

May 20, 2005

State of Washington
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive
S.W. P.O. Box 47250
Olympia, WA 98504-7250

Re: Comments on Pipeline Fee Methodology Rule, Docket No. 041344
On behalf of Olympic Pipe Line Company

On behalf of the Olympic Pipe Line Company I would like to express general support for the Commission's effort to improve the methodology established in WAC 480-75-220 to fund the Pipeline Safety program within the Washington Utilities and Transportation Commission. The current method of dividing program costs into an interstate and an intrastate pool based on a fixed percentage of total program costs does not reflect a true 'fee for service' model, which we have advocated since the inception of the program. Therefore, we support a new allocation method that relies instead on a combination of factors, including direct service provided to individual companies and the relative size of a company's operations in Washington State as represented by the total number of miles of pipe located within Washington's borders.

However, in the current draft of the revised rule and in our understanding of the proposed application of that rule, a number of issues remain to be addressed.

Predictability for Regulated Companies

Although we support the use of actual effort by the commission staff as the primary basis for allocation of fees, this then should reconcile easily to the established work plan developed by OPS to be carried out by the WUTC. For any given inspection, there should be an acceptable range of billable hours that the commission would charge to the company for whom the inspection is performed. This is analogous to any consulting entity doing work for a private firm. Additionally, the direct hourly rate should be well established. Because the new methodology separates out general agency overhead and charges that overhead to all regulated companies based on linear miles of facilities, the hourly charge should be representative of only the direct cost of the employee inspection time with a minimal additional amount for training or other non-specific activities. This would give the regulated companies general predictability of expenses and ensure confidence in the efficient operation of the program.

Incident Response

Olympic Pipe Line supports the direct billing of companies for inspection activities relating to an incident response. This creates a de facto reward for good performance, since companies without incidents will be charged less than companies with measurable hours attributed to them for incident response. However, it should be recognized that the root cause of an incident may not be the regulated company. In cases of third party

damage, every effort should be made to recover the civil penalty from the responsible party. All civil penalties relating to pipeline incidents that are recovered and placed in the Pipeline Safety Account should be credited against the fees charged to the regulated company involved in the third party damage incident. This will encourage private enforcement of the one-call laws and help to offset charges to a company associated with incidents with an identifiable third party instigator.

Audit of Declared Billable Hours

Because the new methodology uses a two year look back, hours of billable work attributed to a company will affect their fees for 24 months. This is a significant departure from the use of linear miles of facility, which are initially reported by the regulated company. Since the new basis for fees does not originate with the regulated company, but rather with the commission, we believe that regulated companies should be given a detailed accounting of the work being attributed to them for the purpose of rate setting and allowed the opportunity to challenge these numbers if their own internal accounting is inconsistent with the numbers presented by the commission.

Use of Calendar Year

Under both the current methodology and the proposed new methodology, the annual billing cycle begins on July 1st and lasts for 12 months. We would recommend that timekeeping be based on the calendar year, which would give sufficient time for compilation and for review by the regulated companies before the first invoices are sent that would be based on this information. For example, for the fiscal year beginning July 1st, 2006 the allocation of fees to regulated companies would be based on staff efforts from January 1st, 2005 through December 31st, 2005. This provides commission staff 6 months to tabulate the records, communicate the results to the regulated companies and respond to any comments by the regulated companies.

To summarize, the Olympic Pipe Line Company is supportive of the commission's proposed changes to this rule, and we are hopeful that our suggestions will be received in the positive and constructive spirit with which they are offered. As always our goals are simply stated - no accidents, no harm to people, and no damage to the environment. It is our sincere desire to maintain a state based pipeline safety program of the highest quality, operating efficiently and providing incentives for private companies to exceed the minimum standards set by the regulating bodies.

Yours truly,

Barry C. Duff
Operations Manager
Olympic Pipe Line Company