



Puget Sound Energy, Inc.
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October 25, 2006

AL Jones
Dave L
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Ms. Carole J. Washburn, Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Attn: Alan Rathbun, Pipeline Safety Director

RE: 2005 Standard Inspection of King County Distribution System PG-050516

Dear Mr. Rathbun:

This letter is in response to your letter dated September 25, 2006 and two subsequent email messages informing PSE of additional PVC vent pipes that have been identified by Staff subsequent to the 2005 King County audit.

As background information, in 1999 PSE embarked on a comprehensive multi-year program to inspect all gas meter sets for possible PVC vent piping and remediate by removing or replacing any PVC vents found. This relief vent review program required the inspection of nearly 700,000 meter locations during the same time period that PSE was converting to an automated meter reading system (AMR). The relief vent review program divided inspection locations into three categories, depending on the meter reading method used at the time of the inspection. These categories included AMR, manual meter reads performed by meter readers, and manual meter reads through the collection of recording charts by chart changers. The relief vent review program was completed in 2004.

When we were notified of the existence of a PSE meter set assembly with PVC vent piping at Mark Twain Elementary School, as part of the 2005 King County Audit (PG-050516), PSE undertook a detailed review of program records to understand how this oversight may have occurred. By review of the submitted paperwork, it was determined that this location had been incorrectly identified by the employee responsible for the inspection as having no vent piping. PSE then took the additional action of re-inspecting 1,362 locations inspected by that individual to determine if this was an isolated occurrence or an indication of a potentially larger issue. This sample size re-inspected represented approximately 10% of the meters reviewed by this employee in the South King & North Pierce County area. Upon finding no additional incorrectly identified PVC vents in this sample, it was concluded that the work of this individual appeared reliable and the location in question was an isolated error. To address the potential that additional errors in identifying PVC vents may have occurred elsewhere, PSE committed to include PVC vent pipe identification in the work scope of our Isolated Facilities inspections, thereby performing a second review of meter set assemblies in our system. The requirement to inspect for PVC vent piping was added to the isolated facilities riser inspection work scope in June of 2006.

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When PSE received notice that WUTC Staff had identified three additional locations with PVC vents, we immediately began further reviews of program records and processes to identify possible root causes. Based on various theories developed through this review, in combination with characteristics of the vents found by Commission Staff, PSE dispatched field employees to physically check additional targeted meter set assemblies over a two day period. Through this review process, PSE identified six additional PVC vents.

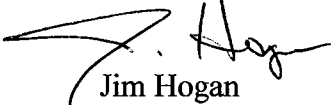
We are evaluating the relief vent review program to determine the root cause of missed PVC vents. The initial determination indicates that paperwork processing errors allowed certain identified PVC vents to go without remediation. We are performing a physical review of the 87 sites originally identified as requiring remediation for PVC vents to insure that the PVC vents have been remediated.

We also conducted a review of findings associated with the Isolated Facilities effort. To date, the Isolated Facilities inspectors have identified six PVC vents. However, follow-up investigations have been initiated and early information indicates that the PVC vents were likely added by a third party when air conditioning units were installed some time after PSE's initial inspection for PVC vents.

We are continuing to perform our root cause analysis and have begun to outline a plan for addressing potential program deficiencies. We would like to continue our analysis and present our findings and remediation plan to WUTC Staff for your feedback by the end of November. This plan will likely involve a targeted re-inspection of facilities with the greatest potential for having vent piping in addition to the inspections being performed by the Isolated Facilities team. Additionally, we will assess if and what type of communication may be appropriate to try to prevent third parties from installing vent piping on PSE regulators.

PSE is committed to identifying and remediating PVC vent piping that was not captured in the original program as intended. The PVC vent piping that has been identified by Staff or PSE is currently scheduled for remediation. This work will be completed by December 1, 2006. I will be in touch in the near future to schedule a meeting. In the meantime, please do not hesitate to contact me at 425-462-3957 if you have any questions or have additional information that may be beneficial to us.

Sincerely,



Jim Hogan
Manager, Standards & Compliance

cc: Kimberly Harris
Karl Karzmar
Sue McLain
Booga Gilbertson
Duane Henderson