

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NOS. PG-041209

SETTLEMENT AGREEMENT

I. NATURE OF THE AGREEMENT

1 This Settlement Agreement (“Agreement”) is entered into between the Staff of the Washington Utilities and Transportation Commission, Complainant (“Staff”), and Respondent Puget Sound Energy, Inc. (“PSE”) for the purpose of resolving all issues raised in the Complaint in this docket.

2 The Agreement is expressly subject to approval by the Washington Utilities and Transportation Commission (“Commission”), and it is not effective before such approval.

II. EFFECTIVE DATE

3 The Agreement is subject to approval by the Commission. The Agreement
has no effect until it is approved by the Commission. The effective date of the
Agreement is the date of the Commission's order approving the Agreement.

III. PARTIES

3 The parties to this Agreement are Staff and PSE (collectively, "Parties").

IV. BACKGROUND

4 PSE is a public service company subject to Commission regulation under
Title 80 RCW. As pertinent to this Settlement Agreement, PSE operates as a "gas
company" as that term is defined in RCW 80.04.010. PSE owns and operates a
natural gas distribution system in Washington state. PSE serves residential,
commercial and industrial customers with natural gas, under tariffs subject to
Commission regulation. PSE is subject to Commission safety rules applicable to
natural gas pipelines.

5 In Docket No. PG-041209, Staff investigated an incident that occurred at 35th
Avenue West and West Smith Road in Seattle. Pilchuck Contractors, Inc. (Pilchuk),
a PSE service provider, was installing 3500 feet of 6-inch polyethylene (PE) pipe.
The Pilchuck crew was working a 2-inch tie-in for the new 6-inch PE main. As a
result of Pilchuck's failure to follow PSE's gas operating standard for purging

pipeline facilities into and out of service, an employee of Pilchuck was burned and hospitalized.

6 Following Staff's investigation of the incident, the Commission issued its Complaint in this docket on April 29, 2005. The Complaint alleges that PSE violated WAC 480-93 and the Code of Federal Regulations ("CFR") Part 192, which the Commission has adopted by reference in *e.g.*, WAC 480-93-010, -015, and -220, in three instances.

7 A prehearing conference in this docket was held on June 27, 2005. The only parties to this docket are PSE and the Commission.

8 Since the Commission issued the Complaint, Staff has been discussing with PSE ways to resolve the issues presented in this docket. Both Parties share the goal that PSE's pipeline facilities be operated in compliance with Commission laws and rules related to the safe operation of those facilities.

V. AGREEMENT

9 The Parties have reached agreement on how to resolve the issues raised in the Complaint and wish to present their agreement for the Commission's consideration and approval. The Parties voluntarily enter this 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, and to avoid the expense, time and uncertainty of litigation.

Sanctions and Admissions of Violations

17 PSE has reviewed in detail the allegations in the Complaint. PSE has taken the opportunity to discuss with Staff the allegations in that Complaint. PSE concurs with the allegations in paragraphs 5 -10 in the Complaint, except it asserts that the day of the incident was June 21, 2004, instead of June 22, 2004, as alleged in the complaint. Commission Staff concurs that June 21, 2004, was the day of the incident.

18 PSE and Commission Staff agree that the allegations in paragraphs 5 – 10 in the Complaint constitute a violation of WAC 480-93 and 49 CFR 192.605(a), which require each operator to prepare and follow a manual of written procedures for conducting operations and maintenance activities. Specifically, PSE and Commission Staff agree that PSE Gas Operating Standard 2525.3400, which establishes the requirements for purging pipeline facilities into and out of service, was violated as a result of Pilchuck's failure to install a purge riser before beginning the purging operation. PSE and Commission Staff agree to a total penalty of \$15,000 for the single violation of 49 CFR 192.605(a). The \$15,000 amount is due and payable by PSE on or before the 10th business day after the effective date of this Agreement.

19 As part of this Agreement, PSE specifically 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, irrespective of whether the work is performed by PSE or its service provider. As part of this Agreement, Commission Staff agrees not to pursue violations related to 49 CFR 192.605(a), Gas Operating Standard 2525.3400, sections 4.2 and 6.3, as alleged in paragraphs 17 and 18 of the complaint (a total of two alleged violations).

VI. GENERAL PROVISIONS

Nature of the Agreement.

20 The Parties agree that this Agreement is an appropriate resolution of all contested issues between them in this proceeding. The Parties understand that this Agreement is subject to Commission approval, and it is not effective unless and until it is approved by the Commission. The Parties agree that this docket shall be closed upon Commission approval of this Agreement.

21 Nothing in this 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.

22 In part, the Parties have entered into this Agreement to avoid further expense, inconvenience, uncertainty, and delay. The Parties recognize that this Agreement represents a compromise of the Parties' positions. As such, conduct, statements and documents disclosed during negotiations of this Agreement shall not be admissible as evidence in this or any other proceeding, except in any

proceeding to enforce the terms of this Agreement or any Commission Order fully adopting those terms. This Agreement shall not be construed against either Party because it was a drafter of this Agreement.

Integrated Terms of Settlement

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

Manner of Execution

24 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 counterpart 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.

Procedure

25 Once this Agreement is executed, the Parties agree to cooperate in promptly filing this Agreement with the Commission for approval. The Parties agree that this Agreement may be placed on the open public meeting agenda for review by the Commission. 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. However, if there is a Commission order, rule or policy statement issued after the date this Agreement is executed but before it is approved, and that order, rule or policy statement, changes the posture of the Agreement in either Party's view, comments may be made to the Commission as to how the Agreement should be viewed in light of that order, rule or policy statement. The Parties have agreed to request from the Commission a suspension of the existing remaining procedural schedule in these dockets.

26 At any hearing on the Agreement, each Party is willing to make available a witness or witnesses to answer questions and to support the Agreement.

27 In the event that the Commission rejects all or any portion of this Agreement, each Party reserves the right to withdraw from this Agreement by written notice to the other Party and the Commission. Written notice must be served within 10 business days of the date of the Commission order rejecting all or any portion of

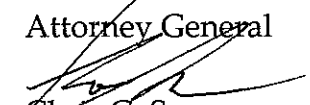
this Agreement. In such event, neither Party will be bound or prejudiced by the terms of this Agreement. The Parties will jointly request a prehearing conference for purposes of establishing a procedural schedule to complete the case.

No Precedent

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

For Commission Staff:

ROB McKENNA
Attorney General



Chris G. Swanson

Assistant Attorney General

9/6/2005
Date signed:

For Puget Sound Energy, Inc.:

Gerard W. Lehenbauer, Director,
Contractor and Project Management

Date signed:


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