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May 24, 2001

Washington Utilities and
Transportation Commission
Attn: Ms. Carol J. Washburn, Secretary
1300 South Evergreen Park Drive S.W.
Olympia, WA 98504-7250

RE: Written Comments of Williams Gas Pipeline - West
Pipeline Safety Fee Methodology Rulemaking – Docket No. UG-010522

Dear Commission:

Williams Gas Pipeline – West ("Williams"), whose interstate natural gas pipeline Northwest Pipeline Corporation runs through the state of Washington and whose LNG plant is located in Washington, appreciates the opportunity to file written comments concerning the proposed pipeline safety fee rule and illustrative spreadsheets, circulated by the Washington Utilities and Transportation Commission ("WUTC").[1] These written comments elaborate upon the comments made by our representative at the May 17, 2001 meeting to discuss the proposed rule.[2]

Williams was involved in discussions with the WUTC when the pipeline safety fee issue was before the Washington legislature. We recognize that the WUTC is charged with inspecting differing types of facilities, such as interstate and intrastate gas pipelines and liquids pipelines, and that fashioning a rule which treats all types of facilities fairly is a difficult task.

Because Williams agrees that it is in the interest of Washington to have a safety program, Williams supported the pipeline safety fee legislation even though we had grave concerns over the equity of the accompanying funding proposals. We want now to reiterate those concerns, and to express some of the guiding principles that we believe the implementing rule should reflect.

<u>Cost Responsibility Should Reflect Cost Causation</u>

As a guiding principle, Williams proposes that charges to the various types of pipeline companies should reflect and approximate the workload that that particular type of pipeline company causes the WUTC. This guiding principle is reflected, partially, in the spreadsheets accompanying the draft rule. For example, the actual inspection costs reflect the total days of inspection multiplied by a per day charge. Also, the spreadsheets show that the Olympic Pipeline Company is charged for 100 days of anomaly digs. Williams believes that those companies

[1] Williams received the text of the proposed rule on May 10, 2001, certain spreadsheets on May 15, 2001 and updated spreadsheets at the meeting on May 17, 2001. Although Williams' comments and examples set forth herein focus upon the effect of the proposed rule on pipelines, William urges that any assessments applicable to LNG facilities also need to be fair and equitable.
[2] The proposed rule is Attachment A to these comments.

which cause the most work for the pipeline safety program should pay the most, and this is an example of this principle in effect.[3]

On the other hand, we note that only a fraction of the amount assessed against Williams is attributable to inspection of the pipeline. One illustrative spreadsheet shows total costs assigned to Williams of $509,657, another spreadsheet shows $310,947 allocated to Williams and the spreadsheet distributed at the May 17th meeting shows $241,498 allocated to Williams. Of these amounts, only $30,160 is attributable to inspection of the pipeline. This $30,160 is the product of the daily charge for actual inspection activities ($500 per day) multiplied by the total inspection days needed to accomplish the inspection goals of the WUTC (56 days for Williams).

Thus, the dollars needed for actual inspections are few when compared to the costs of the program as a whole. Looking at the entire program as depicted on spreadsheets received May 15, 2001, it appears that that pipeline inspection charges account only for about 25%, or $430,420, of the total dollars required by the safety fee program. This appears to be the result of $500 per day inspection charge figure. A higher per day fee would allocate more of the costs of the program to the particular pipelines that generate the WUTC workload. The existing low per day charge results in about 75% of the funds required for the program being generated through arbitrary charges to parties, charges which bear no relation to the WUTC workload that such parties generate. Cost causation and cost responsibility should be determined in a reasoned manner, not arbitrarily. As proposed, the allocation of cost responsibility is inequitable and unreasonable for approximately 75% of the total dollars required by the safety program.

Instead of the methodology generally imbedded in the spreadsheets, WUTC should tie assessments to the work required, just as the WUTC did with the actual inspection costs and the Olympic anomaly work discussed above. WUTC should explore charging pipeline companies directly for the time needed to assess, clean up and remedy incidents or construction inspections. We urge the WUTC to look at cost causation as directly affecting cost responsibility.

Charges Allocated to Interstate and Intrastate Pipelines Should Be Equitable

As another guiding principle, Williams proposes that the methodology utilized should reflect an equitable distribution of the fees between various classes of pipeline, such as interstate and intrastate pipeline companies, and between gas and liquid lines. Unfortunately, this equitable treatment is not imbedded in the spreadsheets accompanying the proposed rule.

On Attachment B's sheet reflecting the crediting of certain Federal dollars,[4] interstate companies (both gas and liquids) pay an average of $ 298.57 per mile of pipe while the intrastate companies pay an average of $50.88 per mile of pipe. On Attachment B's sheet which does not

[3] The size of the pipeline safety program should reflect the task to be undertaken. Williams supports future assessments to analyze whether the pipeline safety program is properly staffed.
[4] Attachment B to these comments. The cited figures were calculated as follows: Interstate companies total, $767,177 divided by 2569.5, the total interstate pipeline miles, and Intrastate total of $896,275 divided by 17,612.62 intrastate pipeline miles.

reflect the crediting of any Federal dollars,[5] interstate companies pay an average of $395.86 per mile of pipe while the intrastate companies pay an average of $69.10 per mile of pipe. On Attachment C, which reflects crediting the highest amount of Federal dollars, interstate companies pay $94.69 per mile, and the intrastate companies pay $39.46 per mile.[6] There is no factual basis for this wildly disparate treatment. The above disparities are averages. In certain instances, the actual disparities in the per mile fee charged to interstate and intrastate companies are even greater.

Further, since interstate companies pay per mile pipeline safety inspection fees to the Federal Government of $84.57 per mile for gas transmission and $73.83 per mile for liquids transmission, while intrastate companies do not pay these fees, the total fee burden on interstate pipelines is even greater than in the above examples. Williams, for example, in Attachment B "No Federal Dollars Credited," pays pipeline safety fees of $438.7 per mile ($354.13 to the state and $84.57 to DOT) while intrastate pipelines pay, on average fees of $69.10 per mile. Attachment C, the spreadsheet provided May 17th, shows that the interstate companies pay $94.69 per mile, and that the intrastate companies pay $39.46 per mile.

The inequity in the provided spreadsheets appears to be the result of a decision to charge interstate companies 41.7% of costs above the cost of base inspections, and intrastates 58.3% of the costs above the cost of base inspections. We do not believe that this is a proper way to allocate all costs beyond the base inspection costs. Perhaps allocating costs based upon straight pipeline miles is better. A recent federal study shows that pipeline miles were the best determinant of actual workload.[7] Alternatively, perhaps costs should be split between interstate pipelines and intrastate pipelines based upon the number of days required to inspect each type of pipeline.[8] Similarly, perhaps the differences in the actual cost of inspecting gas lines versus liquid lines should be explored.

The methodology imbedded in the spreadsheets is not equitable. It does not reflect the workload. The basis for such disparate treatment of interstate pipelines and intrastate pipelines is not set forth. There is no factual basis to conclude that pipelines which happen to be "interstate pipelines" under the law will cost more to inspect than pipelines which, by accident of geographic location in relation to state boundaries, happen to be "intrastate pipelines." Pipeline fee responsibility should more closely track the purpose of the program and the expenditure of resources by the WUTC.

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[5] See Attachment B to these comments. The cited figures were calculated as follows: Interstate companies total, $1,017,177 divided by 2569.5, the total interstate pipeline miles, and Intrastate total of $1,221,275 divided by 17,612.62 intrastate pipeline miles.

[6] Attachment C to these comments. The cited figures were calculated as follows: Interstate companies total $543,310, divided by 2,569.5 the total interstate pipeline miles, and Intrastate total of $695,153 divided by 17,612.62 intrastate pipeline miles.

[7] Report to Congress, Pipeline Safety User Fees, U.S. Department of Transportation, Research and Special Programs Administration, Office of Pipeline Safety, March 1998,

[8] For example, Attachment B shows that the Total Inspection Days for interstate pipelines is 289 days, and Total Inspection Days for intrastate pipelines is 540. Maybe the cost above those allocated to standard inspections (the $24,440 in Williams' case) should be split 289/540 between interstate pipelines and intrastate pipelines.

<u>Credit Should Be Given to the Interstate Pipelines that Pay Fees to the OPS</u>

Interstate pipelines should receive proper credit for fees paid to the Office of Pipeline Safety ("OPS"). Each year, the state of Washington receives money from the Federal government to fund a portion of the state's pipeline safety program, and the interstate pipelines operating within Washington should receive credit for these monies. Last year, for example, each of the 48 continental U.S. states was reimbursed between 34% and 40% of its safety program costs. The spreadsheets provided by the WUTC illustrating application of the proposed rule reflect Federal reimbursement levels of: $0, $575,000 and $823,589. According to the spreadsheets, part of the reimbursement is credited to intrastate pipelines, and part is credited to interstate pipelines.

Williams believes that Washington should credit the interstate pipelines the safety fees they pay to "OPS" as proposed below. Once the credit is given to the interstate pipelines for the $84.57 per mile natural gas pipelines pay the OPS, all parties should share the balance of the federal fund received by Washington. It is inequitable to fail to recognize and credit first the interstate pipelines with monies that the interstate pipelines pay OPS. Allowing all parties to benefit from the federal credit when only interstate pipelines pay the federal government is not fair. Again, Williams reiterates that fees charged to companies to support this program must be just and equitable, the result of reasoned decisionmaking.

All pipelines also should receive credit from other Federal monies given to Washington state, such as GIS monies, and the language in Section 1(a) of the proposed rule should be changed to reflect this crediting.

Williams appreciates the opportunity to comment on the proposed rule, and looks forward to continuing to participate in this rulemaking process.

Sincerely,

/s/

Patricia E. Schmid

cc: Stacey Gerard,
Associate Administrator
for Pipeline Safety, DOT

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