

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	DOCKET NOS. UG-020218
)	UG-020575
Complainant,)	
)	
vs.)	SETTLEMENT AGREEMENT
)	
AVISTA CORPORATION d/b/a)	
AVISTA UTILITIES,)	
)	
Respondent.)	

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 COMMISSION

1 This Agreement is entered into for the purpose of resolving all issues raised in these dockets. This Agreement is subject to approval by the Washington Utilities and Transportation Commission ("Commission"), and is not effective before such approval. The documents constituting the agreement of the Parties are this "Settlement Agreement" and Appendices A, B and C attached hereto, collectively called the "Agreement" herein.

2 Appendix A is a copy of the Violation Report issued to Avista Corporation, d/b/a Avista Utilities. Appendix B contains copies of state rules and federal rules that have been adopted by reference by the Commission, and are relevant to or referred to in this Agreement. Appendix C lists the specific follow-up actions Avista agrees to perform system-wide in this state to address Commission Staff's concerns.

I. PARTIES

3 The parties to this Agreement are the Respondent, Avista Corporation, d/b/a Avista Utilities ("Avista" or "company"), and the Staff of the Commission ("Staff") (collectively, "the Parties").

II. BACKGROUND

4 Avista is a public service company subject to Commission regulation
under Title 80 RCW. As pertinent to this Settlement Agreement, Avista operates
as a "gas company" as that term is defined in RCW 80.04.010. Avista owns and
operates a natural gas distribution system in Eastern Washington. Avista serves
residential, commercial and industrial customers with natural gas, under tariffs
subject to Commission regulation. Avista is subject to Commission safety rules
applicable to natural gas pipelines. E.g., RCW 80.28.210.

5 In Docket No. UG-020218, Staff conducted a Standard Natural Gas
Pipeline Inspection of Avista's pipeline facilities in the Spokane and Ritzville
Districts of Avista's service area. That inspection took place February 11-15 and
February 18-22, 2002.

6 In Docket No. UG-020575, Staff conducted a Standard Natural Gas
Pipeline Inspection of Avista's pipeline facilities in the Goldendale and
Stevenson Districts of Avista's service area. That inspection took place the week
of June 17, 2002.

7 In these inspections, Commission Staff reviewed the procedures, records
inventory and natural gas facilities of Avista.

8 As a result of these inspections, Staff issued a Violation Report (Appendix
A) listing allegations that Avista violated WAC 480-93-015, WAC 480-93-110,
WAC 480-93-183, WAC 480-93-186, WAC 480-93-187, WAC 480-93-188, and WAC
480-93-010, some sections of which adopt and incorporates, *inter alia*, Title 49 of
the Code of Federal Regulations ("CFR"), Part 192. Violations of specific
requirements of 49 CFR Part 192 were alleged. This action was taken in Docket
Nos. UG-020218 and UG-020575. Appendix A itemizes the specific violations
alleged.

9 On November 15, 2002, the Commission, based on the Violation Report
(Appendix A), issued its Complaint to continue Docket Nos. UG-020218 and UG-
020575. The Complaint summarized the violations in the following areas:

- a. Avista did not have readily detectable odorization at required levels at certain of its facilities;
- b. Avista did not have adequate cathodic protection applied to certain of its facilities, and/or that low cathodic protection readings were not corrected within 90 days, and/or that Avista had an insufficient number of test sites necessary to measure the adequacy of the cathodic protection system;
- c. Avista could not provide records demonstrating that an atmospheric corrosion monitoring program was in place in certain areas;
- d. Avista had documents indicating that the maximum allowable operating pressure had been exceeded on certain occasions, but Avista could not demonstrate that it had notified the Commission of such incidents as required;
- e. Avista had various problems with compliance with leak detection, including untimely follow-up inspections for several grade 1 leaks, failure to grade a leak upon discovery, incomplete documentation of leaks; and
- f. Avista did not have adequate records indicating that it had notified certain new customers of the option to install an excess flow valve.

10 A prehearing conference was held on January 14, 2003. The only two parties to these dockets are Avista and the Commission.

11 Since issuing its Violation Report (Appendix A), Staff has been discussing with Avista ways to resolve the issues now presented in these dockets, in a manner that assures present and future compliance with applicable Commission laws and rules. Both Parties share the goal that Avista's pipeline facilities be operated in compliance with Commission laws and rules related to the safe operation of those facilities.

III. AGREEMENT

12 The Parties have reached agreement on how to resolve the issues raised in these dockets and wish to present their agreement for the Commission's consideration and approval. The Parties voluntarily enter this Agreement without hearing or adjudication of any issues of fact or law to resolve the matters in dispute between them in what each Party believes is an appropriate manner, and to avoid the expense, time and uncertainty of litigation.

13 This Agreement outlines the elements of agreement; and the sections of the Violation Report (Appendix A) each aspect of the Agreement addresses. The most relevant sections of the CFR described herein are included in Appendix B to this Agreement.

Alleged Violations Cured

14 As of the date this Agreement was executed, the specific violations alleged in Staff's Violation Report (Appendix A) have been cured by Avista. Staff has independently confirmed this fact, based in part on a site visit by Staff to the Avista facilities involved.

15 This addresses all the specific items in the Violation Report (Appendix A).

Assuring Compliance System-wide in This State

16 As a practical matter, in inspecting companies with facilities that cover a large area, Commission Staff inspects a limited area, and if problems are found, Staff requests the company to conduct inspections to determine whether the problems exist system-wide in this state, and if so, to correct the problems that are found. For example, in this case, the Commission Staff found problems with cathodic protection and leak detection in regards to the limited areas of Avista's system that were inspected. It is reasonable to require Avista to conduct an analysis of its system in this state with respect to certain of the problems itemized in Staff's Violation Report, and to correct whatever problems are discovered. Avista has agreed to do so.

17 Accordingly, Avista agrees to conduct the activities listed in Appendix C. This addresses all items in the Violation Report (Appendix A), on a going forward basis, system-wide in this state.

Admissions of Violations and Sanctions

18 Avista has reviewed in detail the Commission Staff's Violation Report (Appendix A), and has taken the opportunity to discuss with Staff in detail the allegations in that Violation Report. Avista concurs with the findings of the Violation Report set forth in Appendix A, with the exception of the findings relating to Violation Number 11. Violation Number 11 involved a matter that had been addressed in a prior proceeding, and Avista was handling the matter. Staff has concluded that this violation should not have been characterized as a "repeat violation" in the Violation Report Staff issued. For this reason, if this case went to hearing, Commission Staff would not have pursued Violation Number 11.

19 Avista and Commission Staff have agreed that Avista will pay to the Commission penalties totaling fifty thousand dollars (\$50,000.00). This amount shall be due and payable within fifteen calendar days after the date of the Commission order approving this Agreement. Avista will pay the Commission that amount by that date. If Avista fails to timely comply with any of the specified obligations contained in Appendix C, nothing in this Agreement prevents the Commission Staff from recommending, and the Commission imposing, additional sanctions for any violations of Commission laws and rules that are discovered during the additional activities Avista has agreed to conduct as described in Appendix C. Nothing in this Agreement limits Avista's arguments or defenses in any such enforcement action, including a showing that lack of timeliness was justified due to circumstances beyond Avista's control.

IV. GENERAL PROVISIONS

Nature of the Agreement.

20 The Parties agree that this Agreement is an appropriate settlement of all
contested issues between them in this proceeding. The Parties understand that
this Agreement is subject to Commission approval and it is not effective unless
and until it is approved by the Commission.

21 Nothing in this Agreement is intended to limit or bar any other entity
from pursuing legal claims, or to limit or bar Avista's ability to assert defenses to
such claims.

22 Nothing in this Agreement limits or bars the Commission from pursuing
penalties for violations of Commission statutes and rules unrelated to the subject
matter of this Agreement. Nothing in this Agreement limits or bars the
Commission from pursuing penalties for violations of Commission statutes and
rules that are related to the subject matter of this Agreement, but which
violations occurred after the date this Agreement was executed. The
Commission Staff understands that as a result of the steps Avista has agreed to
take (described in Appendix C), additional conditions may be found that
constitute violations of Commission laws and rules. Staff agrees that so long as
these violations are of the same type as those listed in Appendix A, and if Avista
meets the timeframes agreed to in Appendix C, Staff will not recommend
additional sanctions be pursued by the Commission for such violations.

23 The Parties have entered into this Agreement to avoid further expense,
inconvenience, uncertainty, and delay. The Parties recognize that this
Agreement represents a compromise of the Parties' positions. As such, conduct,
statements, and documents disclosed during negotiations of this Agreement shall
not be admissible as evidence in this or any other proceeding, except in any
proceeding to enforce the terms of this Agreement or any Commission Order
fully adopting those terms. This Agreement shall not be construed against either
Party because it was a drafter of this Agreement.

Integrated Terms of Settlement

24 The Parties have negotiated this Agreement as an integrated document to be filed with the Commission only upon execution. Once the Agreement is executed, the Parties agree to support the Agreement in its entirety. This Agreement supersedes all prior oral and written agreements on issues addressed herein, if any.

Manner of Execution

25 This Agreement is considered executed when all Parties sign the Agreement. A designated and authorized representative may sign the Agreement on a Party's behalf. The Parties may execute this Agreement in counterparts. If the Agreement is executed in counterparts, all counterparts shall constitute one agreement. An Agreement signed in counterpart and sent by facsimile is as effective as an original document. A faxed signature page containing the signature of a Party is acceptable as an original signature page signed by that Party. Each Party shall indicate the date of its signature on the Agreement. The date of execution of the Agreement will be the latest date indicated on the signatures.

Procedure

26 Once this Agreement is executed, the Parties agree to cooperate in promptly filing this Agreement with the Commission for approval. The Parties agree to support approval of this Agreement in proceedings before the Commission, through testimony and/or briefing. However, if there is a Commission order, rule or policy statement issued after the date this Agreement is executed but before it is approved, and that order, rule or policy statement, changes the posture of the Agreement in either Party's view, comments may be made to the Commission as to how the Agreement should be viewed in light of that order, rule or policy statement. The Parties agree to request from the Commission a hearing to present this Agreement, and the suspension of the existing remaining procedural schedule in these dockets. The Parties understand that the Commission will decide the appropriate procedures for presentation and consideration of the Agreement.

27 At the hearing on the Agreement, each Party shall each make available a witness or witnesses to answer questions and to support the Agreement. Any Party may elect to file, on or before 5 calendar days of the hearing on the Agreement, a memorandum with the Commission explaining the Settlement. It is understood that such a memorandum may contain the perspectives of the filing Party which may or not be the perspectives of the other Party.

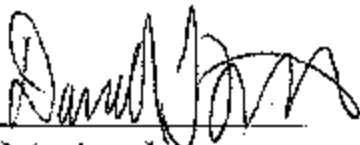
28 In the event that the Commission rejects all or any portion of this Agreement, each Party reserves the right to withdraw from this Agreement by written notice to the other Party and the Commission. Written notice must be served within 10 business days of the date of the Commission order rejecting all or any portion of this Agreement. In such event, neither Party will be bound or prejudiced by the terms of this Agreement. The Parties will jointly request a prehearing conference for purposes of establishing a procedural schedule to complete the case.

No precedent

29 No Party shall be deemed to have agreed that this Agreement is precedent for resolving any issues in any other proceeding, other than a proceeding for enforcement of this Agreement.

For Commission Staff:

Donald L. Trotter
Assistant Attorney General



Date signed:

2/20/03

For Avista:

David J. Meyer
Senior Vice President and
General Counsel
Avista Corporation

Date signed:

27 At the hearing on the Agreement, each Party shall each make available a witness or witnesses to answer questions and to support the Agreement. Any Party may elect to file, on or before 5 calendar days of the hearing on the Agreement, a memorandum with the Commission explaining the Settlement. It is understood that such a memorandum may contain the perspectives of the filing Party which may or not be the perspectives of the other Party.

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For Commission Staff:

Donald T. Trotter
Assistant Attorney General



Date signed:
2/20/03

For Avista:

David J. Meyer
Senior Vice President and
General Counsel
Avista Corporation



Date signed:
2/21/03

APPENDIX A
VIOLATION REPORT

Washington Utilities and Transportation Commission

2002 Gas Pipeline Safety Inspection Avista Utilities, Spokane/Ritzville and Goldendale/Stevenson, Washington

VIOLATION REPORT

The following violations of the Washington Administrative Code (WAC) Chapter 480-93 and Title 49 CFR Part 192 rules were found as a result of the February 6, 2002 through February 22, 2002, Spokane/Ritzville district and June 17 through June 22, 2002 Goldendale/Stevenson district, pipeline safety inspection of Avista Utilities' facilities and operations. The inspection included a review of the procedures, records, inventory, and natural gas facilities.

1. **WAC 480-93-015 Odorization of Gas** *All gas being transported by pipeline in this state, and all gas consumed by an end use customer, shall be odorized in accordance with 49 CFR, Part 192.625, unless waiver is approved in advance of such transportation, in writing, by the commission.*

Findings:

Spokane/Ritzville District:

This finding is based on an Avista adopted Lower Explosive Limit (LEL) of five percent gas in air. Odorization records indicated that for the month of May 2001, Avista did not have readily detectable odorization at the required levels. Records for the seven test sites in the Spokane area indicated that the systems were odorized to a level that was not readily detectable until a concentration of gas in air of 1.3 percent. This does not meet the minimum requirement that the systems be odorized at a readily detectable level of approximately one percent gas in air (based on an LEL of five percent). No documentation was provided indicating Avista personnel recognized the inadequate levels of odorization or that any corrective actions were taken.

2. **WAC 480-93-110 Corrosion Control** *Every gas company must ensure that all of its metallic gas pipelines, except cast iron and ductile iron, are protected by a recognized method or combination of methods of cathodic protection.*

REPEAT VIOLATION

Findings:

Avista has an undetermined number of short sections of steel main and isolated steel service risers that do not have adequate cathodic protection applied. The following were found to have inadequate or no levels of cathodic protection applied:

Spokane/Ritzville District:

- a. 2901 N. Argonne, Suite 5, Spokane. Reading of -0.59 volt.
- b. 6606 N. Division, Spokane. Reading of -0.54 volt.

Goldendale/Stevenson:

- a. 320 Columbus St., Goldendale. Reading of -0.40 volt.
- b. 908 Columbus St., Goldendale. Reading of -0.43 volt.
- c. 125 Brooks St., Goldendale. Reading of -0.77 volt.
- d. 127 Brooks St., Goldendale. Reading of -0.38 volt.
- e. 608 Golden St., Goldendale. Reading of -0.12 volt.
- f. 610 Golden St., Goldendale. Reading of -0.56 volt.
- g. 525 Collins, Goldendale. Reading of -0.43 volt.
- h. NW Manufacturing, Cascade Ave, Stevenson. Reading of -0.49 volt.
- i. Two-inch steel wrapped main on Mill St Bridge over Little Klickitat River. Reading of -0.52 volt.
- j. Three quarter inch main in the 600 block of Golden St., Goldendale. Readings taken from services.

Our inspection report dated March 27, 2001, docket number UG-001851, previously identified this violation.

3. **WAC 480-93-110 Corrosion Control** "...Every gas company shall record and retain all cathodic protection test readings taken and complete remedial action within ninety days to correct any cathodic protection deficiencies known and indicated by the company's record.

REPEAT VIOLATION

Findings:

Spokane/Ritzville District:

Documentation indicates the following carrier pipe Cathodic Protection (CP) readings did not meet the minimum level of -0.85 volt and were not corrected within 90 days:

- a. **Erie & Front, Spokane. 10-25-2001 surveys.** Records indicate that the carrier pipe had a reading of -0.75 volt, which doesn't meet the Avista adopted criteria of -0.85 volt. Avista was unable to provide documentation indicating that the low CP reading was corrected within the 90-day requirement.
- b. **Freya & Track at Riverside, Spokane. 10-25-2001 surveys.** Records indicate that the carrier pipe had a reading of -0.6 volt, which doesn't meet the Avista adopted criteria of -0.85 volt. Avista was unable to provide documentation indicating that the low CP reading was corrected within the 90-day requirement.
- c. **Greene & Tracks at Ralph, Spokane. 10-25-2001 surveys.** Records indicate that the carrier pipe had a reading of -0.47 volt, which doesn't meet the Avista adopted criteria of -0.85 volt. Avista was unable to provide

- documentation indicating that the low CP reading was corrected within the 90-day requirement.
- d. **Lenedeke & 8TH (E casing), Fairchild to Spokane. 10-18-2001 surveys.** Records indicate that the carrier pipe had a reading of -0.78 volt, which doesn't meet the Avista adopted criteria of -0.85 volt. Avista was unable to provide documentation indicating that the low CP reading was corrected within the 90-day requirement.
 - e. **Starr Rd & Trent, Spokane Valley. 10-02-2001 surveys.** Records indicate that the carrier pipe had a reading of -0.64 volt, which doesn't meet the Avista adopted criteria of -0.85 volt. Avista was unable to provide documentation indicating that the low CP reading was corrected within the 90-day requirement.
 - f. **Starr Rd & Tracks S of Trent, Spokane Valley. 10-02-2001 surveys.** Records indicate that the carrier pipe had a reading of -0.64 volt, which doesn't meet the Avista adopted criteria of -0.85 volt. Avista was unable to provide documentation indicating that the low CP reading was corrected within the 90-day requirement.
 - g. **Btwn Freeway & Appleway at 22425 E, Spokane Valley. 10-02-2001 surveys.** Records indicate that the carrier pipe had a reading of -0.76 volt, which doesn't meet the Avista adopted criteria of -0.85 volt. Avista was unable to provide documentation indicating that the low CP reading was corrected within the 90-day requirement.
 - h. **Dyer & north tracks N of Sprague, Spokane Valley. 10-04-2001 surveys.** Records indicate that the carrier pipe had a reading of -0.7 volt, which doesn't meet the Avista adopted criteria of -0.85 volt. Avista was unable to provide documentation indicating that the low CP reading was corrected within the 90-day requirement.
 - i. **Dyer & south tracks N of Sprague, Spokane Valley. 10-04-2001 surveys.** Records indicate that the carrier pipe had a reading of -0.72 volt, which doesn't meet the Avista adopted criteria of -0.85 volt. Avista was unable to provide documentation indicating that the low CP reading was corrected within the 90-day requirement.
 - j. **Sprague & Dyer, Spokane Valley. 10-04-2001 surveys.** Records indicate that the carrier pipe had a reading of -0.7 volt, which doesn't meet the Avista adopted criteria of -0.85 volt. Avista was unable to provide documentation indicating that the low CP reading was corrected within the 90-day requirement.

Spokane/Ritzville District:

Documentation indicates the following casing reads exceeded the maximum level adopted by Avista of -.730v and were not addressed or followed up with electrical isolation testing within 90 days:

- a. **White Rd & ¼ mile S of Hwy 902, Spokane. 10-17-2001 surveys.** Records indicate that the casing had a reading of -0.77 volt, which is above the potential adopted by Avista that requires follow up testing for electrical

isolation. As of April 2002 Avista had not conducted follow up electrical isolation testing.

- b. **I-90 & ¼ mile S of Hwy 902 at White Rd, Fairchild to Spokane. 10-18-2001 surveys.** Records indicate that the casing had a reading of -0.75 volt, which is above the potential adopted by Avista requiring follow up testing for electrical isolation. As of April 2002 Avista had not conducted follow up electrical isolation testing.
- c. **Hwy 395 & Crawford So side, Kettle Falls to Spokane. 10-23-2001 surveys.** Records indicate that the casing had a reading of -0.74 volt, which is above the potential adopted by Avista requiring follow up testing for electrical isolation. As of April 2002 Avista had not conducted follow up electrical isolation testing.
- d. **Hwy 395 & Monroe Rd north side, Kettle Falls to Spokane. 10-23-2001 surveys.** Records indicate that the casing had a reading of -0.73 volt, which is at the potential adopted by Avista requiring follow up testing for electrical isolation. As of April 2002 Avista had not conducted follow up electrical isolation testing.
- e. **Trent & Park, Spokane Valley. 10-01-2001 surveys.** Records indicate that the casing had a reading of -0.78 volt, which is above the potential adopted by Avista requiring follow up testing for electrical isolation. As of April 2002 Avista had not conducted follow up electrical isolation testing.
- f. **Euclid & Center, Spokane Valley. 10-01-2001 surveys.** Records indicate that the casing had a reading of -1.02 volt, which is above the potential adopted by Avista requiring follow up testing for electrical isolation. As of April 2002 Avista had not conducted follow up electrical isolation testing.
- g. **Tracks S of Trent & Progress, Spokane Valley. 10-02-2001 surveys.** Records indicate that the casing had a reading of -0.95 volt, which is above the potential adopted by Avista requiring follow up testing for electrical isolation. As of April 2002 Avista had not conducted follow up electrical isolation testing.
- h. **Tracks ½ mile E of Van Marter & N of Columbia, Ritzville. 10-24-2001 surveys.** Records indicate that the casing had a reading of -0.93 volt, which is above the potential adopted by Avista requiring follow up testing for electrical isolation. As of April 2002 Avista had not conducted follow up electrical isolation testing.
- i. **Sprague & Fancher, Spokane Valley. 10-04-2001 surveys.** Records indicate that the casing had a reading of -0.82 volt, which is above the potential adopted by Avista requiring follow up testing for electrical isolation. As of April 2002 Avista had not conducted follow up electrical isolation testing.

Our inspection report dated March 27, 2001, docket number UG-001851 and August 2, 2001, docket number UG-010855, previously identified this violation.

4. **WAC 480-93-183 Pipeline and System Pressure Reporting** *All gas companies shall establish a maximum operating pressure for a pipeline or system, in accordance*

with this chapter, and notify the commission of the following pressure related changes:

(1) When a pipeline or system pressure exceeds the established maximum operating pressure, the commission shall be notified within six hours, to be followed by written explanation within thirty days.

Findings:

Spokane/Ritzville District:

Staff reviewed system pressure "exception reports" for the Spokane district and found the following systems that exceeded the established Maximum Allowable Operating Pressure (MAOP). Avista did not make Commission notification as required.

- a. **Spokane West Gate #3.** Records indicate that the MAOP is 366 psig and that a pressure of 367.3 psig was reached on May 9, 2001.
- b. **Mead City Gate.** Records indicate that the MAOP is 174 psig and that a pressure of 179.2 psig was reached on May 8, 2001.
- c. **Mead City Gate.** Records indicate that the MAOP is 174 and that a pressure of 175.2 was reached on May 4, 2001.

5. WAC 480-93-186(1)(c) Leakage Classification and Action Criteria

(1) Gas leak classification and repair.

(c) Follow-up inspections. The adequacy of leak repairs shall be checked by acceptable methods while the excavation is open. The perimeter of the leak area shall be checked with a CGI. In the case of repair of a Grade 1 leak, where there is residual gas in the ground, a follow-up inspection shall be made as soon as practical but in no case later than one month following the repair. In the case of Grade 2 or Grade 3 leaks, which have been repaired, the need for a follow-up inspection shall be determined by qualified personnel employed or retained by the gas company.

REPEAT VIOLATION

Findings:

Spokane/Ritzville District:

Documentation indicates that the following grade 1 leaks did not have follow up inspections made within the 30-day limit:

- a. **7026 S. Crestview, Spokane, 9/20/01.** Avista's documentation indicates residual gas was left in the ground after a leak repair, which requires a follow up inspection within 30 days. Documentation indicates that a follow up inspection was not conducted until 1/15/02.
- b. **8324 E. Sinto, Spokane, 4/27/01** Avista's documentation indicates residual gas was left in the ground after a leak repair which requires a follow up inspection within 30 days. No documentation was provided which indicated that a 30-day follow up was conducted.

- c. **N. 13615 River Bluff Ln, 10/11/01.** Avista's documentation indicates residual gas was left in the ground after a leak repair, which requires a follow up inspection within 30 days. Documentation indicates that a follow up was not conducted until 12/20/01.
- d. **7909 N. Rye, 10/15/01.** The "leak/odor investigation" section of Avista's leak documentation indicates that 55% residual gas was left after repair but the "re-inspection required" section of the leak document is not marked. A follow up recheck was not conducted until 12/26/01.

Our inspection report dated March 27, 2001, docket number UG-001851, previously identified this violation.

6. **WAC 480-93-186(b) Leakage Classification and Action Criteria**

Leak grades. Based on an evaluation of the location and/or magnitude of a leak, one of the following leak grades shall be assigned, thereby establishing the leak repair priority. A gas company may utilize an alphabetical grade classification, i.e. Grade A for Grade 1, Grade B for Grade 2, and Grade C for Grade 3 if it has historically utilized such a grading designation.

Grade 1 - Grade 1 means a leak that represents an existing or probable hazard to persons or property and requiring immediate repair or continuous action until conditions are no longer hazardous.

Grade 2 - Grade 2 means a leak recognized as being non-hazardous at the time of detection but requiring scheduled repair based on probable future hazard.

Grade 3 - Grade 3 means a leak that is non-hazardous at the time of detection and can reasonably be expected to remain non-hazardous.

Leakage classification and control requirements are provided in Table 1. The examples of leakage provided in the table are guidelines and are not exclusive. The judgment of the gas company personnel at the scene is of primary importance in determining the grade assigned to a leak.

Findings:

Goldendale/Stevenson District:

Avista personnel discovered a leaking valve while performing routine annual valve maintenance. This leak was not graded as required by WAC 480-93-186.

7. **WAC 480-93-187(2) Records and Self-Audit** *The following data and information shall be recorded and maintained. Every gas company, which by law must report leaks to a regulatory agency charged by law with environmental protection, shall file copies of those reports with the commission. Data and information which cannot reasonably be expected to be available under the particular circumstances of a leak situation need not be reported, but at a minimum will include the following:*
 - (a) *Date and time detected, date and time reported, date and time and name of employees dispatched, and the date and time the leak was investigated;*
 - (b) *Date and time the leak was reevaluated before repair, and the name of the employee involved;*

- (c) Date and time of repair, when a Grade 1 leak is involved, and the name of the employee in charge of the repair;
- (d) Date and time the leak was rechecked after repair and the employee involved;
- (e) If leak was reportable to an environmental agency, date and time report made to regulatory authority and name of reporting employee;
- (f) Location of leak (sufficiently described to allow ready location by other competent personnel);
- (g) Leak grade;
- (h) Line use (distribution, transmission, etc.);
- (i) Method of leak detection (if reported by outside party, list name and address);
- (j) Part of system where leak occurred (main, service, etc.);
- (k) Part of system which leaked (pipe, valve, fitting, compressor or regulator station, etc.);
- (l) Material which leaked (steel, plastic, cast iron, etc.);
- (m) Origin of leak;
- (n) Pipe description;
- (o) Type repair;
- (p) Leak cause;
- (q) Date pipe installed (if known);
- (r) Whether under cathodic protection; and
- (s) Magnitude of CGI readings at appropriate locations which are a part of the classification procedures contained in Table 1 of WAC 480-93-186 (codified as WAC 480-93-18601).

REPEAT VIOLATION

Findings:

Spokane/Ritzville District:

Staff reviewed leak records for the Spokane district and observed leak records and documentation without the required information as defined in 480-93-187. Follow-up records for some grade 1 leaks with residual gas were incomplete with no re-check documentation. Following are examples of noted documentation deficiencies:

- a. **1509 N. Locust, Valley, 10/18/01.** Documentation did not indicate the magnitude of Combustible Gas Indicator (CGI) readings, which are a part of the classification procedures. Paperwork indicates that the broken pipeline may have been leaking for 30 days but no CGI readings are recorded.
- b. **18019 N. Lidgerwood, Colbert, 11/6/01.** Documentation did not indicate the magnitude of CGI readings, which are a part of the classification procedures. A follow up was conducted 30 days after the leak was evaluated but the original leak form does not indicate whether there were any residual readings, which would require a 30-day follow up.
- c. **6252 Gunner, Nine Mile, 12/3/01.** Documentation did not indicate the magnitude of CGI readings, which are a part of the classification procedures. A follow up was conducted within 30 days after the leak was evaluated but the

original leak form does not indicate whether there were any residual readings, which would require a 30-day follow up.

- d. 16101 N. Chronicle, 11/27/01. Documentation did not indicate the magnitude of CGI readings, which are a part of the classification procedures.
- e. 2319 S. Newer Ct., Veradale, 12/05/01. Avista was unable to produce a leak document or record for this damaged, broken and blowing meter set.

Our inspection report dated March 27, 2001, docket number UG-001851, previously identified this violation.

8. **WAC 480-93-188 (6) Gas leak Surveys** *Leak survey records. For the most current and immediately preceding survey of an area, the following information shall be maintained:*

- (a) Description of system and area surveyed (this could include maps and leak survey logs);
- (b) Survey results;
- (c) Survey method;
- (d) Names of those making survey;
- (e) Survey dates; and
- (f) In addition to the above, the following records shall be kept for pressure drop test:
 - (i) The name of the gas company, the name of the gas company employee responsible for making the test, and the name of any test company used;
 - (ii) Test medium used;
 - (iii) Test pressure;
 - (iv) Test duration;
 - (v) Pressure recording charts, or other record of pressure readings; and
 - (vi) Test results.

Findings:

Spokane/Ritzville District:

- a. 8324 E. Sinto, Spokane, 4/27/01. No pressure drop test information was documented after leak repair.
- b. 4914 N. Stone, 12/13/01. Avista's documentation indicates that a short section of replacement pipeline was installed to repair a broken service line. No pressure drop test information was documented after leak repair.
- c. 18019 N. Lidgerwood, Colbert, 11/6/01. No pressure drop test information was documented.
- d. 6252 Gunner, Nine Mile, 12/3/01. Documentation does not indicate whether a pressure drop test was conducted or whether pre-tested pipe was used in the repair.
- e. 1509 N. Locust, Valley, 10/18/01. No pressure drop test information was documented.

9. **Part 192.469 External Corrosion Control: Test Stations** *Each pipeline under cathodic protection required by this subpart must have sufficient test stations or other*

contact points for electrical measurement to determine the adequacy of cathodic protection.

REPEAT VIOLATION

Findings:

Goldendale/Stevenson District:

Staff located a section of 2 inch Steel Wrapped (STW) pipe that does not have cathodic protection. The pipeline is attached to the Mill St. Bridge.

Staff located a three quarter inch main, located in the 600 block of Brooks St., which serves four individual services that do not have cathodic protection.

The existing test sites for these systems did not detect the deficiencies.

Our inspection report dated March 27, 2001, docket number UG-001851, previously identified this violation.

10. **Part 192.383(b) Excess Flow Valves Customer Notification** *Which customers must receive notification. Notification is required on each newly installed service line or replaced service line that operates continuously throughout the year at a pressure not less than 68.9 kPa (10 psig) and that serves a single residence. On these lines an operator of a natural gas distribution system must notify the service line customer once in writing.*

Findings:

Spokane/Ritzville District:

Avista's Spokane office was unable to provide records of the required notification for new construction plat customers.

11. **Part 192.467(d) Casing of Pipelines** *Inspection and electrical tests must be made to assure that electrical isolation is adequate.*

Findings:

Spokane/Ritzville District:

Avista's records indicate that the following casings do not have contact points for testing of electrical isolation between casing and carrier pipe. Avista is currently leak surveying those casings. Leak surveys are not an adequate method of assuring electrical isolation between casings and carrier pipe.

- a. Division & Cataldo, Spokane
- b. Treat & Sherman, Spokane
- c. Rebecca & Freeway, Spokane
- d. Geiger Blvd & Garden Springs, Fairchild to Spokane

- e. Darden Springs & 100' E of Geiger, Fairchild to Spokane
- f. Lenedeke & 8th (W casing), Fairchild to Spokane
- g. Trent & Tracks at Airport, Spokane Valley
- h. Trent & Rolling Mill Rd, Spokane Valley
- i. Trent & 14015 E, Spokane Valley
- j. Harvard & Wellesley, Spokane Valley
- k. Tracks & 5 SE (1/2 mile E of U or Bruce Rd), Ritzville

12. Part 192.491(c) Corrosion Control Records *Each operator shall maintain a record of each test, survey, or inspection required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that a corrosive condition does not exist. These records must be retained for at least 5 years, except that records related to §§192.465(a) and (e) and 192.475(h) must be retained for as long as the pipeline remains in service.*

Findings:

Spokane/Ritzville District:

Ritzville was unable to provide records that an atmospheric corrosion-monitoring program was in place at the time of this inspection.

APPENDIX B
RELEVANT RULES

APPENDIX B

State Rules and Federal Rules Adopted by Reference by the Washington Utilities and Transportation Commission, and Relevant to the Settlement Agreement

Violation 1

WAC 480-93-015, Odorization of Gas

All gas being transported by pipeline in this state, and all gas consumed by an end use customer, shall be odorized in accordance with 49 CFR, Part 192.625, unless waiver is approved in advance of such transportation, in writing, by the commission.

Title 49 CFR, Part 192.625(a), Odorization of Gas

a) A combustible gas in a distribution line must contain a natural odorant or be odorized so that at a concentration in air of one-fifth of the lower explosive limit, the gas is readily detectable by a person with a normal sense of smell.

Violation 2

WAC 480-93-110, Corrosion Control

Every gas company must ensure that all of its metallic gas pipelines, except cast iron and ductile iron, are protected by a recognized method or combination of methods of cathodic protection. Every gas company shall record and retain all cathodic protection test readings taken and complete remedial action within ninety days to correct any cathodic protection deficiencies known and indicated by the company's records.

Violation 3

WAC 480-93-110, Corrosion Control

Every gas company must ensure that all of its metallic gas pipelines, except cast iron and ductile iron, are protected by a recognized method or combination of methods of cathodic protection. Every gas company shall record and retain all cathodic protection test readings taken and complete remedial action within ninety days to correct any cathodic protection deficiencies known and indicated by the company's records.

Violation 4

WAC 480-93-183, Pipeline and System Pressure Reporting

All gas companies shall establish a maximum operating pressure for a pipeline or system, in accordance with this chapter, and notify the commission of the following pressure related changes:

- (1) When a pipeline or system pressure exceeds the established maximum operating pressure, the commission shall be notified within six hours, to be followed by written explanation within thirty days;

Violation 5

WAC 480-93-186(1)(c), Leakage Classification and Action Criteria

- (1) Gas leak classification and repair.
 - (c) Follow-up inspections. The adequacy of leak repairs shall be checked by acceptable methods while the excavation is open. The perimeter of the leak area shall be checked with a CGI. In the case of repair of a Grade 1 leak, where there is residual gas in the ground, a follow-up inspection shall be made as soon as practical but in no case later than one month following the repair. In the case of Grade 2 or Grade 3 leaks which have been repaired, the need for a follow-up inspection shall be determined by qualified personnel employed or retained by the gas company.

Violation 6

WAC 480-93-186(b), Leakage Classification and Action Criteria

(b) Leak grades. Based on an evaluation of the location and/or magnitude of a leak, one of the following leak grades shall be assigned, thereby establishing the leak repair priority. A gas company may utilize an alphabetical grade classification, i.e. Grade A for Grade 1, Grade B for Grade 2, and Grade C for Grade 3 if it has historically utilized such a grading designation.

Grade 1 - Grade 1 means a leak that represents an existing or probable hazard to persons or property and requiring immediate repair or continuous action until conditions are no longer hazardous.

Grade 2 - Grade 2 means a leak recognized as being nonhazardous at the time of detection but requiring scheduled repair based on probable future hazard.

Grade 3 - Grade 3 means a leak that is nonhazardous at the time of detection and can reasonably be expected to remain nonhazardous.

Leakage classification and control requirements are provided in Table 1. The examples of leakage provided in the table are guidelines and are not exclusive. The judgment of the gas company personnel at the scene is of primary importance in determining the grade assigned to a leak.

Violation 7

WAC 480-93-187(2) Records and Self Audit

(2) The following data and information shall be recorded and maintained. Every gas company which by law must report leaks to a regulatory agency charged by law with environmental protection shall file copies of those reports with the commission. Data and information which cannot reasonably be expected to be available under the particular circumstances of a leak situation need not be reported, but at a minimum will include the following:

- (a) Date and time detected, date and time reported, date and time and name of employees dispatched, and the date and time the leak was investigated;
- (b) Date and time the leak was reevaluated before repair, and the name of the employee involved;
- (c) Date and time of repair, when a Grade 1 leak is involved, and the name of the employee in charge of the repair;
- (d) Date and time the leak was rechecked after repair and the employee involved;
- (e) If leak was reportable to an environmental agency, date and time report made to regulatory authority and name of reporting employee;
- (f) Location of leak (sufficiently described to allow ready location by other competent personnel);
- (g) Leak grade;
- (h) Line use (distribution, transmission, etc.);
- (i) Method of leak detection (if reported by outside party, list name and address);
- (j) Part of system where leak occurred (main, service, etc.);
- (k) Part of system which leaked (pipe, valve, fitting, compressor or regulator station, etc.);
- (l) Material which leaked (steel, plastic, cast iron, etc.);
- (m) Origin of leak;
- (n) Pipe description;
- (o) Type repair;
- (p) Leak cause;
- (q) Date pipe installed (if known);
- (r) Whether under cathodic protection; and
- (s) Magnitude of CGI readings at appropriate locations which are a part of the classification procedures contained in Table 1 of WAC 480-93-186 (codified as WAC 480-93-18601).

The data to be recorded on leaks which have been appropriately classified as "Grade 3" may be at the company's discretion, but must include, at a minimum, information necessary to allow for proper follow-up action to be accomplished.

Violation 8

WAC 480-93-188(6), Gas Leak Surveys

(6) Leak survey records. For the most current and immediately preceding survey of an area, the following information shall be maintained:

- (a) Description of system and area surveyed (this could include maps and leak survey logs);
- (b) Survey results;
- (c) Survey method;
- (d) Names of those making survey;
- (e) Survey dates; and
- (f) In addition to the above, the following records shall be kept for pressure drop test:
 - (i) The name of the gas company, the name of the gas company employee responsible for making the test, and the name of any test company used;
 - (ii) Test medium used;
 - (iii) Test pressure;
 - (iv) Test duration;
 - (v) Pressure recording charts, or other record of pressure readings; and
 - (vi) Test results.

Violation 9

Title 49 CFR, Part 192.469, External Corrosion Control-Test Stations

Each pipeline under cathodic protection required by this subpart must have sufficient test stations or other contact points for electrical measurement to determine the adequacy of cathodic protection.

Violation 10

Title 49CFR, Part 192.383(b), Excess Flow Valve Customer Notification

(b) *Which customers must receive notification.* Notification is required on each newly installed service line or replaced service line that operates continuously throughout the year at a pressure not less than 68.9 kPa (10 psig) and that serves a single residence. On these lines an operator of a natural gas distribution system must notify the service line customer once in writing.

Violation 11

Title 49 CFR, Part 192.467(d), Casing of Pipelines

Not at issue.

[Reason: This violation has been previously addressed in Docket No. UG-020038 and is not a repeat violation. Staff would not pursue this violation if this case went to hearing].

Violation 12

Title 49 CFR, Part 192.491(c), Corrosion Control Records

(c) Each operator shall maintain a record of each test, survey, or inspection required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that a corrosive condition does not exist. These records must be retained for at least 5 years, except that records related to §§192.465(a) and (e) and 192.475(b) must be retained for as long as the pipeline remains in service.

APPENDIX C
COMPLIANCE STATUS AND ACTIONS

Appendix C
Avista Compliance Status / Actions

This Appendix lists each item in the Violation Report (Appendix A to the Settlement Agreement), identifies the level of Avista's compliance, and states the future actions Avista agrees to take to assure compliance system-wide in this state. These actions are in addition to the monetary penalty Avista has agreed to pay, as described in Paragraph 17 of the Settlement Agreement.

Violation 1

WAC 480-93-015, Odorization of Gas

Avista is now in compliance, so no further action is required.

Violation 2

WAC 480-93-110, Corrosion Control

Avista is now in compliance with respect to the specific facilities described for this alleged Violation, but Avista agrees to do the following additional studies and work:

[For purposes of the following requirements "short section" is defined as isolated steel main or steel services, not in excess of 100 feet, either with or without adequate cathodic protection applied. (CFR Part 192.465(a))]

- a. By February 28, 2003, Avista will conduct a study of their Ritzville and Goldendale area pipeline systems to determine whether they have any short sections of pipeline.
- b. By July 1, 2003, Avista will conduct a study of their Spokane area pipeline systems to determine whether they have any short sections of pipeline.
- c. By July 1, 2003, Avista will provide the Commission a complete list of all short sections of pipeline identified, including those with or without adequate cathodic protection levels applied.
- d. By December 31, 2003, Avista will replace with plastic or cathodically protect all short sections of pipeline found to have inadequate cathodic protection.

- e. Starting in July 2003, by the end of each month, Avista will provide progress reports to the Commission on the replacement or cathodic protection of all short sections of pipeline identified.
- f. By December 31, 2003, Avista will develop and implement a cathodic protection monitoring plan whereby 10 percent of all short sections of pipeline are tested for adequate levels of cathodic protection each year (each section tested every ten years). The plan must meet the requirements of Title 49, Code of Federal Regulations, Part 192.465(a).

Violation 3

WAC 480-93-110, Corrosion Control

Avista is now in compliance, so no further action is required.

Violation 4

WAC 480-93-183, Pipeline and System Pressure Reporting

Avista is now in compliance with respect to the specific documents described for this alleged Violation. Additionally, Avista agrees to provide training by February 28, 2003 to appropriate personnel on the reporting requirements of Washington Administrative Code, (WAC) Chapter 480-93-183.

Violation 5, Violation 6, Violation 7, Violation 8

WAC 480-93-186(1)(c), 480-93-186(b), 480-93-187(2), WAC 480-93-188(6), Leakage Classification and Action Criteria, Records and Self Audit, Gas Leak Surveys (Pressure Tests)

Avista is now in compliance, so no further action is required.

Violation 9

CFR Part 192.469, External Corrosion Control, Test Stations

Avista is now in compliance with respect to the specific facilities described for this alleged Violation, but Avista agrees to do the following additional studies and work:

- a. By December 31, 2003, Avista will conduct a study of their entire pipeline system in Washington State to determine whether any additional cathodic protection test stations are necessary.
- b. By July 1, 2004, Avista will install any additional cathodic protection test stations deemed necessary and provide progress/completion reports to the Commission by March 31 and June 30, 2004.
- c. By December 31, 2003 Avista will create and implement a program to conduct cathodic protection test readings each time steel pipe is exposed by company or contractor personnel.

Violation 10

Part 192.383(b), Excess Flow Valves

Avista is now in compliance, so no further action is required.

Violation 11

Part 192.467(d), Casing of Pipelines

Avista is now in compliance, so no further action is required.

Violation 12

Part 192.491(c), Corrosion Control Records

Avista is now in compliance with respect to the specific documents described for this alleged Violation. Additionally, Avista agrees to provide training by April 30, 2003 to appropriate personnel on atmospheric corrosion control monitoring and record keeping requirements.