

**Small Business Economic Impact Statement (SBEIS)
Docket No. TO-000712**

May 24, 2002

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1. Introduction

In August 2000, the Washington Utilities and Transportation Commission (Commission) initiated a review of the rules in chapter 480-75 WAC regarding Petroleum Pipeline Companies. The Commission initiated this review in Docket No. TO-000712 pursuant to Chapter 81.88 RCW and Executive Order 97-02, which requires agencies to review existing rules for readability and content with attention being paid to clarity, intent, statutory authority, need, effectiveness, efficiency, coordination, cost, and fairness. The Commission also conducted a general revision of the rules to analyze whether they provided the results that they were originally intended to achieve and whether the rules are consistent with laws and with appropriate and lawful policies. New rules were added to ensure clear communication of policies, processes, and procedures or to provide complete information important to regulated companies and the customers they serve.

Over the last eighteen months, the Commission has circulated multiple rounds of draft rules and held three workshops with stakeholders to discuss draft rule language, receive comments, and explore options. The Commission regulates the petroleum pipeline industry for safety, and took into account the economic impact of potential rule changes as an integral part of its analysis. In addition, the Commission asked stakeholders to provide information on the economic impact of potential rule provisions for use in preparing a Small Business Economic Impact Statement (SBEIS). An SBEIS is intended to evaluate any disproportionate impacts of the rulemaking on small businesses.

2. Regulatory Fairness Act Requirements

Administrative rules implemented by State agencies can have a disproportionate impact on small businesses, compared to large business, simply because of the size of those businesses. This disproportionate impact may affect competition, innovation, employment, economic growth, and threaten the very existence of some small businesses. Thus, the Regulatory Fairness Act, chapter 19.85 RCW, was enacted with the intent of reducing any disproportionate impact of state administrative rules on small businesses.

The Regulatory Fairness Act requires agencies to prepare an SBEIS if the proposed rule will impose “more than minor costs on businesses in an industry.” An agency must then compare the costs of compliance with the proposed rule for large and small businesses within an industry, and then consider how to mitigate any disproportionate impact on small businesses. A business

is categorized as “small” under the Regulatory Fairness Act if the business employs 50 or fewer employees.

3. **Objective**

Pursuant to Chapter 19.85 RCW, Commission Staff prepared this SBEIS to examine the anticipated impact on small businesses of the proposed rules for chapter 480-75 WAC, and to propose plausible mitigation strategies, if necessary, based on the magnitude of economic impacts.

4. **Study Procedure**

Staff considered the economic impact of potential changes to the petroleum pipeline industry rules as an integral part of its review of the rules themselves. In each round of written and oral comments by stakeholders, economic factors played a central role in the public interest issues under consideration. The Commission’s regulation of the Petroleum industry is unique. The Commission has jurisdiction over seven intrastate hazardous liquid companies. The companies range in size from 1.6 miles to 56.01 miles. Consequently drafting rules that are fair and equitable to all companies presents a challenge. Four of the seven companies under Commission regulation submitted a SBEIS. The analysis of the surveys follows.

The Commission solicited input on economic impacts during the rule review process by circulating a SBEIS questionnaire in April, 2002. The Commission received responses from four of the seven hazardous liquid companies under the Commission’s jurisdiction: Tidewater Terminal Company (Tidewater); Agrium U.S. Inc. (Agrium); McCord Pipeline Company (McChord); and Kaneb Pipeline Company (Kaneb). Two of the proposed rules Tidewater will implement will cause the company to incur substantial cost. Staff and Tidewater have had discussions on how to mitigate the implementation cost. If the rules are adopted as proposed an option for the Company is to request from the Commission an extension of time to comply with WAC 480-75-300 and WAC 480-75-330. This would allow the company the ability to budget for the additional cost, and spread that cost over more than one fiscal year.

Agrium, which has 1.6 miles of pipeline will also incur substantial implementation cost. Staff and Agrium have discussed various ways to mitigate the cost. An option for the Company, like for Tidewater, is to request from the Commission an extension of time to comply with WAC 480-75-300 and give them the ability to budget for and spread the implementation cost over more than one fiscal year.

McChord may also incur substantial implementation cost. Staff and McChord continue to have discussions on the intent of WAC 480-75-390. If the company’s current system meets the requirements of WAC 480-75-390, the implementation cost would decrease by \$250,000. If

the system does not meet the requirements of the proposed rule, then the company would incur substantial cost. Staff will continue to work with the company and discuss ways to mitigate the cost if it is found that the system needs to be upgraded to meet the requirements of WAC 480-75-390.

The SBEIS submitted by Kaneb was inconclusive. Staff reviewed the SBEIS and found that Kaneb answered most of the questions with “cannot be determined at this time.” The implementation cost and on-going cost included in the SBEIS is minimal. Staff has attempted to contact Kaneb to discuss their responses. The Company has not been available, and did not attend the April 3, 2002 stakeholder meetings where the intent of all the rules was discussed. Staff will continue to try to discuss the intent of the draft rules and Kaneb’s SBEIS with the company. At this time the economic impact on the company is minimal.

SBEIS ANALYSIS FOR COMPANIES

Company Name	Company Employee	Implementation Cost	Cost Per Employee	Three Year Mitigation	Ongoing Cost	Cost Per Employee	Staff Comments
Agrium U.S Inc	121	\$262,400	\$2168.602		\$35,000	\$289.26	
Tidewater Terminal Co.	43	\$360,000	\$8,372.09	\$2,790.70	\$52,000	\$1,209.30	Implementation is mitigated over a three year period.
McChord Pipeline Co.	150	\$332,000	\$2,213.33	\$737.78	\$8,000	\$53.33	Staff and the company will continue discussing the intent of rule 480-75-390. If the company current systems meets the requirements of the rule the implementation cost will decrease by \$250,000.
Kaneb Pipeline	150	\$10,000	\$66.67		\$2,500	\$16.67	

5. Rule Modifications

Commission Staff modified WAC 480-75-340 to address McChord’s concern of placing test stations at each pipe crossing. The rule has been redrafted to state that “...test stations and other electrical measurement contact points that are located at pipe casings and at locations sufficient to facilitate cathodic protection testing.” This language change will eliminate \$25,000

in compliance cost for the Company. Commission Staff also modified WAC 480-75-420 from five percent to ten percent to address Agrium's concern that setting the valve release at five percent was too close to the test pressure, and could potentially prolong the test.

6. **Conclusion**

As the attached section-by-section analysis shows, the economic impact of the proposed rule revisions is generally not significant for petroleum pipeline companies in general. The proposed revisions make the petroleum pipeline companies rules clearer and more consistent, which makes it easier for companies to comply with the rules. Two of the rules could result in substantial implementation costs for some companies. Staff and the companies will discuss ways to mitigate those costs.

Section-by-Section Analysis of Economic Impact of New Proposed rules and Revisions
Chapter 480-75 WAC- Hazardous Liquid, Gas, Oil and Petroleum Pipeline Companies-Safety

480-75-100 Definitions	Any substantive effect of a change in definition is analyzed with the substantive rule itself.
480-75-200 Application of Rules.	No substantive change. No economic impact.
480-75-210 Additional requirements.	No substantive change. No economic impact.
480-75-220 Severability.	No substantive change. No economic impact.
480-75-250 Civil Penalty for violation of RCW 81.88	No substantive change. No economic impact.
480-75-300 Leak Detection	New rule. Economic impact analyzed. See table.
480-75-310 Geological considerations.	New rule. No economic impact.
480-75-320 Overpressure protection.	New rule. No economic impact.
480-75-330 Overfill protection.	New rule. Economic impact analyzed. See table.
480-75-340 Cathodic protection test station location.	New rule. No significant economic impact.
480-75-350 Design specification for new pipeline project.	New rule. No economic impact.
480-75-360 Class location	New rule. No economic impact.
480-75-370 Design factor (F) for steel pipe.	New rule. No economic impact.
480-75-380 Location of pump stations and breakout tanks for hazardous liquid pipeline.	New rule. No economic impact.
480-75-390 Valve spacing and rapid shutdown	New rule. Economic impact analyzed. See table.
480-75-400 Backfill.	New rule. No economic impact.
480-75-410 Coatings.	New rule. No economic impact.
480-75-420 Hydrostatic test requirements.	New rule. No economic impact.
480-75-430 Welding procedures.	New rule. No economic impact.
480-75-440 Pipeline repairs.	New rule. Economic impact to each of the companies is \$300.00 or less.
480-75-450 Construction specifications.	New rule. No economic impact.
480-75-460 Welding inspection requirements.	New rule. No significant economic impact.
480-75-500 Moving and lowering hazardous liquid pipelines.	New rule. Economic impact analyzed. See table.
480-75-510 Remedial action.	New rule. No significant economic impact.
480-75-520 Inspections during excavation.	New rule. No significant economic impact.
480-75-530 Right of way inspections.	New rule. No significant economic impact.
480-75-540 Above ground facilities.	New rule. No significant economic impact.
480-75-550 Change in class location.	New rule. No economic impact.

480-75-600 Maps, drawings, and records of hazardous liquid facilities.	New rule. No economic impact.
480-75-610 Reporting requirements for proposed construction.	New rule. No significant economic impact.
480-75-620 Pressure testing reporting requirements.	New rule. No significant economic impact.
480-75-630 Incident reporting.	New rule. No significant economic impact.
480-75-640 Depth of cover survey.	New rule. No significant economic impact.
480-75-650 Annual reports.	No substantive change. No economic impact.
480-75-660 Operations safety plan requirements.	New rule. No significant economic impact.
480-75-999 Adoption by reference.	No change.