

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

NORTHWEST NATURAL GAS
COMPANY’S

Pipe Replacement Program Plan
Renewable Energy Target Progress Report

DOCKET PG-131840

ORDER 01

ORDER APPROVING NORTHWEST
NATURAL GAS COMPANY’S PIPE
REPLACEMENT PLAN FOR 2013-15

BACKGROUND

- 1 On May 17, 2012, the Washington Utilities and Transportation Commission (Commission) opened an investigation into whether to require gas pipeline utility companies to enhance the safety of their natural gas distribution systems and, if so, what steps were necessary to accomplish that goal. The Commission found as a result of that investigation that gas pipeline utility companies in Washington have very little highest risk pipe in service, but the companies reported that they have other types of elevated-risk gas infrastructure in service.¹ The Commission investigation identified three main barriers to the companies replacing elevated-risk pipe expeditiously: lack of sufficient information about the location of the pipe, construction limitations,² and cost.
- 2 On December 31, 2012, the Commission issued Commission Policy on Accelerated Replacement of Pipeline Facilities with Elevated Risk (Policy Statement).³ The Commission determined it is in the public interest for all gas companies to take a proactive approach to replacing pipe that presents an elevated risk of failure. The Commission stated its expectation for each gas company to have a pipe replacement program (PRP) plan in place. Further, the Commission indicated a willingness to approve a special PRP cost recovery mechanism (CRM) for companies that adopt a PRP plan meeting certain requirements set out in the Policy Statement.⁴

¹ These include plastic mains and services manufactured before 1986 and coated steel mains and services that may not have had adequate corrosion protection throughout their service life.

² Construction limitations include access to an adequate workforce and public rights of way.

³ Docket UG-120715 (December 31, 2012).

⁴ Policy Statement ¶¶ 37-41.

3 Through the Policy Statement, the Commission asked each investor-owned gas pipeline utility company to file a plan every two years for replacing pipe that represents an elevated risk of failure, starting on June 1, 2013.⁵ Each company's PRP plan should have three parts:⁶

- 1) a Master Plan for replacing all facilities with an elevated risk of failure;
- 2) a Two-Year Plan that specifically identifies the pipe replacement program goals for the upcoming two year period; and, if applicable,
- 3) a Pipe Location Plan for identifying the location of pipe or facilities that present an elevated risk of failure.

Each PRP plan should (1) target pipe or facilities that pose an elevated risk of failure; (2) be a measured and reasonable response in relation to the elevated risk without unduly burdening ratepayers, and (3) be in the public interest.⁷ Finally, each PRP plan should contain a section analyzing its impact on rates.⁸

4 The Policy Statement recognized that each company's PRP plan would likely be tied to its existing Distribution Integrity Management Plan⁹ (DIMP), the company's Transmission Integrity Management Plan¹⁰ (TIMP), if any, and certain other requirements found throughout the Washington Administrative Code¹¹ pertaining to pipeline safety.¹²

⁵ *Id.* ¶ 43. Subsequent PRP plan filings should be filed by June 1 every two years thereafter (*i.e.*, June 1, 2015, 2017, 2019, etc.).

⁶ *Id.* ¶ 42.

⁷ *Id.* ¶¶ 44-56.

⁸ *Id.* ¶ 55.

⁹ Title 49 CFR, Part 192, Subpart O.

¹⁰ Title 49 CFR, Part 192, Subpart P.

¹¹ WAC 480-93.

¹² Policy Statement ¶¶ 9-11 and 47.

5 Companies seeking to recover costs must simultaneously file a proposed CRM with their
PRP plan. The CRM must document costs invested to replace elevated-risk pipe, use a
normalized accounting treatment, and include an operations and maintenance offset.¹³

6 On May 31, 2013, in response to the Commission’s Policy Statement, Northwest Natural
Gas Company dba NW Natural (NW Natural or Company) filed with the Commission its
2013 Washington Pipeline Replacement Plan (2013 Plan). On September 13, 2013, NW
Natural filed with the Commission a modified version of its 2013 Plan (modified 2013
Plan).

7 The Company seeks an order from the Commission approving its modified 2013 Plan.
NW Natural did not file a CRM and is not seeking to recover costs associated with its
2013 Plan prior to the Company’s next general rate case.

DISCUSSION

A. NW Natural’s Pipe Replacement Plan

8 NW Natural identified two types of facilities located in Washington posing an elevated
risk of failure: bare steel mains and Celcon Service Tee Caps (Celcon caps).¹⁴ NW
Natural currently has approximately 3.6 miles of bare steel main in Washington.
According to the Company’s modified 2013 Plan, all of this elevated risk pipeline will be
replaced prior to the end of 2014. NW Natural does not have a date certain to replace all
of its Celcon caps, but is replacing them as they are found. NW Natural is not aware of
the existence of any other infrastructure located in Washington that might pose an
elevated risk.

9 NW Natural implemented a Geographic Information System (GIS) in 1985, allowing the
Company to accurately map its facilities. NW Natural upgraded its GIS in 2009 and
2011 to enhance data modeling, data conflation, and accuracy. Facility data available in
the GIS includes diameter, material, pressure class, installation date, and installation
method. According to the Company, its GIS now allows for refined spatial data analysis
and risk modeling.

¹³ *Id.* ¶¶ 63-76.

¹⁴ NW Natural previously had “vintage plastic” acrylonitrile-butadiene-styrene (ABS) services
installed prior to 1983. However, the Company completed its replacement of these ABS services
in May 2013, prior to filing its PRP Plan.

- 10 NW Natural's 2013 Plan contains both a master plan and a two-year pipe replacement plan. Both plans rely on a risk assessment model that evaluates likelihood of failure in conjunction with the predicted consequence of failure. NW Natural prioritizes replacement projects by relative risk and scope of work. Given the Company's goal of replacing all remaining bare steel facilities by the end of 2014, its master plan focuses on continued implementation and refinement of its DIMP and TIMP.
- 11 NW Natural's 2013 Plan will have no immediate impact on rates because the Company is not seeking to implement a cost recovery mechanism and has no current plans to file a general rate case. According to the Company, its budgeted costs for pipeline replacement in 2013 are approximately \$2.1 million and another \$500,000 for operations and maintenance (O&M) costs. NW Natural estimates that its capital spending for this program will continue to average approximately \$1.5 million annually until 2017.
- 12 NW Natural contends that its 2013 Plan is in the public interest because it will improve the safety of the distribution system, minimize replacement costs, and have a minimal associated impact on rates. The Company will implement its 2013 Plan in a fashion to minimize impacts on municipalities where pipeline replacement work is conducted.

B. Comments of Commission Staff

- 13 Commission Staff (Staff) reviewed the Company's 2013 Plan and concluded that NW Natural's modified 2013 Plan included all items required by the Commission's Policy Statement. The Company is not aware of the existence of any remaining elevated risk structure in Washington aside from the 3.6 miles of bare steel mains, and thus its filing does not require a Pipe Location Plan. Staff observes that because NW Natural is ahead of schedule in replacing its elevated risk facilities, the Company's master plan and two-year plan are essentially the same. Staff reviewed NW Natural's DIMP and TIMP and determined that the Company has additional elevated risk facilities located in Oregon, but not in Washington.
- 14 Staff is satisfied with NW Natural's modified 2013 Plan and believes the Company's schedule to replace all remaining bare steel facilities by the end of 2014 is reasonable. Staff also finds that the Company's policy of replacing Celcon caps as they are found during routine maintenance or other activities is a measured and reasonable response in relation to the risk these caps present.

15 Staff recommends that the Commission approve NW Natural's modified 2013 Plan.

C. Commission Decision

16 The Commission approves NW Natural's modified 2013 Pipeline Replacement Plan. The Company has limited facilities in Washington but nevertheless has taken a measured and reasonable approach to identify, locate, and address the higher risks presented by its vintage plastic lines and will soon complete its replacement program for bare steel mains. We also find it reasonable for NW Natural to replace Celcon caps as they are found.

17 We agree with Staff that the Company's modified 2013 Plan is consistent with our Policy Statement. The Commission commends NW Natural for taking a proactive approach to identifying elevated risk facilities and implementing an accelerated replacement program.

FINDINGS AND CONCLUSIONS

18 (1) The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including natural gas companies.

19 (2) Northwest Natural Gas Company dba NW Natural is a natural gas company and a public service company subject to Commission jurisdiction.

20 (3) By June 1, 2013, in response to the Commission's Policy Statement, NW Natural had filed its 2013 Pipeline Replacement Plan with the Commission.

21 (4) NW Natural's modified 2013 Plan identified pipeline facilities with an elevated risk of failure and set out a plan to replace all of these facilities by the end of 2014.

22 (5) NW Natural's modified 2013 Plan will not immediately impact rates because the Company is not requesting a cost recovery mechanism and not filing a rate case at this time.

23 (6) NW Natural's modified 2013 Plan is a reasonable and measured approach to replace pipeline facilities with an elevated risk of failure.

ORDER

THE COMMISSION ORDERS:

- 24 (1) Northwest Natural Gas Company dba NW Natural's modified Pipeline
Replacement Plan for 2013-15 is approved.
- 25 (2) Northwest Natural Gas Company dba NW Natural should file an updated Pipeline
Replacement Plan for 2015-17 no later than June 1, 2015.

DATED at Olympia, Washington, and effective October 10, 2013.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

JEFFREY D. GOLTZ, Commissioner