

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DELTA NATURAL GAS COMPANY, INC.)	
)	
_____)	CASE NO.
)	90-109
)	
ALLEGED FAILURE TO COMPLY WITH)	
COMMISSION REGULATION 807 KAR 5:022)	

O R D E R

On May 8, 1990, Delta Natural Gas Company ("Delta") was directed to appear at a hearing to show cause why it should not be penalized pursuant to KRS 278.992 for its alleged failure to comply with Commission Regulation 807 KAR 5:022, Sections 1(7)(c) and 6(8).

Following this proceeding's commencement, Delta and Commission Staff entered into negotiations to resolve all disputed issues. On January 16, 1991, they executed a settlement agreement which is appended hereto.

In determining whether that Settlement Agreement is in the public interest and is reasonable, the Commission has considered the circumstances surrounding the November 17, 1989 incident, Delta's past efforts to comply with the Commission's gas pipeline safety regulations and to promote pipeline safety within the natural gas industry, and its willingness to further enhance its internal safety programs and procedures.

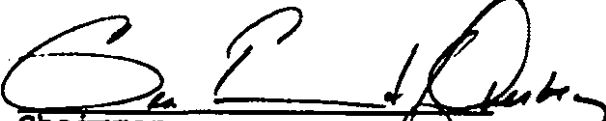
After review of the Settlement Agreement and being otherwise sufficiently advised, the Commission finds that the Settlement Agreement is in accordance with the law, does not violate any regulatory principle, results in a reasonable resolution of this case, and is in the public interest.


IT IS THEREFORE ORDERED that:

1. The Settlement Agreement, appended hereto, is incorporated into this Order as if fully set forth herein.
2. The terms and conditions set forth in the Settlement Agreement are adopted and approved.
3. Delta shall pay the agreed penalty within 10 days of the date of this Order by certified check or money order made payable to Treasurer, Commonwealth of Kentucky. Said check or money order shall be mailed or delivered to the Office of General Counsel, Public Service Commission, 730 Schenkel Lane, P. O. Box 615, Frankfort, Kentucky 40602.

Done at Frankfort, Kentucky, this 4th day of February, 1991.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner

FILED

COMMONWEALTH OF KENTUCKY

JAN 16 1991

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SETTLEMENT AGREEMENT

THIS AGREEMENT is made and entered into this 15th day of January, 1991, by and between the STAFF OF THE PUBLIC SERVICE COMMISSION OF THE COMMONWEALTH OF KENTUCKY and DELTA NATURAL GAS COMPANY, INC.

W I T N E S S E T H :

THAT, WHEREAS, the Commission Staff issued an incident report dated January 22, 1990 (the "Incident Report") describing an incident on November 17, 1989 in which natural gas leaked and then ignited while Delta Natural Gas Company, Inc. ("Delta") employees were attempting to install a repair clamp on a four inch plastic natural gas pipeline in London, Kentucky; and

WHEREAS, the Commission Staff made the following findings which were set forth at page 4 of the Incident Report:

1. Delta failed to follow Section No. O-6.1(1)(d) of its Operating and Maintenance (O&M) Plan by using unqualified workers to join plastic pipe on its system - a violation of Commission Regulation 807 KAR 5:022, Section 1(7)(c).
2. Delta failed to use qualified personnel to join the section of plastic pipe that failed - a violation of Commission Regulation 807 KAR 5:022, Section 6(8)(a)1 and 2.

3. Delta failed to follow Section No. O-6.1(6)(c) of its O&M Plan by not grounding the pipe and tools - a violation of Commission Regulation 807 KAR 5:022, Section 1(7)(c); and

WHEREAS, on May 8, 1990, the Public Service Commission ordered Delta to show cause why it should not be subject to the penalties of KRS 278.992 for its alleged violations of Commission Regulation 807 KAR 5:022, §§ 1(7)(c) and 6(8); and

WHEREAS, Delta and the Commission Staff have agreed to the following factual matters:

1. Delta has contracted with Stanley Pipeline Company ("Stanley Pipeline") to install and repair its gas pipelines. Under the terms of this contract, Delta employees inspect all work performed by Stanley Pipeline.

2. For no more than 21 days between October 10 and November 17, 1989 two employees of Stanley Pipeline who were not qualified to join plastic pipe in fact joined plastic pipe in London, Kentucky, including the pipe involved in the November 17, 1989 incident. Throughout this period Delta inspectors inspected the work of these employees.

3. When Delta employees attempted to repair the natural gas leak on November 17, 1989, they failed to comply with Delta Standard Practice No. O-6.1(6)(c) which requires proper grounding of all tools and equipment used in the repair, replacement or extension of plastic pipeline. While the repair was in process, the natural gas ignited causing the Delta employees to be burned. At the time of the incident, these employees were acting in the scope of their employment.

4. Following the November 17, 1989 incident, Delta took several measures to ensure the quality and reliability of Stanley Pipeline's previous work. It performed a leak survey on all pipeline which the two Stanley Pipeline employees described above had joined and also dug up and inspected portions of the pipelines joined by those employees described above.

5. Since the fire, Delta has taken the following steps to prevent this situation from recurring: Meetings have been held with all supervisory employees to review proper procedures regarding static control and to reemphasize adherence to them. All Delta vehicles and work locations have been inventoried. Over \$15,000 has been expended for the purchase of additional materials and equipment for static protection, for example, static bottles, grounding tools, squeeze off tools and clamps.

6. Delta has disciplined those Delta employees involved in the November 17, 1989 incident. All received written reprimands. One employee was demoted and assigned to a different work location. Two employees were denied scheduled pay increases. Two other employees' scheduled pay increases were reduced.

7. Delta has acted in good faith in achieving compliance with the foregoing Commission Regulations after having been notified of the alleged violations; and

WHEREAS, Delta and the Commission Staff desire to settle the issues raised by this proceeding.

NOW, THEREFORE, Delta and the Commission Staff agree as follows:

1. Delta shall take the following actions:
 - a. Continue the development of an in-house fusion training program and, as needed, conduct additional training and testing;
 - b. Review at least annually the qualification records of all employees of Delta and its contractors;
 - c. Maintain the qualification of all employees and contract employees who might be involved in the fusion of plastic pipeline;
 - d. Emphasize and re-emphasize to its inspectors the importance of their responsibility to check the qualifications of fusion welders; and

e. Amend within 60 days of entry of an order approving this Settlement Agreement its O&M Plan to provide for procedures for Delta representatives to check at the work site during the installation and repair of gas pipelines the qualifications of its fusion welders.

2. Delta shall, within ten (10) days after the entry of an order approving this Settlement Agreement, pay to the Public Service Commission the sum of Seven Thousand Five Hundred (\$7,500) Dollars.

3. This Settlement Agreement is subject to the approval of the Public Service Commission.

4. This Settlement Agreement constitutes full satisfaction of any penalties against Delta arising out of this proceeding. Commission Staff will forthwith recommend to the Public Service Commission that this Settlement Agreement be approved and that this proceeding be closed and removed from the Public Service Commission's docket.

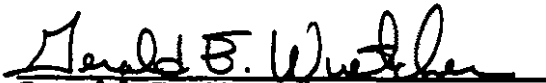
5. If the Public Service Commission fails to accept and approve the Settlement Agreement in its entirety, this proceeding shall go forward and neither the terms of this Settlement Agreement nor any matters raised during the settlement negotiations shall be binding on any signatory.

6. If the Public Service Commission accepts and adopts this Settlement Agreement in its entirety and enters an Order in this proceeding to that effect, Delta shall not apply for rehearing in this proceeding nor bring an action for review of that Order in Franklin Circuit Court.

IN WITNESS WHEREOF, Delta and the Commission Staff have executed this Settlement Agreement the day and year first above written by and through their duly authorized attorneys.



Robert M. Watt, III
Robert M. Watt, III
Counsel for Delta Natural Gas
Company, Inc.



Gerald E. Wuetcher
Gerald E. Wuetcher
Counsel for Public Service
Commission of Kentucky