

VIA CERTIFIED MAIL

March 3, 2005

Jim Hogan
Manager, Standards & Compliance
Puget Sound Energy, Inc.
PO Box 90868, XRD-LL
Bellevue, WA 98009-0868

Dear Mr. Hogan:

Subject: 2004 Natural Gas Standard Inspection – Thurston/Lewis Counties

Between July 25 and December 28, 2004 Commission Pipeline Safety staff (Staff) conducted a pipeline safety inspection of Puget Sound Energy's (PSE) natural gas facilities and operations located within the Thurston/Lewis County district. The inspection included a records review and inspection of pipeline facilities. Staff found numerous probable violations of pipeline safety regulations during the inspection process. In addition, Staff has noted several areas of concern, which unless corrected, could potentially lead to future violations of state or federal pipeline safety regulations.

The probable violations outlined in this letter are based on the inspection conducted. It is the responsibility of PSE to review the operation and maintenance of the entire pipeline system on an ongoing basis to ensure that the company is in full compliance with all applicable state and federal pipeline safety requirements.

The foregoing findings of probable violations constitute Staff's position at this time, based on its investigation. These findings of probable violations do not constitute Commission findings of violations.

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There are several possible actions the Commission, in its discretion, may take with respect to this matter. For example, the Commission may consider the matter resolved without further Commission action. Or, the Commission may issue an administrative penalty under RCW 80.04.405. Or, the Commission may institute a complaint, seeking monetary penalties, changes in the company's practices, or other relief authorized by law, and justified by the circumstances. This list of possible actions is not intended to be exhaustive, but it is intended to give the normal range of actions the Commission typically considers.

Regardless what actions the Commission decides to take, if any, the company will have the opportunity to present its position on the merits of the matters involved. As of this date, the Commission has made no decision regarding what appropriate action it will take in this matter.

Please review the attached report and respond in writing by April 5, 2005. The response should include a letter of intent and the date you plan to provide full compliance. In addition, Staff is requesting that PSE respond to the areas of concern in writing. Refer to docket PG-040210 in any future correspondence regarding this inspection.

If you have any questions or if Staff may be of any assistance, please contact Patti Johnson at (360) 664-1266.

Thank you for your cooperation and interest in pipeline safety.

Sincerely,

Alan E. Rathbun
Pipeline Safety Director

Enclosure: 2004 Standard Natural Gas Pipeline Safety Inspection Report
Jackson Prairie Gas Storage Facility Probable Violations
Areas of Concern

