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May 9, 2007

Mr. Alan E. Rathbun
Pipeline Safety Director
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
P. O. Box 47250
Olympia, Washington 98504-7250

Subject: Natural Gas Pipeline Safety Inspection, Clark County
Supplemental Response to Draft Agreement Conditions
Ref. No. Docket PG-060208

Dear Mr. Rathbun:

As requested by Staff, enclosed is NW Natural's supplemental response to the Washington Utilities and Transportation Commission's January 25, 2007 letter regarding the May 2006 inspection of the company's Clark County facilities. NW Natural's response includes details regarding the company's status toward resolution of the issues identified during the inspection. In addition, NW Natural offers proposed language for Staff's consideration that the company believes will add useful clarity to the draft agreement conditions contained in the January 25, 2007 letter.

As indicated by NW Natural's response, the company has dedicated significant resources to resolve the issues identified by Staff, and has already corrected the majority of the issues. NW Natural appreciates Staff's willingness to work with the company to finalize the details of the settlement agreement related to the Clark County inspection.

Sincerely,



Bruce L. Paskett, P.E.
Manager Code Compliance

Copy to: David Lykken
Scott Rukke

Enclosure

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CERTIFIED MAIL

January 25, 2007

Grant M. Yoshihara
Vice President of Utility Operations
Northwest Natural Gas Company
220 Northwest Second Avenue
Portland, Oregon 97209

Dear Mr. Yoshihara:

Subject: 2006 Standard Natural Gas Inspection - Clark County District

We conducted an inspection of Northwest Natural Gas' (NWN) Clark County District from May 1, 2006 through May 12, 2006. This inspection found a series of 12 probable rule violations and two areas of concern which we described in detail in our letter of September 22, 2006 to Michael McCoy.

Background and options considered

NWN responded to our notice of probable violation (NOPV) by letter dated November 3, 2006 and committed to certain remedial actions. We also met with Mr. Bruce Paskett on December 28, 2006 to further discuss NWN's response to our NOPV. During this meeting we outlined three alternative courses of action to resolve the issues we identified:

1. Accept NWN's November 3 commitments and close the docket.
2. Pursue a complaint with penalty.
3. Seek an agreed order closing the docket (with conditions) without complaint and penalty

Our decision on next steps

We have decided to seek an agreed order that will include conditions necessary to resolve the probable violations noted in our inspection and to avoid issues regarding future access to records and relevant information. We made this decision based on the type and severity of the probable violations and the difficulty our inspector encountered with accessing certain records during the inspection. For us to take this action, the terms and conditions of the agreement must be agreed to by NWN. Your company will have the opportunity to work with us in drafting the agreement.

The commission must approve any agreement between staff and NWN which may be done as a consent item at an open public meeting. If NWN does not agree to this course of action, we will pursue a complaint with penalty.

We have attached an outline of the terms and conditions which contains language for each probable violation and area of concern identified in our inspection report. It also contains conditions to address the record access issues encountered during the inspection. Once we reach agreement on the wording of the conditions, we can begin drafting a proposed order.

Our need for accurate map updates

At our request, we received mapping data from NWN. In reviewing the data some significant inaccuracies were noted. Discussions with NWN's geographical information services manager indicated that no further data was available. To meet the commission's statutory mandate to provide pipeline locations to first responders, an agreed order must include a provision for NWN to update and provide to the commission accurate mapping data on its pipelines in Washington operating above 250 psig.

NW Natural Response – NW Natural has initiated a project to improve the mapping accuracy for pipelines operating above 250 psig in Washington. When completed, the accuracy will meet or exceed the requirements of the NPMS. The company anticipates completion on or before September 1, 2007.

Your response is needed

Please review this letter carefully and respond in writing by February 16, 2007 as to whether NWN agrees to enter an agreement to close this docket. Such an agreement will resolve all of the probable violations, areas of concern, mapping inaccuracies, and the additional conditions listed below.

DRAFT AGREEMENT CONDITIONS

(Numbers coincide to the probable violations noted in our September 22, 2006 correspondence.)

1. NWN agrees to designate any regulator that provides pressure regulation to 2 or more services, (excluding branched services) or main as a regulating station. NWN also agrees to maintain these regulating stations as required by 49 CFR 192.739 and any other state or federal code applicable to regulating stations.

NW Natural Response – NW Natural has completed the revision of its operations and maintenance manual to designate regulators serving mains or two or more services (excluding branched services) as regulating stations (district regulators), requiring maintenance as defined by 49 CFR 192.739.

2(a). NWN agrees to revise its operating and maintenance procedures manual definition of "District Regulator" to: *"A regulator station that reduces the pressure from a high pressure pipeline to a lower pressure pipeline. District regulators may serve one or more services."* NWN

may revise this definition in the future when applicable as long as the definition meets the requirements of WAC 480-93-180.

NW Natural Response – NW Natural has completed the revision of its operations and maintenance manual to redefine the definition of “District Regulator” to: “A regulator station that reduces the pressure from a high pressure pipeline to a lower pressure pipeline. District Regulators may serve one or more services.” The revised definition also addresses the main and service requirements detailed in issue #1 above.

2(b). Within 90 days of the entering of the commission order adopting and approving our agreement, NWN agrees to contact the manufacturers of all leak detection instruments used by NWN and obtain, where available, the maintenance handbooks, and where not available, written operations and maintenance procedures including calibration and accuracy check timeframes. NWN also agrees to incorporate the manufacturers’ written procedures for both existing instruments and any new equipment into its operations and maintenance procedures manual using specific language or by reference. NWN agrees to have copies of the manufacturers’ operations and maintenance handbooks, or where there are no handbooks, the written maintenance instructions, available for review during inspections. NWN agrees to maintain and calibrate instruments according to the schedules set forth in the operations and maintenance procedures manual.

NW Natural Response – NW Natural has initiated a project to contact manufacturers of all leak detection instruments used by the company to obtain maintenance handbooks, where available, and where not available, manufacturer’s recommendations for operation and maintenance, including calibration and accuracy check requirements. NW Natural will revise its operations and maintenance manual to reflect available manufacturer recommendations within 90 days of entering into an order adopting and approving our agreement.

3. NWN agrees to review and revise its welding procedures to ensure they meet the requirements of API 1104.

NW Natural Response – NW Natural has completed the review of its Welding Procedures manual to ensure that all weld procedures meet the requirements of API 1104.

4. NWN agrees to grade all leaks as required by WAC 480-93-186 and to count all leaks on Pipeline and Hazardous Material Safety Administration (PHMSA) Form F7100.1-1 Annual Report for Gas Distribution Systems. A leak is considered to be any “*unintentional escapes of gas from the pipeline*” as defined in the PMSA annual report general instruction section.

NW Natural Response – NW Natural has completed the implementation of necessary processes and procedures to grade all leaks as defined by WAC 480-93-186 and to count all leaks on the PHMSA Annual Report.

5. Within three years of the entering of the commission order adopting and approving our agreement, NWN agrees to complete a survey of (service) regulator installations in Washington

State to identify installations where the vent is installed in a manner that may allow water and debris to accumulate in the regulator and to remediate any such installations. NWN may conduct this evaluation in conjunction with its atmospheric corrosion survey. NWN also agrees to conduct training for employees in the proper installation of regulators.

NW Natural Response – NW Natural has commenced an inspection of service regulator installations in Washington to identify installations (if any) where the vent is installed in a manner that may allow the accumulation of water or debris, and to mitigate any such installations identified. The company incorporated this inspection as part of the regularly scheduled atmospheric corrosion survey that will be completed by September 30, 2007. In addition, NW Natural will complete refresher training for appropriate personnel regarding the proper installation of service regulator vents on or before July 30, 2007.

6. NWN agrees to revise the form (Work Order) used to record cathodic protection reads when steel pipe is exposed (and the coating has been removed) to better facilitate the recording of the required reads.

NW Natural Response – NW Natural has completed the revision of the company's Work Order form to facilitate the recording of cathodic protection levels when underground steel pipe is exposed and the coating has been removed.

7. NWN agrees to implement procedures for accurately mapping and recording the magnitude and location of individual combustible gas indicator readings as left on individual leak inspection forms. NWN agrees to record leak detection instrument serial numbers on individual leak records. This would also include leak survey records. NWN may use any unique identification number in lieu of serial numbers.

NW Natural Response – NW Natural has completed the implementation of processes to map and record the location of individual CGI readings "as left" as an element of leak investigations. The company has also completed the implementation of processes to record unique identification numbers for leakage detection instruments on individual leak inspection records.

8. NWN agrees to review WAC 480-93-124 and to place pipeline markers where required by that rule.

NW Natural Response – NW Natural has reviewed WAC 480-93-124 and has implemented a project to review applicable locations throughout Washington to ensure that pipeline markers are present, and install additional pipeline markers where necessary. The company will complete this project on or before July 30, 2007.

9. NWN agrees to document pressure tests as required by WAC 480-93-170. NWN agrees to modify its construction drawings to better document multiple pressure tests conducted on a single installation. NWN agrees to utilize its newly created "Damage Check List" form to better document pressure tests.

NW Natural Response – NW Natural has completed the revision of its construction drawing template to facilitate the documentation of multiple pressure tests conducted on a single installation. In addition, NW Natural has completed a new “Damage Check List” form, and trained field personnel on its use, to improve the documentation of pressure tests required under WAC 480-93-170.

10. NWN agrees to perform gas leak surveys after third party excavation damage as required by WAC 480-93-188(4). NWN agrees to utilize its newly created “Damage Check List” form to better document gas leak surveys performed after third party damage.

NW Natural Response – NW Natural has completed the implementation of processes to perform gas leak surveys after excavation damages per WAC 480-93-188(4). The company has also fully implemented the use of the new “Damage Check List” form to facilitate and document the performance of gas leak surveys after third party damage.

11. NWN agrees to meet the requirements of WAC 480-93-178(4) when installing polyethylene (PE) pipe. NWN agrees to revise its operations and maintenance procedures manual to require the use of conduits when installing PE services in open joint utility trenches, or that services (if not installed in conduit) are adequately covered with backfill material to prevent damage, as defined in #12 below.

NW Natural Response – NW Natural has completed the revision of its operations and maintenance manual to require that service lines are either installed in conduit, or are installed with adequate backfill to prevent damage from other facilities or structures, as required by WAC 480-93-178(4).

12. NWN agrees to revise its operations and maintenance procedures manual to ensure that those segments of gas pipe, installed in open joint utility trenches and not protected through the use of conduits, are adequately covered with backfill material to prevent potential damage.

NW Natural Response – As noted in the response to #11 above, NW Natural has completed the revision of its operations and maintenance manual to require that service lines installed in open joint utility trenches, and not protected by conduits, are adequately covered with backfill material to prevent damage from other facilities or structures.

AOC 1. NWN agrees to remove any reference to rolled welding from its welding procedures and operations and maintenance procedures manual. NWN agrees to communicate to its welders that rolled welding is not acceptable for Appendix C qualified welders and for welders that have not been qualified to an API 1104 rolled weld procedure. NWN may elect to qualify an API rolled welding procedure and to test and qualify welders to use roll welding at any time it deems necessary.

NW Natural Response – NW Natural has removed the rolled welding procedure from the Welding Procedures manual and the operations and maintenance manual for those welders that are qualified in accordance with 49 CFR, Part 192, Appendix C. In addition, the company will

Grant M. Yoshihara
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complete refresher training on this issue for all welders qualified under Appendix C by July 30, 2007.

AOC 2. NWN agrees to meet the installation requirements of WAC 480-93-170 (8) prior to testing PE pipes. NWN agrees to revise its operations and maintenance procedures manual to ensure that PE services in open joint utility trenches, are protected through the use of conduits or adequately covered with backfill material prior to testing.

NW Natural Response – NW Natural has completed the revision of its operations and maintenance manual to require that PE pipe is installed and backfilled prior to pressure testing, where feasible, to expose any damage that could have occurred during the installation or backfill process. In addition, as noted in the responses to #11 and #12 above, NW Natural has completed the revisions to its operations and maintenance manual requiring that service lines are either installed in conduit, or are installed with adequate backfill to prevent damage from other facilities or structures.

Additional conditions

- NWN agrees to respond to pipeline safety inquiries and data requests as soon as possible but in no more than 10 business days or other mutually agreeable period. For example, some inquiries may allow an immediate verbal or written response, while other inquiries may require more than 10 business days to gather and provide necessary documentation.
- NWN agrees to provide to the pipeline safety staff access to and copies (when requested) of any and all electronic or paper documents necessary to conduct our inspections. These documents may include maps, databases, reports or drawings.
- NWN agrees that during inspections it will have subject matter experts available either in person or by phone as required to respond to inquiries from pipeline safety staff.

NW Natural Response – NW Natural agrees in principal with the above three requests and would like to further discuss with WUTC staff at its convenience the specific parameters of each.

Please respond as requested above by February 16, 2007. You may contact David Lykken at (360) 664-1219 or me at (360) 664-1254 if you should have any questions.

Sincerely,

Alan E. Rathbun
Pipeline Safety Director

cc: Bruce L. Paskett, PE
Darlene Maurer