

Overview of Economic Impacts of Proposed WUTC Rulemaking  
Docket # TO-000712

Background

Given the uncertainty of the status of the proposed regulations, and variances in local requirements that can occur in different locations along the Pipeline Right of Way, BP offers the following as a best estimate of cost to comply (and remain in compliance) with the proposed rules. Changes to the version of the rules posted on the WUTC website dated 4-5-02 could have affects on these estimates.

*Administrative Costs* associated with initial and ongoing compliance with regulation can be substantial. One example of substantial administrative cost is permitting for facilities and construction. Experience at Olympic has seen permitting costs range from \$10,000 to \$250,000 per project when performing safety related projects. Other significant costs in this category include:

1. Personnel time for maintaining equipment installed as a result of the proposed requirements.
2. Updating maps, manuals, drawings and other information.
3. Training personnel associated with changes to the pipeline system (operations, maintenance and control room personnel).
4. Land, Right of Way, and damage related payments for constructing facilities and maintaining equipment.
5. Surge studies proposed in the rulemaking would be estimated at \$5,000 per case to input data and “re-model” surge effects of new facilities on the Olympic system. To date, BP and Olympic has spent on the order of \$200,000 to model the pipeline system. A cost of \$500/mile of pipe is used as a conservative estimate of the costs associated with developing the current model.
6. Costs associated with engineering, consulting or other specialty services required to achieve/maintain compliance.
7. Depending on the project, a lost revenue estimate of \$10,000 per hour could be assumed for projects requiring line shutdown.

Using recent history and the current version of the proposed regulation as a guide, the main areas of economic impact would be as follows:

1. *Design Factor for Steel Pipe* (WAC 480-75-015) – As currently written, this requirement includes existing pipe. The proposed class-location and associated design-factor criteria could require a reduction in the pipeline system pressures and throughput having major economic impact – Millions of dollars per year dependant on the reductions required. Also, many of the administrative costs above would apply. (This proposed requirement also appears to conflict with the ASME B31.4 requirements imposed in other sections of the proposed regulations.)

2. *Overpressure Protection* (WAC 480-75-011) - If Olympic were required to build an overpressure system under the proposed regulation, it is estimated that the cost of such a project would be in the range of \$200,000 to \$250,000 to install one relief valve and the associated piping. If additional relief/surge capacity (tankage) were found to be required the cost would jump to the \$750,000 range, and the factors discussed in the “Administrative Costs” section would be significant.
3. *Valve Spacing and Rapid Shutdown* (WAC 480-75-032) – Based on historical data and current budget, any required valve installations would average \$150,000 per site and involve administrative costs in most of the areas specified in that section. This is a conservative average for constructing such facilities.
4. *Welding Inspection Requirement* (WAC 480-75-023) – As written, applying a 100% weld inspection criteria to *existing systems* would be impractical. No cost estimate is provided.
5. *Hydrostatic Testing Requirements* (WAC 480-75-018) – As written, this regulation would make achievement of successful testing of in-line piping very difficult. Such difficulties could result in greatly increased costs for performing such tests, as well as greatly increasing system downtime. Administrative costs would also be significant.
6. *Right of Way Inspection* (WAC 480-75-034) – Increasing the required scheduling (and thus expected frequency?) would double the cost of the current regulatory burden of right of way inspection. In the area of over flights via airplane this would approximate an increase of \$52,000 per year. Where inspection were “drive-by” or on foot, an estimate of personnel time, and “lost productivity” would vary on geographic conditions and amount of line inspected from the ground.
7. *All Sections Pertaining to Reporting* – (Incidents, FERC Form 6, Proposed Construction) would result in administrative costs of several thousand dollars per year.