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May 23, 2005

Via Email and Hand Delivery

Carole J. Washburn
Office of the Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Docket No. PG-041209

Dear Ms. Washburn:

Enclosed for filing is an original and thirteen (13) copies of Puget Sound Energy, Inc.'s Answer in the above-captioned docket.

Thank you for your assistance in this matter.

Very truly yours,

Sheree Strom Carson

SSC:cgm
Enclosures

[00000-0000/BA051430.019]

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**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

DOCKET NO. PG-041209

Complainant,

ANSWER OF PUGET SOUND
ENERGY, INC.

v.

PUGET SOUND ENERGY, INC.,

Respondent.

INTRODUCTION

1. Puget Sound Energy, Inc. ("PSE" or the "Company") hereby submits its Answer to the Commission's Complaint in this docket dated April 29, 2005. PSE's address for purposes of this proceeding is:

Duane Henderson
Director, Safety and Operations Services
Puget Sound Energy, Inc.
XRD-01W
P. O. Box 90868
Bellevue, WA 98009-0868
Phone: 425-462-3974
Fax: 425-462-3840
Email: duane.henderson@pse.com

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PSE's representative for purposes of this proceeding is:

Sheree Strom Carson
Jason T. Kuzma
Perkins Coie LLP
10885 N.E. Fourth Street, Suite 700
Bellevue, WA 98004-5579
Phone: 425-635-1400
Fax: 425-635-2400

ANSWER

2. Because paragraph 1 of the Complaint contains no legal or factual allegations, PSE neither admits nor denies this paragraph.

I. PARTIES

3. Answering paragraph 2, PSE admits that the Commission is an agency of the State of Washington, authorized by Title 80 RCW to regulate in the public interest the rates, services, facilities and practices of all persons engaging within the State of Washington in the business of supplying any utility service or commodity to the public for compensation, and related activities, including gas companies.

4. Answering paragraph 3, PSE admits that it is an electrical and gas company subject to regulation by the Commission pursuant to RCW 80.01.040(3), RCW 80.28.210, and chapter 480-93 WAC.

II. JURISDICTION

5. Answering paragraph 4, PSE admits that the Commission generally has jurisdiction over this matter pursuant to the provisions of RCW 80.01, RCW 80.04, RCW 80.28 and chapter 480-93 WAC. With respect to specific provisions cited in the Complaint, paragraph 4 contains legal conclusions to which no answer is required.

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III. FACTUAL ALLEGATIONS

6. Answering paragraph 5, PSE admits that the work described therein was being performed by Pilchuck Contractors ("Pilchuck"), a PSE contractor, but states that the work at issue occurred on June 21, 2004, rather than June 22, 2004.

7. Answering paragraph 6, PSE admits that a Pilchuck employee was injured. Although no PSE employees were present at the time the incident occurred, PSE admits that Pilchuck reported to PSE that the injury occurred as a result of two Pilchuck employees who failed to communicate, which resulted in their failure to follow PSE's "Purging" standard. This was a case of employee misconduct.

8. Answering paragraph 7, although no PSE employees were present at the time the incident occurred, PSE admits that Pilchuck reported to PSE that at the time the incident occurred, the Pilchuck employee was purging into service a newly installed gas main. PSE clarifies that purging into service is the process of introducing natural gas into the pipe in a manner that prevents an explosive air-natural gas mixture from forming in a space where ignition can occur.

9. Answering paragraph 8, although no PSE employees were present at the time the incident occurred, PSE admits that Pilchuck reported to PSE that the pipe squeezer was released, allowing natural gas to flow to the purge point, before the vent piping was installed. PSE further admits that the purge vent piping is a vertical pipe allowing vented air/gas to be discharged to the atmosphere in a controlled matter, and that had this been installed, the gas would have been discharged up to the atmosphere.

10. Answering paragraph 9, although no PSE employees were present at the time the incident occurred, PSE admits that Pilchuck reported to PSE that a Pilchuck employee jumped into the hole to shut down the flowing gas. PSE further admits that Pilchuck

1 reported to PSE that the flowing gas ignited, and the Pilchuck employee was injured and
2 required hospitalization.
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4 11. Answering paragraph 10, PSE admits that the work performed was covered by
5 written standards and field procedures for "purging" and "preventing accidental ignition"
6 contained in the 2004 PSE Gas Operating Standard 2525.3400, and that, when followed,
7 these standards and procedures aid the safe performance of the work to be done.
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10 12. Answering paragraph 11, PSE admits that the requirements of 49 CFR Part
11 192 apply to work conducted on PSE's gas system. Such work is typically performed by
12 PSE's service providers—including Pilchuck. These service providers are independent
13 contractors experienced in their fields who perform various kinds of work for PSE under
14 long-term agreements (Master Service Agreements and Individual Service Contracts). Under
15 such agreements, PSE requires these service providers to perform work on PSE's gas system
16 in accordance with PSE's standards and procedures, and PSE has systems in place to monitor
17 and audit such compliance on an ongoing basis. Furthermore, the service providers are
18 required to be qualified per PSE's Operator Qualification Plan, developed in accordance with
19 49 CFR 192 Subpart N. Any activities at a job site that do not comply with PSE's standards
20 violate PSE's express instructions and are outside the scope of authority granted by PSE to
21 work on its system. PSE denies the implications in this allegation that PSE is responsible for
22 each and every individual's actions at each and every job site at which work involving PSE's
23 gas system is being conducted. The incident at issue in this case involved misconduct by two
24 Pilchuck employees, who failed to follow PSE's standards and procedures.
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42 13. Further answering paragraph 11, PSE states that since the accident occurred,
43 PSE has taken several actions. PSE's Gas First Response organization reviewed the incident
44 at group safety meetings. They discussed the specific details of the incident, reinforced the
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1 need to follow standards and procedures, and reviewed the proper use of personal protective
2 equipment in gaseous atmospheres. Further, PSE's Contract Management department has
3 confirmed that Pilchuck's safety staff reviewed the elements of this incident with all of their
4 employees during safety meetings.
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8 14. Answering paragraph 12, this paragraph states legal opinions or conclusions
9 for which answers are inappropriate and are therefore denied.
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11 15. Answering paragraph 13, this paragraph states legal opinions or conclusions
12 for which answers are inappropriate and are therefore denied. To the extent paragraph 13
13 alleges that PSE is liable for multiple violations when one act violates a standard in
14 Commission rules and/or the CFR that is also a standard contained in PSE's Gas Operating
15 Standards Manual, PSE denies the allegation. Specifically, PSE contends that the allegations
16 by Commission Staff only support one alleged violation, as opposed to the multiple alleged
17 violations enumerated in the Complaint.
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26 16. Because paragraph 14 contains no legal or factual allegations, PSE neither
27 admits nor denies this paragraph.
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30 17. Answering paragraph 15, this paragraph states legal opinions or conclusions
31 for which answers are inappropriate and are therefore denied. To the extent an answer is
32 required, PSE admits that Pilchuck reported to PSE that one or more Pilchuck employees
33 failed to follow PSE's Gas Operating Standard 2525.3400 relating to purging. PSE denies
34 that the facts alleged by Staff constitute three violations.
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40 18. Answering paragraphs 16-18, PSE admits that PSE's Gas Operating Standard
41 2525.3400, titled "Purging," requires purge connections to be positioned so as to protect the
42 public and personnel performing the purge; requires vent piping to be oriented to direct the
43 purged gas away from workers, public and property; and requires that the pipe be grounded
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1 to prevent the accumulation of a static charge. Although no PSE employees were present at
2 the time the incident occurred, PSE admits that Pilchuck reported to PSE that Pilchuck
3 employees failed to comply with this standard.
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6 19. Answering paragraph 19, this paragraph states legal opinions or conclusions
7 for which answers are inappropriate and are therefore denied. Further, PSE denies that three
8 violations of its standards occurred.
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11 20. Because paragraph 20 contains no legal or factual allegations, PSE neither
12 admits nor denies this paragraph.
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15 21. Paragraphs 21 – 30 of the Complaint state legal opinions or conclusions or
16 describe procedural matters for the conduct of the hearing into this matter that do not require
17 an answer. Thus, PSE neither admits nor denies paragraphs 21 – 30 of the Complaint.
18 Generally, PSE denies that the Commission should impose any penalty or other relief against
19 PSE for the violations alleged in the Complaint. If the Commission ultimately determines
20 that any penalties should be imposed, the amount of the penalty, if any, should be much less
21 than \$75,000.
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31 **DEFENSES AND AFFIRMATIVE DEFENSES**

32 22. Imposition of the total potential penalties of \$75,000 would not be appropriate
33 in this case.
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35 23. The incident alleged in the Complaint does not represent knowing or
36 intentional conduct by PSE that was gross or malicious. The incident alleged in the
37 Complaint involved employee misconduct by two employees of PSE's service provider. The
38 incident does not involve violations of multiple standards or repeated violations of a
39 standard. After the incident occurred, PSE reviewed the incident, reinforced the need to
40 follow its standards and procedures, and reviewed the proper use of personal protective
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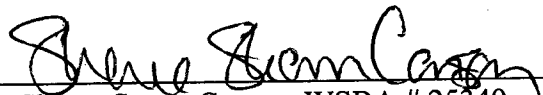
1 equipment in gaseous atmospheres. Further, PSE's Contract Management department has
2 confirmed that Pilchuck's safety staff reviewed the elements of this incident with all of their
3 employees during safety meetings. In addition, PSE has procedures in place for monitoring
4 and auditing service provider compliance with PSE's standards on an ongoing basis in an
5 effort to reduce the number of individual incidents in which a service provider's crew violates
6 PSE's standards while working on PSE's system.
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12 **CLAIM FOR RELIEF**

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14 24. Having answered the specific allegations in the Commission complaint, PSE
15 requests that the Commission enter findings that PSE's policies and procedures were
16 protective of worker health and safety under the facts alleged herein, and that the Complaint
17 be dismissed.
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22 DATED: May 23, 2005.
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26 **PERKINS COIE LLP**

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30 By 
31 Sheree Strom Carson, WSBA # 25349
32 Jason T. Kuzma, WSBA # 31830
33 Attorneys for Puget Sound Energy, Inc.
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VERIFICATION

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

Duane Henderson, being first duly sworn, deposes and says that he is the Director, Safety and Operations Services for Puget Sound Energy, Inc.; that he has read the foregoing Answer of Puget Sound Energy, Inc. and knows the contents thereof; that the facts set forth therein are true based on his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes them to be true.

Duane Henderson

SUBSCRIBED and SWORN to before me this 23 day of May, 2005, by
Duane Henderson

Donald A Hindman
Print Name: Donald A. Hindman
Notary Public in and for the State of Washington,
residing at Issaquah
My commission expires: Nov 10, 2007

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Answer of Puget Sound Energy, Inc. upon all parties of record in this proceeding, by mailing with postage prepaid to:

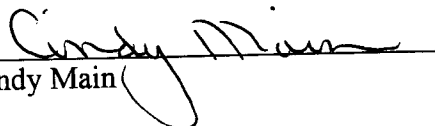
For Staff:

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For Public Counsel:

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Seattle, Washington 98164
206-389-2055 (Phone)
206-389-2079 (Fax)
Email: simonf@atg.wa.gov

Dated at Bellevue, Washington, this 23rd day of May, 2005.


Cindy Main