

Agenda Date: April 7, 2016  
Item Number: A2

**Docket:** PG-160293  
Company Name: Cascade Natural Gas Corporation

Staff: Joe Subsits, Chief Pipeline Safety Engineer,  
Dennis Ritter, Pipeline Safety Engineer,

### **Recommendation**

Approve, in part, Cascade Natural Gas Corporation's (CNGC) 2015-2017 Two Year Plan filed on May 29, 2015, and updated on October 1, 2015. Staff does not support approval of the portion of the plan that covers pipelines that are non-compliant with 49 CFR 192.619 (Maximum Allowable Operating Pressure: Steel or Plastic Pipelines).

The project list has been updated with completed projects from its 2013-2015 Two Year Plan as well as the mapping showing the elevated risk pipelines. CNGC's 2015-2017 Two Year Plan is consistent with the Commission Policy addressing all known elevated risk pipeline facilities in Washington.

### **Background**

On December 31, 2012, the Washington Utilities and Transportation Commission (commission) issued a Policy Statement entitled "Commission Policy on Accelerated Replacement of Pipeline Facilities with Elevated Risk"<sup>1</sup> (Policy Statement). Pursuant to the Policy Statement, in 2013 each investor-owned gas pipeline utility company filed a Master Plan (Plan) for replacing pipe that represents an elevated risk of failure. The Policy Statement also requires that CNGC file a Two-Year Plan that specifically identifies the pipe replacement program goals for the upcoming two year period.

On May 29, 2015, CNGC filed its 2015-2017 Two Year Plan with the commission. Staff finds that the company's 2015-2017 Two Year Plan meets the requirements of the Policy Statement, with respect to pipeline safety.

## **I Plan Requirements**

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<sup>1</sup> "Commission Policy on Accelerated Replacement of Pipeline Facilities with Elevated Risk (December 31, 2012) (Policy Statement) (Docket UG-120715).

Under the Policy Statement, the second Two Year Plan was to be filed by June 1, 2015,<sup>2</sup> covering planned pipeline replacement through 2017. The plan has three parts: (1) a Master Plan (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.<sup>3</sup>

Each Plan must also:

- Target pipe or facilities that pose an elevated risk of failure.
- Be a measured and reasonable response in relation to the elevated risk, and the program must not unduly burden ratepayers.
- Be in the public interest.<sup>4</sup>

## **II. Commission Staff Review of CNGC's 2015-2017 Two-Year Plan**

### **A. Overview**

CNGC's plan indicates that the following types of gas pipe with an elevated risk of failure are present within its Washington service area:

- Bare steel/pre CNGC pipe – these lines historically were not cathodically protected until the code required it in the 1970s;
- 1950s vintage steel pipeline-these lines historically may or may not have been cathodically protected until the code required it in the 1970s;
- Exposed pipe susceptible to corrosion risk – older bridge crossings over waterways;
- Pipe in casings – high risk due to corrosion and inability to provide cathodic protection within casing.

### **B. Evaluation of the Required Plan Elements**

CNGC initiated pipe replacements for each these types of gas pipes. CNGC's 2015-2017 Two-Year Plan is changed from its 2013-2015 Two-Year Plan by the addition of new projects and the deletion of completed projects. Newly prioritized projects were added after re-running the Distribution Integrity Management Plan (DIMP) model with additional data collected during the last two-year cycle. The Master Plan does not need updating at this time as the projects currently

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<sup>2</sup> Subsequent plan filings are to be filed by June 1 every two years thereafter (*i.e.*, June 1, 2015, 2017, 2019, etc.). "If the gas company makes no changes to its Master Plan, it need file only the Two-Year plan in each filing after June 1, 2013. If the company makes a material change either to its Master Plan, its Two-Year plan or its Pipe Location Plan, it should file plan changes with the commission within 30 days." Policy Statement at 11, ¶ 43.

<sup>3</sup> Policy Statement at 11, ¶ 42

<sup>4</sup> Policy Statement at 12-14, ¶¶ 45-56.

identified in the Two-Year plan were already identified in the Master Plan. CNGC's Two-Year Plan meets the requirements of the Master Plan and Two-Year Plan projects are appropriately prioritized and ranked per the CNGC DIMP model.

CNGC's Plan includes Section 3 - Plan for Identifying the Location of Pipe that Presents Elevated Risk of Failure. This section indicates CNGC is using a variety of tools to identify high risk pipelines including unknown pipe. CNGC is using the output from its DIMP model per Policy Statement 47 to categorize the prioritization of its plan. Additionally, CNGC classifies unknown pipe as higher risk, and therefore this pipe is on the priority replacement schedule per Policy Statement 45. High risk lines are shown in red, orange, and yellow in Appendix A, DIMP Model Output, of the 2015-2017 Two-Year Plan. Red represents highest risk, followed by orange, and yellow. Only lines with high or moderate risk are included in the replacement schedule. It should be noted that there may be some project overlap between the lines replaced under this program and UTC Docket PG-150120.

Under Docket PG-150120 it was noted that during three independent inspections conducted on March 28, 2013, May 16, 2013, and October 18, 2013, staff requested from Cascade additional documentation on four randomly selected high pressure pipelines. Staff requested this documentation in order to confirm the selected pipelines' maximum allowable operating pressure (MAOP). In all four cases, the documentation provided Staff was missing some form of essential data necessary for Staff to judge whether the MAOP of the pipelines could be validated. As a result of this discrepancy, Staff requested a list of all high pressure pipelines in its Washington service territory where some form of essential data necessary to confirm the pipeline's MAOP was missing. A list was provided on September 27, 2013 but a review of the list indicated that further information would be necessary to clarify the material.

Docket PG-150120 further required CNGC to evaluate several pipelines with insufficient documentation to validate the established MAOP, then submit a plan of action to the commission. Among the various actions this action plan considered is for some of these pipelines to be replaced. All of these lines are steel and high pressure (over 60 psi). The data used to determine MAOP is also used in the the DIMP model. Therefore, not only will the model inputs potentially change due to insufficient data, the output of the model is affected and priorities may change. There may be projects proposed by CNGC (such as replacing older pipelines which have no MAOP documentation) which are also part of the pipeline replacement Master Plan. For instance, staff identified several lines in the MAOP listing which appear to be the same lines listed on the 2-year Plan for replacement (e.g., 3" Burlington HP line, 8" Bellingham Line 1, 4" HP LaConner, 8" Attalia HP). CNGC will have to analyze and confirm such overlaps. Staff will need to adequately vet such projects to see if they are eligible for rate reimbursement per the Guidelines for Assessing Gas Company Pipeline Replacement Program Plans (Guidelines).

The Two-year Plan does address pipelines which the current DIMP model ranks as high priority and staff is satisfied that the 2015-2017 Two Year Plan is consistent with the Commission Policy and adequately addresses CNGC elevated risk pipeline facilities in Washington. However, CNGC should review the pipelines associated with Docket PG-150120 and crosscheck them with the DIMP model output and see if overlap occurs. These lines, will need further staff investigation to determine if they still meet the Guidelines for reimbursement.

### **C. Impact on Rates**

In accordance with Paragraph 64 of the commission's policy statement, CNGC submitted information for a Cost Recovery Mechanism (CRM) with its plan. Regulatory services staff will present the CRM in a separate filing in Docket No. UG-151155.

The effects of the projects identified in the plan are anticipated to have no more than an annual 1% increase to rates in the accompanying annual CRM.

## **III. Conclusions**

CNGC is remediating elevated risk pipeline facilities according to their Master Plan. The 2015-2017 Two-Year Plan has been updated to reflect newly added projects and completed projects since initiation of the replacement program. The commission should approve, in part, CNGC's 2015-2017 Two-Year Plan filed on May 29, 2015, and revised October 1, 2015. Staff does not support approval of the portion of the plan that covers pipelines that are non-compliant with 49 CFR 192.619 (Maximum Allowable Operating Pressure: Steel or Plastic Pipelines).