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BEFORE THE WASHINGTON STATE

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UTILITIES AND TRANSPORTATION COMMISSION

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WASHINGTON UTILITIES AND TRANSPORTATION,) Docket PG-111723
COMMISSION,)

5

Complainant,)

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v.)

) Pages 12-50

7

PUGET SOUND ENERGY,)

8

Respondent.)

9

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HEARING ON SETTLEMENT PROPOSAL - VOLUME II

11

Pages 12-50

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ADMINISTRATIVE LAW JUDGE ADAM E. TOREM

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10:06 A.M.

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SEPTEMBER 25, 2013

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Washington Utilities and Transportation Commission

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OLYMPIA, WASHINGTON, SEPTEMBER 25, 2013

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10:06 A.M.

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P R O C E E D I N G S

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JUDGE TOREM: All right. Good morning. We'll be on the record in the matter of the Utilities and Transportation Commission v. Puget Sound Energy. This is Docket PG-111723. My name is Adam Torem. I'm the presiding administrative law judge. I have with me the Chairman, Dave Danner, and Commissioner Jeff Goltz. On the telephone line from Washington D.C., is Commissioner Phil Jones.

13

As I said, this is PG-111723. This is a docket in which the Commission filed a complaint against the Company back in March of this year for an incident that happened essentially two years ago. PSE filed a timely answer on March 21st, and we held the prehearing conference back in the middle of April.

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At that time, we set the matter for hearing for next month and had a full procedural schedule, but the parties were able to reach an agreement and filed a settlement with a joint supporting narrative on July the 10th. So that's where we stand procedurally.

23

The agenda for today is simply to take appearances, and I already have all the details of counsels' contact information, so we'll just need a name and who you're

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1 representing.

2 And then I understand that the Company would like to
3 make a brief opening remarks or statement, and then I'll swear
4 in the available witness for a panel. And I hope we'll have
5 some brief questions from the Commissioners here, and then we'll
6 see what else the parties want the Commission to know about the
7 incident and the settlement. So that's our agenda for today.

8 With that in mind, let me take appearances for Staff.

9 MR. TROTTER: Donald T. Trotter, Assistant Attorney
10 General, for Commission Staff.

11 JUDGE TOREM: And for the Company?

12 MS. BARNETT: Donna Barnett, Perkins Coie,
13 representing Puget Sound Energy.

14 JUDGE TOREM: Excellent. In the room we have -- for
15 the benefit of those that are on the bridge line and for
16 Commissioner Jones, Staff has some witnesses, and maybe I'd ask,
17 Mr. Trotter, for you to introduce each of them.

18 MR. TROTTER: Yes, Your Honor. To my right are Joe
19 Subsits, Steve King, and Al Jones. Mr. Subsits and Mr. Jones
20 are from the pipeline safety section, and Mr. King is the
21 Commission's executive director.

22 JUDGE TOREM: And for the record, I want to make a
23 note that throughout this process -- Mr. King didn't start out
24 as the Commission's executive director when this incident
25 occurred, and we've had to screen him of other discussions at

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1 the executive level so that he can continue to participate in
2 this prior position with these consumer protection and safety
3 branches of the Commission.

4 For the company I know you brought down several
5 folks. I want to know who might be testifying today.

6 MS. BARNETT: Yes, Your Honor. We have Duane
7 Henderson, manager, gas integrity, and Rob Neate, assistant
8 general counsel, and Steve Secrist, who will introduce himself
9 and would like to present a statement.

10 JUDGE TOREM: Excellent. So when it comes time, I'll
11 swear the six of you in. And there's a variety of microphones
12 and seats. It'll be kind of like musical chairs to get to the
13 tables, but we'll make it happen today.

14 I understand the Company is going to make an opening.
15 Maybe that's going to be Mr. Secrist?

16 MS. BARNETT: Yes.

17 JUDGE TOREM: And, sir, you've sat at that microphone
18 enough times --

19 MR. SECRIST: Yes.

20 JUDGE TOREM: -- to know how it works, but just so we
21 make sure everything gets onto the bridge line and to the
22 record.

23 MR. SECRIST: I believe I'm on.

24 Good morning, Judge Torem, Chairman Danner, and
25 Commissioner Goltz. My name is Steve Secrist. I'm Puget Sound

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1 Energy's vice president, chief ethics and compliance officer,
2 and general counsel. We are here because of a natural gas
3 explosion that occurred in the early morning hours of September
4 26, 2011. PSE deeply regrets the explosion and is dedicated to
5 working the WUTC, the utility industry, and our customers to
6 learn from this incident and take steps to prove safety for all
7 natural gas users and the community.

8 On the afternoon of September 25, 2011, PSE received
9 calls indicating that there were possible leaks in PSE's gas
10 system in the Pinehurst neighborhood of Seattle. PSE promptly
11 responded locating and correcting three leaks.

12 Additionally, PSE began a series of special leak
13 surveys that continued into the evening. Unfortunately, PSE was
14 not notified of a downed high-voltage electric power line owned
15 by a different utility. We believe the downed power line
16 energized the natural gas pipelines in the neighborhood
17 resulting in electrical arcing between nearby buried metallic
18 structures. This arcing then caused leaks to occur in the gas
19 lines serving the neighborhood.

20 While the fast action of PSE employees promptly
21 remedied the three identified gas leaks and prevented the
22 possibility of further damage, one leak was not discovered prior
23 to the tragic explosion on September 26th.

24 In the aftermath of the explosion, PSE worked with
25 customers in this area to provide information, continue

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1 leak-surveying efforts, and assist with the processing of damage
2 claims.

3 Additionally, WUTC Staff worked alongside PSE
4 employees in the field collecting information regarding the
5 cause of the explosion.

6 PSE would like to recognize WUTC Staff for their
7 efforts in this regard and the valuable service they provided to
8 PSE customers, the public, and PSE.

9 Prior to the event of September 26th, PSE was already
10 developing an electronic geospatial information system to
11 further enhance the information available to our field crews
12 regarding our natural gas distribution lines.

13 This GIS system, which is now in place, greatly
14 improves access to data for PSE crews and contractors and
15 employs currently available technology to further improve both
16 the operation and safety of our natural gas distribution system.

17 Additionally, PSE and Staff are proposing as part of
18 this settlement a coordinated system of communication between
19 utilities that would facilitate the prompt sharing of critical
20 information to aid the immediate response to situations like
21 those that occurred on September 25, 2011.

22 PSE believes that the combination of this
23 communication system and our newly deployed GIS system will
24 enhance our existing emergency response procedures and help
25 prevent the sequence of events that resulted in the explosion in

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1 the Pinehurst neighborhood from occurring again. Thank you.

2 JUDGE TOREM: Thank you, Mr. Secrist.

3 Mr. Trotter, was there anyone on Staff that had a
4 corresponding opening statement?

5 MR. TROTTER: No, Your Honor.

6 JUDGE TOREM: All right. Then I think we're ready to
7 swear in the panel of witnesses, so can I ask each of you that
8 are prepared to testify to stand and raise your right hand?

9

10 ROB NEATE, DUANE HENDERSON, STEVEN KING, JOE SUBSITS, and AL
11 JONES, witnesses herein, having been first duly sworn on oath,

12 were examined and testified as follows:

13

14 MULTIPLE SPEAKERS: I do.

15 MULTIPLE SPEAKERS: Yes.

16 JUDGE TOREM: All right. So we've got five witnesses
17 sworn in. I'll ask all of you to come up to the table and find
18 a microphone.

19 All right. And as I have discussed with counsel,
20 there were a new number of areas in preparing for this that
21 counsel hopefully has -- it won't be a surprise, the source of
22 the questions, where they're coming, so I'll turn it over to the
23 Chairman.

24 CHAIRMAN DANNER: Well, thank you. First of all, I
25 appreciate your statement this morning. I've looked over the

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1 settlement. For the most -- I mean, I can tell you that I think
2 it's fine. I have specific questions, though, that I need to
3 get to the bottom of, and that's really why I wanted to have
4 this hearing on the settlement.

5 Specifically, the questions I had were, first of all,
6 getting to the nature of the violation because there was in a
7 statement, that PSE does not admit to specific violations that
8 related to any failure to leak-survey the Inghams' service line
9 and the service lines to the neighboring two houses.

10 Elsewhere you say PSE concurs that there were
11 violations of the Commission's gas safety rules, and the
12 complaint itself alleges that there were violations. So I'm
13 just trying to figure out what specifically you are admitting to
14 and what you're not admitting to because the settlement was not
15 clear in that regard to me.

16 MR. TROTTER: Well, Mr. Chairman, could I just make a
17 brief comment? This kind of gets into a legal area, if you
18 don't mind, and then if you need follow-up of a witness, feel
19 free.

20 But the complaint did allege specific violations of
21 leak survey rules, and the Company in their answer denied those
22 allegations. And then we went to discovery, and I'm sure you
23 have seen and read the report. And on page 7 and 8 of that
24 report, the Staff discusses its analysis of the leak survey
25 documents that PSE maintained and reached a conclusion, based on

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1 that, that PSE did not leak-survey the lines Staff says it
2 didn't survey.

3 Now, that's a contested issue, so if -- we believe
4 Staff made a prima facie case. But if, in fact, that case does
5 not hold up -- would not hold up in litigation, the backup
6 allegation would be a violation of WAC 480-93-108(1), which
7 requires companies, all companies, to maintain documents
8 sufficient to show compliance. And the documents that the
9 Company provided to show compliance with the leak surveys did
10 not show that those facilities were surveyed, so that would be
11 the backup allegation.

12 Now, that's not in the complaint, but if that's how
13 the case had proceeded, then that's what we would have alleged.

14 Now, as the Staff supporting statement says, because
15 of the size of the penalty involved and the other features of
16 the settlement, Staff did not see the need to litigate that
17 point to the bitter end; that this is a fair resolution of the
18 issues. But that's sort of the logic that Staff would use to
19 explain your question on the legal front.

20 CHAIRMAN DANNER: So help me with this -- I'm
21 sorry -- because what I understand, then, is that the utility is
22 concurring that there were violations of gas safety rules, but
23 they are not admitting to any specific violations related to the
24 leak surveys?

25 MR. TROTTER: Right. And it's common in settlements

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1 the Commission has approved in the past that the companies state
2 a general statement consistent with the Commission's policy on
3 admitting violations; that they admit violations of gas safety
4 rules or admit violations or just a general admission that rules
5 were violated, so that's not uncommon to appear in settlement
6 agreements the Commission has approved in the past. The
7 Commission has not required specific rules to be cited in the
8 admission paragraph.

9 CHAIRMAN DANNER: And so if this goes into a
10 litigation mode, then there's -- you said there's a backup
11 position.

12 Could you explain that again to me?

13 MR. TROTTER: Yes. Based on the Staff report, the
14 Staff would attempt to prove violations of the gas survey rules.
15 If it turned out that there were no violations of the gas survey
16 rules per se, the fallback position would be that the
17 documentation that the Company prepared were insufficient to
18 show compliance, and we would allege -- amend the complaint, if
19 you will -- to allege that.

20 And that's, you know, common in the course of
21 litigation that a theory can change based on the facts that come
22 up, and so in my experience at the Commission, this is common
23 when you have a -- when you make a violation based on the
24 paperwork, and then the Company comes back and says, Oh, well.
25 The paperwork was inaccurate, but here's the reality, then

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1 there's still a paperwork violation, if you will, even though
2 the underlying substantive violation may not be able to be
3 proven. That's a fairly typical course of complaints from time
4 to time.

5 CHAIRMAN DANNER: Okay.

6 MR. TROTTER: So we would have that backup. It's not
7 in the complaint, but that's the rule. It requires them to
8 document, to maintain sufficient documentation to show
9 compliance. And that would be a fallback violation if the
10 primary violation did not prove out.

11 CHAIRMAN DANNER: Okay. Ms. Barnett, do you have
12 anything to add?

13 MS. BARNETT: Just that PSE agrees with the Staff's
14 position and looks at it similarly that we concur that there
15 were violations. Specifically what violations is unclear at
16 this time and would require probably further investigation.

17 So I think the approach that Mr. Trotter presented is
18 appropriate, and PSE concurs with that.

19 CHAIRMAN DANNER: Okay.

20 COMMISSIONER GOLTZ: Can I follow up on that?

21 CHAIRMAN DANNER: Sure.

22 COMMISSIONER GOLTZ: So in Paragraph 14 of the
23 settlement agreement where PSE agrees to the following -- and it
24 lists four items, and the fourth one is at issue subject to this
25 conversation.

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1 It says, "PSE concurs there were violations of
2 Commission gas safety rules."

3 That's written in the passive voice, either
4 inadvertently or artfully.

5 Is it fair to rephrase that to say PSE concurs that
6 PSE violated Commission gas safety rules?

7 MS. BARNETT: Yeah. I actually don't think it was
8 drafted specifically to be that passive, so, yes, I think it
9 would be --

10 COMMISSIONER GOLTZ: It's accurate to say that --

11 MS. BARNETT: It would be accurate, yeah.

12 COMMISSIONER GOLTZ: -- PSE admits that it violated
13 the Commission gas safety rules?

14 MR. SECRIST: Yes.

15 MS. BARNETT: Yes.

16 COMMISSIONER GOLTZ: Okay. And is it among the
17 universe of gas safety rules? Mr. Trotter mentioned the primary
18 argument and a fallback.

19 Is PSE admitting to a violation of one of those, or
20 is there something else that it may be admitting to?

21 MS. BARNETT: I think it's unclear because there --
22 in addition, there's the general obligation to maintain the gas
23 system in a safe manner. That would be one that would
24 definitely be at issue were we to go further in litigation, but,
25 yes, I think the other two that Mr. Trotter stated, yeah, it

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1 would be at issue, but I don't think PSE is willing to admit
2 specifically any of those, any specific one of those yet.

3 COMMISSIONER GOLTZ: But I guess I'm trying to figure
4 out -- so there's a finite number of gas safety rules.

5 MS. BARNETT: Mm-hm.

6 COMMISSIONER GOLTZ: Mr. Trotter has made the list of
7 potentials more finite, and my question is whether PSE concurs
8 there was a violation of one of those in Mr. Trotter's
9 abbreviated list, or if it's admitting maybe, maybe not those,
10 but definitely something else?

11 MS. BARNETT: I think including -- I heard two that
12 Mr. Trotter specifically stated. I would add that potentially,
13 instead of maybe one of those, would be the general obligation
14 to maintain the system in a safe manner instead of, but
15 including the three. I think there's -- that is the scope.
16 That is the universe, those three.

17 COMMISSIONER GOLTZ: Thank you.

18 Go ahead.

19 MS. BARNETT: Did you want to add anything?

20 CHAIRMAN DANNER: That's fine. I needed some
21 clarification on that because Mr. Trotter tells me this is
22 common. This is actually the only one that I have dealt with in
23 my time on the Commission --

24 MS. BARNETT: Right.

25 CHAIRMAN DANNER: -- so I understand.

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1 I also wanted to get some clarification. There's a
2 term that was used about -- I think the term was -- let's see.
3 The settlement agreement in Paragraph 8 and the narrative in
4 Paragraph 6 both say, quote, The incident does not represent
5 intentional conduct by PSE or conduct that was gross or
6 malicious.

7 And I'm just wondering where those terms came from,
8 and whether those were terms of art or what was meant by them.

9 MS. BARNETT: No. That was not specific. It didn't
10 specifically address anything in Staff's complaint or on an
11 issue in this that had arisen. There wasn't that. I don't think
12 Staff made that allegation. It was in PSE's answer in their
13 affirmative defense -- in our affirmative defense, and I think
14 that was not -- it wasn't specifically addressed to any
15 particular issue. I think it was common and it had been used in
16 the past in other answers and affirmative defenses, so I
17 think it wasn't -- it was probably, while not specifically
18 addressed to any violation or issue here, is appropriate here
19 nonetheless.

20 CHAIRMAN DANNER: Okay. I want to make sure because
21 if we're -- and this isn't clear to me either, whether we're
22 being asked to make a finding on this, but if we are, I just
23 wanted to get some clarity on the terms and so forth.

24 MR. TROTTER: Well, first of all, Your Honor, the --
25 and maybe this is a policy statement I'm making, but, you know,

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1 had Staff had evidence of intentional misconduct, we don't
2 settle those cases. We bring those to you. Or if we do settle
3 those cases, it's a whopper. Pardon the technical terminology
4 there.

5 So I think from Staff's perspective we put it in
6 there for that reason, to let you know it's not one of those
7 cases. But I can understand there might be a concern about
8 whether adopting this would constitute a finding there, and so
9 Staff is not insisting on that finding or even taking the
10 sentence out. If that would address the concern, the Company
11 obviously needs to respond to that.

12 But it's my understanding that they're amenable to
13 that, but the reason that we were comfortable with that language
14 was to telegraph to you that this was for the reason I described
15 at the outset, but to assuage any concerns that there wasn't any
16 indication of intentional misconduct.

17 CHAIRMAN DANNER: Yeah. And I just wanted to make
18 sure if we're going to be making a finding, that I knew what it
19 was that we're making a finding of. And so if that was
20 language -- gross or malicious -- that had a meaning that was a
21 term of art, then I wanted to have some specificity on that.

22 MR. TROTTER: Well, I think it just is a -- I think
23 it's a legal term of art in terms of intentional outrageous
24 conduct, and, again, we found no evidence of that. That's why
25 the language is there.

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1 But, again, if you're uncomfortable with making a
2 specific finding on that point, then, you know, we can address
3 that concern.

4 CHAIRMAN DANNER: Okay.

5 COMMISSIONER GOLTZ: Can I follow up on that?

6 So that sentence appears in the Paragraph 8, which is
7 in the background section of the settlement agreement. The
8 heading in the background section is a footnote, and the
9 footnote says (as read): "The facts in this section describing
10 the incident and related events are summarized from the
11 Commission report."

12 I didn't see anything in the Commission report that
13 said this wasn't gross or malicious. It didn't say it was gross
14 or malicious. It just didn't say it.

15 So is that sentence, the last sentence in Paragraph
16 8, is that taken from the Commission report, or is that just
17 added?

18 MR. TROTTER: No. I --

19 MS. BARNETT: No, that wasn't taken -- I'm sorry to
20 step on you, Don, but that was not taken from the Commission's
21 report. It was from PSE's affirmative defenses and from their
22 answer.

23 But, yeah, I think -- and we'd include that in as the
24 facts as that section --

25 CHAIRMAN DANNER: Right. Okay.

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1 MS. BARNETT: The facts were taken from the report,
2 right.

3 COMMISSIONER GOLTZ: Right. Right. Okay. And so I
4 didn't understand, Ms. Barnett, when you said it's an
5 affirmative defense. I mean, in other words, if there's an
6 allegation of a violation of a gas safety rule, it's not an
7 affirmative defense to say, Well, okay. But it wasn't gross,
8 right?

9 I mean, there's violations of the safety rules that
10 would be fineable that are not gross or malicious, right?

11 MS. BARNETT: Right. And it certainly wasn't our
12 only affirmative defense --

13 COMMISSIONER GOLTZ: No, but I mean that's --

14 MS. BARNETT: But, yes, I do see --

15 COMMISSIONER GOLTZ: Usually an affirmative defense
16 means, Hey, you can't ding us for this.

17 MS. BARNETT: Right.

18 COMMISSIONER GOLTZ: So I don't understand what's the
19 point of that.

20 MS. BARNETT: I think -- and Mr. Secrist can
21 elaborate, but at least in drafting the -- for making the answer
22 was we didn't really know, aside from the investigation and the
23 complaint, where it was heading, where it was going. And in the
24 nature of an incident such as this, that could certainly be
25 raised, and I think it was appropriate to put it in the answer

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1 even if it wasn't a specific allegation or didn't address a
2 specific violation.

3 COMMISSIONER GOLTZ: So Mr. Trotter says he was
4 comfortable with that even being stricken or not being endorsed,
5 I guess.

6 If we were to approve the settlement agreement that
7 basically say in the approval, an order approving it, that we
8 were approving the agreement, which starts on Paragraph 12 --

9 MS. BARNETT: Yes.

10 COMMISSIONER GOLTZ: -- in Roman numeral III.

11 MS. BARNETT: Yes.

12 COMMISSIONER GOLTZ: -- and the general provisions in
13 Section 4, I should say, starting at Paragraph 15, but we aren't
14 making any statements about anything else on the background
15 section, Roman numeral II.

16 Is the Company agreeable to that?

17 MS. BARNETT: Yeah. I -- go ahead, Steve.

18 MR. SECRIST: If I may, Commissioner Goltz, this is
19 Steve Secrist again. The Company is fine with that. And just
20 to break this into three bite-sized pieces, we approached this
21 as given the totality of the circumstances, we felt that a
22 settlement was appropriate. In reaching that conclusion, we
23 explicitly reject and deny that there was any specific causation
24 of the events of September 25th associated with our system that
25 resulted in the explosion.

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1 As Mr. Trotter pointed out with regard to the
2 recordkeeping practices afterwards and safety violations, we
3 don't reject that. And, again, looking at the totality of the
4 circumstances felt that a settlement that we negotiated with
5 Staff was in the best interest with regard to your specific
6 clauses; therefore, we don't have any objection if those are
7 stricken.

8 COMMISSIONER GOLTZ: This is sort of a -- that's
9 okay. Thanks.

10 CHAIRMAN DANNER: And I suppose stricken in all or in
11 part? I mean, it's really the term "gross and malicious" as a
12 combined -- you know, the term of art, and that was what I
13 wanted to get clarification on. It wasn't really an objection.
14 I was trying to figure out what it was. I mean, I think I could
15 go along with saying this wasn't intentional or wasn't
16 malicious. The word "gross" is a little large for me, so I
17 don't know what it entails.

18 MR. SECRIST: And the Company is fine with that as
19 well.

20 CHAIRMAN DANNER: Yeah. Okay.

21 Anything further on that?

22 COMMISSIONER GOLTZ: No.

23 CHAIRMAN DANNER: Okay. And then the last area I had
24 a question on was the workshops. The settlement agreement and
25 the narrative both talk about an agreement to host workshops for

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1 utilities doing business in Washington State. One of the
2 questions I have really is how -- I got a sense -- and I may be
3 wrong on this, but reading the report, I got a sense that some
4 of the other utilities, or at least one of the other utilities
5 that was involved, was really not as forthcoming as I -- and
6 maybe this is just my characterization of it.

7 But, I mean, what agreement do you have with other
8 utilities that they would actually participate in the workshops
9 that you would convene? I mean, what if you have a workshop and
10 nobody comes and you spend \$15,000?

11 MR. SECRIST: Yes.

12 COMMISSIONER GOLTZ: We've had those before here, you
13 know?

14 MR. SECRIST: Very fair question, Chairman Danner.

15 Our belief -- and in the events following the tragic
16 explosion -- is that the other utilities understand the
17 necessity, and the fact that there was absolutely no
18 communication to PSE in the hours following the downed electric
19 line has to be abated.

20 We cannot compel other utilities to come, but we have
21 already attempted to reach out to them and create the need, and
22 we operate on the belief that they recognize that need and they
23 will participate with PSE in such a joint venture. But I cannot
24 guarantee that they will physically show up.

25 CHAIRMAN DANNER: But they have given you some

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1 indication, then, that they understand the problem, and it's not
2 necessarily in their interest to have houses blow up.

3 MR. SECRIST: That's correct. There is a general
4 recognition of the value of stronger communication, and we
5 believe that they will act on that. Regardless, PSE will take
6 the initiative and lead that effort.

7 CHAIRMAN DANNER: Okay.

8 MR. KING: Mr. Danner? Chairman Danner?

9 CHAIRMAN DANNER: Yes?

10 MR. KING: If I might, Steve King. And one of the
11 reasons Staff supports this is that while these are unusual
12 events, they are not unheard of, and I'm aware of at least one
13 other electrification event in PSE's service territory since
14 this accident.

15 So this is something that I think utilities should be
16 aware of, and this need to communicate, especially where you
17 have situations where you have one provider of one commodity and
18 a different provider of another. Because you can have a
19 situation where, as was in this instance, something happened
20 that the Company, PSE, had no knowledge of that was causing
21 damage to its pipeline.

22 So this is a reasonable set of steps to raise
23 awareness and develop the protocols for communication. When
24 they have an awareness that something has electrified; you know,
25 a wire has gone down or there's been a lightning strike or

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1 whatever.

2 CHAIRMAN DANNER: Okay. Thank you.

3 And how did you arrive at the number of \$15,000? How
4 many workshops are you envisioning?

5 MR. SECRIST: I guess I'll comment on that. I don't
6 believe there was a science on that. I think it may have been a
7 conversation between myself Mr. King, and we just looked at the
8 need and generally what might be entailed in convening a group,
9 and conversationally arrived at a number. But I don't believe
10 there was any more science to it than that.

11 CHAIRMAN DANNER: Okay.

12 MR. KING: I agree with that.

13 CHAIRMAN DANNER: Do you have any idea? I mean,
14 would this be one meeting, several meetings, would this be an
15 ongoing process?

16 MR. HENDERSON: Steve, maybe I can take that.

17 We've had some discussions about what the forum might
18 look like. When we initially were talking about the settlement,
19 we did think it was something where we would host a workshop and
20 invite people and hope they attended.

21 Since then, we have reached out to our emergency
22 management folks, and they have a regular working group of like
23 utilities and gas and electric utilities that get together
24 regularly, and they're very interested in hosting this as a
25 topic at one of their meetings.

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1 We're also looking at some industry forums. The
2 Western Energy Institute holds regular, about twice a year,
3 industry gatherings, and that this is a topic that they would be
4 interested in hosting as well part of one of their regularly
5 scheduled conferences.

6 So there's a lot of avenues that we're exploring to
7 kind of get the word out. I think there's still a lot of just a
8 lack of understanding of how these two energies -- the gas
9 system and the electric system -- might interact in one of these
10 events, and that's enlightening for a lot of people.

11 So there is a lot of interest in understanding a
12 little bit more about the nature of these types of events, and
13 then how we can communicate better amongst the utilities when
14 something happens; how, when PSE has something on the gas system
15 happen, who do we contact and get information so that we
16 understand the electric system that we're dealing with a little
17 better and understand the boundaries of things like leak surveys
18 and what have you.

19 COMMISSIONER GOLTZ: Following up on that, the second
20 paragraph within Paragraph 14 where it discusses the workshops,
21 it says that you'll host them, if possible, with the Northwest
22 Gas Association.

23 Have you reached out to the NWGA on this topic?

24 MR. HENDERSON: Again, we've had some brief
25 discussions with the executive director down there, and they're

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1 amenable to participating in that.

2 And, again, early on we were thinking that we needed
3 some kind of umbrella organization to help kind of create some
4 momentum around this. Since then our thinking has evolved even
5 beyond the Northwest Gas Association. And as I mentioned, the
6 emergency management organizations and the Western Energy
7 Institute might be two others that we involve in this
8 discussion.

9 COMMISSIONER GOLTZ: But it is still your intention
10 to do this with the NWGA --

11 MR. HENDERSON: I think --

12 CHAIRMAN DANNER: -- and maybe others as well?

13 MR. HENDERSON: Yeah, yeah.

14 CHAIRMAN DANNER: Okay. And then it says you'll host
15 workshops for utilities doing business in Washington State.

16 So is this a west of mountains thing, or an entire
17 state thing? You're going to do Eastern Washington as well?

18 MR. HENDERSON: Well, most of these organizations
19 we're talking about are kind of statewide-type organizations and
20 actually beyond the boundaries of Washington State as well,
21 so...

22 COMMISSIONER GOLTZ: I know. But my question is
23 would you have a workshop in King County and a workshop in
24 Spokane County, for example?

25 MR. HENDERSON: I think it depends on which forum we

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1 choose. If it's like the WEI, they all come from the western
2 region to one location. If we don't think that we're getting
3 the coverage that we might have wanted, then we would reach out
4 to other utilities.

5 COMMISSIONER GOLTZ: So it is possible that you would
6 have -- if you had more than one workshop, you might do one on
7 the west side and one on the east side?

8 MR. HENDERSON: It is possible, yes.

9 COMMISSIONER GOLTZ: Okay. And you would be amenable
10 to that?

11 MR. HENDERSON: Yeah. And for the simple reason we
12 have gas facilities on the east side of the state as well in the
13 Kittitas area.

14 COMMISSIONER GOLTZ: Sure.

15 MR. HENDERSON: So we would need to reach out at
16 least --

17 COMMISSIONER GOLTZ: Right.

18 MR. HENDERSON: -- as far as that.

19 COMMISSIONER GOLTZ: Okay. And then on timing of
20 the work -- over in the fifth paragraph, the fifth item in
21 Paragraph 14, it says within 10 days that PSE will pay a penalty
22 in addition to hosting and funding the workshops.

23 You don't mean within 10 days you're going to hold
24 workshops? You'll do that wherever you can?

25 MR. HENDERSON: That's correct.

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1 COMMISSIONER GOLTZ: Okay. And do you have some sort
2 of timetable in mind?

3 MR. HENDERSON: We're trying to get plugged in as
4 soon as the spring to get on the calendar for those already
5 scheduled forums that I had mentioned previously.

6 COMMISSIONER GOLTZ: Oh, I see. So you would do this
7 in conjunction with the meeting of one or the other
8 organizations?

9 MR. HENDERSON: Yeah, yeah.

10 CHAIRMAN DANNER: Okay. And I am assuming that our
11 Pipeline Staff is going to be engaged in these workshops going
12 forward?

13 MR. SUBSITS: I would plan on being there, yes.

14 CHAIRMAN DANNER: That was a question.

15 MR. SUBSITS: Yes.

16 CHAIRMAN DANNER: Okay. Thanks.

17 And let me ask also: Puget Sound Energy is a gas and
18 electric utility.

19 How's the communication among the electrical folks
20 and the gas folks in something like this? I mean, if there were
21 to be this kind of a lightning strike and arcing kind of issue,
22 what kind of communication would you have?

23 MR. HENDERSON: Yeah. Since this event, we have
24 taken great steps to both educate the electric side so that they
25 understand, again, the interactions of what that can mean. And

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1 we have established some protocols for establishing the
2 communications and really getting the electric side expertise
3 involved in the gas incidents.

4 As Mr. King mentioned, there have been similar
5 interactions between the gas and electric system, and the way
6 that the two energies within PSE are working together now is
7 dramatically different than what it would have been had
8 Pinehurst been in our service territory as well. Just the
9 knowledge and understanding is much greater.

10 CHAIRMAN DANNER: All right. Well, thank you very
11 much. I know Commissioner Jones is calling.

12 JUDGE TOREM: Yes. Commissioner Jones, I'm sure
13 you've been listening intently. And when we talked about these
14 questions, you were planning maybe to defer to your follow
15 Commissioners.

16 Was there anything else that you wanted to ask today?

17 COMMISSIONER GOLTZ: Is he on mute?

18 JUDGE TOREM: I know his connection went out once and
19 came back.

20 COMMISSIONER JONES: Just a couple. Can you hear me?
21 Is that strong?

22 JUDGE TOREM: Yeah, it's good.

23 COMMISSIONER JONES: Okay. I just have a couple of
24 questions, and pardon the inconvenience of calling in.

25 On Paragraph 14 -- this is for Mr. Henderson or

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1 Secrist -- says you're going to hire a third-party consultant to
2 evaluate PSE's public awareness program.

3 Do you already have a list of third-party
4 consultants? How close are you if we were to -- I guess my
5 question is: If we were to approve this in the near future,
6 next week or pretty soon, would you be able to move on this
7 quickly?

8 MR. NEATE: That would be our intention, absolutely.
9 I don't know if I can say we have a list, but we have engaged
10 folks internally to develop a scope of work and we know what the
11 mission would be. We've had people working on that already.

12 COMMISSIONER JONES: It has been two years since the
13 accident, so I would think that you're -- I think it's in the
14 interest of all to move forward quickly on this.

15 The second question is the scope of these workshops,
16 Mr. Secrist or Mr. Henderson, would these workshops be held at a
17 W -- I thought I heard you heard you say it could be held at a
18 WEI event, but I was thinking that PSE, you would host the
19 workshops, so that would mean it would be in Bellevue at one of
20 your facilities and then you would invite in all the emergency
21 response providers throughout the state? I mean, just if you
22 could give me a little more clarity on the scope of these
23 workshops and who's going to be invited.

24 MR. HENDERSON: So, again, the workshops that we had
25 originally envisioned would be, as you described it, solely

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1 hosted by PSE. The invite list originally was focused around
2 other utilities that we would interact with regularly. In
3 discussions through the settlement negotiations, we have
4 expanded that to also include emergency response personnel as
5 appropriate, and then, as I described earlier, we have broadened
6 our thinking to expand beyond just a PSE-hosted workshop, which
7 may or may not get the coverage that we would desire and reach
8 out to some of these other forums, like the WEI conference, or
9 some of the emergency management conferences that we know they
10 will be at their own conferences, and we'll be able to share
11 this information with from that.

12 COMMISSIONER JONES: So in that case, it would be
13 like a co-hosted event? You would still cover the expenses and
14 the cost, but it would be hosted alongside one of those
15 preexisting meetings of WEI or EMB, the Emergency Management
16 Bureau?

17 MR. HENDERSON: That's correct.

18 COMMISSIONER JONES: Okay. Well, that's all I have.
19 I appreciate the efforts to reach a settlement agreement and
20 move forward with this. Thank you.

21 COMMISSIONER GOLTZ: Just a couple of other questions
22 on this topic, and then I have two more.

23 On the third-party evaluator in Paragraph 14, the
24 first point in the last sentence says, "PSE will adopt the
25 consultant's recommendations after review and comment by

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1 Commission Staff."

2 I assume that means -- can I read into that approval
3 by -- or concurrence by Commission Staff? In other words, you
4 just aren't going to blindly adopt the consultant's report, are
5 you?

6 MR. HENDERSON: I would hope not, yeah.

7 COMMISSIONER GOLTZ: Okay. And so if we were to add
8 something that there would be -- I don't know if we'd do this,
9 but if we were to say that PSE would implement the consultant's
10 recommendation after review, comment, and concurrence by
11 Commission Staff, and the same thing on the workshops? Would
12 you be amenable to submitting a plan for the workshops, because
13 they're not quite flushed out yet, for approval by the
14 Commission Staff?

15 MR. HENDERSON: Certainly, yes.

16 COMMISSIONER GOLTZ: Okay. And then those were all
17 the questions --

18 CHAIRMAN DANNER: And the Commission staffing and,
19 actually, I think the Commissioners, would like to also --

20 COMMISSIONER GOLTZ: Sure.

21 CHAIRMAN DANNER -- consult with their Staff on that.

22 COMMISSIONER GOLTZ: We'll figure that out.

23 And then those are the questions I have, except
24 Mr. Secrist raised two things, and I thought of two more, in his
25 opening statement.

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1 So Mr. Secrist mentioned -- and I don't know if this
2 is a question for Mr. Secrist or one of the witness panel, but
3 that PSE was not notified of the downed power line. And I
4 understand that, but my question is: If you had been notified,
5 what would have been different?

6 MR. HENDERSON: So as an event like this unfolds,
7 it's really kind of a triage approach. So at the time that we
8 were first notified of it was two leaks, that kind of became the
9 epicenter as far as we knew of the event, and so we use that as
10 the central point and defined boundaries from there to conduct
11 our investigation.

12 Later on, we discovered a third leak that broadened
13 the boundaries that we applied around there. Even then we were
14 still, one, not aware of the initiating event, so the downed
15 power line, to know whether we were in the right space to be
16 working with or not.

17 And, secondly, as we have come to kind of understand
18 how these interact, it's important to know where the serving
19 substations are of the electric system to also help us
20 understand kind of where that electricity might be heading once
21 it gets onto our gas system, so, again, to help us better define
22 boundaries that we would conduct our investigation in so that we
23 aren't burning time or wasting time looking at things that may
24 not have been involved in it.

25 COMMISSIONER GOLTZ: Right. And I understand that,

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1 but you were in the area. I mean, in other words, if you had
2 been aware of the downed power line, it wouldn't have put you
3 onto any area other than where you were in?

4 MR. HENDERSON: In this case, you're correct, in that
5 we were -- I think our -- the work that we had done had
6 adequately defined the boundaries to incorporate what we needed.

7 COMMISSIONER GOLTZ: So if you had known of the
8 downed power line, that would not have led to a different result
9 necessarily, would it?

10 MR. SECRIST: I would add to this. We were blind.

11 COMMISSIONER GOLTZ: I'm sorry?

12 MR. SECRIST: We were blind.

13 COMMISSIONER GOLTZ: Blind.

14 MR. SECRIST: We did not know what the triggering
15 event was, we did not know where the triggering event was, so we
16 began, in effect, a series of concentric circles just trying to
17 work around, at the same time trying to figure out what the
18 causation was.

19 Had we known, that would allow us to focus our
20 efforts quicker in a more focused area and start working from
21 there.

22 COMMISSIONER GOLTZ: Let me ask you another question
23 on that.

24 Mr. Secrist, you have said that you now have your GIS
25 in operation.

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1 It was not in operation at this time on this
2 incident?

3 MR. SECRIST: That's correct.

4 COMMISSIONER GOLTZ: If it had been in operation,
5 what would have been different? How would that have worked?
6 How would that have helped, if at all, in this instance? I
7 understand how it can help for a whole number of things, but I
8 don't understand how it would have helped in this incident.

9 MR. HENDERSON: So having a GIS system allows us a
10 number of things. First off, the amount of information that we
11 display on our maps is much greater than what it was when we
12 were on hand-drawn paper-based maps. So things like the exact
13 service route of facilities is on there.

14 It also eliminates -- you know, if you can imagine,
15 these maps are big pieces of paper, and the adjacent piece of
16 paper, you have to edge match them. And at that edge match,
17 there's oftentimes a loss of clarity around the information
18 because it might show up on one, the right-hand side piece of
19 paper, but not on the left-hand side piece of paper.

20 And when we conduct our leak surveys or our field
21 people are out there looking at things, that information is not
22 as clear, so the GIS has eliminated those edges of adjacent
23 maps.

24 We also now -- and this is not perfected, but we are
25 now able to do queries of this electronic data. When it's a

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1 paper map, it's all visual what you can see. Now we can also
2 make use of the powers of the computers to run queries to
3 actually query for addresses that have certain types of
4 facilities which also can come into play in helping to narrow
5 the scope and speed up the timeliness of our investigation.

6 COMMISSIONER GOLTZ: So are you saying that the maps
7 and the GIS would have made it clearer that this particular lot,
8 which was back from the street, was one that needed to be
9 checked?

10 MR. HENDERSON: Yes.

11 COMMISSIONER GOLTZ: And so it would be on your iPad,
12 or whatever? It would be clearer than on the paper maps that
13 your crew was working with in the dark?

14 MR. HENDERSON: Correct.

15 COMMISSIONER GOLTZ: Okay.

16 MR. SECRIST: We view, Commissioners, the next step
17 in technology, and so in addition to what Mr. Henderson is
18 saying, it also facilitates quicker communication to a broader
19 audience to allow the resources that we mobilize in this type of
20 a situation to operate with identical information, and, again,
21 attack the problem where we know it is in a timely fashion.

22 CHAIRMAN DANNER: And isn't it also true that in this
23 case, the lightning strike we're talking about happened at 11:55
24 in the morning, right?

25 MR. SECRIST: (Nods head.)

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1 CHAIRMAN DANNER: And so if the utility had actually
2 notified you that something like that had gone on as soon as
3 they knew about it, then there would have been a greater chance
4 that the boots on the ground would have been walking around in
5 daylight as opposed to a dark, rainy night with flashlights and
6 pieces of paper?

7 MR. SECRIST: That's exactly correct, Chairman, and,
8 again, it comes back to our ability. We get the notification of
9 a gas leak, we're mobilizing. We're moving very quickly. And I
10 think even Staff acknowledged in their report, PSE mobilized and
11 was in the field very promptly. But we need that notification,
12 we need that information, and then in that place, with the added
13 information we've got, we can go after this.

14 Having the daylight hours further assists that as
15 well. Having the communication from other utilities adds
16 another piece to our ability to attack the problem and ensure
17 the ongoing safety for our customers.

18 CHAIRMAN DANNER: Thank you.

19 JUDGE TOREM: Commissioner Jones, did that raise any
20 additional questions you want to bring?

21 COMMISSIONER JONES: Pardon?

22 JUDGE TOREM: Any further questions?

23 COMMISSIONER JONES: No. I was just thinking that we
24 may want to consider a smart grid system for all natural gas
25 distribution lines.

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1 JUDGE TOREM: If you can bring the funding back with
2 you from D.C., Commissioner Jones?

3 COMMISSIONER GOLTZ: Will that cost more than
4 \$15,000?

5 JUDGE TOREM: Okay. All right. Well, I think those
6 were the questions that we had discussed in advance. I'm not
7 sure from Staff's point of view if there's any closing comments
8 that you want to present to the Commissioners.

9 MR. TROTTER: I don't think we have anything to add.
10 Thank you.

11 JUDGE TOREM: And from the Company?

12 MS. BARNETT: No, Your Honor.

13 JUDGE TOREM: Well, thank you all for making the
14 drive down.

15 CHAIRMAN DANNER: I just want to say, you know, the
16 reason that we wanted to have this hearing -- actually, we were
17 sort of envisioning when we talked that this was going to be
18 telephonic and really just some clarification questions, so I
19 appreciate everybody coming down. Because, as I say, I don't
20 have any problems with the settlement. I appreciate the work
21 that you have done in getting to settlement. I know that the
22 underlying fact pattern here reminds me of a court case I had in
23 law school about Mrs. Palsgraf fell on the railroad, and, you
24 know, that this is probably an unusual and rare occurrence, but,
25 nonetheless, as we're learning, maybe it's not that rare, and

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1 it's one we do need to ensure that we have the best practices
2 going forward.

3 So we'll go with what we have learned this morning,
4 add it to our other discussions, and go forward from there.

5 MR. SECRIST: Thank you. PSE takes safety as its
6 highest priority, so we viewed it as our privilege to come down
7 here both as an indication of our commitment to the settlement,
8 our commitment to safety, and our ongoing commitment to the safe
9 usage of natural gas for our customers.

10 CHAIRMAN DANNER: Well, thank you very much, and
11 thank you to Staff and to Mr. Trotter as well.

12 COMMISSIONER JONES: Thank you.

13 JUDGE TOREM: It's five minutes to eleven. Thank you
14 again for coming down. We are adjourned.

15 (Proceeding concluded at 10:55 a.m.)

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C E R T I F I C A T E

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3 STATE OF WASHINGTON)
4 COUNTY OF KING) ss

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6 I, SHELBY KAY K. FUKUSHIMA, a Certified Shorthand Reporter
7 and Notary Public in and for the State of Washington, do hereby
8 certify that the foregoing transcript is true and accurate to
9 the best of my knowledge, skill and ability.

10 IN WITNESS WHEREOF, I have hereunto set my hand and seal
11 this 4th day of October, 2013.

12

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SHELBY KAY K. FUKUSHIMA, CCR

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17 My commission expires:

18 June 29, 2017

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