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Date: March 26, 2018

Subject: Six Month Status Report

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March 26, 2018

Sean C. Mayo – Pipeline Safety Director, Pipeline Safety Program
State of Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P.O. Box 47250
Olympia, WA 98504-7250

Subject: Docket PG-150120, Settlement Agreement, Six-Month Status Report

Dear Mr. Mayo,

This letter serves as Cascade Natural Gas Corporation's (CNGC) six-month status report as outlined in the Settlement Agreement, Docket PG-150120, between the Staff of the Washington Utilities and Transportation Commission (WUTC) and CNGC.

V. TERMS OF AGREEMENT

B. Compliance Program

1. CNGC will document the basis for validation of the MAOP of every pipeline segment operating above 60 psig. Such documentation will be completed in accordance with the provisions of 49 C.F.R. § 192.619 as it currently exists, or as it may be amended by PHMSA. CNGC will meet the following timelines:

Documentation of MAOP Validation

- a. For the 116 pipeline segments currently identified as missing critical information necessary for documenting the basis for validation of MAOP:
 - i. CNGC will document the basis for validation of the MAOP on at least 50% of the mileage by December 31, 2018. **The Commission will impose a \$250,000 suspended penalty if CNGC fails to comply.**
 - ii. CNGC will document the basis for validation of the MAOP on 100% of the mileage by December 31, 2023. **The Commission will impose a \$250,000 suspended penalty if CNGC fails to comply.**

Cascade Response

CNGC is currently on schedule to have MAOP validation completed on 50% of the mileage for the 116 pipeline segments identified as missing critical documentation by December 31, 2018. From the pressure testing, in-situ testing, field verifications, and pipe replacements that have been completed and projects in progress, CNGC is in

position to meet this term, 1. a. i. of the Settlement Agreement, by having more than 111 miles validated by December 31, 2018. Notable projects completed since the last update include:

Replacement

- 6" Wenatchee H.P. Line (2912 fish, 1,066')
- Longview-Kelso H.P. Distribution Line (Pre-CNGC-L1-1, 4,066')

Pressure Testing

- Longview-Kelso H.P. Distribution Line (82C8335-2, 521')
- Longview-Kelso H.P. Distribution Line (82C8335-3, 152')
- 4" Dike Road H.P. Line (82C8335, 6,463')

Currently, CNGC has approximately 90 miles of the total 222 miles validated.

Validation of Highest Risk Segments

- b. Validation of highest risk pipeline segments: CNGC has identified five segments currently operating at 30% specified minimum yield strength (SMYS) or above that are missing critical information necessary to document the basis for validation of MAOP. CNGC will complete validation of all five segments by December 31, 2017.

Cascade Response

CNGC has completed MAOP validation work on the five segments operating at or above 30% SMYS.

In addition to the five segments previously identified, eight additional pipeline segments were identified by TRC Pipeline Services, LLC (TRC) as operating at 30% SMYS or above with missing critical information. These eight segments were outlined in the MAOP Determination & Validation Plan filed with the Commission on December 29, 2017 and in a separate letter to WUTC Staff on January 12, 2018. CNGC is working toward validating these eight pipeline segments and to date, has completed field work on six of the eight segments. Pipeline segments 50202 (Aberdeen), 50202-T (Aberdeen), 44000-T (Aberdeen), 18736 (Bellingham), 50203 (Bremerton), 45730 (Mount Vernon) have been completed. CNGC is in the process of reviewing testing information and the initial review of the results indicate the pipeline segments will fall below 30% SMYS.

Work on the remaining pipeline segments, 16049 (Mount Vernon) and 60209 (Mount Vernon), is in progress. Design for a new odorizer station and piping for 16049 is in progress and is scheduled for construction this summer. On pipeline segment 60209, work was started but was put on hold due to site conditions and safety concerns with continuing excavation at this time. CNGC's plan is to continue work when site conditions improve later this spring. Some of the test points were able to be completed and the test results of the four points that were tested came back with a grade greater than X-52, which would lower the segment's percent SMYS to below 30%. Ten additional tests are necessary to obtain the appropriate number of tests required for the pipe length being tested. CNGC currently has design drawings for this segment which indicates X-52 seamless pipe was to be used; however, there is conflicting as-built documentation which lists Grade B pipe. No purchase records or material test reports are available to support either, but testing of 4 of the 14 locations would indicate X-52 was used. This segment was installed in 2001.

TRC's Audit and Findings

- c. CNGC has retained TRC Pipelines Service LLC (TRC) to complete a records review of all remaining pipelines operating above 60 psig. The TRC MAOP records review will be completed by the end of first quarter 2017.
- d. CNGC will incorporate any additional pipeline segments operating above 60 psig that have been identified by TRC's review as missing critical information necessary to document the basis for validation of MAOP into the risk matrix to identify mitigation prioritization.
 - i. CNGC will submit an updated timeline/plan that includes the additional segments to Commission Staff by December 31, 2017.
 - ii. CNGC and Commission Staff will file an Amended Settlement Agreement with the Commission by March 31, 2018, that reflects a completion date by which CNGC will document the basis for validation of all the high pressure (greater than 60 psig) MAOP for the additional segments identified by TRC. **The Amended Settlement Agreement will include a \$500,000 suspended penalty, imposed in full if CNGC fails to comply with the completion date associated with any new high pressure segments identified by TRC.**

If CNGC and Staff disagree on a completion date, they commit to discuss the nature of the disagreement and to work cooperatively to resolve it. If agreement on the timeline cannot be reached in this way, either Staff or CNGC (or both) may bring the matter to the Commission for decision in a petition to enforce this Agreement.

Cascade Response

TRC completed the records review of all remaining pipelines operating above 60 psig on March 31, 2017. CNGC has reviewed the information from TRC, incorporated additional pipeline segments and facilities into the risk matrix, and developed an updated timeline/plan to address additional segments identified by TRC. CNGC submitted an updated plan to the WUTC Staff on December 29, 2017.

CNGC and WUTC Staff have been meeting and are currently working on finalizing the Amended Settlement Agreement. The Amended Settlement Agreement will be filed by March 31, 2018.

Prioritization of Pipeline Validation

- 2. CNGC will prioritize the work set forth in No. 1 above, with priorities established for pipeline segments based on risk to public safety. Risk considerations will include but are not limited to:
 - a. Segment class location;
 - b. Location of high consequence areas;
 - c. Segment SMYS percentage based on the most stringent criteria for missing pipe characteristics;
 - d. Pipe vintage with special consideration for pre-code pipe with unknown characteristics;
 - e. Pipe material, installation characteristics, or maintenance records that indicate increased risk; and
 - f. Low frequency electric resistance welded (ERW) and unknown seam types when SMYS >25%.

Cascade Response

CNGC applied risk weighting scores, based on the above risk considerations, to the original 116 and the additional pipeline segments and facilities identified by TRC. From the risk scores CNGC calculated a total risk score for each pipeline segment and facility. CNGC then established criteria levels for high, moderate, and low risk prioritization to be used as the basis for completing MAOP validation.

Leak Surveys

3. All unvalidated pipeline segments with preliminary SMYS calculations of 20% or greater will be leak surveyed a minimum of four (4) times annually. Once information is available to substantiate SMYS below 20% or to validate the MAOP of a pipeline segment, that pipeline segment will return to leak survey intervals prescribed by code. CNGC will notify Commission Staff when a pipeline segment returns to code-based survey intervals and will make available for Commission Staff inspection documentation of the basis for the action.

Cascade Response

Leak survey of unvalidated pipeline segments is ongoing and there are no new updates at this time.

Pressure Reductions

4. All unvalidated pipeline segments with low frequency seam welds or unknown seam types, with preliminary SMYS calculations of over 30%, shall be maintained at a 20% pressure reduction. Once information becomes available to identify seam type as not low frequency ERW or to substantiate SMYS below 30%, pipeline segments will return to previous operating pressure. CNGC will notify Commission Staff when a pipeline segment returns to a previous operating pressure and will make available for Commission Staff inspection documentation of the basis for the action.

Cascade Response

Currently, there are five remaining pipelines with eight unvalidated segments that were initially identified with low frequency ERW or an unknown seam type and with a calculated percent SMYS greater than 30%. In-situ testing has been completed on these eight segments and the results from testing have reduced the calculated percent SMYS to below 30%. CNGC plans to keep these lines at a 20% pressure reduction until the pipelines can be fully validated.

TIMP and DIMP

5. Line segments preliminarily calculated at greater than 20% SMYS will be incorporated into CNGC's transmission integrity management program (TIMP). Baseline assessments for said pipe will be completed by December 31, 2020. Upon completion of MAOP validation, CNGC's TIMP and distribution integrity management program (DIMP) will be re-evaluated and updated as required.

Cascade Response

Line segments that have been calculated at greater than 20% SMYS have been incorporated into CNGC's TIMP. Baseline assessment requirements are being evaluated based on the MAOP validation plan for each of the pipeline segments and are on schedule to be completed by December 31, 2020.

API 1173 and Third Party Audit

6. CNGC will submit to a third party audit to determine baseline variance from the standards set forth in American Petroleum Institute (API) Recommended Practice 1173, Pipeline Safety Management Systems (PSMS). Commission Staff will provide input on the selection of the consultant. At a minimum, the audit will review the following company elements:
 - a. Leadership and management commitment
 - b. Stakeholder engagement
 - c. Risk management
 - d. Operational controls
 - e. Incident investigation, evaluation and lessons learned
 - f. Safety assurance
 - g. Management review and continuous improvement
 - h. Emergency preparedness and response
 - i. Competence, awareness, and training
 - j. Documentation and record keeping

Upon completion of the audit, CNGC will submit the consultant's report to the Commission. The third-party audit and written report will be completed by December 31, 2017. The Commission will impose a \$500,000 suspended penalty if CNGC fails to submit the consultant's report by December 31, 2017. The results of the third-party audit shall not be the basis for Staff recommendations of additional penalties against CNGC and if the third-party audit identifies violations of code, CNGC shall have a reasonable opportunity to correct such violations.

7. CNGC will commence a program to align its operations with the standards of API Recommended Practice 1173. Commission Staff will review CNGC's progress in implementing these operational changes. API 1173 is a recommended practice and, as such, compliance with API 1173 may be subject to audit but shall not be the basis for penalties.

Cascade Response

The third-party audit report was submitted on December 14th, 2017. CNGC is committed to aligning our operations with the standards of API 1173 and the executive team has been actively working with the directors of our collective operations and engineering teams to continue to move this forward in our organization.

Please contact me directly if you wish to meet and discuss any of the information in the latest update.

Respectfully Submitted,



/s/ Eric Martuscelli
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