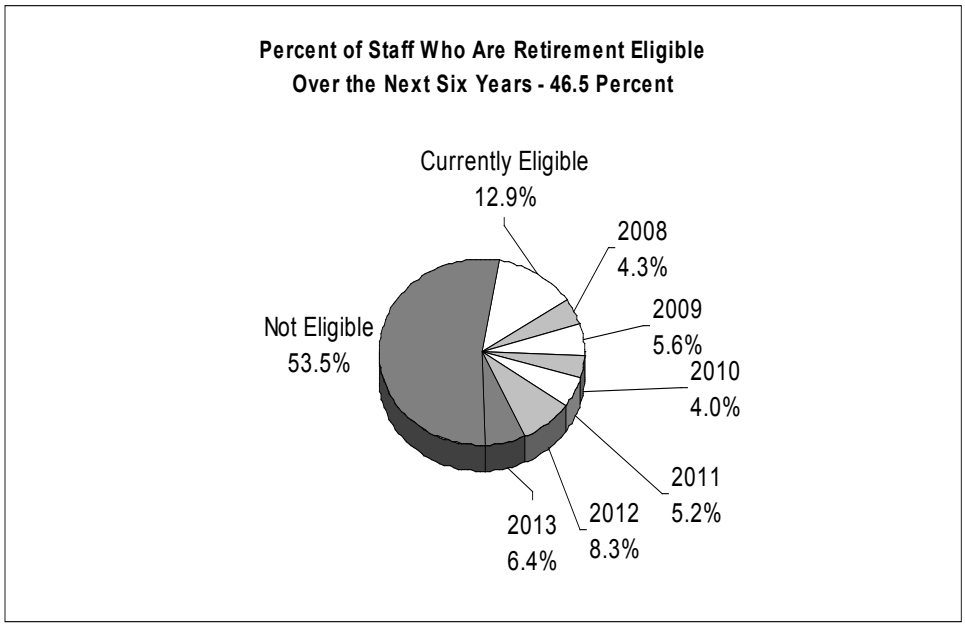
A. ANTICIPATED SURPLUS OR SHORTAGE OF WORKERS OR SKILLS

With over 46 percent of the Railroad Commission workforce eligible for retirement by FY 2013, the Commission projects a shortage in staffing and skill levels needed to meet future requirements of the Commission. The projected staffing areas with an anticipated shortage of employees that are most affected by the retirement eligibility include:

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

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

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



*Normal expected retirement over six years would be 15 percent based on 40 years of employment.

V. STRATEGY DEVELOPMENT

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

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

- Career development programs – Mentoring, the development of internships for professional areas, and an increase in professional training and development for staff will be initiated throughout the Commission.

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

- Leadership development – Efforts will be made to identify, retain, and develop existing employees with management and leadership capabilities. This will require funding to identify and increase leadership training.

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

- Succession planning – By implementing this activity, managers and supervisors will be made aware of what skill sets are critical to meeting their objectives and can plan for employee attrition. Succession planning will also address staffing or skill imbalances due to turnover and retirements.

- Retention Programs – Some programs are already in place to help retain the employees who have skills critical to the Commission's success, now and in the future, such as the Recruitment and Retention Bonus Program.

The success of these methods depends upon adequate funding.

A. IMPLEMENTATION OF WORKFORCE PLAN

The Workforce Plan will be implemented in connection with the Railroad Commission's Strategic Plan. Strategic Plan changes due to leadership, if any, or legislative changes may result in adjustments to the Workforce Plan.

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

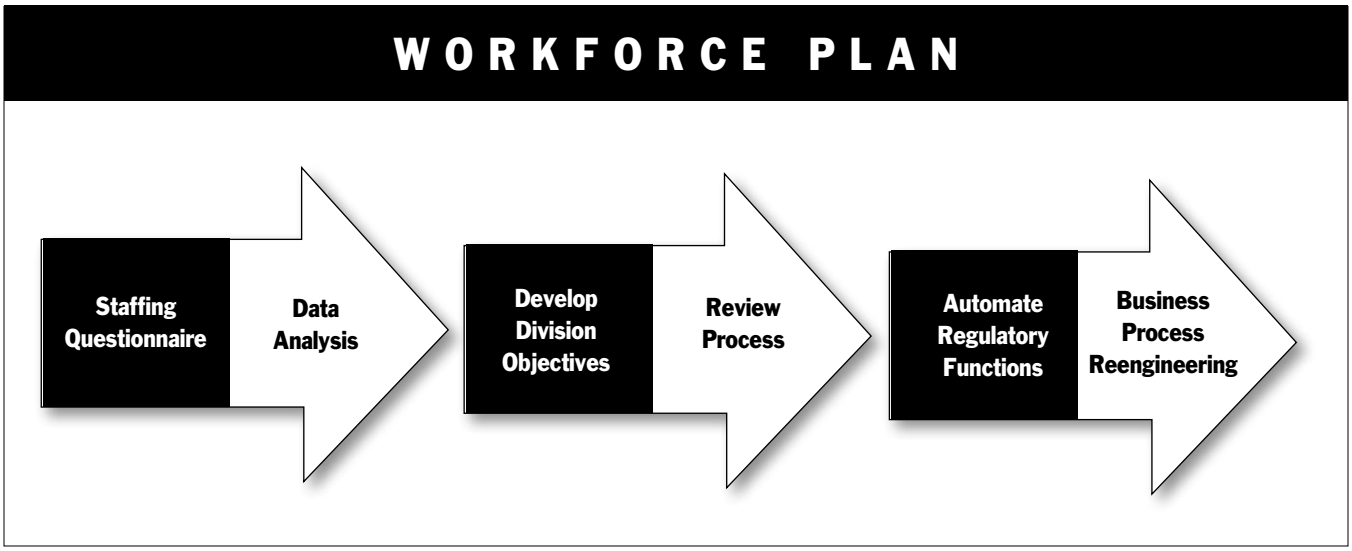
- Data representing the Railroad Commission workforce will be distributed to the Directors to assist in completing the questionnaire. Data will include turnover, retirement eligibility, diversity of immediate workforce, and tenure.

- The Human Resource function will develop a stronger business partnership with each of the divisions. By doing so, such areas as training needs, strategic planning of workforce to meet division objectives, and long range planning of workforce needs can be addressed on an ongoing basis.

- Division Directors along with the Commission will review progress of the Workforce planning process biennially. Adjustments to the Plan, if any, will be documented.

- During the next five years, the initiative to automate our regulatory functions in the Oil and Gas Division will require the Commission to critically assess the following areas: competency gaps in technological skills, job functions, and skill shortages or surplus within the division.

- Business process reengineering to ensure an effective and efficient outcome of Commission service.



B. WORKFORCE PLAN EVALUATION AND REVISION

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

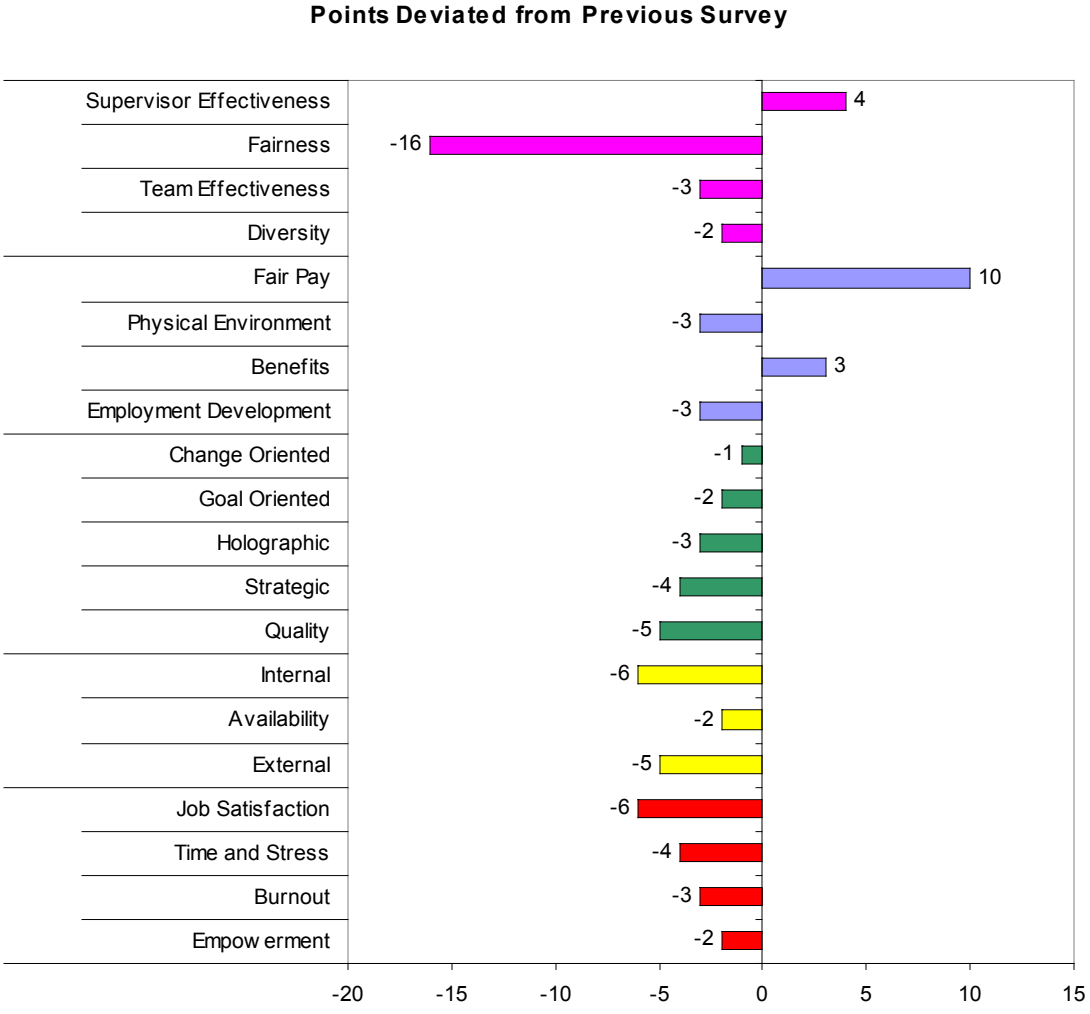
- The *Survey of Organizational Excellence*
- Customer Service questionnaires and feedback
- Retirements, projected retirements, and Commission turnover data
- College and diversity recruiting programs
- The Statewide Exit Survey and the internal Railroad Commission Exit Interview System
- Hiring trends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

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

APPENDIX G—SURVEY OF ORGANIZATIONAL EXCELLENCE

The Railroad Commission participated in the 2007–2008 *Survey of Organizational Excellence* to obtain information about work force issues that impact the quality of service ultimately delivered to all customers. The data collected by the *Survey* assisted the Commission in understanding, from the viewpoint of the employee, what the Commission is doing well and where improvement efforts should be targeted. We believe understanding how employees perceive various aspects of the workplace is critical to implementing successful change.

Conclusions from the *Survey* are based on 363 respondents (53%) from 686 distributed surveys. In comparison to the last *Survey*, results obtained in 2005–06, the Commission experienced positive growth in 3 out of the 20 constructs.

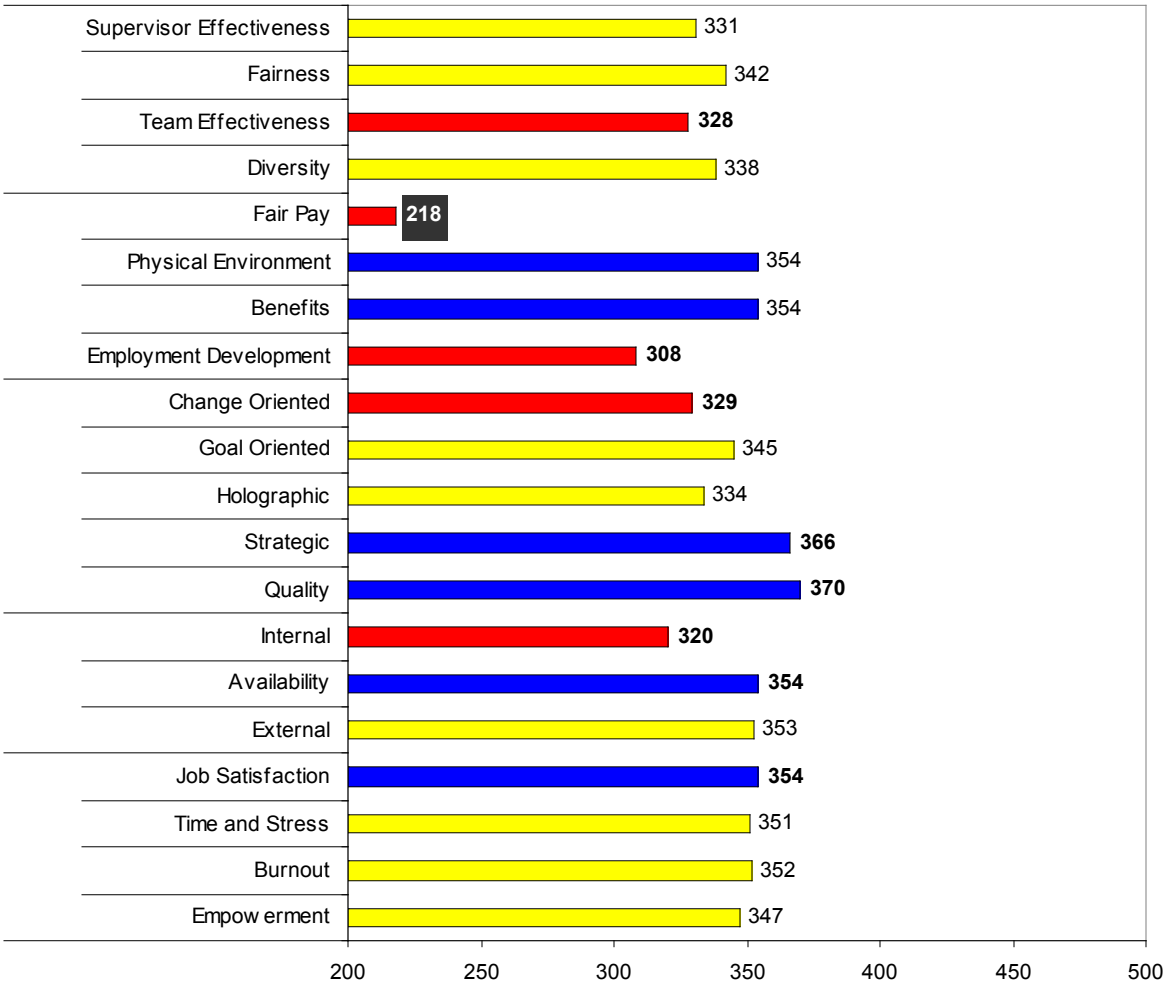


The highest scoring constructs, or areas of strength, for the Commission included:

- **Quality** (370, a decrease of 5 points from 2005–2006) – Quality focuses upon the degree to which quality principles, such as customer service and continuous improvement, are a part of the organizational culture. This construct also addresses the extent to which employees feel that they have the resources needed to deliver quality services.

- **Strategic Orientation** (366, a decrease of 4 points from 2005–2006) – Strategic Orientation reflects employees' thinking about how the organization responds to external influences that should play a role in defining the organization's mission, vision, services, and products.

- **Job Satisfaction** (354, a decrease of 6 points from 2005–2006) – Job satisfaction addresses employees' attitude about the overall work situation. This construct looks at the degree to which employees intrinsically like their jobs and the total work environment. It focuses upon both the job itself and availability of resources to do the job.



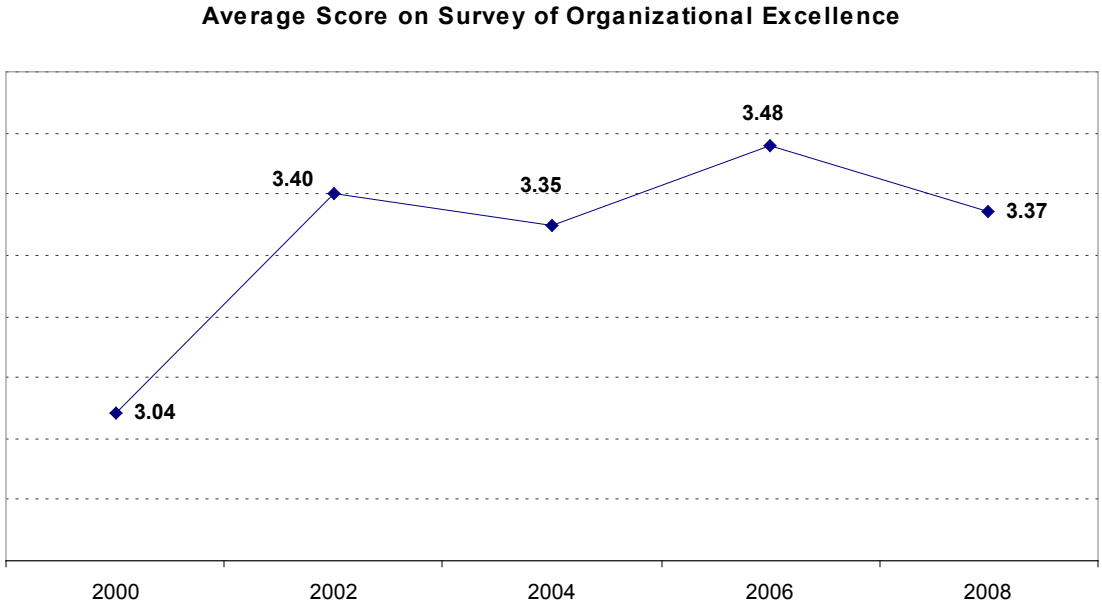
The lowest scoring constructs, or areas of concern, are as follows:

- **Fair Pay** (218, an increase of 10 points from 2005–2006) – Fair pay addresses perceptions of the overall compensation package offered by the organization. It describes how well the compensation package "holds up" when employees compare it to similar jobs in other organizations.

- **Employee Development** (308, a decrease of 3 points from 2005–2006) – Employee Development is an assessment of the priority given to the employees' personal and job growth.

- **Internal Information** (320, a decrease of 6 points from 2005–2006) – Internal Information captures the flow of communication within the organization from the perspectives of top-down, bottom-up, and across divisions or departments.

On a scoring range from a low of 100 to a high of 500, our scores ranged from 370 to 218, with only one score in the 200 range (Fair Pay—218). Scores above 300 suggest that employees perceive the issue more positively than negatively. Scores below 200 should be a significant source of concern for the organization.

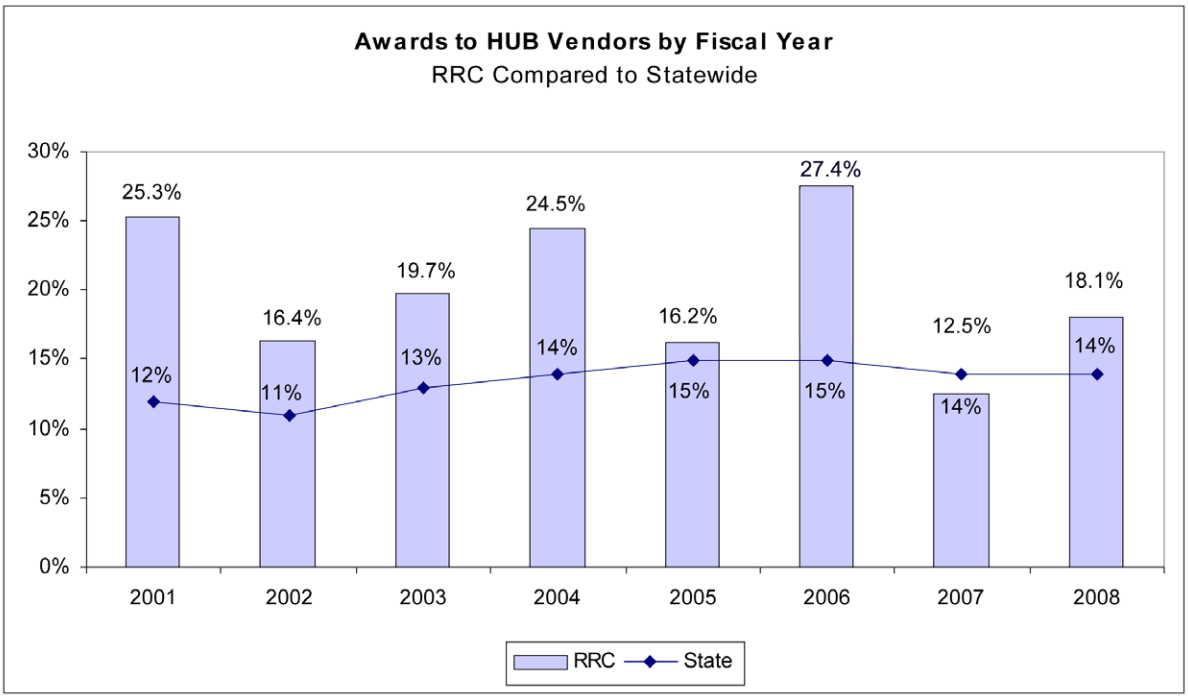


A score about the neutral midpoint of "3.0" suggests that employees perceive the issues more positively than negatively. Conversely, a score below "3.0" indicates a more negative view by employees. Possible responses ranged from "1.0" to "5.0".

APPENDIX H—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 utilize 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 the Railroad Commission's procurement opportunities through the agency's website, the Electronic State Business Daily, local commerce events, and statewide forums; and continuing to promote the Commission's Mentor Protégé Program.
	Output • Number of dollars spent with HUB vendors • Number of bids obtained from HUB vendors • Number of purchases awarded to HUB vendors • Number of HUB subcontracting dollars reported • Number of HUB forums attended, vendor outreach efforts, and internal training programs conducted

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



FY 2008 September to February (First Six Months)

External and Internal Assessments

Fiscal Year	Total Agency Expenditures	$ Spent with HUBs	% of Total Spent with HUBs
2002	$19,383,195	$3,192,260	16.4%
2003	$17,327,612	$3,430,740	19.7%
2004	$18,533,477	$4,547,738	24.5%
2005	$21,598,657	$3,503,337	16.2%
2006	$22,659,618	$6,226,635	27.4%
2007	$27,194,343	$3,406,917	12.5%
2008	$16,417,405	$2,987,109	18.1%

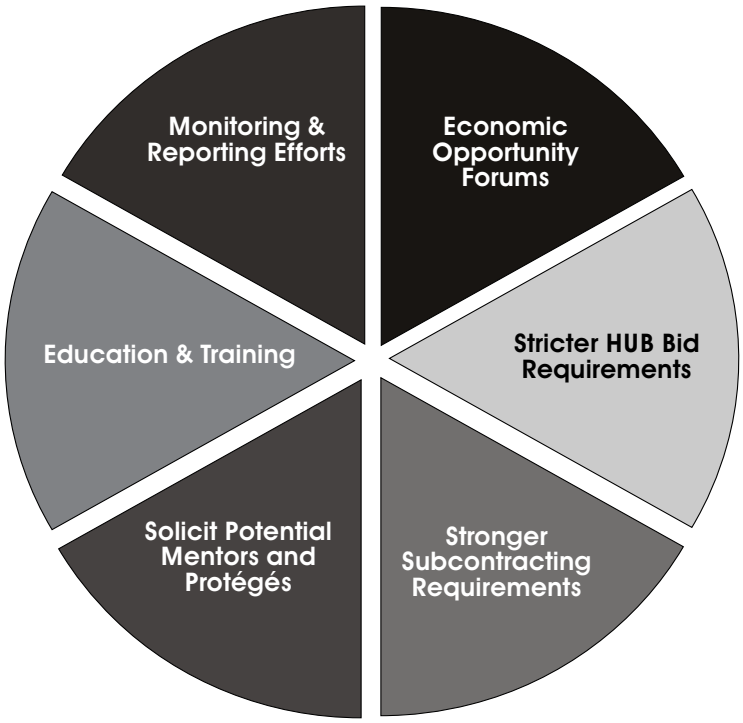
FY 2008 September to February (First Six Months)

State Procurement Categories	State Goals	RRC Actual FY 06	RRC Actual FY 07
Special Trade Construction Contracts	57.2%	00.0%	70.2%
Professional Services Contracts	20.0%	52.9%	23.1%
Other Services Contracts	33.0%	27.3%	11.5%
Commodities Contracts	12.6%	22.8%	14.1%

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

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

Railroad Commission Initiatives



ADDENDUM TO THE HUB STRATEGIC GOAL

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

Bid Efforts

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

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

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

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

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

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

- Utilize CPA's HUB/CMBL directory for approved vendors, except for the Well Plugging program, which is exempt from using the CMBL, and target HUB vendors in local areas when possible.

- Purchase orders will be divided into reasonable lots to keep with industry standards and competitive bid requirements, while ensuring compliance with TBPCCPA rules and regulations.

- All purchase specifications, terms, and conditions shall specify reasonable, realistic delivery schedules consistent with the agency's actual requirements.

CONTRACTOR/SUBCONTRACTOR EFFORTS

- The Commission provides contractors and lessors with information about our HUB goals in the bid information. Each contractor or lessor is required to state if they will subcontract any portion of the contract. The Commission also provides the contractor with a list of qualified HUB vendors, if available. The CMBL will be utilized to obtain a list of eligible bidders.

- The Commission has developed a HUB subcontracting plan for the procurement of professional services, construction, and commodities in an amount equal to or greater than $100,000 where subcontracting opportunities are believed to exist.

- The Well Plugging, Site Remediation, and Reclamation programs are specialized areas of service in which the Commission seeks bids and awards contracts. Although exempted from using the CMBL for well plugging and site remediation contracts, the Commission continues to seek, identify and award bids to qualified HUB vendors in these areas.

- The Commission continually researches the Centralized Master Bidders List, the HUB Directory, the Internet, the Commission's list of approved pluggers and other directories, identified by the CPA, for HUB vendors that may be available to perform contract work.

- The Commission has designed a Mentor Protégé Program to foster long-term relationships between contractors/vendors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract.

- As possible sources for obtaining information on other HUB vendors, the Commission contacts:

    - City and County HUB programs
    - Small/Minority Business Associations
    - Chambers of Commerce, and
    - Trade Associations

- The Commission tracks the good faith efforts of prime contractors who subcontract with HUB vendors.

MENTOR PROTÉGÉ PROGRAM AND RECRUITMENT EFFORTS

- Solicit potential mentors and protégés through the use of the CPA CMBL and other business contacts, such as local Chambers of Commerce or contractor associations, on a monthly basis.

- Meet with potential mentors and protégés to discuss the benefits of participating in the program outlined in material developed by the Commission.

- Facilitate negotiations between mentors and protégés formalizing agreements between the parties.

- Schedule and conduct meetings to monitor performance of the parties under negotiated agreements.

- Report participation in the program and progress of the agreements to CPA.

Mentor Protégé Program		
Mentors	**Protégés**	**Term**
The Wackenhut Corporation	The Spearhead Group	December 2003 - 2005
Eagle Construction	Forsan Cowboy Construction	January 2004 - 2006
Accenture	The Arizpe Group	March 2004 - 2006
Accutest Labs	Healthy Resources	April 2004 - 2006
Lone Star Products	OKM Engineering	December 2004 - 2006
Earth Tech, Inc.	V-Tech Environmental	August 2005 - 2007
SKA Consulting	Legacee Environmental	October 2005 – 2007
Twachtman, Snyder, & Byrd, Inc.	Radcon Services, Inc.	March 2007-2009
Ely Environmental, LLC	Cam Environmental Services	March 2007-2009
Sierra Systems	BSD Services, LLC	February 2008-2010
Gartner, Inc.	BSD Services, LLC	March 2008-2010
Perficient, Inc.	BSD Services, LLC	April 2008-2010

EDUCATION AND TRAINING EFFORTS

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

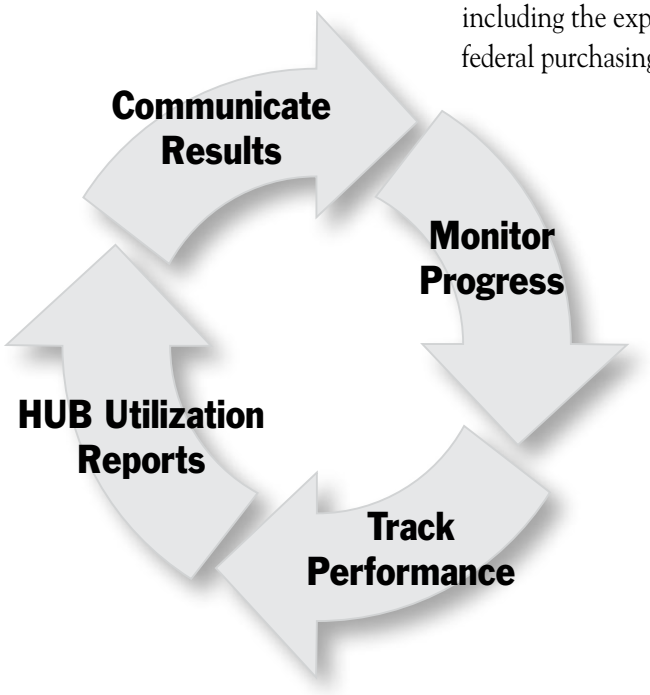
FY 2007 HUB Forums	
Internal HUB Forum with AandW Office Supply United States Hispanic Contractors' Association Safety Fair Internal HUB Forum with Office Max and Lone Star Office Supplies	October 2006
Internal HUB Forum with Industrial Promotions, LLC RRC Oil and Gas Expo Agency-sponsored forum: 2006 HUB Economic and Networking Opportunity Forum	November 2006
HUB Discussion Workgroup Meeting	January 2007
Internal HUB Forum with West Technologies Internal HUB Forum with S and C Advertising and Public Relations Texas Association of African-American Chambers of Commerce Conference HUB Discussion Workgroup Meeting	February 2007
Internal HUB Forum with Austin Biometrics, LLC Mentor-Protégé Agreement Signing- Twachtman, Snyder, and Byrd, Inc. and Radcon Services, Inc. Mentor-Protégé Agreement Signing- Ely Environmental, LLC and Cam Environmental Services	March 2007
HUB Discussion Workgroup Meeting	April 2007
West Texas Economic Opportunity Forum 6th Annual HUB Forum sponsored by TEA, TABC, GLO, and CPA	June 2007
DIR Statewide Technology Forum	July 2007
HUB Discussion Workgroup Meeting	August 2007

MONITORING/REPORTING EFFORTS

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

ADDITIONAL REQUIREMENT

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



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