

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NOS. PG-041209

NARRATIVE SUPPORTING
SETTLEMENT

I. Preliminary Matters

1 Pursuant to WAC 480-07-740(2) (a), the Commission Staff ("Staff") and Puget Sound Energy, Inc. ("PSE") (collectively, the "Parties") present this Narrative Supporting Settlement Agreement ("Narrative"). The settlement is unanimous: PSE and Staff are the only parties to this docket. This Narrative relates to the Settlement Agreement ("Agreement") filed by the Parties in the above 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 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 PSE and
Staff that took place in July and August 2005.

II. Scope of the underlying dispute

5 The Commission, in its Complaint, alleged three violations of 49 CFR 192.
The conduct that was the subject of the allegations was performed by Pilchuck
Contractors, a PSE service provider, on PSE's pipeline. PSE, in its answer, disputed
its responsibility for the violations, given the misconduct by service provider
employees in violation of PSE's operating standards that caused the violation.
Additionally, PSE disputed the number of violations alleged, and the imposition of
monetary penalties.

6 If this case went to hearing, Staff anticipates it would offer evidence that the
violations alleged in the Complaint occurred, that PSE was responsible, and that a
monetary penalty was appropriate. PSE anticipates it would offer evidence
contesting the alleged violations and the monetary penalties.

III. Scope of the settlement and its principal aspects

In the Agreement, PSE acknowledges the Commission's authority to penalize PSE, as operator, for work conducted on its system that does not meet the requirements of 49 CFR Part 192. Staff agrees not to pursue two of three violations alleged in the complaint. Staff and PSE agree that one violation of 49 CFR Part 192 occurred and a \$15,000 penalty is appropriate.

IV. Statement why the proposed settlement is in the Parties' interest and the public interest

A. Statement by Staff

7 Staff believes overall the Agreement is fair and just. First, the Company acknowledges its responsibility as operator for its entire system regardless of the entity performing work on the system. Second, the parties agree to a penalty that is reasonable in light of the gravity of the offense, taking into account the Company's willingness to acknowledge its responsibility. Finally, the parties' agreement to a single violation is fair and just. Since all three alleged violations arose from the failure to follow similar procedural requirements relating to a single incident, it is reasonable for the parties to compromise by agreeing to a single violation.

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Additionally, Staff would like to address why other remedial measures are not appropriate in this situation.¹ In this situation, Staff believes PSE already has the proper procedures in place. These procedures, when followed, will result in safe practices. The assessment of a penalty is holding the company accountable for failure to follow procedures that resulted in an injury to an employee of the contractor working on the project. Staff cannot conceive of any further remediation that would be of benefit.

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

B. Statement by PSE

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PSE believes that, overall, the Agreement is fair and just, when the Agreement is viewed as a whole. First, the penalty agreed upon by the Parties is reasonable given the fact that PSE had the proper procedures in place. The accident resulted from a single incident where Pilchuck employees failed to follow one of PSE's gas operating standards.

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Second, PSE has taken several actions to avoid similar incidents in the future. PSE's Gas First Response organization reviewed the incident at group safety meetings. They discussed the specific details of the incident, reinforced the need to follow standards and procedures and reviewed the proper use of personal

¹ The Commission has authority to order such measures pursuant to RCW 80.28.040 and RCW 80.28.130.

protective equipment in gaseous atmospheres. Further, PSE's Contract Management department has confirmed that Pilchuck's safety staff reviewed the elements of this incident with all of their employees during safety meetings.

12 PSE appreciates the Commission's important responsibilities in monitoring and enforcing pipeline safety with respect to the companies it regulates. PSE is committed to continue its efforts to construct and maintain a natural gas system that is safe and meets high standards of excellence.

V. Summary of legal points that bear on the proposed settlement

13 The Parties do not believe there is anything significant to discuss under this topic listed in WAC 480-07-740(2) (a).

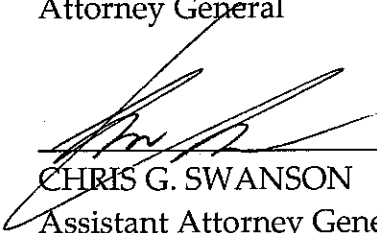
VI. Conclusion

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

DATED this 31st day of August, 2005.

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