

ANNUAL REPORT SUMMARY

FISCAL YEAR 2011

The Texas Legislature has charged the Railroad Commission with the responsibility of regulating gas utility and hazardous liquids pipeline companies in Texas. The Commission has original jurisdiction over rates, operations, and services of natural gas sales in unincorporated areas and by utilities at a city gate, in addition to appellate review of municipal rate actions.

The Gas Services Division performs the day-to-day regulatory activities on behalf of the Commission as they pertain to gas utilities. The division operated on a Fiscal Year 2011 budget of approximately \$1,436,949. In this Annual Report for Fiscal Year 2011, the Gas Services Division presents all information as required by law, plus pertinent 2010 data obtained from gas utilities in Texas.

The Gas Services Division Audit Section is charged with in-house auditing of annual reports, quarterly tax reports, and other filings required of gas utilities by the Commission. There are approximately 203 gas utilities operating in Texas. In Fiscal Year 2011, 135 field audits were performed in the offices of gas utilities. The Audit Section also administers and collects a gas utility tax of one-half of one percent of a utility's gross income. In Fiscal Year 2011, \$15,639,692 was collected in gas utility tax.

In Fiscal Year 2011, 108 Gas Utility Docket filings were submitted to the Gas Services Division and 78 dockets were completed. Some of the dockets completed were within the Commission's original jurisdiction and included rates for unincorporated areas immediately surrounding municipalities, called "environs," city gate rates, and rural burner tip rates. Some of the cases involved appeals from city rate determinations. Other types of cases included safety violations, requests for authority to abandon service, reports of sales of property, jurisdictional questions, and rulemakings.

With the assistance of the Hearings Section of the General Counsel Division, hearing examiners and utility specialists conduct evidentiary hearings and administratively process applications, making recommendations on final disposition to the Commission.

The Market Oversight Section (MOS) serves as a technical resource for analysis, evaluation, and planning related to natural gas issues downstream of the wellhead for the purpose of encouraging efficiencies, ensuring non-discriminatory treatment, and maintaining compliance of regulated parties with Texas statutory guidelines.

MOS maintains oversight of all policy and regulatory issues concerning those sectors of the natural gas industry that impact natural gas flow from its origination at the wellhead to the ultimate end-user, including, but not limited to, gas gathering, processing, marketing, storage, transportation and distribution. MOS also maintains natural gas utility filings and tariffs in order to allow customers and potential customers the opportunity to determine if discrimination is occurring with regard to pipeline access or rates being charged.

MOS also monitors natural gas supplies and supply disruptions during periods of potential shortage to maintain reliable gas flow and to determine that human needs are given priority service over other customers. In addition, MOS coordinates the informal resolution of natural gas transportation disputes by acting as a facilitator between disagreeing parties, and responds to complaints and inquiries regarding gas utility matters from the general public.