

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,)
regarding **MICHIGAN CONSOLIDATED GAS**)
COMPANY's noncompliance with the Michigan)
Gas Safety Standards.)
_____)

Case No. U-13711

At the March 26, 2003 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Laura Chappelle, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On August 16, 2001, the Commission Staff (Staff) issued Non-Compliance Report (NCR) 01-06KB recommending that Michigan Consolidated Gas Company (Mich Con) be subject to a civil penalty of \$5,000 for certain alleged violations of the Michigan Gas Safety Standards. Mich Con submitted a written response to NCR 01-06KB. Subsequently, the Staff and Mich Con representatives discussed what additional steps were required to resolve the issues related to NCR 01-06KB. Following these discussions, Mich Con and the Staff entered into a settlement agreement resolving all issues regarding NCR 01-06KB.

According to the terms of the settlement agreement, attached as Exhibit A, Mich Con and the Staff consider NCR 01-06KB to be resolved. As part of that agreement, Mich Con agrees to pay \$5,000 as a penalty for the NCR citation.

After reviewing Mich Con's response to NCR 01-06KB and the agreement reached by the parties, the Commission finds that approval of the agreement is appropriate and in the public interest.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1969 PA 165, as amended, MCL 483.151 et seq.; 1909 PA 300, as amended, MCL 462.2 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACS, R 460.17101 et seq.
- b. The settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Non-compliance Report 01-06KB shall be considered resolved.
- C. Michigan Consolidated Gas Company shall, within 10 days of the date of this order, tender by check \$5,000 to the State of Michigan.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ Laura Chappelle
Chairman

(S E A L)

/s/ David A. Svanda
Commissioner

/s/ Robert B. Nelson
Commissioner

By its action of March 26, 2003.

/s/ Dorothy Wideman
Its Executive Secretary

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

By its action of March 26, 2003.

Its Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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|---|-----------------------|
| In the matter of the Commission Staff's) | |
| Incident Investigation involving gas) | Non-Compliance Report |
| Facilities owned by Michigan Consolidated) | 01-06KB |
| <u>Gas Company.</u>) | |

STIPULATION AND SETTLEMENT

On June 16, 2001, a MichCon employee responding to a no-heat call at 4655 Mead in Dearborn performed a meter assembly check and noted that the meter assembly was in good condition. The no-heat call was the result of main replacement where the service line at 4655 Mead was attached to the new main resulting in loss of service.

On June 21, 2001, a Commission Staff Inspector and Commission Staff Engineer conducted a pipeline safety inspection in the same area. During the inspection, the Staff found the service line at 4655 Mead in Dearborn to be in poor condition (uniform corrosion with slight to medium pitting). The Commission Staff prepared the captioned Non-Compliance Report dated August 16, 2001, relative to this incident which alleged that MichCon violated certain provisions of the Michigan Gas Safety Code and recommended that MichCon be subject to a civil penalty of \$5,000.

Michigan Consolidated Gas Company ("MichCon") submitted a written response dated October 16, 2001 to the Non-Compliance Report (Attachment A). Subsequently, Staff and MichCon representatives (the "Parties") discussed what additional steps were appropriate to fully resolve the issues related to the Non-Compliance Report.

As a result of those discussions, the Parties agreed that this Stipulation and Settlement together with MichCon's response to the Non-Compliance Report will resolve these matters. Accordingly, the Parties stipulate and agree as follows:

1. This Stipulation and Settlement is submitted pursuant to Section 78(2) of the Administrative Procedures Act of 1969 ("APA"). MichCon agrees to waive its procedural rights to a hearing under 1969 PA 165 (Act 165), the Commission's rules promulgated under Act 165 and the APA.

2. The Parties agree to waive Section 81 of the MAPA providing this Stipulation and Settlement is approved by the Commission without modification.

3. MichCon shall pay \$5,000 as a penalty for Non-Compliance Report 01-06KB. By agreeing to this penalty, MichCon does not admit or concede any liability regarding the probable violations. The parties agree that MichCon's payment of the penalty constitutes full and final resolution of all matters addressed in Non-Compliance Report 01-06KB.

4. The Parties join in requesting that the Commission expeditiously review and approve this Stipulation and Settlement at a regularly scheduled Commission meeting.

MICHIGAN CONSOLIDATED GAS COMPANY

By: Steven E. Kurmas Dated: Oct 4, 2002

Steven E. Kurmas, P. E.

Its: Senior Vice President, Gas Operations

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

By: William J. Celis Dated: _____, 2002

Its: DIRECTOR, ENERGY OPERATIONS DIVISION

Leif E. Jensen, P.E.
Manager, Codes & Standards



Michigan Consolidated Gas Company
3200 Hobson Street, Detroit, Michigan 48201

313 577-7012
313 577-7116 FAX

October 16, 2001

Mr. Paul Proudfoot
Supervisor, Gas Safety Section
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909-7721

Re: Non-Compliance 01-06 KB

Dear Mr. Proudfoot:

On June 21, 2001, during their pipeline safety inspection, Gas Safety Inspector Roger Lamb and Gas Safety Engineer Kris Brock found the service riser at 4655 Mead in the city of Dearborn to be in poor condition. The non-compliance suggests that even after recent remedial training and multiple opportunities to take corrective action, the employees failed to identify the corroded riser. The description of the non-compliance suggests that the crew was not adequately trained and/or supervised.

MichCon acknowledges and agrees with the finding that the service riser at 4655 Mead was in poor condition and that remedial actions were not taken to correct the situation. In this instance MichCon's employees failed to do what they were trained to do after multiple training sessions by the supervisors and the Corrosion Department in the use of the "Spectrum of Corrosion" job aid. MichCon made corrective action to the service riser at 4655 Mead and also disciplined the employees involved.

In order to improve compliance MichCon will take the following steps:

1. The Corrosion Department will conduct spot checks of completed orders and confirm the recorded condition of service risers. When these checks result with conflicting results, employees and supervisors will be communicated with to emphasize the proper use of the "Spectrum of Corrosion" job aid.
2. The Operational Excellence Program (OEP) Field Checklist for Meter – Regulator Installations has been modified to reference the Spectrum job aid. OEP inspectors will be instructed to focus on this issue for the near future.
3. Create visual display props that mimic the Spectrum job aid to help employees better understand it.
4. MichCon will continue to emphasize the requirement for employees to follow the company O & M standards through repeated training efforts and the use of available disciplinary procedures.

Based on the actions taken, MichCon requests that this non-compliance be resolved. After receiving your response, a settlement agreement will be submitted to process the civil penalty related to the non-compliance.

Sincerely,

A handwritten signature in black ink, appearing to read "Leif E. Jensen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Leif E. Jensen

c. R. Lamb
K. Brock