

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	
)	DOCKET NO. UG-920487
Complainant,)	
)	SETTLEMENT AND
vs.)	OPERATING AGREEMENT
)	
WASHINGTON NATURAL GAS)	
COMPANY,)	
)	
Respondent.)	
)	

I.

PREAMBLE

On May 1, 1992, the Washington Utilities and Transportation Commission (hereinafter "WUTC" or "Commission"), in Docket No. UG-920487, issued a Complaint and Order to Show Cause Why Penalties Should Not Be Assessed and Why Corrective Action Should Not Be Ordered against Washington Natural Gas Company (hereinafter "WNG" or "the company"). The Complaint and Order to Show Cause alleged that actions of the company or conditions allowed by the company to occur constituted violations of certain state and federal laws and regulations.

Members of the Commission staff and WNG, in light of the provisions of RCW 80.28.212, have conferred on the issues and allegations addressed in the Complaint and Order to Show Cause and have reviewed together certain proposals for corrective action by WNG concerning the operations of its natural gas system.

As a result of these conferences, some of the issues forming the basis of the Complaint and Order to Show Cause have been resolved. Other such issues have been formally addressed in this document through corrective measures some of which have already been undertaken by the company in advance of the time lines indicated. The company and the Commission staff, therefore, wish to present this Settlement and Operating Agreement (hereinafter "Agreement") to the Commission for its consideration and approval. Upon entry of an Order by the Commission approving this Agreement, this Agreement shall take effect in resolution and settlement of those matters addressed in Docket No. UG-920487.

II.

AGREEMENT

1. Washington Natural Gas Company is directed to, and shall, undertake the following measures solely at shareholder expense:
 - A. Within two months from the entry of a Commission Order implementing this Agreement, WNG shall complete a business district leakage survey, as required by 49 CFR Section 192.723(b)(1), of the Company's cast iron pipeline.
 - B. Within one month from the entry of a Commission Order implementing this Agreement, WNG shall commence a review of its entire pipeline system, starting with the downtown area of Seattle, then Tacoma and Everett, and then the remainder of its system, completing such review within six months. The review shall identify all steel pipe not

currently under cathodic protection or not being tested for its pipe to soil potential.

- C. Within one year from the entry of a Commission Order implementing this Agreement, WNG shall review all steel pipe identified under Paragraph 1, Section B of this Agreement and shall determine those areas in which cathodic protection is required under the applicable provisions of chapter 480-93 WAC, as they currently exist or as they may be amended in Docket No. UG-911261 now pending before the WUTC, and 49 CFR Part 192.
- D. Within one month from the entry of a Commission Order implementing this Agreement, WNG shall commence a training program which describes the requirements of the Company's operating standards and procedures for determining when and how cathodic protection must be applied and the proper testing requirements for cathodic protection. Training shall include instruction on how and when to prepare appropriate records. This training program shall be attended by all Distribution personnel and their supervisors. Each supervisor shall be advised of their personal responsibility for any lack of compliance and their accountability for disciplinary action for failure to comply.
- E. Within one year from the entry of a Commission Order implementing this Agreement, WNG shall complete a review of all Company operating standards to ensure compliance

with state and federal regulations concerning the handling of escaping gas and the protection of the public from such gas. The Company, in consultation with the Commission staff, shall establish a procedure to protect the public during the time gas is escaping, when excavation is being performed, and when open excavations exist.

- F. Within 18 months of the entry of a Commission Order implementing this Agreement, WNG shall review all existing operating standards to ensure that such standards adequately describe how the Company will comply with each state and federal requirement, incorporating a table to reference those sections of the Company standards which correspond to applicable state and federal requirements.
- G. Within ninety days from the entry of a Commission Order implementing this Agreement, WNG shall complete a retirement study of all cast iron pipe in the area of downtown Seattle and shall establish a schedule, by year, for the retirement or replacement of all cast iron pipe throughout its entire system. The annual schedule for replacement should reflect that at least 50 percent of the cast iron pipe to be replaced each year will be from the business areas of Seattle until all cast iron pipe is removed from those business areas. A copy of the

retirement study should be submitted to the Commission upon its completion.

2. WNG agrees that all of the actual expenditures associated with the undertaking and completion of the measures outlined in Paragraph 1 shall be solely at shareholders' expense. These expenditures have been estimated by the Company to be approximately \$500,000. In addition, WNG agrees to establish separate accounts to identify the aforementioned expenditures and to report to the Commission the status of these accounts on a quarterly basis until all of the outlined measures are completed.
3. In addition to the preceding requirements, WNG agrees to undertake and complete the following actions according to the terms and conditions outlined below:
 - A. Within one month from the entry of a Commission Order implementing this Agreement, WNG shall revise its current Operating Standard 11.2, entitled "Leakage Survey and Patrolling Procedures," to meet minimum state and federal requirements. As revised, Operating Standard 11.2 shall indicate the frequency of the surveys and patrols by area, the type of survey and patrol performed by area, the equipment and testing procedures utilized during such surveys and patrols, and shall also include information designed to instruct personnel in the performance of leakage surveys and patrolling.

- B. WNG shall commence, as soon as practicable after the entry of a Commission Order implementing this Agreement, a program to replace or protect unprotected steel pipe in areas of active corrosion as determined in Paragraph 1, Section C. Within two years of the entry of such Commission Order or within such additional time as the Commission may expressly permit, WNG shall cathodically protect, or replace, steel pipe requiring protection.
- C. Within three months from the entry of a Commission Order implementing this Agreement, the Director of Engineering of WNG, as required by the Company's current operating procedures, shall establish written leakage survey procedures to be followed in each area of the company's system and shall submit such written procedures to the Commission for approval. Such procedures by area class shall be the minimum requirements to be utilized for the location of leakage.
- D. All leaks discovered by the company in the business district leakage survey performed under Paragraph 1, Section A shall be repaired as required by WAC 480-93-186. WNG shall establish a procedure, as required by 49 CFR Section 192.617, for investigating the cause of each such leak, and furnish the Commission a report, each day by fax, of such investigation for each leak as it is repaired.

- E. WNG shall design new leakage survey forms for recording the location of leaks and for determining leakage grade. Such form shall be similar to Heath Consultants, Inc., Form F-001, implementing corrected grading. The new form shall be used exclusively within six months from the entry of a Commission Order implementing this Agreement. The form shall include data indicating the area of migration of gas, and the readings taken to determine the grade of leak. The form shall also indicate the condition of the existing pipeline, the criteria utilized by WNG to determine each grade B leak, and shall explain the specific conditions justifying the resultant grade as designated by the company. This form shall be numbered in the same sequence as the computerized leakage report form and this data shall be retained for future review for the life of the system or until the main or service is replaced.
- F. Within six months from the entry of a Commission Order implementing this Agreement, WNG shall establish a procedure to record the date and the time that a leak is initially reported, investigated, dispatched and repaired, as required by WAC 480-93-187, on WNG's computerized leakage report.
- G. Within one month from the entry of a Commission Order implementing this Agreement, WNG shall establish a procedure to provide for the dispatch, within 15 minutes,

of all necessary information, including a hard copy of a drawing if necessary, to each site of an underground leak under repair.

- H. WNG shall notify "One Call Locating" for each excavation it performs, including leak repair. In the event that public safety requires the company to commence excavation prior to the notification of "One Call Locating," the company shall insure that precautions are taken for the protection of the underground facilities.
- I. Within one month from the entry of a Commission Order implementing this Agreement, WNG shall establish a procedure to ensure that all cast iron pipe in its system is properly supported as required by 49 CFR Section 192.755 relating to the protection of cast iron pipelines. A qualified field inspector shall ensure compliance with the requirements of 49 CFR Section 192.755.
- J. Within three months from the entry of a Commission Order implementing this Agreement, WNG shall initiate a training program for employees which shall include a description of the possible conditions of existing underground gas mains and services, and the method for recording such conditions of pipe material by type. WNG shall revise its current record systems to include a record of the condition of existing underground gas mains and services. Periodically, a supervisor shall report

the condition of existing exposed underground gas facilities and the two reports shall be compared by Engineering for any discrepancies.

- K. WNG shall replace all cast iron pipe within 15 years, commencing with the date of the entry of a Commission Order implementing this Agreement. WNG shall adhere to the replacement schedule established in Paragraph 1, Section F. In addition, WNG shall replace a minimum of 100 feet of cast iron pipe whenever cast iron pipe is exposed in the course of company construction or during construction performed by outside contractors. WNG shall submit semiannual reports to the Commission reflecting the progress of cast iron pipe replacement, until all cast iron pipe is replaced.
- L. Beginning in 1992, WNG shall designate a qualified quality control person responsible for reviewing company operations to assure compliance with all Company operating procedures and standards, and to assure that such Company procedures and standards comply with applicable federal and state rules and regulations. Such person shall report directly to the President of WNG and shall have the support of WNG management. The Company shall take corrective action to ensure compliance with Company, state and federal requirements, and to correct any discrepancies found by this or other Company employees.

- M. Within ninety days from the entry of a Commission Order implementing this Agreement, all parallel bare steel mains shall be located and, if not currently under adequate cathodic protection, shall be scheduled for removal in accordance with a schedule acceptable to the Commission. Cutting, purging and capping will satisfy the requirement for removal under this provision.
- N. WNG shall immediately issue a notice requiring all employees to follow state and federal requirements and Company operating procedures completely and uniformly in each district of gas operations. Such notice shall specify that deliberate or continued deviation from state and federal requirements or Company procedures shall result in disciplinary action by the President.
4. The Commission staff and WNG agree that nothing in Paragraph 3 of this Settlement and Operating Agreement, nor the Commission's acceptance thereof, shall either limit the positions of any party, or bind the Commission, in future rate proceedings. All actions undertaken by WNG in accordance with Paragraph 3 and associated expenditures shall be evaluated by the Commission in such future rate proceedings in accordance with the provisions of RCW 80.28.010(1) and (2).
5. The performance requirements of Paragraphs 1 and 3, above, have been agreed to by consensus of the Commission staff and WNG. As such, they are agreed to in satisfaction and resolution of the matters subject to the Commission's Order to Show Cause in

Docket No. UG-920487. Accordingly, the parties agree that if WNG fails to comply with any of the specified obligations contained in Paragraphs 1 and 3, the company shall automatically be subject to a penalty of \$1,000,000 unless such delay or nonperformance is determined to be on account of force majeure or other intervening circumstances which this Commission may recognize as justifying such delay or nonperformance.


6. The company agrees that nothing in this Settlement and Operating Agreement shall limit its obligation to comply with all other applicable state and federal regulations as they currently exist or may be later amended.
7. The parties understand that this Settlement and Operating Agreement will be presented to the Commission at the commencement of the public hearing scheduled for 9:30 a.m. on June 12, 1992. At such time, the parties agree to make representatives available to testify in support of this Agreement. If this Agreement is not accepted by the Commission, the parties reserve the right to present testimony and conduct cross examination at a later date as may be necessary in order to address the issues raised in this docket.

DATED this 5th day of June, 1992.

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

By: 
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WASHINGTON NATURAL GAS
COMPANY

By: 
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