

- SUBJECT:** Authorizing a fee to fund Railroad Commission's pipeline safety program
- COMMITTEE:** Energy Resources — committee substitute recommended
- VOTE:** 5 ayes — West, E. Jones, Canales, Crabb, B. Keffer
- 0 nays
- 2 absent — Farabee, Delisi
- WITNESSES:** For — Commissioner Charles Matthews, Texas Railroad Commission;
(Registered, but did not testify:) Bill Stevens, Texas Alliance of Energy Producers
- Against — None
- On — Mary L. McDaniel, Texas Railroad Commission
- BACKGROUND:** Utilities Code, ch. 121, subchapter E governs pipeline safety in Texas. A master meter system is a natural gas distribution system in which the system operator sells the gas it buys from a utility directly to its customers or includes the cost of gas from the system in a fee charged to customers. A common example is an apartment complex that uses a master meter system to provide gas to residents.
- DIGEST:** CSHB 1194 would authorize the Texas Railroad Commission (RRC) to assess an annual fee against operators of natural gas distribution pipelines and master-metered pipelines. Investor-owned and municipally owned distribution companies and master meter operators would have to recover the fee amount through surcharges to customers. These fees would have to be deposited into general revenue and used for the RRC's pipeline safety program.
- The RRC could assess against each investor-owned and municipally owned distribution company an annual inspection fee of up to 50 cents for each service line. The inspection fee would be due on March 15 of each year. For a master-metered system operator, the annual inspection fee could not exceed \$100 per system and would be due June 30 of each year. The RRC could

assess a late payment penalty of 10 percent of the assessment due if a fee was not paid within 30 days after the annual due date.

The RRC would have to establish a method for calculating and assessing the fee, considering factors necessary to ensure equitable allocation of the pipeline safety program's costs. The total amount of fees could not exceed the amount estimated to be needed to recover administrative costs.

Fees collected by an operator from its customers could not be included in revenue or gross receipts used to calculate municipal franchise fees or the operator's tax burden. The fees would not be subject to sales and use taxes.

The bill would take effect September 1, 2003.

**SUPPORTERS
SAY:**

CSHB 1194 would restore funding to the RRC's pipeline safety program that would be reduced by the general appropriations bill for the coming biennium. To trim its budget, the RRC recommended reducing the general revenue appropriation to the pipeline safety program and proposed replacing that money through a fee on pipeline operators. Without the fee authorized under CSHB 1194, the RRC would lose millions of matching federal dollars in addition to the forgone state dollars.

The RRC's pipeline safety program protects public and environmental safety throughout the state. RRC pipeline safety employees inspect hundreds of the state's 7,000 pipeline systems each year, prioritizing their inspections on the basis of apparent risk. The Legislature should not gamble with the interests of communities through which these pipelines run by denying this program sufficient funding.

CSHB 1194 represents an equitable and conservative way to fund the pipeline safety program. The fee could not exceed 50 cents per service line or \$100 for each master-metered system and would be limited to recovering the program costs. Consumers would experience only a 3- to 4-cent increase in their monthly gas bills.

The bill would not allow any expansion of the pipeline safety program but would allow the commission to continue the program at the current level. Although the authorized fee would be capped at 50 cents per service line, the

RRC estimates that it likely would set the fee at no more than 35 cents and would raise the fee only if the program's costs rose.

**OPPONENTS
SAY:**

CSHB 1194 would pass on yet another fee to Texas consumers. Although the proposed fee may seem modest, the cumulative effect of utility fees for low-income Texans can be substantial. While pipeline safety is an important issue, RRC regulation should be funded either by a general revenue appropriation or by pipeline operators who benefit from the safety program.

NOTES:

As filed, HB 1194 would not have required a pipeline operator to recover fees amounts from consumers and would not have included fee caps or the late payment penalty.