

**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. 03
Companies, Interstate Gas Pipeline)	
Companies, and Hazardous Liquid)	ORDER APPROVING
Pipeline Companies Under)	ADMINISTRATIVE RESOLUTION
Provisions of Sections 2 and 3)	REFUNDING PIPELINE SAFETY
Chapter 238 Laws of 2001)	FEES
.....)	

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 and every interstate gas pipeline company subject to inspection or enforcement by the Commission must pay an annual pipeline safety fee to the Commission. RCW 81.24.090(1) requires that every hazardous liquid pipeline company must pay an annual pipeline safety fee to the Commission. RCW 80.24.060(7) and WAC 480-93-240(5) and RCW 81.24.090 (7) and WAC 480-75-240(5) require that any company seeking to contest the imposition of a fee established by the Commission must pay the fee and petition for a refund within six months of the due date of the fee.

- 3 WAC 480-93-240(2) and WAC 480-75-240(2) require that the Commission establish pipeline safety fees prior to July 1 of each year, with the first quarterly payment due on July 1.

- 4 On June 28, 2004, the Commission entered Order No. 01 in this docket establishing pipeline safety fees for Fiscal 2005. In Order No. 01, the Commission established pipeline safety fees by allocating pipeline safety inspection costs among companies. Under the allocation methodology used, the Commission first split the program costs between intrastate and interstate companies. The Commission then assigned the cost of standard inspections associated with the individual companies directly to the individual companies. The remaining costs in each pool are then allocated to individual companies in the pool based on their miles of pipeline operated within the states.¹
- 5 In Order No. 01, the Commission also determined that certain additional pipeline safety inspections costs from the 2004 fiscal year should be recovered through 2005 fiscal year program fees. The Commission found that during fiscal year 2004 (July 1, 2003 to June 30, 2004), the pipeline safety program expended 325 more inspector days than expected on Williams Northwest Pipeline (Williams) and 25 more inspector days than expected on Olympic Pipe Line Company (Olympic). The Commission directly assigned these additional 2004 costs to Williams and Olympic, waiving the previously established fee calculation methodology in doing so.²
- 6 On September 28, 2004, Williams filed a petition for refund of part of the 2005 pipeline safety fees established by the Commission in Order No. 01.³ The Williams petition alleges (1) that the Commission used a different cost assignment methodology than it had in previous years when directly billing Williams and Olympic for extraordinary costs and (2) that the Commission did not provide notice of its intention to apply a different methodology. Williams asserted that the Commission allocated the benefit of the directly assigned 2004 Williams and Olympic costs to all pipeline operators, instead of assigning it only

¹ See Order No. 01, ¶¶ 5-9.

² *Id.*, ¶ 10, 12.

³ Williams filed an amended petition for a refund on October 13, 2004.

to the interstate pool of operators, of which Williams and Olympic are a part. In other words, the Commission subtracted the amount of the directly billed additional fees paid by Williams and Olympic from the costs to be allocated to the pool of all pipeline operators, rather than to the pool of interstate pipeline operators, so that members of the “all-operators pool” paid a lower fee. Williams sought a refund for the difference between the fees it actually paid and the fees it would have paid if the \$219,500 of its share of directly assigned costs had been deducted only from the interstate allocation

- 7 The Commission delegated the authority to resolve the Williams’ fee refund petition to the Executive Secretary, subject to ultimate approval of the Commission.⁴
- 8 The Executive Secretary reviewed the Commission’s application of the pipeline fee allocation methodology and the direct assignment to Williams and Olympic of fiscal year 2004 pipeline inspection costs as part of the companies’ fiscal year 2005 pipeline inspection program fees. The Executive Secretary concludes that the pipeline fee methodology proposed by Williams is correct and that companies in the interstate pool would have paid a smaller regulatory fee had the Commission followed the traditional methodology.
- 9 The Executive Secretary recommends a total refund in the amount of \$148,618.⁵ Of that amount, \$85,334 should be refunded to Williams and \$63,283 should be refunded to those companies included in the interstate pool that overpaid. There would be no retroactive recovery from companies who received the benefit of lower fees resulting from the Commission’s allocation of the Williams and Olympic direct-billed fees to all pipeline companies.

⁴ Docket No. P-040865, Delegation of Authority to Resolve Dispute, October 20, 2004.

⁵ See Appendix A.

FINDINGS AND CONCLUSIONS

- 10 (1) The Commission establishes annual pipeline safety program fees for every gas company and every interstate gas pipeline company subject to inspection by the Commission pursuant to RCW 80.24.060(1).
- 11 (2) On June 28, 2004, the Commission established annual pipeline safety program fees applicable to Williams Northwest Pipeline Company (Williams) and Olympic Pipeline Company (Olympic) for fiscal year 2005.
- 12 (3) Williams Northwest Pipeline Company filed a petition for refund of a portion of its fiscal year 2005 pipeline safety fee assessment.
- 13 (4) The Commission delegated the issue of pipeline fee refunds to the Executive Secretary for administrative resolution.
- 14 (5) The Executive Secretary recommended that the methodology proposed by Williams in its petition for refund be applied to the calculation of fiscal year 2005 fees assigned to Williams and Olympic.
- 15 (6) The Executive Secretary recommended that application of the Williams' methodology results in a fee refund of \$85,334 to Williams and \$63,283 to the other interstate pipeline companies.
- 16 (7) The Executive Secretary's proposed administrative resolution reaches the appropriate result and should be approved.

ORDER

The Commission Orders:

- 17 (1) The recommendation of the Executive Secretary for administrative resolution of the pipeline safety program fees applicable to Williams and Olympic for fiscal year 2005 is approved;
- 18 (2) Williams will receive a refund of fiscal year 2005 pipeline safety program fees in the amount of \$85,334;
- 19 (3) The other interstate pipeline companies will receive a refund of fiscal year 2005 program fees in the amount listed in the spreadsheet attached to this Order as Appendix B and incorporated into the body of this Order by this reference.

DATED at Olympia, Washington, and effective this 15th day of June, 2005

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner

Appendix A

APPENDIX B