American Petroleum Institute

Pipeline SMS Assessment Program

Cascade Natural Gas
8113 W Grandbridge Blvd
Kennewick, Washington 99336
Patrick.Darras@mdu.com

Dear Mr. Darras

In the following pages, API discusses the PSMS Third-Party Assessment Program as it is intended to be implemented for pipeline operators and describes a proposed Cascade Natural Gas Assessment to be conducted in March of 2026.

Assumptions:

To deliver this scope of work, we must work as partners in the planning process and expect that Cascade Natural Gas will:

- Work hand in hand with API and Assessment Team Leader to develop timelines, schedules, and logistics (examples: assessment plan, interviews logistics, and the in-person visit);
- Work with API to ensure relevant documents are available for assessors to review before the assessment kickoff (through a MS Teams site or FTP site);
- Provide the assessors with a room to meet, discuss, and debrief – "a home base." It would be appreciated if the room be large enough to accommodate all assessors and those from Cascade Natural Gas wanting to attend the daily debriefs;
- Maintain the agreed timelines, schedules, and logistics so the draft report, final report, and other vital items are delivered in a timely fashion.

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The following sections describe the API PSMS Assessment Planning for Cascade Natural Gas in more detail and define the steps we take to ensure it will ultimately lead to a successful product that Cascade Natural Gas can use to increase the effectiveness of your PSMS Program:

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1. Assessment Objectives:

API will provide an objective third-party assessment of an operator's PSMS using qualified, competent assessors and a standardized and consistent assessment process and tool. In addition, API will perform a third-party assessment to:

- Provide information on the conformity, effectiveness, and maturity of your PSMS with the elements and requirements of API RP 1173;
- Identify observations or gaps to API RP 1173 conformance;
- Identify opportunities for improvement to your PSMS;
- Give you feedback to help you increase the effectiveness of your PSMS program;
- Help to measure your progress with PSMS implementation over time; and
- Benchmark your PSMS implementation with that of other operators;

2. Assessment Scope:

The scope of the assessment is to address all Section 10 assessment/audit requirements and to provide Cascade Natural Gas with an objective review of their Pipeline SMS Programs:

- The Assessment is designed to address all ten (10) PSMS elements listed in API RP 1173. The Assessment will evaluate Cascade Natural Gas programs for conformance in API RP 1173 (Section 10.2.2)
- The Cascade Natural Gas implementation of their PSMS program (Section 10.2.2);
- The maturity of the PSMS and the extent to which it is Comprehensive, Systematic, and Integrated (Section 10.2.5);
- The effectiveness of the PSMS in improving pipeline safety performance.
- The Assessment Team will work within the Cascade Natural Gas management system and align observations and report sections with your internal structure.

We split Roles and Responsibilities with our assessors as outlined below:

The API assessment will provide the ability to benchmark against other operators, highlight good practices Cascade Natural Gas has already implemented, and share good practices used by similar operators (in a blinded and anonymous fashion).

The API assessment does not review regulatory compliance. Any regulatory compliance matters that come up during the assessment will be brought to management immediately.

3. Assessment Scheduling and Planning:

The process includes (but not limited to):

- assignment of the assessment team;
- establishing the duration for the Assessment;
- performing assessment planning;
- communicating expectations and other information to the operator;
- conducting a pre-assessment conference call to finalize the scope, logistics, and plans with the operator;
- finalizing preparations of the formal assessment plan; and
- the necessary assessment team preparations and training.

The planning will include working with Cascade Natural Gas contacts to identify the relevant programs, functions, personnel, and areas to make up the assessment scope. The assessment plan identifies the assessment activities, schedule of interviews, functions, and resources needed for the Assessment.

As part of the initial planning process, it is essential to establish clear communication lines between Cascade Natural Gas contact(s), API staff, and the assigned Assessment Team Lead. To facilitate this communication, the planning process is kicked off with a pre-assessment conference call. During the planning process, a pre-assessment meeting (virtual) will be conducted. During the pre-assessment visit, API and the Lead Assessor will meet with Cascade Natural Gas contacts to identify the processes, procedures, programs, and relevant organizations. **The API Assessment Planning Package communication includes a DRAFT schedule template filled out by the Assessment Lead, Cascade Natural Gas, and API. Included is general guidance on procedures and programs that may be relevant to the Assessment**. In addition, the draft/finalized headquarters (*HQ)* schedule will be uploaded to a share point or portal for editing – the goal is to work on the same document together. *The detailed schedule includes provided SMS mapping, champions, a compiled program for days one through three, and a schedule element by element.*

The PSMS assessment duration is intended to *typically* be one (1) week when conducted in person, with staffing adjusted for operator size. Operators whose assets are not within a reasonable driving distance from their HQ offices, the assessment is typically split into 2.5 days at the HQ offices with 2.5 days in the field, usually in the week following the HQ portion of the assessment. This timing can be adjusted to accommodate unique considerations identified in the assessment planning phase. An operator can request a longer duration, depending on the assessment contract.

The size of the assessment team is dependent on the size of the operator (4 assessors for small; 6 assessors for medium; 8 assessors for large), the complexity of the operator's PSMS, the competency mix of the assessment team members, the assessment days required to cover the assessment scope, and the number of assessors that the site can accommodate, (e.g., a 4 to 8-person team may exceed the capability of some small site staffs).

Assessors:

- Assessors are independent pipeline and safety management experts identified and qualified by API;
- Our assessors typically average twenty years of industry experience;
- Our assessors include former industry Presidents, VPs, and experts, and those who assisted with the writing and development of API RP 1173;
- Unlike many consulting firms, our assessors know the RP's intent and do not simply interpret it; and

- Multiple industry firms are contracted to API, and API develops the assessment team which will give the operator the best assessment outcomes.

The assessment team will consist of experts from multiple affiliations, providing Cascade Natural Gas the flexibility to get the best assessors, regardless of affiliation.

Assessors' Role:

- Provide an honest and fair assessment of the current state of an operator's PSMS;
- Work with the operator to review necessary documents;
- Interview Cascade Natural Gas personnel (Sr. Management to front-line employees) to understand Program Element status/integration;
- Provide examples of good practices that will help operators ensure conformance and/or improve the effectiveness of the PSMS, should they choose to implement; and
- Proper document assessment for each element and sub-element for the draft report.

4. Assessment Scoring:

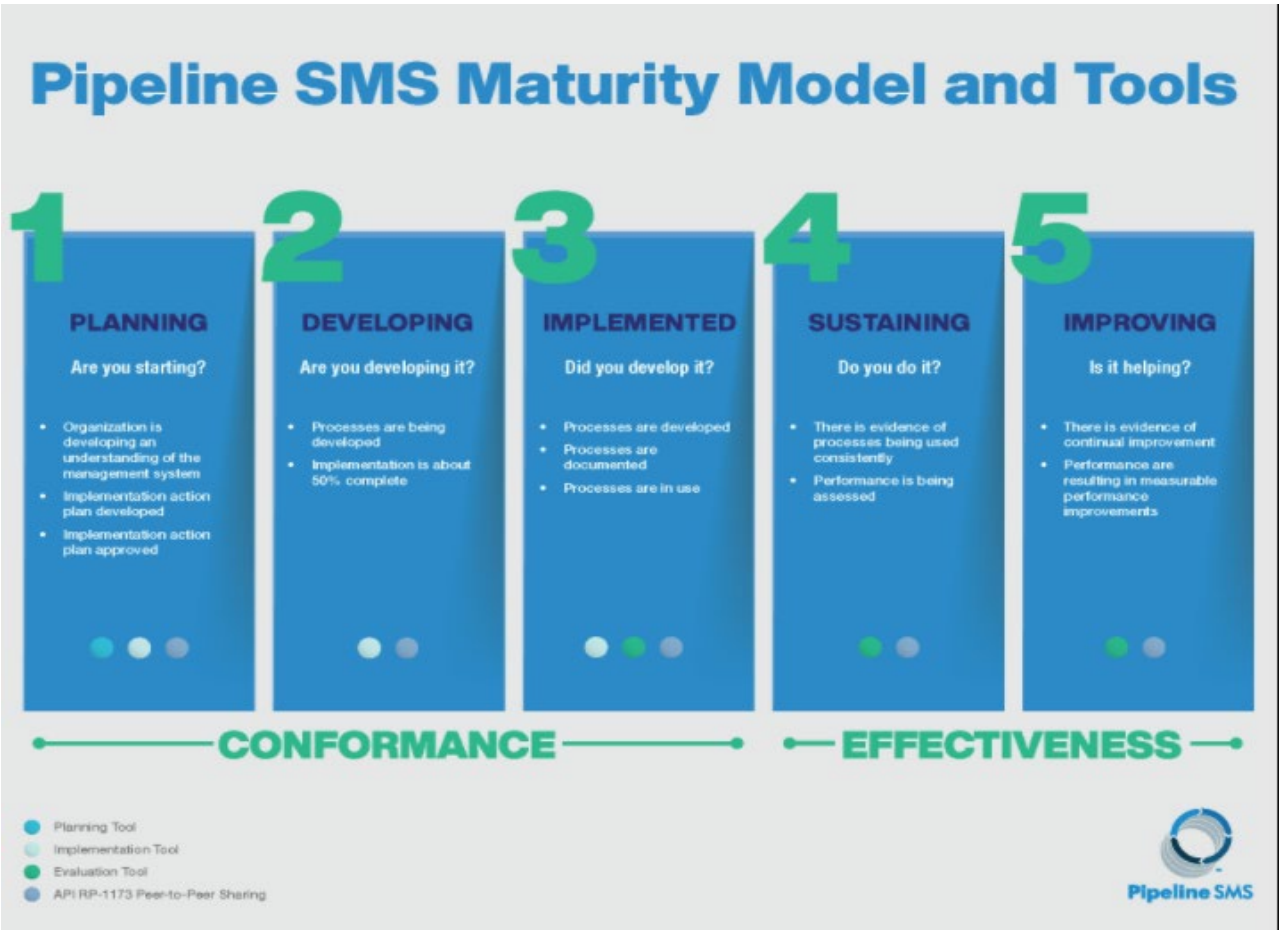
To promote a shared understanding and give operators a standard measure to indicate the level of development and maturity of their Pipeline SMS, the Pipeline SMS Industry group developed a PSMS Maturity Model with levels 1 through 5. API also developed several tools and associated guidance documents to assist operators in planning, implementing, and evaluating a Pipeline SMS (PipelineSMS.org).

For each requirement in the Assessment (which can include like-in-kind shall statements from the RP), there is an opportunity to identify specific gaps, opportunities for improvement, and notable practices. These will be categorized in the following three ways in the Draft and Final Assessment Report, as well as the daily debrief and the Assessment Close-out Presentation:

- **Notable Practices:** practices, programs, or initiatives that are notably better than expected. These practices may be highlighted as models for other parts of the organization. These practices are also viewed as industry good practices, some of which may be further considered as best practices.
- **Observations:** practices, programs, or initiatives that were in non-conformance with the API RP 1173 requirements and expectations in the assessment tool and guidelines.
- **Opportunities to Increase Effectiveness**: areas of the PSMS where an opportunity exists to improve effectiveness or efficiency in the management system.

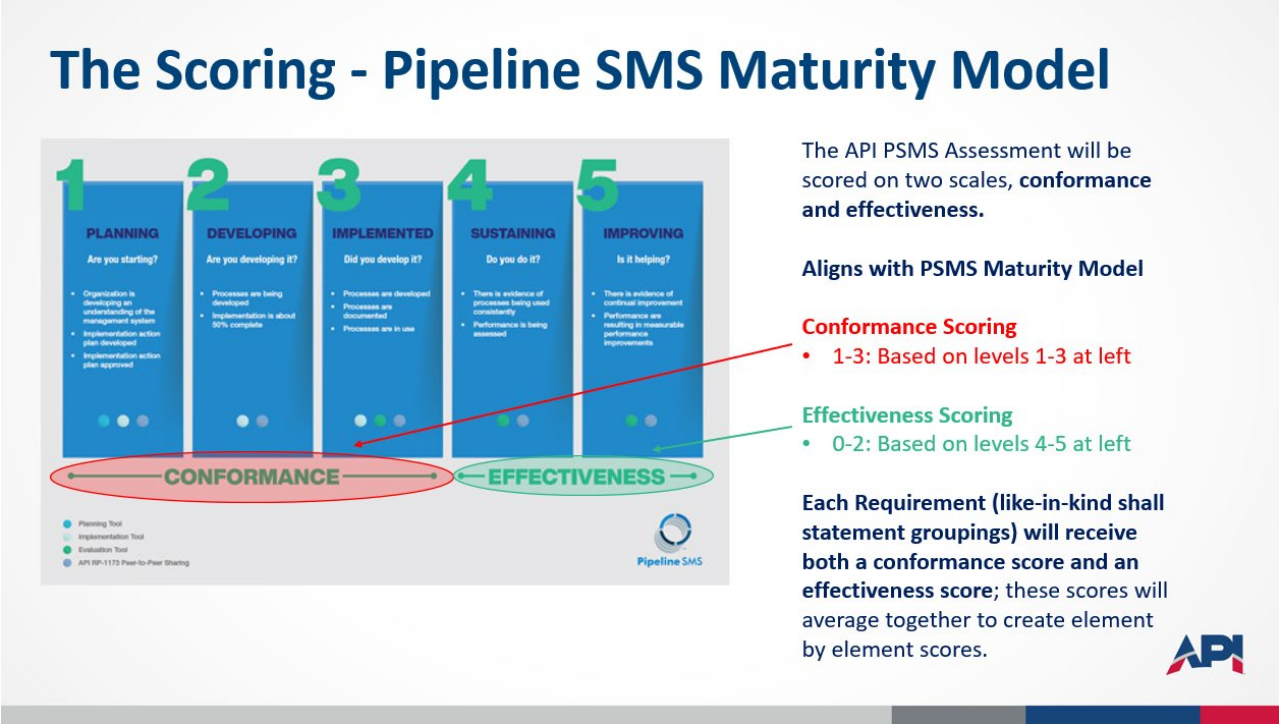
In addition to the categorizations above, each element will be scored using the PSMS Maturity Model, developed by industry for API RP 1173 implementation. The PSMS Maturity Model has five levels, as depicted in the figure below. The figure outlines maturity level overviews and relevant

tools. The first three levels indicate the degree to which the operator's PSMS conforms to the RP requirements. For example, to achieve Level 3, a process should be fully developed and fully implemented within the organization, but it does not need to have been through a PDCA cycle. The last two levels indicate the degree to which it has been effectively implemented (Level 4) and have demonstrated measurable performance improvement (Level 5). There will always be opportunities for improvement, as Pipeline SMS implementation is a journey, not a destination.



The Pipeline SMS Assessment evaluates the maturity of each of the 10 PSMS elements and sub-elements (requirements); the assessors will generate a score (0-3 for conformance and 0-2 for effectiveness, using 0.5 score increments) for each requirement and those requirement scores will be averaged together to form the average conformance and effectiveness scores for each element. The assessors will use the evidence reviewed for the associated questions to support the requirement and therefore the element maturity scores.

A more detailed review of scoring methodology as it relates to the industry maturity model can be reviewed below:



Maturity Level Definitions Used for the Assessment:

Level		Description
Conformance Levels	0	**Learning:** Requirements are not addressed, and there is no plan to address them. The organization or unit thereof may have considered implementing a management system or a component of it but has not formally committed to doing so.
	1	**Planning:** The organization or unit thereof is developing an understanding of the management system and has developed and approved an implementation action plan.
	2	**Developing:** PSMS processes, procedures, programs, or organizational structures to support the management system are being developed. Implementation is not yet complete (50%).
	3	**Implemented:** Organizational structures are in place, fully developed processes, procedures, and programs documented and functional.

Level		Description
Effectiveness	4	**Sustaining:** Processes and procedures are being applied consistently over time. Performance measures have been developed and are being used and reported.
	5	**Improving:** There is evidence of continual improvement in the management system components (processes, procedures, programs, performance indicators) and the organization's performance against industry key performance indicators.

*Note that assessors use 0.5 increments to assess maturity, taking into account that some requirements may be in between the above definitions.

5. Assessment Execution:

The Assessment will consist of reviews of policies, procedures, documents, and records, interviews with personnel and subject matter experts, and observation of process execution to determine the level of PSMS implementation relative to the industry-developed maturity model.

During the Assessment, the assessors may ask for copies of procedures, records, studies, evaluations, etc. Much of this information may be business confidential. API requires confidentiality as part of our agreements with assessors. The Assessor is tasked to keep confidential business information safe during the Assessment and return it to the pipeline operator at the end of the Assessment. The Assessor may review privileged information, but no copies should be taken. Access to privileged information should be arranged through the appropriate legal representative. Some documents and records may relate to the operator's personnel. This could be confidential information, and access may be regulated by law. It may be possible to obtain redacted copies. Still, it may be more appropriate to conduct the document review and confirm with the management that any notes taken comply with the law and regulations.

Following interviews and record reviews, assessors spend time at field locations to verify that processes and procedures are implemented in the field, a critical portion of assessing the level of maturity of the PSMS. Even if PSMS has not been formally rolled out to field staff, their use of processes and procedures is still essential to the Assessment, so we strongly encourage field visits, regardless of perceived PSMS maturity.

6. Assessment Deliverables

During and after an assessment, API will work with Cascade Natural Gas and deliver:

1. **Assessment Plan** – API will work with Cascade Natural Gas to ensure we have an assessment plan that provides an efficient and productive assessment. In this plan, we will work with you to include: an interview schedule, identifying all SMEs necessary with times and dates of their interviews, a way to upload programmatic documents and processes/procedures to a centralized and organized repository that will allow the assessors to review these documents before the Assessment, a field-verification schedule that will identify field locations and desired PSMS elements to be reviewed at each – this will allow for a seamless verification, especially if assessors will be visiting multiple sites.

2. **Daily Debriefs** – while there is no formal documentation for this deliverable, during an assessment and as agreed by Cascade Natural Gas, the assessors deliver daily debriefs, covering the areas the assessors reviewed each day. The assessors discuss any potential gaps noted, giving Cascade Natural Gas a chance to verify that the assessors consider all the information and speak to the appropriate SMEs. This ensures that our assessors are getting the complete picture of your PSMS Program.

3. **Close-out Presentation** – following the HQ portion of the assessment, assessors condense all their initial observations into a presentation and review their thoughts with a larger audience. This meeting should not include any 'surprises' for the site, all materials will have been discussed during the daily debriefs.

   Following the field verification, the Assessment Team Leader and the other Assessors can give a presentation on the final assessment outcomes. Often, a company will choose to review and agree on the Draft Report before scheduling a formal closing presentation, but it is at the discretion of the site how to handle the final close-out and whether this formal presentation is necessary.

4. **Draft Assessment Report** – API will deliver a draft assessment report the week following the Assessment's conclusion. The report will include a higher-level executive summary with key findings and a narrative about the general state of your PSMS, an in-depth review of each element, the findings, and opportunities to increase the effectiveness in each, and a detailed readout of all assessor commentary on each of the requirements (shall statements) contained in API RP 1173. The report will also include a benchmarking report to gauge how you compare to other assessed operators in a blinded and anonymous fashion. We ask that you take 2-3 weeks to review the Draft Assessment Report for completeness and provide us with any comments or clarifications that may be necessary.

5. **Final Assessment Report** – following the receipt of any comments Cascade Natural Gas may have on the Draft Report, API will work with our assessors to ensure these comments and requests for clarifications are addressed, either in writing or via API setting up additional brief conversations with relevant SMEs to ensure the assessors have the complete picture. Upon completion, API will issue Cascade Natural Gas the Final Assessment Report.

6. **Benchmarking** – As discussed in the Draft Assessment Report section above, API includes benchmarking as part of these assessments. This will allow Cascade Natural Gas to see how they compare to previous maturity scores given to other assessed operators. Cascade Natural Gas will receive a formal benchmarking report with the delivery of the Final Assessment Report and will have access to the annual benchmarking report for six (6) years following the assessment. As API conducts more assessments, benchmarking capabilities will change, and this will be reflected in future benchmarking reports.

7. **Operator Support** – one way that API strives to set the PSMS Assessment Program apart from other firms offering SMS services is through our ability to provide continuing operator support following an assessment. By participating, you have the ability to reach out to API to get more involved in PSMS efforts and ask other operators specific questions about their PSMS and its implementation if you are struggling with a particular requirement. API believes our continued support is an invaluable offering that will help operators get more involved and help expedite PSMS implementation and increase maturity across the industry.

7. Assessment Checklist

Initial PSMS Assessment Planning Checklist for Cascade Natural Gas			
Activity	**Responsible Party**	**Status/comments**	**Proposed Deadline**
Finalize Assessment Agreement	API/Cascade Natural Gas	Completed	
Approve Assessment Team	API/Cascade Natural Gas	Completed	
Pre-Assessment Meeting - *Virtual or In-Person*	API/Cascade Natural Gas, Assessment Team Lead, and API	Completed	

Initial PSMS Assessment Planning Checklist for Cascade Natural Gas			
Activity	**Responsible Party**	**Status/comments**	**Proposed Deadline**
Finalize Schedule Excel document	API, Assessment Team Lead, API/Cascade Natural Gas	In process	2-9-2026
Set Logistics - Interviews	API/Cascade Natural Gas, API, and Assessment Team Lead to assist as needed	In Process	2-9-2026
Portal Upload - Relevant Documentation and Processes	API/Cascade Natural Gas	In Process	2-9-2026

8. Quote

Based on the size of the operator as outlined in Section 3, as defined by API Midstream using the guidance available for the Distinguished Pipeline Safety Awards, the cost for this assessment follows our publicly published price sheet.

This price includes all travel and expenses of our assessment team and will be billed as one invoice following delivery of the Draft Assessment Report, approximately 10 days following the conclusion of the field verification by the assessment team.

Based on the assumption that Cascade Natural Gas is a Large Operator, the assessment cost is $95,000 USD, with API's invoice to be delivered upon delivery of the Draft Report.

A full list of the pricing schedule can be found here. API reserves the right to change this pricing at its discretion. The price paid by Cascade Natural Gas will be the published price in attachment A of the contract.

Please contact *Colin M. Frazier* at 771-210-2355 (FrazierC@api.org) or *Laurie A. Knape* at 771-210-5906 (KnapeL@api.org) with any questions regarding this Statement of Work.