

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

The Staff of the Missouri Public Service Commission,)	
)	
Complainant,)	
)	
vs.)	<u>Case No. GC-2014-0216</u>
)	
Laclede Gas Company, doing business as Missouri Gas Energy,)	
)	
and)	
)	
Southern Union Company, formerly doing business as Missouri Gas Energy)	
)	
Respondents.)	

STIPULATION AND AGREEMENT

COME NOW the Staff of the Missouri Public Service Commission (“Staff”), Laclede Gas Company, doing business as Missouri Gas Energy (“MGE”), Panhandle Eastern Pipe Line Company, LP, successor in interest to Southern Union Company (“SUG/Panhandle”), collectively referred to herein as the “Parties,” and submit this Stipulation and Agreement (“Agreement”) for approval by the Commission.

BACKGROUND

1. On February 19, 2013, an explosion and subsequent fire damaged JJ’s Restaurant, located in Kansas City, Missouri, and resulted in the death of one person, destroyed the restaurant and some of its contents, damaged nearby buildings and injured other people. At the time of this incident MGE was owned and operated by Southern Union Company. In September 2013, subsequent to the incident, Laclede

Gas Company became the owner and operator of MGE. On February 6, 2014, the Staff filed a two-count complaint against both MGE and Southern Union Company (the "Complaint"). In Count I of the Complaint, Staff contended that the Respondents violated certain of the Commission's Gas Safety Rules with respect to the events of February 19. Staff continues to believe that rule violations occurred, and Respondents continue to deny that rule violations occurred. This Agreement does not make a factual determination as to this dispute, but in light of the following provisions the Parties agree that Count I should be dismissed, with prejudice.

2. Count II consisted of several recommendations that Staff has requested the Commission order MGE to implement. Beginning in June 2014, the Parties have met and discussed the allegations in the Complaint and the Staff's recommendations. The following agreements address Count II of Staff's Complaint.

3. As a result of these discussions, the Parties have entered into the Agreement to resolve Count I and Count II of Staff's Complaint and hereby present the Agreement for the Commission's approval. The Parties believe that the Agreement addresses the matters raised in the Complaint in a manner that advances public safety for Missouri citizens in the future.

RESOLUTION OF ISSUES

4. Listed below are each of Staff's recommendations, and the resolutions to which the Parties have agreed.

- 1. Staff recommends that MGE review and revise as necessary its procedures to make certain fire department, police department or any other entities with authority to evacuate individuals from buildings remain on the scene or are present during an emergency situation which may require evacuation of buildings. In addition, Staff recommends that MGE review and revise as necessary its liaison program with the KCFD for identifying**

the various situations that may constitute a hazardous situation involving natural gas, the various actions that should be taken before MGE personnel arrive when a hazardous situation is identified and when KCFD assistance may be needed.

Resolution:

MGE LIAISON PROGRAM. MGE works with fire and police departments in its service area in the following manner:

- MGE annually distributes to every fire and police department in its service territory MGE's Natural Gas Hazards and the First Responder handbook, attached here as Appendix A and incorporated by reference. The handbook outlines the general procedures for emergency responders during a natural gas emergency.
- MGE offers to fire departments special natural gas training free of charge and at the emergency responder's convenience, including evenings and weekends if necessary.
- In response to Staff's recommendation, MGE has added Section 3.1.7 to its Emergency Plan regarding notifications to Police and Fire Departments. This section now provides that once Fire and Police Departments are on site, MGE personnel will request that they stay on site until the area is made safe. MGE has also expanded Section 4.1.3.2 of the Emergency Plan to provide more detail for coordinating with emergency responders in situations in which gas readings inside a structure equal or exceed 1% gas-in-air. MGE's updated Emergency Plan is attached here as Appendix B and incorporated by reference.

KCFD.

- The KCFD issued a new General Operating Guideline in 2013, applicable to all fire department personnel, establishing special KCFD procedures for responding to and mitigating a variety of natural gas emergency situations. A copy of this new General Operating Guideline is attached here as Appendix C and incorporated by reference. It adopts many of the terms contained in MGE's handbook, including the evacuation of a building at levels even lower than where MGE calls for evacuation. In addition, the new guideline states that, at the site of a gas leak, the KCFD's Incident Command "shall have effective communication with the gas utility to stay informed of any safety issues. Fire Department personnel in coordination with the gas utility will provide for life safety until the emergency situation is mitigated."

- The KCFD now dispatches a special HAZMAT team and a battalion commander to the scene of each natural gas emergency involving a damaged MGE gas line.

ALL FIRE DEPARTMENTS

MGE believes that it has a good natural gas emergency training program, but also recognizes that not enough fire departments take advantage of MGE's offer of free training. MGE and Staff agree as follows:

- (a) MGE will review its training program for fire departments on a regular basis, update as necessary, and submit any such update for Staff's review;

(b) MGE will work to enhance its current outreach program in order to attract more fire departments to its training program or to make its training program an integral part of existing fire department training programs. MGE will provide Staff regular updates on any such developments regarding its fire department training program.

(c) Within 60 days after Commission approval of this Agreement, representatives of MGE, Laclede Gas, and Staff, as well as any other interested parties that desire to participate, will begin meeting to develop a statewide policy and apparatus for communication and coordination between gas utilities, fire departments and other emergency responders. The purpose of such a group would be to enhance the effectiveness of efforts to respond to instances where a gas leak has occurred as well as the effectiveness of efforts to prevent third party damage to gas facilities. It is understood that the statewide policy may affect or supersede the obligations in (a) and (b) above. A combination of representatives of MANGO, Pipeline Association of Missouri, the PSC Gas Safety Staff, state and local fire departments and associations, other emergency responders, Missouri One-Call and the Missouri Common Ground Alliance are all potential members of such a statewide group.

- 2. Staff recommends that MGE review and revise as necessary its procedures and employee training to ensure that when situations occur, such as when a gas-in-air reading above 1% is obtained in a structure, MGE personnel clearly, quickly, and forcefully communicate to building occupants the eminent danger of the situation and the urgency to immediately evacuate, regardless of the presence of fire, police or other public officials with authority to evacuate buildings. If these situations are encountered and fire, police or other public officials are not at the scene, they should be contacted immediately to respond and assist with evacuations and other**

emergency actions. MGE should not wait for them to arrive before beginning the evacuation.

Resolution:

MGE is voluntarily taking the following measures to further enhance the effectiveness of evacuation efforts:

(a) MGE has expanded Section 4.1.3.2 of its Emergency Plan (Appendix B) to provide more detailed direction for employees to warn and instruct building occupants in situations in which gas readings inside that building equal or exceed 1% gas-in-air. MGE has also developed and provided a checklist of “action items” to field personnel for quick reference during emergency response.

(b) As part of its outreach and statewide communication and coordination efforts described in 1(b) and 1(c) above, MGE and Laclede Gas will work with fire departments throughout their respective territories to encourage the adoption of General Operating Guidelines similar to those recently adopted by the KCFD. MGE believes that these guidelines should, at a minimum, seek to have fire department personnel who are responding to a gas leak exercise and enforce control over the site, including any restricted zones that may be established, and play a major role in the evacuation of people located in buildings at or adjacent to the site. If fire department personnel do not take such initiative at the site of a gas leak, MGE personnel will take the initiative to enforce control over the site, including establishing any restricted zones, and conducting evacuations consistent with the Emergency Plan, to the extent MGE personnel have the legal authority to do so.

(c) MGE and Laclede will also explore the potential use of technology for facilitating evacuations.

3. **Staff recommends that MGE designate a person or persons that will be responsible when at the scene of an event where hazardous situations are identified, that are responsible for making certain that all procedures contained in MGE's Emergency Plan are followed and executed properly and adequately. This person or persons should ensure, coordinate and evaluate what actions have been taken and what actions need to be taken. Such actions can include, but are not limited to, leak surveys, leak investigations, evacuations, response to odor calls, conversations with individuals, closing valves, shutting off gas, making repairs/ replacements to MGE facilities and removing lids to manholes, valves, etc. to allow natural gas to vent to the atmosphere.**

Resolution:

(a) MGE updated its Emergency Plan Section 3.1.3 (Appendix B) to require the first responding employee at the scene of an emergency to be responsible for coordinating the efforts of all Company personnel responding to the situation and have authority for all decisions in handling the emergency, until relieved by a higher ranking Field Operations employee. As part of its outreach and statewide communication and coordination efforts described in 1(b) and 1(c) above, MGE and Laclede Gas will work with fire departments throughout their respective territories to encourage the adoption of operating guidelines similar to those recently adopted by the KCFD.

(b) In addition, as part of an effort to bring greater consistency between the operating procedures of the newly-acquired MGE operating unit and the Laclede Gas operating unit, MGE and Laclede Gas have implemented a standard procedure for both operating units that they believe appropriately satisfies Staff's recommendation. With respect to MGE, this procedure involved

revisions to Sections 3.1.3 and 3.1.4 of its Emergency Plan (Appendix B) to memorialize its current practices regarding notification and coordination of personnel in emergency situations.

- 4. Staff recommends that MGE include provisions in its emergency response procedures that, where possible, require emergency response efforts to be conducted at a safe distance from a potentially hazardous site. Staff recommends MGE's procedures identify parameters for determining when a "safe zone" should be established during hazardous situations, such as gas-in-air readings above 1% detected in structures or significant concentrations of natural gas detected in sewers. The provisions should include the dangers of working in close proximity to potentially hazardous locations when sources of ignition have not been eliminated. Procedures and training should be explicit enough, and should detail a sequence of actions to be taken, that would allow field personnel to take the actions necessary to promptly avert safety hazards and to protect life and property. The boundaries of the "safe zone" should allow MGE personnel and emergency personnel to work at a safe distance from the hazard. In addition, MGE should consider eliminating sources of ignition, such as electric and gas service, in the "safe zone." All individuals, including MGE personnel, must stay out of the "safe zone" until identified hazards to property and life have been mitigated. The circumstances of this incident should be incorporated into the training process.**

Resolution:

As part of an effort to bring greater consistency between the operating procedures of the newly-acquired MGE operating unit and the Laclede Gas operating unit, MGE and Laclede Gas have revised the Emergency Plans for both operating units as necessary to satisfy Staff's recommendation. With respect to MGE, this procedure is memorialized in Section 4.1.3.2 of its Emergency Plan (Appendix B), pertaining to restricted zones.

- 5. Staff recommends that MGE review and revise as necessary its procedures and employee training for responding to and taking appropriate actions for natural gas leaks that are considered as emergency gas leaks, identifying the various actions that should be taken when a hazardous situation is identified. Specifically, MGE procedures and employee training should include instruction on prompt and thorough leak investigations for early**

recognition of the existing hazards, including the magnitude and extent of migration of escaping natural gas and on appropriate actions contained in the Emergency Plan to protect life and property. The circumstances of this incident should be incorporated into this training process.

Resolution:

While MGE believes that its current procedures and employee training programs provide instruction to its personnel regarding response to emergency gas leaks, leak investigations and the recognition of hazards, including the potential for migration of escaping natural gas, MGE has incorporated the circumstances of this incident into the training of all of its emergency response personnel. In addition, as part of an effort to bring greater consistency between the operating procedures of the newly-acquired MGE operating unit and the Laclede Gas operating unit, MGE and Laclede Gas have implemented consistent Emergency Plan standards for both operating units that they believe appropriately satisfies Staff's recommendation. MGE and Laclede Gas shall make available to the Gas Safety Staff copies of the final training materials used in connection with such revised operating procedures and shall provide copies thereafter of any material changes made in such training materials

- 6. Staff recommends that MGE review and revise its procedures as necessary to determine if/when MGE personnel should perform construction inspections when MGE is aware contractors are using the horizontal directional drilling method near MGE's underground facilities in areas with pavement contiguous to buildings. MGE may want to consider expanding the definition of areas designated as "High Profile Areas."**

Resolution:

MGE has established a procedure for construction inspections with respect to excavation activities in the vicinity of certain types of MGE facilities,

primarily defined by type, size, and pressure of the MGE facilities involved. It is practical and feasible for MGE to implement this procedure because it has information about the nature of its facilities in the area of a proposed excavation.

In addition, as a pilot program, MGE has previously established two “High Profile Areas” with defined boundaries (regardless of the type, size, or pressure of the MGE facilities in these two areas), concerning construction inspections with respect to certain types of excavation activities in the vicinity of all MGE facilities. Again, it is practical and feasible for MGE to implement this procedure because the boundaries of the “High Profile Areas” are known and defined. MGE will consider whether to change the boundary areas of the current “High Profile Areas,” based on additional data it accumulates and reviews. Within six months of the Commission’s approval of this Stipulation and Agreement, MGE shall submit to Staff a Status Report addressing the results of its analysis and any changes made to the scope or term of the program based on such analysis. If MGE or Staff believes additional analysis is still required at the time such Status Report is submitted, MGE agrees to submit, in consultation with Staff, an additional Status Report addressing the same matters six months thereafter and as needed. If Staff and MGE do not agree on whether to change the boundary of the current “High Profile Areas,” MGE and Staff shall present the issue to the Commission for decision.

5. Ratemaking Treatment:

(a) All incremental costs to implement the terms of this Agreement that MGE incurs between now and the effective date of rates in its next general rate case will be borne by MGE. MGE will not seek to defer such incremental costs for future recovery. Such incremental costs include, but are not limited to, costs incurred: (i) to organize and attend meetings to develop statewide emergency coordination policies; (ii) to develop and distribute informational materials associated with such efforts; (iii) to meet with individual fire departments and other first responders; (iv) to review, revise and implement training materials; (v) to implement restricted zone shut-off procedures, and (vi) to initially purchase any communications equipment in connection with 3(2)(C). Such incremental costs shall not be included with any costs deferred and recorded in FERC Account No. 182 by MGE pursuant to Paragraph 17 of the Stipulation and Agreement in GR-2014-0007. Such incremental costs shall not be included in any cost of service used for ratemaking that is filed or submitted by the Company prior to the effective date of rates in its next general rate case.

(b) MGE may include any ongoing costs related to this Agreement in any cost of service used for ratemaking that is filed or submitted by the Company after the effective date of rates in its next general rate case, and any party may take any position on the appropriate ratemaking treatment for those costs at that time.

(c) MGE shall fully track the incremental costs it incurs to undertake these activities, and provide such information to Staff upon request. MGE shall meet with Staff upon request and report on the progress of its commitments under this Agreement.

6. The incremental costs incurred, but not recovered, by MGE to undertake these activities will exceed the maximum penalty amount that could be imposed on MGE for each of the violations alleged by Staff in Count I of its Complaint, were such violations to be sustained by the Commission and the Courts. Appendix D, attached here and incorporated by reference, provides a preliminary estimate of such costs. Accordingly, while the Staff and the Company continue to disagree regarding the rule violations alleged in Count I, the Parties believe that in light of the foregoing resolutions, that Counts I and II of the Complaint should be dismissed. This Agreement, and the agreed Resolutions of Staff's recommendations in Count II, will promote the public interest in the safe operation of MGE's gas system.

GENERAL PROVISIONS

7. This Agreement does not constitute an admission of any legal or factual allegation made in the Complaint or in the Answers thereto. Except as provided herein, none of the signatories to this Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle. Except as provided herein, none of the signatories to this Agreement shall be prejudiced or bound in any manner by the terms of this Agreement in any other proceeding. Nothing in this Agreement shall preclude the Staff in future proceedings from providing recommendations as requested by the Commission.

8. This Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission approves this Agreement with modifications or conditions that a Party to this proceeding

objects to, then this Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

9. In the event the Commission accepts the specific terms of this Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.080.1 (RSMo. 2000) to present testimony, to cross-examine witnesses, and to present oral argument and written briefs; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 (RSMo. 2000); and their respective rights to judicial review of the Commission's Report and Order in these cases pursuant to Section 386.510 (RSMo. 2000).

10. The Staff shall have the right to provide, at any agenda meeting at which this Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that Staff shall, to the extent reasonably practicable, provide the other Parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to the Commission's rules on confidential information.

WHEREFORE, for the foregoing reasons, the undersigned Parties respectfully request that the Commission issue its Order: approving this Agreement in its entirety in full and complete resolution of Counts I and II of Staff's Complaint, directing the Parties to take the actions set forth in the Agreement, dismissing Counts I and II of the Complaint with prejudice, and closing this case.

Respectfully Submitted,

**STAFF OF THE MISSOURI PUBLIC
SERVICE COMMISSION**

/s/ Kevin A. Thompson

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**PANHANDLE EASTERN PIPE LINE
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CERTIFICATE OF SERVICE

I hereby certify that copies of the above and foregoing document were sent by electronic mail on this 11th day of February, 2015, to counsel of record.

/s/ John D. Borgmeyer