

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

CASCADE NATURAL GAS
CORPORATION's

Pipe Replacement Program Plan

DOCKET PG-160293

ORDER 01

ORDER APPROVING IN PART AND
REJECTING IN PART CASCADE
NATURAL GAS CORPORATION'S 2015
PIPE REPLACEMENT PROGRAM PLAN

BACKGROUND

- 1 On December 31, 2012, the Utilities and Transportation Commission (Commission) issued its Policy on Accelerated Replacement of Pipeline Facilities with Elevated Risk (Policy Statement).¹ As required by the Policy Statement, each investor-owned gas pipeline utility company filed a Master Plan for replacing pipe that represents an elevated risk of failure in 2013.
- 2 The Policy Statement also requires each investor-owned gas pipeline utility company to file a pipeline replacement plan (PRP) every two years for replacing pipe that represents an elevated risk of failure, beginning June 1, 2013.² Each company's plan must include:³
- 1) a Master 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.

¹ Docket UG-120715 (December 31, 2012).

² *Id.* ¶ 43. Subsequent PRP filings should be filed by June 1 every two years thereafter (*i.e.*, June 1, 2015, 2017, 2019, etc.).

³ *Id.* ¶ 42.

Each Plan must also: (1) target pipe or facilities that pose an elevated risk of failure; (2) be a measured and reasonable response in relation to the elevated risk without unduly burdening ratepayers, and (3) be in the public interest.⁴ Finally, each Plan should contain a section analyzing its impact on rates.⁵ Companies seeking to recover costs must simultaneously file a proposed Cost Recovery Mechanism (CRM) with their Plan.

3 On May 29, 2015, Cascade Natural Gas Corporation (Cascade or Company) filed with the Commission an “Updated Pipeline Replacement Plan” for 2015 (2015 Two-Year Plan). The Company filed revisions to its plan on October 1, 2015, to reflect its responses to Commission staff’s (Staff) inquiries.

4 Consistent with the Commission’s policy statement, Cascade also submitted information for a CRM with its 2015 Two-Year Plan. Staff will present the CRM in a separate filing in Docket No. UG-151155. The results of the projects identified in the 2015 Two-Year Plan are anticipated to have no more than a one percent annual increase in rates in the accompanying annual CRM.

5 Cascade has identified four types of facilities located in Washington that pose an elevated risk of failure: bare steel pipes that were not cathodically protected until required by code in the 1970s; 1950s vintage steel pipelines, which may or may not have been cathodically protected until required by code in the 1970s; exposed pipe susceptible to corrosion risk; and pipe in casings, which are high-risk due to corrosion and the inability to provide cathodic protection within casing.

6 Cascade’s 2015 Two-Year Plan modifies its 2013 Two-Year Plan by adding newly prioritized projects after recalculating the Distribution Integrity Management Plan (DIMP) model with additional data collected during the last two-year cycle. Staff does not believe the Master Plan needs updating at this time because the projects identified in the 2015 Two-Year plan were previously identified in the Master Plan. The Company’s Master Plan, however, identifies sections of pipeline that lack maximum allowable operating pressure (MAOP) documentation. These sections of pipeline – also identified by Staff in Docket PG-150120 during three independent inspections conducted on March 28, 2013, May 16, 2013, and October 18, 2013 – may not be eligible for cost

⁴ *Id.* ¶¶ 44-56.

⁵ *Id.* ¶ 55.

recovery.⁶ Pipelines that lack essential data necessary to confirm their MAOP fail to meet the requirements of 49 CFR 192.619 (Maximum Allowable Operating Pressure: Steel or Plastic Pipelines).

7 Order 01 in Docket PG-150120 requires Cascade to evaluate several pipelines with insufficient documentation to validate the established MAOP, then submit a plan of action to the Commission (Action Plan). Among the various outcomes the Action Plan considers is replacing some of the pipelines, all of which are steel and high pressure (over 60 psi).

8 Because the data used to determine MAOP is also used in the Company's DIMP model, insufficient data could change the model inputs. Cascade may propose projects – such as replacing older pipelines that have no MAOP documentation – that are also part of the pipeline replacement Master Plan.⁷ Cascade should analyze and confirm any overlaps between its Master Plan and its Action Plan. 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).

9 Staff concludes that the 2015 Two-Year Plan otherwise addresses pipelines currently ranked high priority by the DIMP model. The 2015 Two-Year Plan meets the requirements of the Master Plan, and 2015 Two-Year Plan projects are appropriately prioritized and ranked per Cascade's DIMP model. Staff is satisfied that the 2015 Two-Year Plan is consistent with the Commission's Policy Statement and adequately addresses Cascade's elevated risk pipeline facilities in Washington.

10 Staff recommends that the Commission approve Cascade's 2015-2017 Two-Year Plan filed on May 29, 2015, and revised October 1, 2015, in part. Staff does not recommend

⁶ During the 2013 inspections, Staff requested that Cascade produce additional documentation for four randomly selected high pressure pipelines to confirm their MAOP. In all four cases, the documentation the Company provided was missing some form of essential data necessary for Staff to validate the pipelines' MAOP. As a result of this discrepancy, Staff requested a list of all high pressure pipelines in Cascade's 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.

⁷ For instance, Staff identified several lines in the MAOP insufficient data listing that appear to be the same lines listed on the Two-Year Plan for replacement (e.g., 3" Burlington HP line, 8" Bellingham Line 1, 4" HP LaConner, 8" Attalia HP).

approval of the portion of the plan related to pipelines that fail to comply with 49 CFR 192.619.

DISCUSSION

- 11 The Commission agrees with Staff's recommendation and approves Cascade's revised 2015 Two-Year Plan, in part. The sections of Cascade's pipeline that lack MAOP documentation may not be eligible for cost recovery. Accordingly, we reject the portion of Cascade's Plan that addresses the sections of pipeline that fail to comply with the requirements of 49 CFR 192.619 due to insufficient MAOP documentation.
- 12 We agree with Staff that the Company's revised 2015 Two-Year Plan is otherwise consistent with our Policy Statement. Cascade should review the pipelines identified in Docket PG-150120 and crosscheck them with the DIMP model output for overlap. These pipelines will need further Staff investigation to determine whether they meet the Guidelines for reimbursement.

FINDINGS AND CONCLUSIONS

- 13 (1) The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, rules, regulations, and practices of public service companies, including natural gas companies.
- 14 (2) Cascade is a natural gas company and a public service company subject to Commission jurisdiction.
- 15 (3) Cascade filed its 2015 Two-Year Plan with the Commission on May 29, 2015, and filed revisions on October 1, 2015.
- 16 (4) Cascade's Master Plan identifies sections of pipeline that are not in compliance with MAOP documentation requirements, and therefore fail to comply with the requirements of 49 CFR 192.619. The Commission will not approve those portions of Cascade's Master Plan that address sections of pipeline that are not compliant with MAOP documentation requirements.
- 17 (5) Cascade's revised 2015 Two-Year Plan is otherwise a reasonable and measured approach to replace pipeline facilities with an elevated risk of failure.

ORDER

THE COMMISSION ORDERS:

- 18 (1) Cascade Natural Gas Corporation's revised 2015 Two-Year Plan is approved, in part. The Commission rejects those portions of Cascade Natural Gas Corporation's Master Plan that address sections of pipeline that are not in compliance with MAOP documentation requirements.
- 19 (2) Cascade Natural Gas Corporation should file an updated Pipeline Replacement Program Plan for 2017-19 no later than June 1, 2017.

DATED at Olympia, Washington, and effective April 7, 2016.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner