

**SUBJECT:** Defining operators subject to pipeline safety inspection fee

**COMMITTEE:** Energy Resources — favorable, without amendment

**VOTE:** 6 ayes — West, Farabee, Corte, Crownover, Gonzalez Toureilles, Howard  
0 nays  
1 absent — Crabb

**WITNESSES:** None

**BACKGROUND:** Utilities Code, sec. 121.211 authorizes the Texas Railroad Commission to assess a fee on natural gas distribution and master metered pipeline operators. This fee is used to fund the commission's pipeline safety program (Utilities Code, ch. 121, subch. E), which regulates and inspects the safety of intrastate pipelines. Currently, the commission is authorized to assess on each investor and municipally owned natural gas distribution system an annual inspection fee up to 50 cents for each service line reported by the system. A company subject to this fee recovers the amounts paid under this fee through a surcharge on its rates. Amounts collected by an investor-owned natural gas distribution company are not included in its revenue or gross receipts for the purpose of calculating franchise fees or sales taxes.

**DIGEST:** HB 872 would amend Utilities Code, sec. 121.211 to stipulate that each natural gas pipeline operator would be subject to the annual pipeline safety inspection fee. Operators could recover the amounts paid through rate surcharges, and amounts collected by cooperatively owned natural gas distribution systems would not be included in their revenues or gross receipts for the purpose of calculating franchise fees or sales taxes.

The bill would take effect September 1, 2005.

**SUPPORTERS SAY:** By clarifying that the pipeline safety fee applies to all natural gas distribution system operators, HB 872 would ensure that all relevant entities contributed to funding the pipeline safety program. Under current law, there is some ambiguity regarding which operators are subject to the

pipeline safety fee. This bill would specify that all operators must pay the fee, including cooperatively owned companies.

In 2003, the 78th Legislature authorized a fee-based system to support the Railroad Commission's pipeline safety program, reducing the agency's dependence on general revenue. The pipeline safety program is an important function of the commission, as it protects public and environmental safety throughout the state. This bill would ensure that a steady funding stream continued to support the vital activities of this program.

OPPONENTS  
SAY:

No apparent opposition.