

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS  
CORPORATION,

Respondent.

DOCKET PG-110443

NARRATIVE SUPPORTING  
SETTLEMENT AGREEMENT

1 Per WAC 480-07-740(2)(a), this Narrative is filed as documentation supporting the Settlement Agreement filed in this docket. The Settlement Agreement resolves all issues presented in the Complaint, which the Washington Utilities and transportation Commission (“Commission”) issued March 21, 2011. Because all Parties are signatories, the Settlement Agreement represents a “full settlement”, pursuant to WAC 480-07-730(1). The Settlement Agreement is subject to Commission approval, and it is effective when the Commission enters an order approving the Settlement Agreement. *Settlement Agreement at ¶¶ 1 & 9.*

2 In Part IV below (¶¶ 12-19), each Party supplies a statement in support of the Settlement Agreement.

**I. PARTIES**

3 The Parties to the Settlement Agreement are Cascade Natural Gas Corporation (“Cascade” or “Company”), and the Pipeline Safety Staff of the Washington Utilities and

Transportation Commission (“Staff”) (collectively, “the Parties”). *Settlement Agreement at*  
¶ 2.

## II. INTRODUCTION AND BACKGROUND

4 This docket involves standard inspections by Staff of Cascade’s gas safety  
compliance in five of the Company’s districts in the state of Washington, as well as a Staff  
investigation of an overpressure event on the Company’s system. The standard inspection  
dockets are listed in Paragraph 12 of the Complaint. Staff’s investigative reports are on file  
with the Commission in those dockets, and those reports form the basis for the allegations in  
the Complaint. The details for many of the alleged violations are in Attachment A to the  
Complaint.

5 On April 11, 2011, Cascade filed its Answer to the Complaint. In its Answer,  
Cascade admitted certain facts, denied others, and stated various defenses.

6 On March 21, 2011, the Commission held a prehearing conference, one purpose of  
which was to allow interested persons an opportunity to intervene and participate in this  
docket. No one sought intervention.

7 After the pre-hearing conference, Staff and Company met to discuss the Complaint  
and found a mutually acceptable basis for resolving this matter.

## III. NATURE OF THE SETTLEMENT AGREEMENT

8 Key provisions in the Settlement Agreement include an “Action Plan” under which  
Cascade agrees to implement several program improvements designed to further assure the  
integrity of Cascade’s gas system. *Settlement Agreement Part C at ¶¶ 12-13.* Each program

improvement contains a separate suspended penalty Cascade would owe if the Company fails to comply with that item.<sup>1</sup>

9

Cascade agrees to six substantial program improvements:

- **“Management of Change” Program** (*id. at ¶ 13, Item 1*). Cascade agrees to implement a program to assure that when Cascade makes changes in its pipeline safety program, appropriate Company personnel and third party contractors are timely informed about the change.
- **Improved Maintenance Management System** (*id. at ¶ 13, Item 2*). Cascade has implemented a centralized tracking system to verify the Company is timely complying with applicable safety rules.
- **Quality Assurance/Quality Control Program** (*id. at ¶ 13, Item 3*). Cascade agrees to implement measures to assure consistency in compliance across the Company’s various districts.
- **Updating Cascade’s system maps** (*id. at ¶ 13, Item 5*). Cascade agrees to accurately update its maps in a timely and reliable fashion.
- **O&M Manual Revisions** (*id. at ¶ 13, Item 6*). Cascade agrees to improve its procedures for communicating to district personnel changes in the Company’s gas safety manual, with accompanying training. (This overlaps somewhat the Management of Change program).
- **Leak Characterization Review** (*id. at ¶ 13, Item 7*). Cascade agrees to implement a program to assure the Company properly evaluates below-ground leaks in its system.

---

<sup>1</sup> The suspended penalties are listed in the Settlement Agreement and are not repeated here.

10 Cascade will implement the foregoing program improvements through a  
“Compliance Plan” developed in conjunction with Staff, and monitored by Staff. *Id. at Part  
D, ¶¶ 14-17.* Cascade also agrees to pay a monetary penalty of \$425,000 (*id. at ¶ 11*), and  
to remediate the violations contained in the standard inspections (*id. at ¶ 13, Item 4*).  
Consistent with Commission policy on settlements of this sort, Cascade admits certain  
violations of Commission rules. *Id. at ¶ 10.*

11 The Settlement Agreement contains a forbearance provision, in which Staff agrees  
not to seek Commission enforcement of violations of the type contained in the Complaint  
that may be discovered during the compliance process. *Id. at ¶¶ 18-19.* However, Cascade  
agrees that if the Staff finds a situation of non-compliance where forbearance applies, the  
Company will correct the deficiency to the extent possible. *Id. at ¶ 19.* Forbearance does  
not apply to intentional violations of gas safety rules, or to violations resulting in death,  
personal injury or property damage. *Id.*

#### **IV. PARTIES’ STATEMENTS IN SUPPORT OF THE AGREEMENT**

##### **A. Staff’s Statement in Support of the Settlement Agreement**

12 Staff supports the Settlement Agreement and recommends the Commission approve  
it. Staff’s investigations of Cascade caused Staff to be concerned about the consistency of  
Company management of gas safety compliance. The six programmatic changes listed  
above and in the Settlement Agreement reflect a renewed focus of Cascade management on  
gas safety compliance, using modern diagnostic measures and techniques.

13 As indicated in the Complaint’s allegations of rule violations, there were several  
different areas of non-compliance with Commission gas safety rules, and compliance varied  
between districts. This led Staff to allege an overall lack of accountability and quality

control on the part of Cascade, among other things. *Complaint at ¶ 13.* The programmatic changes called for in the Settlement Agreement are designed to address those concerns. If Cascade implements the Settlement Agreement as it has agreed to do, Staff believes there will be a substantial improvement in compliance. In fact, Staff has already seen such improvement in current, pending inspections of Cascade districts other than those reflected in the Complaint.

14 Staff also supports the monetary penalty of \$425,000. The amount is in line with other penalties in analogous proceedings, considering it reflects the variety and scope of issues raised in the Complaint. The monetary penalty is a significant amount, which Staff believes will help inspire Cascade to fully comply with its obligations under the Settlement Agreement. The same is true of the suspended penalties applicable to various terms of the Action Plan.

15 In sum, the provisions of the Settlement Agreement are a measured and appropriate response to the allegations in the Complaint. Staff recommends the Commission approve the Settlement Agreement.

**B. Cascade's Statement in Support of the Settlement Agreement**

16 Pipeline safety is of paramount importance to Cascade. Prior to this complaint being filed, Cascade recognized the need for improvement and began working diligently toward correcting deficiencies and creating a culture of compliance. Cascade approached Commission Staff last November to discuss compliance issues, and Cascade committed to Commission Staff then that safety and compliance were priorities for the Company. Cascade has already taken steps to demonstrate its commitment to these efforts by adding new staff, restructuring management, developing and implementing a common and

consistent filing system through the districts, and establishing internal audits of its compliance efforts. In regards to the Action Plan items in the Settlement Agreement, Cascade has implemented a maintenance management system which is currently being used throughout the Company; and Cascade developed a Compliance Advisory Committee, comprised of a cross section of Company personnel, with the primary role to advise and assist in bringing consistency and better understanding of the Company's gas system safety procedures and practices to Cascade's employees.

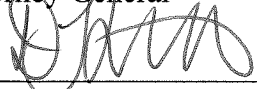
17 Cascade believes the quarterly meetings with Staff will be beneficial in terms of keeping both parties apprised of the progress towards completing the Action Items. The provision in the settlement agreement that allow issues in dispute to be taken to the ALJ assigned to this docket for assistance in resolution is also an important aspect of the Settlement Agreement as it provides a process for early and efficient resolution of disputes if they arise.

18 Cascade recognizes that there have been deficiencies in compliance, and Cascade is committed to achieving compliance with gas pipeline safety standards. However, as noted in Cascade's answer to the complaint, there are some alleged violations with which Cascade disagrees. Cascade's settlement of this matter is an admission of some but not all of the violations alleged.

19 The penalty imposed is significant, but Cascade has agreed to settle the case, pay the penalty amount and move forward with a focus on the system improvement efforts. Cascade supports the Settlement Agreement and requests that the Commission approve the Settlement Agreement.

**For Commission Staff:**

**ROBERT M. McKENNA**  
Attorney General



---

Donald T. Trotter  
Assistant Attorney General

7/11/2011

---

Date signed:

**For Cascade Natural Gas Corporation:**

**PERKINS COIE LLP**

---

Sheree Strom Carson  
Donna Barnett  
Attorneys for Cascade Natural Gas Corp.

---

Date signed:

**For Commission Staff:**

**ROBERT M. McKENNA**  
Attorney General

---


Donald T. Trotter  
Assistant Attorney General


---

Date signed:

**For Cascade Natural Gas Corporation:**

**PERKINS COIE LLP**

  
Sheree Strom Carson  
Donna Barnett  
Attorneys for Cascade Natural Gas Corp.

  
Date signed: