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Ms. Carole J. Washburn, Executive Secretary
Washington Utilities & Transportation Commission
1300 South Evergreen Park Drive SW
PO Box 47250
Olympia, WA 98504-7250

RE: Pipeline Fee Methodology Rulemaking to Review WAC 480-93-240 and WAC 480-75-240, Docket No. P-041344

Dear Ms. Washburn,

NW Natural appreciates the opportunity to comment on the pipeline safety fee methodology under consideration by the Commission. While it is important to determine the appropriate fee methodology, it is also important for the companies and the WUTC to periodically review the program to ensure that the program level and costs are providing the greatest value possible to the citizens of Washington. NW Natural is dedicated to the safe operation of its natural gas distribution system and appreciates the efforts of the Commission and its staff in providing oversight throughout the state.

NW Natural's underlying approach to developing the fee methodology is that the "cost causer" should pay. If an entity's actions cause the pipeline safety program to incur costs, then it should pay for those costs.

Below are NW Natural's responses to the questions posed by staff.

1. In keeping with our overall philosophy on this fee, the company supports a methodology that makes every effort to assign costs in relation to the level of work the staff performs related to a specific company. This is consistent with RCW 80.24.060 (2) "...The methodology shall provide for an equitable distribution of program costs among all entities subject to the fee..."
2. The "Pipeline Safety Fee Analysis" report prepared by Miller & Miller, P.S. indicated that "there are cost differences between managing Gas versus Hazardous Liquid pipeline safety programs." Given this statement, costs should be assigned accordingly.
3. The staff should, to the extent possible, directly assign costs to a company based on the respective costs caused by that company.

4. While “non-directly assignable program costs” can be assigned to companies in a number of different ways, we believe the pipeline safety program should be capable of determining how much of its work is performed in the oversight of each company. In the private sector, general program costs are typically factored into the hourly rate charged to an individual client.
5. As stated in the response to question 4, costs should be allocated based on the impact a specific company has on the program.
6. Costs associated with incident and construction related activities should be charged to the entity that generates the work. The program can recoup the costs on a regular basis (quarterly, semi-annual, or annual) resulting in an adjustment or true-up of each company’s fees. As long as the Commission is “consistent” in allocating costs and can substantiate that the costs are “fair,” then it meets the RCW requirement that the fees are to be “uniform and equitable.” The majority of incidents are the result of damage to our pipelines caused by a third party. We do not know if the Commission has the authority, but it may be appropriate for it to collect from the third party that caused the incident.
7. NW Natural supports a methodology that would allocate federal funds based on the hazardous liquid and natural gas components.
8. While the options presented at the workshop use a two-year average of the program’s historical costs, the staff should analyze all of the data it has available to make sure that the “average” cost is as close as possible to the actual cost of the annual standard inspection for each operator. If analyzing data over a longer historical period provides better data, then the staff should take this into account.
9. Based on the material presented at the workshop, it is apparent that the current fee methodology does not track the actual costs that a company causes the Commission to incur. Based on the options presented, NW Natural supports Option 5a.
10. NW Natural would support changes that assign costs in relation to the level of work the staff performs related to a specific company.
11. NW Natural supports the concepts set forth in Option 5a as part of an improved fee methodology.
12. The company does not formulated any recommendations regarding a Regulatory Incentive Program at this time, but looks forward to working with the staff and other parties as the process moves forward.

We appreciate the opportunity to comment and look forward to continue to work with the staff and other parties on developing the fee methodology.

Sincerely,

Gary Bauer
Manager, Government Relations