



May 12, 2016
Ken Levine
Director
Sunset Advisory Commission

Mr. Levine:

The Atmos Cities Steering Committee (“ACSC”) is a permanent standing coalition of more than 150 Texas cities that has been authorized, through council resolutions, to represent the interests of municipal and residential consumers in gas utility regulatory matters. The ACSC supports safe gas utility service at fair prices.

Our coalition respectfully submits this response to your agency’s Staff Report on the Railroad Commission of Texas, which was released in April. We specifically address Issues 1, 2 and 5 but take no position on other issues included in the staff report. Note that the ACSC supports all Sunset Advisory Commission staff recommendations as they pertain to gas utility ratemaking.

ACSC also offers two additional recommendations not included in your agency’s staff report.

Issue 1: Continue the Railroad Commission of Texas for 12 Years with a Name that Reflects the Agency’s Important Functions.

Key Recommendation:

- *Change the name of the Railroad Commission of Texas to the Texas Energy Resources Commission and continue the agency for 12 years.*

ACSC Position:

The ACSC agrees that the agency’s name should be changed to reflect its current responsibilities. State lawmakers have advocated for the agency’s name change since at least 1979.¹ The ACSC has no objection to “Texas Energy Resources Commission.” However, should the Railroad Commission retain its authority over gas utilities, then the agency’s new agency name should reflect those key responsibilities.

Issue 2: Contested Hearings and Gas Utility Oversight are Not Core Commission Functions and Should Be Transferred to Other Agencies to Promote Efficiency, Effectiveness, Transparency and Fairness.

Key Recommendations:

- *Require use of the State Office of Administrative Hearings for contested gas utility cases.*
- *Require the Railroad Commission to use the State Office of Administrative Hearings for all other contested case hearings.*
- *Transfer gas utility regulation from the Railroad Commission to the Public Utility Commission.*

ACSC Position:

ACSC agrees that the State Office of Administrative Hearings should adjudicate gas utility cases for the reasons stated in the Sunset Commission staff report. This reform should be implemented even if the Legislature does not transfer the agency’s ratemaking authority to the PUC.

¹ “The RRC and Big Oil,” *The Texas Observer*, April 13, 1979.



With regards to the Railroad Commission's oversight of gas utilities, ACSC would note that no other agency responsibility has the potential to impact more Texans on a daily basis than its oversight over utility rates. However, we nonetheless agree with the Sunset staff assessment that the Railroad Commission does not currently treat this momentous responsibility as part of its core mission. As such, we support Sunset staff's recommendation to transfer gas utility regulation to the PUC. As noted in the Sunset staff report, utility ratemaking is the sole focus of the PUC and its structure has evolved over time to promote fair decision making.

Issue 5: Improved Oversight of Texas Pipeline's Infrastructure Would Help Further Ensure Public Safety.

Key Recommendations:

- *Authorize the Railroad Commission to enforce damage prevention requirements for interstate pipelines.*
- *Authorize the Railroad Commission to create a pipeline permit fee.*

ACSC Response:

A key priority for ACSC cities is the delivery of safe and reliable natural gas service. As such, the ACSC agrees that the Railroad Commission should be authorized to enforce damage prevention requirements for interstate pipelines. The ACSC takes no position regarding pipeline permit fees.

In addition, the ACSC offers the following recommendations:

Repeal the Gas Reliability Infrastructure Program statute.

Under the auspices of the Gas Reliability Infrastructure Program ("GRIP"), the Commission has allowed gas utilities to repeatedly increase rates on consumers without meaningful review. This statute has accomplished its objective, producing a safe, updated gas delivery system. It is time to repeal this piecemeal regulatory process that leads to annual unchallenged rate increases that preclude examination of increased revenues and reduced expenses.

Refocus the Agency's Mission to Include Consumer Protection.

If gas ratemaking authority remains vested with the Commission, the statutory mission of the Texas Railroad Commission, as enumerated in the Gas Utility Regulatory Act, should be altered in such a way as to heighten the agency's focus on gas utility consumers.

Respectfully,

Geoffrey Gay
General Counsel, Atmos Cities Steering Committee

R.A. "Jake" Dyer
Policy Analyst, Atmos Cities Steering Committee