JIM WRIGHT, *CHAIRMAN*
CHRISTI CRADDICK, *COMMISSIONER*
WAYNE CHRISTIAN, *COMMISSIONER*

ALEXANDER C. SCHOCH, *GENERAL COUNSEL*

RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

MEMORANDUM

October 28, 2025		
Approved	**Denied**	**Abstain**
JW		
CC		
WC		

TO: Chairman Jim Wright
Commissioner Christi Craddick
Commissioner Wayne Christian

FROM: Olivia Alland, Attorney
Office of General Counsel

THROUGH: Alexander C. Schoch, General Counsel
Alyson Chensasky, Assistant General Counsel

DATE: October 28, 2025

SUBJECT: Item 351: Proposed Amendments to 16 TAC §8.201, relating to pipeline safety and regulatory program fees.

Attached is Staff's recommendation to propose amendments to 16 Texas Administrative Code § 8.201, relating to pipeline safety and regulatory program fees.

The proposal implements House Bill 4042 (89th Legislature, Regular Session, 2025), which removes the requirement that gas be "natural gas" with respect to pipelines and distribution systems, thereby extending the Commission's regulatory fee authority to include propane. The amendments ensure consistency with these statutory changes.

Staff requests the Commission's approval to publish the proposed amendments in the *Texas Register* for public comment. If approved at the October 28 conference, the proposal is expected to appear in the November 14th issue of the *Texas Register*. The proposal and an online comment form will also be available on the Commission's website to allow interested persons additional time to review and submit comments.

cc: Wei Wang, Executive Director
Mark Evarts, Acting Director, Oversight and Safety Division
Stephanie Weidman, Director, Pipeline Safety Department

The Railroad Commission of Texas proposes amendments to §8.201, relating to Pipeline Safety and Regulatory Program Fees, to implement House Bill 4042, 89th Texas Legislature (Regular Session, 2025). The bill removes the specification that gas must be natural gas with respect to gas distribution pipelines, gas master-metered pipelines, gas distribution systems, and gas master-metered systems whose operators may be subject to annual pipeline safety and regulatory fees.

The Commission proposes amendments throughout the rule to remove the word "natural" from the rule text.

Stephanie Weidman, Pipeline Safety Director, Oversight and Safety Division, has determined there will be no cost to the Commission as a result of the proposed amendments. Ms. Weidman has determined that for the first five years the amendments will be in effect, there will be no fiscal implications for local governments as a result of enforcing the amendments.

Ms. Weidman has also determined that the public benefit anticipated as a result of enforcing or administering the amendments will ensure consistency with Texas statutes.

Ms. Weidman has determined that for each year of the first five years that the amendments will be in effect, there will be minimal additional economic costs for persons required to comply as a result of Commission adoption of the proposed amendments, namely the affected propane distribution operators. The Commission's most recent information from the calendar year 2024 annual reports indicate there are eight distribution operators with a total of 18,838 service lines; if those operators were paying the fee, the cost would be $18,838.

In accordance with Texas Government Code, §2006.002, the Commission has determined there will be no adverse economic effect on rural communities, small businesses or micro-businesses resulting from the proposed amendments; although some affected distribution operators may meet the definition of small business under § 2006.001, any costs they incur under the amendments may be recovered from their customers pursuant to subsection (b)(3) of this rule; therefore, the Commission has not prepared the economic impact statement or the regulatory flexibility analysis required under §2006.002.

The Commission has determined that the proposed rulemaking will not affect a local economy; therefore, pursuant to Texas Government Code, §2001.022, the Commission is not required to prepare a local employment impact statement for the proposed rule.

The Commission has determined that the proposed amendments do not meet the statutory definition of a major environmental rule as set forth in Texas Government Code, §2001.0225; therefore, a regulatory analysis conducted pursuant to that section is not required.

During the first five years that the rule would be in effect, the proposed amendments would not:

create or eliminate a government program; create or eliminate any employee positions; require an increase or decrease in future legislative appropriations; increase fees paid to the agency; create a new regulation; increase or decrease the number of individuals subject to the rule's applicability; expand, limit, or repeal an existing regulation; or affect the state's economy.

Comments on the proposal may be submitted to Rules Coordinator, Office of General Counsel, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967; online at www.rrc.texas.gov/general-counsel/rules/comment-form-for-proposed-rulemakings; or by electronic mail to rulescoordinator@rrc.texas.gov. The Commission will accept comments until 5:00 p.m., on Monday, December 15, 2025. The Commission finds that this comment period is reasonable because the proposal and an online comment form will be available on the Commission's web site more than two weeks prior to Texas Register publication of the proposal, giving interested persons additional time to review, analyze, draft, and submit comments. The Commission encourages all interested persons to submit comments no later than the deadline. The Commission cannot guarantee that comments submitted after the deadline will be considered. For further information, call Ms. Weidman at (512) 463-2519. The status of Commission rulemakings in progress is available at www.rrc.texas.gov/general-counsel/rules/proposed-rules. Once received, all comments are posted on the Commission's website at https://rrc.texas.gov/general-counsel/rules/proposed-rules/. If you submit a comment and do not see the comment posted at this link within three business days of submittal, please call the Office of General Counsel at (512) 463-7149. The Commission has safeguards to prevent emailed comments from getting lost; however, your operating system's or email server's settings may delay or prevent receipt.

The Commission proposes the amendments under Texas Natural Resources Code, §81.051 and §81.052, which give the Commission jurisdiction over all common carrier pipelines in Texas, persons owning or operating pipelines in Texas, and their pipelines and oil and gas wells, and authorize the Commission to adopt all necessary rules for governing and regulating persons and their operations under the jurisdiction of the Commission; and Texas Utilities Code, §121.201, §121.211, §121.213, and §121.214, which authorize the Commission to adopt and collect pipeline safety and regulatory program fees.

Statutory authority: Texas Natural Resources Code, §81.051, §81.052; and Texas Utilities Code, §121.201, §121.211; §121.213, §121.214.

Cross-reference to statute: Texas Natural Resources Code, Chapter 81; and Texas Utilities Code, Chapter 121.

§8.201. Pipeline Safety and Regulatory Program Fees.

(a) Application of fees. Pursuant to Texas Utilities Code, §121.211, the Commission establishes a pipeline safety and regulatory program fee, to be assessed annually against operators of [~~natural~~] gas distribution pipelines and pipeline facilities and [~~natural~~] gas master metered pipelines and pipeline facilities subject to the Commission's jurisdiction under Texas Utilities Code, Title 3. The total amount of revenue estimated to be collected under this section does not exceed the amount the Commission estimates to be necessary to recover the costs of administering the pipeline safety and regulatory programs under Texas Utilities Code, Title 3, excluding costs that are fully funded by federal sources for any fiscal year.

(b) <u>Gas</u> [~~Natural gas~~] distribution systems. The Commission hereby assesses each operator of a [~~natural~~] gas distribution system an annual pipeline safety and regulatory program fee of $1.00 for each service (service line) in service at the end of each calendar year as reported by each system operator on the U.S. Department of Transportation (DOT) Gas Distribution Annual Report, Form PHMSA F7100.1-1 due on March 15 of each year.

(1) Each operator of a [~~natural~~] gas distribution system shall calculate the annual pipeline safety and regulatory program total to be paid to the Commission by multiplying the $1.00 fee by the number of services listed in Part B, Section 3, of Form PHMSA F7100.1-1, due on March 15 of each year.

(2) Each operator of a [~~natural~~] gas distribution system shall remit to the Commission on March 15 of each year the amount calculated under paragraph (1) of this subsection. Payments shall be made using the Commission's online application available on the Commission's website.

(3) Each operator of a [~~natural~~] gas distribution system shall recover, by a surcharge to its existing rates, the amount the operator paid to the Commission under paragraph (1) of this subsection. The surcharge:

(A) shall be a flat rate, one-time surcharge;

(B) shall not be billed before the operator remits the pipeline safety and regulatory program fee to the Commission;

(C) shall be applied in the billing cycle or cycles immediately following the date on which the operator paid the Commission;

(D) shall not exceed $1.00 per service or service line; and

(E) shall not be billed to a state agency, as that term is defined in Texas Utilities Code, §101.003.

(4) No later than 90 days after the last billing cycle in which the pipeline safety and regulatory program fee surcharge is billed to customers, each operator of a [~~natural~~] gas distribution system shall file with the Commission's Oversight and Safety Division a report showing:

(A) the pipeline safety and regulatory program fee amount paid to the Commission;

(B) the unit rate and total amount of the surcharge billed to each customer;

(C) the date or dates on which the surcharge was billed to customers; and

(D) the total amount collected from customers from the surcharge.

(5) Each operator of a [~~natural~~] gas distribution system that is a utility subject to the jurisdiction of the Commission pursuant to Texas Utilities Code, Chapters 101 - 105, shall file a generally applicable tariff for its surcharge in conformance with the requirements of §7.315 of this title (relating to Filing of Tariffs).

(6) Amounts recovered from customers under this subsection by an investor-owned [~~natural~~] gas distribution system or a cooperatively owned [~~natural~~] gas distribution system shall not be included in the revenue or gross receipts of the system for the purpose of calculating municipal franchise fees or any tax imposed under Subchapter B, Chapter 182, Tax Code, or under Chapter 122, nor shall such amounts be subject to a sales and use tax imposed by Chapter 151, Tax Code, or Subtitle C, Title 3, Tax Code.

(c) Master [~~Natural gas master~~] meter systems. The Commission hereby assesses each [~~natural gas~~] master meter system an annual pipeline safety and regulatory program fee of $100 per master meter system.

(1) Each operator of a [~~natural gas~~] master meter system shall remit to the Commission the annual pipeline safety and regulatory program fee of $100 per master meter system no later than June 30 of each year. Payments shall be made using the Commission's online application available on the Commission's website.

(2) The Commission shall send an invoice to each affected [~~natural gas~~] master meter system operator no later than April 30 of each year as a courtesy reminder. The failure of a [~~natural gas~~] master meter system operator to receive an invoice shall not exempt the [~~natural gas~~] master meter system operator from its obligation to remit to the Commission the annual pipeline safety and regulatory program fee on June 30 each year.

(3) Each operator of a [~~natural gas~~] master meter system shall recover as a surcharge to its existing rates the amounts paid to the Commission under paragraph (1) of this subsection.

(4) No later than 90 days after the last billing cycle in which the pipeline safety and regulatory program fee surcharge is billed to customers, each [~~natural gas~~] master meter system operator shall file with the Oversight and Safety Division a report showing:

(A) the pipeline safety and regulatory program fee amount paid to the Commission;

(B) the unit rate and total amount of the surcharge billed to each customer;

(C) the date or dates on which the surcharge was billed to customers; and

(D) the total amount collected from customers from the surcharge.

(d) Late payment penalty. If the operator of a [~~natural~~] gas distribution system or a [~~natural gas~~] master meter system does not remit payment of the annual pipeline safety and regulatory program fee to the Commission within 30 days of the due date, the Commission shall assess a late payment penalty of 10 percent of the total assessment due under subsection (b) or (c) of this section, as applicable, and shall notify the operator of the total amount due to the Commission.

This agency hereby certifies that the proposal has been reviewed by legal counsel and found to be within the agency's authority to adopt.

Issued in Austin, Texas on 10/28/2025, 2025.

Filed with the Office of the Secretary of State on 10/28/2025, 2025.

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Olivia Alland
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Olivia Alland
Attorney, Office of General Counsel
Railroad Commission of Texas