

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

CASCADE NATURAL GAS
CORPORATION’S

Pipe Replacement Program Plan

DOCKET PG-131838

ORDER 01

ORDER APPROVING CASCADE
NATURAL GAS CORPORATION’S
REVISED 2013 PIPE REPLACEMENT
PROGRAM PLAN

BACKGROUND

1 On May 17, 2012, the Washington Utilities and Transportation Commission (Commission) opened an investigation into whether to require gas pipeline utility companies to enhance the safety of their natural gas distribution systems and, if so, what steps were necessary to accomplish that goal. The Commission found as a result of that investigation that gas pipeline utility companies in Washington have very little of the highest risk pipe in service, but the companies reported that they have other types of elevated-risk gas infrastructure in service.¹ The Commission investigation identified three main barriers to the companies replacing elevated-risk pipe expeditiously: lack of sufficient information about the location of the pipe, construction limitations,² and cost.

A. Policy Statement

2 On December 31, 2012, the Commission issued Commission Policy on Accelerated Replacement of Pipeline Facilities with Elevated Risk (Policy Statement).³ The Commission determined it is in the public interest for all gas companies to take a proactive approach to replacing pipe that presents an elevated risk of failure. The Commission stated its expectation for each gas company to have a pipe replacement program (PRP) plan in place. Further, the Commission indicated a willingness to

¹ These include plastic mains and services manufactured before 1986 and coated steel mains and services that may not have had adequate corrosion protection throughout their service life.

² Construction limitations include access to an adequate workforce and public rights of way.

³ Docket UG-120715 (December 31, 2012).

approve a special PRP cost recovery mechanism (CRM) for companies that adopt a PRP plan meeting certain requirements set out in the Policy Statement.⁴

3 Through the Policy Statement, the Commission asked each investor-owned gas pipeline utility company to file a plan every two years for replacing pipe that represents an elevated risk of failure, starting on June 1, 2013.⁵ Each company's PRP plan should have three parts:⁶

- 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.

4 The Policy Statement recognized that each company's PRP plan would likely be tied to its existing Distribution Integrity Management Plan⁷ (DIMP), the company's Transmission Integrity Management Plan⁸ (TIMP), if any, and certain other requirements found throughout the Washington Administrative Code⁹ pertaining to pipeline safety.¹⁰

5 The Commission explained in the Policy Statement that each PRP plan should (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

⁴ Policy Statement ¶¶ 37-41.

⁵ *Id.* ¶ 43. Subsequent PRP plan filings should be filed by June 1 every two years thereafter (*i.e.*, June 1, 2015, 2017, 2019, etc.).

⁶ *Id.* ¶ 42.

⁷ Title 49 CFR, Part 192, Subpart O.

⁸ Title 49 CFR, Part 192, Subpart P.

⁹ WAC 480-93.

¹⁰ Policy Statement ¶¶ 9-11 and 47.

in the public interest.¹¹ Finally, each PRP plan should contain a section analyzing its impact on rates.¹²

6 Companies seeking to recover costs must simultaneously file a proposed CRM with their PRP plan. The CRM must document costs invested to replace elevated-risk pipe, use a normalized accounting treatment, and include an operations and maintenance offset.¹³

B. Cascade's Pipe Replacement Program Plan

7 On May 31, 2013, in response to the Commission's Policy Statement, Cascade Natural Gas Corporation (Cascade or Company) filed with the Commission its "Pipeline Replacement Program Plan" for 2013 (2013 PRP Plan), which included a Master Plan, a Two-Year Plan, a Pipe Location Plan, and a CRM with actual costs known as of May 20, 2013. On September 27, 2013, Cascade filed with the Commission an update to the 2013 PRP Plan's CRM with actual costs known as of July 31, 2013. On October 4, 2013, Cascade filed with the Commission a revised 2013 PRP Plan, providing further detail correlating the Company's DIMP to the PRP Plan. The Company seeks an order from the Commission approving its revised 2013 PRP Plan. Cascade is seeking to recover costs associated with its 2013 PRP Plan through approval of its CRM.

8 Cascade identified only one type of facility located in Washington posing an elevated risk of failure: pre-1955 bare steel or coal tar wrapped pipelines and distribution systems acquired by Cascade in the late 1950s and throughout the 1960s. These facilities pre-date the introduction of natural gas to the Pacific Northwest and were originally constructed to carry manufactured gas. The pipe has an elevated risk of failure because of its age and potential for corrosion due to a lack of cathodic protection. This pipe is primarily located in Longview, Anacortes, and Shelton. The Company refers to these as "pre-CNG" facilities because they predate the Company.

9 Cascade's Master Plan relies on its existing DIMP, a Geographic Information System based model, and subject matter expert panel meetings to prioritize areas of concern. Cascade's 2013 Two-Year Plan directly applies its Master Plan to Washington to identify specific replacement projects on an annual basis.

¹¹ *Id.* ¶¶ 44-56.

¹² *Id.* ¶ 55.

¹³ *Id.* ¶¶ 63-76.

- 10 Cascade has approximately 62 miles of cathodically protected bare steel or poorly coated steel pipe in Washington. The Company plans to replace most of its pre-CNG pipe in Washington by the end of 2015.
- 11 Cascade's Pipe Location Plan relies on its existing DIMP, gathering information on exposed pipe and tracking leaks to determine whether and when additional or accelerated action might be required to replace at-risk pipe.
- 12 Cascade estimates the 2013 PRP Plan's impact on rates to be small, requiring a revenue increase of approximately \$1.1 million, or one-half of one percent.

C. Comments of Commission Staff

- 13 Commission Staff (Staff) reviewed the Company's filing and concluded that Cascade's revised 2013 PRP Plan includes all items required by the Commission's Policy Statement. Staff reviewed Cascade's DIMP and TIMP and determined that the Company's classification of facilities posing an elevated risk of failure in the Master Plan and the Two-Year Plan accurately reflects the existing analysis in the DIMP and TIMP. Staff observes that Cascade already had a replacement program in place for the entirety of its pre-CNG pipe facilities known to pose an elevated risk of failure and has been successfully implementing that program for several years.
- 14 Staff finds that the Company's plans for replacing pre-CNG facilities in Longview, Shelton, and Anacortes over the next two years is a measured and reasonable response in relation to the risks presented by this bare steel and coal tar wrapped steel pipe. Staff is also satisfied with Cascade's revised filings and believes the Company's schedule to replace all of its highest risk steel pipe in Washington by the end of 2015 is reasonable.
- 15 Staff recommends that the Commission approve Cascade's revised 2013 Pipe Replacement Program Plan and separately address the Company's CRM.

DISCUSSION

- 16 The Commission approves Cascade Natural Gas Corporation's revised 2013 Pipe Replacement Program Plan. The Company is taking measured and reasonable action to replace all of its highest risk steel pipe throughout its Washington service areas. Cascade is relying on a proven approach to identify, locate, and address the higher risks presented by these older bare steel and wrapped steel lines. Cascade expects to complete its replacement program for these facilities by the end of 2015.
- 17 We agree with Staff that the Company's revised 2013 Pipe Replacement Program Plan is consistent with our Policy Statement. The Commission commends Cascade for continuing its proactive approach to identifying and replacing elevated risk facilities.
- 18 The Company's CRM is filed in the form of a tariff. The Policy Statement does not specify the form of a CRM. We find Cascade's filing to be consistent with the intent of our Policy Statement. The Commission will allow the Company's tariff filing associated with the CRM to go into effect by operation of law in Docket UG-131959.

FINDINGS AND CONCLUSIONS

- 19 (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.
- 20 (2) Cascade Natural Gas Corporation is a natural gas company and a public service company subject to Commission jurisdiction.
- 21 (3) Cascade Natural Gas Corporation filed its 2013 Pipeline Replacement Program Plan with the Commission on May 31, 2013.
- 22 (4) Cascade Natural Gas Corporation's 2013 Pipe Replacement Program Plan identified pipeline facilities with an elevated risk of failure and set out a 20-year plan to replace all of its pre-1955 bare steel and wrapped steel lines.
- 23 (5) Cascade Natural Gas Corporation's Two-Year Plan identifies specific bare steel and wrapped steel facilities to be replaced between 2013 and 2015 and indicates that all of the Company's highest risk steel facilities will be replaced by the end of 2015.

- 24 (6) Cascade Natural Gas Corporation's revised 2013 Pipe Replacement Program Plan will have an immediate impact on rates because the Company is requesting a cost recovery mechanism.
- 25 (7) Cascade Natural Gas Corporation's revised 2013 Pipe Replacement Program Plan is a reasonable and measured approach to replace pipeline facilities with an elevated risk of failure.

ORDER

THE COMMISSION ORDERS:

- 26 (1) Cascade Natural Gas Corporation's revised 2013 Pipe Replacement Program Plan is approved.
- 27 (2) Cascade Natural Gas Corporation should file an updated Pipeline Replacement Program Plan for 2015-17 no later than June 1, 2015.

DATED at Olympia, Washington, and effective October 30, 2013.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

JEFFREY D. GOLTZ, Commissioner