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APGA Urges PHMSA to Fix Unfair User Fee Assessments

Washington, D.C. (September 4, 2014) – The American Public Gas Association (APGA) has filed comments with the Pipeline and Hazardous Materials Safety Administration (PHMSA) that urges PHMSA to charge LNG peakshaving facilities user fees at the same rate per barrel of storage that PHMSA charges LNG export terminals. Under PHMSA's current user fee structure, small LNG facilities pay user fees as much as 200 times more per barrel of LNG storage capacity than large LNG export terminals. PHMSA's current fee structure for LNG facilities includes five tiers based on storage capacity. PHMSA proposed to keep this tier structure and increase these fees by 800 percent, phased in over the next three years.

John Erickson, APGA's Vice President of Operations, says "APGA supports fair user fees that spread the cost of PHMSA's pipeline safety program proportionately to the ultimate consumers of natural gas; however, PHMSA's current fee structure unfairly burdens small LNG peakshaving facilities with a disproportionate share of the costs. For example, under PHMSA's proposal, in 2017, Greenville Utility Commission in North Carolina would pay approximately $10,000 per year, or just over $2 per bbl, for its LNG peakshaving plant that has a storage capacity of 4,762 bbl. In contrast, Sabine Pass LNG Terminal with over 5 million bbl storage would pay just $60,000, or about one penny per bbl.

"U.S. gas consumers pay as much as 200 times more per barrel of LNG storage than other countries that import U.S. LNG. APGA believes that facilities that export U.S. natural gas should pay at least the same rate as smaller, domestic LNG peakshaving facilities."

APGA urged PHMSA to revise its formula for assessing pipeline safety user fees on LNG facilities so that it more fairly spreads the cost among the existing LNG facilities. Specifically, APGA urged PHMSA to adopt a fee of 6 cents per barrel of storage capacity for all LNG, phased in over at least three years.

Furthermore, to the extent PHMSA's costs are related to facility design safety reviews in connection with a proposal to construct, expand, or operate an LNG facility, APGA encouraged PHMSA to directly bill the facility for those costs as authorized by the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011.

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APGA is the national association of municipally and publicly-owned local distribution systems. There are about 1000 public gas systems serving more than 5 million customers. These public gas utilities are not-for-profit retail distribution entities that are owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that have natural gas distribution facilities.