

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET PG-041624

AMENDED SUBSTITUTE SECOND
SETTLEMENT AGREEMENT

1 This Amended Substitute Second Settlement Agreement (“Amended Agreement”) proposes to terminate risk modeling and reporting requirements set forth in the Substitute Second Settlement Agreement approved by the Washington Utilities and Transportation Commission (“Commission”) in Order 09.

I. NATURE OF THE AGREEMENT

2 This Amended Agreement is entered into between the Staff of Complainant Washington Utilities and Transportation Commission (“Staff”), Respondent Puget Sound Energy (“PSE”), and the City of Bellevue, for the purpose of concluding all risk monitoring and reporting requirements in this docket. The Amended Agreement is expressly subject to approval by the Commission, and it is not effective before such approval.

II. EFFECTIVE DATE

3 The effective date of the Amended Agreement is the date of the Commission’s order approving the Amended Agreement.

III. PARTIES

4 The parties to this Amended Agreement are Staff, PSE, and the City of Bellevue

(collectively, “Parties”). These are all the parties that have appeared in this proceeding.

IV. BACKGROUND

5 The facts leading up to the Complaint filed in this proceeding are set forth in the
“Background” section of the Substitute Second Settlement Agreement and are incorporated
by reference into this document. Below are the additional developments leading up the
filing of this Amended Agreement.

6 As part of the Substitute Second Settlement Agreement, the Parties agreed that PSE
would conduct risk modeling and submit various reports to the Commission and the City of
Bellevue regarding PSE’s Wrapped Steel Service Assessment Program (“WSSAP”).

7 PSE began risk modeling wrapped steel pipe in 2004, and PSE has submitted the
required reports each year since 2008. Each report has been filed with the Commission as
part of this proceeding.

8 In December 2009 the Pipeline and Hazardous Materials Safety Administration
adopted regulations for Distribution Integrity Management Programs (“DIMP”), which
require risk modeling to be performed on all system assets, including wrapped steel pipe.
49 CFR Part 192. PSE is also required to submit annual reports to the Commission pursuant
to DIMP. 49 CFR §192.1007.

9 PSE and the City of Bellevue entered into a Memorandum of Understanding on
March 31, 2021, in which PSE agreed to provide the City of Bellevue with ongoing and
more detailed information on natural gas leaks within the city of Bellevue.

10 The risk modeling and reporting obligations under the Substitute Second Settlement
Agreement are now redundant because PSE is obligated to conduct risk modeling of

wrapped steel pipe, along with all other asset types, through DIMP and provide the City of Bellevue gas safety reports pursuant to the memorandum of understanding.

11 Staff and the City of Bellevue agree that PSE has satisfied all its obligations contained in the Substitute Second Settlement Agreement because they are either completed or superseded, and neither party wishes to continue to receive the reports called for by the Substitute Second Settlement Agreement.

12 The Substitute Second Settlement Agreement is hereby amended to terminate the risk modeling and reporting requirements provided in paragraphs 21, 22, and 24-26 of the agreement. With this amendment, all obligations under the Substitute Second Settlement Agreement will be terminated, having either been satisfied or superseded by PSE's DIMP.

V. AMENDED AGREEMENT

13 The Parties have reached agreement that the risk modeling and reporting requirements set forth in Substitute Second Settlement Agreement have been satisfied, and PSE will no longer be required to continually update the WSSAP model and submit reports pursuant to the Substitute Second Settlement Agreement. PSE has amended the Substitute Second Settlement Agreement to that effect, as provided below. No other substantive changes were made to the Substitute Second Settlement Agreement. The Parties voluntarily enter this Amended 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.

Replacement of Services

14 PSE shall replace all of the services in the two highest Wrapped Steel Service Assessment Program mitigation categories (priority replacement and scheduled

replacement) on or before December 31, 2010. In this effort, PSE shall replace all services identified in the priority replacement mitigation category on or before December 31, 2007. PSE shall replace all services identified in the scheduled replacement mitigation category on or before December 31, 2010. Should circumstances beyond the control of PSE preclude replacement of certain of these services within the prescribed time frame, PSE will document the relevant services, the circumstance precluding replacement within the time frame, and the estimated replacement date. Such documentation will constitute a waiver of the obligation to complete replacement of services by December 31, 2010. The Parties agree that additional services in the Wrapped Steel Service Assessment Program mitigation categories may migrate into alternate mitigation categories over time. As PSE's Wrapped Steel Service Assessment Program matures, more data will be added to allow for better discrimination between service lines and the type of remediation they require. Specifically, PSE's goal is to realign those services currently identified in the "increased leak survey" category into either the standard mitigation or scheduled replacement categories.

15 PSE shall replace any service that migrates into the priority replacement category by December 31 of the calendar year that immediately succeeds the calendar year in which such service migrated into the priority replacement category.

Leak Surveys

16 PSE shall conduct leak surveys on each service in either the priority replacement mitigation category or the scheduled replacement mitigation twice per calendar year until such service is replaced. PSE shall conduct these surveys at a frequency of not less than four months and not greater than eight months between surveys.

17 PSE shall conduct leak surveys on each service in the increased leak survey

mitigation category once per calendar year until such service is replaced. PSE shall conduct these surveys at a frequency of not more than fifteen months between surveys.

18 PSE shall respond to, grade and repair each service that is discovered to be leaking in accordance with PSE's then-current Operating Standards and Procedures. PSE shall identify and rate each service with new, active or repaired leaks in subsequent runs of the Wrapped Steel Service Assessment Program model.

Cathodic Protection Electrical Surveys

19 In order to enhance the reliability of PSE's Wrapped Steel Service Assessment Program, PSE shall conduct no less than 1,000 cathodic protection electrical surveys of a random sample of services in the standard mitigation and annual leak survey mitigation categories on or before December 31, 2010. Further, PSE shall investigate all indications from these surveys that: (i) meet the threshold criteria identified in Exhibit A; and (ii) are viably accessible. PSE will provide Staff a copy of its sample and sampling methodology before PSE conducts any of these surveys. PSE will also give Staff prior notice of field investigations of findings from these surveys to allow for Staff to observe the field investigations if Staff wishes to do so.

Potential Expansion of Replacement of Services

20 As PSE develops plans for the replacement of services in the priority replacement and scheduled replacement mitigation categories pursuant to paragraphs 13 and 14 of this Agreement, PSE shall: (i) identify if such replacement projects should be expanded to include replacement of additional services in accordance with the Wrapped Steel Service Assessment Program Gas Infrastructure Replacement Process; and (ii) investigate adjacent mains for evidence of corrosion. In investigating adjacent mains for evidence of corrosion,

PSE may review construction and operation and maintenance records; conduct electrical surveys; or perform excavations and direct examination.

Updates to Wrapped Steel Service Assessment Program Model

21 PSE will continue to update the Wrapped Steel Service Assessment Program model to better assess the validity of the model and the ongoing propriety of PSE's service replacement strategies. If any annual status report provided pursuant to paragraph 24 of this Agreement demonstrates that the number of leaks in the standard mitigation category exceeds 2.76 percent of the services within such category (six (6) times the historic PSE leak rate (0.46 percent)), then PSE shall recalibrate the Wrapped Steel Service Assessment Program model to more accurately reflect the risk of failure of services within such category. Following its 2020 model run submission pursuant to paragraph 21 of the Substitute Second Settlement Agreement, PSE will no longer be required to utilize the Wrapped Steel Service Assessment Program model to determine replacement prioritization.

22 PSE shall submit to the Commission on or before September 15 of each calendar year an updated Wrapped Steel Service Assessment Program model run and explain any changes in the mitigation category population. Following its April 2021 submission, PSE is no longer required to submit such model runs.

Reports to the Commission and City of Bellevue

23 PSE has submitted to the Commission a histogram illustrating the number of Wrapped Steel Service Assessment Program services installed by year of installation.

24 PSE shall submit to the Commission on or before April 1 of each calendar year a status report that identifies the number of leaks discovered, by cause, in the Wrapped Steel Service Assessment Program population during the previous calendar year. PSE shall

submit the first such status report on or before April 1, 2008. Following its April 2021 submission, PSE is no longer required to submit such reports.

25 PSE shall submit to the Commission on or before April 1 of each calendar year a status report that identifies the number of Wrapped Steel Service Assessment Program services replaced during the previous calendar year. PSE shall submit the first such status report on or before April 1, 2008. Following its April 2021 submission, PSE is no longer required to submit such reports.

26 PSE shall submit to the City of Bellevue on or before of April 1 of each calendar year a status report that identifies the number of leaks discovered, by cause and location, in the Wrapped Steel Service Assessment Program population within the City of Bellevue during the previous calendar year. PSE shall submit to the City of Bellevue on or before April 1 of each calendar year a report that identifies, by location, Wrapped Steel Service Assessment Program services replaced within the City of Bellevue during the previous calendar year. Following its April 2021 submission, PSE will no longer be required to submit such reports pursuant to this Agreement. PSE also shall submit to the City of Bellevue on or before September 15th of each calendar year an updated Wrapped Steel Service Assessment Mitigation Program model run for services in the City of Bellevue and explain any changes in the mitigation category population. Following its April 2021 submission, PSE is no longer required to submit such reports.

Review by the City of Bellevue, Washington

27 PSE has periodically briefed the City of Bellevue on the matters addressed in this Amended Agreement. Prior to the filing of this Amended Agreement with the Commission, PSE provided a copy of this Amended Agreement to the City of Bellevue for its review and

input. In addition, the City of Bellevue will be notified of any Commission proceedings related to this Amended Agreement.

VI. GENERAL PROVISIONS

Nature of the Agreement

28 The Parties agree that this Amended Agreement is an appropriate resolution of all
contested issues between them with respect to the Substitute Second Settlement Agreement
and Revised Settlement Agreement, given the unique facts and circumstances surrounding
this matter and the risks of litigation. The Parties understand that this Amended Agreement
is subject to Commission approval and it is not effective unless and until it is approved by
the Commission.

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

30 The Parties recognize that this Amended Agreement represents a compromise of
each Party's positions. As such, conduct, statements, and documents disclosed during
negotiations of this Amended Agreement shall not be admissible as evidence in this or any
other proceeding, except in any proceeding to enforce the terms of this Amended Agreement
or any Commission Order fully adopting those terms. This Amended Agreement shall not
be construed against any Party because it was a drafter of this Amended Agreement.

31 Each Party agrees to provide all other Parties the right to review in advance of
publication any and all announcements or news releases that any other Party intends to make
about the Amended Agreement (with the right of review to include a reasonable opportunity
to request changes to the text of such announcements). Each Party also agrees to include in
any news release or announcement a statement to the effect that the Commission Staff's

recommendation to approve the Amended Agreement is not binding on the Commission itself.

Integrated Terms of Settlement

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

Manner of Execution

33 This Amended Agreement is considered executed when all Parties sign the Amended Agreement. A designated and authorized representative may sign the Amended Agreement on a Party's behalf. The Parties may execute this Amended Agreement in counterparts. Parties may also authorize a party to sign on its behalf. If the Amended Agreement is executed in counterparts, all counterparts shall constitute one agreement. An Amended Agreement signed in counterpart and sent by facsimile or email is as effective as an original document. A faxed or emailed 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 Amended Agreement. The date of execution of the Amended Agreement will be the latest date indicated on the signatures.

Procedure

34 Once this Amended Agreement is executed, the Parties agree to cooperate in promptly filing this Amended Agreement with the Commission for approval. The Parties agree to support approval of this Amended 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 Amended Agreement is executed but before it is approved, and that order, rule or policy statement, changes the posture of the Amended Agreement in any Party's view, comments may be made to the Commission as to how the Amended Agreement should be viewed in light of that order, rule or policy statement. The Parties understand that the Commission will decide the appropriate procedures for presentation and consideration of the Amended Agreement.

35 In the event the Commission rejects all or any portion of this Amended Agreement, each Party reserves the right to withdraw from this Amended Agreement by written notice to the other Parties and the Commission. Written notice must be served within ten (10) business days of the date of the Commission order rejecting all or any portion of this Amended Agreement. In such event, no Party will be bound or prejudiced by the terms of this Amended Agreement. The Parties will jointly request a prehearing conference for purposes of establishing a procedural schedule to complete the case.

No Precedent

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

COMMISSION STAFF

Sean Mayo
Director, Pipeline Safety
Utilities and Transportation Commission

Mayo, Sean
(UTC)

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Sean (UTC)
Date: 2021.08.12 16:25:13
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Date signed: _____

PUGET SOUND ENERGY

Troy Hutson
Director Compliance

Date signed: _____

CITY OF BELLEVUE

Kathryn L. Gerla
City Attorney
Cheryl A. Zakrzewski
Assistant City Attorney

Date signed: _____

COMMISSION STAFF

Sean Mayo
Director, Pipeline Safety
Utilities and Transportation Commission

Date signed: _____

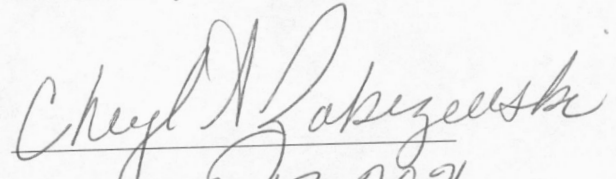
PUGET SOUND ENERGY

Troy Hutson
Director Compliance

Date signed: _____

CITY OF BELLEVUE

Kathryn L. Gerla
City Attorney
Cheryl A. Zakrzewski
Assistant City Attorney


Date signed: 8-13-2021

COMMISSION STAFF

Sean Mayo
Director, Pipeline Safety
Utilities and Transportation Commission

Date signed: _____

PUGET SOUND ENERGY

Troy Hutson
Director Compliance

DocuSigned by:
Troy Hutson
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Date signed: August 16, 2021

CITY OF BELLEVUE

Kathryn L. Gerla
City Attorney
Cheryl A. Zakrzewski
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Date signed: _____