

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 13th day
of March, 2008.

In the Matter of Missouri Gas Energy Concerning)
a Natural Gas Incident in Kansas City, Missouri)

Case No. GS-2008-0002

ORDER APPROVING SETTLEMENT AGREEMENT

Issue Date March 13, 2008

Effective Date: March 23, 2008

Syllabus: This order approves a settlement agreement between the Staff of the Commission and Missouri Gas Energy, a division of Southern Union Company, regarding a gas incident in Kansas City, Missouri.

The Staff of the Commission filed a Gas Incident Report. Rather than MGE responding to the report, Staff and MGE filed a Settlement Agreement on February 29, 2008. The Office of the Public Counsel has not filed a response to the agreement.

Background

On May 25, 2007, while MGE personnel were excavating to repair a detected leak, a section of 24-inch diameter cast iron natural gas main ruptured near the northeast corner of the intersection of East 72nd Street and Brooklyn Avenue in Kansas City, Missouri. No ignition, flash fire or explosion occurred. Also, a 2-inch diameter plastic main that crossed above the ruptured section was severed. The escaping natural gas caused MGE to evacuate approximately 40 residences until the area was made safe.

The Staff of the Commission determined that the main cause of the rupture was “graphite corrosion that, over a long period of time, reduced both the wall thickness and ductile strength of the main.” The cause of the corrosion is not known. However, Staff suspects it may have been due to road salts used during de-icing of the streets.

As the top soil was removed, the pressure caused a rupture sending debris and injuring four MGE employees. Two of the four were treated and released. The other two remained hospitalized for two and five days, respectively. They endured injuries consistent with flying debris; fractures, abrasions, broken collar bone, lacerated eye, contusions and puncture wounds.

The Agreement

Staff reported in its incident report that there were no violations of Commission regulations that contributed to the incident. However, the agreement reached with Staff sets out the following actions that MGE agrees to implement or continue to implement:

- In response to the incident, the company began a quarterly leak survey that will be performed each year on the entire 58 psig MAOP-cast iron main system, which consists of 20.541 miles of main. Prior to implementing this change, the company was leak surveying the 58 psig MAOP system (outside of the business districts) on a 3-year schedule as required by 4 CSR 240-40.030(13)(M)2.B.
- The company has instructed its employees to notify a supervisor when cast iron pipes are being excavated for repair on systems operating above 25 psig MAOP. As had been the case before the incident, field supervisors may determine if additional safety measures are warranted, including the ability to request to lower pressure when crews are working on or around leaks.
- Since the incident, the company has replaced 3,653 feet of 16-inch diameter cast iron natural gas main that operated above 25 psig and was located in a heavily populated area. The company plans to replace the remaining 579 feet of 16-inch diameter cast iron natural gas main operating above 25 psig, which is located in an unpopulated area, no later than December 2011.

- The company has proposed to replace all 24-inch diameter cast iron natural gas main that operates above 25 psig during 2008.
- The company's overall objective is to have all cast iron natural gas mains operating above 25 psig (includes all CI pipe sizes) replaced prior to December 31, 2011. This amounts to approximately 20.51 miles of cast iron natural gas main.
- The company's procedures will be modified to state that the company may, at its discretion, lower pressure for any excavator that MGE verifies will be excavating near the 58 psig MAOP cast iron systems. In making a decision to lower pressure, the company may consider: 1) the magnitude of the proposed excavation; 2) the proximity of the proposed excavation to its system; and, 3) the impact on other customers.
- Commission regulation 4 CSR 240-40-030(12)(J) requires MGE to establish and follow written procedures to minimize the hazard resulting from a gas pipeline emergency. Subparagraph (12)(J)2.B. requires MGE to train the appropriate operating personnel and conduct an annual review to assure that they are knowledgeable of the emergency procedures. MGE, as part of its annual training and review, has made appropriate operating personnel aware of the location of the isolation valves on the 58 psig MAOP cast iron mains that would be utilized in the event of an emergency and will continue this practice in the future.

Conclusion

The Commission has the legal authority to accept a stipulation and agreement as offered by the parties as a resolution of issues raised in this case.¹ The Commission notes that every decision and order in a contested case shall be in writing and, except in default cases or cases disposed of by stipulation, consent order or agreed settlement, shall include findings of fact and conclusions of law.² Consequently, the Commission need not make findings of fact or conclusions of law in this order.

Commission rule 4 CSR 240-2.115(2)(C) states that if no party files a timely objection to a stipulation and agreement the Commission may treat it as unanimous. No

¹ Section 536.060, RSMo 2000.

² Section 536.090, RSMo 2000.

party has filed an objection to this stipulation and agreement. Therefore, the Commission will treat it as unanimous. The Commission has reviewed the Settlement Stipulation and, finding it just and reasonable, will approve it and direct the parties to abide by its terms.

Further, the Commission notes that there are obligations, with regard to replacing mains, which MGE is to undertake and complete by 2008 and 2011. The Commission will require its Staff to investigate and determine whether these obligations have been met.

IT IS ORDERED THAT:

1. The Stipulation Agreement entered into by Missouri Gas Energy, a division of Southern Union Company and the Staff of the Commission is approved.

2. Missouri Gas Energy, a division of Southern Union Company and the Staff of the Commission shall abide by the terms of the agreement.

3. The Staff of the Commission shall investigate and determine whether Missouri Gas Energy, a division of Southern Union Company has replaced, by December 31, 2008, all 24-inch diameter cast iron natural gas mains operating above 25 psig.

4. The Staff of the Commission shall investigate and determine whether Missouri Gas Energy, a division of Southern Union Company has replaced, by December 31, 2011, the remaining 579 feet of 16-inch diameter cast iron natural gas main operating above 25 psig, which is located in an unpopulated area.

5. The Staff of the Commission shall file a notice in this case, no later than 90 days after Missouri Gas Energy, a division of Southern Union Company, is to have completed the replacements described in ordered paragraphs 3 and 4.

6. This order shall become effective on March 23, 2008.
7. This case may be closed on March 24, 2008.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'CMD', is positioned above the printed name of the signatory.

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Clayton,
Appling, and Jarrett, CC., concur.

Jones, Senior Regulatory Law Judge