

MEMORANDUM

DATE: June 8, 2004

TO: Marilyn Showalter, Chairwoman
Richard Hemstad, Commissioner
Patrick Oshie, Commissioner

FROM: Alan Rathbun, Pipeline Safety Director

SUBJECT: Docket Nos. PG-030080 & 030128
Puget Sound Energy Company
Commission Staff Proposal for the Commission to Issue a Complaint for
the 2003 Standard Natural Gas Pipeline Inspection probable violations
and repeat violations.

**Recommendation: Issue a complaint in Docket Nos. PG-030080 & 030128 against
Puget Sound Energy Company (PSE)**

The Commission Staff proposes that the Commission issue a complaint against PSE for violations and repeat violations identified in the 2003 Standard Natural Gas Pipeline Inspection of PSE's facilities in King and Pierce Counties, and to require PSE to develop an acceptable bare steel pipe replacement program.

The Commission has adopted rules regarding safety requirements for the operations and maintenance of gas pipelines. PSE owns and operates a natural gas distribution system, and is subject to these rules. PSE failed to comply with certain Commission rules that relate to External Corrosion Control, Atmospheric Corrosion Control, Casings of Pipelines, Valve Maintenance, Gas Leak Surveys, and Leak Classifications. The details of each alleged violation is set forth in the inspection report.

In previous inspections, PSE has acknowledged and agreed to fix the non-compliances. However, the 2003 inspection identified that PSE remained out of compliance; therefore many of the alleged violations are categorized as repeat violations.

Another area of concern is the fact that PSE has not cathodically protected or replaced all bare steel pipe that has experienced active corrosion and leakage. The issue of failing to cathodically protect their pipeline was first identified in 1992, under Docket No. UG-920487. At this time, PSE was ordered to review their system, identify unprotected pipelines, and cathodically protect pipe where required by code. These facts, combined with the fact that PSE has a large number of active leaks and a past practice of continual re-evaluation instead of repair, could have the potential to be detrimental to public safety.

In October 2003, Staff met with PSE representatives to discuss the Company's program for cathodic protection or replacement of bare steel pipe. PSE committed to develop a plan for replacement of the pipe. Staff received the plan on October 24, 2003, but Staff believes the plan does not adequately address the issues surrounding PSE's bare steel pipe. Accordingly, Staff sent a letter dated January 13, 2004 to PSE, stating that the plan did not meet Staff's expectations, and that Staff had chosen to complete the 2003 PSE inspections of Pierce and King counties before providing PSE with specific comments on its proposed Bare Steel Replacement Program.

Staff and PSE have had prior meetings to discuss the replacement or cathodic protection of PSE's bare steel pipe. PSE has not met its verbal commitments regarding the cathodic protection of bare steel pipe.

The Commission has options in dealing with pipeline safety violations. It can issue penalties under RCW 80.28.212, which carries a maximum penalty of \$25,000 per violation. In addition, or in the alternative, the Commission can order a public service company such as PSE to improve its services or facilities, RCW 80.28.040 and .130. Accordingly, should the Commission find that past PSE practices are not adequate, the Commission has the discretion to require PSE to implement adequate practices.

It is Staff's recommendation that the Commission issue a complaint against PSE, to determine whether the company violated rules as alleged and whether its practices with respect to bare steel pipe are adequate to protect public safety.

Staff's investigation report is available for your review. A meeting to discuss this issue has been scheduled for **Friday, June 11, 2004, at 12:00 p.m.**

ALAN E. RATHBUN
Pipeline Safety Director