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March 11, 2005

Carole J. Washburn, Executive Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

Subject: Docket No. P-041344, Revised Pipeline Fee Methodology

Dear Ms. Washburn:

Thank you for the opportunity to comment upon the proposed change to the pipeline fee calculation methodology. Cascade appreciates the effort of WUTC staff to seek and incorporate end user input into the proposed changes.

Cascade supports the general direction of the proposed fee calculation methodology but has a serious concern with the resulting allocation of indirect costs. The shift of basic philosophy toward direct assignment of pipeline safety program costs is good. This approach provides an inherent incentive mechanism for companies to reduce pipeline fees through careful management of pipeline safety compliance. This positive reinforcement is an appropriate result goal of the pipeline safety program.

Cascade does not support the current proposal for allocation of pipeline safety program overhead costs based solely on pipeline miles within the state. Under this scenario, the Local Distribution Companies (LDC) are responsible for 87% of the indirect program costs. This is very inconsistent with the allocation of direct program costs to the LDC group of 39% of program costs. The LDC companies will always have the majority of pipeline mileage installed in the state given our position of service to end users.

In any given year, including the years in this study, the focus and effort of the WUTC pipeline safety program and the mere existence of the program is not attributable almost solely to the existing of LDC utilities. Transmission pipeline and hazardous liquid pipeline issues have taken the majority of WUTC staff time, as shown by the direct cost allocations in the fee methodology worksheets. The allocation of indirect costs should closely follow the actual direct cost assignment.

Two alternatives to address the allocation of indirect program costs include direct assignment on an hourly basis to the direct costs or establishing a minimum threshold of indirect program cost each company is responsible for as an operator. In the current proposal, eight operators are assessed less than \$100 in indirect program costs and 14 (more than half) are assessed less than \$1,000. The support structure of the pipeline safety program is certainly sized with all operators in mind. Each operator should support a reasonable share of the cost.

We make warm neighbors

If you have questions regarding our comments, please contact me at (206) 381-6720.

Sincerely,
CASCADE NATURAL GAS CORPORATION

Daniel E. Meredith P.E.
Senior Director, Safety & Engineering