



Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, WA 98009-9734

Sue McLain
Senior Vice President
Operations

October 17, 2006

Ms. Carole J. Washburn, Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

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WUTC
Pipeline Safety Division

Attn: Alan Rathbun, Pipeline Safety Director

Subject: Need to Review and Improve Record Keeping Process

Dear Mr. Rathbun:

This letter is in response to your request dated September 22, 2006, in which you seek additional information regarding my response letter dated September 15. Provided below are my responses (I have included your questions for reference):

1. Your response states PSE found certain elements of Pilchuck Contractors, Inc. (PCI) documentation practices were not completed per company standards for a limited number of records. How many records did you find and what standards were not followed (PSE's or PCI's)?

Response: Our investigation consisted of interviews with current PSE employees who were former PCI employees experienced in leak re-evaluation and documentation practices. Through these interviews, we confirmed that certain practices existed that did not conform to PSE standards. The employees interviewed could not recall specific instances (dates or locations) when these practices occurred.

2. Your response did not address our finding that current PCI records are not accurate and how you and/or PCI plan to address these inaccuracies.

Response: Our focus has been on developing processes to ensure that past PCI practices do not occur in the future. Working with PCI management, we have developed appropriate mechanisms to allow PCI and PSE to accurately document when appropriate and allowed changes do occur and prevent improper documentation practices from reoccurring. As discussed with WUTC staff, we are concerned that modifying the records as they exist today may not yield more accurate data, as we are only able to surmise what may have occurred during the time period up to three years ago.

3. Your letter identified four improvement opportunities. Please provide us a more detailed plan on how and when these improvements will be made.

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Response: Provided below is more information on the four improvement opportunities identified:

- **Assignment of phantom leak work orders** – Effective May 31, 2006, PCI instituted a practice whereby all scheduled leak evaluation work orders will be reviewed within the Leak Management System (LMS) by PCI clerical staff to identify leaks classified as phantom. For those leaks, the work order will be flagged and the previous person that checked the leak will be noted on the printed work order. This is done to aid the local superintendent in assigning the work to another individual.
- **Leak records filing system** – The filing system for completed leak work orders will be changed so that documents are filed by completion year, by leak number. All 2002 to present files will be re-filed per this new method. It is anticipated that the new system will be in place and all historical files re-filed by December 1, 2006.
- **Documentation of changes to submitted leak records** – Effective September 7, 2006, PCI implemented a policy requiring any changes to submitted leak documentation to be initialed and an explanation provided as to the reason for the change. In addition, PSE is requiring PCI to develop a quality control process to allow PCI management to identify when this documentation procedure is not being followed. The quality control process will be completed and in place by December 1, 2006.
- **PSE quality assurance audit process** – PSE is developing a Quality Assurance audit plan around the leak re-evaluation and record keeping process. The audit plan will review all aspects of our leakage action activities, including field procedures, work scheduling, data entry, record filing and administrative processes. The initial audit will be completed during the first quarter of 2007.

We continue to look at ways to improve upon our practices and provide the appropriate controls to prevent these types of occurrences.

Please contact me at 425-462-3696 if you have any questions.

Sincerely,



Susan McLain
Sr. Vice President, Operations

cc: Dave Nelson - Pilchuck Contractors, Inc.
Duane Henderson - PSE