



8113 W. GRANDRIDGE BLVD., KENNEWICK, WASHINGTON 99336-7166
TELEPHONE 509-734-4500 FACSIMILE 509-737-9803
www.cngc.com

Date: September 18, 2020

Subject: Six Month Status Report

Sender: Ryan Privratsky, Director System Integrity
Cascade Natural Gas Corporation

Mailing Address: 8113 W. Grandridge Blvd., Kennewick WA 99336-7166

Phone Number: (509) 734-4599

Email Address: ryan.privratsky@mdu.com

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

Subject: Docket PG-150120, Amended 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 Amended Settlement Agreement, Docket PG-150120, between the Staff of the Washington Utilities and Transportation Commission (WUTC) and CNGC.

V. TERMS OF AMENDED AGREEMENT

B. Revised Compliance Program

1. CNGC will document the basis for validation of the MAOP of every pipeline segment and facility operating above 60 psig. Such documentation will be completed in accordance with the provisions of 49 C.F.R. § 192.619 as it currently, or as it may be amended by PHMSA. CNGC will meet the following timelines:
 - a. For all segments and facilities 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 100% of the segments and facilities having a risk score of greater than or equal to 75, as set forth in the MAOP Determination & Validation Plan dated March 2018, by December 31, 2023.
 - ii. CNGC will document the basis for validation of the MAOP on 100% of the segments and facilities having a risk score of less than 75, as set forth in the MAOP Determination & Validation Plan dated March 2018, by December 31, 2028.
 - iii. CNGC has identified eight additional segments currently operating at 30% SMYS or above that are missing critical information needed to document the basis for validation of MAOP. CNGC will complete validation of the eight additional segments by December 31, 2018, unless the percent SMYS of a pipeline segment is reduced below 30% through testing or other approved validation methods, in which case CNGC will schedule the segment for validation based on the total risk score of the segment.

Cascade Response

CNGC continues to make progress completing validation on segments and facilities that are missing critical information to be able to validate MAOP.

Notable projects completed since the last update include:

Pressure Testing

- 4" South Lynden H.P. Line (Line 4-1, 19,000')
- 2" Nooksack H.P. Distribution System (20048, 20519, 16C7000, 1,959')

Replacement

- 4" Othello H.P. Line (59C7038, 11,500')
- 4" Arlington H.P. Line (Fish 18C4272, 5,500')

Notable projects currently in construction include:

Replacement

- Longview-Kelso H.P. Distribution System (Pre-CNGC-L1-1, 4,500')

Downrate

- 8" Attalia Transmission Line (01C4776, 54C2565, 78,449')

Pressure Testing

- 8" Anacortes Transmission Line (18191, MTVL1-1, 45,000')

Notable projects currently in planning and design or pre-construction stages include:

Replacement

- Anacortes H.P. Distribution System (MTVL3, 3,000')
- 3" Zillah H.P. Line (Fish-L6-1, 873')
- 8" Central Whatcom Transmission Line (14C1344, 165')
- 8" March Point Transmission Line (11C1144, 11C5628, 900')
- 8" Anacortes Transmission Line (MTVL1-1, 1,900')
- 8" Bellingham Transmission Line (Line 1-1, 16')
- 8" Yakima H.P. Line (20375, Fish_968, FISH_968_Lat_26, 5,312')

Pressure Testing

- 4" Finley H.P. Line (53C2527, 12,391')
- 6" Wenatchee Line (2912, 30,224')

In-Situ Testing

- 6" Toppenish-Zillah Transmission Line (YakimaL5-1, 32,566')

Downrate

- 8" Bellingham Transmission Line (Line 1-1, 1,800')
- 8" Anacortes Transmission Line (MTVL1-1, 11,800')

Along with the projects highlighted above, various smaller branch lines have also been validated or are in the process of being validated.

b. **COMPLETED:** 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.

c. **COMPLETED:** 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. **COMPLETED:** 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. **COMPLETED:** CNGC will submit an updated timeline/plan that includes the additional segments to Commission Staff by December 31, 2017.

ii. **COMPLETED:** 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.

2. **COMPLETED:** 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:
- Segment class location;
 - Location of high consequence areas;
 - Segment SMYS percentage based on the most stringent criteria for missing pipe characteristics;
 - Pipe vintage with special consideration for pre-code pipe with unknown characteristics;
 - Pipe material, installation characteristics, or maintenance records that indicate increased risk; and
 - Low frequency electric resistance welded (ERW) and unknown seam types when SMYS >25%.

3. **ONGOING:** 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 at SMYS 20% or greater is ongoing. No changes have been made since the last six-month status report.

4. **ONGOING:** 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

CNGC continues to complete MAOP validation work required on the remaining pipeline segments with low frequency seam weld or unknown seam types, with preliminary SMYS calculations over 30%. CNGC is working on plans and design to complete the remaining work required to return the 8” Central Whatcom Transmission Line, (14C1344), 8” Bellingham Transmission Line (Line 1-1), and 8” Lake Terrell Rd Transmission Line (18734-2 to previous operating pressures in 2020.

5. **ONGOING:** 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

CNGC continues to work on completing baseline assessment requirements on pipeline segments that were incorporated into CNGC’s TIMP through MAOP validation. CNGC is working to complete necessary work to either replace, pressure test, downrate, retire, or perform direct assessments on the following high consequence area’s (HCA’s): 230108-01, 200506-01, 050108-03, 050308-01, 050308-02, 110112-01, 110112-02, 170108-05, 170108-06, 170208-01. A summary of work being performed for each HCA is described below:

230108-01	A new 12” H.P. distribution pipeline was installed in 2019, which is connected to a new gate station that was recently completed. Installation of a pipe connection between the new 12” to a new regulator station connected to the existing 8” Attalia Transmission Line is scheduled to be completed by the end of October. Once this work is completed this will allow the MAOP of the 8” Attalia Transmission Line to be lowered to an MAOP which will bring the pipeline below 20% SMYS and allow the line to be reclassified back to H.P. Distribution, eliminating this HCA.
200506-01	A total of fifty-six in-situ tests and two destructive tests were completed north of the Yakima River in 2018. Results of these tests indicated a yield strength of 41,400 psig (80% of the average yield strength of tests performed). Additional in-situ testing was completed in August and two destructive samples are planned to be removed during an upcoming replacement project scheduled to occur in November. Once these tests are completed this will complete required material testing. If pipe grade remains above grade B, this will allow CNGC to bring this pipeline to under 20% SMYS and allow the 6” Toppenish-Zillah line to be reclassified back to H.P. Distribution, eliminating this HCA. CNGC has experienced restrictions from the Yakima Indian Reservation on being able to perform required excavations south of the Yakima River, and changes in in-situ testing providers, has prolonged the completion of this work. Pending the removal of the two remaining samples and the turnaround of the destructive testing will determine if this work will be completed by December 31, 2020.
110112-01 110112-02	Replacement of the pipe segments located within these HCA’s is currently under construction. CNGC is anticipating having this replacement completed by the end of November.

050108-03	Installation of a new regulator station is currently in construction and scheduled to be completed in October. Once this work is completed this will allow the MAOP of the last 1,800' of the 8" Bellingham Transmission Line to be lowered to an MAOP which will bring the pipeline below 20% SMYS and allow the line to be reclassified back to H.P. Distribution, eliminating this HCA.
050308-01 050308-02	Installation of a new regulator station is scheduled to be completed in November. Once this work is completed this will allow the MAOP of the 8" Central Whatcom Transmission Line to be lowered to an MAOP which will bring the pipeline below 20% SMYS and allow the line to be reclassified back to H.P. Distribution, eliminating these HCA's.
170108-05 170108-06	Pressure testing of the pipe segments located within these HCA's is currently under construction. CNGC is anticipating having pressure testing completed in October.
170208-01	CNGC has been working on the planning and design for the replacement of the pipe segment located within this HCA since 2017. After lengthy negotiations for a new pipeline easement, a finalized easement was received in March 2020. Design has nearly been completed and permitting applications have been submitted. Dependent on when CNGC receives permit approvals will determine what work can be completed in 2020. Based on historical turnarounds for similar permits, CNGC is not anticipating being able to start any construction until December, at the soonest. Based on this timing and estimated duration of construction, CNGC will not be able to complete this replacement by December 31, 2020. CNGC is currently anticipating the completion of this replacement during the early part of 2021.

CNGC is currently anticipating possible delays in being able to fully complete the necessary work required for HCA's 200506-01 and 170208-01 by December 31, 2020. In addition, recent discussions, with WUTC, around the definition of transmission line and distribution center, and possible interpretations, could further impact being able to successfully complete this term of the MAOP Amended Settlement Agreement. CNGC will keep the WUTC updated on the progress being made towards the completion of this requirement by December 31, 2020.

<p>7. COMPLETED: 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:</p> <ul style="list-style-type: none"> 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 <p>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.</p>

8. **ONGOING:** 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 MDU Utility Group (MDUG) has continued to actively work on the development and implementation of the corporate wide safety management system (SMS). The SMS team has been working on the execution of the strategic vision for the MDUG SMS program and a detailed project plan. As part of this vision and plan, the SMS team is continuing to partner with employees across the utility and has achieved the following objectives:

- Finalized and communicated the SMS Risk Register to employees;
- Identified projects and initiatives focused on reducing SMS Risk Register items;
- Expanded program communication to include a SMS video and project tracking for employees;
- Completion of Quality Assurance process reviews; and
- Development and tracking of SMS program metrics.

The SMS team is engaging with employees at all levels of the organization to leverage our existing strengths and develop action plans to close gaps and achieve alignment with the requirements of API RP 1173. The team is currently working on developing SMS program communication for contractors, formalizing reoccurring employee training, and implementing an integrated and cross functional near miss program.

If you have any questions or comments, please contact Ryan Privratsky at (509) 734-4599.

Respectfully Submitted,

Pat Darras

Pat Darras
Vice President, Engineering & Operations Services
Cascade Natural Gas Corporation
8113 W. Grandridge Blvd.
Kennewick, WA 99336-7166
Pat.Darras@mdu.com