EXH. JS-1T
DOCKET PG-230800
WITNESS: JOSH SANDERS

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **CASCADE NATURAL GAS CORPORATION,** **Respondent.**	**Docket PG-230800**

TESTIMONY (NONCONFIDENTIAL) OF

JOSH SANDERS

IN SUPPORT OF SETTLEMENT

ON BEHALF OF CASCADE NATURAL GAS CORPORATION

SEPTEMBER 19, 2025

CASCADE NATURAL GAS CORPORATION

TESTIMONY (NONCONFIDENTIAL) OF JOSH SANDERS IN SUPPORT OF SETTLEMENT

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CASCADE NATURAL GAS CORPORATION

TESTIMONY (NONCONFIDENTIAL) IN SUPPORT OF SETTLEMENT OF JOSH SANDERS

I. INTRODUCTION

Q. Please state your name, business address, and position with Cascade Natural Gas Corporation.

A. My name is Josh Sanders, and my business address is 400 N 4th St, Bismarck, North Dakota. I am the Director of Compliance, Process Improvement, and Procurement for Cascade Natural Gas Corporation ("Cascade").

Q. Please briefly explain any relevant employment experience, and other professional qualifications.

A. I have over 22 years of experience working in the utility industry with positions of increasing responsibility. My experience includes being a mapping technician, laborer, equipment operator, inspector, and project manager. I have supervised gas and electric service technicians, gas construction crews, and engineering technicians. My management duties include human resources and labor relations, gas standards, and compliance. I have an associate of applied science degree in mechanical drafting from Western Dakota Technical Institute. I am also currently pursuing a bachelor's degree in business management from Western Governors University.

Q. What are your duties as Director of Compliance, Process Improvement, and Procurement for Cascade?

A. I am responsible for the Compliance Department that facilitates pipeline safety audits through the gathering of company documentation, records, policies and programs as required by state and federal code; the Quality Control Department that performs reviews of activities performed on pipeline facilities to ensure conformity to the company's procedures; the Safety Management Systems (SMS) Department that administers the company's procedures related to risk reduction, procedure and process review, and other continuous improvement actions as recommended by API RP 1173; the Policy and Procedure Department that updates and maintains the company's operations and maintenance procedures as required by state and federal code; the Engineering Materials and Standards Department that maintains the company's engineering procedures and is responsible for all things related to review and approval of pipeline tools and materials; and lastly the Procurement Department that facilitates the drafting and finalizing of service contracts and the ordering of materials used in the construction and repair of the company's facilities.

Q. What is the purpose of your testimony?

A. My testimony recommends that the Commission approve the Settlement Agreement ("Settlement") entered into by Cascade, Staff of the Washington Utilities and Transportation Commission ("Staff"), and Sapphire Gas Solutions LLC ("Sapphire"). The Settlement addresses and proposes to resolve issues with

respect to the Complaint filed by Staff against Cascade in this docket on March 27, 2025.

The Settlement is a full settlement of all the issues raised in Docket PG-230800. Cascade views the Settlement as a compromise among differing points of view and in the public interest. No party opposes the Settlement.

My testimony discusses the following topics:

1. I provide a summary of the Settlement Agreement and address its principal aspects.

2. I explain why approval of the Settlement Agreement is consistent with the public interest and consistent with Cascade's interest.

II. SETTLEMENT PROCESS AND OVERVIEW OF SETTLEMENT

Q. Would you please describe the events leading up to the filing of the Settlement?

A. On March 27, 2025, Staff filed a complaint (the "Complaint") with the Commission regarding an LNG incident that occurred in Toppenish, WA (the "Toppenish incident"). A brief summary of the events leading up to the Toppenish incident are as follows.

Cascade had retained Sapphire as a consultant and a contractor for the temporary use of mobile LNG equipment due to Sapphire's expertise in mobile LNG operations and because Cascade does not own or operate mobile LNG systems.

Sapphire was providing LNG for gas supply during one of Cascade's projects to validate the maximum allowable operating pressure ("MAOP") of its gas pipelines as required in Docket PG-150120. Under its obligations as Cascade's consultant and contractor, Sapphire provided and operated mobile LNG equipment at a site in Toppenish, Washington. Sapphire's subcontractors, including Southern Pines Trucking ("Southern Pines"), transported LNG to the site.

The Toppenish incident occurred on September 22, 2023, and involved employees of Cascade's consultant and contractor, Sapphire, as well as Sapphire's contractor, Southern Pines. On that day, an accident resulting from unauthorized actions of a Southern Pines' employee at Sapphire's mobile LNG system resulted in a fire that caused injuries and a fatality.

Based on the subsequent investigation, the Southern Pines driver who had previously transported LNG to the Toppenish site, failed to follow procedures on September 22, 2023. Specifically, the driver began moving the truck forward before the LNG transfer was completed and while the transfer hose was still attached. This resulted in an LNG release, and a vapor cloud that ignited into a fire.

In the Complaint, Staff alleged violations of pipeline safety regulations against Cascade, as the entity regulated by the Washington Utilities and Transportation Commission. Staff's Complaint requested the Commission impose approximately $5,668,595 in total penalties on Cascade.

On April 16, 2025, Cascade filed an Answer to the Complaint, wherein it denied the allegations, or otherwise contested the legal theories in the Complaint. Sapphire petitioned to intervene in the proceeding on April 22, 2025. A prehearing conference was held on April 24, 2025, and the Commission granted Sapphire's petition to intervene.

Sapphire filed a motion to dismiss the allegations in the Complaint on July 1, 2025. Cascade filed a response generally supporting the motion to dismiss. Staff filed a response to the motion to dismiss on July 10, and a reply to Cascade's response on July 18.

The procedural schedule established dates for two settlement conferences. Settlement conferences were held on May 20, 2025 and June 25, 2025, at which parties discussed their respective positions. Settlement offers and communications continued after the June 25, 2025 settlement conference. The parties agreed to amend the procedural schedule to allow for additional time for settlement discussions. A settlement in principle was reached by the parties on August 8, 2025, which resolves all allegations in the Complaint and also settles any claims related to Cascade's LNG project in Wenatchee in 2023. The Settlement is a result of months of negotiation between all parties involved in the matter. The terms of the Settlement are discussed in more detail below.

Q. Please provide an overview of the Settlement.

A. The Settlement is an acknowledgement by Cascade of the gravity of what occurred, and the need to continually improve its procedures and processes, including for its use of contractors. As part of the Settlement Agreement, Cascade has agreed to a substantial monetary penalty, with only part of the penalty suspended; auditing requirements; policy changes; and other items discussed in more detail below.

Q. Please explain the monetary penalty in the Settlement.

A. The monetary penalty is discussed in Section V.A of the Settlement. The Commission will impose a total penalty of $2,000,000 with $250,000 of this penalty suspended. Suspension of the penalty is conditioned on the requirement that Cascade meets certain compliance tasks, as detailed in the Settlement Agreement. Cascade will pay the $1,750,000 non-suspended penalty within thirty days of the effective date of the final Commission Order approving the Settlement. To the extent Cascade is unable to complete a compliance task by the deadlines in the settlement, Staff has the option to request the Commission impose the suspended penalty. Cascade may contest the imposition of the suspended penalties or otherwise request an adjustment to the suspended penalty amount. While Cascade may seek cost recovery for compliance costs associated with the audit and policy revisions, Cascade is prohibited from seeking recovery for the monetary penalties.

Q. Please provide an overview of the audit requirement in the Settlement.

A. The audit requirements are found in Sections V.B and V.C of the Settlement. Cascade agrees to contract with the American Petroleum Institute ("API"), or a third party if API is not available, to complete an audit of Cascade's API Recommended Practice ("RP") 1173 safety management system program. API RP 1173 is a continual improvement process; it is not codified in law or regulations, but is a recommended practice of the American Petroleum Institute. Cascade instituted the recommended practice as part of a settlement in Docket PG-150120. The audit will assess whether Cascade's existing safety management system program meets the intent of the API RP 1173 program required of Cascade in Docket PG-150120. Cascade will update the Commission with quarterly letters on the progress of the audit, and the audit will be completed by December 31, 2026. The audit will identify "observations" and "opportunities to increase effectiveness," which is the standard protocol for API audits.

API defines "observations" as findings where the operator did not meet the requirements of API RP 1173. Cascade will review and implement observations from the API RP 1173 audit into its safety management system program through a system of ranking and prioritizing. Cascade agrees to provide a list of priorities and estimated implementation dates with Staff no later than December 31, 2026. Implementation of action items derived from the observations from the auditor is subject to suspended penalties if not implemented.

API defines "opportunities to increase effectiveness" as considerations provided by the auditor where the company's program has implemented a requirement of API RP 1173 but there are improvements that could be made to enhance the company's program. To the extent the auditor identifies opportunities to increase effectiveness, Cascade will evaluate those suggestions provided by the auditor and determine whether to implement those suggestions. The Settlement does not require Cascade to adopt the "opportunities to increase effectiveness" identified by the auditor, but if it chooses not to do so, it will confer with Staff to explain and discuss those decisions.

The findings of the audit will not be the basis for penalties, consistent with the Settlement Agreement in Docket PG-150120 where the parties identified API RP 1173 as a recommended practice and may be subject to audit for compliance but will not be the basis for penalties.[1] However, as previously noted, failure to timely complete the audit, failure to provide required reports, and failure to implement program changes based on observations identified in the audit will be subject to the suspended portion of the penalties.

Q. Please provide an overview of any Cascade policy changes that are part of the Settlement.

A. As part of the Settlement, Cascade agrees to create a new company policy for the oversight and management of contractors hired to perform work on the

[1] *See* Docket PG-150120, Order 03, Attachment A at V.B.8.

company's natural gas system and to integrate this policy with its existing policy related to the hiring of contractors. Cascade will review the risks and operational controls that are required based on the type of work being done by the contractor. Cascade will consider the contractor's safety record and existing safety management programs when making contractor decisions. Prior to the use of LNG, the new policy will include a specific safety management system review of the contractor's plans, policies, and procedures. Cascade will provide to Staff, for review and comment, the new policy and an explanation of how it will be integrated with the existing policy. This policy will be implemented by December 31, 2025 or within 30 days of the Commission's approval of this Settlement, whichever is later.

Q. Please explain any other important provisions of the Settlement.

A. There are two additional provisions of the Settlement. First, Cascade agrees to follow all notification requirements and other regulatory requirements of state and federal law with any future LNG operations or use. Cascade will also file DOT Form PHMSA F 7100.3-1 for 2023 and 2024. Second, the parties have agreed that the Settlement will resolve all claims against Cascade and Sapphire related to the Toppenish incident and Cascade's Wenatchee LNG project, which took place in July 2023.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

Q. Please explain why Cascade believes the Settlement is in the public interest.

A. The Settlement reflects a fair and reasonable resolution of the issues raised with respect to the Toppenish, WA incident and Cascade's Wenatchee LNG project. As is the case with any settlement, Cascade is compromising from the positions it would have taken should the case have been litigated. The Settlement is the result of carefully negotiated terms that complement each other and should be reviewed as a whole. Like any settlement, but especially here given the allegations in the complaint, Cascade was willing to make certain reporting and financial concessions to reach an agreement. Although Cascade and Staff have certain disagreements with the allegations and legal assumptions in the Complaint, the parties agree the Settlement is in the public interest.

The Settlement terms reflect the seriousness of the Toppenish incident while providing actionable steps to improve processes. Safety is a priority for Cascade, and this Settlement will further enhance safety on Cascade's system, including amongst Cascade's contractors. The Settlement also imposes a significant monetary penalty in response to the unfortunate events of 2023. The monetary penalty is lower than what Staff sought in the Complaint, which from Cascade's perspective, reflects that there are several mitigating factors that justify not imposing the maximum penalty amount.

These mitigating factors include, but are not limited to, the following:

- **This was not an intentional violation on the part of Cascade.** As previously noted, Cascade does not work with mobile LNG equipment and for that reason contracted with Sapphire, an expert in the operation of mobile LNG equipment. There are no previous violations of LNG-related rules by Cascade.

- **Cascade cooperated with the post-incident investigation**. Cascade provided documentation in a timely manner and engaged in discussions with Staff through the investigation.

- **Cascade took timely action.** Prior to the Complaint being filed, Cascade updated procedures regarding the review of contractor procedures and improved its notification process. These new processes were successfully implemented in 2024 when the Toppenish MAOP project continued.

- **There is a low likelihood of occurrence.** Cascade does not expect to use LNG in the future. The LNG use was limited to MAOP validation projects, which are nearly complete.

- **The Toppenish incident was the result of unauthorized actions of an employee of Southern Pines, with whom Sapphire contracted to transport LNG**. The Southern Pines truck driver had previously complied with protocols, but failed to do so in this situation.

Q. Is there anything further you would like to add with respect to the Settlement and the public interest.

A. Yes. Staff, Cascade, and Sapphire reached these mutually agreeable terms after months of discussions, investigations, and negotiations. The Settlement negotiations were complex, due to the ongoing threat of litigation and claims in other forums, and the various parties involved in this case. This Settlement reflects the sincere efforts of Cascade, Sapphire and Staff to reach a conclusion that is fair and reasonable. Cascade finds this Settlement to be appropriate and reasonable in settling this dispute, avoiding continuing dispute resolution, and supporting continuous improvement measures.

Q. Please explain why the Settlement is in Cascade's interest.

A. Cascade has sought, throughout this proceeding, to demonstrate its understanding of the seriousness of the Toppenish incident and to indicate its intent to work with its contractors to avoid any future incidents. The terms of the Settlement reflect Cascade's ongoing commitment to improving safety and reliably supplying natural gas to its customers.

Cascade has agreed to pay a significant penalty in this case. It understands that the Toppenish incident caused significant damage and hardship. The Settlement is in Cascade's interest because it allows resolution of all claims arising from the incident as it pertains to the Commission. It also allows Cascade to demonstrate its ongoing commitment to safety and compliance. Additionally, the Settlement

allows a partial suspension of the monetary penalty dependent upon Cascade's adherence to other compliance measures. This provides Cascade a strong incentive to complete the required compliance measures.

For these reasons, Cascade views the Settlement as a fair and reasonable resolution of the issues identified in Staff's Complaint. Cascade respectfully requests the Commission approve the Settlement as agreed to by the parties.

IV. CONCLUSION

Q. Does that conclude your prefiled direct testimony?

A. Yes, it does.