STATE OF WASHINGTON
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
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Ref. No. Docket PG-100043

CERTIFIED MAIL

August 24, 2010

Eldon N. Book
Executive Vice President
Chief Operating Officer
Cascade Natural Gas Corporation
555 South Cole Road
PO Box 7608
Boise, ID 83707

Dear Mr. Book:

RE: 2010 Natural Gas Standard Inspection – Wenatchee/Moses Lake

The Washington Utilities and Transportation Commission (UTC) staff conducted a natural gas safety standard inspection from June 28 – July 1, 2010, and July 6 – 8, 2010, of Cascade Natural Gas (CNG) – Wenatchee/Moses Lake District pipeline system. The inspection included a review of records, procedures and pipeline facilities. Staff conducted an exit interview with CNG General Manager (GM), Compliance Manager, and Pipeline Safety Specialist on July 8, 2010.

Our inspection indicates six probable violations as noted in the enclosed report. Staff also noted eight areas of concern (AOC), which unless corrected, could lead to future violations of state or federal pipeline safety rules.

During our inspection, we noted a large number of inlet/outlet and set point pressure inaccuracies reported on CNG's Regulator Station Facility Maintenance & Inspection Records. We request that the company reply to our concerns regarding this issue as identified in the AOC section of this letter. Please provide us with detail on how CNG will proceed in recording future data to ensure more accurate reporting.

Your response needed
Please review the attached report and respond to all probable state and federal safety code violations and areas of concern in writing by September 30, 2010. The response should include

how and when you plan to bring the probable violations into full compliance. We also request your response include how you plan to address our areas of concern.

What happens after you respond to this letter?
The attached report presents staff's decisions regarding probable violations and does not constitute a finding of violation by the commission at this time.

After you respond in writing to this letter, there are several possible actions the commission, in its discretion, may take with respect to this matter. For example, the commission may:

- Assess an administrative penalty under RCW 81.88.040, or
- Issue a complaint, seeking monetary penalties, changes in the company's, practices, or other relief authorized by law, and justified by the circumstances, or
- Consider the matter resolved without further commission action.

If you have any questions, please contact Stephanie Zuehlke, Pipeline Safety Engineer at (360) 664-1318. Please refer to docket number PG-100043 in any future correspondence regarding this inspection.

Thank you for your attention to this matter.

Sincerely,

David D. Lykken
Pipeline Safety Director

Enclosure

cc. Chanda Marek, P.E., CNG
Daniel E. Meredith, CNG
Tina Beach, CNG

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
2010 Natural Gas Pipeline Safety Inspection
Cascade Natural Gas – Wenatchee/Moses Lake
Docket PG-100043

The following areas of concern and probable violation(s) of Title 49, CFR Part 192, 199, and WAC 480-93 were noted as a result of the inspection of Cascade Natural Gas (CNG) – Wenatchee and Moses Lake District. The inspection included a random selection of records, operation and maintenance, emergency response, inventory and field inspection of the pipeline facilities.

PROBABLE VIOLATIONS

1. **WAC 480-93-180 Plans and procedures.**

(1) Each gas pipeline company must have and follow a gas pipeline plan and procedure manual (manual) for operation, maintenance, inspection, and emergency response activities that is specific to the gas pipeline company's system. The manual must include plans and procedures for meeting all applicable requirements of 49 CFR §§ 191, 192 and chapter 480-93 WAC, and any plans or procedures used by a gas pipeline company's associated contractors.

Finding(s):
CNG did not follow their procedures (CP 755) when electrical isolation tests and/or inspections indicated that a possible shorted condition existed (a casing read more negative than -0.73) between a casing and a pipeline located at the railroad crossing at Hawley St. east of North Wenatchee for the following:

		Pipe-to-Soil Potentials		Tinker-Rasor
	Date	Casing	Carrier	Pass/Fail
a.	04.24.08	-1.175	Not recorded	Not recorded
b.	04.29.09	-1.240	Not recorded	Not recorded
c.	04.21.10	-1.170	Not recorded	Not recorded

2. **WAC 480-93-170 Tests and reports for pipelines.**

(7) Each gas pipeline company must keep records of all pressure tests performed for the life of the pipeline and must document the following information:

(a) Gas pipeline company's name;
(b) Employee's name;
(c) Test medium used;
(d) Test pressure;
(e) Test duration;
(f) Line pipe size and length;
(g) Dates and times; and
(h) Test results.

Finding(s):
Pressure test documentation for 1030' of 4" PE main installed at 4000 Peninsula Dr., Moses Lake, did not include the name of the employee that completed the test.

3. **49 CFR §192.479 Atmospheric corrosion control; General.**

(a) Each operator must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

(b) Coating material must be suitable for the prevention of atmospheric corrosion.

(c) Except portions of pipelines in offshore splash zones or soil-to-air interfaces, the operator need not protect from atmospheric corrosion any pipeline for which the operator demonstrates by test, investigation, or experience appropriate to the environment of the pipeline that corrosion will-

(1) Only be a light surface oxide; or

(2) Not affect the safe operation of the pipeline before the next scheduled inspection.

Finding(s):
CNG did not provide adequate protection at the soil-to-air interface at the following locations:

a. 221 W. Broadway, Moses Lake
b. Meter # 618654, Moses Lake
c. Meter # 609127, Moses Lake
d. Meter # 123100, Moses Lake
e. Alley W. of 112 E. 3rd, Moses Lake
f. 113 W. Broadway, Moses Lake

4. **49 CFR §192.616 Public Awareness .**

(a) Except for an operator of a master meter or petroleum gas system covered under paragraph (j) of this section, each pipeline operator must develop and implement a written continuing public education program that follows the guidance provided in the American Petroleum Institute's (API) Recommended Practice (RP) 1162 (incorporated by reference, see §192.7).

(e) The program must include activities to advise affected municipalities, school districts, businesses, and residents of pipeline facility locations.

(f) The program and the media used must be as comprehensive as necessary to reach all areas in which the operator transports gas.

(h) Operators in existence on June 20, 2005, must have completed their written programs no later than June 20, 2006. The operator of a master meter or petroleum gas system covered under paragraph (j) of this section must complete development of its written procedure by June 13, 2008. Upon request, operators must submit their completed programs to PHMSA or, in the case of an intrastate pipeline facility operator, the appropriate State agency.

Finding(s):
CNG failed to complete an evaluation of their Public Awareness Program for effectiveness within four years.

5. **49 CFR §192.739 Pressure limiting and regulating stations: Inspection and testing.**

(a) Each pressure limiting station, relief device (except rupture discs), and pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is-

(1) In good mechanical condition;

(2) Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;

(3) Except as provided in paragraph (b) of this section, set to control or relieve at the correct pressure consistent with the pressure limits of §192.201(a); and

(4) Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.

Finding(s):

Regulator Station R-19 located at El Oro Feedlot in the Wenatchee District was not protected from conditions which may have prevented its proper operation. The relief stack weather cap was found stuck in a closed position during staff inspection on June 30, 2010.

6. **49 CFR §199.241 Training for supervisors.**

Each operator shall ensure that persons designated to determine whether reasonable suspicion exists to require a covered employee to undergo alcohol testing under §199.225(b) receive at least 60 minutes of training on the physical, behavioral, speech, and performance indicators of probable alcohol misuse.

Finding(s):

Documentation of the training was not available.

AREAS OF CONCERN OR FIELD OBSERVATIONS

1. **WAC 480-93-018 Records.**

Records of employee qualifications reported in their Energy World database (which is used to track and maintain operator qualification records) did not match CNG's actual test records.

a. 1020DOT Manual Heater Plate Fusion 6242 Evaluation for employee M. W.
b. 2000DOT Visual Weld Inspection 10826 for employee A. K.

2. **WAC 480-93-018 Records.**

Pressure reads recorded during annual regulator station maintenance do not adequately identify the system and did not match the actual reads noted during inspection. (Table: *First* number is pressure recorded on annual maintenance forms/*Second* number is pressure documented during inspection field testing).

Staff identified similar issues as an area of concern in a previous violation report under a joint letter for Dockets PG-030438/PG-030435.

Item	Regulator Station #	Operating Regulator Set Point	Standby Regulator Set Point	Relief Valve Set Point	MAOP Inlet	MAOP Outlet	Station Pressure Inlet	Station Pressure Outlet
a.	R-11	**55/56**	**52/50**	60/60	500	60	460/460	52/52
b.	R-14*	**78/125**		**85/133**	**230/250**	**74/125**	**232**/230	**75**/74
c.	R-16	**54/43**		60/60	250	60	247/247	**54/44**
d.	R-19	11/11	**12/11**	**15/11**	150/150	60/60	120/120	**10/11**
e.	R-33	**58/50**	**55/45**	**63/55**	500	60	495/495	**58/50**
f.	R-43	56/56	55/55	61/61	250/250	60/60	230/230	**56/54**
g.	R-47	**53/56**		57/57	250/250	60/60	239/239	**50/48**
h.	R-57*	58/58	53/No lock-up	63/63	250/250	60/60	231/231	**52/50**

* NOTE:

b. R-14: The annual regulator station maintenance form CNG 287A dated June 23, 2009 for R-14 located at J.R. Simplot – Fry Plant, Moses Lake, incorrectly identified the system MAOP Inlet & Outlet, Station Pressure Inlet & Outlet, Operating regulator lockup, and Relief valve set points. And, CNG failed to identify abnormal operating conditions in this report - both the regulator lock-up and relief valve set points identified on the form exceeded the MAOP outlet pressure identified on the form.

h. R-57: The annual regulator station maintenance form CNG 287A dated May 3, 2010 for R-57 located at Basic American Foods, Moses Lake, incorrectly identified the system MAOP Inlet & Outlet and the Station Pressure Outlet.

3. **WAC 480-93-140 Service regulators.**
A service regulator vent was found placed in a horizontal orientation which has the potential to allow moisture to accumulate in the regulator in the Alley S. of W. Broadway Meter # 226883.

4. **WAC 480-93-188 Gas leak surveys.**
CNG's Othello (field) leak survey maps and the leak survey key map (office) identified the Business District east perimeter in different locations resulting in an incomplete annual leak survey. During this inspection, CNG leak surveyed the missed section, thereby completing their survey within the NTE 15 month timeframe on July 7, 2010. Staff identified this same issue under Docket PG-090002.

5. **49 CFR §192.201 Required capacity of pressure relieving and limiting stations.**

(a) Each pressure relief station or pressure limiting station or group of those stations installed to protect a pipeline must have enough capacity, and must be set to operate, to insure the following:

(1) In a low pressure distribution system, the pressure may not cause the unsafe operation of any connected and properly adjusted gas utilization equipment.

(2) In pipelines other than a low pressure distribution system:

(i) If the maximum allowable operating pressure is 60 p.s.i. (414 kPa) gage or more, the pressure may not exceed the maximum allowable operating pressure plus 10 percent or the pressure that produces a hoop stress of 75 percent of SMYS, whichever is lower;

(ii) If the maximum allowable operating pressure is 12 p.s.i. (83 kPa) gage or more, but less than 60 p.s.i. (414 kPa) gage, the pressure may not exceed the maximum allowable operating pressure plus 6 p.s.i. (41 kPa) gage; or

(iii) If the maximum allowable operating pressure is less than 12 p.s.i. (83 kPa) gage, the pressure may not exceed the maximum allowable operating pressure plus 50 percent.

Finding(s):

Staff reviewed records indicating that CNG adjusts the set-points of some pressure relieving devices above the MAOP of the system. Staff also reviewed the regulator set points list which indicates relief device maximum set-points within 1-3 psig of the MAOP plus the maximum amount allowed for build-up in an emergency condition. This practice may not allow for proper build-up without potentially exceeding the MAOP plus the amount allowed for operation of the pressure-relieving device in an emergency condition. Pressure relieving devices must be set to operate to ensure that the pressure in the pipeline does not exceed the MAOP plus allowable buildup.

In addition, staff identified similar issues in a previous violation report under Docket PG-010113 and UG-020706. Please provide details regarding your relief device set point review that you identified would be completed prior to December 31, 2001, in response to Docket PG-010113. Also, please provide details regarding your relief device set point review and set point adjustments performed in response to UG-020706 wherein you identified that set point adjustments would be completed by June 30, 2003.

	Regulator Station	MAOP	Maximum Relief Set point
a.	R-03	47 psig	52 psig
b.	R-07	50 psig	53 psig
c.	R-09	60 psig	63 psig
d.	R-11	60 psig	63 psig
e.	R-15	60 psig	63 psig
f.	R-16	60 psig	63 psig
g.	R-17	60 psig	63 psig
h.	R-22	125 psig	135 psig
i.	R-25	60 psig	63 psig
j.	R-26	150 psig	164 psig

k. R-28	60 psig	63 psig
l. R-29	60 psig	63 psig
m. R-30	60 psig	63 psig
n. R-33	60 psig	63 psig
o. R-36	60 psig	63 psig
p. R-40	60 psig	63 psig
q. R-43	60 psig	63 psig
r. R-44	60 psig	65 psig
s. R-45	60 psig	63 psig
t. R-46	250 psig	272 psig
u. R-47	60 psig	65 psig

6. **49 CFR §192.605 Procedural manual for operations, maintenance, and emergencies.**
The CNG-Wenatchee manual did not contain the most recent procedure revisions. CP 647 Excess Flow Valves was dated May 29, 2008, and marked as "CP 647 DRAFT". The most recent copy CNG provided to the Commission was on October 27, 2009, is dated November 7, 2008. The Commission copy is not marked as a draft.

7. **49 CFR §192.616 Public Awareness.**
CNG did not maintain baseline activity message records for residents along the local distribution system prior to 2009.

8. **49 CFR §192.739 Pressure limiting and regulating stations: Inspection and testing.**
Regulator Stations R-03 operating regulator and R-57 stand-by regulator did not achieve lock-up due to the presence of slag in the regulator boot. More frequent inspections, additional inspections, or other means may be required as a result of construction, abnormal changes in operating conditions, or unusual flows or velocities.

Item	Regulator Station #	Operating Regulator Set Point	Standby Regulator Set Point	Relief Valve Set Point	MAOP Inlet	MAOP Outlet	Station Pressure Inlet	Station Pressure Outlet
a.	R-3	45/No lock-up	42/42	52/52	250	47	238/238	45/45
b.	R-57	58/58	53/No lock-up	63/63	250/250	60/60	231/231	52/50