

BILL ANALYSIS

C.S.H.B. 1194
By: West, George "Buddy"
Energy Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

House Bill 1194 is intended to create the authority for the Railroad Commission to impose fees on natural gas distribution and master meter operators of the state to fund the Railroad Commission of Texas's Pipeline Safety Program. The program is currently funded through appropriations of General Revenue and Federal Funds. The Federal program is a matching program that is intended to fund approximately 50% of the cost of the program.

One part of the Railroad Commission's plan to reduce its General Revenue appropriation for the Fiscal Year 2004-2005 biennium is to replace existing General Revenue with funds received from this new fee. The additional funds needed for the Fiscal Year 2004-2005 biennium to replace existing General Revenue is approximately \$2.2 million.

The fee to the distribution operators would be based on the number of service lines within the distribution system. The exact fee would be determined by the Railroad Commission by rule with maximums prescribed by the legislation. If the maximum fee were to be imposed, it would not exceed 50¢ per year for a typical residential household

House Bill 1194 would not provide for any expansion of the pipeline safety program, but would only allow the Commission to continue the program at the current level.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 1 (Sec.121.211, Utilities Code) of this bill.

ANALYSIS

SECTION 1. Subchapter E, Chapter 121, Utilities Code, is amended by adding Section 121.211: Section 121.211. PIPELINE SAFETY FEES.

- (a) This allows the Railroad Commission to adopt an inspection fee to be assessed annually against operators of natural gas distribution pipelines and pipeline facilities, as well as, natural gas master metered pipelines and their pipeline facilities by commission rule.
- (b) Provides that the Railroad Commission shall establish the method by which fees will be calculated and assessed. The Railroad Commission may consider any factors necessary to provide for the fairest distribution among operators of the costs of administering the Commission's pipeline safety program under this chapter in the adoption of a fee structure.
- (c) The total amount of fees estimated to be collected may not go over the amount estimated by the Railroad Commission necessary to recover the costs of administering the commission's pipeline safety program under this chapter, minus the costs funded by federal sources.

- (d) This allows the Railroad Commission to assess each investor-owned and municipally owned natural gas distribution system an annual inspection fee not to exceed 50 cents for each service line reported by the system. The fee is due March 15th of each year.
- (e) This section allows the Railroad Commission to assess each operator of a natural gas master metered system subject to this chapter an annual inspection fee not to exceed \$100 for each master metered system. This fee is due June 30th of each year.
- (f) This section allows the Railroad Commission to assess a late payment penalty of 10 percent of the total assessment due under Subsection (d) or (e) that is not paid within 30 days after the annual due date established by the applicable section.
- (g) This enables the investor-owned and municipally owned natural gas distribution company, as well as, each natural gas master meter operator to recover the amounts paid to the Railroad Commission through a surcharge to its existing rates. The amounts collected may not be included in the revenue or gross receipts of the company for the purpose of calculating municipal franchise fees or any tax imposed under Subchapter B, Chapter 182, Tax Code, or under Chapter 122. Those amounts are not subject to a sales and use tax imposed by Chapter 151, Tax Code, or Chapters 321 through 327, Tax Code.
- (h) Requires that the fee collected under this section shall be deposited to the credit of the general revenue fund to be used for the pipeline safety program.

SECTION 2. This Act takes effect September 1, 2003.

EFFECTIVE DATE

This Act takes effect September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

Deletes Subchapter B, Chapter 117, Natural Resources Code, Section 117.016 of the bill and adds Subchapter E, Chapter 121, Utilities Code, Section 121.211 to SECTION 1 of the substitute.

Adds the word “railroad” before “commission” through the substitute.

Adds a new section: SECTION 121.211 PIPELINE SAFETY FEES

Section 121.211. PIPELINE SAFETY FEES.

(a) Changes the word “shall” to “may” and deletes reasonable and adds “an inspection”. Adds “natural gas distribution pipelines and their pipeline facilities and natural gas master metered pipelines and their pipeline facilities”.

(d) Adds the following new language to this subsection (d):

The commission may assess each investor-owned and each municipally owned natural gas distribution system subject to this chapter an annual inspection fee not to exceed 50 cents for each service line reported by the system on the Distribution Annual Report, Form RSPA F7100.1-1, due on March 15 of each year. The fee is due March 15 of each year.

(e) Adds the following new language to subsection (e):

The commission may assess each operator of a natural gas master metered system subject to this chapter an annual inspection fee not to exceed \$100 for each master metered system. The fee is due June 30 of each year.

(f) Adds the following new language to this subsection (f):

The commission may assess a late payment penalty of 10 percent of the total assessment due under Subsection (d) or (e) that is not paid within 30 days after the annual due date established by the applicable subsection.

(g) Adds the following language to this new subsection (g):

Each investor-owned and municipally owned natural gas distribution company and each natural gas master meter operator shall recover as a surcharge to its existing rates the amounts paid to the commission under this section. Amounts collected under this subsection by an investor-owned natural gas distribution company may not be included in the revenue or gross receipts of the company for the purpose of calculating municipal franchise fees or any tax imposed under Subchapter B, Chapter 182, Tax Code, or under Chapter 122. Those amounts are not subject to a sales and use tax imposed by Chapter 151, Tax Code, or Chapters 321 through 327, Tax Code.

Takes subsection (d) of Section 117.016 of the original bill and put into a new subsection (h) Section 121.211 of the substitute.

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One part of the Railroad Commission's plan to reduce its General Revenue appropriation for the Fiscal Year 2004-2005 biennium is to replace existing General Revenue with funds received from this new fee. The additional funds needed for the Fiscal Year 2004-2005 biennium to replace existing General Revenue is approximately \$2.2 million.

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House Bill 1194 would not provide for any expansion of the pipeline safety program, but would only allow the Commission to continue the program at the current level.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 1 (Sec.121.211, Utilities Code) of this bill.

ANALYSIS

SECTION 1. Subchapter E, Chapter 121, Utilities Code, is amended by adding Section 121.211: Section 121.211. PIPELINE SAFETY FEES.

- (a) This allows the Railroad Commission to adopt an inspection fee to be assessed annually against operators of natural gas distribution pipelines and pipeline facilities, as well as, natural gas master metered pipelines and their pipeline facilities by commission rule.
- (b) Provides that the Railroad Commission shall establish the method by which fees will be calculated and assessed. The Railroad Commission may consider any factors necessary to provide for the fairest distribution among operators of the costs of administering the Commission's pipeline safety program under this chapter in the adoption of a fee structure.
- (c) The total amount of fees estimated to be collected may not go over the amount estimated by the Railroad Commission necessary to recover the costs of administering the commission's pipeline safety program under this chapter, minus the costs funded by federal sources.

- (d) This allows the Railroad Commission to assess each investor-owned and municipally owned natural gas distribution system an annual inspection fee not to exceed 50 cents for each service line reported by the system. The fee is due March 15th of each year.
- (e) This section allows the Railroad Commission to assess each operator of a natural gas master metered system subject to this chapter an annual inspection fee not to exceed \$100 for each master metered system. This fee is due June 30th of each year.
- (f) This section allows the Railroad Commission to assess a late payment penalty of 10 percent of the total assessment due under Subsection (d) or (e) that is not paid within 30 days after the annual due date established by the applicable section.
- (g) This enables the investor-owned and municipally owned natural gas distribution company, as well as, each natural gas master meter operator to recover the amounts paid to the Railroad Commission through a surcharge to its existing rates. The amounts collected may not be included in the revenue or gross receipts of the company for the purpose of calculating municipal franchise fees or any tax imposed under Subchapter B, Chapter 182, Tax Code, or under Chapter 122. Those amounts are not subject to a sales and use tax imposed by Chapter 151, Tax Code, or Chapters 321 through 327, Tax Code.
- (h) Requires that the fee collected under this section shall be deposited to the credit of the general revenue fund to be used for the pipeline safety program.

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Adds a new section: SECTION 121.211 PIPELINE SAFETY FEES

Section 121.211. PIPELINE SAFETY FEES.

(a) Changes the word “shall” to “may” and deletes reasonable and adds “an inspection”. Adds “natural gas distribution pipelines and their pipeline facilities and natural gas master metered pipelines and their pipeline facilities”.

(d) Adds the following new language to this subsection (d):

The commission may assess each investor-owned and each municipally owned natural gas distribution system subject to this chapter an annual inspection fee not to exceed 50 cents for each service line reported by the system on the Distribution Annual Report, Form RSPA F7100.1-1, due on March 15 of each year. The fee is due March 15 of each year.

(e) Adds the following new language to subsection (e):

The commission may assess each operator of a natural gas master metered system subject to this chapter an annual inspection fee not to exceed \$100 for each master metered system. The fee is due June 30 of each year.

(f) Adds the following new language to this subsection (f):

The commission may assess a late payment penalty of 10 percent of the total assessment due under Subsection (d) or (e) that is not paid within 30 days after the annual due date established by the applicable subsection.

(g) Adds the following language to this new subsection (g):

Each investor-owned and municipally owned natural gas distribution company and each natural gas master meter operator shall recover as a surcharge to its existing rates the amounts paid to the commission under this section. Amounts collected under this subsection by an investor-owned natural gas distribution company may not be included in the revenue or gross receipts of the company for the purpose of calculating municipal franchise fees or any tax imposed under Subchapter B, Chapter 182, Tax Code, or under Chapter 122. Those amounts are not subject to a sales and use tax imposed by Chapter 151, Tax Code, or Chapters 321 through 327, Tax Code.

Takes subsection (d) of Section 117.016 of the original bill and put into a new subsection (h) Section 121.211 of the substitute.