

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PUGET SOUND ENERGY'S

Pipe Replacement Program Plan

DOCKET PG-160294

ORDER 01

ORDER APPROVING PUGET SOUND
ENERGY'S 2015-2017 PIPE
REPLACEMENT PROGRAM PLAN

BACKGROUND

- 1* On December 31, 2012, the Utilities and Transportation Commission (Commission) issued its Policy on Accelerated Replacement of Pipeline Facilities with Elevated Risk (Policy Statement).¹ As required by the Policy Statement, each investor-owned gas pipeline utility company filed a Master Plan for replacing pipe that represents an elevated risk of failure in 2013.
- 2* The Policy Statement also requires each investor-owned gas pipeline utility company to file a plan every two years for replacing pipe that represents an elevated risk of failure, beginning June 1, 2013.² Each company's plan must include:³
- 1) a Master Plan for replacing all facilities with an elevated risk of failure;
 - 2) a Two-Year Plan that specifically identifies the pipe replacement program goals for the upcoming two year period; and, if applicable,
 - 3) a Pipe Location Plan for identifying the location of pipe or facilities that present an elevated risk of failure.

¹ Docket UG-120715 (December 31, 2012).

² *Id.* ¶ 43. Subsequent pipeline replacement program plan filings should be filed by June 1 every two years thereafter (*i.e.*, June 1, 2015, 2017, 2019, etc.).

³ *Id.* ¶ 42.

Each Plan must also: (1) target pipe or facilities that pose an elevated risk of failure; (2) be a measured and reasonable response in relation to the elevated risk without unduly burdening ratepayers, and (3) be in the public interest.⁴ Finally, each Plan should contain a section analyzing its impact on rates.⁵

3 Companies seeking to recover costs must simultaneously file a proposed CRM with their Plan. The CRM must document costs invested to replace elevated-risk pipe, use a normalized accounting treatment, and include an operations and maintenance offset.⁶

4 On June 1, 2015, Puget Sound Energy (PSE or Company) filed with the Commission its “Pipeline Replacement Program Plan” for 2015 (2015 Two-Year Plan), which contains a Master Plan, a Two-Year Plan, and a Pipe Identification (Location) Plan for each of the components in the replacement program. Consistent with the Commission’s policy statement, PSE also submitted information for CRM with its plan. Commission staff (Staff) will present the CRM in a separate filing in Docket UG-151159. The effect of the CRM is an increase of \$5,331,376, or an average increase of 0.49 percent for all of PSE’s approximately 793,924 natural gas customers. The impact of this filing on the typical residential customer using 68 therms per month will be an increase of \$0.39 on the current monthly bill of \$81.25.

5 PSE operates the largest natural gas distribution system in Washington with a large and varied service territory and a variety of different pipeline materials. PSE’s 2015 Two-Year Plan indicates that it owns several types of facilities that have an elevated risk of failure, which the Company is addressing through various replacement plans. Some of these replacement plans are the result of settlement agreements between PSE and the Commission, and some are voluntary. In 2011, PSE identified cross bores as a top risk in the Distribution Integrity Management Program (DIMP) due to their quantity, the risk of failure, and the potential magnitude of consequences.⁷

⁴ *Id.* ¶¶ 44-56.

⁵ *Id.* ¶ 55.

⁶ *Id.* ¶¶ 63-76.

⁷ In 2012, a cross bore pilot program was conducted, and in 2013, the PSE cross bore safety program was officially launched.

6 PSE's plan addresses the following types of facilities that have an elevated risk of failure in Washington:

- Larger diameter ($\geq 1\text{-}1/4$ " Aldyl "HD" polyethylene pipe.⁸
- Older vintage Steel Wrapped Mains⁹
- Older vintage Steel Wrapped Services¹⁰
- Sewer Cross Bore Replacement Plan¹¹

PSE implemented a Pipe Identification Plan in 2013 designed to locate older Aldyl "HD" (Aldyl) polyethylene (PE) pipe. PE pipe is prone to what is called "brittle-like cracking" due to slow crack growth and failure resulting from secondary loads such as rock impingement or squeeze-off.¹² The 2013 PRP Plan calls for PSE to identify PE pipe during routine operations and maintenance activities and through approximately 5,000 targeted excavations, which PSE plans to complete by the end of 2016.¹³ In PSE's 2015 Two-Year Plan, PSE indicates that it prioritizes performing targeted excavations in areas where paving improvements are occurring, but paving moratoriums and changes in the number of targeted excavations required could affect the schedule. For the older vintage wrapped steel mains and services, PSE is utilizing data integration through the use of Geographic Information Systems (GIS) for identification and tracking of these assets.

7 Staff reviewed the Company's filing and concluded that PSE's 2015 Two-Year Plan, analyzed in conjunction with PSE's DIMP, is a measured and reasonable response in relation to the elevated risks it identified. PSE's Two-Year Plan adequately addresses

⁸ PSE DIMP, Appendix F-3, Section 1 - DuPont ALDYL "HD" Plastic Pipe.

⁹ PSE DIMP, Section 1, Wrapped Steel Mains. PSE's DIMP identifies an increased risk of leakage on some older steel-wrapped mains. The risk is due to a combination of factors, including corrosion; existing third-party damage to the pipe coating; welds; and equipment, including vintage valves. These mains are replaced based on past leak history, and PSE expects to replace approximately 20 miles of steel wrapped main over the next three years.

¹⁰ PSE is addressing these services under a settlement agreement approved by the commission in Docket PG-041624, the Wrapped Steel Service Assessment Program (WSSAP). PSE has identified and located all services that are targeted under the WSSAP program. Based on current risk knowledge, PSE is targeting to replace approximately 1,100 services over the next 3 years.

¹¹ PSE 2013 Continuing Surveillance Annual Report, Pg. 89.

¹² PE pipe is designed to be squeezed shut with a mechanical device during operations, maintenance and emergency response.

¹³ PSE's 2013 PRP plan, DuPont Aldyl "HD" Plastic Pipe, Section 3.

facilities with an elevated risk of failure. Staff previous audit of PSE's DIMP found that it addresses all known threats and implements accelerated actions to address them.

8 Staff is satisfied that the analysis presented by PSE is consistent with the Commission Policy, and adequately addresses all known elevated risk pipeline facilities in Washington. The current 2015-2017 Two-Year Plan is updated to reflect newly added projects and completed projects since the initial 2013-2015 Two-Year Plan. Staff recommends that the Commission approve PSE's 2015 Two-year Plan.

DISCUSSION

9 The Commission approves PSE's 2015 Two-Year Plan. The Company is taking measured and reasonable action to remediate elevated risk pipeline facilities according to its Master Plan. The Company's 2015 Two-Year Plan has been updated to reflect newly added projects and completed projects since the replacement program was initiated.

10 We agree with Staff that the Company's 2015 Two-Year Plan is consistent with our Policy Statement. The Commission commends PSE for continuing its proactive approach to identifying elevated risk facilities and implementing an effective but economical replacement program.

FINDINGS AND CONCLUSIONS

- 11 (1) The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, rules, regulations, and practices of public service companies, including natural gas companies.
- 12 (2) PSE is a natural gas company and a public service company subject to Commission jurisdiction.
- 13 (3) PSE filed its 2015 Two-Year Plan with the Commission on June 1, 2015.
- 14 (4) PSE's 2015 Two-Year Plan is a reasonable and measured approach to replace pipeline facilities with an elevated risk of failure.

ORDER

THE COMMISSION ORDERS:

- 15 (1) Puget Sound Energy's 2015 Two-Year Plan is approved.
- 16 (2) Puget Sound Energy should file an updated Pipeline Replacement Program Plan for 2017-19 no later than June 1, 2017.

DATED at Olympia, Washington, and effective April 7, 2016.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner