

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NO. PG-111723

JOINT NARRATIVE SUPPORTING
SETTLEMENT AGREEMENT

I. INTRODUCTION

1 This Narrative in Support of Settlement Agreement (“Narrative”) is filed pursuant to WAC 480-07-740(2)(a) by the Staff of the Washington Utilities and Transportation Commission (“Staff”) and Puget Sound Energy, Inc (“PSE”). The underlying settlement agreement (“Agreement”), filed July 24, 2013, is a full settlement entered into by Staff and PSE, the only parties in this proceeding (collectively, “the Parties” and each sometimes referred to individually as a “Party”). This Narrative summarizes the Agreement; it is not intended to modify any terms of the Agreement.

2 The Parties do not request a hearing for presentation of the Agreement. The Parties request a streamlined review of the proposed settlement. To that end, the Parties would prefer an informal review on a paper record. However, if the Commission requires a hearing, Staff and PSE are each prepared to present one or more witnesses to testify in support of the Agreement. In addition, counsel for Staff and PSE will be available to

respond to any legal questions that the Commission may have regarding the proposed Agreement.

II. NATURE OF THE DOCKET

3 This docket involves a Commission Complaint issued March 1, 2013, following a natural gas explosion and fire that occurred on September 26, 2011 in the Pinehurst neighborhood of Seattle. On the day before the explosion (Sunday, September 25, 2011), an electric power line owned and operated by Seattle City Light came down during a windstorm, energized a metal fence post, and eventually energized PSE's steel gas pipe serving the Pinehurst neighborhood. Three gas leaks were reported to or identified by PSE that day. Each gas leak was caused by an electrical arc from the downed Seattle City Light power line. After receiving notification of the gas leaks, PSE promptly responded the same day (Sunday, September 25, 2012). PSE repaired the leaks and conducted two leak surveys in the area that day and into the early morning hours of the following day.

4 There was a gas leak in PSE's steel service line serving a home in the Pinehurst neighborhood. This leak was also caused by electrical arcing. PSE did not become aware of or locate or repair the gas leak at the service line on Sunday, September 25, 2011.

5 Staff concluded that gas migrated from the leaking service line to the crawlspace under the home and ignited. However, Staff could not eliminate the possibility that the electrical current running through the gas pipe continued into the home and caused another gas leak in the customer's fuel line, furnace, or other facilities.

6 PSE promptly notified the Commission of the explosion and fire. PSE also fully cooperated with Staff's investigation and conducted its own investigation of the incident. The incident does not represent intentional conduct by PSE or conduct that was gross or malicious.

7 The Commission's Complaint alleged violations of state gas pipeline safety rules
with respect to gas leak surveys and compliance with PSE's gas pipeline procedural manual.
On March 21, 2013, PSE filed an Answer to the Complaint, in which PSE admitted certain
allegations in the Complaint and denied certain allegations in the Complaint.

8 The Commission held a prehearing conference in this docket on April 18, 2013. No
one sought intervention.

III. SUMMARY OF THE AGREEMENT

9 The Parties have reached agreement on how to resolve all the issues raised in this
docket 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.

10 This Agreement is intended to settle all matters raised in the Complaint or related to
the incident. In entering into the Agreement, the Parties recognize that litigation is
uncertain, expensive, time-consuming and risky. The Agreement provides benefits to the
public by further enhancing the safety of PSE's natural gas system as well as avoiding the
uncertainty of litigation. As such, each Party acknowledges that the Agreement is not
precedent for resolving, or controlling as to resolving, any issues or disputes in any other
proceeding other than a proceeding for enforcement of the Agreement.

11 In the Agreement, PSE concurs there were violations of Commission gas safety rules
and agrees to pay a monetary penalty of \$275,000. In addition, the Agreement provides that
PSE will hire a third party consultant to evaluate PSE's public awareness program. Further,
PSE agrees to host workshops (and provide up to \$15,000 in funding for such workshops) to

develop or improve communication and coordination plans with neighboring or overlapping utilities. The Agreement states that PSE will complete a review of its emergency procedures plans and contracts with service providers, vendors or consultants for potential gas leak situations. Finally, the Agreement contains “General Provisions”, which include typical settlement provisions. Each Party discusses the Agreement's provisions in their separate statements in support of the Agreement in Section IV below.

IV. PARTIES’ SEPARATE STATEMENTS IN SUPPORT OF THE AGREEMENT

A. Staff’s Statement in Support of the Agreement

This docket demonstrates how an electrical arcing event from the facilities of a utility other than PSE can create a safety hazard for PSE and its gas customers. Electrical arcing events are relatively rare, nevertheless, it is important that gas utilities be prepared to address these events when they arise.

The Agreement is designed to address Commission Staff’s concerns in this docket, and is in public interest for several reasons. First, the Agreement (§ 14, Item 1) requires PSE to retain a third party consultant to evaluate the Company’s public awareness program, to determine whether there are additional opportunities to improve public education on the hazards of unintended releases of natural gas. The assessment by an expert in risk communications will help ensure that PSE’s public awareness program is as effective as it can be with respect to these hazards.

Second, the Agreement (§ 14, Item 2) requires PSE to host workshops for utilities to develop or improve communication and coordination with adjoining or overlapping utilities in emergency situations, service outages or other situations where mutual efforts can be beneficial. Though electrical arcing events are relatively rare, it is important in these

situations for the utilities involved to have prompt information exchange and response, where possible. This area of gas pipeline safety has not received much attention in the past, and this provision of the Agreement provides an opportunity to develop protocols that will benefit public safety.

Third, the Agreement (§ 14, Item 3) requires PSE to review its emergency procedures, plans and contracts with service providers, vendors or consultants in the context of potential gas leak situations. One of Commission Staff's concerns relates to the fact that the electrical arcing event took place on a Sunday, and PSE conducted leak surveys throughout the day and into the night. It is important that a gas company have the resources to conduct extensive leak surveys at any time, including off-hours and at night. Nighttime in particular can present unique issues, such as gas company employee safety. Gas companies need to have adequate plans and resources to address these issues. PSE commits to reviewing its procedures and make whatever additional changes or improvements are justified.

Finally, PSE concurs there were violations of Commission gas safety rules, and agrees to pay a substantial, \$275,000 penalty (Agreement (§ 14, Items 4 & 5)). The primary allegation in the Complaint is that PSE violated Commission rules by failing to leak survey the Inghams' service line and the service lines to the neighboring two houses. PSE does not admit to those specific violations, and Commission Staff understands PSE likely would contest the underlying facts, if the matter went to hearing. However, given the level of penalty, Commission Staff believes it would serve no useful purpose to proceed to hearing to resolve those specific factual issues.

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In sum, the Agreement addresses the issues of concern to Commission Staff in this docket. The efforts PSE has agreed to may result in improved protocols or standards that would apply to other gas utilities in this state. For each of the above reasons, Commission Staff recommends the Commission approve the Agreement as in this public interest, and as a reasonable resolution of this docket.

B. PSE’s Statement in Support of the Agreement

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PSE recognizes the Commission's important responsibilities in enforcing pipeline safety with respect to the companies it regulates. PSE is committed to safety, operational excellence and full compliance with federal and state regulations—by its employees and by the independent contractors who work on its gas system. PSE is responsible for the construction and maintenance of an extensive natural gas pipeline system and has numerous programs and procedures in place to seek to ensure that its system is safe.

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The circumstances surrounding the natural gas leaks were highly unusual, and PSE undertook extensive surveying and investigation immediately after learning of the gas leaks. As stated above and in Staff's investigation report, the gas leak related to the Pinehurst incident was the result of a nearby high voltage power line owned by Seattle City Light that fell to the ground and energized the gas system in the area—as a result of first energizing a chain link fence, a metal fence post, and an abandoned water system. Seattle City Light did not notify PSE of the downed power line. PSE responded to the incident immediately and, through its contractors, performed multiple gas leak surveys in the Pinehurst neighborhood. PSE and its expert consultants promptly undertook extensive leak surveys (first including an area of 105 city blocks, second an area of 250 city blocks) in an effort to encompass, locate and review all facilities affected or potentially affected by the electric arcing event—the

source of which was unknown at the time. Moreover, the vast majority of that survey work was conducted in the dark, on a Sunday evening, Sunday night and the early hours of Monday morning. The leak surveys continued until approximately 3:00 a.m. on the morning after the gas leaks were reported.

15 After the incident, PSE performed its own internal investigation. Through its investigation, PSE identified areas to enhance communication procedures with neighboring utilities with the intent to improve overall response to such situations. PSE has worked with Seattle City Light and other electric providers whose systems overlap PSE's gas system to improve communications, and PSE commits to further such efforts.

16 PSE believes that the Agreement is fair and just when the Agreement is viewed as a whole. PSE has agreed to pay a significant monetary penalty and to evaluate and implement improvements in the following areas: 1) public awareness, 2) utility communication and coordination, and 3) internal emergency procedures.

17 The evening before the explosion, the homeowners reportedly smelled natural gas but did not notify PSE or other authorities. As a result, PSE has agreed to renew and amplify its focus on customer safety and public awareness—specifically reminding customers to immediately call PSE when the smell of natural gas is detected. To that end, PSE will hire a third party consultant to evaluate PSE's public awareness program. The contractor will specialize in risk communications and will be mutually agreed upon by PSE and Staff. Staff will review and approve the scope of work under the contract. The consultant will evaluate PSE's public awareness program and determine if there are reasonable opportunities to improve education to the public concerning the hazards of

unintended releases of natural gas. PSE will adopt the consultant's recommendations after review and comment by Commission Staff.

18 Additionally, PSE will host workshops for utilities doing business in Washington state, and PSE will provide up to \$15,000 in funding for such workshops. These workshops will be aimed at developing or improving communication and coordination plans with neighboring or overlapping utilities in emergency, service outage or other situations where mutual efforts can benefit all such utilities and enhance public safety.

19 PSE has also agreed to complete a review of its emergency procedures plans and contracts with service providers, vendors or consultants for potential gas leak situations. The purpose of this review is to determine whether changes are warranted in light of the Pinehurst incident and to ensure that applicable contracts provide for sufficient resources at all times. PSE will file a report with the WUTC of that review within 120 days of an order approving this settlement. The report will describe procedural and contract changes already made in response to the Pinehurst incident as well as any additional changes planned as a result of this review. As part of its review of the emergency response plans, PSE will review its procedures for communicating with the public during an emergency.

20 PSE believes the Agreement is in the public interest and meets the Commission's pertinent legal and policy standards. The Agreement fully resolves the allegations made in the Complaint, conserving valuable Party and Commission resources that would otherwise be devoted to litigation. The Agreement also satisfies PSE's interest. PSE believes the Agreement reflects a true compromise of the issues in this proceeding. The Agreement addresses and resolves the Parties' concerns regarding public safety. At the same time, the Agreement acknowledges that PSE responded promptly and conducted extensive leak

surveys, cooperated with Staff, performed its own investigation of the incident, and has already implemented steps to enhance public safety.

V. CONCLUSION

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In WAC 480-07-700, the Commission expresses its support for parties' informal efforts to resolve disputes without the need for contested hearings when doing so is lawful and consistent with the public interest. The Parties have reached an agreement that resolves all of issues in the docket, and their resolution complies with Commission rules and, as explained above, satisfies their interests and is consistent with the public interest. The Parties request that the Commission approve the Agreement in its entirety.

DATED: July ___, 2013.

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