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David Lykken- Director of Pipeline Safety Program
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 Pipeline Safety Program

Subject: Response to 2013 Natural Gas Standard Inspection – Yakima District

Dear Mr. Lykken,

This letter responds to your letter dated November 4, 2013 addressing the Washington Utilities and Transportation Commission Staff ("Staff") inspection conducted September 23-27, 2013 in Yakima, Washington. In your letter you report that Staff identified one area involving probable violations of WAC 480-93-186 (leak evaluations) and WAC 480-93-180 (plans and procedure), and an "area of concern." For ease of reference, we have copied Staff's Probable Violations, below, followed by Cascade Natural Gas Corporation ("CNGC") response to the alleged probable violations and area of concern:

STAFF'S IDENTIFIED 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 CNGC compliance inspections for 2009 Kitsap and 2011 Tri-Cities/Walla Walla. During this period of UTC compliance inspections for CNGC, 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 CNGC re-writing its procedure for leak evaluations, CP 750 and subsequently training its employees to the new procedure. This Docket also required CNGC to implement a Quality Control/Quality Assurance (QA/QC) program to ensure that each district within CNGC, 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, CNGC 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.

CNGC Response

CNGC recognizes the importance of proper evaluation and grading of leaks, and expects its personnel to evaluate and grade all leaks. A significant change occurred within the leak grading process for CNGC field personnel in 2010 from prior Company Procedure. More specifically the former CP 750-08.072 from 2008 stated: *"RESPONSIBILITY – The person investigating the leak shall take care to collect enough data to estimate the leak grade. This estimate shall be promptly reported to the GM, or duty Supervisor for approval. The District General Manager or duty Supervisor shall review the classification of all underground or unrepaired leaks, adjust or approve the grade, and ensure that the leak hazard is treated appropriately."* CNGC has improved its approach after incorporating a much more robust procedure for leak evaluations in 2010. CP 750-10.072 now states: *"RESPONSIBILITY – The person investigating the leak shall assign the leak grade. The person investigating will take action appropriate to the leak grade found."* CNGC has been monitoring and taking action to improve leak assessment, grading as well as implementing terms of the Settlement Agreement in Docket PG-110443. This has been a significant change in CNGC policy.

CNGC has recognized three issues; new roles, time management and conditioned employees that may have contributed to the documentation deficiencies noted by Staff in Yakima. These first two items are related to the Quality Control expected by Managers at the District level.

- To increase the effectiveness of the Quality Control program, CNGC recognized in February 2013 the district managers needed more time to focus on compliance and managerial duties. Therefore, CNGC added 10 new positions company-wide, with the Yakima District receiving one of these positions and the Walla Walla District receiving two of these positions. Management changes show a few increased errors during the initial months of employment which decreases as the Quality Assurance program documents non-conformities and return the issues to the districts for further remediation. In this specific audit, it is important to note all of the eleven leaks noted from July 2011 to 2013 were completed by newly hired Managers.
- Due to employment opportunities within CNGC, the Yakima district has had 5 new managers in a 3 year period. In May 2013 after internal audits occurred, the new Manager was notified of the 5 leak investigation reports with missing leak grades. Since the initial May 2013 oversight, this Manager has had 100% accuracy with leak grade documentation.

- The last issue contributing to documentation deficiencies was identified with long term employees still conditioned to 'estimating a leak grade' and allowing Managers to approve the final grade of the leak. Annual CP review and Maintenance Documentation training have been provided to district staff and is an ongoing program.

CNGC disputes the thirty-two leak investigation reports cited by Staff as ungraded leaks. It should be noted, seventeen leak investigation reports from 2011 cited by Staff pre-date the Settlement Agreement in Docket PG-110443 which was filed on July 13, 2011 and accepted by the Commission on August 3, 2011. The Settlement Agreement recognized there would continue to be some violations of gas safety rule of the type alleged in the Complaint which occurred before the Settlement Agreement was executed. Unless the acts were significantly more widespread or different than the conduct alleged in the complaint, Staff would not use these older violations as a basis for enforcement actions.

Of the remaining fifteen leak investigation reports cited, three leak investigation reports did not require grading: #202031-no gas detected, 802 W. First-no gas detected and 310 S. Beech St-no leak fixed by tightening. Further review also identified leak investigation #195332 which showed proper documentation of a leak assignment. This gives eleven leak investigation reports which Staff identified as missing leak grades.

The eleven CNG 293A form Leak Investigation reports noted in Probable Violation #1 demonstrate some inconsistent documentation practices, which CNGC is committed to correct; however, these do not demonstrate improper leak evaluation. The ultimate purpose and intent of the rule, policy and Settlement Agreement provision regarding leak classification are to make sure that leaks are appropriately evaluated and remediated. For all leak reports noted in the Staff inspection, the leaks were remediated consistently and in accordance with CP 750. The actions related to remediation, as carried out, indicate the leaks were evaluated properly and at no time was the safety of the natural gas system compromised. Moreover, CNGC has completed a comprehensive review of documentation of all leak investigation reports back to January 2011. CNGC has brought the remaining documentation deficiencies into compliance by recording the grade of the leak based on actions taken if a leak indeed had been indicated on the CNG 293A form.

CNGC does not concur with Staff's suggestion that the QA/QC is not adequate. While CNGC strives to achieve 100% compliance with its policies, they recognize there may be occasional areas of noncompliance which need to be addressed. CNGC Internal QA/QC efforts track and trend documentation nonconformities; part of those efforts included the completion of the Leak Survey Assessment, as required by 480-93-188 (6), which identified that a special emphasis needs to be placed on the review of the CNG 293 Form (leak investigations). Based on the 2011 Assessment results, recommendations were made to review "defining and grading leaks" and the incorporation of necessary process changes and/or additional training on documentation. During this time period, significant samplings of leak investigation reports were reviewed by CNGC's Quality Assurance personnel-Pipeline Safety Specialists. The results of these reviews are provided to the Region Directors. The Region Directors in turn address the review results with the appropriate staff. The vast majority of documents identified by Staff had been previously identified through internal auditing processes. As indicated above, with regard to the new manager who failed to identify five leak investigations with missing leak grades in May 2013, once the new manager was notified through Quality Assurance reviews of this omission, the manager had 100% accuracy as it relates to leak grades. CNGC continues to see improvement within the Quality Assurance sampling group.

Training has been conducted annually through the CP review process on CP 750 Leak Investigation and the completion of CNG 293 form since 2010. In addition to the annual review in January 2012, the CNGC Regional Directors developed and released a Maintenance Documentation Training Handbook in May 2012 and a revision in September 2013 offering specific direction in order to prevent documentation errors. The importance of recording a leak grade is specifically called out in both versions of the Documentation Training Handbooks. Additional training was completed on November 21st, 2013 as a result of the audit findings. CNGC's Quality Assurance program has seen a significant decrease in the number of documentation errors since 2011. It is CNGC's view that nonconformities are being identified and resolved as a result of its QA/QC program.

AREA OF CONCERN OR FIELD OBSERVATIONS

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-i.e. your DIMP and model? Please provide us your plan for ensuring accurate and precise information is provided in all future annual reports.

CNGC Response

A response to this issue was provided to the UTC in a letter dated October 29, 2013 with the subject line: CNGC Annual Report Part B-System Description Bare Steel Miles of Main Statistics.

Please contact Tina Beach at (509) 734-4576 with questions or comments.

Respectfully Submitted,



Eric Martuscelli,
Vice President, Operations
Cascade Natural Gas Corporation