

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

STURGIS NATURAL GAS SYSTEM)	
_____)	CASE NO. 2001-00371
)	
ALLEGED VIOLATIONS OF)	
ADMINISTRATIVE REGULATION)	
807 KAR 5:022 and 49 CFR 189-199)	

O R D E R

Sturgis Natural Gas System (Sturgis Gas) is a municipally owned natural gas distribution system, which serves approximately 900 customers in Union County, Kentucky. Sturgis Gas is subject to the safety jurisdiction of the Commission, pursuant to KRS 278.040 and KRS 278.495. Sturgis Gas is also subject to Commission jurisdiction under the authority of and in compliance with federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, the regulations of 49 CFR 189-199, and the penalty provisions of KRS 278.992(1).

On November 26, 2001, the Commission issued a show cause Order to Sturgis Gas for alleged violations of 49 U.S.C. § 60101, and for assessment of a penalty for those violations pursuant to KRS 278.992.

As requested by Sturgis Gas, a telephonic informal conference with Commission Staff was held on January 7, 2002. During the informal conference, Commission Staff and the representatives of Sturgis Gas entered into negotiations to resolve all outstanding issues in this proceeding. The Settlement Agreement that resulted from the negotiations between Commission Staff and Sturgis Gas has been executed and is appended hereto.

In reviewing this Settlement Agreement, the Commission has considered, *inter alia*, the circumstances surrounding the violations contained in the Comprehensive Inspection Report dated November 1, 2001, the cooperation of the city officials of Sturgis, the willingness of Sturgis Gas to promptly comply with the pipeline safety regulations, and the amount of penalty agreed upon in compromise. 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. Sturgis Gas has waived a hearing and therefore no formal hearing shall be held in this case.
2. The Settlement Agreement, appended hereto, is incorporated into this Order as if fully set forth herein.
3. The terms, conditions, civil penalty, and suspension of a portion thereof, as set forth in the Settlement Agreement, are adopted and approved.
4. Upon the payment of the assessed penalty as set out in Paragraph 3(c) of the Settlement Agreement, this case shall be removed from the Commission's docket.

Done at Frankfort, Kentucky, this 21st day of February, 2002.

By the Commission

ATTEST:


Executive Director

APPENDIX TO AN ORDER OF THE
KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 2001-00371
DATED February 21, 2002

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

STURGIS NATURAL GAS SYSTEM)	
_____)	CASE NO. 2001-00371
)	
ALLEGED VIOLATIONS OF)	
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807 KAR 5:022 AND 49 CFR 189-199)	

SETTLEMENT AGREEMENT

THIS AGREEMENT is made and entered into this 31st day of January, 2002, by and between the STAFF OF THE PUBLIC SERVICE COMMISSION OF KENTUCKY ("Commission Staff") and STURGIS NATURAL GAS SYSTEM (Sturgis Gas).

W I T N E S S E T H :

WHEREAS, Sturgis Gas is a municipally owned natural gas distribution system, serving Sturgis and Sullivan in Union County, Kentucky. Sturgis Gas serves approximately 900 residential and commercial customers; and

WHEREAS, Sturgis Gas is subject to the safety jurisdiction of the Commission, pursuant to KRS 278.495(2). Sturgis Gas is also subject to Commission jurisdiction under the authority of and in compliance with federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, and the regulations of 49 CFR 189-199 and KRS 278.992; and

WHEREAS, on November 26, 2001, the Public Service Commission issued an Order establishing this case and directing Sturgis Gas to show cause why it should not be

subject to the penalties of KRS 278.992 relating to a Comprehensive Inspection Report dated November 1, 2001; and

WHEREAS, on December 17, 2001, Sturgis Gas filed its response to the Commission's Order and requested an informal conference with Commission Staff; and

WHEREAS, Sturgis Gas has cooperated with Commission Staff in correcting the violations; and

WHEREAS, Sturgis Gas and Commission Staff held an informal conference by telephone on January 7, 2002; and

WHEREAS, Sturgis Gas and Commission Staff desire to settle the issues raised in this proceeding and have entered into this Settlement Agreement through compromise.

NOW, THEREFORE, Sturgis Gas and Commission Staff agree that:

1. Sturgis Gas waives a formal hearing in this case.
2. Sturgis Gas acknowledges that it is in violation of the regulations as set out in the Comprehensive Inspection Report of November 1, 2001, and as contained in the Commission's Order of November 26, 2001.
3. Sturgis Gas shall be assessed a civil penalty of \$15,000 for the violations described in the Order of November 26, 2001. However, \$12,500 of that penalty is suspended for a period of two years upon the following conditions:
 - a. Sturgis Gas shall have all violations corrected and an Operations and Maintenance Plan in effect by September 1, 2002.
 - b. Sturgis Gas shall commit no further violations of gas pipeline regulations.
 - c. Within 10 days after the entry of an Order approving this Settlement

Agreement, Sturgis Gas shall pay to the Commonwealth of Kentucky the sum \$2,500. This payment shall be in the form of a cashier s check made payable to the Kentucky State Treasurer, and shall be mailed or delivered to the Office of General Counsel, Public Service Commission of Kentucky, 211 Sower Boulevard, Post Office Box 615, Frankfort, Kentucky 40602.

4. This Agreement is subject to the acceptance of and approval by the Public Service Commission.

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

6. Commission Staff shall recommend to the Public Service Commission that this Settlement Agreement be accepted and approved.

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

STAFF OF THE PUBLIC SERVICE
COMMISSION OF KENTUCKY

BY: James R. Goff
Staff Attorney

STURGIS NATURAL GAS SYSTEM

BY: Earl Daniel Quirey
TITLE: MAYOR