



U.S. Department of Transportation

Pipeline and Hazardous Materials
Safety Administration

1200 New Jersey Ave., SE
Washington, DC 20590

August 8, 2011

OVERNIGHT EXPRESS MAIL

Mr. Jeffrey D. Goltz
Chairman
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive, SW
P.O. Box 47250
Olympia, WA 98502

Dear Chairman Goltz:

Sections 60105(e) and 60106(d) of the Pipeline Inspection, Protection, Enforcement and Safety (PIPES) Act of 2006 provides for the monitoring of State pipeline safety programs by the Pipeline and Hazardous Materials Safety Administration (PHMSA). This annual monitoring is to ensure compliance with the PIPES Act requirements for State pipeline safety programs and provides information for determining the State's total point award for the PHMSA pipeline safety grant for next year.

On June 27-July 1, 2011, a representative of PHMSA's Office of State Programs evaluated the CY 2010 Pipeline Safety program activities conducted by the Washington Utilities and Transportation Commission (WUTC). The evaluation encompassed the validation of annual Certification documents submitted to PHMSA, review of the pipeline program procedures and records, and the observation of an on-site inspection of a pipeline operator conducted by your staff. Thank you for the courtesies extended to Glynn Blanton, PHMSA State Programs, by your staff.

Congratulations on the passage by the Washington State legislature, E2SHB 1634, the Underground Utilities Damage Prevention Act in 2011. I understand the new changes to the existing damage prevention law will become effective January 1, 2013 and results in the State meeting several of the nine elements of an effective damage prevention program listed in PIPES Act of 2006. The new reporting requirement for damages to underground facilities to be reported to your agency and the requirement for the WUTC to establish enforcement procedures to address violations involving regulated and non-regulated entities are major accomplishments. PHMSA appreciates this action and the continue contributions to pipeline safety by David Lykken who serves as a Board member on the American Public Gas Association Security and Integrity Foundation and member of the ASME B31 Q committee; and pipeline safety staff member, Kuang Chu who serves on the ASME B31.4/11 Liquid and Slurry Piping Transportation Systems and GTI Leak-Rupture Boundary Study Committee. These individuals clearly bring years of experience in pipeline safety and knowledge in applying policy and safety decisions in promoting safe pipelines throughout the Northwest and United States.

Based on the evaluation and the validation of Certification information, it appears the pipeline safety program is generally complying with PHMSA's requirements. As a result of this evaluation, I would like to bring the following items to your attention:

1. According to training records kept by PHMSA's Office of Training and Qualifications and a review of documents maintained by your agency, the WUTC has not met the time frame to complete the required courses for natural gas inspection qualifications for one of its engineers. This resulted in a reduction of grant allocation points and associated funding.
2. A review of the PHMSA Operator Qualification database found two hazardous liquid operator inspections were not entered after the site visit was performed by WUTC staff members in 2010. This resulted in a reduction of grant allocation points and associated funding.
3. A review of the PHMSA Integrity Management Program (IMP) Federal protocols found all IMP forms were not uploaded into the database for calendar year 2010 after the hazardous liquid inspections had been performed. This resulted in a reduction of grant allocation points and associated funding.
4. We appreciate and congratulate the WUTC for removing all cast iron pipelines in the State of Washington. We understand Puget Sound Energy (PSE) is under an order from the agency to remove all bare steel pipelines by 2014. As of December, 2010, approximately 27 miles of bare pipelines remain in the system. We encourage your agency to have PSE accelerate this program by removal of the bare pipelines to lower risk potential of leakage and damages that may occur in the event of an accident.
5. We understand the WUTC is reviewing and conducting site visits to potential master meter operators located in the State and under the agency's jurisdiction for compliance with the pipeline safety regulations. In 2010, thirty potential master meter operators were visited and ten were included in the pipeline safety program. This program has the possibility to increase the number of operators to be reviewed by WUTC staff members in the future. We urge your agency to expedite this review and determine the location and name of these operators to assist them in maintaining and operating a safe natural gas system.
6. The increasing pipeline safety regulatory agenda has the potential to continue to impact your pipeline safety program for the coming years. The Distribution Integrity Management final rule effective February 2010 requires the operator to combine periodic inspections and testing of its pipeline's condition with processes to collect, integrate, analyze, and apply information about possible threats to their system. These actions will need to be checked during the review of the operator's Integrity Management Plans which are required to be in place by August 2, 2011. Additionally, monitoring the operator's effectiveness in meeting the Public Awareness Rule and how the operator has established human factor management to meet the Control Room Management Rule will also contribute to the inspection workload. PHMSA'S Training and Qualification Group has developed training

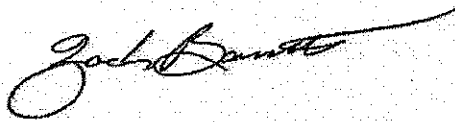
Mr. Jeffrey D. Goltz, Chairman
Washington Utilities and Transportation Commission
Page 3

requirements for these endeavors and we encourage your staff's completion of this training as soon as possible. We have provided invitational travel for two of your inspectors to attend the DIMP and Public Awareness training to support these efforts.

Please provide your comments regarding the above items within 60 days of your receipt of this letter to avoid losing performance points in next year's evaluation. The response should be addressed to me at the following address: 6500 South MacArthur, Building MPB Room 335, Route PHP-70, Oklahoma City, OK 73169.

Thank you for your contributions and continuing support of the pipeline safety program.

Sincerely,



Zach Barrett
Director State Programs
Office of Pipeline Safety

cc: David Lykken, Director, Pipeline Safety, WUTC
Glynn Blanton, State Programs Evaluator, PHP-50, PHMSA
Chris Hoidal, Western Region Director, PHP-500, PHMSA