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EXECUTIVE OFFICE

May 5, 2016

Ken Levine, Director
Sunset Advisory Commission
P.O. Box 13066
Austin, TX 78711-3066

Dear Mr. Levine:

On behalf of the Railroad Commission of Texas, I am pleased to submit this response to the Sunset Advisory Commission's Staff Report. We look forward to working with you and your staff as the Sunset process continues with the Sunset Commission's meetings, and as the Legislature addresses these important issues during the 85rd Legislative Session.

Please let me know if we can provide any additional information.

Sincerely,

Kimberly Corley
Executive Director

Enclosure: Response to the Sunset Advisory Commission's Staff Report

cc: Chairman David Porter
Commissioner Christi Craddick
Commissioner Ryan Sitton

RAILROAD COMMISSION OF TEXAS

Response to the Sunset Advisory Commission's Staff Report

MAY 2016

CHRISTI CRADDICK
COMMISSIONER

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TABLE OF CONTENTS

ISSUE 1: CONTINUE THE RAILROAD COMMISSION OF TEXAS FOR 12 YEARS WITH A NAME THAT REFLECTS THE AGENCY'S IMPORTANT FUNCTIONS. 3

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. 4

ISSUE 3: OIL AND GAS MONITORING AND ENFORCEMENT NEED IMPROVEMENTS TO EFFECTIVELY ENSURE PUBLIC SAFETY AND ENVIRONMENTAL PROTECTION. 8

ISSUE 4: INSUFFICIENT AND INEQUITABLE STATUTORY BONDING REQUIREMENTS CONTRIBUTE TO THE LARGE BACKLOG OF ABANDONED WELLS. 12

ISSUE 5: IMPROVED OVERSIGHT OF TEXAS' PIPELINE INFRASTRUCTURE WOULD HELP FURTHER ENSURE PUBLIC SAFETY. 14

ISSUE 6: THE RAILROAD COMMISSION'S CONTRACTING PROCEDURES ARE IMPROVING, BUT CONTINUED ATTENTION IS NEEDED. 15

ISSUE 7: THE RAILROAD COMMISSION'S STATUTE DOES NOT REFLECT STANDARD ELEMENTS OF SUNSET REVIEWS. 16

Issue 1: Continue the Railroad Commission of Texas for 12 Years With a Name That Reflects the Agency's Important Functions.

Recommendation Specific Responses

Change in Statute

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

The Commission concurs with the recommendation that the agency should be continued for 12 years, while the Commission disagrees with any change to the agency's name without a constitutional amendment codifying such a change. The Commission has concerns changing the name could raise constitutional issues related to subsection (b) of section 30 of the State Constitution, and its continued applicability.

Given the Constitutional questions raised in this recommendation, the Commission believes it would be most appropriately addressed in separate legislation.

Fiscal Implication

The Commission disagrees with the Sunset Commission's analysis of the fiscal implications of a name change. The Commission's analysis assumes the cost of a name change to be at a minimum $434,000, with $352,700 of those costs associated with various changes to IT systems and the website, and the remaining $81,300 falling into the consumable category of items that must be replaced as existing supplies diminish. Unlike items considered consumable that can be phased out as existing supplies diminish, IT systems, and the website remain constant until purposely changed. The Commission would also expect to incur costs to replace signs in the Austin and district offices as well as signage on vehicles and other Commission equipment.

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.

General Response

The Commission disagrees with the recommendations presented in Issue 2. The Commission believes some of the discussion and subsequent recommendations in the Sunset Advisory Commission Staff Report misinterprets and misapplies portions of the procedures, data, and practices of the Commission. Contested Hearings and Gas Utility Oversight are core Railroad Commission functions, and in fact, the Sunset Staff Report affirms that "Railroad Commission ratemaking functions are working." Moving a working function of the Commission to another agency would carry unknown risks and costs associated with such a transfer at the expense of Texas ratepayers.

The Commission has a well-established hearings process to ensure fairness to all affected parties. The Commission's hearings examiners provide a thorough, fair and transparent adjudicatory process through which all parties can provide evidence in a case. The Commission closed nearly 1,100 contested cases in Fiscal Year 2015. Technical examiners provide subject matter expertise in evaluating and interpreting evidence based on fact, science and data. Existing Commission policies ensure examiners are prohibited from engaging in ex-parte communications and the integrity of the process is fully maintained. The modifications and relocations of various functions as recommended accomplish no financial benefit to Texas, and are likely to reduce efficiencies and increase costs. The proposed changes will result in a fragmented natural gas utility regulatory environment for Texas, which could increase costs to the State of Texas general revenue fund, to gas utility rate case participants, as well as to parties to all contested hearings currently adjudicated by the Commission.

Recommendation Specific Responses

Change in Statute

2.1 Require use of the State Office of Administrative Hearings for contested gas utility cases.

The Commission disagrees with this recommendation. The Commission has a well-established, effective, and efficient hearings process. Past experience shows previous efforts to move the Commission's gas utility rate case function to SOAH did not produce the promised results. The Commission's gas utility rate cases were heard at SOAH for a brief period from 2001 to 2003. Gas utility consumers did not realize any appreciable benefits from SOAH conducting gas utility hearings. Referred cases were not processed more quickly. The legal analysis performed by the SOAH administrative law judges was of no greater quality than that performed by the Commission.

Additionally, Section 102.006 of the Texas Utility Code already provides the mechanism for SOAH to conduct gas utility hearings, upon request by any party. However, to date not one party before the Railroad Commission has sought a transfer of gas utility contested rate cases to SOAH.

2.2 Require the Railroad Commission to use the State Office of Administrative Hearings for all other contested case hearings.

The Commission disagrees with this recommendation. The contested-case hearing processes ensure proposals for decision are fair, evidenced-based, and lawful. Importantly, this process is accessible and transparent for parties that in another format may require costly legal representation.

The Division's Administrative Law Judges (ALJs) preside over the Commission's contested case hearings with the assistance of technical examiners, docket services, and support staff. Where the contested case process moves seamlessly through the Commission now, from point of origin to ultimate resolution before the Commissioners, moving the hearings and ALJ positions to SOAH would create more bureaucracy as a result of resources spread throughout multiple agencies.

The Commission is unique in its use of Technical Examiners in the adjudication of the cases before it. Technical examiners do not offer evidence at hearings, rather they more fully develop the evidentiary record by inspecting and evaluating exhibits and other highly technical data offered at hearings through testimony and exhibits, summarizing the parties' expert technical testimony, and coordinating with the ALJs in drafting orders and Proposals for Decision. The Commission's technical examiners have education or experience as petroleum engineers, geophysicists, geologists, economists, auditors, or regulatory analysts. The breadth and depth of their knowledge enables the orders issued by the Commission to fully incorporate various technical aspects of each case. The complex regulatory oversight of these ever-changing and dynamic industries requires the subject matter expertise offered by both the Commission's Administrative Law Judges and its Technical Examiners.

The contested-case hearing processes in place at the Commission protect the fundamental rights of all stakeholders, provide an equal opportunity to fully participate in contested-case proceedings and ensure that Commission decisions are fair, evidenced-based, and lawful. Of particular importance is the ease of access afforded by the Commission's process that allows individual consumers or small business operators to represent themselves through the hearing process. Should the hearing function be moved to SOAH, it is likely that individuals currently representing themselves would require legal counsel to navigate the SOAH process.

The Commission is able to track important information including, but not limited to, the number of dockets assigned to each ALJ and technical examiner, the date of filing, the date of the circulation of Proposals for Decisions, the date a final order is entered, and the date of any reopening. The Commission is considering future technological solutions, including a docket management and filing system that will increase transparency by increasing electronic access by the public to the Commission's dockets. Such a docket management and filing system would also speed up the filing process, ensure documents are filed correctly, reduce filing expenses and allow greater performance tracking measures for the Commission.

Under standard provisions directing state agencies to utilize SOAH for the purpose of contested case hearings, agencies are afforded the discretion of hearing any certain case within their agency. For example, Texas Utilities Code Sec. 14.053 preserves the ability of the Public Utility Commission to hear

cases of their choosing and, thus, the PUC is not required to refer all contested cases to SOAH. At the very least, this recommendation fails to provide the Commission that same flexibility.

2.3 Transfer gas utility regulation from the Railroad Commission to the Public Utility Commission.

The Commission disagrees with this recommendation. It would create a fragmented natural gas regulatory environment in Texas with no clear, quantifiable benefit.

The Commission's economic regulation of natural gas includes the connection of wells to gathering facilities or pipeline facilities, the prevention of discrimination in the taking of gas from a producer, the circumstances in which a well can be disconnected from a pipeline or service can be terminated, and common carrier tariff filings, as well as propane distribution systems. While economic regulation of consumer natural gas rates is one component of the Commission's rate regulation jurisdiction, the economic regulation of natural gas utilities is integrally related to the Commission's safety regulation of natural gas transportation from wellhead to end user. The Commission has in-depth knowledge of the safety interests, and a comprehensive understanding of economic regulation, as well as the functional interplay between the two. The intricacies of safety and economic regulation of gas utilities cannot be discounted, nor can it be possible in any other state agency. An understanding of pipeline safety by those responsible for economic regulation informs prudent decision making, allowing the Railroad Commission to perform an important gas utility regulatory function for the citizens of Texas at a reasonable cost and in an efficient, effective, transparent, and fair manner.

Additionally problematic is the exclusion from this recommendation of the administration of the Gas Utility Pipeline Tax from the transfer to the PUC, leaving that piece of gas utility regulation at the Commission. This would create great difficulties and inefficiencies in the proper administration of this tax. Transfer of Gas Utility regulation to the PUC would result in fragmentation of the pipeline registration process, known as the T-4 permit application, which is currently administered with the participation of both the Pipeline Safety and Gas Services personnel. This recommendation proposes to move FTEs to the PUC that are required by Railroad Commission Rule (16 TAC §3.70) to review all natural gas T-4 permit applications within 15 days for completeness, and to determine if the pipeline should be classified as a Gas Utility or a Private Pipeline. This determination includes the statutory provision for a non-utility status pursuant to the Texas Utilities Code §121.005. Each permit application must also be analyzed within the following 45 days to determine if all items are in compliance in order to issue the T-4 A: Permit to Operate a Pipeline.

If these FTEs are transferred to the PUC, they will need access to approximately 3,300 active natural gas T-4 permit applications in the Railroad Commission's 'Pipeline Online Permitting System' (POPS) program for many daily entries; however, data content and required security access will prevent such access from individuals outside of the RRC without a costly redesign of security and access controls. RRC would need to provide the PUC with information related to new or modified T-4 permit applications, possibly in a manual paper based process and then the PUC would need to review the information and provide the RRC with data confirming the gas utility status. The FTEs remaining with the Railroad

Commission would also need access to confidential information that supports tariff filings, which would reside with the PUC following this transfer.

Gas utility regulation is a core function of the Railroad Commission, and the statutory and regulatory requirements imposed on gas utilities in Texas are interrelated with other Railroad Commission functions, such as Pipeline Safety, gas utility tax audits, T-4 permitting, production, gathering, treating, underground storage, as well as reliability issues in times of high demand or other interruptions of service. No quantifiable benefits have been presented to justify the inefficiencies and costs resulting from the transfer of gas utility regulation from the Railroad Commission to the PUC.

Fiscal Implication

While the Commission agrees the Sunset Commission's fiscal analysis is correct, this recommendation overlooks the potential complications of moving contested surface coal mining cases to SOAH. The Railroad Commission FTEs who adjudicate and support all surface mining cases are funded through grant money from the federal Office of Surface Mining Reclamation and Enforcement, U.S. Department of the Interior (OSM). As part of this federally approved regulatory program, the Railroad Commission has jurisdiction to adjudicate all cases arising from the Commission's implementation of the surface coal mining regulatory program (Texas Natural Resources Code §134 &134.002(5)). The transfer of surface mining contested cases from the Commission to SOAH would require prior federal approval from OSM. Failure to get this approval could result in the loss of State regulatory authority and federal grant support for any part of the program that is non-compliant.

Issue 3: Oil and Gas Monitoring and Enforcement Need Improvements to Effectively Ensure Public Safety and Environmental Protection.

General Response

The Railroad Commission's highest priority is protecting public safety and the state's natural resources through science-based rulemaking and aggressive enforcement of state and federal laws regulating the exploration and production of oil and gas. The oil and gas industry is rapidly evolving in its development and use of technology, and the Commission regularly reviews and updates rules to ensure thorough, effective regulation of the industry. As a result of this comprehensive approach to rulemaking and enforcement, the Commission is widely recognized as a global leader in energy industry regulation. Additionally, as noted in the Sunset Staff's Issue 3 narrative, the finding of the Legislature in H.B. 40 that "the statutes already in effect . . . provide effective and environmentally sound regulation of oil and gas operations."

Though some of the discussion and subsequent recommendations in the Sunset Advisory Commission Staff Report misinterprets, and misapplies portions of the procedures, data, and practices of the Commission, the Commission acknowledges the recommendations of the Sunset Staff as opportunities to identify potential improvements to our monitoring and enforcement program, and is in general agreement with many of the recommendations relating to this issue.

Recommendation Specific Responses

Change in Statute

3.1 Require the Railroad Commission to develop a strategic plan for the Oil and Gas Division that tracks and measures the effectiveness of monitoring and enforcement.

The Commission agrees with this recommendation. The Commission continues to strengthen its capabilities to track, measure, and analyze the effectiveness of its oil and gas monitoring and enforcement program. The Commission will reinforce its efforts in the coming biennium by updating its *Agency Strategic Plan for Fiscal Years 2017 to 2021* with new and revised performance objectives and measures for the monitoring and enforcement program. The Commission would most efficiently and effectively be able to achieve the desired results if the proposed Oil and Gas Division strategic plan were included as a supplemental element under the existing strategic planning process, much like the existing planning process requires a Health and Human Services strategic plan as Supplemental Schedule E. Likewise, including the proposed performance measures and accompanying methodology in the existing strategic planning process and budget structure would streamline planning efforts, rather than require duplicative efforts.

3.2 Require the Railroad Commission to develop in rule a process for issuing expedited penalties for minor violations.

The Commission neither agrees, nor disagrees with this recommendation. The Commission has authority under existing statutes to develop a process for issuing expedited penalties for certain violations and conduct a rulemaking to establish such a process for use in appropriate circumstances. However, this

recommendation would require the spending of limited Oil and Gas Regulation and Cleanup fund resources to collect a small amount of administrative penalties for General Revenue. Given the potential costs of developing and administering such a process, minor violations may not be the most cost-effective application. Many minor violations are currently resolved with a phone call or email. Violations that are clearly documented, widely acknowledged as serious, and can quickly be brought into compliance may prove to be a more appropriate application of such a process.

Management Action

3.3 Direct the Railroad Commission to accurately track and report the number of oil and gas violations annually

The Commission agrees with this recommendation. While the Commission has always tracked all violations and ensuing enforcement actions, the Commission's ability to extract and analyze inspection, compliance, and enforcement data continues to improve as data management systems are enhanced. These enhancements make inspection, compliance, and enforcement data and trends more readily available to the agency, the industry, and the public. For example, the new ICE (Inspection, Compliance, and Enforcement) System provides additional capabilities to track violations in greater detail. As funding allows, future enhancements to this system will enable the Commission to post additional data on the website.

3.4 Direct the Railroad Commission to systematically track major violations

The Commission's procedures meet this recommendation. The Railroad Commission already systematically tracks all violations, whether major or not, and takes appropriate enforcement action. All unresolved violations of pollution or safety rules are referred for administrative penalty action, and some serious violations, such as intentional or repeat violations, are referred for administrative penalty action even after they have been corrected. Like most enforcement authorities, the Commission exercises enforcement discretion in determining the nature and degree of enforcement action required in particular circumstances.

3.5 Direct the Railroad Commission to develop a definition of repeat violations in rule and report the number of repeat violations on its website.

The Commission agrees in part with this recommendation. The Commission already posts data on repeat violators on the agency's website. See the data posted here: http://www.rrc.state.tx.us/oil-gas/compliance-enforcement/enforcement-activities/. The Commission is reviewing its use of the terms "repeat violator" and "repeat violation" and considering rule amendments to clarify those terms. As necessary, the Commission will adjust the data posted on its website to reflect any changes in definition or usage. Certain aspects of this recommendation raise issues of fairness or adequacy that have not been fully vetted.

3.6 Direct the Railroad Commission to audit a sample of oil and natural gas production reports and transportation reports.

The Commission neither agrees, nor disagrees with this recommendation. The Commission currently audits Monthly Production Reports (Form PR) to identify a variety of reporting issues, including production or movement of hydrocarbons on a severed lease. The implementation of a process to audit

a sample of Monthly Transportation and Storage Reports (Form T-1) may reveal cases where movement of hydrocarbons occurs but is unreported by the lease operator. The Commission will conduct a pilot program to evaluate the scale, cost, and effectiveness of the recommended random audit procedure. Conducting a universal audit of data currently collected from the Form T-1 to identify severance and other reporting issues is possible but would require development of automated systems to perform the procedure.

3.7 Direct the Railroad Commission to develop a policy to require production reports to be filed electronically.

The Commission agrees with this recommendation. The Commission will likely need to provide hardship exceptions to the electronic filing requirements.

3.8 Direct the Railroad Commission to expand its risk matrix for oil and gas inspections.

The Commission agrees with this recommendation. The Railroad Commission already addresses the compliance history of the operator and the proximity to environmentally sensitive areas in its "Job Priorities" document for field inspectors. The Commission is reviewing and updating this document and will consider incorporating the additional factors identified by Sunset Staff.

Fiscal Implication

The Commission agrees that the Sunset Staff recommendations are likely to generate additional revenue from penalties for the General Revenue fund. Sunset Staff, however, has not fully considered the potential costs to the Oil and Gas Regulation and Cleanup fund associated with implementing these recommendations. Some of the recommendations, such as developing and administering an expedited penalty procedure, would have the net effect of shifting funds from OGRC to GR by increasing revenues to GR while imposing the associated costs on OGRC.

Prior to the start of the Sunset process in 2015, the Commission anticipated it would request funding to further improve compliance and enforcement tools. The Commission developed objectives and estimates to improve tracking of compliance and enforcement data. The Commission plans to request funding to carry on with its Information Technology Modernization Program (ITMP) and invest in capability enhancements to automate data collection, management, and reporting. Continuation of this effort will follow the multi-biennia, phased implementation plan begun by the Commission in 2013.

Following this model will provide the Commission with the appropriate flexibility to prioritize needed improvements based on public impact, safety and environmental risk assessments, business needs, and technology factors as well as allow the Commission to make short-term tactical improvements that will ultimately result in full automation for all appropriate data types and processes. Many of these improvements will serve to automate monitoring, tracking, and other activities that are currently handled manually or other stand-alone spreadsheets.

Through the modernization program, the Commission has improved its ability to track and manage oil and gas inspections and complaints through implementation of the Inspection, Compliance, and Enforcement (ICE) application deployed in the summer of 2015. A longer-term goal of the ICE application implementation was to build the foundations for an expandable and scalable integrated

system to which additional compliance and enforcement information could be added with funding in future years. Additional funding was not available for fiscal years 2016 and 2017 to continue expanding and enhancing oil and gas monitoring and enforcement capabilities.

Further ITMP efforts will require an additional investment of approximately $15 to $20 million in funding over the next two to three biennia to meet Sunset staff recommendations found in Issue 3. These investments would comprise the following elements:

- Develop policies necessary for requiring reports to be filed electronically,
- Improve and expand the tracking and management of inspection processes,
- Improve and centralize the tracking and management of oil and gas violations,
- Improve and centralize the tracking and management of enforcement processes,
- Improve and centralize case management, and
- Further improve and automate the development and implementation of a strategic plan for oil and gas monitoring and enforcement.

Continuing the Commission's existing ITMP, established in 2013, addresses the concerns described in Issue 3 about the Commission's overall data capability and accuracy, and is consistent with the Commission's long term information technology plans.

Issue 4: Insufficient and Inequitable Statutory Bonding Requirements Contribute to the Large Backlog of Abandoned Wells.

General Response

The general bonding requirements for well operators are set by statute. As the Sunset Advisory Commission and the Legislature reviews the sufficiency and equity of these requirements, the Commission offers the following to understand the history and evolution of how the general bonding requirements are structured.

The 72nd Legislature (1991) established the current bonding levels, which include specified bonding levels calculated using one of two methods: (1) $2.00/foot of well depth for all wells operated; or (2) a tiered structure based on the number of wells operated ($25,000 for up to 10 wells, $50,000 for 11 to 99 wells, and $250,000 for operators with 100 or more wells). The 1991 legislation also provided for alternative forms of financial security.

Major amendments were enacted in connection with the Sunset Review process in 2001. SB310 (77th legislature, 2001) eliminated or phased out the alternative forms of financial security. Statutory provisions were also added mandating the Commission to require by rule additional financial security for operators of bay and offshore wells. The tiers and calculation methods for bonding levels were not changed for land wells. Effective September 1, 2004, all operators of wells were required to post financial security pursuant to the modified rules.

An interim Legislative committee reviewed the financial security requirements following the 80th legislative session in 2007. The interim review did not lead to changes in bonding levels, but did generate additional requirements for the management by operators of their inactive well inventories, as implemented by HB2259 (81st Legislature, 2009) and HB3134 (82nd Legislature, 2011).

Recommendation Specific Responses

Change in Statute

4.1 Amend blanket bond requirements in statute to better reflect risk and increase equitability.

The Commission neither agrees nor disagrees with this recommendation. Bonding requirements are one part of a four-part system designed to ensure that operators plug wells at the end of their productive lives and that funds are available for the state to plug wells operators fail or refuse to plug. In addition, the system includes inactive well management requirements, well plugging requirements, and plugging funds from the Oil and Gas Regulation and Cleanup Fund. Any analysis of the sufficiency and equity of any one part of the system must consider all four parts and how they work together. In their analysis, the Sunset Staff Report considers only one aspect of a four-pronged approach.

Fiscal Implication

The fiscal implications will depend upon specific changes made, though it should be noted that bonds cannot be considered revenue to the state as they are held in trust until collected. Additionally, any changes to the blanket bonding requirements will entail costs to modify the supporting IT systems.

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

General Response

The recommendations emerging from Issue 5 support the goals of the Pipeline Safety program, and enhance the Commission's ability to provide safety oversight of pipelines.

Recommendation Specific Responses

Change in Statute

5.1 Authorize the Railroad Commission to enforce damage prevention requirements for interstate pipelines

The Commission agrees with this recommendation. This recommendation would authorize the Commission to amend its pipeline damage prevention rules to apply to interstate, as well as intrastate, pipelines; and to enforce rule violations that affect both types of pipelines. Such a change would allow for uniform enforcement throughout the state, with the potential to decrease pipeline-related damages through increased awareness and education.

5.2 Authorize the Railroad Commission to create a pipeline permit fee.

The Commission agrees with this recommendation. The recommendation would authorize the Commission to amend the pipeline safety rules to assess a fee for obtaining a new pipeline permit, and amending or renewing an existing one. Assessing a permit fee would generate revenue that could assist the agency in employing and retaining staff to further ensure pipelines are accurately mapped, identified, and inspected to verify compliance with federal and state pipeline safety regulations.

Change in Appropriation

5.3 Modify language in the General Appropriations Act to further ensure that the Railroad Commission collects, and is appropriated back, fee amounts to offset the costs of administering its Pipeline Safety program, including administration costs.

The Commission Agrees with this recommendation.

Fiscal Implication

The Commission agrees with the Sunset Staff that recommendation 5.1 would not result in a significant fiscal impact to the State. Any additional administrative penalties would result in a gain to the General Revenue Fund. The Commission agrees with the Sunset staff that recommendations 5.2 and 5.3 could result in savings to the General Revenue Fund. Revenue from a newly created pipeline permit fee could be used to offset the General Revenue that is currently appropriated to the Commission for its Pipeline Safety program.

Issue 6: The Railroad Commission's Contracting Procedures Are Improving, but Continued Attention Is Needed.

General Response

The Commission is committed to developing a centralized purchasing and contracts management system that meets the needs of the agency. The Commission has already begun its implementation of this new centralized system and is working with purchasing staff and the Office of General Counsel to ensure this system conforms to all state law requirements, including Senate Bill 20, and serves all of the agency's different purchasing and contract management needs. The Commission will continue its implementation of this newly centralized system in a manner that is consistent with the Sunset Staff's recommendations.

Recommendation Specific Responses

Management Action

6.1 Direct the Railroad Commission to centralize all contract administration functions by September 1, 2016.

The Commission agrees with this recommendation. The Commission currently has efforts underway to centralize all contract administration functions, and anticipates that this process will be complete by September 1, 2016.

6.2 Direct the Railroad Commission to implement and keep updated contracting best practices as outlined by recent legislation and the comptroller.

The Commission agrees with this recommendation. The new centralized purchasing and contracts management system will be implemented in accordance with recent legislation, including Senate Bill 20 (84th Legislative Session, 2015) and House Bill 1 (84th Legislative Session, 2015). The system is designed to follow the rules adopted by the Comptroller. Staff will attend regular trainings as provided by the Comptroller in order to stay current with state purchasing and contracting standards.

6.3 Direct the Railroad Commission's executive director to report quarterly to the Commissioners at their open meetings regarding the status of contracting improvements.

The Commission agrees with this recommendation. Purchasing and Contracts Management staff will work closely with the Executive Director on this matter. The Commission anticipates that the Executive Director will make the first quarterly report on the status of contracting improvements in the fourth quarter of FY 2016.

Fiscal Implication

The Commission concurs with the Sunset Staff's fiscal analysis.

Issue 7: The Railroad Commission's Statute Does Not Reflect Standard Elements of Sunset Reviews.

Recommendation Specific Responses

Change in Statute

7.1 Apply the Sunset across-the-board recommendation regarding alternative dispute resolution to the Railroad Commission.

The Commission is neutral with regard to this recommendation. The Commission's rules permit the use of alternative dispute resolution techniques, such as mediation, as codified in Texas Administrative Code Title 16 Part 1 Chapter 20 Subchapter A Division 2, Title 16 Part 1 Chapter 12 Subchapter G Division 11, and Title 16 Part 1 Chapter 2. The Commission has relatively few employee conflicts or grievances but could evaluate use of ADR techniques in such matters.

7.2 Allow the Oil and Gas Regulation and Cleanup Fund Advisory Committee to expire.

The Commission agrees with this recommendation. The Commission's focus is on fostering transparency and accountability by providing the data found in its report to the Legislature on the Oil and Gas Regulation and Cleanup Fund.

7.3 Continue requiring the Railroad Commission to submit its report on the Oil and Gas Regulation and Cleanup Fund to the Legislature.

The Commission agrees with this recommendation. The Commission's report on the Oil and Gas Regulation and Cleanup Fund provides valuable information to many of the agency's constituents. It is a useful quarterly snapshot of both the Commission's own activities, and by association the level of oil and gas industry activity taking place throughout the state. As such, it is also a good early indicator of the state's economic activity.

Fiscal Implication

The Commission concurs with the Sunset Commission's fiscal analysis of these recommendations.