



STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 664-1160 • TTY (360) 586-8203

August 6, 2012

Cynthia Quarterman, Administrator
U.S. Department of Transportation
Pipeline and Hazardous Materials Safety Administration
East Building, 2nd Floor
1200 New Jersey Ave., SE
Washington, DC 20590

**Re: Safety of Washington Pipeline Infrastructure —Letter to Governor Chris Gregoire,
dated July 23, 2012**

Dear Ms. Quarterman:

On behalf of Governor Chris Gregoire, I am responding to your letter dated July 23, 2012, which you encouraged Governor Gregoire to make sure the Pipeline and Hazardous Materials Safety Administration has complete and updated information about the status of pipeline infrastructure in Washington, with special emphasis on any remaining cast iron pipe.

As we have earlier indicated, there is no remaining cast iron pipe remaining in service in Washington. The last was removed from service in July 2007.

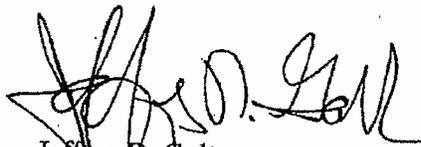
Regarding other efforts of our state to promote pipeline safety, I am attaching a copy of a letter to you from David Danner, Executive Director of the Utilities and Transportation Commission, dated April 11, 2011, recounting enforcement and other efforts we have undertaken to enhance the safety of our pipeline infrastructure. The only significant update to the information contained in that letter is a formal inquiry we initiated in May 2012 into possible regulatory mechanisms to accelerate replacement of any remaining higher risk pipe (which in Washington generally consists of certain vintages and types of plastic pipe). I am enclosing a copy of the notice in Docket UG-120715 setting workshops and seeking comments from utilities and other interested parties. The Commission has held two sessions to receive and discuss comments from interested parties, one focused on the scope of the safety issues with our existing infrastructure and the

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other on possible regulatory mechanisms for accelerating replacement of such pipe. We will keep you informed of the results of this inquiry.

Please let us know if you have any questions.

Sincerely,



Jeffrey D. Goltz
Chairman

Enclosures

cc: Keith Phillips, Executive Policy Advisor, Office of the Governor
David Danner, Executive Director
Steve King, Director, Safety and Consumer Protection
David Lykken, Director, Pipeline Safety



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April 11, 2011

Cynthia L. Quarterman
Administrator
U.S. Department of Transportation
Pipeline and Hazardous Materials Safety Administration
1200 New Jersey Avenue, Southeast
Washington D.C. 20590

Dear Ms. Quarterman:

SUBJECT: March 31, 2011, High Risk Pipe Information Request

Thank you for the invitation to the April 18, 2011, Pipeline Safety Forum. I look forward to attending on behalf of the State of Washington and the Washington Utilities and Transportation Commission.

We agree that an aging infrastructure should be a concern to every pipeline safety regulatory agency. Washington is aware of the risks posed by aging pipes and has taken several important actions in recent years to address these risks. These include:

1. In 1992, the Commission approved a settlement agreement (Docket No. UG-920487) with the state's largest gas utility, Washington Natural Gas (now Puget Sound Energy), requiring the company to replace all cast iron pipe in the system within 15 years. These lines were targeted in response to high leak rates. As a result of this settlement agreement the company replaced 318 miles of pipe. No cast iron pipe remains in use in Washington State.
2. In 2003, the Commission worked with Pipeline and Hazardous Materials Safety Administration (PHMSA) to inspect and identify interstate transmission pipe operated by Williams Gas Pipeline West that were potentially susceptible to stress corrosion cracking. Based on the Commission's inspections and

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recommendations, PHMSA took 268 miles of 26-inch pipe out of service.
(Corrective Action Order 5-2003-1003-H)

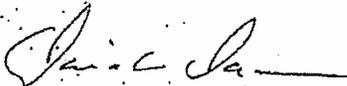
3. In 2005, the Commission issued an order (Docket No. PG-030080) directing Puget Sound Energy to eliminate all bare steel in the system by 2014. A copy of that order is enclosed. Of the 207 miles of bare steel pipe targeted for replacement, only 29 miles remain to be replaced. Those are on schedule to be replaced by 2014.

In addition, that order directed Puget Sound Energy to upgrade its software for tracking its monitoring activities, identify isolated facilities (i.e., short segments of cathodically protected steel pipe) to ensure inspections occur as required, and identify non-continuous sections of metallic pipe (including coated and bare steel mains) within cathodic protection systems and establish tests site for monitoring them.

4. We are currently evaluating pre-1970's vintage A1 pipe for possible replacement and working with impacted operators to address this issue.
5. In 2009, the Commission staff convened pipeline operators, gas and electric utilities, (local governments), excavators, and others to discuss potential steps to reduce third-party damage to pipelines. Based on those discussions, the Commission this year worked in drafting Substitute House Bill 1634, which just this week passed the state Senate and now awaits House concurrence. The bill, if enacted, will clarify the Commission's pipeline safety jurisdiction over excavators, local governments, and consumer-owned utilities, and significantly strengthen penalties and enforcement mechanisms available to it.

Thank you for your ongoing work addressing aging pipeline infrastructure in the United States. I look forward to meeting you in Washington April 18.

Sincerely,



David W. Danner
Executive Director

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cc: Charles D. Gray, NARUC

[Service Date May 18, 2012]

May 18, 2012

**NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS
(By Friday, June 8, 2012)**

**NOTICE OF WORKSHOPS
(To be held Thursday, June 21, 2012, at 1:30 p.m.
and
Monday, July 2, 2012, at 9:30 a.m.)**

RE: Commission Investigation into the Need to Enhance the Safety of Natural Gas
Distribution Systems, Docket UG-120715

TO ALL INTERESTED PERSONS:

On May 18, 2012, the Washington Utilities and Transportation Commission (Commission) issued an order in Docket UG-110723 initiating an investigation into whether companies subject to the Commission's jurisdiction should do more to enhance the safety of their natural gas distribution systems and, if so, to develop appropriate requirements or incentives to accomplish that goal.

On May 18, 2012, the Commission filed with the Code Reviser a Preproposal Statement of Inquiry (CR-101) to consider the need to enhance the safety of natural gas distribution systems. The Commission filed the CR-101 under Docket UG-120715.

The CR-101, as filed with the Code Reviser, is available for inspection on the Commission's website at www.utc.wa.gov/120715. If you are unable to access the Commission's web page and would like a copy of the CR-101 mailed to you, please contact the Records Center at (360) 664-1234.

The Commission is seeking written comments from interested persons on issues related to enhancing pipeline safety. While the Commission does not want to unduly limit comments, responses to the following questions would be most helpful:

I. Pipeline Replacement Programs

- A. For each gas company, what are the types of pipe that are currently in service that need to be replaced to enhance the safety of the company's natural gas distribution system (e.g., pre-1986 polyethylene pipe, wrapped steel main, and wrapped steel services)? For each type of pipe identified, please provide the following information:
1. A description of the pipe;
 2. The nature and quantification of the safety risks associated with the pipe;
 3. The extent to which the pipe is deployed in the company's natural gas distribution system;
 4. The actions the company is currently taking to replace the pipe;
 5. The company's future plans to replace the pipe; and
 6. An estimate of the cost and time required to replace the pipe.
- B. Please provide a detailed explanation of the impediments, if any, to replacing pipe that needs to be replaced to enhance the safety of each company's natural gas distribution system, including but not limited to the following:
1. Cost recovery;
 2. Shortage of personnel or equipment;
 3. Access, e.g., rights-of-way or government permitting issues.
- C. Risk assessment criteria and methodology
1. Describe and summarize the risk assessment methodology used by the Company to evaluate pipeline infrastructure.
 2. What are some of the key assumptions used in such methodology, which may change over time, and what process is used to update these?
 3. What are some of the important criteria, such as high consequence areas (HCAs), and how are they used as criteria in development the priority schedule for pipe replacement schedules?
 4. How often do you update the risk assessment methodology?

II. Interim Cost Recovery Mechanism

- A. Would allowing the company to recover its pipeline replacement costs sooner than those costs are recoverable through traditional ratemaking principles provide a financial incentive to expedite such replacement? If so, please

describe in detail how an interim cost recovery mechanism would result in accelerated pipeline replacement.

- B. If an expedited cost recovery mechanism is proposed, should it replace the Commission's conventional regulatory cost recovery structure for all pipeline replacement projects, or should it be limited to certain circumstances? Examples of such circumstances include, but are not limited to, discretionary projects, capital spending in excess of a pre-determined amount, and special projects.
- C. What is an appropriate interim cost recovery mechanism, and how should it be structured? Please describe in detail how each of the following interim cost recovery alternatives could be implemented in a manner that would provide a financial incentive to accelerate pipeline replacement and would result in a rate that is fair, just, reasonable, and sufficient:
1. A deferred accounting mechanism, such as, but not limited to, one comparable to the mechanism authorized in RCW 80.80.060(6);
 2. A ratepayer surcharge/expense mechanism to be used exclusively for pipeline replacements;
 3. Some combination of 1 and 2 above;
 4. An attrition adjustment mechanism;
 5. Pilot program or permanent mechanism (if a pilot program is approved, how long would it need to be in effect to accomplish the priority pipe replacements identified in response to question I.A.); or
 6. Other.
- D. Process
1. What should the role of the Commission's pipeline safety staff be at stages in this process, including risk assessment methodology review, review of priority replacement, and budget review?
 2. Does the Company envision any issues about the use or sharing of confidential information? What procedures should the Commission impose to protect any confidential information?
 3. Depending on the type of mechanism, must the filing be synchronized with other filing dates, such as the PGA (purchased gas adjustment)?
 4. If the proposal is to include an annual budget for priority pipe replacement, when should it be submitted? How much time should Commission staff be given to review the plan and budget?

5. If the mechanism calls for an annual plan or budget and for Commission review of such plan or budget, by what process should the Commission undertake those functions? Would an open meeting process suffice, or should the process be more formal?

WRITTEN COMMENTS

Written comments on the CR-101 and to the above questions related to enhancing pipeline safety must be filed with the Commission no later than **5:00 p.m., Friday, June 8, 2012**. The Commission requests that comments be provided in electronic format to enhance public access, for ease of providing comments, to reduce the need for paper copies, and to facilitate quotations from the comments. You may submit comments via the Commission's Web portal at www.utc.wa.gov/e-filing or by electronic mail to the Commission's Records Center at records@utc.wa.gov. Please include:

- The docket number of this proceeding (UG-120715).
- The commenting party's name.
- The title and date of the comment or comments.

An alternative method for submitting comments is by mailing or delivering an electronic copy to the Commission's Records Center on a 3 ½ inch, IBM-formatted, high-density disk, in .pdf Adobe Acrobat format or in Word 97 or later. Include all of the information requested above. The Commission will post on its web site all comments that are provided in electronic format. The web site is located at www.utc.wa.gov.

If you are unable to file your comments electronically or to submit them on a disk, the Commission will accept a paper document. If you have questions regarding this Notice, you may contact Mark Vasconi, by email at mvasconi@utc.wa.gov or by calling (360) 664-1308.

STAKEHOLDER WORKSHOPS

In addition to filing written comments, interested persons are invited to attend stakeholder workshops to discuss these issues on **Thursday, June 21, 2012, at 1:30 p.m.**, and **Monday, July 2, 2012, at 9:30 a.m.** Both workshops will be held in Room 206, Richard Hemstad Building, 1300 S Evergreen Park Drive S.W., Olympia, Washington.

Stakeholders will have further opportunity to comment. Information about the schedule and other aspects of the rulemaking, including comments, will be posted on the Commission's website as it becomes available. If you wish to receive further information on this rulemaking you may:

- Call the Commission's Records Center at (360) 664-1234.
- Email the Commission at records@utc.wa.gov
- Mail written comments to the address below

When contacting the Commission, please refer to Docket UG-120715 to ensure that you are placed on the appropriate service list. The Commission's mailing address is:

Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, WA 98504-7250

NOTICE

If you do not want to comment now, but want to receive future information about this rulemaking, please notify the Executive Director and Secretary in one of the ways described above and ask to be included on the mailing list for Docket UG-120715. If you do not do this, you might not receive further information about this rulemaking.

Sincerely,

DAVID W. DANNER
Executive Director and Secretary