BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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| In re Commission Investigation of the Gas Pipeline System of Avista Utilities |  | DOCKET PG-100049  STIPULATED AGREEMENT TO CLOSE DOCKET |

**I. NATURE OF AGREEMENT**

1. This Stipulated Agreement to Close Docket (Agreement) is entered into between Avista Utilities (“Avista” or “Company”) and Staff of the Washington Utilities and Transportation Commission (“Commission Staff”) (collectively, “the Parties”) for the purpose of resolving issues resulting from a natural gas inspection of the Company’s Spokane and Ritzville districts. This Agreement consists of this “Stipulated Agreement to Close Dockets” and Appendices A, B, and C, which are attached.
2. This Agreement is subject to review and disposition by the Washington Utilities and Transportation Commission (“Commission”), and it is not effective until approved by the Commission.
3. The Parties understand that the process for approval is at the discretion of the Commission. However, the Parties believe the Commission may close this docket under the conditions stated herein by means of taking action on the agenda at an open public meeting, if the Commission desires to do so. The Parties recommend that procedure to the Commission.

**II. BACKGROUND**

1. Avista owns and operates a natural gas distribution system in Washington State. In this docket, Commission Staff conducted a Standard Natural Gas Pipeline Inspection of Avista’s pipeline facilities in its Spokane and Ritzville districts. The inspection included a review of the Avista’s records, policies and procedures, and pipeline facilities. The inspection took place from September 13 through October 22, 2010.
2. On November 17, 2010, Commission Staff issued to Avista an inspection report that noted probable violations of Commission rules and statutes related to Avista’s pipeline facilities and records, and areas of concern. *See* Appendix A. Among these probable violations, Commission Staff noted several sections of isolated steel service lines with no or inadequate cathodic protection (CP) levels.
3. Avista responded to the inspection in good faith by investigating, remediating, re-stating the Company’s policies and procedures, and identifying corrective actions taken by Avista in an attempt to ensure compliance with the regulations. *See* Appendix B.
4. As part of a prior Commission-approved settlement agreement between Avista and Commission Staff in Dockets UG-020218 and UG-020575, effective March 2003, Avista created and implemented a program to find any and all isolated steel with no or inadequate cathodic protection levels. Due to cathodic protection system limitations during the compliance period of the settlement agreement, Avista was unable to conduct an “on/off” pipe to soil potential survey, which was the preferred method of finding isolated steel that is not electrically continuous with the larger cathodic protection system. Rather, Avista relied upon reviews of paper and mapping records to find isolated steel segments. This was the best method available to Avista at the time.
5. Since the settlement agreement referred to above, Avista has improved its cathodic protection system to the point where “on/off” pipe to soil potential surveys can be conducted to find any remaining isolated segments of unprotected steel pipelines. *See* Appendix C. With input from Commission Staff, Avista has developed a program to accomplish this, and the Parties are confident that, due to system improvements and the utilization of “on/off” pipe to soil potential surveys, Avista will be able to find and remediate any segments of isolated steel found on its system.

**III. AGREEMENT**

1. The Parties have agreed upon a means by which this docket can be closed without further action by the Commission beyond its approval of the Parties’ Agreement. The Parties agree and stipulate as follows:
2. 1. Avista concurs that there were violations of Commission rules and statutes regarding the condition of Avista’s natural gas pipeline facilities and its records.
3. 2. Avista agrees to survey its entire Washington State pipeline system to find isolated steel and, except for Paragraph 12 below or unless otherwise specifically stated, complete all remedial action set forth in this Agreement within five years of the effective date of this Agreement.
4. 3. Avista has been voluntarily replacing known, cathodically protected, and isolated steel risers for several years. Avista will continue its replacement of these risers and will complete this effort within ten years of the effective date of this Agreement (at a rate of 10 percent per year). This replacement timeframe will also include any cathodically protected, isolated steel risers found within the next five years per this Agreement. .
5. 4. Within the time allowed by WAC 480-93-110(2) from discovery of an unprotected, isolated service or riser through Avista’s Isolated Steel Identification/ Replacement Program, Avista will either (a) replace it, or (b) provide cathodic protection, and then replace it within one year of discovery.
6. 6. Any sections of isolated steel main found by Avista through Avista’s Isolated Steel Identification/Replacement Program to not have cathodic protection will be replaced within the time allowed per WAC 480-93-110(2) or, cathodically protected within the time allowed per WAC 480-93-110(2), leak surveyed one time within 30 days of discovery and checked for past corrosion leaks over the previous 5 years. If past corrosion leaks are found (within the previous 5 years), the segment will either (a) be replaced within one year of discovery, or (b) be evaluated as to the need for replacement. The evaluation of these segments will include a review of any exposed pipe condition reports, potholing the pipe with direct examination of pipe and coating, evaluation of soil type and proximity to structures intended for human occupancy and the potential of gas to migrate in the event of a leak. The evaluation shall also include a coating conductance survey. If no past corrosion leaks are found, the segment will be evaluated as to the need for replacement through Avista’s Distribution Integrity Management Program (DIMP)[[1]](#footnote-1).
7. 7. For the evaluation of unprotected, isolated segments that have had a past corrosion leak(s) and are not immediately replaced as set out in Paragraph 14 above, Avista will create and implement an evaluation method for ranking pipeline risk factors to be used in determining if any previously unprotected main sections are safe to remain operational if cathodically protected.
8. 8. Avista will develop a quality assurance/quality control (QA/QC) process to ensure that work is being performed effectively. At a minimum, the QA/QC process shall require that each riser be visited and status confirmed. The results of the QA/QC process shall be summarized in the quarterly progress reports described in Paragraph 18 below.
9. 9. Avista agrees to provide detailed quarterly progress reports to the Commission that include the following information: (a) area surveyed with maps; (b) non-protected facilities found, broken down by type (for example, riser, service, short or long section of main); and (c) the number and type protected and/or replaced. Reports will show quarterly progress in addition to total program progress. Reports will be submitted by January 15th, April 15th, July 15th, and October 15th of each calendar year following the effective date of this Agreement until the program is completed.
10. 10. Avista will track all costs associated with the remediation actions set forth in this Agreement in a separate account.
11. 11. The Parties recognize that the full scope of Avista’s isolated steel replacement project may be better known after Avista completes the survey of its system set out in Paragraph 11 above. Should Avista determine that circumstances exist that will prevent it from completing remedial action within the five years set out in Paragraph 11 or the ten years set out in Paragraph 12, it shall be Avista’s responsibility to notify Commission Staff in writing at least 30 days in advance of the deadline and request an extension by means of an amendment to the Agreement. Any amendments to the Agreement must be filed with the Commission, and will not be effective until approved by the Commission.
12. 12. Avista and Commission Staff agree that this docket may be closed upon Commission approval of this Agreement.

**IV. GENERAL PROVISIONS**

1. Nothing in this Agreement affects the ability of the Commission Staff to seek a complaint for penalties or other appropriate relief, if gas pipeline safety rule violations are found in subsequent inspections by Commission Staff of the Company’s gas distribution system, policies and procedures. Nothing in this Agreement prevents or places any conditions upon the Company from contesting any such Commission enforcement action, if any is initiated.
2. This is the entire agreement of the Parties. It may not be cited as precedent in any proceeding other than a proceeding to enforce the terms of this Agreement.
3. This Agreement is considered executed when all Parties sign the Agreement. A designated and authorized representative may sign the Agreement on a party’s behalf. The Parties may execute this Agreement in counterparts. If the Agreement is executed in counterparts, all counterparts shall constitute one agreement. An Agreement signed in counterpart and sent by facsimile is as effective as an original document. A faxed signature page containing the signature of a party is acceptable as an original signature page signed by that party. Each Party shall indicate the date of its signature on the Agreement. The date of execution of the Agreement will be the latest date indicated on the signatures.
4. Upon execution, Commission Staff will make reasonable efforts to have the matter placed on the next available Commission open meeting agenda. If this matter is not handled at a Commission open public meeting, the Parties agree to support the Agreement during the course of whatever procedures the Commission determines are appropriate.

For Commission Staff: For Avista Utilities:

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Michael A. Fassio David Meyer

Assistant Attorney General Vice President & General Counsel for

Counsel for Commission Staff Regulatory and Government Affairs

Avista Utilities

Date signed: Date signed:

1. DIMP is defined in the Federal Code of Hazardous Materials and Pipeline Safety Regulations, Title 49 CFR Part 192, Subpart P [↑](#footnote-ref-1)