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May 25, 2007

Alan E. Rathbun
Pipeline Safety Director
Washington Utilities & Transportation Commission
PO Box 47250
Olympia WA 98504-7250

RECEIVED
RECORDS MANAGEMENT
07 MAY 29 AM 8:10
STATE OF WASH
UTILITY TRANS
COMMISSION

Re: PG-060217 – Stipulated Agreement to Close Docket

Dear Alan:

Enclosed in a signed copy of the Stipulated Agreement to Close Docket between WUTC Safety Staff and Cascade Natural Gas Corporation in the above referenced docket. Please return a fully executed copy at your convenience. Please contact me to coordinate schedules for filing and approval by the Commissioners.

We appreciate the opportunity to discuss and resolve these issues and continue working with Staff on important safety issues.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Meredith", is written over the typed name and title.

Daniel E. Meredith, P.E.
Sr. Director, Safety & Engineering

Cc: Mike Gardner
Jon Stoltz
Keith Meissner
Sam Hicks
Chanda Marek

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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS CORP.,

Respondent.

DOCKET NO. PG-060217

STIPULATED AGREEMENT TO
CLOSE DOCKET

1 This Stipulated Agreement to Close Docket (Agreement) is entered into between Cascade Natural Gas Corporation (Cascade) and the Staff of the Washington Utilities and Transportation Commission (Commission Staff) (collectively, the Parties). This Agreement consists of this “Stipulated Agreement to Close Docket,” and the attached Appendix A: Non-Compliance Report (June 1, 2006). This Agreement is subject to review and disposition by the Washington Utilities and Transportation Commission (Commission), and is not effective for any purpose until it is approved by the Commission. The effective date of this Agreement is the date of the Commission order approving it.

2 The Parties understand that the process for approval of this Agreement is at the discretion of the Commission. However, the Parties believe the Commission may close this docket under the conditions stated herein by means of taking action on the consent agenda at an open public meeting, if the Commission desires to do so. The Parties hereby recommend that procedure to the Commission.

3 Cascade owns and operates a natural gas distribution system in Washington state.
Cascade is subject to and required to comply with Commission safety rules applicable to
natural gas pipelines. In this docket, Commission Staff conducted a safety inspection of
certain of Cascade's pipeline facilities in its Aberdeen District.

4 On June 1, 2006, Commission Staff issued to Cascade a "Non-Compliance Report"
(June 1 Report) (attached as Appendix A), alleging several violations of Commission
statutes and rules regarding the condition of Cascade's pipeline facilities, and its records.
The June 1 Report also alleged that some violations were previously noted in earlier
inspections.

5 Cascade responded to the report by investigating, remediating, re-stating the
Company's policies and procedures, and identifying corrective actions taken by Cascade in
an attempt to ensure compliance with the regulations. Actions taken by Cascade to correct
specific conditions identified in the report included replacing combustible wooden support
blocks with non-combustible concrete blocks, amending its maintenance and inspection
form, and adding to its annual regulation station maintenance list a "farm tap" that was
identified in the investigation as a district regulator. The Parties discussed and agreed upon
further actions to be taken by Cascade to ensure compliance with the regulations.

6 The Parties have mutually agreed to a means by which this docket can be closed
without further action by the Commission. The Parties agree and stipulate as follows:

7 1. Cascade concurs that there were violations of Commission rules regarding the
condition of Cascade's gas lines and its records. Cascade further concurs that the standard
for cathodic protection prescribed by 49 C.F.R. § 192.463(a) and Appendix D to 49 C.F.R.

Part 192 was not met at eight locations at the time of inspection, but Cascade promptly remediated the conditions upon discovery, and within 90 days, as required under applicable Commission rules. The eight locations (all in Hoquiam, Washington) are as follows: 200 L Street; 356 Emerson Avenue; 101 W. Emerson Street; 412 O Street; United Methodist Church at L Street and 5th Street; Timberland Bank on 7th Street; in the alley behind the Deli and Sweet Shoppe at the three meter manifold; in the alley of Smith Harbor Drug and Gift.

8 2. Inspection under pipe straps: During the 2007 calendar year, Cascade agrees to remove the steel straps and related material on all pipe supports for two regulator stations or similar facilities in each of its operating facilities in Washington, for a total of not less than 20 stations. Cascade will notify Staff not less than five days in advance of when the removals will occur, and Staff may observe the removals at its discretion. In conjunction with this process, Cascade will record the number of similar pipe supports that are currently in use at these stations. The removal of all supporting material or straps is intended so that the pipe and/or pipe coating surface can be fully inspected by Cascade for atmospheric corrosion. Cascade will complete these inspections and compile the results. Cascade will share the results of the inspections with Staff by March 1, 2008. Cascade and Staff will subsequently discuss and agree upon further actions that may be appropriate based on the results of the inspections.

9 3. Relief valve vent stacks: During annual maintenance for all its regulator stations in Washington in the 2007 calendar year, Cascade will replace 'old-style' relief valve vent stack caps (those that are not properly installed and protected from dirt, liquids or other conditions that might prevent proper operation). Cascade will share the results of this

effort with Staff by March 1, 2008. In addition, Cascade will conduct a design review of the addition of a 'drip leg' or 'weep hole' to the vent stacks that are replaced, which may further protect the regulators from dirt, liquids, or other conditions that might prevent proper operation. Cascade will share the results of its design review with Staff by March 1, 2008.

10 4. Nothing in this Agreement affects the ability of Staff to seek a complaint for penalties or other appropriate relief if gas pipeline safety rule violations are found in subsequent inspections by Staff of Cascade's gas distribution system and/or procedures. Nothing in this Agreement prevents or places any conditions upon Cascade from contesting any such Commission enforcement action, if any is initiated.

11 5. Each Party agrees to provide to the other Party the right to review in advance of publication any and all announcements or news releases that the Party intends to make about the Agreement (with the right of review to include a reasonable opportunity to request changes to the text of such announcements). Each Party also agrees to include in any news release or announcement a statement to the effect that Commission Staff's recommendation to approve the Agreement is not binding on the Commission itself.

12 This is the entire agreement of the Parties. It may not be cited as precedent in any proceeding other than a proceeding to enforce the terms of this Agreement.

13 This Agreement is considered executed when all Parties sign the Agreement. A designated and authorized representative may sign the Agreement on either Party's behalf. The Parties may execute this Agreement in counterparts. If the Agreement is executed in counterparts, all counterparts shall constitute one agreement. An agreement signed in counterpart and sent by facsimile is as effective as an original document. A faxed signature

page containing the signature of a Party is acceptable as an original signature page signed by that Party. Each Party shall indicate the date of its signature on the Agreement. The date of execution of the Agreement will be the latest date indicated on the signatures.

14

Upon execution, Staff will make efforts to have the matter placed on the next reasonably available Commission open meeting agenda. If this matter is not handled at a Commission open public meeting, the Parties agree to support the Agreement during the course of whatever procedures the Commission determines are appropriate.

For Commission Staff:

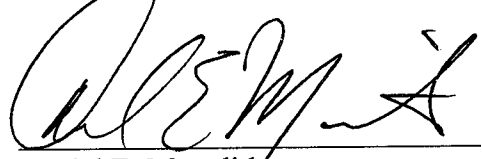


Michael A. Fassio
Assistant Attorney General
Counsel for Commission Staff

June 4, 2007

Date signed:

For Cascade Natural Gas Corp.:



Daniel E. Meredith
Sr. Director, Safety and Engineering

MAY 22, 2007

Date signed: