

Dear Chair DeGette and Subcommittee Members,

I would like to start by thanking the first responders, linemen, volunteers, and countless agency personnel who worked tirelessly to restore power across the state and keep Texans warm. In particular, I know that Railroad Commission staff worked around the clock, many of whom were without power and water themselves in order to keep gas flowing in the state. I am deeply grateful for everyone who played a role in returning power to homes across Texas as I lost power for 4 days myself. We have power in Texas today thanks to them and for that I am sincerely appreciative.

The Railroad Commission of Texas (RRC) has primary regulatory jurisdiction over oil and natural gas production, pipelines, natural gas utilities, alternative fuels such as propane, and coal and uranium mining activity. Texas is home to approximately 470,000 miles of pipeline, 166,000 producing oil wells, and 84,000 producing gas wells. Last year, the Texas energy industry employed approximately 401,000 Texans and provided over \$13.9 billion in state and local taxes and royalty payments. That equates to approximately \$38 million per day to fund schools, roads, universities and first responders. The crude oil produced by our state accounts for approximately 41% of all oil produced in the U.S. and we have 1/6 of the nation's pipeline infrastructures.

As we talk about the events that transpired in February, it is important to remember that our regulatory jurisdiction includes gas production at the wellhead, and transportation of gas through pipelines, but does not include electric power plants or gas processing plants. We provide permits for operators seeking to drill for oil and natural gas, pipe hydrocarbons, mine for coal and uranium, and dispose of produced water. We oversee the state managed well plugging program, provide safety inspections for pipelines, and maintain the health and safety standards required for the industry.

As we learned of the severity of the winter storm that was headed our way, my fellow Commissioners and I convened an emergency meeting to prioritize human needs customers above all else for natural gas delivery. Safety is our number one priority at the Commission, so homes, hospitals, schools, and churches were granted priority status under our emergency amendment to the curtailment order. As the situation developed and further need was identified, we waived transport requirements for out-of-state alternative fuel haulers to allow expedited access for Texans should our state supply need to be supplemented. We authorized Local Distribution Companies (LDCs) to track and account for extraordinary expenses as a result of the storm including but not limited to gas cost and transportation costs. This agency is committed to preventing undue financial burden on LDC customers and this instruction will allow us to collect the data we need to help prevent that from happening. And, we provided alternative options for salt water disposal companies while maintaining our environmental safety standards to prevent waste water from becoming a hazard in the freezing weather. Our agency took proactive steps to prevent disruption to natural gas supply and availability and continued to be responsive to the needs of the industry and Texans in order to maintain supply across the state.

The Railroad Commission continues to communicate with both operators and legislators. We are working with stakeholders to collect and analyze data in an effort to prevent high consumer gas bills. We have been in constant communication with legislators at the state capitol to offer reasonable and

responsible recommendations. These include formalizing TERC, the Texas Energy Reliability Council. Not to be confused with the Electric Reliability Council of Texas (ERCOT), this ad-hoc group is made of industry professionals, agency leaders, and key agency staff. The purpose is to streamline communication during an event, and the overwhelming success of TERC can only be increased by formalizing the organization. Additionally, the RRC has proposed a mapping committee to overlay critical natural gas production sites with ERCOT and the Public Utility Commission of Texas (PUC) grid plans to ensure that power is not cut off at these crucial facilities. The RRC will also hold a hearing to update the gas curtailment order that was amended through an emergency order prior to the storm. The current curtailment priorities were drafted in 1972, and need to be updated to reflect the modern-day needs of this state. The final recommendation made to the legislature would require natural gas fired power plants to secure firm gas contracts from their suppliers. As a result of interruptible private contracts, many of these power plants have stated that supply was curtailed causing decreased electric production. When reliability is crucial, allowing interruptible supply contracts at power-producing facilities should be reevaluated by the legislature. The Texas legislature is currently deliberating these ideas among many others.

As the storm sat over Texas, every single energy source that feeds our state's power supply was disrupted. Wind, solar, coal, nuclear, oil and natural gas all experienced challenges. During the 8-day span of below-freezing temperatures in the Permian Basin, we took immediate action to address the problems that faced our natural gas providers. Through numerous conversations with industry and operators, we learned of frozen roadways preventing crews from accessing the field. We worked directly with Texas Department of Emergency Management (TDEM) to clear those roads and allow access to the field for operators. However, time and time again, the number one problem that we heard reported from operators was a lack of power at their production sites. As outages spread across the state, the oilfield was not immune and, unfortunately, operators were unable to keep their systems functioning as power was cut. Some operators did need to preemptively shut in their wells for safety and well-integrity purposes prior to the storm, and some started as soon as February 9<sup>th</sup>. Starting on Tuesday, February 16<sup>th</sup>, as it was safe to return to the field, crews arrived to find that their facilities were experiencing outages. The oil fields simply cannot run without power making electricity the best winterization tool. Working alongside the Permian Basin Petroleum Association (PBPA) and the Alliance of Energy Producers, we were able to directly communicate with the Chairman of the PUC, as well as electric transmission and distribution companies, and provide specific coordinates for areas and facilities to have power restored and get gas flowing again. As operators got back online, storage capacity across the state was depleted to keep supply up. Continuous communication with our partners at TERC served to streamline and expedite solutions. Daily communications between regulators, operators, and providers were critical to understanding storage withdrawals, supply needs, and infrastructure capabilities.

I would like to highlight the overall success of the Local Distribution Companies in Texas. LDCs are the companies that provide gas directly to residential customers. If you have a gas-powered stove, fireplace, furnace, or heat, you are an LDC customer. As millions of homes lost electricity across Texas, only 2153 LDC customers experienced service disruption. That means that 99.95% of all customers did not lose gas. 4.6 million households in Texas utilize natural gas in their homes representing over 13 million Texans, and these families were able to continue to heat their homes.

Some media outlets would have you believe that natural gas producers and frozen transmission pipes caused the power shortage across the state, but I sit before you today to state that these operators were not the problem – the oil and gas industry was the solution. First, we did not have any frozen transmission pipelines. They continued to flow gas as much as possible. When wellhead operations faced freezing conditions, power supply was cut and outages caused a domino effect of problems. Any issues of frozen equipment or delays in process restoration could have been avoided had the production facilities not been shut down by power outages. Meanwhile, natural gas was being pulled from storage across the state at maximum capacity. While the Railroad Commission continues to collect data, preliminary EIA reports show that while other energy sources dwindled, natural gas producers backfilled the gaps and helped to restore supply to electric power plants once power was restored in the field. The natural gas producers in our state were instrumental in restoring power supply to Texans.

In closing, as we continue to work through the legislative process here in Texas, the Railroad Commission will continue to work with the legislative and executive branches of our state's government to ensure meaningful and responsible solutions are carried out.