

MEMO TO FILE: Docket No. UG-000576

SUBJECT: Closure of inspection docket with retraction of proposed penalty.

DATE: January 7, 2003

On May 15, 2001 the staff of the Washington Utilities and Transportation Pipeline Safety (Staff) presented a copy of a draft Memorandum and Order to Puget Sound Energy (PSE) recommending the Commission issue a penalty assessment against PSE for \$140,000.00 for repeated violations of rules regarding the installation, construction, and inspection of natural gas service lines during the 1996 – 2000 time period. In addition to a monetary penalty, Staff recommended the Commission require PSE to institute a functional training, quality control and inspection program capable of detecting and preventing similar violations in the future, with a quarterly reporting requirement.

With regard to public safety and in a spirit of cooperation, Staff and PSE have conferred numerous times on the issues raised in the draft Memorandum and Order. Most of the issues identified by Staff revolved around PSE's quality control for the new natural gas customer construction aspect of its business. In the intervening time period, the vast majority of those issues have been resolved through implementation of programmatic changes. Audit results by both PSE and Staff after March of 2001 show dramatic improvement in the quality and consistency of PSE's new customer construction work. Summaries of those reviews constitute Attachments A and B.

Part of the opportunity for the company to make systemic improvement surrounded PSE's transition of its new customer construction work from company crews to contract Service Providers in February of 2001. In addition, PSE created a Quality Assurance and Inspection department that would directly address the kinds of issues raised by Staff.

On October 15, 2001, PSE hired a manager of Quality Assurance and Inspection, Mr. Doug Lamothe. During this time, PSE also published its first Quality Assurance Inspection Manual, and presented this manual to Pipeline Safety Staff in November of 2001. Staff had no material comments on the manual.

As Staff and PSE have continued their dialogue on issues related to pipeline safety it has become clear that the company's revised operational model, with its underpinning of a strong quality assurance program, negates the need for disciplinary action on the specifics identified in this docket. To that extent, this memorandum and the agreement that Staff and PSE make to each other (see Attachment C) constitute closure of Docket No. UG-000576.

RMS
NA

Attachment C

PSE and Staff jointly commit to the following:

1. Beginning February 1, 2003, PSE commits to providing an annual Quality Assurance report to the WUTC, continuing for a period of three (3) years. The report will document PSE's Quality Assurance and Inspection program's activities overseeing the company's new natural gas customer construction projects. The period covered in each annual report will run from January 1 through December 31 of the previous year.
2. The PSE Quality Assurance and Inspection Department currently conducts direct inspections and tabulates the results of the direct inspections on a monthly basis. PSE will make these monthly reports available to the WUTC upon request.
3. PSE and Staff agree to meet semi-annually to discuss Quality Assurance, review audit results (both Staff and PSE), discuss and identify trends, define interpretations, and, to the extent possible, resolve other pipeline safety issues in a collaborative manner.
4. Staff agrees to provide PSE with a review of its standard and specialized pipeline safety inspection results at the semi-annual meetings, above, in order to maintain consistent interpretation of code requirements.
5. PSE commits to conducting an assessment and risk analysis of new customer gas service installations between January 1996 and December 2000. When completed, PSE will provide Staff with a copy of the results of that analysis. If warranted, the risk analysis will propose a remediation methodology that is acceptable to Staff no later than March 31, 2003.

Sue McLain
Puget Sound Energy
Vice-President, Operations – Delivery

Doug Kilpatrick
Pipeline Safety Director
Washington Utilities and Transportation
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