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June 22, 2012

David Lykken- Director of Pipeline Safety Program
State of Washington Utilities and Transportation Commission
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Olympia, WA 98504-7250

RECEIVED (via email)
JUN 22 2012
State of Washington
UTC
Pipeline Safety Program

Subject: Response to Docket PG-110443

Dear Mr. Lykken,

This letter is intended to address the action items cited in the Settlement Agreement. We specifically are addressing the current status of each cited item.

The following is in response to the eight action items:

1. "Management of Change" program

Cascade must implement a program to ensure that Cascade properly coordinates changes to its pipeline safety program within the appropriate sections of the company. Cascade needs to track physical, technical, procedural and organizational changes. This program must include changes of components and equipment, changes to pipe repair procedures, changes in other procedures and changes in operating conditions. The management of change form must include at a minimum:

1. Reason for change
2. Authority for approval
3. Analysis of implications
4. Required permits
5. Documentation requirements
6. Communication of change process time limitations
7. Staff qualifications

Cascade will provide this training to employees and third party contractors. Cascade will implement the program by June 30, 2012- \$250,000 Suspended penalty, imposed in full if Cascade fails to comply.

Cascade Response:

The management of change program CP-1 Management of Change (MOC) was effective on February 22, 2012. The Management of Change (MOC) procedure is a written method to manage changes in equipment, procedures, personnel and other factors that may affect a facility's safe operation. It ensures that proposed changes are reviewed and helps identify work needed before new or revised facilities are placed in service. The MOC process applies to changes involving equipment, buildings, and other site modifications and shall include analyzing the implications of changes on the systems and processes. This procedure applies to any third party vendor used by CNG for facility maintenance and repair.

The management of change program is divided into three stages: development, implementation and quality assurance/ quality control QA/QC.

- Development: a change is identified and reviewed for applicable codes or regulations. The change is then reviewed by cross-functional CNGC personnel for technical, operational, safety, environmental, quality and/or economical aspects. After the review, the change is routed for final approval. All of these activities are documented on the MOC form (CNG 800).
- In the implementation stage, the complete MOC package is routed for implementation. Sign-off sheets document the required implementation.
- In the QA/QC stage, the implemented MOC may be reviewed to ensure that it is meeting the intended purpose or to ensure that the MOC was properly implemented.

This program was reviewed with WUTC Staff on Nov 3, 2011. Verbal approval was obtained at that time. See attached CP 01-12 and Completed MOC package for CP 500.



01-12 Management
of Change.pdf



Completed MOC
Package for CP500.pdf

2. Improved Maintenance Management system

Cascade has developed a centralized (i.e., consistent among all Districts) system to track and verify that required maintenance activities are performed in a manner that complies with applicable rules.

Cascade has implemented a centralized system called SharePoint. Longer term, Cascade will enhance this system by fully deploying a maintenance management system (currently called GL Essentials) by July 1, 2013.

Cascade Response:

CNGC began utilizing SharePoint on January 21, 2011 as the central repository for all maintenance activities which was approved by WUTC Staff prior to the signing of the settlement agreement. This system is configured to help ensure consistency and uniformity throughout all CNGC districts. Specific folders and tracking spreadsheets are available for each district to document maintenance activities on an internal website. This system also allows CNGC to easily track and verify that required activities are performed and documented correctly. See attached SharePoint Overview.

CNGC is currently targeting January 1, 2013 as an initial role out date for GL Essentials, with a July 1, 2013 go live date with the new GL Essentials maintenance tracking system.



SharePoint
Overview.pdf

3. Quality Assurance/Quality Control (QA/QC) program

Cascade must implement a program to ensure that each District in which Cascade operates is complying with company pipeline safety procedures. This program should include internal audits, and audit findings and recommendations should receive full support of management and be addressed and/or carried out. Cascade must document the QA/QC program including:

1. Defined responsibilities and authorities;
2. Regular District reviews of compliance status with pipeline safety rules, company procedures, leak history and repair, pressure control performance, accident/incident history, mapping updates, third party damage, compliance with manual revisions and management of change

process;

3. Corrective actions identified;
4. Corrective actions carried out;
5. Resources to carry out needed action; and
6. Regular assessments.

Cascade will implement a QA/QC program by June 30, 2012- **\$500,000** suspended penalty, imposed in full if Cascade fails to comply.

Cascade Response:

The QA/QC program is presently in final draft form and is being tracked through the MOC process. The WUTC Staff gave verbal approval on CNGC's draft form on May 10, 2012. CNGC is targeting MOC implementation by mid-July 2012. See attached draft CP 799-12 being tracked in MOC identified as GO-0016.



799-09 Mgmt
responsibilities for req

4. **Remedy violations identified in Staff inspection letters** in the dockets listed in the Complaint. Staff will work with the company to address items that are disputed or require clarification. Staff and Company recognize some time-related violations cannot be remedied. Moreover, if there are disagreements regarding whether specific conduct occurred as alleged, or whether the conduct constitutes a violation, or whether a violation has been adequately remedied, the Parties agree to cooperate in resolving the dispute efficiently, including seeking the assistance of the ALJ assigned to this matter.

Cascade will remedy the violations by June 30, 2012- **\$300,000** suspended penalty, imposed in full if Cascade fails to comply.

Cascade Response:

All violations have been remedied and are ready for field inspection by the WUTC Staff at their convenience. This was discussed at prior meetings including the May 10, 2012 meeting.

5. Mapping Updates.

Cascade must update its pipeline maps, and have a process in place for updating maps on an ongoing basis. Cascade is also implementing the GIS, GL Essentials, and integrated procedures, which will allow Cascade to more accurately update its maps. The implementations of these systems, combined with the fact that the mapping has been updated at varying degrees throughout the company, result in the need for extra time to allow for continuity of mapping through the company.

Cascade has begun the process to update its maps. Cascade will have 50 percent of its maps updated by December 31, 2011, and all of its maps updated by December 31, 2012. - **\$100,000** suspended penalty, imposed in full if Cascade fails to comply.

Cascade Response:

CNGC has updated 87% of the company maps. Documentation was presented to WUTC Staff on Jan 10, 2012 additional documentation was provided on Feb 15, 2012 to validate the 50% completion requirement. Staff gave verbal approval on May 10, 2012. CNGC is currently on target for meeting the December 31, 2012 completion of all mapping updates in the GIS system. See attached GIS spreadsheet.



GIS Cleanup
Progress_copy (2).xls

6. O&M Manual Revisions.

Cascade must develop and carry out a process to ensure that updates and revisions to its Manual are distributed and understood by District personnel. Cascade must ensure that appropriate personnel are promptly briefed or trained on such revisions. Whatever training format is used, Cascade will provide a means for meaningful interaction (including question/answer sessions) for employees trained.

Cascade agrees to begin to carry out this process by June 30, 2012- **\$300,000** suspended penalty, imposed in full if Cascade fails to comply.

Cascade Response:

CNGC has developed a process to ensure that updates and revisions to its Manual are distributed and understood via the Management of Change program (refer to Action Item#1). In addition to the MOC program, CNGC has developed an O&M review schedule. The WUTC Staff reviewed and accepted this schedule on May 10, 2012. This O&M Review process has been reviewed in two audits and was deemed acceptable during those inspections.



O&M Manual Review
Schedule.pdf



O&M Manual Review
Bellingham District.pdf

7. Leak Characterization Review.

Cascade must review and modify as necessary its leak classification procedures to ensure that below-ground leaks are properly evaluated, including accurate assessment of plume spread, gas concentrations, pipe location, impacts to adjacent structures, impacts from underground conduits and proper leak grading. The Parties understand that although this item refers specifically to below-ground leaks, nothing in this Agreement affects the Company's duty to comply with procedures applicable to above-ground leaks.

Cascade has this review and process modification in place, and continues to evaluate this area for improvements

Cascade Response:

CNGC had reviewed and implemented procedural changes with CP 750 Leak Investigation effective July 30, 2010. Additionally, CNG 293ABC Leak Investigation Form was revised in May 2010 to incorporate changes which ensure accurate leak investigation recordkeeping. These improvements were to correct the errors described in the PG-110443 Complaint and to improve overall gas safety and recordkeeping compliance. This program was reviewed with the Staff on July 1, 2011. Verbal approval was obtained at that time.



750-10 Leak
Investigation.pdf



CNG 293 A Leak
Investigation.pdf

8. Review of Pressure control processes.

Cascade must review its pressure control layout, design and set points for all gate and district regulating stations. Cascade must develop cold weather operating procedures, and as necessary, revise its procedures and processes to improve the reliability of pressure control equipment. Cascade's review evaluation should include consideration of procedures to limit debris which impacts regulator performance, impacts on pressure control equipment due to icing, evaluation of equipment set points and station piping layout. Cascade must review the pressure control layout, design and set points for all gate and district regulator stations.

Cascade agrees to comply with this provision by June 30, 2012- **\$350,000** suspended penalty, imposed in full if Cascade fails to comply.

Cascade Response:

CNGC has performed the following tasks to comply with this provision:

- CNGC has reviewed the pipe layout and completed analysis of each district regulator station as of June 8, 2012.
- To address debris issues, CNGC has modified our standard designs to include strainers at new large regulator stations. When possible, existing stations will be retrofit with strainers where a history of debris problems has been reported. CNGC now maintains an inventory of strainers at central stores.
- CNGC has reviewed the maximum allowable set points for all regulator stations. CNGC will be lowering set pressures at many stations to give more of a buffer between operating pressure and MAOP. The master list will be updated by June 30, 2012.
- CP 745 Regulator Maintenance is being revised to ensure regulators and relief valves are being properly set in the field. CNGC is targeting MOC implementation by June 30, 2012.
- CNGC has identified all stations with icing concerns and is in the process of implementing new design standards to mitigate icing at new stations. Existing stations are being reviewed for potential icing mitigation as well. See attached CNGC memo regarding icing.



Icing Evaluation.doc

This was discussed at the May 10, 2012 meeting and given verbal approval by WUTC Staff.

Please contact Steven Kessie 509-734-4575 with questions or comments.

Respectfully Submitted,

Eric Martuscelli,
Vice President, Operations
Cascade Natural Gas Corporation