

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

DOCKET PG-111723

SETTLEMENT AGREEMENT

1 This Agreement is entered into for the purpose of resolving all issues raised in this docket. This Agreement is subject to approval by the Washington Utilities and Transportation Commission (“Commission”), and is not effective before such approval. The documents constituting the agreement of the Parties are this “Settlement Agreement” and Appendix A attached hereto, collectively called the “Agreement” herein. Appendix A is a copy of the December 26, 2012, “Commission Staff Investigation Report on Explosion and Fire; 12312 5th Avenue N.E., Seattle.”

I. PARTIES

2 The parties to this Agreement are the Respondent, Puget Sound Energy, Inc. (“PSE” or “Company”), and the Staff of the Commission (“Commission Staff”) (collectively, referred to as “the Parties” and each referred to individually as a “Party”). PSE and Commission Staff are the only parties to this docket. Consequently, this is a “full settlement”, as that term is defined in WAC 480-07-730(1).

3 PSE is a public service company subject to Commission regulation under Title 80
RCW. Among other things, PSE owns and operates a natural gas distribution system in
Western Washington. PSE serves residential, commercial and industrial customers with
natural gas, under tariffs subject to Commission regulation. As pertinent to this
Settlement Agreement, PSE operates as a “gas company” as that term is defined in
RCW 80.04.010, and a “gas pipeline company” as that term is defined in
RCW 81.88.010. PSE is subject to Commission safety rules applicable to natural gas
pipelines. *E.g.*, RCW 81.88.065.

II. BACKGROUND¹

4 On September 26, 2011, a natural gas explosion and fire occurred at 12312 5th
Avenue N.E., in the Pinehurst neighborhood of Seattle, Washington. The explosion and
fire destroyed the home owned by Mr. and Mrs. Ingham, who were also injured in the
incident. The fuel source of the explosion and fire was natural gas.

5 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. 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.

6 There was a gas leak in PSE’s steel service line serving the Inghams’ home. The
leak was also caused by electrical arcing. PSE did not become aware of or locate or

¹ The facts in this section describing the incident and related events are summarized from the “Commission Staff Investigation Report on Explosion and Fire, 12312 5th Avenue N.E., Seattle” (December 26, 2012) on file in this docket.

repair the gas leak at the Inghams' service line on Sunday, September 25, 2011.

7 Commission Staff concluded that gas migrated from the leaking service line to the
crawlspace under the Inghams' home and ignited. However, Commission Staff could not
eliminate the possibility that the electrical current running through the gas pipe continued
into the Ingham's home and caused another gas leak in the Inghams' fuel line, furnace, or
other facilities. One of the homeowners reportedly smelled natural gas the evening
before the explosion, but did not notify PSE or other authorities. (A term of this
settlement is to evaluate whether additional methods or efforts are justified for urging
customers to immediately call when they detect the smell of natural gas).

8 PSE promptly notified the Commission of the explosion and fire. PSE also fully
cooperated with the Commission 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.

9 On March 1, 2013, the Commission issued its Complaint in this docket. The
Complaint alleged violations of state gas pipeline safety rules with respect to gas leak
surveys and compliance with PSE's gas pipeline procedural manual.

10 On March 21, 2013, PSE filed an Answer to the Complaint, in which PSE
admitted certain allegations in the Complaint and denied certain other allegations in the
Complaint.

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

III. AGREEMENT

12 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.

13 This Agreement is intended to settle all matters between the UTC and PSE raised in the Complaint or related to the incident.² In entering into this Agreement, the Parties recognize that litigation is uncertain, expensive, time-consuming and risky. This 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 no Party shall be deemed to have agreed that this Agreement is precedent for resolving, or controlling as to resolving, any issues or disputes in any other proceeding other than a proceeding for enforcement of this Agreement.

14 PSE agrees to do the following:

1. Within 60 days of the effective date of the Commission order approving this Agreement, PSE will hire a third party consultant to evaluate PSE's public awareness program. The contractor will be mutually agreed upon by PSE and the Commission Staff. The contractor will specialize in risk communications. Commission 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.
2. PSE will host workshops, if possible with the NWGA, for utilities doing business in Washington state and provide up to \$15,000 in funding for such workshops to develop or improve communication and coordination plans with

² If Commission Staff should find gas safety law or rule violations that are not alleged in the Complaint, but are related to the incident, Commission Staff will notify PSE and PSE will take appropriate corrective action. In that situation, Commission Staff agrees not to seek additional monetary penalties, unless the violations are intentional violations.

neighboring or overlapping utilities in emergency, service outage or other situations where mutual efforts can benefit all such utilities and enhance public safety. (WUTC involvement invited.)

3. Within 60 days of an order approving this settlement, PSE will 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 plan, PSE will review its procedures for communicating with the public during an emergency.
4. PSE concurs there were violations of Commission gas safety rules.
5. Within 10 days of an order approving the settlement, PSE will pay a penalty of \$275,000 to the WUTC in addition to hosting and funding the workshops described above.

IV. GENERAL PROVISIONS

Nature of the Agreement

15 The Parties agree that this Agreement is an appropriate settlement of all contested issues between them in this proceeding. The Parties understand that this Agreement is subject to Commission approval and it is not effective unless and until it is approved by the Commission.

16 Nothing in this Agreement is intended to limit or bar any other entity from pursuing legal claims, or to limit or bar PSE's ability to assert defenses to such claims.

17 Nothing in this Agreement limits or bars the Commission from pursuing penalties for violations of Commission statutes and rules unrelated to the subject matter of this Agreement. Nothing in this Agreement limits or bars the Commission from pursuing

penalties for violations of Commission statutes and rules that are related to the subject matter of this Agreement, but which violations occurred after the date this Agreement was executed.

18 The Parties have entered into this Agreement to avoid further expense, inconvenience, uncertainty, and delay. The Parties recognize that this Agreement represents a compromise of the Parties' positions. As such, conduct, statements, and documents disclosed during negotiations of this Agreement shall not be admissible as evidence in this or any other proceeding, except in any proceeding to enforce the terms of this Agreement or any Commission Order fully adopting those terms. This Agreement shall not be construed against either Party because it was a drafter of this Agreement.

Integrated Terms of Settlement

19 The Parties have negotiated this Agreement as an integrated document to be filed with the Commission only upon execution. Once the Agreement is executed, the Parties agree to support the Agreement in its entirety. This Agreement supersedes all prior oral and written agreements on issues addressed herein, if any.

Publicity

20 Each Party agrees to provide the other Party a copy of each announcement, news release, or similar communication (hereafter, "Public Communication") they intend to make about the Agreement (with the right of review to include a reasonable opportunity to request changes to the text of such announcements) at least two days in advance of publication. Each Party also agrees to include in any Public Communication a statement to the effect that the Commission Staff's recommendation to approve the Agreement is not binding on the Commission itself.

Manner of Execution

21 This Agreement is considered executed when all Parties sign the Agreement. A designated and authorized representative may sign the Agreement on a Party's behalf. The Parties may execute this agreement in counterparts. If the Agreement is executed in counterparts, all counterparts shall constitute one agreement. An Agreement signed in counterpart and sent by facsimile or scanned and sent as a pdf by email is as effective as an original document. A faxed or scanned signature page containing the signature of a Party is acceptable as an original signature page signed by that Party. Each Party shall indicate the date of its signature on the Agreement. The date of execution of the Agreement will be the latest date indicated on the signatures.

Procedure

22 Once this Agreement is executed, the Parties agree to cooperate in promptly filing this Agreement with the Commission for approval. The Parties agree to support approval of this Agreement in proceedings before the Commission, through a narrative statement and, if required by the Commission, with testimony and briefing. However, if there is an applicable provision of law (e.g., statute, ordinance, order, or rule), effective after the date this Agreement is executed but before it is approved, and that provision of law changes the posture of the Agreement in either Party's view, comments may be made to the Commission as to how the Agreement should be viewed in light of that order, rule or policy statement. The Parties understand that, for as long as this Agreement is effective, if an applicable provision of law imposes upon PSE a requirement more stringent than a requirement in this Agreement, the more stringent requirement applies.

23 The Parties understand that the Commission will decide the appropriate

procedures for presentation and consideration of the Agreement.

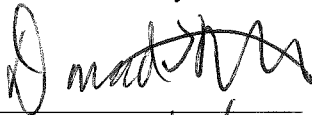
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In the event that the Commission rejects all or any portion of this Agreement, each Party reserves the right to withdraw from this Agreement by written notice to the other Party and the Commission. Written notice must be served within 10 business days of the date of the Commission order rejecting all or any portion of this Agreement. In such event, neither Party will be bound or prejudiced by the terms of this Agreement. The Parties will jointly request a prehearing conference for purposes of establishing a procedural schedule to complete the case.

For Commission Staff:

For PSE:

Donald T. Trotter
Assistant Attorney General



Date signed: 7/24/2013

Robert E. Neate
Assistant General Counsel
Puget Sound Energy, Inc.

Date signed:

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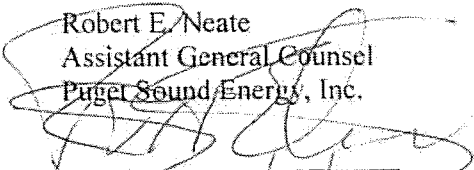
For Commission Staff:

For PSE:

Donald T. Trotter
Assistant Attorney General

Robert E. Neate
Assistant General Counsel
Puget Sound Energy, Inc.

Date signed:



Date signed: 7/24/2013