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September 29, 2026

Stephanie Arnold – Pipeline Safety Director
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Subject: Docket PG-230800 Settlement Agreement, Quarterly Report

Dear Ms. Arnold,

This letter serves as Cascade Natural Gas Corporation's (CNGC) progress report for the items outlined in the approved settlement agreement, Docket PG-230800, between the Staff of the Washington Utilities and Transportation Commission (WUTC) and CNGC.

TERMS OF SETTLEMENT

B. **COMPLETED:** CNGC submitted the scope of work to be completed in the assessment and the signed contract with API to Dennis Ritter on January 6, 2026.

The audit is 100% percent complete. During the first quarter, the following action items were completed:

- Joint development of an assessment plan between API and CNG.
- CNG provided requested materials (e.g., procedures, documents, records, etc.) to API for assessor review.
- From March 2 through March 4, 2026, API conducted the headquarters (HQ) portion of the assessment. This included API assessor interviews with CNGC Subject Matter Experts.
- From March 4 through March 13, 2026, API conducted the field visit portion of the assessment which included API assessors visiting multiple site locations to verify the implementation of processes and procedures in the field.

During the second quarter, the following action items were completed:

- CNGC received the final API assessment report and executive summary on May 26, 2026.

The assessment included the evaluation of CNGC's Pipeline Safety Management System (SMS) against API RP 1173 elements. Thirteen (13) Observations and thirty-nine (39) Opportunities to Increase Effectiveness (OIEs) were identified. There were no findings identified that require immediate corrective action.

CNGC has acknowledged all Observations and OIEs and is actively evaluating appropriate responsive action based on risk, impact, and strategic alignment.

C. Integration of observations from the API RP Audit

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.

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.

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.

Cascade Response

CNGC has established a structured approach to prioritize and address all findings identified in the API RP 1173 assessment. Findings are evaluated and assigned an Action Priority based on a combination of implementation effort and anticipated impact on SMS effectiveness and risk reduction. Key elements of this approach include:

Action Priority Framework

- Each Observation and OIE is evaluated using a standardized impact vs. effort framework.
- Categories include:
  - High Impact – Low Effort: Addressed on an accelerated basis to deliver immediate improvements
  - High Impact – High Effort: Planned and executed as coordinated projects with cross-functional support
  - Low Impact – Low Effort: Completed opportunistically or in conjunction with related efforts
  - Low Impact – High Effort: Evaluated for necessity and alignment prior to implementation

Application to Assessment Findings

- Consistent with the Settlement Agreement, all 13 Observations will be implemented regardless of effort, consistent with the requirement for corrective action.
- OIEs will be evaluated based on their contribution to risk reduction, SMS maturity, and alignment with strategic objectives.
- Related findings will be grouped into cross-functional initiatives to promote efficiency and avoid duplicative effort.

Execution and Oversight

- All findings are tracked within a centralized action tracking system, with defined ownership, prioritization, and evidence requirements to support closure.
- Director-level ownership will be assigned to each grouping of work, with defined deliverables and timelines.
- Progress will be monitored through existing SMS governance processes, with periodic review and adjustment of priorities as needed.

This approach supports a structured allocation of resources to address required corrective actions while advancing the continued development of CNGC's Safety Management System.

The table below provides a consolidated summary of the API RP 1173 assessment findings and associated actions, organized by finding type, action priority, status, and target completion date. It reflects the application of the prioritization and governance approach described above and is intended to provide a clear, program-level view of progress across all findings. Detailed evaluation, supporting analysis, and evidence of completion are maintained within CNGC's SMS management and action tracking processes.

Finding Type	API Assessment Items	Action Priority	Status	Target Completion Date
Observation	OBS-01. Competency assurance processes are not in place for office/technical staff (Project Managers, Inspectors, Design/Field Engineers, etc.)	High Impact - High Effort	Proposed	TBD

Finding Type	API Assessment Items	Action Priority	Status	Target Completion Date
Observation	OBS-02. No specific training has been developed or provided to those MDUG personnel with responsibilities related specifically to the design/development of PSMS elements. MDUG personnel identified the "Construction Practices" area as a particular "weak spot".	High Impact - High Effort	Proposed	TBD
Observation	OBS-03. There is no formal requirement or process to incorporate potential consequences of failure in training programs specific to following MDUG processes and procedures, or for other technical training.	High Impact - High Effort	Proposed	TBD
Observation	OBS-04. MDUG's MOC Policy does not address consideration of "Temporary" changes.	High Impact - Low Effort	In Progress	TBD
Observation	OBS-05. MDUG's MOC process does not address time limitations for temporary changes, including when such changes are to revert to their previous condition.	High Impact - Low Effort	In Progress	TBD
Observation	OBS-06. There is no clear, formal, documented process for communicating the requirements of the MDUG SMS Program to contractors that identify specific applicability to the contractor's scope of work.	High Impact - High Effort	Proposed	TBD
Observation	OBS-07. MDUG does not examine the conformity of its SMS program and how it applies to service providers and contractors.	High Impact - High Effort	Proposed	TBD
Observation	OBS-08. A formal procedure to identify KPIs has not been established.	High Impact - High Effort	Pending Committee Review	9/30/2026
Observation	OBS-09. Leading indicators have not been established, and measures are tied to demonstrating risk reduction.	High Impact - High Effort	Proposed	TBD
Observation	OBS-10. The current TIMP document specifically includes interactive threats, but the current DIMP document does not.	High Impact - High Effort	In Progress	TBD
Observation	OBS-11. Sr. Leadership has not named executives accountable for the implementation and continuous improvement of each element of the SMS.	Low Impact - Low Effort	Done	9/17/2026
Observation	OBS-12. Performance metrics do not exist for each element of the SMS.	High Impact - High Effort	In Progress	TBD
Observation	OBS-13. The Gas Emergency Response Plan, OPS 613, does not include security or pandemic threats.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-01. Consider moving forward with a SMS learning concept to expand the knowledge and competence of applicable personnel.	High Impact - High Effort	Proposed	TBD
OIE	OIE-02. Consider incorporating all non-technical training programs, currently managed at the department level, into the wider training SMS Program approach.	High Impact - High Effort	Proposed	TBD
OIE	OIE-03. Consider providing additional guidance for the annual review process of procedures to ensure the process is thorough and to ensure procedures are technically accurate and aligned with actual operations.	High Impact - Low Effort	Proposed	TBD

Finding Type	API Assessment Items	Action Priority	Status	Target Completion Date
OIE	OIE-04. Consider developing performance metrics for the MOC process to help with measuring its effectiveness.	High Impact - High Effort	Proposed	TBD
OIE	OIE-05. Consider reviewing the dates of review and approval shown under the Administration section of Policy Statements, as they do not always align with the most recent revision dates.	Low Impact - Low Effort	In Progress	TBD
OIE	OIE-06. Consider formalizing the processes for reviewing historical incidents and significant near misses to ensure they are analyzed for lessons learned that could lead to improved safety performance.	High Impact - Low Effort	Proposed	TBD
OIE	OIE-07. Consider creating a statement of the SMS safety policies and objectives or linking the current safety policy statement to their SMS.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-08. Consider having all SMS program documentation reviews follow the same review practice used for O&M procedures to ensure the reviews required by the SMS are formalized and occurring as intended.	Low Impact - Low Effort	In Progress	TBD
OIE	OIE-09. Consider providing links to all reference documents to aid the reader, including regulations, advisory bulletins, and industry documents.	Low Impact - High Effort	Done	6/24/2026
OIE	OIE-10. Consider determining what other company records may be necessary to determine the effective operations of the SMS.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-11. Consider formal integration of the MDUG Procurement Department procedures into the SMS structure.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-12. Consider how it may standardize documentation of any/all design and/or construction modifications for pipeline systems.	High Impact - High Effort	Proposed	TBD
OIE	OIE-13. Consider standardizing project management practices by making all projects subject to the EQPR/JIRA process.	High Impact - High Effort	Proposed	TBD
OIE	OIE-14. Consider moving forward with and formalizing new initiatives, including (a) SMS Computer-Based Training (CBT) for contractors, (b) the newly launched Contractor Portal, (c) Contractor Summits/Meetings, and (d) encouraging PSMS adoption by MDUG contractors.	High Impact - Low Effort	Proposed	TBD
OIE	OIE-15. Consider implementing a formal process for project close-out meetings with contractors to identify possible lessons learned and/or continuous improvement opportunities.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-16. Consider opportunities to integrate contractor safety performance data into a single reporting location that incorporates (a) safety data reported through ISN, including OSHA 300 logs, TRIR, LTA, and EMR, (b) QC inspection findings currently reported internally through Locus View, and (c) safety performance inspections currently reported internally through Vector Solutions.	High Impact - High Effort	Proposed	TBD

Finding Type	API Assessment Items	Action Priority	Status	Target Completion Date
OIE	OIE-17. Consider adding guidance to the OPS 807 Incident Investigation, Evaluation and Lessons Learned documentation to provide instructions to MDUG incident investigation personnel on the timeframes needed to promptly investigate incidents.	High Impact - Low Effort	Proposed	TBD
OIE	OIE-18. Consider integrating SMS related questions into the next safety culture evaluation.	High Impact - Low Effort	Proposed	TBD
OIE	OIE-19. Consider updating the Steering Committee charters to reflect their review timeline and adding standing agenda items for the review and approval meetings.	High Impact - Low Effort	Done	9/17/2026
OIE	OIE-20. Consider supplementing the document number with a brief description for those items in the OPS 616 Reference List without descriptions.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-21. Consider supplementing Section 6 of OPS 806 by adding a statement that communications with Regulatory Agencies are performed as appropriate, and especially when requested.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-22. Consider formalizing the process to ensure that feedback is provided to any members of the general public who submit concerns or ideas on MDUG operational activities.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-23. Consider supplementing OPS 806 sections 4 & 5 to address a technique to manage and process feedback, including updates to idea submitters.	Low Impact - Low Effort	In Progress	TBD
OIE	OIE-24. Consider posters or other visible materials (t-shirts, ball caps, stickers, etc.) at field locations to promote SMS practices.	Low Impact - Low Effort	In Progress	TBD
OIE	OIE-25. Consider revising the language in the OPS 803 ACE Risk Management document to include "use of the Bow-Tie method and other Risk Analysis methodologies."	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-26. Consider providing additional training for field personnel who complete Material Component Failure Reports (MCFRs) to ensure valuable information reaches the Integrity Group.	High Impact - High Effort	Proposed	TBD
OIE	OIE-27. Consider evaluating different methods of educating field employees on DIMP and TIMP and showing them where the riskiest assets are in the various Districts and what the drivers are for those risks.	High Impact - High Effort	Proposed	TBD
OIE	OIE-28. Consider formalizing the Sr. Leadership SMS engagement program for internal and external stakeholders, including metrics for monitoring performance.	High Impact - High Effort	Proposed	TBD
OIE	OIE-29. Consider putting formal Element Teams in place to support the Element Owner and SMS Element implementation.	High Impact - Low Effort	Done	9/17/2026
OIE	OIE-30. Consider adding verbiage to the OPS 613 document to state the requirement to accommodate applicable laws and regulations as mentioned in OPS 804.	Low Impact - Low Effort	Proposed	TBD

Finding Type	API Assessment Items	Action Priority	Status	Target Completion Date
OIE	OIE-31. Consider amending the OPS 613 application of ICS to state Incident Commanders are activated on major and catastrophic responses.	Low Impact - Low Effort	In Progress	TBD
OIE	OIE-32. Consider adding a second drill in Districts, in addition to the universal scenario, that is of specific interest to an individual District.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-33. Consider strengthening the participation of local emergency response agencies (Fire department, Police department, etc.) in Mock Drills.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-34. Consider adding civil disturbances to the scenarios used for Mock Drills.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-35. Consider having operations management review with their employees, the existence of relevant procedures for their area(s) of responsibility, to ensure they are knowledgeable of such procedures and understand them. Also, consider limiting the blanket deviation procedure to only design and engineering procedures.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-36. Consider requiring that the incident investigation process include an evaluation and review of the effectiveness of all emergency response procedures and processes implemented as relevant to the incident.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-37. Consider establishing a special stakeholder relationship with connected pipeline partner companies, including conducting joint Mock Drills where the two companies share or connect to each other's pipeline systems.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-38. Consider updating information in the company's GIS as segments of pipelines become operational, so the mapping can be updated timelier.	Low Impact - Low Effort	Proposed	TBD
OIE	OIE-39. Consider using a formal process to document that all risk assessments and pipeline safety improvements were successfully completed, including the name of the individual who ensured they were completed, the name of the person who did the work, and the date it was completed. It could also include the reasons why some improvement suggestions were not completed.	Low Impact - Low Effort	Proposed	TBD

D. **COMPLETED:** CNGC submitted a letter of explanation and draft copies of revised OPS 7 – Hiring a Contractor and new company policy OPS 27 – Construction Management to the Dennis Ritter on January 6, 2026. CNGC received comments regarding OPS 27 from Dennis Ritter on March 2, 2026. CNGC submitted follow up response, addressing OPS 27 comments, to Dennis Ritter March 6, 2026. OPS 7 and OPS 27 were implemented March 13, 2026.

Please contact Josh Sanders at (701) 222-7773 with questions or comments.

Respectfully Submitted,

Pat Darras
Vice President, Engineering & Operations Services
Cascade Natural Gas Corporation