

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

PEOPLE'S GAS, INC. AND RANDALL A.)
HAYES, INDIVIDUALLY AND AS AN)
OFFICER OF THE UTILITY)
_____) CASE NO. 2003-00491
)
ALLEGED VIOLATIONS OF KRS 278.992(1))

O R D E R

On January 21, 2004, an Order was issued to People's Gas, Inc. ("People's Gas") and Randall A. Hayes, as President of People's Gas, to show cause why each of them should not be assessed penalties pursuant to KRS 278.990 and KRS 278.992 for violations of federal pipeline safety laws and 807 KAR 5:022, Section 8(5).

People's Gas, Randall A. Hayes, and Commission Staff entered into negotiations to resolve all outstanding issues in this proceeding. A Settlement Agreement, dated March 22, 2004, appended hereto as Appendix A, was entered into between People's Gas, Randall A. Hayes, and Commission Staff. In reviewing this Settlement Agreement, the Commission has considered, inter alia, the circumstances surrounding the violations, the efforts of People's Gas and Randall A. Hayes to comply with the Commission's safety regulations, their willingness to improve and enhance existing safety programs and operations, and the steps that have been undertaken to improve the utility's natural gas pipeline system. People's Gas and Randall A. Hayes presented for Staff review documents in binder form that contained the People's Gas Operator

Qualification Plan, Anti-Drug and Alcohol Plan, Damage Prevention Plan, and continuing educational programs. People's Gas has covered the exposed pipe and will schedule a re-inspection of the area by Staff. People's Gas has agreed to correct the corrosion control problem for the steel section of the system by replacing all steel pipe upon a stated schedule, and has waived a formal hearing of all matters raised herein.

The Commission finds that considering People's Gas's limited operating revenue and customer base (117 total customers with total annual revenues of \$100,210 and net loss of \$10,923, according to the 2002 Annual Report), the Settlement Agreement dated March 22, 2004 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 dated March 22, 2004 is incorporated into this Order as if fully set forth herein.
2. Randall A. Hayes is dismissed as a party herein.
3. The terms and conditions set forth in the Settlement Agreement are adopted and approved.
4. People's Gas is assessed a civil penalty of \$10,000, of which \$7,500 shall be suspended for a period of 1 year. The receipt of \$2,500 payable upon the penalty is acknowledged.
5. A violation that repeats any of those violations enumerated in the Settlement Agreement shall constitute a breach of the terms of the penalty suspension and render the suspended penalty due and payable.

Done at Frankfort, Kentucky, this 27th day of May, 2004.

By the Commission

(See document 200300491_05272004apx.pdf for appendix to this order.)

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end, positioned above a solid horizontal line.

Executive Director