

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

\* \* \* \* \*

In the matter, on the Commission's own motion,	)	
regarding <b>MICHIGAN CONSOLIDATED GAS</b>	)	
<b>COMPANY's</b> noncompliance with the Michigan	)	Case No. U-13706
Gas Safety Standards.	)	
_____	)	

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 June 4, 2002, the Commission Staff (Staff) issued Non-Compliance Report (NCR) 01-28DC recommending that Michigan Consolidated Gas Company (Mich Con) be subject to a civil penalty of \$36,000 for certain alleged violations of the Michigan Gas Safety Standards. On August 20, 2002, the Staff issued NCR 02-11DC recommending that Mich Con be subject to a civil penalty of \$5,000 for additional alleged violations. Mich Con submitted a written response to NCR 01-28DC and met with the Staff on several occasions to discuss NCR 02-11DC and NCR 01-28DC. The Staff and Mich Con representatives discussed what additional steps were required to correct the violations. Following these discussions, Mich Con and the Staff entered into a settlement agreement resolving all issues regarding the two NCRs.

According to the terms of the settlement agreement, attached as Exhibit A, Mich Con and the Staff consider NCR 02-11DC and NCR 01-28DC to be resolved. As part of that agreement, Mich Con agrees to pay \$41,000 as a penalty for both NCR citations.

After reviewing Mich Con's response to NCR 02-11DC and NCR 01-28DC 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 Reports 02-11DC and 01-28DC shall be considered resolved.

C. Michigan Consolidated Gas Company shall, within 10 days of the date of this order, tender by check \$41,000 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

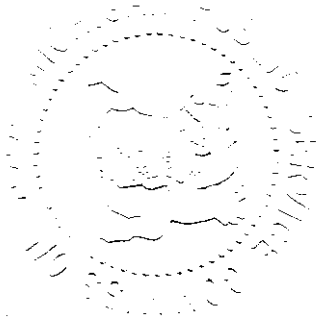
/s/ Robert B. Nelson  
Commissioner

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



Laura Chappelle  
Chairman

D. A. Sk  
Commissioner

Robert B. Nelson  
Commissioner

By its action of March 26, 2003.

Slideman  
Its Executive Secretary

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Commission Staffs )	
Incident Investigation involving gas )	
Facilities owned by Michigan Consolidated )	Non-Compliance Report
<u>Gas Company.</u> )	01-28DC, and 02-1 1DC

STIPULATION AND SETTLEMENT

The Commission Staff conducted various pipeline inspections during the course of 1999, 2000, and 2001. As a result of these inspections, Staff issued Non-Compliance Reports 02-1 1DC, dated August 20, 2002 and 01-28DC dated June 4, 2002, both of which allege violations of Michigan Gas Safety Standards related to the procedures used when creating and inspecting plastic pipe fusions. In these reports, Staff recommended that MichCon be subject to a civil penalty of \$36,000 related to Non-Compliance 01-28DC and a civil penalty of \$5,000 related to Non-Compliance 02-1 1DC.

Michigan Consolidated Gas Company ("MichCon") submitted a written response to Non-Compliance Report 01-28DC and met with Staff concerning Non-Compliance Report 02-1 1DC. Staff and MichCon representatives (the "Parties") discussed what steps were appropriate to fully resolve the issues related to the two Non-Compliance Reports.

As a result of those discussions, the Parties agreed that this Stipulation and Settlement 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 Michigan Administrative Procedures Act of 1969 ("MAPA"). 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 MAPA.

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 agrees to take the following actions and pay the penalties contained in Paragraph 4 to settle all matters relating to the pending probable violations described in Non-Compliance Reports 01-28DC and 02-1 1DC:

- Continue to expose joints made by the contractor's fuser in 1999, 2000 and 2001 and will replace visually unacceptable fuses.
- Enhance the pipe fusing qualification process by:
  1. Providing consistent training to both MichCon and contractor employees.
  2. Reducing the size of the class providing a better learning environment.
  3. Thoroughly reviewing past fuse failures.
  4. Requiring fusers to identify failed fuses and corresponding causes.
- Insist that the contractor improve the quality of field leadership to prevent reoccurrence of fusion problems.
- Emphasize visual inspection techniques by providing clear pictures of good and bad joints and describing the distinct features to help fusers understand the concepts.
- Work with the contractor to implement a policy to not only conduct visual examination of fuses by the qualified fuser but also another trained person in order to have two people agree on the integrity of the fuses.
- Monitor contractor's work by selecting that one joint per week be cut out and sent for destructive testing.
- Continue the program to audit the contractors work to ensure consistent application of procedures.
- Codes and Standards and Lab Services will be notified of failed fuses to determine the need for further investigation and the necessity for exposing any additional fuses, Codes & Standards will maintain data related to failed fuses.

4. MichCon shall pay \$36,000 as a penalty for Non-Compliance Report 01-28DC and \$5,000 as a penalty for Non-Compliance Report 02-1 IDC. By agreeing to these penalties, MichCon does not admit or concede any liability regarding the probable violations. The parties agree that MichCon's payment of these penalties is intended to constitute full and final resolution of all matters addressed in Non-Compliance Reports 01-28DC and 02-1 IDC.

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

MICHIGAN CONSOLIDATED GAS COMPANY

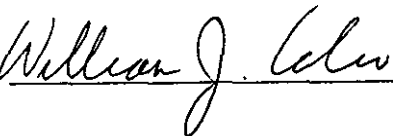
By: 

Dated: Oct 4, 2002

Steven E. Kurmas, P. E.

Its: Senior Vice President, Gas Operations

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

By: 

Dated: 1/17/03, 2002

Its: DIRECTOR, ENERGY OPERATIONS DIVISION

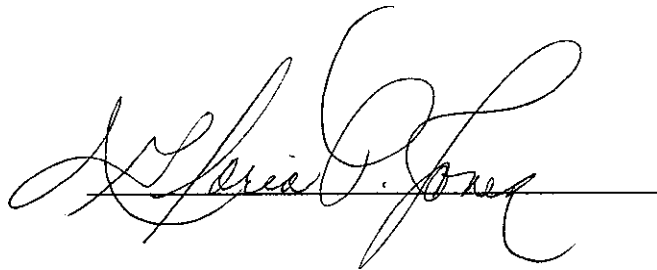
# PROOF OF SERVICE

STATE OF MICHIGAN )


Case No. U-13706

County of Ingham )

Gloria P. Jones being duly sworn, deposes and says that on March **28, 2003**, A.D. she served a copy of the attached Commission Order by mailing copies thereof by first class mail, postage prepaid, or by inter-departmental mail, to the persons as shown on the attached service list.

A handwritten signature in cursive script, appearing to read "Gloria P. Jones", written over a horizontal line.

Subscribed and sworn to before me  
this **28<sup>th</sup>** day of March 2003

A handwritten signature in cursive script, appearing to read "Sharon Allen", written over a horizontal line.

Notary Public, Ingham, County, Michigan  
My Commission expires August **16, 2004**



**Delmer** Porter, President  
**Aurora** Gas Company  
7038 Black River Road  
**Onaway**, MI 49785

U-13706

Wayne Schafer, **Pres. & CEO**  
Citizens Gas Fuel Company  
127 North Main Street  
Adrian, MI 49221-0040

U-13706

Carl L. English, **Pres. & CEO** - Natural  
Gas  
Consumers Energy Company  
212 West Michigan Avenue  
Jackson, MI 49201

U-13706

Stephen E. Ewing, **Pres. & CEO**  
Michigan Consolidated Gas Company  
**2000 Second Avenue**  
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Chuck F. Hauska, General Manager  
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899 S. Telegraph Road  
Monroe, MI 48181

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Peninsular Gas Company  
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Omaha, NE 68127

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Steven M. **Jurek**, Vice President  
Peoples' Natural Gas Company  
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Brian Burns, President **& CEO**  
**Presque** Isle Electric **& Gas** Coop., Inc.  
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**Onaway**, MI 49785

U-13706

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SEMCO Energy Gas Company  
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Port Huron, MI **48061-5026**

U-13706

Matthew J. Coffey, President  
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14428 Wuoski  
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U-13706

Larry L. **Weyers**, Chairman & CEO  
Wisconsin Public Service Corp.  
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U-13706

**Jerome** L. Larsen, President **& CEO**  
**Xcel** Energy  
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Eau Claire, WI 54702-0008

U-13706

ALL GAS ORDERS

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DATE: 02/18/2003

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