

Agenda Date: July 29, 2005
Item Number: C1

Docket: **P-041344**
Rulemaking – Annual Pipeline Safety Fee Methodology
WAC 480-93-240 Natural Gas Pipeline Safety Fee
WAC 480-75-240 Hazardous Liquid Pipeline Safety Fee

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Recommendation:

Consider a proposal to amend WAC 480-93-240 and WAC 480-75-240 which would change the current pipeline safety fee methodology.

Discussion:

This rulemaking proposal would amend the Commission’s rules governing its annual pipeline safety fee methodology, changing the current pipeline safety fee methodology for allocating pipeline safety program costs to regulated pipeline companies.

Currently, a company’s fee is designed to cover the average cost of conducting its standard inspection. The remaining program costs, often a substantial amount, are allocated to each company based on each company’s percentage of the total pipeline miles located within Washington.

The proposed fee system would allocate most of the program’s costs based on effort expended on each company, using the program’s timekeeping system. Only the agency’s overhead cost assigned to the pipeline safety program would be allocated based on mileage. The remaining program cost would be assigned to each company based on the pipeline safety program’s portion of effort it expends directly on each pipeline company.

In 2001, the Legislature passed the Pipeline Safety Funding bill which was codified into RCW 80.24.060 and RCW 81.24.090. These statutes require the Commission to adopt, by

rule, a methodology for assessing fees to hazardous liquid and natural gas companies. The Commission adopted rules in 2001, and the current methodology has been in practice since that time. In 2003, the Joint Legislative Audit Review Committee (JLARC) reviewed the Commission's fee calculations and recommended modifications, not in the methodology, but in the calculation of direct costs of inspection activities. The Commission made adjustments in the 2003-2004 fees to more accurately reflect actual costs. Some companies, however, continued to express concern that too much of the Commission's costs are still allocated on a per mile basis.

On August 11, 2004, the Commission filed a Preproposal Statement of Inquiry (CR-101) with the Code Reviser's Office. As part of the review of its fee methodology, the Commission retained a consultant with Miller & Miller, P.S. to review the pipeline safety program's fee rules, its cost and time accounting systems, and to devise recommendations for alternative fee methodologies.

Stakeholder workshops were held on November 16, 2004, and January 11, 2005, to consider a wide variety of alternative fee methodologies. While no single method received universal support, most participants supported basing the program's fee on the relative program staff effort expended on each company.

All regulated companies were invited to participate in this rulemaking and its workshops. Representatives from BP Olympic Pipe Line, Cascade Natural Gas, Chevron Texaco Pipeline, McChord Pipeline, Northwest Industrial Gas Users, Northwest Natural Gas, Puget Sound Energy, Tidewater Barge Lines, and Williams Northwest were present either by phone or in person for at least one of the workshops. Parties were encouraged to submit written comments on three separate occasions.

On April 22, 2004, the Commission directed the Commission Secretary to file a Notice of Proposed Rulemaking (CR-102) with the Code Reviser regarding this proposed rule. On June 20, in response to comments received to that notice, the Commission made relatively minor changes to the proposed rule and filed a Supplemental CR-102 Notice of Proposed Rulemaking. The notice asked for written comments not later than July 15, 2005. No comments were received.

Attachments