

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

Complainant,

v.

CASCADE NATURAL GAS  
CORPORATION,

Respondent.

DOCKET NO. PG-030438

NARRATIVE SUPPORTING  
SETTLEMENT

**I. INTRODUCTION**

<sup>1</sup> Pursuant to WAC 480-07-740(2) (a), the Commission Staff (“Staff”) and Cascade Natural Gas Corporation (CNG) (collectively, the “Parties”) present this Narrative Supporting Settlement Agreement (“Narrative”). The settlement is unanimous: CNG and Staff are the only parties to this docket. This Narrative relates to the Settlement Agreement (“Agreement”) filed by the Parties on February 24, 2005, in this docket.

2           This Narrative summarizes many aspects of the Agreement. It is not  
intended to modify any terms of the Agreement.

3           At this time, the Parties do not intend to file supporting documentation in  
addition to this Narrative, and the pleadings are already in the Commission files in  
this matter. The Parties are willing to provide additional supporting documents if  
the Commission deems that necessary or appropriate.

4           The Agreement is the product of settlement discussions between CNG and  
Staff that took place between December, 2004 and January, 2005.

## II. THE UNDERLYING DISPUTE

5           In 2003 and 2004, Staff conducted standard inspections of CNG's natural gas  
pipeline facilities in the company's Bellingham and Mount Vernon service districts.  
As a result of Staff's findings in those inspections, Staff issued notice of non-  
compliance, and CNG responded. After concluding that CNG was unable to  
demonstrate compliance, the Commission issued a complaint against CNG on  
November 30, 2004. The Complaint alleges 35 violations of Commission gas  
pipeline safety rules (not including each successive day as a separate violation).

6           In general, the violations alleged in the complaint relate to inadequate  
procedures and inadequate operation and maintenance of CNG's pipeline facilities.  
The specific allegations relate to instances in which CNG failed to conduct pipeline  
facility maintenance within the time intervals set by applicable rules, failed to

respond and correct pipeline system over-pressure indications as specified by applicable rules, failed to conduct the calibration of gas detection equipment on a pre-determined schedule as required by applicable rules, failed to properly test and qualify polyethylene pipeline joiners due to inadequate procedures. *Complaint, ¶¶ 11-17.* Staff believes the allegations relating to the over-pressure conditions found in its investigation are the most serious allegations.

7           The Complaint seeks monetary penalties, and it states the Commission should consider whatever improvements or other changes are appropriate. *Complaint, ¶¶ 22-24, 27-28.*

8           If this case went to hearing, Staff anticipates it would offer evidence that the specific conduct alleged in the Complaint reflected problems that CNG should address on a system-wide basis. CNG would have had the opportunity to contest that evidence.

### III. PRINCIPAL ELEMENTS OF THE SETTLEMENT

#### A.    **The Terms of the Settlement Agreement**

9           The Agreement settles all issues in this docket. The principal aspects of the settlement are itemized as follows. The programs CNG agrees to implement are discussed in more detail following the bulleted items.

- CNG has cured each of the violations set forth in the Complaint. The actions required to cure the violations were substantially initiated and completed by CNG prior to its knowledge of the eventual complaint. *Settlement Agreement, ¶ 13.*

- CNG agrees to conduct an analysis of its system regarding the issues that gave rise to the Complaint and to correct any problems that may be discovered in that analysis. *Settlement Agreement, ¶ 14.*
- CNG agrees to implement an Action Plan to address the concerns Staff identified in its investigation. *Settlement Agreement, ¶ 15.* The Action Plan is attached as Appendix A to the Settlement Agreement.
- CNG has implemented ongoing audits of required maintenance tasks to assure future compliance. CNG will make the results of those audits available to the Commission for review at least quarterly. *Settlement Agreement, ¶ 16.*
- CNG admits violations and agrees to pay a monetary penalty of \$75,000, which is due and payable within ten business days after the effective date of the Settlement Agreement. *Settlement Agreement, ¶ 17.*
- The Settlement Agreement resolves all issues in this docket and reflects the entire agreement between the Parties. *Settlement Agreement, ¶¶ 19, 22.* The Parties agree to support the Agreement before the Commission, pursuant to the process the Commission deems appropriate. *Settlement Agreement, ¶ 22.*

**B. CNG’s Proposed Action Plan (Settlement Agreement Appendix A)**

10 CNG’s proposed Action Plan addresses the pipeline safety violations alleged in the Complaint. The Action Plan addresses each of the violations and sets forth the measures CNG has taken and will take in order to assure compliance. CNG’s proposed Action Plan is a comprehensive response to the violations and includes numerous elements that CNG initiated and completed after the initial audit findings by Staff and prior to any knowledge of the Complaint. The Action Plan employs several methods to assure compliance, including changes to the testing

procedure, changes to the maintenance schedule, enhanced recordkeeping, the addition of a safety specialist to its staff, and increased monitoring of its safety procedures.

11           With respect to issues relating to the over pressuring of its system, CNG has subsequently revised its operating procedures for responding to over-pressure conditions, conducted training for management and field personnel, conducted a company-wide review of documentation and records related to the maximum allowable operating pressures (MAOP) of its systems, and implemented a calibration schedule for pressure recorders. *See Settlement Agreement, Appendix A, at 4-5.*

#### IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

##### A. Statement by Staff

12           Staff believes overall the Settlement Agreement is fair and just, when it is viewed as a whole.

13           First, Staff believes the issues raised in the Complaint are not limited to the specific violations alleged. The audits and Action Plan that CNG agrees to implement reflect a *bona fide* effort to address problems company-wide, which Staff has found on a more limited geographic basis in its investigations. The Action Plan, if implemented and completed, will substantially enhance the safety of CNG's

system and improve the company's overall pipeline safety efforts. *Settlement Agreement*, ¶¶ 14-15.

14           Second, the remedies include a substantial penalty. *Settlement Agreement*, ¶ 17. In addition, Staff will continue to investigate CNG's pipeline system and retains the authority to cite CNG for such violations. This will assure that any non-compliance that is discovered by Staff will be remedied. *Settlement Agreement*, ¶ 18.

15           Accordingly, when viewed as a complete package, Staff believes the Agreement represents a proper resolution of the Complaint.

**B.     Statement by CNG**

16           CNG acknowledges the violations cited in the Complaint. CNG's participation in the Settlement Agreement is the most effective means to address the violations, demonstrate appropriate corrective action and to avoid future occurrences.

17           CNG accepts the requirements of the proposed Action Plan and is committed to completing the plan within the provided time frame. Substantial elements of the Action Plan were identified and completed by CNG after the initial audit findings by Staff and prior to CNG knowledge of the Complaint. CNG submits these actions as evidence of commitment to full compliance with all requirements.

18           CNG submits as evidence of the effectiveness of changes completed since the original audit findings the most recent standard inspection findings of Staff in the

Bremerton, Richland and Walla Walla operating districts. Based on exit interviews with Staff, no findings of non-compliance were identified during these audits.

## V. CONCLUSION

19 The Parties respectfully request the Commission approve the Settlement Agreement between CNG and Commission Staff in this docket.

DATED: March 23, 2005.

ROB MCKENNA  
Attorney General

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