

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Complainant,

v.

CASCADE NATURAL GAS CO.

Respondent.

DOCKET PG-230800

ORDER 04

FINAL ORDER APPROVING
SETTLEMENT

BACKGROUND

- 1 On March 27, 2025, the Washington Utilities and Transportation Commission (Commission) on its own motion and through Commission staff (Staff) issued a complaint (Complaint) against Cascade Natural Gas Corporation (Cascade or Company). The Complaint alleges ten violations of state law, federal law, and administrative rule by Cascade in relation to an incident that occurred involving a Cascade pipeline that resulted in severe injuries to one contractor working at the site and the fatality of another. The Complaint alleges ten separate causes of action, some with as many as 54 violations, and recommends the Commission impose \$5,668,595 in penalties for the alleged violations.¹
- 2 On May 5, 2025, the Commission issued Order 01 Protective Order.
- 3 On May 9, 2025, the Commission issued Order 02, establishing a procedural schedule in this matter, granting intervention to Sapphire Gas Solutions LLC (Sapphire) and setting an evidentiary hearing for October 24, 2025. As part of its seeking intervention, Sapphire alleged that it was the contractor providing liquified natural gas (LNG) to Cascade's pipeline and through contract, it may be liable for any penalty assessed by the Commission, in whole or in part, and therefore Sapphire should be allowed to participate in the proceeding as an intervenor.
- 4 On June 30, 2025, Staff filed a Joint Motion to Modify Procedural Schedule, requesting that the Commission amend the procedural schedule in this docket, and setting the hearing for a date in early December of 2025.

¹ *WUTC v. Cascade Nat. Gas Co.*, Docket PG-230800, Complaint and Notice of Virtual Prehearing Conference at ¶¶ 90-99 (Mar. 27, 2025)

- 5 On July 1, 2025, Sapphire filed a Motion to Dismiss the Complaint.
- 6 On July 8, 2025, the Commission issued Order 03 Granting Joint Motion to Modify Procedural Schedule and setting the evidentiary hearing for December 10, 2025.
- 7 On July 10, 2025, Staff filed a Response to Sapphire’s Motion to Dismiss and on July 11, 2025, Cascade did the same.
- 8 On July 18, 2025, and July 21, 2025, Staff and then Sapphire, respectively, filed a Motion for Leave to Reply to Cascade’s Response to Sapphire’s Motion to Dismiss.
- 9 On July 23, 2025, Staff filed a Motion to Strike a portion of Sapphire’s Reply.
- 10 On August 8, 2025, counsel for Staff contacted the Commission on behalf of the parties to inform the Commission that Staff, Cascade, and Sapphire (the Settling Parties) had reached a settlement in principle in this matter. The Settling Parties further requested that the Commission suspend the procedural schedule to afford the Settling Parties time to memorialize the settlement and to refrain from ruling on the outstanding Motion to Dismiss and the associated motions.
- 11 On August 11, 2025, the Commission issued a Notice Suspending Procedural Schedule and requiring the Settling Parties to file a settlement with the Commission on or before September 19, 2025.
- 12 On September 19, 2025, the Settling Parties filed a Settlement Agreement (Settlement or Agreement) and supporting testimony.

Settlement Agreement

- 13 The proposed Settlement is characterized as a “full settlement” as it is agreed to by all parties and resolves all issues raised in the Complaint in this docket.² The Settlement contains six terms, which together are proposed to resolve all issues in the Complaint. The proposed terms of the Agreement are described below. Further, in support of the Settlement, Staff and Cascade each filed testimony on September 19, 2025.
- 14 First, the Settlement provides that “[a]s authorized by RCW 81.88.040 and WAC 480-93-223, the Commission will impose a total penalty of \$2,000,000. The Commission will suspend \$250,000 of the total penalty on the condition that Cascade complete specific

² *WUTC v. Cascade Nat. Gas Co.*, Docket PG-230800, Settlement Agreement at ¶ 2 (Sep. 19, 2025) (hereinafter Settlement Agreement).

compliance tasks as set forth below in subsections B through D of this section.”³ Further, Cascade will be required to pay the unsuspended portion of the penalty within 30 days after the effective date of the Commission approving the Agreement, and Cascade may not seek to recover any penalty amount in rates.⁴

- 15 Staff provides testimony that the penalty amount is in the public interest as it sufficiently reprimands Cascade for failing to appropriately oversee contractors working on its system, and the penalty amount should deter future incidents. Further, Staff asserts the penalty should incentivize Cascade and other operators to more closely ensure contractor procedures are reviewed and implemented.⁵ Cascade provides that the suspended portion of the penalty is conditional on Cascade meeting compliance items, and that Cascade is prohibited from seeking recovery of penalties in rates.⁶ Staff argues that the suspended portion of the penalty “provides monetary consequence if Cascade fails to accomplish the compliance items in [the second, third, and fourth terms below.]”⁷
- 16 Second, “Cascade will contract with the American Petroleum Institute [(API)] to complete an audit of Cascade’s API RP 1173 safety management program [...]” or another third-party approved by Staff.⁸ Further, Cascade must submit quarterly progress reports with the Commission, which will include steps Cascade has taken in the audit, and the audit shall be completed by December 31, 2026.⁹
- 17 Staff argues the audit is necessary because it “believes there are deficiencies in Cascade’s current [safety management system (SMS)] program” which led to this incident, and that the audit is intended to find and eliminate those deficiencies.¹⁰ Staff believes the audit is in the public interest as it will rectify issues with the SMS program, resulting in a more effective SMS program and safer Washington.¹¹ Cascade further provides that the audit will assess whether Cascade’s SMS program meets the intent of API RP 1173, and provides

³ Settlement Agreement at ¶ 8.

⁴ Settlement Agreement at ¶¶ 9-10.

⁵ Ritter, Exh. DR-1T at 7:6-13.

⁶ Sanders, Exh. JS-1T at 6:8-21.

⁷ Ritter, Exh. DR-1 at 8:15 – 9:2.

⁸ Settlement Agreement at ¶ 11.

⁹ Settlement Agreement at ¶¶ 12-15.

¹⁰ Ritter, Exh. DR-1T at 9:4-10, 9:18-23.

¹¹ Ritter, Exh. DR-1T at 9:23 – 10:8.

that “Cascade will review and implement observations from the [...] audit into its [SMS] program through a system of ranking and prioritizing.”¹²

18 Staff’s testimony further provides that “Staff supports API performing the audit as it is the author of the recommended practice[.]” and is the recognized leader in establishing standards for the petroleum industry.¹³ Staff further believes that quarterly reporting on the audit process is appropriate and in the public interest to ensure Cascade performs the audit in a timely manner and allows the Commission to ensure Cascade remains diligent.¹⁴

19 Third, “Cascade agrees to review and implement the auditor’s observations through a system of ranking and prioritizing.”¹⁵ “The list of priorities and estimated implementation dates for observations will be shared with Staff as they are available, but no later than December 31, 2026.”¹⁶

20 As discussed above, Cascade provides that it will “review and implement observations” and “will evaluate [opportunities to increase effectiveness] provided by the auditor and determine whether to implement those suggestions.”¹⁷ Staff provides that such an arrangement is in the public interest because observations “are deficiencies which fundamentally undermine the effectiveness of the [SMS]” and “must be corrected[.]”¹⁸ While observations are deficiencies, “[o]pportunities to increase effectiveness are areas identified by the auditor [...] which if implemented could enhance the [SMS] program.”¹⁹ Finally, Staff provides that the language of the Settlement allows for the Commission to “require a change to Cascade’s SMS which may differ from Cascade’s implementation schedule” and that Cascade must explain why it chooses not to pursue any opportunities to increase effectiveness.²⁰

21 Fourth, “Cascade agrees to create a new company policy ... for the oversight and management of contractors hired to perform work on the company’s natural gas system to ensure that contractors follow all laws, policies, and procedures concerning pipeline

¹² Sanders, Exh. JS-1T at 7:1-21.

¹³ Ritter, Exh. DR-1T at 10:10-15.

¹⁴ Ritter, Exh. DR-1T at 11:9-15.

¹⁵ Settlement Agreement at ¶ 16.

¹⁶ Settlement Agreement at ¶ 18.

¹⁷ Sanders, Exh. JS-1T at 7:16-17, 8:4-6.

¹⁸ Ritter, Exh. DR-1T at 12:8-13.

¹⁹ Ritter, Exh. DR-1T at 12:15-17.

²⁰ Ritter, Exh. DR-1T at 13:1-19.

safety.”²¹ The new policy, along with existing policy will “require a review of risks and necessary operational controls based on the size and complexity of the work being performed by the contractor[.]” and will give consideration to contractor safety and compliance record and safety management program.²² The new policy will be submitted to Staff for review by December 31, 2025, or within 30 days of Commission approval of the Settlement, will include provisions related to the use of LNG, and will be implemented by December 31, 2025, or within 45 days of Commission approval of the Settlement.²³

22 Staff argues that as part of the Settlement, Cascade has agreed to draft a new policy “OPS 27 Contactor Management,” which will specifically provide for oversight and management of contractors, which should greatly enhance Cascade’s oversight of contractors and result in a safer Washington.²⁴ Cascade further provides it will review the risks and controls required, based on the type of work being contracted, and Cascade will consider contractor’s safety records and safety management programs as part of the new policy.²⁵

23 Fifth, if Cascade uses LNG in its operations, Cascade will be required to “follow all notification and other regulatory requirements of state and federal law, and all applicable procedures of the company and any contractor associated with LNG operations and use.”²⁶

24 Staff asserts that this provision should remedy a perceived unawareness of certain regulatory requirements, such as notifying the Commission prior to operating a mobile LNG facility, and solidifies the responsibility of Cascade to provide notice.²⁷

25 Finally, the Settlement “resolves any claims against Cascade and Sapphire related to Cascade’s Wenatchee LNG project, which took place in July 2023.”²⁸

26 Staff states the final provision relates to Cascade and Sapphire using an LNG facility in Wenatchee from July 14, 2023, to July 28, 2023, neither of which provided notice to the

²¹ Settlement Agreement at ¶ 19.

²² Settlement Agreement at ¶ 19.

²³ Settlement Agreement at ¶¶ 19-20.

²⁴ Ritter, Exh. DR-1T at 13:21 – 14:20.

²⁵ Sanders, Exh. JS-1T at 8:17 – 9:11.

²⁶ Settlement Agreement at ¶ 21.

²⁷ Ritter, Exh. DR-1T at 15:13 – 16:4.

²⁸ Settlement Agreement at ¶ 22.

Commission pursuant to 49 C.F.R. § 193.2019, for which Staff was preparing a separate complaint.²⁹ Staff posits that the Settlement adequately addresses the issue of managing and overseeing contractors, along with an SMS program audit, and provides for future notice of LNG usage, all of which should resolve the Wenatchee issue.³⁰

27 Cascade further provides that the Settlement as a whole, is a fair and reasonable resolution of the underlying Complaint, which reflects the seriousness of the Toppenish incident and provides actionable steps to improve processes.³¹ In defense of the reduced Settlement penalty over what Staff sought in its Complaint, Cascade argues the reduction is due to several mitigating factors, including that (1) this was an unintentional violation, (2) Cascade cooperated in the post-incident investigation, (3) Cascade took timely action to review and improve contractor procedures and notification process, (4) there is a low likelihood of reoccurrence, and (5) the incident was the result of unauthorized actions of an employee of a company with whom Sapphire contracted to transport LNG.³²

DISCUSSION

28 In considering settlement agreements, the Commission “may approve the settlement, with or without conditions, or may reject it.”³³ The Commission must “determine whether they comply with applicable legal requirements and whether approval of the agreements is consistent with the public interest.”³⁴ The Commission may approve a settlement “if it is lawful, supported by an appropriate record, and consistent with the public interest in light of all the information available to the commission.”³⁵

29 The Settling Parties’ Settlement, attached to and made part of this Order by this reference, would fully resolve the issues pending in this docket. The Commission agrees with the Settling Parties that the gravity of what occurred at Toppenish cannot be overstated, and that the incident had very real human consequences and loss.³⁶ The incident on September 22, 2023, at Toppenish resulted in customers temporarily losing service, but more tragically, resulted in one individual sustaining severe injuries and

²⁹ Ritter, Exh. DR-1T at 16:16 – 17:2.

³⁰ Ritter, Exh. DR-1T at 17:4-13.

³¹ Sanders, Exh. JS-1T at 10:1-12.

³² Sanders, Exh. JS-1T at 11:1-18. The original penalty amount sought by Staff in its Complaint was \$5,668,595. *Supra* at ¶ 1.

³³ WAC 480-07-750(2).

³⁴ WAC 480-07-740.

³⁵ WAC 480-07-750(2).

³⁶ *See*, Ritter, Exh. DR-1T at 2:3-11, *see also*, Sanders, Exh. JS-1T at 6:1-7.

another losing their life. Further, the incident occurred because the driver of the mobile LNG facility pulled away before the LNG transfer was complete, resulting in the hose disconnecting, a vapor cloud forming and igniting, and tragedy followed – all of which was preventable.³⁷

30 The Settling Parties offer that the Commission’s approval of the Settlement is in the public interest, in part because:

This was a very serious accident. Staff carefully assesses and investigates all pipeline accidents, and the impacts of those accidents. In this case, a death occurred. The significance of that is not something Staff takes lightly. Staff believes the Settlement Agreement adequately addresses the concerns found during the investigation of the September 22, 2023, Toppenish LNG incident. First, the \$2 million penalty with \$250,000 being suspended (subject to completion of items B-D of the Settlement Agreement) is an adequate deterrent against future violations and sends the right message regarding loss and injury of human life. Second, the safety issues associated with what Staff believes are inadequate contractor oversight coupled with deficiencies in Cascade’s SMS program are what allowed the Toppenish incident to occur, will be addressed in items B-D of the Settlement Agreement. Cascade will perform a thorough audit of its current SMS using API as the auditor, find and prioritize any deficiencies (and potentially add enhancements which it believes are beneficial to increasing safety), and send the list to the Commission for review. Cascade will provide quarterly updates on its audit progress to ensure it is completed by December 31, 2026. Staff will continue to monitor implementation until all items are implemented. The suspended penalties cover implementation of changes in the SMS. Staff will have the ability to require changes to the SMS based on the auditor’s findings of deficiencies (observations). Finally, the Agreement requires Cascade to review its contractor oversight program, draft new policies as necessary, and integrate them with existing policies and procedures in light of the SMS audit and findings. Together, the SMS audit/implementation of findings and the revised contractor oversight program will significantly increase the safety awareness of Cascade’s organization leading to a safer Washington which is always in the public interest.³⁸

31 The Commission agrees that the Settlement would further the public interest. Specifically, we agree with the Settling Parties that the Settlement provisions should result in increased safety, contractor oversight, and awareness of safety, resulting in increased safety to Washingtonians in the future. Further, as agreed to by the Settling Parties, no customers will be harmed by absorbing penalty costs as a result of the incident

³⁷ See, Sanders, JS-1T at 4:13-18.

³⁸ Ritter, Exh. DR-1T at 18:7 – 19:9.

– meaning that Cascade cannot and shall not seek recovery of any portion of the \$2 million penalty amount from customers. Further, we agree with the Settling Parties that the Settlement and the associated penalties should act as a deterrent towards Cascade and other operators, while simultaneously providing incentives to Cascade to follow through with the audit, reporting, follow up, and drafting of new policy provisions of the Settlement.

32 The Settling Parties provided testimony that the Settlement is lawful, supported by the record, and is in the public interest. Based on the testimony provided and our review of the Settlement, we find that the Settlement is lawful and in the public interest.

The Commission finds that early resolution of the parties’ dispute conserves valuable party and Commission resources that would otherwise be devoted to litigation expenses.³⁹

FINDINGS AND CONCLUSIONS

33 (1) The Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including natural gas companies.

34 (2) Cascade is a natural gas company providing service within the state of Washington. As a public service company, it is subject to Commission jurisdiction.

35 (3) The Commission agrees with the positions proffered by the Settling Parties’ Supporting Testimony.

36 (4) The penalty amount of \$2 million, with \$250,000 suspended, reflects the gravity of the Toppenish incident, providing deterrent from future misconduct while also providing incentive for Cascade to comply with the remaining provisions of the Settlement.

37 (5) The Settlement requirement that Cascade shall not seek recovery of penalty amounts from customers is in the public interest and will protect customers from further harm resulting from this incident.

³⁹ WAC 480-07-700 (“The commission supports parties' informal efforts to resolve disputes without the need for contested hearings when doing so is lawful and consistent with the public interest.”).

- 38 (6) The Settlement requirement that Cascade conduct an audit, using API or another third-party approved by Staff, implementing any observations as a result of the audit, and potentially implementing opportunities to increase effectiveness will result in improved safety for Washington, which is in the public interest.
- 39 (7) The reporting requirements in the Settlement will provide Staff and the Commission oversight and input throughout the audit process.
- 40 (8) The Settlement requirement that Cascade create a new company policy for the oversight and management of contractors is supported by the record and is likely to increase awareness of and effectiveness of Cascade safely managing contractors.
- 41 (9) The Settlement requirement to provide future notice should Cascade choose to use LNG in its operations is both consistent with law and in the public interest.
- 42 (10) We find that the Settlement terms effectively resolve any claims against Cascade or Sapphire related to Cascade's Wenatchee LNG project, for failing to notify the Commission of the use of LNG or any other claim arising from that project.
- 43 (11) We find that the Settlement Agreement is lawful and complies with WAC 480-07-750.

ORDER

THE COMMISSION ORDERS

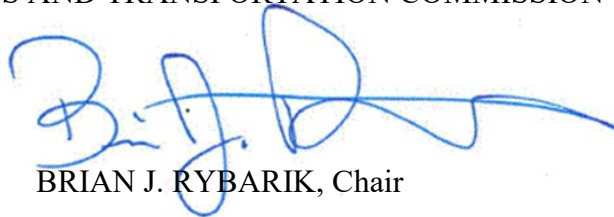
- 44 (1) The Settlement filed by the parties on September 19, 2025, which is attached as Appendix A to this Order, is approved and adopted in full resolution of the issues in this proceeding, resolving the issues with the tariff in the underlying Complaint in the docket.
- 45 (2) Cascade Natural Gas Co. shall be penalized in the amount of \$2 million, none of which shall be recoverable in rates, with the Commission suspending \$250,000, on the condition that Cascade Natural Gas Co. complete compliance tasks as set forth in subsections B through D of the Settlement.
- 46 (3) Cascade Natural Gas Co. shall pay the unsuspending \$1,750,000 within thirty days after the effective date of this Order.
- 47 (4) Cascade Natural Gas Co. shall be required to complete an audit of its API RP 1173 safety management program by December 31, 2026, unless such date is

otherwise changed by agreement among Commission staff and Cascade Natural Gas Co. and approved by the Commission.

- 48 (5) Cascade Natural Gas Co. shall create a new company policy for the oversight and management of contractors hired to perform work on its natural gas system and such policy and its integration with existing policy shall be submitted to the Commission for review and feedback within 30 days of this Order and shall be fully implemented within 45 days of this Order.
- 49 (6) The Settlement Agreement resolves any claims against Cascade Natural Gas Co. or Sapphire Gas Solutions LLC related to the Wenatchee LNG project which took place in July of 2023.
- 50 (7) Cascade Natural Gas Co. shall follow all notification and other regulatory requirements of state and federal law should it choose to use liquefied natural gas in its operations in the future.
- 51 (8) Cascade Natural Gas Co. shall immediately file its outstanding DOT Form PHMSA F 7100.3-1 for 2023 and 2024.
- 52 (9) The Commission Secretary is authorized to accept filings that comply with the requirements of this Order.

DATED at Lacey, Washington, January 28, 2026.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



BRIAN J. RYBARIK, Chair



ANN E. RENDAHL, Commissioner



MILTON H. DOUMIT, Commissioner

NOTICE TO PARTIES: This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-07-870.

**APPENDIX A
SETTLEMENT AGREEMENT**