



Puget Sound Energy, Inc.
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Bellevue, WA 98009-0868

September 20, 2007

Michael A. Fassio
Assistant Attorney General
Utilities and Transportation Division
PO Box 40128
Olympia, WA 98504-0128

RECEIVED
RECORDS MANAGEMENT
07 SEP 21 AM 8:50
SUNIL D. WADIA
UTILITIES AND TRANSPORTATION
DIVISION

RE: Stipulated Agreement to Close Dockets PG-050331 and PG-050516.

Dear Ms. Washburn:

Attached is a copy of the Stipulated Agreement to close dockets PG-050331 and PG-050516. This agreement has been signed by Sue McLain on behalf of Puget Sound Energy.

PSE appreciates Staff's efforts to bring closure to these dockets and the collaborative process used by Staff to ensure the Stipulated Agreement is acceptable to both parties. If Staff has additional questions, please contact me at 425-462-3734.

Sincerely,

Stephanie J. Kreshel
Interim Manager, Standards & Compliance

Attachments

- cc: Duane Henderson
Mike Hobbs
Eric Markell
Karl Karzmar
Sue McLain
Alan Rathbun
Carole J. Washburn

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NOS. PG-050331 and
PG-050516

STIPULATED AGREEMENT TO
CLOSE DOCKETS

07 SEP 21 10:08:50

RECEIVED
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

- 1 This Stipulated Agreement to Close Dockets (Agreement) is entered into between Puget Sound Energy, Inc. ("PSE" or "Company") and the Commission Staff ("Staff") (collectively, "the Parties"). The Agreement consists of this "Stipulated Agreement to Close Dockets" and Appendices A, B, C, D, and E attached hereto. This Agreement is subject to review and disposition by the Washington Utilities and Transportation Commission (Commission), and it is not effective until approved by the Commission.
- 2 The Parties understand that the process for approval is at the discretion of the Commission. However, the Parties believe the Commission may close these dockets under the conditions stated herein by means of taking action on the consent agenda at an open public meeting, if the Commission desires to do so. The Parties will recommend that procedure to the Commission.
- 3 In Docket PG-050331, Staff conducted a Standard Natural Gas Pipeline Inspection of PSE's pipeline facilities in the Pierce County area of PSE's service area. That inspection took place in 2005-2006.
- 4 In Docket PG-050516, Staff conducted a Standard Natural Gas Pipeline Inspection of PSE's pipeline facilities in the King County area of PSE's service area. That inspection took place in 2005.
- 5 In these inspections, Staff reviewed the procedures, records, and natural gas facilities of PSE. In addition, the Commission conducted follow-up activities related to commitments made by PSE under terms of a January, 2005, settlement agreement (PG-030080 and PG-030128).
- 6 For each of these inspections, Commission Staff issued a "Non-Compliance Report" (Report) alleging several violations of Commission statutes and rules, as well as areas of concern, regarding the inspection, monitoring, and maintenance of PSE's natural gas distribution system. (Appendices A and B)

- 7 PSE responded to each of the Reports in good faith by investigating, remediating, re-stating the Company's policies and procedures (Standards and Work Practices), and identifying corrective actions taken by PSE in an attempt to ensure compliance with the regulations.
- 8 The Parties have discussed the means by which these dockets can be closed without further action by the Commission. The Parties agree and stipulate as follows:
- 9 PSE concurs that there were violations of Commission rules regarding the inspection, monitoring, and maintenance of its pipeline facilities.
- 10 Staff intends to verify compliance with this Agreement and monitor PSE's fulfillment of specific actions enumerated herein.
- 11 If circumstances exist that prevent PSE from completing these commitments in the specified timeframe, PSE will notify Staff of the circumstances and petition the commission to amend the order to reflect mutually agreeable timeframes for completing the activity.

I. Monitoring of Cathodically Protected Gas Mains.

- 12 PSE will develop and implement a two-part process with respect to inspection frequency of steel cathodically protected gas mains over 100 feet in length, as follows:
- a. PSE will develop a process designed to identify all such mains that fit within this category. This process will be in place within one year following the effective date of this Agreement and will specify timeframes for the identification and subsequent monitoring of these mains; and
 - b. Once the process is implemented, PSE's existing Standards and Work Practices will provide for the monitoring of these mains for cathodic protection on an annual basis.

II. Annual Maintenance of Regulator Stations.

- 13 PSE will develop and implement a process designed to identify pressure regulating stations that were initially installed as single service farm taps that now function as pressure regulating stations as follows:
- a. PSE will identify pressure regulating stations that were initially installed as single service farm taps that now function as pressure regulating stations and classify them appropriately in PSE's maintenance scheduling system. Once identified and classified appropriately, PSE's existing Standards and Work Practices will provide for the annual monitoring of these stations as required by 49 C.F.R. 192.739(a).

- b. Once these stations are identified, PSE will complete an evaluation to ensure they meet code design and installation requirements in effect at the time of conversion to regulating stations.
- c. Once the evaluation is completed, PSE will develop a timeframe for any required remediation.
- d. The results of the evaluations as well as the remediation plans will be presented to Staff no later than July 1, 2008. Proposed remediation plan timeframes must be agreeable to Staff.

III. Inspection of Idle Risers.

- 14 PSE will implement processes designed to identify idle risers system-wide. By July 1, 2009, PSE will complete an atmospheric corrosion inspection of all identified idle risers consistent with existing Standards and Work Practices. For purposes of this Agreement, "idle riser" is defined as a gas-carrying riser with no meter.

IV. Inspection for Atmospheric Corrosion of Facilities with Accessibility Issues.

- 15 During the course of atmospheric corrosion surveys, and within 39 months of the adoption of this Agreement, PSE agrees to identify facilities that are hard to reach by its customary means, and incorporate them into its atmospheric corrosion survey program.

V. Regulator Vent Program.

- 16 PSE agrees to implement the proposed Relief Vent Program it submitted to the Commission in Docket PG-050516 on April 03, 2007. (Appendix C)

VI. Gas Leak Surveys.

- 17 Existing code requirements mandate that gas leak surveys be conducted "over" (on top of) the entire length of PSE's pipeline system.
- 18 If PSE is unable to conduct a mobile vehicle leak survey "over" any pipeline facility due to the pipeline's location, PSE will determine and perform a feasible alternative to conduct the gas leak survey "over" the pipeline facility.
- 19 PSE agrees to document each survey and the method(s) used to conduct survey(s) over the pipeline facility.
- 20 The Parties agree that, in order to enhance its existing leak survey processes, PSE will continue to identify and remediate potentially inaccurate maps used for gas leak surveys, consistent with the program committed to by PSE in Docket PG-040210 (Appendix D). This will include implementing a process for remediating map discrepancies found by the

leak surveyor. These processes will be incorporated into PSE's Standards and Work Practices.

VII. Leak Surveys of Facilities with Accessibility Issues.

- 21 Within 39 months of the adoption of this Agreement, PSE agrees to identify facilities that are hard to reach by its customary means, and incorporate them into its leak survey program. These facilities will be identified during the course of atmospheric corrosion surveys as noted in Section IV above.

VIII. Leak Detection Equipment Maintenance.

- 22 PSE agrees to incorporate into its quality assurance program, a method for inspecting the performance of contractors in maintaining and calibrating gas leak detection instruments. This inspection method will be implemented no later than December 31, 2007.
- 23 Once implemented, PSE will conduct inspections to verify contractors are maintaining calibration records that demonstrate compliance with regulations for accuracy checks of gas leak detection equipment. This inspection will be performed at a frequency not to exceed six months for the first year following the adoption of this Agreement. After this, PSE will evaluate the contractors' performance and will determine an appropriate interval for conducting future inspections.

IX. Remediation of Low Cathodic Protection Reads.

- 24 PSE will monitor, on an ongoing basis, the progress of any identified low cathodic protection reads on steel-wrapped facilities consistent with the details of Attachment B of its Letter of Intent dated January 11, 2007, attached hereto as Appendix E.
- 25 PSE will promptly investigate any low read that exceeds the 90 day remediation timeframe in order to determine the reason for not meeting the required timeframe. This information will be used to identify opportunities for continuous improvement and incorporated into PSE's low-read remediation processes.

X. Pipeline Markers.

- 26 By December 31, 2007, PSE will implement a program to install all pipeline markers at locations where mains cross railroads as required by current Commission rules.

XI. Accounting of Costs.

- 27 PSE will create one or more financial accounts to track all direct costs for complying with the terms set out in this Agreement.

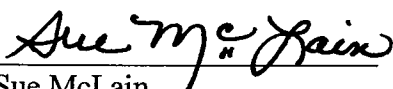
XII. PSE and Staff Agree that these Dockets may be Closed upon Commission Approval of this Agreement.

- 28 Nothing in this Agreement affects the ability of Staff to seek a complaint for penalties or other appropriate relief if gas pipeline safety rule violations are found in subsequent inspections by Staff of PSE's gas distribution system and/or procedures. Nothing in this Agreement prevents or places any conditions upon PSE from contesting such Commission enforcement action, if any.
- 29 This is the entire agreement of the Parties. It may not be cited as precedent in any proceeding other than a proceeding to enforce the terms of this Agreement.
- 30 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 counterparts 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.
- 31 Upon execution, Staff will make efforts to have the matter placed on the next reasonably available open meeting agenda. If this matter is not handled at a Commission open public meeting, the Parties agree to support the Agreement during the course of whatever reasonable procedures the Commission determines are appropriate.

For Commission Staff:

For Puget Sound Energy, Inc.:

Michael A. Fassio
Assistant Attorney General
Counsel for Commission Staff


Sue McLain
Senior Vice President
Puget Sound Energy, Inc.