



STATE OF WASHINGTON

## WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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(360) 664-1160 • TTY (360) 586-8203

October 17, 2012

Mr. Zach Barrett, Director State Programs  
Office of Pipeline Safety  
U.S. Department of Transportation  
Pipeline and Hazardous Materials Safety Administration  
6500 South MacArthur, Building MPB Room 335  
Route PHP-70  
Oklahoma City, Oklahoma 73169

**Re: Monitoring of Washington State Pipeline Safety Program – Response to  
August 24, 2012, Letter**

Dear Mr. Barrett:

Thank you for your letter dated August 24, 2012. I appreciate the opportunity to update the Pipeline and Hazardous Materials Safety Administration (PHMSA) about various aspects of Washington's pipeline safety program.

We respond as follows to the two items you listed:

**1. The required minimum number of hazardous liquid inspection person-days devoted to pipeline safety compliance activities was not achieved.**

The UTC acknowledges that the pipeline safety program completed 86.5 of the required 87 inspection-person days for Calendar Year (CY) 2011. Although we did not meet the minimum number of inspection days, the program did complete 100% of its safety inspection work including those committed to under the CY2011 interstate agent work plan agreement. Inspection staff devoted the time necessary to properly evaluate hazardous liquid pipeline operators' compliance with federal and state regulations. The program is committed to achieving the minimum number of 89 person-inspection days for CY 2012 as calculated by PHMSA – State Programs office.

**2. Cost recovery mechanisms for replacement of pipeline infrastructure.**

The UTC has a strong interest in enhancing the safety of existing pipeline infrastructure. As we have reported before, we have engaged in two separate but related efforts. The first is enforcement order, UTC Docket No. PG-030128 that requires Puget Sound Energy (PSE) to replace all bare steel pipe by 2014. In your letter, you inquired whether there are any changes to

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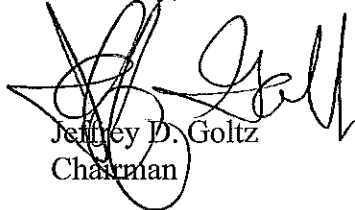
that deadline. There are not; we expect that the remaining approximately 54 miles of bare steel and wrought iron pipeline to be replaced by July 2014. (There is no cast iron pipe remaining in service in Washington.)

Second, we have an interest in replacing certain vintages of plastic pipe as well as wrapped steel mains that are of concern. In your letter, you asked about the status of a proceeding involving PSE in which the utility proposed a mechanism for recovery of pipeline costs between rate cases. On May 18, 2012, in UTC Docket No. UG-110723, we rejected the PSE proposal, moving instead to a proceeding to include all four of Washington's gas investor-owned local distribution companies. (A copy of our order is enclosed.<sup>1</sup>) In short, as described in paragraphs 32-42, we were not convinced that the PSE proposal would serve to accomplish our purpose of locating and replacing pipe of questionable safety in an efficient and cost-effective manner. (I discussed our decision shortly after it was issued with PHMSA Associate Administrator Jeffrey Wiese.)

Concurrently with the rejection of the PSE proposal, we opened a broader proceeding in UTC Docket No. UG-120715. In that proceeding, we held two workshops. The first, held on June 21, 2012, focused on the state of pipeline infrastructure of the four LDCs, and the scope of the need for infrastructure replacement. The second, held on July 2, 2012, focused on possible regulatory mechanisms to expedite replacement of problematic pipe and for recovery of costs of new pipe. On August 24, the UTC issued a Notice requesting each LDC to submit by September 28 "pipeline replacement plans" that would identify, among other things, the pipe of concern that should be replaced, the costs of replacement, and the scope of work for such replacement. The August 24 Notice also requested comments on two alternative cost recovery mechanism. One is based on the program the Oregon Public Utilities Commission put in place with Northwest Natural Gas Company; the other is based on the concept of "allowance of funds used during construction" (AFUDC) in other rate making contexts. A copy of the August 24 Notice is enclosed as well. We have received plans and comments from the local distribution companies and other parties by the requested deadlines, and we are currently evaluating them. We will keep you posted on the status of this proceeding.

If you have any questions about these responses to your questions or about other pipeline safety matters, please contact me directly at [ygoltz@utc.wa.gov](mailto:ygoltz@utc.wa.gov) or at (360) 664-1173, or contact Dave Lykken Director of Pipeline Safety at [dlykken@utc.wa.gov](mailto:dlykken@utc.wa.gov) or at (360) 664-1219.

Sincerely,



Jeffrey D. Goltz  
Chairman

Enclosures

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<sup>1</sup> An electronic version of our order and all documents filed in the proceeding are available on our website at [www.utc.wa.gov](http://www.utc.wa.gov).