

Exhibit ___ (DAH-3)
Docket PG-060215
Witness: Henderson

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

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PSE'S RESPONSE TO WUTC DATA REQUEST NO. 007
(July 19, 2007)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-060215
Puget Sound Energy, Inc.'s
Intrastate 2006 Specialized Leak Survey Records Inspection**

WUTC STAFF DATA REQUEST NO. 007

WUTC STAFF DATA REQUEST NO. 007:

In the second paragraph of Paragraph 6 of PSE's Answer to the Complaint, PSE states that it conducted "an investigation into this matter after being notified by Staff of potential record keeping anomalies."

Please:

- 1) State the date PSE was "notified by Staff of potential record keeping anomalies," who from PSE was notified, and the text of the notification.
- 2) Describe in detail how that notification was processed within PSE, e.g., who in PSE was provided this information, what was done with the information.
- 3) Describe in detail how PSE conducted the investigation, e.g., who conducted the investigation, who was contacted, what was asked, and who made the decisions about what to do about it.
- 4) Provide a copy of the investigation referred to in Paragraph 6 of PSE's Answer to the Complaint, second sentence.

Response:

Please see the following timeline for 1) the date Puget Sound Energy, Inc. ("PSE") was notified by WUTC Staff of potential record keeping anomalies, 2) a description detailing how such notification was processed within PSE and 3) a description of how PSE conducted its investigation following such notification by WUTC Staff:

- 1) On or about March 2, 2006, PSE's Senior Vice President, Operations, Sue McLain, received a phone call from Alan Rathbun, Director, WUTC Pipeline Safety Division, indicating that in December 2005, WUTC Staff ("Staff") had received an anonymous phone call alleging improper leak record keeping practices and possible falsification of records by Pilchuck Contractors ("PCI") employees. Mr. Rathbun explained that an earlier anonymous call had been received in early 2002, but it did not provide sufficient information for Staff to act, and thus Staff had not informed PSE of the

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Date of Response: July 19, 2007

Person Knowledgeable About the Response: Duane A. Henderson

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2002 call. Mr. Rathbun further explained that with the receipt of the second call, Staff felt the need to initiate a formal investigation to determine if the allegations were true. He indicated that Staff would be undertaking an investigation and asked that PSE not inform PCI, so as to preserve any evidence. Ms. McLain committed to Mr. Rathbun that PSE would not alert PCI of the impending investigation, but she felt compelled to discreetly look into the matter.

2-3) Shortly thereafter, Ms. McLain held a meeting with Duane Henderson, PSE Director, Engineering and Operations Services, and Jerry Lehenbauer, PSE Director, Contractor Management, to discuss Mr. Rathbun's phone call. Ms. McLain, Mr. Henderson and Mr. Lehenbauer appointed Cheryl McGrath, then PSE Special Project Manager, to investigate PSE's leak record keeping processes, document the paperwork flow, understand leak records and the Leak Management System (LMS) computer database. Because PSE did not have specific information regarding where possible falsification of leak management records might have occurred, Ms. McGrath began a broad investigation of the leak record keeping process. No mention of the pending WUTC Staff investigation was made to other PSE employees or any PCI employees, based on Mr. Rathbun's request.

During the March to mid-May timeframe, Ms. McGrath's investigation did not identify any instances of record falsification.

On May 22, 2006, the WUTC Staff investigation commenced and PCI personnel were notified of the investigation.

On May 23, 2006, after commencement of Staff's investigation and the resulting general awareness by PSE and PCI employees, a PSE salaried employee approached his manager with knowledge of certain record keeping practices he participated in while employed by PCI. The record keeping practices he reported included the placing of another employee's name on paperwork and placing a date other than the date on which the work was performed. On May 24, 2006, Mr. Henderson interviewed this employee to discuss the matter further. The employee explained that his underlying work (leak evaluations) was completed in all situations, but that names and dates were modified by him to simplify workflow practices.

Mr. Henderson identified two other salaried PSE employees whose work history was such that they would have performed leak evaluations as PCI employees. Additionally, all three had been union-represented field employees at PSE before joining PCI. Besides the employee that came forward, one individual confirmed the unapproved practices, the other was not aware of any unapproved practices. Mr. Henderson was advised by one of the three individuals that he had used the unapproved practice of entering a date, other than the date on which the work was performed, as a PSE field employee. This was prior to leak evaluations being contracted out to PCI.

With this information, PSE's efforts were immediately directed toward adherence to PSE standards by both PSE and contractor personnel.

On May 26, 2006, Mr. Lehenbauer and Mr. Henderson met with Dave Nelson and Paul Thibodaux of PCI to review the findings of PSE's investigation and discussions with former PCI employees. PSE asked PCI to look into these findings/allegations and to immediately take steps to prevent their reoccurrence.

On May 30, 2006, Ms. McLain and Mr. Henderson called Mr. Rathbun to inform him that through PSE's investigation, PSE had concluded that some record keeping practices were not in accordance with PSE standards.

4) PSE did not prepare a written accounting of this investigation. The timeline and information provided in PSE's Response to WUTC Staff Data Request No. 007 is based upon scheduled meetings, personal notes and the recollection of Ms. McLain, Mr. Henderson, Ms. McGrath and Mr. Lehenbauer.