

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**CASCADE NATURAL GAS CO.,**

**Respondent.**

DOCKET PG-230800

SETTLEMENT AGREEMENT

**I. OVERVIEW AND PARTIES**

1           Staff of the Washington Utilities and Transportation Commission (Staff), Cascade  
Natural Gas Corporation (Cascade), and Sapphire Gas Solutions LLC (Sapphire) (each a  
“party” and collectively “the parties”), through their authorized representatives, enter into  
the following settlement agreement (Settlement) to resolve all issues in Docket PG-230800,  
which arose from a complaint against Cascade for alleged violations of state and federal  
pipeline safety laws.

2           This Settlement is a “full settlement” as defined in WAC 480-07-730(1) because it is  
entered into by all parties and resolves all issues raised in Docket PG-230800. It is subject to  
review and disposition by the Washington Utilities and Transportation Commission  
(Commission) to determine whether it complies with the applicable legal requirements and  
whether approval of the Settlement is consistent with the public interest. WAC 480-07-740-  
750.

**II. JURISDICTION**

3           The Commission has jurisdiction to approve and enforce this Settlement Agreement.

**III. EFFECTIVE DATE**

4           Section V of the Settlement is effective on the date of the Commission order  
approving it (unless the Commission establishes a different effective date). The remainder of  
the Settlement is effective on September 19, 2025.

#### IV.    **BACKGROUND**

5           On March 27, 2025, Staff for the Commission filed a complaint in Docket PG-  
230800, alleging violations of various state and federal pipeline safety laws, following a  
liquefied natural gas (LNG) release and ignition that occurred at a mobile LNG site operated  
by Sapphire on behalf of Cascade. The incident occurred on September 22, 2023, and  
resulted in the death of one on-site employee, injury of another, and disruption of natural gas  
service to 2,347 Cascade customers.

6           This Settlement resolves the alleged violations arising out of that incident and any  
claims against Cascade or Sapphire related to Cascade’s Wenatchee LNG project which  
took place in 2023. This Settlement establishes a penalty for those alleged violations, and  
installs a compliance program aimed at addressing and improving Cascade’s pipeline safety  
management system and contractor processes.

#### V.     **TERMS OF AGREEMENT**

7           The parties have reached an agreement on the issues raised in Docket PG-230800  
and present this Settlement for the Commission’s consideration and approval. The parties  
therefore adopt the following Settlement, which the parties enter into voluntarily, to resolve  
the matters in dispute between them and to expedite the orderly disposition of this  
proceeding.

##### **A. Monetary Penalty**

8           As 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 compliance tasks as set forth below in subsections B through D of this section. If Cascade fails to complete a compliance task by the agreed deadline associated with that task, Staff may seek an order of the Commission for imposition of suspended penalties. In such event, Cascade reserves the right to maintain that compliance has been met, or to request that the Commission abstain from imposing suspended penalties, or seek an adjustment of the suspended penalties due to delays in compliance caused by Force Majeure or actions of parties beyond the control of Cascade, or to seek mitigation of the penalty. If necessary, the Commission will decide issues of compliance. Upon completion of items B through D below, the parties agree that the suspended penalty should be waived, removed, and not imposed, and that Staff will recommend waiver and removal of the suspended penalty to the Commission.

9 Cascade must pay the non-suspended penalty amount of \$1,750,000 within thirty days after the effective date of the Commission order approving this Settlement Agreement.

10 Cascade cannot seek recovery of any penalties arising from this matter in customer rates. Cascade may seek recovery of costs for compliance with items B through D below.

**B. Audit of Cascade’s American Petroleum Institute (“API”) Recommended Practice (“RP”) 1173 Program**

11 Cascade will contract with the American Petroleum Institute to complete an audit of Cascade’s API RP 1173 safety management system program.<sup>1</sup> If API is unavailable to perform this audit, or contracts with a third party to perform audits, Cascade will seek Staff approval for any third-party auditor.

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<sup>1</sup> API RP 1173 is a recommended practice of the American Petroleum Institute and is not codified in federal or state law. However, it is requirement of the settlement in Docket PG-150120 that Cascade implement and follow an API RP 1173 program.

12           The Commission required that Cascade adopt an API RP 1173 safety management system program as part of a settlement in Docket PG-150120. The audit required in the present Settlement will assess whether Cascade’s existing API RP 1173 safety management system program meets the intent of the API RP 1173 program required of Cascade in Docket PG-150120. Cascade will provide the auditor with full access to all safety-management-system-related procedures and documentation related to the program. Cascade will provide Staff with the executive summary from the audit and the observations<sup>2</sup> and opportunities to increase effectiveness<sup>3</sup> identified by the auditor.

13           Cascade must file a quarterly letter with the Commission reporting its progress on completing the audit. The first letter is due on the last day of the first full financial quarter after the Commission order is issued approving the Settlement in this docket. The first letter must include the scope of work<sup>4</sup> to be completed in the audit and the contract with the auditor included as an attachment. Each subsequent letter must include information on percent of the audit completed to date and an update on the action items identified in the scope of work. In every quarterly update, Cascade must include the substantive steps it has taken in completing the audit.

14           While the findings of the audit will not be the basis for penalties,<sup>5</sup> failure to implement program changes based on observations identified in the audit will be subject to the suspended portion of the penalties.

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<sup>2</sup> “Observations” are defined as findings where the operator did not meet the requirements of API RP 1173.

<sup>3</sup> “Opportunities to increase effectiveness” are defined 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.

<sup>4</sup> If the scope of work does not include a timeline for completion of the audit, Cascade will also include a timeline for completion of the audit.

<sup>5</sup> This is consistent with the settlement agreement in Docket PG-150120 where the parties agreed as follows: “CNGC will commence a program to align its operations with the standards of API Recommended Practice 1173. Commission Staff will review CNGC’s progress in implementing these operational changes. API 1173 is a recommended practice and, as such, compliance with API 1173 may be subject to audit but shall not be the

15           The audit must be completed by December 31, 2026. This date may be changed by mutual written agreement filed in the docket by Cascade and Staff.

**C. Integration of observations from the API RP 1173 Audit**

16           API RP 1173 is a continual improvement process; therefore, Cascade agrees to review and implement the auditor’s observations through a system of ranking and prioritizing. Cascade will also evaluate the opportunities to increase effectiveness identified by the auditor and may choose to implement them, but is not required to do so. However, if Cascade chooses not to implement an opportunity to increase effectiveness it will meet with Staff to discuss the opportunity or opportunities and provide the reasons why Cascade is choosing to forgo that opportunity or those opportunities.

17           In addition to the other action items outlined in Section V, waiver of the suspended penalties is also conditioned on Cascade’s implementation of action items derived from the observations from the auditor. The suspended penalty does not apply to an opportunity to increase effectiveness.

18           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. Staff reserves the right to require a change to Cascade’s API RP 1173 program based on observations identified in the audit.

**D. Cascade’s contractor policy and procedure revisions**

19           Cascade agrees to create a new company policy (new 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 safety.<sup>6</sup>

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basis for penalties.” See Docket PG-150120, Order 03, Attachment A at V.B.8.

<sup>6</sup> This policy is currently known as “OPS 27 Contractor Management,” but the policy number and title are subject to change.

Cascade agrees to integrate this new policy with its existing policy related to the hiring of contractors.<sup>7</sup> These policies together will require a review of risks and necessary operational controls based on the size and complexity of the work being performed by the contractor. Consideration will be given to a contractor's safety and compliance record and any existing safety management system program. The new policy, and an explanation of how it will be integrated with the existing policy, will be submitted to Staff for review and feedback. Additionally, the new policy will include a special safety management system review of the contractor's plans, policies, and procedures prior to initiating the use of LNG as outlined below in subsection E.

20           This new policy and its integration with the existing policy will be implemented by December 31, 2025, or within 45 days of the Commission's approval of this Settlement Agreement, whichever is later. Cascade will submit its explanation of its integration of the two policies for review and feedback by December 1, 2025, or within 30 days of the Commission's approval of this Settlement Agreement, whichever is later.

#### **E. Future use of LNG in Cascade operations**

21           If Cascade chooses to use LNG in its operations, it must 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.

22           In accordance with federal law, Cascade will immediately file its outstanding DOT Form PHMSA F 7100.3-1 for 2023 and 2024.

#### **F. Wenatchee LNG claim**

23           This Settlement resolves any claims against Cascade or Sapphire related to Cascade's Wenatchee LNG project, which took place in July 2023.

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<sup>7</sup> The existing policy governing hiring of contractors is "OPS 7 Hiring a Contractor."  
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24            Additionally, as a condition of this Settlement, the parties have entered into a Tolling Agreement preserving the Wenatchee notification claim until an order on this Settlement is final.

### III.    GENERAL PROVISIONS

25            Public interest: The parties submit that this Settlement promotes the public interest, and that it is appropriate for the Commission’s acceptance without conditions under WAC 480-07-750(2)(a).

26            Advocacy: The parties agree to cooperate in submitting this Settlement promptly to the Commission for acceptance. The parties agree to support adoption of this Settlement, and its terms and conditions, in proceedings before the Commission. No party to this Settlement or its agents, employees, consultants, or attorneys will engage in advocacy contrary to the Commission’s adoption of this Settlement. Each party agrees to make available one or more witnesses to testify in support of the Settlement.

27            Other proceedings: The parties enter into this Settlement to avoid further expense, uncertainty, inconvenience, and delay. This Settlement shall have no precedential or preclusive effect in other proceedings. The parties agree that this Settlement does not serve to bind the Commission when it considers any other matter not specifically resolved by this Settlement in future proceedings. In the event this Settlement does not become effective, this Settlement shall be null and void, with no binding effect on the parties and with no precedential or preclusive effect on the parties regarding the continued litigation in Docket PG-230800. In the event that the Commission rejects any portion of this Settlement, or accepts the Settlement upon conditions not proposed in this Settlement, each party reserves the right to withdraw from this Settlement by written notice to the other parties and the Commission, in accordance with WAC 480-07-750(2)(b). Written notice must be served

within 10 business days of service of the order rejecting any part of this Settlement or imposing conditions not proposed in this Settlement. In such event, no party will be bound or prejudiced by the terms of this Settlement, and the parties agree to cooperate in developing a procedural schedule. Nothing in this Settlement compels any party to affirmatively intervene in a future proceeding.

28           Settlement discussions: The parties have entered into this Settlement to avoid further expense, inconvenience, uncertainty, and delay. As such, conduct, statements, and documents disclosed during negotiations of this Settlement shall not be admissible as evidence in this or any other proceeding, except in any proceeding to enforce the terms of this Settlement or any Commission order fully adopting those terms.

29           Entire agreement: This Settlement is the product of negotiations and compromise amongst the parties. This Settlement constitutes the entire agreement of the parties in resolving Docket PG-230800. Accordingly, the parties recommend that the Commission adopt and approve the Settlement in its entirety as a full resolution of the matters in this docket. This Settlement shall not be construed against any party solely because that party was a drafter of any or all portions of this Settlement. This Settlement supersedes all prior oral and written understandings and agreements on such matters that previously existed or occurred in this proceeding, and no such prior understanding or agreement or related representations will be relied upon by the parties to interpret this Settlement or for any other reason.

30           Confidentiality of Negotiations: The parties agree that this Settlement represents a compromise in the parties' positions. As such, conduct, statements, and documents disclosed during the negotiations of this Settlement are not admissible in this or any other proceeding and will remain confidential. Notwithstanding the foregoing, the Settlement itself and its

terms do not fall within the scope of this confidentiality provision, and each party is free to publicly disclose the basis for its own support of the Settlement.

31           Positions Not Conceded: In reaching this Settlement, the parties agree that no party concedes any particular argument advanced by that party or accedes to any particular argument made by any other party. Nothing in this Settlement (or any testimony, presentation, or briefing supporting this Settlement) shall be asserted or deemed to mean that a party agreed with or adopted another party's legal or factual assertions in this proceeding.

32           Manner of Execution: This Settlement will be deemed fully executed when all parties have signed it. A designated and authorized representative may sign the Settlement on a party's behalf. The parties may execute this Settlement in counterparts and as executed shall constitute one agreement. A signed signature page sent by facsimile or emailed as a PDF is as effective as an original document. A Settlement signed in counterpart and sent by facsimile or emailed as a PDF is as effective as an original document. Each party shall indicate the date of its signature on the signature page. The date of execution of the Settlement will be the latest date indicated on the signature page(s).

33           Commission Approval with Conditions: In the event the Commission approves this Settlement, but with conditions not proposed in this Settlement, the provisions of WAC 480-07-750(2)(b) will apply.

34           Commission Rejection: In the event the Commission rejects this Settlement, the provisions of WAC 480-07-750(2)(c) will apply. In that event, the parties agree to jointly and promptly request that the Commission convene a prehearing conference to address procedural matters, including a procedural schedule for resolution of the case at the earliest possible date.

Authorized representatives: Each person signing this Settlement warrants that he or she has authority to bind the party that he or she represents.

DATED this 16 day of September, 2025.

CASCADE NATURAL GAS CORPORATION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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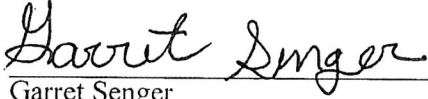
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