

MEMORANDUM

DATE: May 21, 2004

TO: Marilyn Showalter, Chairwoman
Richard Hemstad, Commissioner
Patrick Oshie, Commissioner

FROM: Alan E. Rathbun, Pipeline Safety Director

SUBJECT: Docket No. UG-000576
Puget Sound Energy Company
Commission Staff Proposal for the Commission to Issue a Complaint for
Pipeline Safety Rule Violations

Recommendation: Issue a complaint in Docket No. UG-000576, against Puget Sound Energy Company (PSE).

The Commission Staff proposes that the Commission issue a complaint against PSE for violation of the Commission's pipeline safety rules, specifically involving the installation of natural gas service lines. There were problems in the past with PSE's service line installation practices. While Staff is satisfied that changes in PSE's practices address the future, Staff is concerned that the condition of service lines installed in the past needs to be addressed.

The Commission's rules contain some basic requirements on the installation of underground gas service lines. The object of these rules is to prevent damage to the pipe that could result in a gas leak or rupture. For example, the service lines must be buried to a depth of at least 12 inches, and the backfill must be free of materials that could damage the pipe. 49 CFR Part 192.361(a), (b) (The Commission has adopted the CFR rules by reference in WAC 480-93-010).

PSE's own Gas Operating Standards reflect the same 12-inch depth requirement, and require the backfill to contain no sharp rocks or rocks larger than one-half inch in diameter, no objects over six inches in diameter, and no construction debris. §§ 6.33.521, 6.33.6.1, 6.33.6.3. Commission rules require PSE to adopt and follow its Operating Standards Manual. 49 CFR Part 192.13(c).

Over a period of five years (1996-2000), the Commission Staff conducted 5 separate inspections of PSE's underground gas service line installations at different locations in PSE's service area. Each time, Staff found probable violations of the foregoing Commission and Company rules. While other probable rule violations were also found, the primary problems were inadequate depth of coverage of service lines and/or the use of inappropriate material in backfilling the trench. The most recent of these inspections (2000) found 24 probable violations of these Commission gas safety rules.

In response to each of the five Staff inspection reports, PSE acknowledged the problems (with few exceptions), corrected the problems, and gave assurances regarding future compliance. In response to the last two inspections (1999 and 2000), PSE also noted that it had made programmatic changes in its outside plant installation practices. PSE instituted a "Quality Assurance Program" designed to address the sorts of the violations that were discovered, on a company-wide basis. PSE created new positions for a construction inspector, and a construction review board was created to oversee compliance.

Staff believes the changes PSE made in its inspection programs are appropriate and have a good chance of addressing what Staff believes were systematic problems in PSE's service line installation practices. Staff believes, subject to verification, that the problems Staff observed prior to 2000 are not likely to recur if the program PSE instituted continues to be executed as planned.

However, while Staff is less concerned about the future, Staff remains concerned about the time period before PSE's new programs were implemented and fully functioning. PSE's programs do not address plant that was already "in the ground" when those program improvements were made. Thousands of natural gas services were installed during this time period and are subject to possible damage. In particular, Staff is concerned that prior installations of PSE natural gas service lines in areas of its service territory that have adverse soil conditions (*e.g.*, rocky soil), pose a safety concern

that needs to be addressed.

The Commission has options in dealing with pipeline safety violations. It can issue penalties under RCW 80.28.212, which carries a maximum penalty of \$25,000 per violation. It can also order a public service company such as PSE to improve its services or facilities. RCW 80.28.040 and .130. Accordingly, should the Commission find that past installation practices were not adequate, the Commission has the discretion to require PSE to implement practices designed to test for problems and remedy any problems that are detected.

In this instance, Staff believes that penalties are subordinate to the implementation of measures to address the effects of PSE's past installation practices.

In sum, Staff believes that a problem exists with respect to PSE's outside plant installed prior to 2000. Accordingly, Staff recommends the Commission issue a complaint to determine whether violations of Commission rules has occurred, the extent to which a problem may exist, and what remedies should be implemented to address any such violations or problems.

Staff's investigation report is available for your review. A meeting with the Commissioners has been schedule to review this matter. I will schedule a meeting to review this matter.

ALAN E. RATHBUN
Pipeline Safety Director