

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

Establishing Fees to be Paid to the)	DOCKET NO. P-040865
Washington Utilities and)	
Transportation Commission by Gas)	ORDER NO. 01
Companies, Interstate Gas Pipeline)	
Companies, and Hazardous Liquid)	
Pipeline Companies under Provisions)	ORDER ESTABLISHING
of Sections 2 and 3 Chapter 238 Laws)	PIPELINE SAFETY FEES FOR
of 2001)	FISCAL 2005
.....)	

BACKGROUND

- 1 The Commission imposes an annual pipeline safety fee pursuant to legislative authority. Specific statutes establish the fees to meet the costs of conducting the Commission’s natural gas pipeline safety program.

- 2 RCW 80.24.060(1) requires that every gas company and every interstate gas pipeline company subject to inspection or enforcement by the Commission must pay an annual pipeline safety fee to the Commission. Pursuant to RCW 80.24.060(7) and WAC 480-93-240(5), any entity seeking to contest the imposition of the fees established by this Order shall pay the fee and request a refund within six months of the due date of the fee. The procedures are described in WAC 480-93-240.

- 3 RCW 81.24.090(1) requires that every hazardous liquid pipeline company and every interstate hazardous liquid pipeline company subject to inspection or enforcement by the Commission must pay an annual pipeline safety fee to the Commission. Pursuant to RCW 81.24.060(7) and WAC 480-75-240(5), any entity seeking to contest the imposition of the fees established by this Order shall pay the fee and request a refund within six months of the due date of the fee. The procedures are described in WAC 480-75-240.

- 4 The Commission’s pipeline safety program was enhanced and expanded to become a comprehensive program by legislative action during the 2000

legislative session. To pay for the expanded Commission jurisdiction and enhanced responsibilities mandated by the legislature, a pipeline safety fund was created, to be supported by the fees imposed on pipeline companies.

- 5 WAC 480-93-240(2) and WAC 480-75-240(2) require the Commission to establish pipeline safety fees prior to July 1 of each year, with the first quarterly payment due on July 1.
- 6 The fiscal 2004 base program cost of \$1,913,000 has decreased from the 2002 cost due to the reduction in the overall administrative costs of the program. In addition, the 2005 fiscal year program cost is adjusted by \$235,900 directly billed to pipeline companies, to adjust from estimated inspection days to actual days spent during 2004 fiscal year.

FINDINGS AND CONCLUSIONS

- 7 (1) The Commission has determined each company's fiscal 2005 fee pursuant to RCW 80.24.060 and WAC 480-93-240 (gas pipeline companies), and RCW 81.24.090 and WAC 480-75-240 (hazardous liquids pipeline companies), except as noted herein.
- 8 (2) The Commission's actual total program costs for fiscal 2004 are \$1,913,000. In determining a fee for fiscal 2005, there should be a deduction of \$235,900 from the total program cost, to adjust for the additional inspection days attributed to the Correction Action Orders issued by the Federal Government and additional inspection days spent on construction activity and land movement issues unknown at the time the fiscal 2003 inspection schedule was established.
- 9 (3) The resulting net total program costs of \$1,677,100 should be split 37 percent for interstate activity and 63 percent for intrastate activity. This percentage is based on actual staff time spent on program activities for 2002. Accordingly, the interstate share of the total net program cost is \$620,527, and the intrastate share of the total net program cost is \$1,056,573.

- 10 (4) Federal funding anticipated to be received from the federal Department of Transportation Natural Gas Pipeline base grant (\$439,309), the federal Hazardous Liquids Pipeline Safety Program base grant (\$320,588), and the under-collection of pipeline fees from the prior year (\$81,322), should be allocated using the same 37 percent/63 percent interstate/intrastate split, and the resulting dollars should be deducted from the interstate and intrastate program cost.
- 11 (5) The Commission has established the program cost responsibilities for individual companies by directly assigning inspection costs associated with standard inspections and inspection activity associated with construction activity or a Correction Action Order (CAO) issued by the federal government. Under its agreement with the federal government, the Commission is required to conduct inspections associated with CAOs. The dollar amount assigned is calculated based on the per day cost rate for a standard inspection, multiplied by the number of days for standard inspections, inspection of construction, and CAO-related inspections. These are the costs that should be directly assigned to each company in determining an appropriate fee. The total of all such directly assigned costs is, for interstate companies, \$162,771 and \$233,541 for intrastate companies.
- 12 (6) The total remaining program costs for interstate companies of \$206,683 and \$395,529 for intrastate companies should be allocated between interstate pipeline companies according to total interstate pipeline miles and between the intrastate pipeline companies according to total intrastate pipeline miles subject to safety regulation under the program. For example, each intrastate pipeline's allocated share of the intrastate portion of the total remaining net program costs should be calculated by multiplying the intrastate portion of total remaining net program costs by that individual intrastate pipeline's mileage divided by total miles for all intrastate pipelines. The same calculation, except using interstate pipeline miles, should be used to allocate the interstate share of total remaining net program costs to each interstate pipeline.

- 13 (7) The total fiscal year 2005 fee for each pipeline should be calculated as the sum of each pipeline's directly assigned cost associated with standard inspections, plus each pipeline's allocated share of remaining net program costs. That fee should then be divided by four to determine each pipeline's quarterly payment with the first quarter due and payable July 2, 2004.
- 14 (8) The Commission has considered all monies on hand, the fees currently to be paid, and other anticipated revenues and debits and enters this Order to establish the fiscal year 2005 pipeline safety fee. One quarter of each company's pipeline safety fee will be due and payable no later than July 2, 2004. The remaining quarterly amounts will be due and payable on October 1, 2004, January 1, 2005, and April 1, 2005.
- 15 (9) The Commission attaches to this Order as Exhibit A, the master sheet showing the calculation of the fiscal year 2005 pipeline safety fee for each company. The calculations shown on Exhibit A are appropriate, and reflect an equitable distribution of costs among all entities subject to the fees. The Commission includes with each order served on a company subject to the payment of fees a statement of the payment due July 2, 2004.
- 16 (10) In order to calculate the fees as set forth in the foregoing Findings of Fact and Exhibit A, costs of inspections other than the cost of the standard inspections were directly assigned to the company causing those costs to be incurred. In addition, the fee calculations included a true up to the prior year's cost recovery where prior estimates have been significantly out of step with actual inspection activity. For example, the prior year's fee for Williams Pipeline was based on an estimate of 25 additional inspection days for Williams Pipeline, and 20 days would be spent on Olympic Pipe Line Company. The actual inspection days were 350 inspection days for Williams Pipe Line Company and 45 days for Olympic Pipe Line Company. It is reasonable, fair and equitable to adjust the fees to account for these events, in setting fees for fiscal 2005.

- 17 (11) The Commission has jurisdiction under RCW 80.24.060 to establish pipeline safety fees.
- 18 (12) The pipeline safety fees calculated as described in this Order and shown on Exhibit A are consistent with RCW 80.24.060, WAC 480-93-240 and RCW 81.24.090 and WAC 480-75-240, except an exemption from WAC 480-75-240(2)(b)(ii) and WAC 480-93-240(2)(b)(ii) should be granted to permit the fee calculations to reflect direct cost assignment of costs in addition to the standard inspection costs, and to true-up the prior year's cost recovery where prior estimates have been significantly out of step with actual inspection activity. This is consistent with the over-arching policy underlying the fee statutes, that the methodology "shall provide for an equitable distribution of program costs among all entities subject to the fee." RCW 80.24.060(2); RCW 81.24.090(2).

ORDER

THE COMMISSION ORDERS:

- 19 (1) That the pipeline safety fees to be paid to the Commission for fiscal year 2005 (the period July 1, 2004, through June 30, 2005) under the provisions of RCW 80.24.060 and RCW 81.24.090 are established as set out in Exhibit A, attached to this Order.
- 20 (2) That the fees are payable in quarterly installments, due and payable July 2, 2004; October 1, 2004; January 1, 2005; and April 1, 2005.
- 21 (3) That an exemption from WAC 480-75-240(2)(b)(ii) and WAC 480-93-240(2)(b)(ii) should be granted to permit the fee calculations to reflect direct assignment of costs in addition to the standard inspection costs, and to true-up the prior year's cost recovery where prior estimates have been significantly out of step with actual inspection activity.

DATED at Olympia, Washington, this 28th day of June, 2004 , to be effective on July 1, 2004.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner