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March 11, 2005

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 again comment on the pipeline safety fee methodology under consideration by the Commission. The time and effort spent by staff in working with the parties on this docket is also appreciated. As stated in our earlier comments, while it is important to determine the appropriate fee methodology, it is just as important 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'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. Any fee methodology adopted should be easy to understand and administer. The fee methodology set forth in the draft rules appears overly complex.

NW Natural recommends that the Commission adopt 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..."

NW Natural does not support the allocation of overhead costs based on pipeline miles as proposed in WAC 480-75-240 (2) (b) (i) and ((2) (d) and WAC 480-93-240 (2) (b) (i) and ((2) (d). The number of miles does not necessarily correlate to the level of work that is expended by the staff in regards to their oversight of a company. Adoption of this methodology may cause customers of NW Natural to pay a higher portion of program costs than is appropriate.

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There are costs associated with administering the pipeline safety program that are applicable to all companies (i.e. this rulemaking) and should be shared by all of the entities subject to the Commission's jurisdiction. Pipeline miles have no bearing on these costs. In our earlier comments, we indicated these costs could be factored into the hourly rate charged for inspections. Another method would be for the Commission to spread these costs evenly among the companies.

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. Thank you for the opportunity to comment and if you have any questions, please feel free to contact me.

Sincerely,

Gary Bauer
Manager, Government Relations