



STATE OF WASHINGTON
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
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CERTIFIED MAIL

November 4, 2013

Mr. Eric Martuscelli
Vice President-Operations
Cascade Natural Gas Corporation
8113 W. Grandridge Blvd.
Kennewick, WA 99336

Dear Mr. Martuscelli:

**RE: 2013 Natural Gas Standard Inspection – Cascade Natural Gas (CNG) –
Yakima/Sunnyside District**

Staff from the Washington Utilities and Transportation Commission (staff) conducted a standard inspection from September 23-27, 2013, of Cascade Natural Gas Corporation's (CNG) Yakima/Sunnyside District gas distribution system. The inspection included a review of district records and inspection of selected pipeline facilities.

Our inspection indicates one area involving probable violations of WAC 480-93-186 (leak evaluations) and WAC 480-93-180 (plans and procedures), as noted in the enclosed report. We also note one area of concern, which unless corrected, could potentially lead to future violation of state and/or federal pipeline safety rules.

Your response needed

Please review the attached report and respond in writing by November 4, 2013. The response should include how and when you plan to bring the probable violations into full compliance.

In your response to the probable violations, please provide:

1. An explanation why Cascade field personnel did not grade the leaks identified, and why their supervisors signed the leak investigation reports that did not contain a leak grade.
2. All Cascade internal audits of the company's QA/QC program, as required by the settlement agreement in Docket PG-110443, pages 3-4, Action Item 3 "Quality Assurance/Quality Control (QA/QC) program".



3. For each internal audit provided in response to item 2 above, please explain how the internal audit evaluated compliance with rules pertaining to leak investigations, particularly the grading of leaks and the requirement to include the leak grade on each leak investigation report.

We also request your response to our area of concern.

What happens after you respond to this letter?

The attached report presents staff's decision on probable violations and does not constitute a finding of violation by the commission at this time.

After you respond in writing to this letter, there are several possible actions the commission, in its discretion, may take with respect to this matter. For example, the commission may:

- Issue an administrative penalty under RCW 81.88.040, or
- Institute a complaint, seeking monetary penalties, changes in the company's practices, or other relief authorized by law, and justified by the circumstances, or
- Address the issues, if appropriate, as a matter of non-compliance with the settlement agreement and order in Docket PG-110443, or
- Consider the matter resolved without further commission action.

If you have any questions, or if we may be of any assistance, please contact Dennis Ritter at (360) 664-1159. Please refer to the subject matter described above in any future correspondence pertaining to this inspection.

Sincerely,



David D. Lykken
Pipeline Safety Director

Enclosure

cc: Steve Kessie, Manager-Operations Services, CNG
Tina Beach, Manager of Standards & Compliance, CNG
Vicki Ganow, Pipeline Safety Specialist, CNG
Kevin McCallum, Pipeline Safety Specialist, CNG

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
2013 Natural Gas Pipeline Safety Inspection
Cascade Natural Gas Corporation Yakima/Sunnyside District

The following probable violations and area of concern (AOC) of Title 49 CFR Part 192 and WAC 480-93 were noted as a result of the 2013 inspection of the Cascade Natural Gas Corporation Yakima/Sunnyside District. The inspection included a random selection of records (operation and maintenance, emergency response, damage prevention) and field inspection of the pipeline facilities.

PROBABLE VIOLATIONS

1. WAC 480-93-186 Leak evaluations

(1) *Based on an evaluation of the location and/or magnitude of a leak, the gas pipeline company must assign one of the leak grades defined in WAC 480-93-18601 to establish the leak repair priority. A gas pipeline company may use an alphabetical grade classification, i.e., Grade A for Grade 1, Grade B for Grade 2, and Grade C for Grade 3 if it has historically used such a grading designation. Each gas pipeline company must apply the same criteria used for initial leak grading when reevaluating leaks.*

2. WAC 480-93-180 Plans and procedures

(1) *Each gas pipeline company must have and follow a gas pipeline plan and procedure manual (manual) for operation, maintenance, inspection and emergency response activities that is specific to the gas pipeline company's system. The manual must include plans and procedures for meeting all applicable requirements of 49 CFR §§ 191, 192 and chapter 480-93 WAC, and any plans or procedures used by a gas pipeline company's associated contractors.*

Finding(s):

During the records review to confirm CNG had graded its leaks as prescribed by the code, and CNG's company procedure CP 750.072, staff found numerous leak records where the leak was not graded, as noted below.

Work Order # (or address)	Date	Work Order # (or address)	Date
181231	1/27/11	189653	1/27/12
182171	3/3/11	190113	2/13/12
182186	3/4/11	191029	3/29/12
182308	3/14/11	802 W. 1 st Toppenish	5/3/12
1024 S. 25 th Ave Yakima	4/7/11	1801 E. Edison Sunnyside	5/10/12
707 Terrace Dr. Selah	4/8/11	195332	8/14/12
182928	4/12/11	4 N. 67 th Ave Yakima	10/11/12
3303 Englewood Ave Yakima	4/20/11	197390	11/2/12
183268	4/27/11	310 S. Beech St Toppenish	11/14/12
183355	4/22/11	198715	1/2/13
183740	5/11/11	202010	5/13/13
183843	5/18/11	201897	5/4/13
183932	5/23/11	201968	5/8/13
183986	5/26/11	202031	5/14/13
184026	5/31/11	202038	5/14/13
184827	6/27/11		
184890	6/30/11		

This same issue was noted in the 2010 Yakima/Sunnyside UTC compliance inspection Probable Violation (PV) No. 9. This issue was also identified in the CNG compliance inspections for 2009 Kitsap and 2011 Tri-Cities/Walla Walla. During this period of UTC compliance inspections for CNG, many similar probable violations were discovered in many districts which indicated in some instances a systemic problem. As a result, these inspections were grouped together into one Docket--PG-110443. This docket specifically identified "proper leak grading" in Section C--Action Plan with Suspended Penalties, item No. 7 "Leak Characterization Review". This resulted in CNG re-writing its procedure for leak evaluations, CP 750 and subsequently training its employees to the new procedure. This Docket also required CNG to implement a Quality Control/Quality Assurance (QA/QC) program to ensure that each district within CNG, operates and adheres to company procedures and training with appropriate oversight.

In its response letter to the UTC for the Probable Violation No. 10 found during the 2011 Tri-Cities/Sunnyside inspection, CNG states, "CNGC Leak Training was held the summer of 2010 on the new company procedure which requires leaks to be graded in the field. CNGC is also addressing the issue of not following our current CP in the Settlement Agreement Action Item #3. Quality Assurance/Quality Control Program". However, it would appear, given the latest findings from this inspection, that there is still a problem and the QA/QC program is not adequate.

AREA OF CONCERN

2. 49 CFR §191.11 Distribution system: Annual report.

(a) General. Except as provided in paragraph (b) of this section, each operator of a distribution pipeline system must submit an annual report for that system on DOT Form PHMSA F 7100.1-1. This report must be submitted each year, not later than March 15, for the preceding calendar year.

Finding(s):

During pre-inspection records review, it was noted that the 2012 Annual Report had no bare steel listed while in 2011 CNG had 9 miles. According to Tina Beach, CNG's Manager of Standards & Compliance, CNG used two systems to determine how many miles of pipeline CNG operates in their system. One is an accounting system, the other the new GIS system. Ms. Beach indicated that CNG was in the process of rectifying the difference between the two systems and then moving forward with only one system. If CNG has bare steel in its system, (this district does not) it needs to be accurately reflected in your submittals. Due to risk bare steel contributes to system integrity, this issue must be resolved. Additionally, this inaccuracy brings up another issue if the annual report is not accurate based on these company records, how accurate are other plans which use this information—ie your DIMP and model? Please provide us your plan for ensuring accurate and precise information is provided in all future annual reports.