

STATE OF MINNESOTA
DEPARTMENT OF PUBLIC SAFETY

In the Matter of the Proposed Adoption
of Rules of the State Department of
Public Safety Governing Natural Gas
Pipeline Safety, Establishing a fee.

STATEMENT OF NEED AND REASONABLENESS

The above captioned rules are amendments to existing rules of the State Department of Public Safety. The captioned rules were last amended June, 1982.

The need to adopt these rules arises because of a 1984 statutory mandate (M.S. 299F.63) requiring the department to recover the state's share of costs involved in pipeline inspections and administration of the gas pipeline safety laws (M.S. 299F.56 to 299F.64). These rules establish a method for calculating costs based on actual time and costs of the function. The department solicited outside input into the rule drafting process, and the two responses each addressed cost recovery based on actual inspector time versus a flat fee as the preferred fee structure. This method provides for an equitable non arbitrary assessment and recovery of costs. Alternate methods such as a flat fee for each facility or fees based on miles of pipeline or number of customer meters were considered non equitable and not related to the work of the inspection activity.

The department has considered the requirements of Minn. Stat. 14.115 and has determined that the proposed rules do not directly affect small businesses. Other than a few major utility companies, not included in the definition of small business, these rules impact municipal/cooperative utility companies.

A fee study has been submitted to and approved by the Department of Finance and is attached.

The purpose and need for each substantive portion of the rules is as follows:

7510.6200. There are existing rules concerning natural gas pipeline safety - Minnesota Rules parts 7510.6200 to 7510.6900. That inclusive set of rules is being amended to include fee requirements in order to keep rules of like subject matter together. The purpose section is amended to reflect the expanded scope of the natural gas pipeline safety rules.

7510.6910. This rules reiterates the statutory mandate to collect the state share of costs involved in the natural gas pipeline safety activity.

- A. Subpart A specifies that the department will determine its costs on a quarterly basis. The natural gas pipeline safety activity is not a separate budget activity, so this subpart requires the department to separate those costs from other operating costs attributable to activities not related to pipeline safety.
- B. Subpart B requires the department to keep records of the pipeline safety activities by individual utility company. From these records the department can charge each company based on actual time, and a record for audit purposes will exist and be available for the state and the companies involved.

- C. Subpart C explains how the charges will be assessed - actual time plus overhead and indirect costs. This configuration has been approved by the Department of Finance.
- D. Subpart D places specific time constraints on the department for its billings and on the utility companies for their remittance. This will allow for reasonably speedy turnaround and should not place unworkable constraints on the utility companies. The 30 day requirement dovetails with the state's prompt payment law.