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**SUBSTITUTE HOUSE BILL 1459**

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**State of Washington**

**60th Legislature**

**2007 Regular Session**

**By** House Committee on Technology, Energy & Communications (originally sponsored by Representatives Kretz and B. Sullivan)

READ FIRST TIME 02/14/07.

1 AN ACT Relating to cost-reimbursement agreements under chapter  
2 78.52 RCW; and adding a new section to chapter 78.52 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** A new section is added to chapter 78.52 RCW  
5 to read as follows:

6 (1) Until July 2013, the department may enter into a written  
7 cost-reimbursement agreement with an applicant, permit holder, or  
8 project operator to recover from the applicant, permit holder, or  
9 project operator the reasonable costs incurred by the department in  
10 carrying out the requirements of this chapter, as they relate to permit  
11 coordination, environmental review, application review, technical  
12 studies in support of permit processing, or orders issued by the oil  
13 and gas supervisor and permit compliance. Cost-reimbursement  
14 agreements are considered an interim measure until oil and gas  
15 development activities necessitate additional department staffing  
16 resources. Cost-reimbursement agreements must be initiated at the  
17 request of an applicant for the purpose of assisting the department in  
18 expediting and facilitating the permitting and compliance processes.

1 The cost-reimbursement agreement must identify the specific tasks,  
2 costs, and schedule for work to be conducted under the agreement.

3 (2) The written cost-reimbursement agreement must be negotiated  
4 with the applicant, permit holder, or project operator. Under the  
5 provisions of a cost-reimbursement agreement, funds from the applicant,  
6 permit holder, or project operator must be used by the department to  
7 contract with a third party to carry out the work covered by the  
8 cost-reimbursement agreement and the department's administrative costs.  
9 The administrative costs are those costs incurred by the department in  
10 receiving an application for a drilling permit, establishment of a  
11 development unit, or approval or issuance of a pooling order including  
12 negotiating the cost-reimbursement agreement, negotiating the contracts  
13 for services with third parties, management of the cost-reimbursement  
14 and services contracts, reviewing the reports of the third party, and  
15 issuing the permits, orders, or agreements. For the purposes of this  
16 subsection, the department shall charge no more than forty dollars per  
17 hour to recover administrative costs of the contract for services with  
18 the third party. If departmental wages increase significantly, the  
19 legislature may review and adjust this amount to reflect the additional  
20 costs of administering third-party contracts.

21 (3) The department shall, in developing and implementing the  
22 cost-reimbursement agreement, ensure that the department reviews and  
23 oversees the work performed by the third party, including the actual  
24 issuance of permits and reviewing reports and taking final action  
25 related to permit compliance. Final decisions that involve policy  
26 matters must be made by the department and not by the consultant. The  
27 billing process must provide for accurate time and cost accounting and  
28 may include a billing cycle that provides for progress payments. The  
29 restrictions of chapter 42.52 RCW apply to any cost-reimbursement  
30 agreement, and to any person hired as a result of a cost-reimbursement  
31 agreement.

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