

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 26, 2018

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. URS-2014-00404

VIRGINIA NATURAL GAS, INC.,  
Defendant

SETTLEMENT ORDER

On February 28, 2018, the State Corporation Commission ("Commission") issued a Final Order in this matter ("Final Order"). On March 29, 2018, Virginia Natural Gas, Inc. ("VNG" or "Company") filed a Notice of Appeal.

In order to further the goal of preserving and advancing gas pipeline safety in the Commonwealth, the Commission's Division of Utility and Railroad Safety ("Division") and VNG filed the attached Joint Motion to propose the following as final resolution of this proceeding:

- (1) The Company shall pay a civil penalty in the amount of One Hundred Thirty-Two Thousand Dollars (\$132,000) on or before ten (10) days from the entry of this Settlement Order. The payment shall be made by check, payable to the Treasurer of Virginia, and directed to the attention of Steven C. Bradley, Director, Division of Utility and Railroad Safety, State Corporation Commission, Post Office Box 1197, Richmond, Virginia 23218-1197. This payment shall not be recovered in the Company's rates. The remainder of the civil penalty in the Final Order is suspended pending compliance with the provisions of this Settlement Order.

(2) The Company, in consultation with the Division, shall take the following actions to promote and enhance gas pipeline safety in the Commonwealth.

a. On or before fourteen (14) months from the date of this Settlement Order, VNG will invest Three Hundred Thousand Dollars (\$300,000) in the following safety-related activities in the Commonwealth:

- i. VNG will increase its Public Awareness Program ("PAP") relative to notification and education of possible hazards associated with unintended releases from a gas pipeline.
- ii. VNG will increase its outreach efforts and training specifically designed for third-party emergency responders.
- iii. VNG will increase its employee response training, including procedures related to communicating with the Division, emergency responders, and the public regarding potential hazards to life and property.
- iv. VNG will continue to work with its Corrosion Control department to revise its Operations Procedure Manual to further clarify when and what types of anodes are required to be installed during leak repair operations. Records of anode installations will be available for analysis by the Corrosion Control department as needed through the Company's records.
- v. VNG will develop a schedule to inspect all district regulator station discharge stacks to ensure the safe ventilation of gas, as well as a longer-term plan and timeline for any infrastructure improvements to

the discharge stacks deemed appropriate after consultation with the Division.

- vi. VNG will evaluate whether to convert any of its pressure regulator station discharge stacks from a "hot stack" to a "cold stack" configuration to reduce the number of pressurized gas-carrying facilities that are located above ground, and develop a longer-term plan and timeline for any infrastructure improvements deemed appropriate after consultation with the Division.
- vii. VNG will continue its cross-bore investigation and remediation program to address areas where historical cross-bores may be present and shall, after consultation with the Division, present in or before its next general rate case a longer-term plan to complete execution of this program.
- viii. VNG will continue its Source Record Validation ("SRV") process to transition historical paper records to electronic records in order to allow greater access to historical records which may impact pipeline safety and shall, after consultation with the Division, present in or before its next general rate case a longer-term plan to complete execution of this program.
- ix. VNG will review, and augment as appropriate, its emergency plans and procedures for identifying the existence of dangerous conditions, preventing the possible ignition of escaping gas, utilizing shutdown

and pressure reduction measures, and implementing steps to protect the public from potentially dangerous areas.

x. VNG will complete an OSHA 30-hour general industry course for thirty (30) employees.

b. VNG shall be permitted to track and defer incremental costs incurred for the above-listed safety-related activities, and any such incremental costs shall be subject to prudence review and eligible for recovery through rates.

(3) On or before fourteen (14) months from the date of this Settlement Order, VNG and the Division shall file a letter indicating whether the Company has complied with the requirements herein. Upon compliance therewith, the outstanding fines suspended in Paragraph (1), above, shall be vacated.

(4) Nothing contained in this Settlement Order supersedes applicable federal regulations or other law. As a result of this Settlement Order, the Final Order shall have no precedential value in fact or in law.

NOW THE COMMISSION, finding sufficient basis herein for the entry of this Settlement Order and in reliance on the representations set forth above, is of the opinion and finds that the offer of settlement set forth above should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to Code § 12.1-15, this case is re-opened for the purpose of receiving the Joint Motion and offer of settlement filed by the Division and VNG, which is hereby granted and approved as set forth herein.

(2) Pursuant to Code § 56-257.2 B, the Company shall pay the amount of One Hundred Thirty-Two Thousand Dollars (\$132,000) as set forth above.

(3) This case is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Joseph K. Reid, III, Esquire, McGuireWoods LLP, Gateway Plaza, 800 East Canal Street, Richmond, Virginia 23219, counsel for Virginia Natural Gas, Inc. A copy also shall be sent to the Commission's Office of General Counsel and Division of Utility and Railroad Safety.

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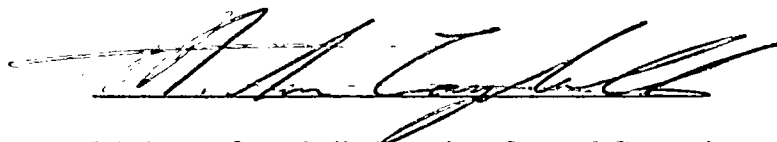
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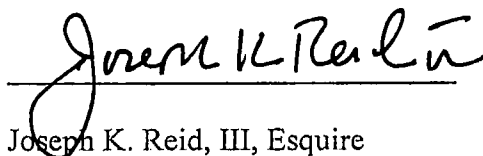
JOINT MOTION

The State Corporation Commission's ("Commission") Division of Utility and Railroad Safety and Virginia Natural Gas, Inc., in furtherance of the goal of preserving and advancing gas pipeline safety in the Commonwealth, hereby request the Commission to accept the foregoing Settlement Order as final resolution of the proceeding.

Respectively submitted,



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