

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

In re Commission Investigation of the Gas
Pipeline System of Northwest Natural Gas
Company

DOCKET NO. UG-060208

STIPULATED AGREEMENT TO
CLOSE DOCKET

I. NATURE OF AGREEMENT

1 This Stipulated Agreement to Close Docket (Agreement) is entered into
between Northwest Natural Gas Company (Company) and the Staff of the Washington
Utilities and Transportation Commission (Commission Staff) (collectively, the Parties)
for the purpose of resolving certain issues resulting from a natural gas inspection of the
Company's Clark County District.

2 This Agreement is subject to review and disposition by the Washington
Utilities and Transportation Commission (Commission), and it is not effective for any
purpose until it is approved by the Commission.

3 The Parties understand the process for approval of this Agreement 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 consent agenda at an open public meeting, if the Commission desires to do so. The Parties hereby recommend that procedure to the Commission.

II. BACKGROUND

4 The Company owns and operates natural gas pipeline facilities serving residences and businesses located in Clark County, Washington. In this docket, the Commission Staff conducted a safety inspection of the Company's Clark County operations. The inspection included a review of the Company's records, operating policies and procedures, and pipeline facilities.

5 On September 22, 2006, the Commission Staff issued to the Company a "Staff Report of Probable Violations" ("Staff Report") (Appendix A), alleging twelve areas of violations of federal and Commission rules regarding the Company's operating policies and procedures, and record keeping. By separate letter dated January 25, 2007, the Commission Staff also alleged significant inaccuracies in the Company's mapping data for pipelines operating above 250 psig that prevented the Commission from satisfying its mandate under RCW 81.88.080 to provide pipeline location information to first responders.

6 In a letter titled "Company Response to Staff Report", the Company, on November 3, 2006, responded to the Staff Report by investigating the matters alleged and identifying corrective actions taken by the Company in an attempt to ensure

compliance with the regulations. (Appendix B.) The Commission Staff has reviewed, and in some cases verified, the corrective actions taken by the Company and agrees that the steps outlined by the Company have corrected the specific conditions alleged in the September 22 Staff Report or that the Company has initiated remedial action that will correct those conditions.

III. AGREEMENT

7 The Parties have mutually agreed to 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:

8 1. *Company Acknowledgement:* The Company concurs that some of its actions, operating policies and procedures, and record keeping were not in compliance with current federal and Commission pipeline safety rules, and that the Company's mapping data for pipelines operating above 250 psig was not of sufficient accuracy to meet the requirements of RCW 81.88.080.

9 2. *Mapping Data:* The Company has initiated a project to improve the accuracy of its maps for pipelines operating in Washington above 250 psig that, when completed, will meet or exceed the requirements for the National Pipeline Mapping System. The Company will complete this project on or before September 1, 2007.

10 3. *Inspection and Testing of Pressure Limiting and Regulating Stations:* The Company has revised, and will maintain, its operations and maintenance manual

to designate regulators serving mains or two or more services (excluding branch services) as regulating stations requiring maintenance under 49 CFR 192.739. The Company will further implement any other state or federal regulation applicable to the maintenance of regulating stations.

11 4. *Operations and Maintenance Procedures for Emergency Response and Reporting:* The Company has revised, and will maintain, its operations and maintenance manual to define "District Regulator" as 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 Company may further revise that definition, but agrees that any future definition of "District Regulator" will meet the requirements of WAC 480-93-180.

12 The Company has also initiated a project to contact manufacturers of all leak detection instruments used by the Company in order to obtain maintenance handbooks where available, or, where handbooks are not available, manufacturer's recommendations for operations and maintenance, including calibration and accuracy check requirements. The Company will revise its operations and maintenance manual to reflect these manufacturers' recommendations within 90 days of a Commission order adopting and approving this Agreement.

13 5. *Welding Procedures:* The Company has revised, and will maintain, its Welding Procedures manual to meet the requirements of API 1104. The Company will

allow Commission Staff to verify the revisions during the 2008 scheduled standard inspection.

14 6. *Gas Leak Investigation:* The Company has revised, and will maintain, applicable procedures to grade all leaks as required by WAC 480-93-186 and to count all leaks on Pipeline and Hazardous Material Safety Administration Form (PHMSA) F7100.1-1 Annual Report for Gas Distribution Systems. The Company will allow Commission Staff to verify the revisions during the 2008 scheduled standard inspection. For purposes of this provision, a “gas leak” is defined by the PHMSA Annual report as any “unintentional escape of gas from a pipeline”.

15 7. *Customer Meter and Regulator Protection from Damage:* As part of its regularly scheduled atmospheric corrosion survey, the Company initiated an inspection of service regulators in Washington to identify and remediate any installations where the vent was installed in a manner that may allow the accumulation of water or debris. The Company will complete that inspection on or before September 30, 2007 and will correct any improperly installed service regulator vents by October 31, 2007. The Company will also complete on or before July 30, 2007 refresher training for appropriate personnel on the proper installation of service regulator vents. The Company will allow Commission Staff to verify the commitments made in this paragraph during the 2008 scheduled standard inspection.

16 8. *Corrosion Control:* The Company has revised, and will maintain, its

Work Order form to facilitate the recording of cathodic protection levels when underground steel pipe is exposed and the coating has been removed. The Company will allow Commission Staff to verify this revision during the 2008 scheduled standard inspection.

17 9. *Gas Leak Records:* The Company has implemented, and will maintain, processes to map and record the location of individual combustible gas indicator readings “as left” during leak investigations. The Company has also implemented, and will maintain, processes to record unique identification numbers for leakage detection instruments on individual leak inspection records. The Company will allow Commission Staff to verify the commitments made in this paragraph during the 2008 scheduled standard inspection.

18 10. *Pipeline Markers:* The Company has reviewed WAC 480-93-124 and has implemented a project to review applicable locations throughout its Washington service territory to ensure that pipeline markers are currently present or will be installed where necessary. The Company will complete this project on or before July 30, 2007. The Company will allow Commission Staff to verify the commitments made in this paragraph during the 2008 scheduled standard inspection.

19 11. *Tests and Reports for Pipelines:* The Company has revised, and will maintain, its construction drawing template to facilitate the documentation of multiple pressure tests conducted on a single installation. The Company has also adopted, and

will maintain, a new "Damage Check List" form and has trained field personnel on its use to improve the documentation of pressure tests required under WAC 480-93-170. The Company will allow Commission Staff to verify the commitments made in this paragraph during the 2008 scheduled standard inspection.

20 12. *Gas Leak Surveys:* The Company has adopted, and will maintain, processes to perform gas leak surveys after third party excavation damages as required by WAC 480-93-188(4). The Company also has adopted a new "Damage Check List" form to facilitate and document the performance of gas leak surveys after third party damage. The Company will allow Commission Staff to verify the commitments made in this paragraph during the 2008 scheduled standard inspection.

21 13. *Protection of Plastic Pipe and Service Line Installation:* The Company has revised, and will maintain, 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). The Company will allow Commission Staff to verify the commitments made in this paragraph during Staff's crew inspections.

22 14. *Welding Procedures:* The Company has removed the rolled weld procedure from its Welding Procedures and operations and maintenance manual for all welders that are qualified under 49 CFR Part 192, Appendix C. The Company also will complete refresher training on that revision on or before July 30, 2007. The

Company agrees to allow Commission Staff to verify the commitments made in this paragraph during the 2008 scheduled standard inspection.

23 15. *Pipe Installation and Backfill Procedures:* The Company has revised, and will maintain, 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. The Company agrees to allow Commission Staff to verify the commitments made in this paragraph during the 2008 scheduled standard inspection.

24 16. *Pipeline Safety Inquiries:* The Company agrees to the following procedures for responding to requests for information from Commission Staff regarding pipeline safety:

- The Company will respond to oral and written inquiries from Commission Staff as soon as reasonably possible, but in no more than 10 business days from the date of the inquiry or other mutually agreeable time, for requests that may require greater than 10 business days to respond.
- The Company will provide to Commission Staff access to, and copies (when requested) of, any and all electronic or paper documents necessary for Staff to conduct its inspections. Such documents include, but are not limited to, maps, databases, reports or drawings. Public disclosure of such electronic or paper documents shall be controlled by the Public Records

Act, RCW Chapter 42.56 and any and all applicable court orders.

- During inspections by Commission Staff, the Company will have subject matter experts available either in person or by telephone, as required to respond to inquiries from Commission Staff.

IV. GENERAL PROVISIONS

25 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.

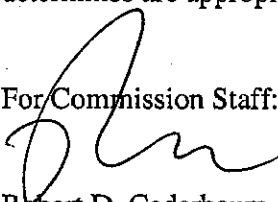
26 This is the entire agreement of the Parties. It may not be cited as precedent in any proceeding other than a proceeding to enforce the terms of this Agreement.

27 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

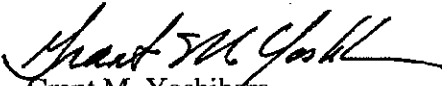
signature on the Agreement. The date of execution of the Agreement will be the latest date indicated on the signatures.

28 Upon execution, the Commission Staff will make reasonable efforts to have the matter placed on the next reasonably 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:


Robert D. Cedarbaum
Assistant Attorney General

For Northwest Natural Gas Company


Grant M. Yoshihara
Vice President, Utility Operations

Date signed: 8/8/07

Date signed: August 7, 2007