



# McCHORD PIPELINE



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March 4, 2005

Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Dr. S.W.  
P.O. Box 47250  
Olympia, WA 98504-7250  
Attn: Carole J. Washburn, Secretary

**SUBJECT: REF. NO. DOCKET P-041344 WRITTEN COMMENTS  
PIPELINE FEE METHODOLOGY RULEMAKING**

Dear Ms. Washburn:

McChord Pipeline Co. submits these comments for consideration in response to the Notice of Opportunity to File Written Comments on Pipeline Fee Methodology Rulemaking (Docket No. P-041344) dated February 18, 2005. McChord Pipeline Co. is an operator of a 14.25-mile length of intrastate pipeline within the State of Washington. McChord Pipeline Co. supports the Washington Utilities and Transportation Commission (WUTC) in its efforts to provide oversight to the pipeline industry within the state. McChord Pipeline Co. remains dedicated to safe operation of the pipeline.

It should also be noted that McChord Pipeline Co. is a small business which does business on an annual bid contract basis. As such, fee increases have a significant impact on our business particularly when coupled with the costs already incurred to comply with the pipeline safety regulations promulgated in the past five years.

Specific comments are attached on the following pages. Thank-you for the opportunity to participate in this process. McChord Pipeline Co. remains committed to working and being involved with WUTC to insure the safe operation of our pipeline.

Sincerely,

McChord Pipeline Co.

Alan J. Cabodi  
President

cc : RWS, GAH, JPW, TJG

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**PIPELINE FEE METHODOLOGY WRITTEN COMMENTS**  
**REF. DOCKET NO. P-041344**  
**McCHORD PIPELINE CO. 3/4/05**

1. McChord Pipeline Co. appreciates that there has been an acceptance and willingness upon the part of WUTC to hear the small operator's concerns during this fee rulemaking process. Due to the nature of our business, large fluctuations in the rates have a significant impact. When the stop-loss mechanism is removed in 2009, there is again the potential for large fluctuations in the rates if only a two-year average of directly assigned inspection hours is used for the rate basis. By 2009 the commission will have at least five (5) years of historical data on which to base an average. A longer averaging period will reduce the magnitude of the fluctuations and reduce the adverse business impact. We recommend revising WAC 480-75-240(2)(b)(ii) to include averaging of the preceding five years of the directly assigned hours after 2009 in order to lessen the impact of rapid changes in those direct hours to small businesses.
2. McChord Pipeline Co. agrees with the concept of using the average hours for establishing direct pool charges and pipeline mileage for the indirect pool charges. See Comment No. 1 for concerns regarding the two-year average.
3. Adoption of this fee methodology will result in a very significant increase in fees for McChord Pipeline Co., in fact the highest since the inception of the Pipeline Safety Program. The percentage increase in fees for McChord Pipeline Co. is the largest calculated and is only mitigated by the stop-loss mechanism. McChord Pipeline Co. has been audited for a different program yearly for the last four years (Standard Pipeline Inspection, Drug and Alcohol Program Inspection, Integrity Management Program Inspection, and an Operator Qualification Program Inspection due this year). These audits seem to take the same amount of time regardless of the effort that is spent on the front end to streamline the process. The scrutiny that has been given to the McChord Pipeline seems disproportionate to the risk. The pipeline is short in length (14.25 miles), carries a product that does not have high volatility characteristics (jet fuel which is less volatile than diesel) and has very low pressure cycles. The pipeline has never experienced a leak, has external coatings, is cathodically protected and carries a product that is non corrosive. These issues do not seem to be taken into account when WUTC establishes the inspection schedules. The issue of inspection scheduling, efficiency of those inspections and frequency based upon risk are issues that McChord Pipeline Co. feels the WUTC Pipeline Safety Section should address, especially since the inspection times are now being used to establish fees.
4. WAC 480-75-240(3) is meant to address hazardous liquid annual reporting requirements yet as written addresses gas and interstate gas companies. This needs to be changed to apply to inter and intrastate hazardous liquid pipeline companies.
5. WAC 480-75-650 already requires submission of an annual report form to the commission no later than April 1 of the succeeding year for hazardous liquids pipelines under the jurisdiction of the commission. The first sentence of WAC 480-75-240(3) needs to be changed to cover only those companies that are not already meeting the annual reporting requirements under WAC 480-75-650.