

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION, d/b/a AVISTA
UTILITIES

Respondent.

DOCKET PG-082253

NARRATIVE SUPPORTING
SETTLEMENT AGREEMENT

1 Per WAC 480-07-740(2)(a), this Narrative is filed as documentation supporting the
Settlement Agreement filed January 7, 2011. Because all Parties are signatories,¹ the
Settlement Agreement represents a “full settlement”, pursuant to WAC 480-07-730(1). The
Settlement Agreement is subject to Commission approval. *Settlement Agreement at ¶¶ 1,*
14.

2 In Part IV below (¶¶ 11-17), each Party supplies a statement in support of the
Settlement Agreement.

I. PARTIES

3 The Parties to the Settlement Agreement are Avista Corporation, d/b/a Avista
Utilities (“Avista” or “the Company”), and the Pipeline Safety Staff of the Washington

¹ As explained in the Settlement Agreement at ¶ 11, the Commission granted intervention to the victims of the explosion, who were represented by their attorney, Mr. Cordell. By Order dated December 2, 2010, the Commission granted Mr. Cordell’s request to withdraw the intervention. Thus, the remaining parties are Staff and Avista.

Utilities and Transportation Commission (“Staff”) (collectively, “the Parties”). *Settlement Agreement at ¶ 11.*

II. INTRODUCTION AND BACKGROUND

4 This docket involves a gas explosion that resulted in serious bodily injury and significant property damage. The evidence showed that a 2-inch gas distribution main located in an alley in a residential area of Odessa, Washington, was cracked, causing gas to leak. Because of unusually cold weather conditions, the frozen surface enabled the gas to migrate laterally nearly sixty feet to a nearby garage where it ignited, causing an explosion and fire. The crack was the result of a process called “slow crack growth” initiated by rock impingement on the pipe. Two people were injured: Mr. Reyes and Ms. McClure. Mr. Reyes suffered severe burns and other injuries. Ms. McClure’s injuries were less severe and did not require in-patient hospital care.

5 Staff conducted a complete investigation of this incident. Staff’s investigation report is on file with the Commission in this docket, and a copy is included as Attachment A to the Settlement Agreement. The Parties agree to the basic facts explaining the incident. *Settlement Agreement at ¶¶ 4-8.*

III. NATURE OF THE SETTLEMENT AGREEMENT

6 Overall, Avista agrees to several measures and conditions designed to further assure the integrity of Avista’s gas system, and to assure that if the type of plastic pipe that failed in this instance, i.e., Aldyl A pipe, is found to represent a problem for Avista’s system, either on a pipe-specific basis or a broader basis, Avista will have the data to determine that and be in a position to take appropriate action. *Id. at ¶ 13(1)-(5).* Avista also agrees to pay a monetary penalty of \$200,000. *Id. at ¶ 13(6).*

7 In particular, Avista agrees to conduct training for city, county and state personnel responsible for excavations in the vicinity where Aldyl A pipe is located. *Id. at ¶ 13(1)*. Avista will provide the written materials produced for such training to excavators on the list Avista prepares as part of its Commission-required damage prevention program. *Id.*

8 When Avista's gas inspectors become aware of excavations where the Company's Aldyl A pipe is located, Avista agrees to inspect the condition of the pipe and the trench material, and take appropriate action, if a problem is found. *Id. at ¶ 13(2) & (3)*.

9 On a broader level, Avista agrees to evaluate its leak survey results by type of pipe, to determine if Aldyl A pipe presents issues or trends of concern, and meet and confer with Staff in that regard. The Company agrees to provide Staff a copy of its leak surveys in areas of Aldyl A pipe. *Id. at ¶ 13(4) & (5)*.

10 The Parties understand that if more stringent requirements are imposed on Avista than those contained in the Settlement Agreement, the more stringent requirement controls. *Id. at ¶ 22, last sentence.*

IV. PARTIES' STATEMENTS IN SUPPORT OF THE AGREEMENT

A. Staff's Statement in Support of the Settlement Agreement

11 Staff supports the Settlement Agreement and recommends the Commission approve it. The Aldyl A pipe involved in this incident is a type of plastic pipe installed in many gas systems around the country during the late 1970's and early 1980's, which was when Avista installed the pipe that failed in this instance. Although the pipe in this instance did not fail until 29 years after it was installed, Staff is concerned that Avista monitor this type of pipe to determine if it presents a problem on Avista's system, both on a pipe-specific basis (i.e., when a particular section of pipe is exposed), and on a broader basis. The provisions in

Paragraph 13(1)-(5) address these concerns. At the same time, under Paragraph 21, the Settlement Agreement acknowledges that the steps Avista commits to take are subject to more stringent provisions of law (e.g., statute, ordinance, order or rule). Thus, while the Settlement Agreement contemplates further analysis and appropriate action by Avista as information becomes available, it imposes no impediment to additional Commission action.

12 Staff also supports the monetary penalty of \$200,000. Staff's investigation concluded that Avista had not used appropriate backfill when it installed the pipe that failed. *Settlement Agreement Appendix A, Investigation Report at p. 13.* This led to the development of the crack and the subsequent leak. Consequently, there is a direct link between the improper installation of the pipe and the gas leak that resulted in the explosion, and in serious personal injury and property damage. Accordingly, Staff believes the penalty amount is reasonable.

13 In sum, the provisions of the Settlement Agreement are a measured and appropriate response to the incident. Staff recommends the Commission approve the Settlement Agreement.

B. Avista's Statement in Support of the Settlement Agreement

14 Avista takes seriously its public service obligation to provide safe and reliable service. Accordingly, it has worked closely with Staff to arrive at a settlement that will provide for enhanced education of government employees, third-party contractors and company employees concerning proper backfill and soil compaction to provide support for Aldyl A pipe. Avista will maintain records in connection with excavations of Aldyl A pipe, and will take appropriate and reasonable remedial measures where problems exist.

(Settlement Agreement at ¶13(1.))

15 In addition, Avista will perform annual leak surveys of Aldyl A mains installed prior to 1987, and will meet and confer with Staff in order to review leak survey results and any issues pertaining to Aldyl A mains or services. (Id. ¶13(4.)) Avista willingly offered to undertake these and other measures as it continues its commitment to provide safe and reliable service.

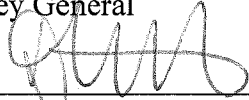
16 As for the matter in question, after receiving notification of the incident, Avista promptly investigated the incident. Among other things, Avista promptly notified the Commission of the incident, notified the National Response Center of the incident, monitored gas readings in the soil and footings of homes around the incident site, evacuated individuals, and excavated the damaged section of pipe, and took steps to document and preserve evidence. (*Settlement Agreement at Id.* ¶7.)

17 Avista is responsible for the construction and maintenance of an extensive natural gas pipeline system. Avista has numerous programs and procedures in place to seek to ensure that its system is safe. Avista promptly notified the Commission of the incident alleged in the Complaint. Avista also fully cooperated with the Commission Staff's investigation and conducted its own investigation of the incident. The incident does not represent knowing or intentional conduct by Avista that was gross or malicious (Id. at ¶8.). Both Avista and Staff share the goal that Avista's pipeline facilities be operated in compliance with Commission laws and rules related to the safe operation of those facilities.

DATED: January 7, 2011.

For Commission Staff:

ROBERT M. McKENNA
Attorney General



Donald T. Trotter
Assistant Attorney General

1/7/2011

Date signed:

For Avista Utilities:

David J. Meyer
Vice President, Chief Counsel for
Regulatory & Governmental Affairs

Date signed:

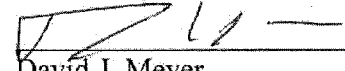
For Commission Staff:

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For Avista Utilities:



David J. Meyer
Vice President, Chief Counsel for
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Date signed: