

**OVERSIGHT AND
REVIEW OF
WASHINGTON'S
PIPELINE SAFETY
OFFICE**

REPORT 03-5



REPORT DIGEST

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STATE OF WASHINGTON

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BACKGROUND

The Washington Utilities and Transportation Commission (WUTC) houses a division of pipeline safety which inspects natural gas and hazardous liquid pipelines. Following a fatal pipeline accident in Bellingham in June 1999 and based on direction from the 2000 and 2001 Legislatures, the WUTC increased its program staffing, added new inspectors, and expanded its inspection processes. The Legislature also directed the Joint Legislative Audit and Review Committee to review the newly expanded program in its 2001 legislation (ESSB 5182).

For this review, JLARC staff interviewed pipeline operators, other delegated states, federal pipeline safety staff, and WUTC management and staff. We also reviewed program and financial files and contracted with three private firms with expertise in pipelines and geographic information systems for additional analyses.

A Very Dynamic Period

The WUTC has had authority to conduct intrastate (within state boundaries) natural gas inspections since 1955 and intrastate hazardous liquid inspections since 1996. The program expansion to interstate (across state lines) pipeline inspection in 2000 has resulted in a more intense inspection effort, a higher regulatory profile, and a program that is still evolving.

The world of pipeline safety is undergoing significant changes across the country: new federal rules to increase inspections, multiple program audits by the General Accounting Office, and a newly-developed, risk-based approach to conducting inspections.* The WUTC is now operating a larger program with increased responsibility and changing inspection approaches.

Other State Pipeline Safety Programs

Our assessment of pipeline safety programs across the United States shows there is no programmatic model that can guide an assessment of the WUTC's program. These programs vary greatly among the states, making interstate comparisons difficult. Moreover, no established interstate mechanism assembles or shares best regulatory practices.

General Findings

This review focused on three primary activities of the WUTC's pipeline safety program: inspecting pipelines, mapping pipelines, and imposing a fee on operators.

Inspections

The WUTC has established the initial stages of a more complex pipeline regulatory program; hired experienced and quality staff; accelerated staff training; improved program planning, and developed a comprehensive record system and databases. Completed inspections are at an historic high, and those inspections are more thorough and intense. WUTC is completing inspections more quickly than their initial projections and anticipates inspecting some companies less frequently. This could lead to the need for fewer inspectors for traditional inspections.

* In accordance with federal requirements, an inspection typically involves the methodical review of company records to ascertain if they are current and comport with federal codes. New inspection protocols may include more intensive physical inspection than what now exists.

However, new inspection protocols from the federal government are also in initial stages of development; and they will require additional inspection time.

Challenges for the WUTC will be to move beyond today's regulatory procedures and toward more risk-based management. The WUTC has not yet developed robust performance measures, nor has it developed a coherent and consistent enforcement policy. The nascent Integrity Management System can help the WUTC better manage risk, but additional lessons can be learned from Bellingham and the other accidents around the United States.

Mapping

The WUTC has made a good effort to assess their needs and the needs of "first responders," the local emergency personnel, to create a mapping system responsive to their multiple needs. In their planning efforts, however, the WUTC has not been sufficiently attentive to the larger community that already supports emergency responder readiness. That existing framework includes the State Fire Marshal, local Emergency Operation Centers, county and local GIS efforts, and the pipeline companies themselves, all of whom put some level of effort into maintaining GIS-based maps to support local emergency responses. Additionally, the WUTC has not clearly articulated how their mapping efforts fit with its pipeline inspection function.

Regulatory Fees

The WUTC has created fee rules that are congruent with statutory language and that fairly allocate inspection program costs. However, one calculation in the current fee methodology is based upon an estimate of staff time that has proven to be inaccurate. This projection has led to a disproportionate shift of costs from one group of pipeline operators (the intrastate companies) to another (the interstate companies). We found that interstate companies are paying more than their proportional share of the inspection program costs. In addition, the fee methodology uses an estimated daily cost of an inspector's time that is significantly less than the actual cost. This miscalculation, too, has created discrepancies in the fees paid by operators.

RECOMMENDATIONS

Based on JLARC's general findings and conclusions of this study, we make the following four recommendations:

Recommendation 1: Focus on Risk. The WUTC's pipeline safety program should develop a strategy to reduce the risks of pipeline accidents that will define risk, explain current risk reduction efforts, and identify new risk reduction strategies.

Recommendation 2: Identify and Integrate Best Practices. WUTC should identify and adopt best inspection and safety management practices through greater interaction with pipeline operators and the national pipeline safety community.

Recommendation 3: Integrate Mapping System with Other GIS Efforts. WUTC should plan its GIS system within the context of the existing emergency response infrastructure and articulate additional benefits to be gained with the WUTC's mapping system.

Recommendation 4: Align Costs and Workload. WUTC should base its fee methodology on actual staff time spent on inspections and revise the daily costs of an inspector's time to reflect actual practice.