

**CITATION K.15-02-017 SETTLEMENT AGREEMENT BETWEEN THE
SAFETY AND ENFORCEMENT DIVISION OF THE CALIFORNIA PUBLIC
UTILITIES COMMISSION AND WEST COAST GAS COMPANY**

West Coast Gas Company ("WCG") and the Safety and Enforcement Division ("SED") of the California Public Utilities Commission ("Commission") (hereinafter collectively referred to as the "Settling Parties") agree to settle Citation K.15-02-017, on the following terms and conditions. This Settlement Agreement ("Agreement") constitutes the sole agreement between the Settling Parties concerning the subject matter of this Agreement.

I. PARTIES

A. The parties to this Agreement are SED and WCG.

B. SED is a Division of the Commission charged with enforcing compliance with the Public Utilities Code, Title 49 of the Code of Federal Regulations Part 192 (49 CFR § 192), and other relevant utility laws, the Commission's rules, regulations, orders and decisions. SED is also responsible for investigations of utility incidents, including fires, and assisting the Commission in promoting public safety.

C. WCG is a public utility, as defined by the California Public Utilities Code.

II. RECITALS

The facts and circumstances of this matter are included in the Citation, which is attached to this Settlement Agreement as Attachment 1.

III. AGREEMENT

Violation #1: WCG admits that WCG failed to perform annual maintenance of its Housing Capchart Regulation Station in 2010, 2011, and 2012, in violation of Title 49, Code of Federal Regulations (CFR), § 192.739 (a).

WCG has improved the procedures for inspection and testing of pressure limiting and regulating station and updated its Operation and Maintenance (O&M) Plan accordingly.

WCG also conducted the latest annual inspection and testing of its Housing-Capchart Regulator Station as per 49, CFR, § 192.739 (a) on May 7, 2015.

WCG agrees that it shall inspect and test its regulator station at intervals not exceeding 15 months, but at least once each calendar year to ensure that it is in good mechanical condition, properly installed and protected, has adequate capacity and reliability, and all regulators are set to control or relieve at the correct pressures consistent with the pressure limits.

Violation #2: WCG admits that WCG did not administer the required pre-employment drug testing for one of its employees; in violation of Title 49, CFR, § 199.105 (a), and that WCG did not include him in its pool of covered employees for the years 2008 through 2013 for the required drug and alcohol tests, in violation of Title 49, CFR, §§ 199.105 (b) through (f) and 199.225 (a) through (c).

WCG had the employee administer the pre-employment drug testing on 4/25/2014 and the test result was negative.

WCG also included the employee in its pool of covered employees for the required drug and alcohol post-accident, random, testing based on reasonable cause, return-to-duty, and follow-up testing.

Violation #3: WCG admits that WCG had never provided training to its supervisors to educate them on the specific, contemporaneous physical, behavioral, and performance indicators of probable drug use and maintain such records, in violation of Title 49, CFR, §§ 199.113 and 199.117.

WCG admits that WCG had never provided training to its supervisors to educate them on how to recognize the physical, behavioral, speech, and performance indicators of probable alcohol misuse and determine the need to administer alcohol testing for its employees and maintain such records, in violation of Title 49, CFR, §§ 199.241 and 199.227.

WCG supervisors successfully completed necessary trainings on April 14, 2015 and April 16, 2015.

WCG has updated its Drug & Alcohol Plan (DAP) by adding and improving the necessary provisions required by Title 49, CFR, Part 199.

Penalty: As a penalty for the violations identified in the Citation, WGC agrees to pay **\$15,000** to the General Fund of the State of California, within 45 days of a Decision approving this Agreement. This shall be a shareholder-funded fine.

California Public Utilities Code § 2104.5 states:

2104.5. Any penalty for violation of any provision of this act, or of any rule, regulation, general order, or order of the commission, involving safety standards for pipeline facilities or the transportation of gas in the State of California may be compromised by the commission. In determining the amount of such penalty, or the amount agreed upon in compromise, the appropriateness of such penalty to the size of the business of the person charged, the gravity of the violation, and the good faith of the person charged in attempting to achieve compliance, after notification of a violation, shall be considered.

Given the size of WCG's utility business (approximately 1,400 customers), the proposed penalty of \$15,000 is quite significant in its impact. In 2013, WCG's net operating income totaled \$72,913. In 2014, WCG operated at a loss of \$85,524 (zero net income). A fine of \$15,000 constitutes approximately 20 % of the utility's 2013 annual income.

This fine is also appropriate in recognition of WCG's good faith attempts to achieve compliance after notification of violations.

IV. OTHER MATTERS

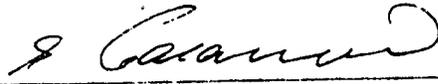
The Settling Parties agree to seek approval of this Agreement and to use their reasonable best efforts to secure Commission approval of it, including written filings, appearances, and other means as may be needed to obtain the necessary approval. The Settling Parties agree to actively and mutually defend this Agreement if its adoption is opposed by any other party in proceedings before the Commission.

This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the Settling Parties hereto have duly executed this Agreement

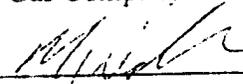
Dated: June 17/2015

Safety and Enforcement Division

By: 

Dated: June 16/2015

West Coast Gas Company

By: 

ATTACHMENT 1

Enclosure 1



Public Utilities Commission
STATE OF CALIFORNIA

Citation Date: January 30, 2015

Citation #: ALJ 274 15-01-005

Operator ID#: 31267

Safety and Enforcement Division Investigation Report 9/4/14

West Coast Gas Company GO 112-E Audit Finding –
Notice of Violation

The Utility did not inspect and test its Regulator Station annually from 2010 through 2013 as required by Title 49, CFR §192.739(a), did not administer drug and alcohol testing of one of its employees as required by Title 49, CFR, §§ 199.105 (a) through (f) and 199.225 (a) through (e), and did not provide Supervisor drug and alcohol training required by Title 49, CFR §§ 199.113(c) & 199.241.

Utility: West Coast Gas Company (WCG)

Utility Operating Unit: West Coast Gas Company

Subject of Report: Audit Finding – The Utility failed to inspect and test a Regulator Station as required from 2010 through 2013. The utility did not have complete drug and alcohol testing records for an employee nor did it include him in WCG's pool of covered employees that is tested and trained for drug and alcohol use. WCG did not provide at least 60-minute training to its supervisors to educate supervisors on the specific, contemporaneous physical, behavioral, and performance indicators of probable drug use as required. Nor did WCG provide at least 60-minute training to its supervisors to educate supervisors on how to recognize the physical, behavioral, speech, and performance indicators of probable alcohol misuse and determine the need to administer alcohol testing for its employees as required from 2008 to 2013.

Audit Title: General Order (GO) 112-E Audit of WCG's Comprehensive Operation, Maintenance, and Emergency Plans, Distribution Integrity Management Program, Operator Qualification Program, Drug Prevention and Alcohol Misuse Program, and Public Awareness Program

Date of Audit: April 29-30 and May 1-2, 2013

SED Investigator: Banu Acimis

Enclosure 1



Public Utilities Commission
STATE OF CALIFORNIA

Citation Date: January 30, 2015

Citation #: ALJ 274 15-01-005

Operator ID#: 31267

Summary:

1. Title 49, CFR, §192.739 (a) Pressure limiting and regulating stations: Inspection and testing (Part 192 Probable Violation # 11 in SED's audit letter)

(a) Each pressure limiting station, relief device (except rupture discs), and pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is -

(1) In good mechanical condition;

(2) Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;

(3) Except as provided in paragraph (b) of this section, set to control or relieve at the correct pressure consistent with the pressure limits of CFR, §192.201(a); and

(4) Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.

The California Public Utilities Commission's (CPUC) Safety and Enforcement Division (SED) audit letter stated the following:

"WCG records showed that it conducted the last pressure limiting and regulator station inspection and testing of its Housing-Capehart Regulation Station on 3/6/09. SED noted that WCG checks and verifies the main line and by-pass line pressures on a monthly basis. However, WCG failed to perform annual maintenance of its Housing-Capehart Regulation Station in 2010, 2011, and 2012; therefore, WCG is in violation of CFR, §192.739 (a).

WCG must inspect and test its regulator station at intervals not exceeding 15 months, but at least once each calendar year to ensure that it is in good mechanical condition, properly installed and protected, has adequate capacity and reliability and also confirm that the regulator and monitor are set to control or relieve at the correct pressures. Please provide records demonstrating that WCG performed these activities in 2013 in its response to SED."

WCG provided the following information as stated below in relation to Part 192 probable violation #11:

"WCG performed required inspections and tests and the records demonstrating that WCG performed these activities in 2013 are attached to this response. Attached is a pdf file: Cape.Reg Station Maint."

Enclosure 1



Public Utilities Commission STATE OF CALIFORNIA

Citation Date: January 30, 2015

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Operator ID#: 31267

SED reviewed WCG audit letter response, Enclosure 3, dated January 15, 2015, and did not find any maintenance records in its response. Then, on March 3, 2014, SED sent another request and stated the following:

"SED found that WCG failed to perform annual maintenance of Housing-Capehart regulation station in 2010, 2011 and 2012. In its response WCG indicated that WCG performed required inspections in 2013 as shown in pdf file:cape Reg Station Maint. attached. However, WCG did not provide any records. Please provide a copy of the regulator station maintenance records performed in 2013. If there are other maintenance records performed after 2009, please provide those records, as well."

In its response on March 24, 2014, WCG attached some records showing that WCG personnel visited the regulator station and noted the downstream pressure of the main flow and by-pass line and the condition of the station every month. However, according to the code section, CFR, §192.739 Pressure limiting and regulating stations: Inspection and testing, operators are required to inspect and test each pressure limiting station, and pressure regulating station and its equipment once each calendar year not exceeding 15 months to determine that it is -

- (1) In good mechanical condition;*
- (2) Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;*
- (3) Except as provided in paragraph (b) of this section, set to control or relieve at the correct pressure consistent with the pressure limits of CFR, §192.201(a); and*
- (4) Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.*

According to the records WCG provided, SED did not find any records demonstrating the WCG conducted annual inspection and testing of Housing-Capehart regulator station worker and monitor for the years 2010, 2011, 2012, and 2013 to ensure that both regulators were set to control at the correct pressure and to ensure that the monitor will function as designed in case the worker regulator fails to control. Therefore, SED has recommended an enforcement action for this violation.

Enclosure 1



Public Utilities Commission STATE OF CALIFORNIA

Citation Date: January 30, 2015

Citation #: ALJ 274 15-01-005

Operator ID#: 31267

2. Title 49, CFR, §199.105 Drug tests required (Part 199 Probable Violation # 3 in SED's audit letter under Drug & Alcohol Testing)

Each operator shall conduct the following drug tests for the presence of a prohibited drug:

- (a) Pre-employment testing.*
- (b) Post-accident testing.*
- (c) Random testing.*
- (d) Testing based on reasonable cause.*
- (e) Return-to-duty testing.*
- (f) Follow-up testing.*

Title 49, CFR, §199.225 Alcohol tests required (also Part 199 Probable Violation # 3 in SED's audit letter under Drug & Alcohol Testing)

Each operator shall conduct the following types of alcohol tests for the presence of alcohol:

- (a) Post-accident.*
- (b) Reasonable suspicion testing.*
- (c) Return-to-duty testing.*
- (d) Follow-up testing.*
- (e) Retesting of covered employees with an alcohol concentration of 0.02 or greater but less than 0.04.*

SED's audit finding stated the following:

"On August 24, 2007, in its response to CPSD's gas safety audit it conducted in 2007, WCG stated the following:

"WCG has hired a part-time individual, who resides near Castle and could be on scene within a few minutes. This individual has years of experience as a facilities maintenance technician at Castle. The sole responsibility of this part-time employee will be to respond to notices of a gas emergency as defined in 192.615 (a) (3). WCG is in the process of training this individual in emergency response procedures and the equipment used to mitigate a gas emergency. This employee will be deployed at Castle no later than October 1, 2007."

SED noted that WCG hired Evan Rahilly to respond to emergencies in WCG gas pipeline system in Castle as a result of CPSD's 2007 audit. However, SED did not find any records demonstrating that WCG administered any of the drug and alcohol tests

Enclosure 1



Public Utilities Commission STATE OF CALIFORNIA

Citation Date: January 30, 2015

Citation #: ALJ 274 15-01-005

Operator ID#: 31267

required by CFR, Part 199 for Mr. Rahilly since the beginning of his employment in 2007. Therefore, WCG is in violation of CFR, §§199.105 and 199.225. WCG must administer all required drug and alcohol testing for Mr. Rahilly and inform SED of the actions taken within 30 days of this letter. WCG must also include Mr. Rahilly to its pool of covered employees that it tests for drug and alcohol and train him as required by CFR, Parts 199 art 40."

WCG also provided the following information as stated below in relation to Part 199 probable violation #3:

"Mr. Rahilly has been included in WCG's DAT Program and he is subject to random testing as well as all other provisions of the DAT Program."

SED staff evaluated WCG's audit letter response dated January 31, 2015 and determined the following:

Mr. Rahilly's 2014 drug testing verification form was sent to SED, however no records exist for the following years 2010, 2011, 2012, & 2013 because Mr. Rahilly was not included in the DAT Program prior to 2014.

In addition, SED has recommended an enforcement action for violation # 3 since WCG did not administer the required pre-employment drug testing for Mr. Rahilly required by Title 49, CFR, §199.105 (a) when he first started to work for WCG in 2008 and WCG did not include Mr. Rahilly to its pool of covered employees for the years 2008 through 2013 for the drug and alcohol tests required by Title 49, CFR, §§ 199.105 (b) through (f) and 199.225 (a) through (e).

3. Title 49, CFR, §199.113 (c) Employee assistance program (Part 199 Probable Violation # 5.2 in SED's audit letter under Drug & Alcohol Testing)

(c) Training under each EAP for supervisory personnel who will determine whether an employee must be drug tested based on reasonable cause must include one 60-minute period of training on the specific, contemporaneous physical, behavioral, and performance indicators of probable drug use.

Title 49, CFR, §199.241 Training for supervisors (Part 199 Probable Violation # 5.4 in SED's audit letter under Drug & Alcohol Testing)

Each operator shall ensure that persons designated to determine whether reasonable suspicion exists to require a covered employee to undergo alcohol testing under §

Enclosure 1



Public Utilities Commission STATE OF CALIFORNIA

Citation Date: January 30, 2015

Citation #: ALJ 274 15-01-005

Operator ID#: 31267

199.225(b) receive at least 60 minutes of training on the physical, behavioral, speech, and performance indicators of probable alcohol misuse.

SED's audit finding stated the following:

"1. WCG's DAT Program does not contain any requirement to provide at least 60-minute training to persons designated to determine whether an employee must be drug tested based on reasonable cause must include one 60-minute period of training on the specific, contemporaneous physical, behavioral, and performance indicators of probable drug use.

WCG has never provided any 60-minute training to its supervisory personnel to determine that its employees must be drug tested based on reasonable cause; therefore, WCG is in violation of CFR, §199.113.

2. WCG's DAT Program does not contain any requirement to provide at least 60-minute training to persons designated to determine whether reasonable suspicion exists to require a covered employee to undergo alcohol testing under CFR, §199.225(b) and receive at least 60 minutes of training on the physical, behavioral, speech, and performance indicators of probable alcohol misuse.

*WCG has never provided any 60-minute training to its supervisory personnel to determine whether reasonable suspicion exists to require a covered employee to undergo alcohol testing; therefore, WCG is in violation of CFR, §199.241.
SED determined that WCG must do the following:*

- 1. WCG must add at least 60-minute supervisor training requirement to its DAT Program to recognize the symptoms of use of prohibited drugs and determine whether reasonable cause exists to require its employees to undergo drug testing,*
- 2. WCG must provide at least 60-minute training to its supervisors to educate supervisors on the specific, contemporaneous physical, behavioral, and performance indicators of probable drug use as required by CFR, §199.113 and keep training records as per CFR, §199.117,*
- 3. WCG must add at least 60-minute supervisor training requirement to its DAT Program to recognize the symptoms of alcohol misuse and how to determine whether suspicious cause exists to require its employees to undergo alcohol testing,*
- 4. WCG must provide at least 60-minute training to its supervisors to educate supervisors on how to recognize the physical, behavioral, speech, and performance indicators of probable alcohol misuse and determine the need to administer alcohol testing for its*

Enclosure 1



Public Utilities Commission STATE OF CALIFORNIA

Citation Date: January 30, 2015

Citation #: ALJ 274 15-01-005

Operator ID#: 31267

employees as required by CFR, §199.241 and keep training records as per CFR, §199.227."

WCG also provided the following information as stated below in relation to Part 199 probable violation #5.2 and #5.4:

V.2 WCG has updated the O&M Manual, Part R DAT Plan to include a 60-minute supervisor training requirement to its supervisors to educate supervisors on the specific, contemporaneous physical, behavioral, and performance indicators of probable drug use as required by CFR, §199.113 and keep training records as per CFR, §199.117.

V.4 WCG has updated the O&M Manual, Part R DAT Plan to include a 60-minute supervisor training requirement to educate supervisors on how to recognize the physical, behavioral, speech, and performance indicators of probable alcohol misuse and determine the need to administer alcohol testing for its employees as required by CFR, §199.241 and keep training records as per CFR, §199.227.

SED staff evaluated WCG's audit letter response dated January 31, 2015 and the WCG O&M Manual, Part R, Drug and Alcohol Plan, dated 4/15/2014 and determined the following:

SED has recommended an enforcement action for these violations since WCG has never provided necessary training for WCG's supervisor required by Title 49, CFR, §§ 199.113(c) and 199.241 until the WCG O&M Manual, Part R, Drug and Alcohol Plan, dated 4/15/2014 was revised after the audit occurred.

Findings:

The staff of the SED, Gas Safety and Reliability Branch (GSRB) conducted a GO 112-E audit of WCG's Comprehensive Operation, Maintenance, Emergency Program, Distribution Integrity Management Program, Operator Qualification Program, Drug Prevention and Alcohol Misuse Program, and Public Awareness Program from April 29-30 and May 1-2, 2013. The audit consisted of a review of WCG's Operation and Maintenance Plan, Emergency Plan, Distribution Integrity Management Program, Operator Qualification Program, Drug Prevention and Alcohol Misuse Program, and Public Awareness Program and related records for their adequacy. Field inspections were performed as a part of this audit as well.

On November 4, 2013, SED staff notified WCG of its audit findings, consisting of 23, Part 192 and five Part 199 violations of the code of federal regulations and one area of concern. Of the total 28 violations, SED determined that WCG's corrective action plans were acceptable for 25, and the violations did not create any hazardous conditions for the public

Enclosure 1



Public Utilities Commission STATE OF CALIFORNIA

Citation Date: January 30, 2015

Citation #: ALJ 274 15-01-005

Operator ID#: 31267

and utility employees. SED may review the implementation of the corrective actions addressing those 25 violations during future inspections. However, Violation #11, Part 192 of the audit letter, which is a violation of Title 49, CFR §192.739(a) and Violation #5.2 & #5.4, Part 199 of the audit letter, which are violations of Title 49, CFR §§199.105(a-f), 199.225(a-e), 199.113(c), and 199.241 are considered to have serious public safety implications.

Recommendations:

It is imperative that WCG operate its gas systems in compliance with GO 112-E and in a manner that promotes and safeguards the health and safety of the public. In order to assure safe and reliable gas service, WCG must do the following:

1. WCG must inspect and test its regulator stations at intervals not exceeding 15 months, but at least once each calendar year to ensure that it is in good mechanical condition, properly installed and protected, has adequate capacity and reliability and also confirm that the regulator and monitor are set to control or relieve at the correct pressures per Title 49, CFR §192.739 (a).
2. WCG must administer the required pre-employment drug testing for all new employees as required by Title 49, CFR §199.105 (a) when first hired to work for WCG and all employees shall be added to their pool of covered employees the drug and alcohol tests required by Title 49, CFR §§ 199.105 (b) through (f) and 199.225 (a) through (e).
3. WCG must provide at least 60-minute training to its supervisors to educate supervisors on the specific, contemporaneous physical, behavioral, and performance indicators of probable drug use as required by Title 49, CFR §§ 199.113(c) and keep training records as per 199.117.
4. WCG must provide at least 60-minute training to its supervisors to educate supervisors on how to recognize the physical, behavioral, speech, and performance indicators of probable alcohol misuse and determine the need to administer alcohol testing for its employees as required by Title 49, CFR §§199.241 and keep training records as per 199.227.