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BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET NO. PG-150120

ANSWER

INTRODUCTION

1. Cascade Natural Gas Corporation's ("Cascade" or "the Company") address for purposes of this proceeding is:

Eric Martuscelli
Vice President, Operations
Cascade Natural Gas
8113 Grandridge Blvd
Kennewick, WA 99336
Phone: 509 734-4585 (o)
509 572-0294 (c)
Email: eric.martuscelli@cngc.com

Cascade's representatives for purposes of this proceeding are:

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Sheree Strom Carson
David Steele
Perkins Coie LLP
10885 N.E. Fourth Street, Suite 700
Bellevue, WA 98004-5579
Phone: 425-635-1400
Fax: 425-635-2400
SCarson@perkinscoie.com
DSteele@perkinscoie.com

2. Cascade recognizes the Commission's important responsibilities in auditing and enforcing pipeline safety with respect to the companies it regulates. Cascade is committed to operational excellence, and the Company is committed to full compliance with federal and state regulations. The Company believes it operates and maintains a safe and reliable system but also recognizes that continuous improvement is necessary to maintain this commitment. Also, Cascade has put into place improved internal mechanisms so that deadlines will not be missed in the future when unexpected circumstances arise such as illness of key employees.

3. With these fundamental principles in mind, Cascade answers the Complaint of the Washington Utilities and Transportation Commission (the "Commission") dated July 12, 2016 (the "Complaint") as stated below.

ANSWER

4. Because paragraph 1 contains no legal or factual allegations, Cascade neither admits nor denies this paragraph.

I. ANSWER TO "PARTIES" SECTION OF COMPLAINT

5. Answering paragraph 2, Cascade admits that the Commission is an agency of the State of Washington, authorized under RCW 81.88 to regulate pipeline companies.

1 6. Answering paragraph 3, Cascade admits that it is a corporation that, among
2 other things, owns and operates natural gas pipelines and appurtenances within the State of
3 Washington.
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7 **II. ANSWER TO “JURISDICTION” SECTION OF COMPLAINT**

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9 7. Answering paragraph 4, Cascade admits that the Commission has jurisdiction
10 over this matter pursuant to the provisions of RCW 81.88 and WAC 480-93. With respect to
11 specific statutory and code provisions cited in paragraph 4 of the Complaint, paragraph 4
12 contains legal conclusions to which no answer is required.
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17 **III. ANSWER TO “BACKGROUND” SECTION OF COMPLAINT**

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19 8. Answering paragraph 5, Cascade neither admits nor denies paragraph 5
20 because it describes an aspect of the structural format of the Complaint and does not contain
21 any factual or legal allegations that require an answer. To the extent paragraph 5 is intended
22 to incorporate all allegations and statements contained in the Staff Investigation Report into
23 paragraph 5 or into the Complaint, Cascade denies that all of the allegations and
24 characterization of events set forth in the Staff Investigation Report are correct.
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29 9. Answering paragraph 6, Cascade admits that in 2013, Commission Staff
30 conducted standard natural gas pipeline inspections in Cascade’s Washington service territory
31 and that as part of that inspection, Staff requested documentation relating to Maximum
32 Allowable Operating Pressure (“MAOP”) of randomly-selected high pressure pipeline
33 segments. Cascade denies that it failed to provide sufficient documentation for all of the
34 randomly-selected segments.
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39 10. Answering paragraph 7, Cascade admits Staff requested that Cascade provide
40 a list of all high pressure pipelines in the Company’s Washington service territory for which
41 the Company lacked sufficient MAOP-confirming documentation and that Cascade compiled
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1 a list, based on the information available to the Company at that time, and provided it to Staff
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3 in April, 2014. The documentation speaks for itself and no answer is required.

4
5 11. Answering paragraph 8, Cascade admits that on February 2, 2015, Staff and
6
7 Cascade executed a Stipulated Agreement, the terms of which speak for themselves. Cascade
8
9 further agrees that the Commission approved the Stipulated Agreement on February 12, 2015
10
11 in Order 01 in this docket. The terms of the Stipulated Agreement and the terms of the
12
13 Commission Order speak for themselves and no answer is required.

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15 12. Answering paragraph 9, Cascade admits that it failed to submit its MAOP
16
17 compliance plan by the August 12, 2015 deadline due to extenuating circumstances regarding
18
19 the absence of a key employee. Cascade contends that the recommended penalty is excessive.

20
21 13. Answering paragraph 10, Cascade admits that it submitted its MAOP
22
23 Determination & Validation Plan on January 29, 2016. Cascade further admits that Staff sent
24
25 a letter to Cascade dated February 18, 2016 in which Staff stated it had questions that would
26
27 lead to revisions to the plan and suggested a joint meeting to discuss the plan. Cascade
28
29 denies all other or different allegations contained in paragraph 10.

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31 14. Answering paragraph 11, Cascade admits that it submitted a revised MAOP
32
33 Determination & Validation Plan on April 29, 2016, at the request of Staff. The terms of the
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35 revised MAOP Determination & Validation Plan speak for themselves and no further
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37 response is required. Cascade admits that as of the date of its Answer, Staff continues to
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39 review the aforementioned Plan.

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**IV. ANSWER TO “APPLICABLE LAWS AND REGULATIONS”
SECTION OF COMPLAINT**

15. Answering the un-numbered paragraph between paragraph 11 and paragraph 12, Cascade neither admits nor denies this paragraph which quotes the language of WAC 480-93-223 and contains no factual allegations.

16. Answering paragraph 12, Cascade neither admits nor denies this paragraph that quotes the language of WAC 480-93-018(1) and contains no factual allegations.

17. Answering paragraph 13, Cascade neither admits nor denies this paragraph that quotes the language of several provisions of 49 C.F.R. § 192.13 and contains no factual allegations.

18. Answering paragraph 14, Cascade neither admits nor denies this paragraph that quotes the language of 49 C.F.R. § 192.503 and contains no factual allegations.

19. Answering paragraph 15, Cascade neither admits nor denies this paragraph that paraphrases sections of 49 C.F.R. § 192.517 and 192.602 and contains no factual allegations.

20. Answering paragraph 16, Cascade neither admits nor denies this paragraph that quotes sections of 49 C.F.R. § 192.603 and contains no factual allegations.

21. Answering paragraph 17, Cascade neither admits nor denies this paragraph that quotes sections of 49 C.F.R. § 192.619 and contains no factual allegations.

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V. ANSWER TO "CAUSES OF ACTION" SECTION OF COMPLAINT

A. Answer to First Cause of Action

22. Answering paragraph 18, Cascade admits that it failed to submit its MAOP compliance plan by the August 12, 2015 deadline due to extenuating circumstances regarding the absence of a key employee. Cascade contends that the recommended penalty is excessive.

23. Answering paragraph 19, Cascade admits there are 261 days between August 12, 2015 and April 29, 2016 but denies that there is a continuing violation that extends from August 12, 2015 through April 29, 2016 since the original Plan was submitted on January 29th, 2016.

24. Answering paragraph 20, Cascade denies there are a minimum of 261 violations of Order 01 in Docket PG-150120.

B. Answer to Second Cause of Action

25. Answering paragraph 21, Cascade admits that, as stipulated by Commission Staff in the Stipulated Agreement approved by the Commission on February 12, 2015, Cascade has identified a list of high pressure pipelines in its Washington service territory where some form of essential data is missing that is necessary to confirm the pipelines' MAOP. Although there was a delay by Cascade in submitting the written plan referenced in Section III of the Stipulated Agreement, Cascade has now submitted the written plan and has already commenced with a systematic process designed to provide the necessary information regarding Cascade's high pressure pipeline system as outlined in the Stipulated Agreement.

26. Answering paragraph 22, Cascade admits it submitted a revised MAOP Determination & Validation Plan on April 29, 2016, after submitting an initial plan on January 29, 2016. Cascade denies it is appropriate to consider this as a violation that

1 commenced on the date that Cascade submitted its revised MAOP Determination &
2 Validation Plan. As to the allegations regarding the language in the plan, the plan speaks for
3 itself and no further response is required.
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7 27. Answering paragraph 23, Cascade admits there are 74 days between April 29
8 and the date of this Complaint. Cascade denies that it is appropriate to consider each day
9 after Cascade submitted a revised plan to be a violation or continuing violation. Cascade
10 further asserts that Staff and Cascade have recognized that there is missing documentation
11 necessary to confirm the pipelines' MAOP, and both Staff and Cascade continue to work on
12 full Plan approval to confirm the pipelines' MAOP, as set forth in the Stipulated Agreement.
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19 28. Answering paragraph 24, Cascade denies it is appropriate to consider each day
20 after Cascade submitted a revised plan to be a violation or a continuing violation and Cascade
21 further denies there are a minimum of 74 violations. Cascade further asserts that Staff and
22 Cascade have recognized that there is missing documentation necessary to confirm the
23 pipelines' MAOP, and both Staff and Cascade continue to work on full Plan approval to
24 confirm the pipelines' MAOP, as set forth in the Stipulated Agreement.
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31 **VI. ANSWER TO "REQUEST FOR RELIEF" SECTION OF**
32 **COMPLAINT**
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34 29. Answering paragraph 25, Cascade denies that the Commission should impose
35 penalties on Cascade or that the penalties requested by Staff are appropriate.
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38 30. Paragraph 26 contains no factual or legal allegations to which a response is
39 required. To the extent a response is required, Cascade denies the same.
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42 **VI. ANSWER TO "PROBABLE CAUSE" SECTION OF**
43 **COMPLAINT**
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45 31. Paragraph 27 contains no factual or legal allegations to which a response is
46 required. To the extent a response may be required, Cascade denies the same.
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1 **CASCADE’S DEFENSES AND AFFIRMATIVE DEFENSES**
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3 32. Cascade is responsible for the construction and maintenance of an extensive
4 natural gas pipeline system and has numerous programs and procedures in place to ensure
5 that its system is safe. As of the date of this answer Cascade has no high pressure lines
6 operating at above 30% SMYS. Cascade has acted in good faith and cooperated with both
7 previous and existing Commission Staff.
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13 33. Certain alleged violations are not properly counted or inappropriately
14 classified as a "continuing violation."
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17 34. The need to confirm MAOP of certain Cascade pipelines has been recognized
18 by Commission Staff and Cascade, as set forth in the Stipulated Agreement executed by
19 Commission Staff and Cascade and approved by the Commission on February 12, 2015. The
20 Stipulated Agreement acknowledges that there are some high pressure pipelines in Cascade’s
21 Washington service territory where some essential form of data is missing that is necessary to
22 confirm the pipelines’ MAOP. Although there was a delay by Cascade in submitting the
23 written plan referenced in Section III of the Stipulated Agreement, the need to confirm
24 MAOP of certain Cascade pipelines would still be present had the delay not occurred.
25 Further, Cascade has already commenced with a systematic process designed to provide the
26 necessary information regarding Cascade’s high pressure pipeline system as outlined in the
27 Stipulated Agreement.
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38 35. Cascade denies that the Commission should impose penalties on Cascade.
39 However, even if the Commission determines that penalties should be imposed, Cascade
40 maintains that the amount of penalty requested is not appropriate or commensurate under the
41 facts and circumstances of this case. Further, Cascade asserts that the penalties sought by
42 Commission Staff are not reasonable based on the factors set forth by the Commission in its
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Policy Statement in Docket A-120061. Cascade’s delay in submitting the written plan does not result from a complacent attitude, as alleged in the Staff Investigation Report, but from extenuating circumstances regarding the absence of a key employee. Cascade has put in place additional measures to make sure that the absence of a key employee does not in the future cause the Company to miss a deadline.

36. Cascade has worked closely with Staff and been responsive to Staff’s requests in the inspections discussed in the Staff Investigation Report. Cascade is committed to continue to work with Staff to address Staff’s concerns and to confirm the pipelines’ MAOP.

37. The penalties sought exceed the maximum civil penalty allowed by WAC 480-93-223 because the causes of action alleged are a “related series of violations.”

DATED: July 29, 2016.

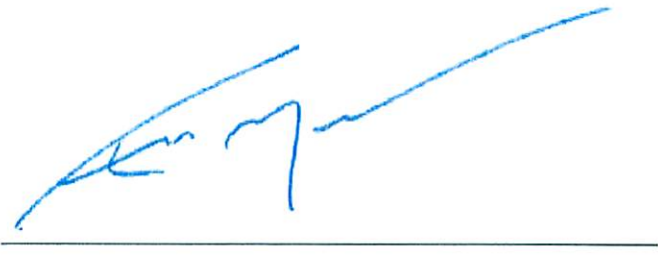
PERKINS COIE LLP

By 
Sheree Strom Carson, WSBA # 25349
David Steele, WSBA # 45640
Attorneys for Respondent Cascade Natural Gas Corporation

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STATE OF WASHINGTON)
) ss.
COUNTY OF BENTON)

Eric Martuscelli, being first duly sworn, deposes and says that he is the Vice President, Operations for Cascade Natural Gas Corporation; that he has read the foregoing Answer of Cascade Natural Gas Corporation and knows the contents thereof; that the facts set forth therein are true based on his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes them to be true.



SUBSCRIBED and SWORN to before me this 28 day of June, 2016, by Eric Martuscelli.



Trudy A Nugent
Print Name: TRUDY A NUGENT
Notary Public in and for the State of WA,
residing at Benton Co.
My commission expires: 9-1-2016

VERIFICATION OF ANSWER OF CASCADE
NATURAL GAS CORPORATION

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