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January 6, 2026

Dennis Ritter – Acting Director, Pipeline Safety
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Subject: Docket PG-230800 Pending Settlement Agreement, Intent and Processes Defined in Draft Procedures OPS 7 (Hiring a Contractor), OPS 27 (Construction Management), and API 1173 SMS Assessment Agreements

Dear Mr. Ritter,

This letter summarizes the intent and core processes defined in the attached draft policies—OPS 7 (Hiring a Contractor) and OPS 27 (Construction Management)—which govern the selection, qualification, and construction oversight of contractors applicable to Cascade Natural Gas Corporation (CNGC or Company). These procedures are designed to align CNGC practices with federal pipeline safety requirements, including 49 CFR Part 192 Subpart N and 49 CFR §192.305. This submission is intended to address section V.D., paragraphs 19-20, of the pending settlement agreement filed in Docket PG-230800. In addition, this letter provides an update on the status of the contract with American Petroleum Institute (API) to conduct an assessment of Cascade's Safety Management System (SMS) program as set forth in section B of the settlement agreement.

Cascade's Contractor Policy and Procedure Revision

OPS 7 – Hiring a Contractor (Draft)

- **Scope and applicability:** Procedure applies when CNGC hires contractors to work on Company jobsites or on our behalf for gas operations; excludes Environmental, Electric Transmission, and Power Production.
- **Procurement and RFP governance:** RFPs (approved templates) for ≥ $500,000 unless an applicable vice president approves an exception; ongoing distribution contracts rebid every three years. Awards consider safety records, pricing, ISN evaluations, and Safety Management System (SMS) programs.
- **Contracting thresholds:** Written contract and PO required when covered tasks (49 CFR Part 192 Subpart N) are involved or when project/service ≥ $100,000; below that and without OQ requirements, a PO may serve as the contract.
- **ISNetworld (ISN) management:** Contractors performing covered tasks subscribe to ISN and submit safety, insurance, SMS, TRIR, EMR, and questionnaires. A/B grade or approved variance required prior to PO/contract issuance and start of work.
- **Variance/exemption pathways:** Risk-based processes for written-program exemptions, insurance variances, overall grade variances, and ISN subscription exemptions (Form 23060), with collaboration among Procurement, STT Compliance, and the hiring department.
- **OQ and EWN requirements:** Contractors acknowledge OPS 800 or submit their OQ plan for review; EWN subscription for performance evaluations and documentation (MECP credentials), and NCMS for drug and alcohol compliance.
- **Systems & onboarding:** Defined workflows for JDE/Maximo/Locusview setup, documentation retention, and training.

OPS 27 – Construction Management (Draft)

- **Purpose and scope:** Procedure defines requirements to oversee/manage construction activities on CNGC gas facilities.
- **Risk-based oversight:** Projects scored on cost, pipeline pressure, and diameter. A score of 8 or higher triggers a documented risk review (Form 23125), which sets requirements for site visits and communications.
- **High-risk scenarios:** Automatic highest risk for temporary/mobile LNG transfer operations into the pipeline system.

- **Field execution controls:** Overseeing individual verifies OQ for personnel performing covered tasks, coordinates change orders/T&E approvals, ensures as-built accuracy and TVC documentation in Locusview or other required documentation.
- **Contractor status monitoring:** ISN grade monitoring; stop-work authority for safety concerns or insurance lapses with CNGC–contractor collaboration to remediate.
- **Visit cadence & documentation:** Site visits around critical/high-risk tasks (e.g., transmission tie-ins, pressure tests, pigging ≥4″, purging near ignition sources); oversight/communications documented on Form 23126 with reporting to appropriate Director-level oversight.
- **Post-project evaluation:** ISN contractor evaluations completed at project close or annually for varied-work contracts ≥1 year (safety, quality, OQ adherence, documentation accuracy, schedule).

Collectively, OPS 7 and OPS 27 formalize CNGC's risk-based approach to contractor selection, qualification, and field oversight while reinforcing compliance with federal pipeline safety regulations and establishing clear stop-work and remediation pathways.

American Petroleum Institute Audit

Additionally, CNGC has signed a contract with American Petroleum Institute (API) to conduct an assessment of the Company's Safety Management System (SMS) program. This assessment is scheduled to take place during the week of March 2, 2026. Attached are the signed contract and the Statement of Work.

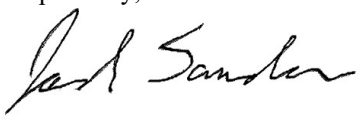
The Statement of Work outlines the process and scope for an independent, third-party assessment of Cascade Natural Gas's Pipeline Safety Management System (PSMS), to be conducted by the American Petroleum Institute (API). The assessment is designed to objectively evaluate Cascade's PSMS against the requirements of API Recommended Practice 1173 (API RP 1173), focusing on the system's conformity, effectiveness, and maturity.

Key Elements of the Assessment:

- **Objectives:** Provide an impartial evaluation of Cascade's PSMS, identify gaps and opportunities for improvement, and benchmark performance against industry peers.
- **Scope:** The assessment will cover all ten elements of API RP 1173, reviewing documentation, interviewing personnel, and observing field operations to determine the maturity and effectiveness of the PSMS.
- **Methodology:** The assessment uses a standardized maturity model, scoring each PSMS element on conformance (planning, developing, implemented) and effectiveness (sustaining, improving). Results will be categorized as notable practices, observations (non-conformances), or opportunities for increased effectiveness.
- **Process:** The assessment includes planning meetings, document reviews, interviews, field visits, daily debriefs, and a close-out presentation.
- **Deliverables:** Cascade will receive an assessment plan, daily debriefs, a draft and final assessment report (including benchmarking data), and ongoing operator support from API.
- **Compliance Note:** The assessment is not a regulatory compliance audit. Any compliance issues identified will be immediately reported to Cascade management.

We appreciate the Washington Utilities and Transportation Commission's attention to this matter and welcome any questions on these drafts. We would be glad to provide a technical briefing or detailed walk-through of the procedures, forms, and workflows referenced above.

Respectfully,



Josh Sanders
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Cascade Natural Gas Corporation