



Puget Sound Energy, Inc.
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June 29, 2006

Carole J. Washburn, Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Attn: Alan Rathbun, Pipeline Safety Director and Sondra Walsh, Policy Strategist

RE: Audit Closure for Docket No. ~~PG-040210~~, 040211, and 040966

Dear Mr. Rathbun and Ms. Walsh,

As requested in a letter from Staff dated April 5, 2006, PSE has reviewed the spreadsheets that documented the commitments Puget Sound Energy (PSE) made to resolve the findings from Docket No. PG-040210, 040211, and 040966. PSE and Staff have met to discuss these commitments and Staff has revised the spreadsheet subsequent to these discussions.

Attached is a copy of the final spreadsheet received from Staff and agreed to by PSE as well as a signed copy of the April 5 letter acknowledging PSE agrees with the accuracy of the attached spreadsheet.

PSE appreciates Staff's efforts to bring closure to the audit findings and the collaborative process used to ensure the commitments were accurate. If Staff has additional questions or would like to discuss the agreement further, please contact me at 425-462-3957.

Sincerely,

Jim Hogan
Manager, Standards and Compliance

Enclosures

Cc: Sue McLain
Booga Gilbertson
Duane Henderson
Kimberly Harris
Karl Karzmar

RMS
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STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 664-1160 • TTY (360) 586-8203

April 5, 2006

Jim Hogan
Manager Standards and Compliance
Puget Sound Energy
PO Box 90868, EST-07W
Bellevue, Washington 98009

Dear Mr. Hogan:

Thank you for your work with pipeline safety staff (we) in bringing closure to findings from multiple 2004 audits. The purpose of this letter is to clearly outline the commitment Puget Sound Energy, Inc. (PSE) has made to resolve the findings from the dockets listed below.

The attached spreadsheets compile all of the commitments PSE has made to address the probable violations and areas of concerns found during the following 2004 standard inspections:

- | | |
|-----------------------------------|----------------------|
| a. Thurston-Lewis-Jackson Prairie | Docket No. PG-040210 |
| b. Operator Qualifications | Docket No. PG-040211 |
| c. Snohomish County | Docket No. PG-040966 |

These spreadsheets also identify the probable violations that PSE states have been cleared, and the probable violations which PSE will bring into compliance in accordance with the commission order in Docket Nos. PG-030080 and PG-030128. I have also attached a copy of your May 6, 2005, letter of intent in order to provide a complete picture of each item's resolution.

Spreadsheet (1), entitled "Probable Violations Verification 2006," (note: the last page is entitled "Jackson Prairie – Docket 040210") lists the probable violations that have been or will soon be addressed by PSE, and which will be verified by commission staff during our 2006 inspections. If, during these inspections, we find items that are not resolved, we reserve the right to seek the issuance of a complaint by the commission, depending on the nature of the problem. We understand PSE reserves the right to contest a complaint, if one is issued.

Spreadsheet (2), entitled "Probable Violations Applicable to 2005 Order," include those probable violations that were identified in the commission's January 31, 2005, order in Docket No. PG-030080 and PG-030128. We will follow-up on these items in accordance with that order. We understand PSE reserves the right to contest those issues, if any such action is taken.



Spreadsheet (3), entitled "Probable Violations Cleared," lists the probable violations that PSE has corrected and we have accepted.

Spreadsheet (4) is entitled "Areas of Concern, Docket 040210." This spreadsheet lists three miscellaneous items that we discovered in the course of inspecting PSE facilities. It also lists PSE's commitments to resolve these items. We will verify these actions during our 2006 inspections.

Please review the attachments carefully. If PSE agrees with the accuracy of the lists, including PSE's agreed course of action, please sign where indicated below, and forward it to me for my signature. I will send you a copy of the signed document. If PSE disagrees, please contact me to work out the issue.

Sincerely,

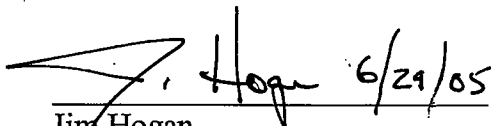


Alan E. Rathbun
Pipeline Safety Director

cc: Sue McLain
Duane Henderson

Attachments:

Probable Violations Verification 2006
Probable Violations Applicable to 2005 Order
Probable Violations Cleared
Areas of Concern, Docket 040210
PSE's May 6, 2005 letter of intent



Jim Hogan
Manager Standards and Compliance
Puget Sound Energy, Inc.



Alan E. Rathbun
Director, Pipeline Safety
Washington Utilities and
Transportation Commission

PROBABLE VIOLATIONS VERIFICATION 2006

Spreadsheet (1)

Probable Violation Citation Number	Staff Probable Violation Report March 3, 2005	Repeat Violation Docket #	PSE Letter of Intent May 6, 2005 Actions	PSE Action's and 2 nd Letter of Intent October 4, 2005	Staff Action
THURSTON/LEWIS DOCKET 040210					
49 CFR 192.199 Requirements for Design of Pressure Relief and Limiting Devices.	1. Unlocked isolation valve located at Saint Martins College.		PSE will conduct an inspection of all meter sets that have external overpressure protection devices and ensure that the valves are locked in the open position.	To be completed by 12-31-05.	Verify during 2006 follow-up.
			Gas Operating Standards revised to require the annual inspection of fixed factor meter sets to verify locks are still present or are installed.	Revision in 2006 O&M.	Verify during 2006 follow-up.
49 CFR 192.457 External Corrosion: Buried or Submerged Pipelines Installed before August 1, 1971.	2. Low pipe-to-soil reading-not remediated.		100% of corrosion leak repairs on unprotected bare steel are being audited since 2nd qtr. 2004 verifying anodes are installed or the facility is replaced. 403 Cleveland Ave, Olympia is scheduled for replacement in 2005 under the Bare Steel Replacement Program.		Verify during 2006 follow-up.
49 CFR 192.463 External Corrosion Control -Cathodic Protection	3. Inadequate cathodic protection at various locations (Appendix D criteria not met).	020225	PSE states in bullet item 2 of the letter, that the net protective current criterion was used at 1124 W Walnut in Centralia.	The Net Protective Current procedure is in the Gas Standards and Procedures Addendum with an effective date of 10/1/05.	Verify during 2006 follow-up.

PROBABLE VIOLATIONS VERIFICATION 2006

Spreadsheet (1)

Probable Violation Citation Number	Staff Probable Violation Report March 3, 2005	Repeat Violation Docket #	PSE Letter of Intent May 6, 2005 Actions	PSE Action's and 2 nd Letter of Intent October 4, 2005	Staff Action
49 CFR 192.465 External Corrosion Control Monitoring	4. Various test sites not tested once each calendar year - not exceeding 15 months.	001856, 011273, 020401, 030128	PSE letter stated that PSE modified the maintenance plan for all facilities requiring an inspection every 10 years to be inspected at a 9 year interval to allow for flexibility to ensure inspections are completed in 10 years.		Verify during 2006 follow-up to ensure that plan was modified.
49 CFR 192.469 External Corrosion Control -Test Stations	5. Locations found with no test sites.		Test sites created at all three locations.	Completed prior to letter of Intent - 5/6/05.	Verify during 2006 follow-up.
49 CFR 192.481 Atmospheric Corrosion Control: Monitoring	6. Atmospheric Corrosion checks not conducted in the required time frames.		1. Attachment A to PSE's letter of intent states- Intends to combine the identification of existing meterless risers and EUFs and their associated atmospheric corrosion inspections with the Isolated Facilities Program. 2. Attachment A to PSE's letter of intent- PSE is developing and implementing processes and procedures for locations that are difficult to access.	PSE will include EUFs and meterless risers in the Isolated Facilities Program and provide those procedures to staff by January 30, 2006 per 10-4-05 letter PSE 9-23-05 letter for disconnecting customers when PSE is unable to gas in access.	Verify during 2006 follow-up. Verify during 2006 follow-up.

PROBABLE VIOLATIONS VERIFICATION 2006

Spreadsheet (1)

Probable Violation Citation Number	Staff Probable Violation Report March 3, 2005	Repeat Violation Docket #	PSE Letter of Intent May 6, 2005 Actions	PSE Action's and 2 nd . Letter of Intent October 4, 2005	Staff Action
				<p>3. New Initiative: 10-4-05 PSE letter Additional processes and procedures for inspecting and remediating atmospheric corrosion will be completed and provided to the UTC by 7-1-06.</p>	<p>Verify during 2006 follow-up.</p>
<p>WAC 480-93-018 Maps, Drawings, and Records of Facilities</p>	<p>9. PSE had not adequately maintained its maps and/or records.</p>		<p>1. The Maps and Record Improvement Initiative was expanded to include a map accuracy assessment.</p>	<p>New Initiative: A map accuracy assessment to be completed by 8-1-05. It was provided on 10-4-05 and identified 3 areas for improvement 1. Map omissions, 2. Address accuracy and 3. Special service accuracy. PSE will provide a status report on the development and implementation of this process by 6-30-2006.</p>	<p>Verify during 2006 follow-up.</p>

PROBABLE VIOLATIONS VERIFICATION 2006

Spreadsheet (1)

Probable Violation Citation Number	Staff Probable Violation Report March 3, 2005	Repeat Violation Docket #	PSE Letter of Intent May 6, 2005 Actions	PSE Action's and 2 nd Letter of Intent October 4, 2005	Staff Action
			2. Probable violation 9 bulleted items 6, 7, 8, 9 and 10 identified. Per 5-6-05 corrections had been made.	Completed.	Verify during 2006 follow-up.
			3. Probable violation 9 bulleted item 13. Part of Maps and Records Improvement Initiative to have cathodic protection overlay maps completed by spring of 2006.	Part of New Maps and Records Improvement Initiative and Map Accuracy Assessment.	Verify during 2006 follow-up.
WAC 480-93-110 Corrosion Control	10. Remedial action not completed within the required timeframe.	011273, 030128,	1. PSE expected to have main replacement project completed by early 2006 and committed to perform a leak survey quarterly until it is complete. 2. PSE committed to improve its current bridge patrols process. The new process will be developed by 8-1-05 and implemented by 10-1-05.		Verify during 2006 follow-up.
					Verify during 2006 follow-up.

PROBABLE VIOLATIONS VERIFICATION 2006

Spreadsheet (1)

Probable Violation Citation Number	Staff Probable Violation Report March 3, 2005	Repeat Violation Docket #	PSE Letter of Intent May 6, 2005 Actions	PSE Action's and 2 nd Intent October 4, 2005	Staff Action
			3. PSE committed to the New Initiative: Atmospheric Corrosion Remediation.	Require PSE to provide date certain program details.	Verify during 2006 follow-up.
WAC 480-93-120 Exposed Pipelines	11. Inaccurate company label on facility found at the Evergreen State College (WNG label).		1. PSE has updated the signs on the meter at the Evergreen State College facility.	Completed.	Verify during 2006 follow-up.
			2. Operating Standard 2575.1100 has been updated to "explicitly require warning signs on company owned security fencing to be inspected and maintained.	PSE to update standards.	Verify during 2006 follow-up.
Thurston - Lewis - Gate Station 1874					
<p>PSE is committed to accepting future maintenance and operational responsibility for gate station 1874 (Zandecki gate station) at Jackson Prairie. An evaluation of the system will be completed by August 1, 2005.</p> <p>In addition, PSE is conducting a full review with Williams gas company of all custody transfer points at each gate station to verify that maintenance responsibilities are clearly defined.</p>					
			PSE 10/4/2005 letter states "PSE plans to replace the facilities originally built by Williams to ensure that adequate design and construction records are available." PSE is coordinating this work with Williams.		Verify during 2006 follow-up.

PROBABLE VIOLATIONS VERIFICATION 2006

Spreadsheet (1)

Probable Violation Citation Number	Staff Probable Violation Report March 3, 2005	Repeat Violation Docket #	PSE Letter of Intent May 6, 2005 Actions	PSE Action's and 2 nd . Letter of Intent October 4, 2005	Staff Action
<p>Operator Qualification, Docket 040211 49 CFR 192.805 (g)</p>	<p>Contractor plan adopted by PSE did not include all covered task and associated abnormal conditions performed by the contractor. In addition, the plan did not include the reevaluation intervals for those tasks performed by the contractor.</p>		<p>PSE disagrees with Staff findings.</p>	<p>Jim Hogan's email dated 12-8-05 commits PSE to direct Pilchuck to revise their OQ plan to include a matrix which identifies applicable covered tasks and reevaluation intervals for each job title within their organization subject to Operator Qualification. Received letter from PSE with Pilchuck's OQ revisions on 2-28-2006.</p>	<p>Conduct follow-up inspection. Verify during 2006 follow-up.</p>

PROBABLE VIOLATIONS APPLICABLE TO 2005 ORDER

Spreadsheet (2)

THURSTON-LEWIS

Probable Violation Citation Number	Probable Violation	Repeat Violation Docket #	PSE Letter of Intent May 6, 2005	PSE Action	Staff Action
49 CFR 192.469 External Corrosion Control -Test Stations	5. Locations found with no test sites.	030128	The Critical Bond and Isolated Facilities programs were developed to ensure that test sites are created when needed.	Programs to be completed by-Critical Bond 12/31/07 and Isolated Facilities no later than 7/1/09.	Review status reports that will be submitted per the 2005 Order.
49 CFR 192.465 External Corrosion Control Monitoring	4. Various test sites not tested once each calendar year - not exceeding 15 months.	001856, 011273, 020401, 030128	PSE letter stated the SAP Process Improvements Program in Attachment A was developed to allow PSE to better manage its work to ensure compliance.		Verify during 2006 follow up. Per Attachment A SAP Improvement Program to be completed by 10-1-05.
49 CFR 192.747	Several emergency or control valves not checked or serviced within the required timeframe.	030128	“PSE recognizes that we have opportunities for improvement in ensuring that 100% of facility inspections are completed and documented within established inspection intervals. PSE proposes to address the specific issues identified in this finding as part of a process change being developed as part of the settlement of our 2003 audit findings in Docket PG-030128.”		Verify during 2006 follow-up.

PROBABLE VIOLATIONS APPLICABLE TO 2005 ORDER

Spreadsheet (2)

Probable Violation Citation Number	Probable Violation	Repeat Violation Docket #	PSE Letter of Intent May 6, 2005	PSE Action	Staff Action
<p>49 CFR 192.739 Pressure Limiting and Regulating Stations: Inspection and Testing</p>	<p>Regulators not inspected.</p>		<p>“PSE recognizes that we have opportunities for improvement in ensuring that 100% of facility inspections are completed and documented within established inspection intervals. PSE proposes to address the specific issues identified in this finding as part of a process change being developed as part of the settlement of our 2003 audit findings in Docket PG-030128.”</p>		<p>Verify during 2006 follow-up.</p>

PROBABLE VIOLATIONS CLEARED

Spreadsheet (3)

Probable Violation Citation Number	Probable Violation	Repeat Violation Docket #	PSE Letter of Intent May 6, 2005	PSE Action	Staff Action
THURSTON/LEWIS DOCKET 040210					
49 CFR 192.199 Requirements for Design of Pressure Relief and Limiting Devices.	1. Unlocked isolation valve located at Saint Martins College.		Lock installed on 9/27/04.	Completed	Verified PSE action taken
WAC 480-93-018 Maps, Drawings, and Records of Facilities	9. PSE had not adequately maintained its maps and/or records.		Probable violation 9 Bulleted items 1-5, 11 and 12, Maps have been updated.	Completed.	Maps reviewed. Verified PSE action taken
49 CFR 192.723 Distribution Systems: Leakage Surveys	7. As a result of maps not being maintained, the following services were not leak surveyed.		Both areas found during the inspection have been leak surveyed and maps have been updated.	Completed.	Verified per 10-4-05 letter.
SNOHOMISH, DOCKET 040966					
49 CFR 192.741	No low pressure data applicable to the 11/6/03 low gas pressure that resulted in loss of service to approx. 152 customers.		Valve replaced.	Completed	Verified PSE action taken.
49 CFR 192.187 Vaults: Sealing, Venting and Ventilation	Vaults exceeding the 200 cubic feet requirement.		Research being conducted – target date for remediating issues with vaults exceeding the 200 cubic feet requirement will be completed by 8-31-05.	All vaults were remediated by 11-22-04. PSE reduced the volume of the two vaults to approx. 191 cubic feet. This volume meets the requirements of 49 CFR 192.917(a) and corrects the probable violation.	Verified 9-26-2005.

AREAS OF CONCERN, DOCKET 040210

Spreadsheet (4)

AREAS OF CONCERN, DOCKET 040210			
AREAS OF CONCERN	PSE Letter of Intent May 6, 2005	PSE Action	Staff Action
<p>1. PSE tied 1,874 feet of 2-inch steel pipe to Evergreen State College's 6-inch steel service pipe. The section of pipe "Evergreen's 6-inch steel service between PSE 2-inch tie-in and PSE's meter could by definition become PSE's responsibility to maintain.</p>	<p>PSE is working with Evergreen State College to address the issue. A solution will ensure a clear distinction between PSE's extended utility facilities and the customer owned piping.</p>	<p>PSE will replace the fuel line piping between the meter and the existing EUF ensuring there is no fuel line piping upstream of the EUF. Estimated time of completion is 7-14-06</p>	<p>Verify during 2006 follow-up.</p>
<p>2. Items on the "Continuing Surveillance Patrol Records" do not appear to be followed-up on.</p>	<p>A process is being developed to ensure issues identified during bridge and slide patrols and through continuing surveillance are followed up in a timely manner.</p>	<p>PSE will develop processes by 8-1-05 and implement them by 10-1-05.</p>	<p>Verify during 2006 follow-up.</p>
<p>4. Vent found under the roofline.</p>	<p>PSE is currently reviewing Standard 2525.2900 and 2550.1800 that address the requirements of 192.199 to determine if additional guidelines should be provided to ensure compliance with federal requirements.</p>	<p>PSE will incorporate changes in the 2006 edition of the Gas Operating Standards.</p>	<p>Verify during 2006 follow-up.</p>