

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE NOTICE OF PROBABLE)
VIOLATIONS OF 26 DEL. ADMIN. C. §8001)
AND ASSOCIATED CIVIL PENALTIES ASSESSED) PSC DOCKET NO. 387-13
TO CHESAPEAKE UTILITIES CORPORATION)
(OPENED JANUARY 8, 2013))

ORDER NO. 8592

AND NOW, this 5th day of August, 2014, the Delaware Public Service Commission ("Commission") determines and orders the following:

WHEREAS, the Commission has qualified for federal certification to operate a state pipeline safety compliance program under 49 U.S.C. §60105(a) and has the authority under 26 Del. C. §821 to make and enforce rules required by the federal National Gas Pipeline Safety Act of 1968, as amended (49 U.S.C. Chapter 601);¹ and

WHEREAS, the Commission is authorized by the Federal Pipeline Safety Regulations, 49 C.F.R., Parts 190-193 and 198-199, to order remedial actions and to impose civil penalties, where appropriate; and

¹ In addition, 26 Del. C. §821 provides, in pertinent part, that such rules shall incorporate the safety standards and penalty provisions (including injunctive and monetary sanctions) established under the federal Natural Gas Pipeline Safety Act of 1968, as amended [49 U.S.C. § 60101 et seq.], that are applicable to intrastate gas pipeline transportation and will apply to underground pipeline facility operators, as defined under 26 Del. C. §802(11).

WHEREAS, Chesapeake Utilities Corporation ("Chesapeake") is an "Operator" as set forth in 26 *Del. C.* §821² and 26 *Del. Admin. C.* §8001-1.0³ and 26 *Del. C.* §802(11) in that Chesapeake acts as an operator of a buried pipeline facility used in the transportation of natural gas within the State of Delaware and therefore falls within the Commission's intrastate gas pipeline transportation jurisdiction; and

WHEREAS, on December 6, 2012, a Staff Pipeline Safety Inspector ("Inspector"), who is also a member of the Commission Staff ("Staff"), inspected construction being performed by a contractor (F&T Underground) on behalf of Chesapeake; and

WHEREAS, the Inspector witnessed the F&T Underground contractor ("Mr. Barlow") constructing a joint (the "F&T Joint") by fusing a fitting onto a gas pipeline utilizing a pressure different from the pressure recommended on the fitting label, which is in conflict with Chesapeake's Construction Standards Manual; and

² 26 *Del. C.* §802(11) defines an "underground pipeline facility operator" as an operator of a buried pipeline facility used in the transportation of gas, such as propane and natural gas, subject to the Natural Gas Pipeline Safety Act of 1968 (49 U.S.C. §1671 et seq.) [repealed by Act July 5, 1994, P.L. 103-272], or used in the transportation of hazardous liquid subject to the Hazardous Liquid Pipeline Safety Act of 1979 (49 U.S.C. § 2001 et seq.) [repealed by Act July 5, 1994, P.L. 103-272]; underground pipeline facility operators include, without limitation, natural gas, propane gas, master meter, LP gas and interstate and intrastate gas and liquid distribution facility operators as defined by these acts. **NOTE:** P.L. 103-272 amended and transferred to a new section of the U.S. Code the "Natural Gas Pipeline Safety Act of 1968" and the "Hazardous Liquid Pipeline Safety Act of 1979." See P.L. 103-272; 108 Stat. 745; 49 U.S.C. §§60101 through 60128.

³ Under 26 *Del. Admin. C.* §8001-1.0, an "Operator" means an "underground pipeline facility operator" as defined in 26 *Del. C.* §802(11).

WHEREAS, Mr. Barlow told the Inspector that he had always used this same pressure in constructing this type of joint; and

WHEREAS, the Inspector noted two potential violations of the Code of Federal Regulations: One of 49 C.F.R. §192.303⁴ and one of 49 C.F.R. §192.805(b);⁵ and

WHEREAS, based on the Inspector's written report and findings dated December 6, 2012, the Program Manager of the Pipeline Safety Program for the State of Delaware sent a written letter by certified mail, return receipt requested, of the Notice of Potential Violations ("NOPV") to Chesapeake on January 3, 2013, along with a copy of Staff's written report. See the attached Exhibit "A"; and

WHEREAS, the NOPV recommended that Chesapeake take certain remedial actions,⁶ set certain due dates for such actions, and recommended civil penalties of \$6,000.00;⁷ and

⁴ 49 C.F.R. §192.303 provides, in pertinent part, the following: "Each transmission line or main must be constructed in accordance with comprehensive written specifications or standards that are consistent with this part."

⁵ 49 C.F.R. §192.805(b) provides, in pertinent part, the following: "Each operator shall have and follow a written qualification program. The program shall include provisions to ... Ensure through evaluation that individuals performing covered tasks are qualified ..."

⁶ First, Staff recommended that Chesapeake immediately take the following remedial actions: Remove the F&T Joint from service and have it tested in accordance with the procedures in 49 C.F.R. §192.283 for qualifying joining procedures. Provide the name of the testing laboratory and testing procedures to Staff for approval before proceeding with the testing. Provide the test results to Staff by January 31, 2013. The testing had to provide, at minimum, a Maximum Allowable Operating Procedure for the F&T Joint. Second, Staff recommended that Chesapeake immediately have Mr. Barlow undergo testing to be re-qualified for the covered task of saddle joint fusions and provide Staff with detailed proof of his re-qualification, including all tests and results, by January 31, 2013.

⁷ Staff proposed that Chesapeake pay civil penalties in the amount of \$3,000.00 for the potential violation of 49 C.F.R. §192.303 and

WHEREAS, the NOPV also stated that additional penalties could be imposed on Chesapeake for any additional violations found and if Chesapeake failed to act immediately regarding Staff's proposed remedial actions; and

WHEREAS, on January 22, 2013, the Commission approved Order No. 8280 which, among other things, granted Staff the authority to undertake an investigation into potential violations of federal and/or state regulations allegedly committed by Chesapeake regarding gas pipeline safety; and

WHEREAS, as part of the investigation, Staff required Chesapeake to remove from service the F&T Joint and have it tested according to certain procedures at an independent testing facility; and

WHEREAS, the results of this testing on the F&T Joint, according to Staff, showed a deficiency in the structural integrity of this joint; and

WHEREAS, because Mr. Barlow told the Inspector that he had always used this same pressure in constructing this type of joint, Staff believed this practice called into question all joints of this type (i.e., saddle fusion joints) constructed by Mr. Barlow; and

WHEREAS, Staff had additional concerns about Chesapeake's qualification program; and

\$3,000.00 for the potential violation of 49 C.F.R. §192.805(b). Thus, the total amount of recommended civil penalties made by Staff was \$6,000.00.

WHEREAS, consequently, Staff directed Chesapeake to take certain further actions to show the integrity of its gas distribution system. See Staff's Memorandum to the Commission dated March 28, 2013 (attached as Exhibit "B"); and

WHEREAS, Chesapeake has been cooperating with Staff and has been working towards complying with the remedial actions proposed by Staff; and

WHEREAS, Chesapeake, Staff, and the Division of the Public Advocate ("DPA")⁸ (each individually a "Party" and collectively the "Parties") entered into settlement negotiations and agreed to resolve certain potential violations and proposed civil penalties by entering into a consent agreement (the "Proposed Consent Agreement") which is attached as Exhibit "C"; and

WHEREAS, the Parties agreed that the Proposed Consent Agreement would be subject to the Commission's review and final approval; and

WHEREAS, pursuant to 26 *Del. Admin. C.* §8001-7.1.2, Chesapeake has agreed to pay a civil penalty in the amount of \$6,000.00 (\$3,000.00 for one potential violation of 49 C.F.R. §192.303 and \$3,000.00 for one potential violation of 49 C.F.R. §192.805(b)) within 20 days of the date of the final Commission Order on this matter; and

WHEREAS, Chesapeake has agreed that no portion of the civil penalties set forth in the Proposed Consent Agreement will be

⁸ The Attorney General intervened in this proceeding during the vacancy in the Public Advocate's position. After appointment and confirmation of a new Public Advocate, the DPA substituted its appearance for that of the Attorney General.

included in any way in any pending or future Delaware rate case or passed on in any way to Delaware ratepayers; and

WHEREAS, the Parties believe that resolving the issues discussed in this Order through a negotiated compromise, without the need for a formal evidentiary hearing, will serve the interests of the public; and

WHEREAS, the Parties assert that this settlement yields a reasonable result; and

WHEREAS, the Parties state that the civil penalties agreed to in the Proposed Consent Agreement are within the bounds of the allowable civil penalty amounts based on circumstances unique to Chesapeake and that this settlement will avoid further administrative and hearing costs for the specific matters that are being resolved by this settlement;

**NOW, THEREFORE, IT IS ORDERED BY THE AFFIRMATIVE
VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. Pursuant to 26 Del. C. §512(c),⁹ the Commission finds that the Proposed Consent Agreement, which is attached as **Exhibit "C"**, is in the public interest for the reasons set forth above and therefore approves such agreement in full.

2. For the reasons set forth above and pursuant to 26 Del. Admin. C. §8001-7.1.2, 49 U.S.C. 60122(a), and subpart B of Part 190 of the Federal Regulations, the Commission assesses a civil penalty against Chesapeake in the amount of \$6,000.00. Such

⁹ 26 Del. C. §512(c) provides that the Commission may upon hearing approve the resolution of matters brought before it by stipulations or settlements whether or not such stipulations or settlements are agreed to or approved by all parties where the Commission finds such resolutions to be in the public interest.

penalty is due and payable within twenty (20) days of the date of this Order.

3. Chesapeake is hereby placed on notice that the costs of the proceedings will be charged to it under the provisions of 26 Del. C. §114(b)(1).

4. The Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chair

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary

EXHIBIT "A"

Letter of the Notice of Potential Violations to Chesapeake
Dated January 3, 2013, and Attachment of Staff's Written Report



STATE OF DELAWARE
PUBLIC SERVICE COMMISSION

861 SILVER LAKE BOULEVARD
CANNON BUILDING, SUITE 100
DOVER, DELAWARE 19904

TELEPHONE: (302) 736-7500
FAX: (302) 739-4849

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

January 3, 2013

Mr. Charles A. Russell
Chesapeake Utilities Corporation
32145 Beaver Run Drive
Salisbury, MD 21804-1774

RE: Written Notice of Potential Violation of 26 Del. Admin. C. §8001

Dear Mr. Russell:

This letter serves as notice to Chesapeake Utilities Corporation (the "Company") of potential violations of the State of Delaware's Rules to Establish an Intrastate Gas Pipeline Safety Compliance Program, **26 Del. Admin. C. §8001** (the "Regulations"). The Regulations, at a minimum, enforce the standards set forth in the Federal Pipeline Safety Regulations, Title 49, U.S. Code of Federal Regulations, Parts 190-193 and 198-199.

On December 6, 2012, Mr. Robert Schaeffgen, a member of the Commission Staff, inspected construction being performed by F&T Underground (the "Contractor") on behalf of the Company. Mr. Schaeffgen noted the following:

1. An employee of the Contractor was performing a saddle fusion using a Performance Pipe 8100 saddle fitting on a 2" HDPE main. In performing the "joining" act of the procedure, the employee used a pressure of 100 psig. However, the label of the fitting specifies that a joining pressure of 140 psig is required. The procedures for performing this saddle fusion are detailed in the Company's *Construction Standards Manual* (Rev. 01/2011). Specifically, step 10 of Section 362 of this *Manual* states that the joining force to be used is the number provided on the fitting label.

This is a potential violation of 49 C.F.R. §192.303 which requires the following: "*Each transmission line or main must be constructed in accordance with comprehensive written specifications or standards that are consistent with this part.*"

2. When Mr. Schaeffgen questioned the employee about the inconsistency between the joining pressure being applied and the pressure stipulated on the fitting, the employee responded

that he had always joined saddle fittings at a pressure of 100 psig. Subsequent to the inspection, Mr. Schaeffgen obtained the Operator Qualification records from the Company with regards to this specific employee and this specific covered task. The records indicate that this employee had passed the written portion of the qualification process on 12/9/2010 and passed the performance portion of the qualification process on 6/4/2012. The expiration date for both is in 2013. The application of the incorrect joining pressure combined with the employee's statement about always using that joining pressure cause the Commission Staff to question the soundness of the Company's Qualification Program.

This is a potential violation of 49 C.F.R. §192.805(b) which requires the following: *"Each operator shall have and follow a written qualification program. The program shall include provisions to: ... (b) Ensure through evaluation that individuals performing covered tasks are qualified"*

The Commission Staff is referring this matter to the Commission for a formal hearing so that the Commission can rule on this matter. In the meantime, the Commission Staff proposes that the Company immediately take the following remedial actions:

1. The saddle fusion that was observed by Robert Schaeffgen was at 916 Sunset Terrace, Dover, DE. Remove this joint from service and have it tested in accordance with the procedures in 49 C.F.R. §192.283 for qualifying joining procedures. Provide the name of the testing laboratory and the testing procedures to Commission Staff for approval before proceeding with the testing. All test results must be provided to the Commission Staff by January 31, 2013. The testing must provide, at a minimum, a Maximum Allowable Operating Procedure (MAOP) for that joint. This MAOP will determine if any further remedial actions need to be taken by the Company.
2. The employee making the saddle fusion was Homer Barlow. Mr. Barlow must undergo immediate testing to be re-qualified for the covered task of saddle joint fusions. Detailed proof of his re-qualification, including all tests and results, must be provided to Commission Staff by January 31, 2013, if the Company intends to allow Mr. Barlow to continue performing this task. Until this re-qualification is completed, Mr. Barlow must not perform any further saddle fusions.

The Commission Staff is also recommending that the Commission impose a civil penalty of \$3,000 per potential violation for a total penalty of \$6,000. Additional penalties may also be imposed for any additional violations found and if the Company fails to act immediately regarding the Commission Staff's proposed remedial actions set forth above.

A docket will be opened for this matter, and a notice of a hearing date will be sent to the Company shortly.

Charles A. Russell, Chesapeake Utilities Corporation
January 3, 2013
Page 3

If you have questions regarding this matter, please don't hesitate to contact me at 302-736-7526.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerald D. Platt". The signature is written in a cursive style with a large initial "G".

Gerald D. Platt, Program Manager

Enclosure: Copy of Violation Report for 12/6/12

cc: Kevin Neilson, DE PSC Acting Executive Director
Robert Schaeffgen, DE PSC Pipeline Safety Inspector

UNITED STATES DEPARTMENT OF TRANSPORTATION
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION
OFFICE OF PIPELINE SAFETY
GAS PIPELINE SAFETY VIOLATION REPORT

1. <u>Inspector Name</u> Robert Schaeffgen	2. <u>Date of Inspection</u> 12/06/12	3. <u>CPF #</u>					
4. <u>Pipeline Operator/Owner</u> Chesapeake Utilities, Inc							
5a. <u>Headquarters Address</u> 909 Silver Lake Boulevard, Dover, DE 19904					5b. <u>Telephone No.</u> (302) 734-6797		
6. <u>Inspection Location</u> 916 Sunset Terrace, Dover, DE					7. <u>Inspection Unit</u> No. <u>1</u> of <u>2</u>		
8. <u>Portion of System Inspected (Describe location & facility)</u> 916 Sunset Terrace, Installation of 3/4-inch x 2-inch high density saddle tee							
9. <u>Nature and Size of Operator</u>							
9a. <u>Type of Operator</u>				9b. <u>Type of Pipe in System Inspected</u>			
<input type="checkbox"/> LNG (interstate) <input type="checkbox"/> LNG (Intrastate) <input type="checkbox"/> LPG <input type="checkbox"/> Master Meter <input checked="" type="checkbox"/> Other Distribution <input type="checkbox"/> Gathering <input type="checkbox"/> Transmission (interstate) <input type="checkbox"/> Transmission (intrastate)				<input type="checkbox"/> Cast Iron <input type="checkbox"/> Steel <input checked="" type="checkbox"/> Plastic <input type="checkbox"/> Other -			
				9c. <u>Size of Operator (No. of Miles/Customers/Storage Capacity)</u> 848.807/93,662 residents, 12,887 business			
10. <u>Nature of Probable Violations (Check as many as applicable)</u>							
<input type="checkbox"/> 1. Problem in Design/Materials <input type="checkbox"/> 2. Problem in Construction <input checked="" type="checkbox"/> 3. Welding or Joining <input type="checkbox"/> 4. Problem in LNG Equipment <input type="checkbox"/> 5. Test Requirements or MAOP Qualification <input type="checkbox"/> 6. Corrosion Control <input type="checkbox"/> 7. Pressure Control <input type="checkbox"/> 8. Other Maintenance/Monitoring <input checked="" type="checkbox"/> 9. Personnel Qualifications & Training <input type="checkbox"/> 10. Fire Protection <input type="checkbox"/> 11. Security <input type="checkbox"/> 12. Anti-Drug Program <input type="checkbox"/> 13. Other Operations <input type="checkbox"/> 14. Reporting Requirements <input type="checkbox"/> 15. Other _____ <input type="checkbox"/> 16. Inadequate/No Procedures							
<input type="checkbox"/> A. Construction <input type="checkbox"/> B. Corrosion Control <input type="checkbox"/> C. Operations				<input type="checkbox"/> D. Training <input type="checkbox"/> E. Maintenance			

Violation No. 1

Violated: 192.303 Compliance with specifications or standards

11b. Summarize what the regulation requires that operator did not do:

Operator's contractor did not construct the main/service in accordance with comprehensive written specifications or standards consistent with Part 192.

12. Provide detailed information about violation:

Operator's contractor (F & T Underground) employee had performed a the installation of a Performance Pipe high density service tee (3/4-inch) to a 2-inch high density main and used a joining force of 100PSIG instead of a joining force of 140PSIG per the operator's written services construction standard.

13. Public and/or environmental concerns in area of violation: Because the operator's contractor employee had used a reduced joining pressure in the installation of the high density saddle fitting on the 2-inch high density main, there was a concern that the integrity was compromised-the possibility of voids or discontinuities in the pipe sidewall fusion and subsequent leakage that could migrate into a house's basement resulting in a fire or explosion.

14a. Person Interviewed: Joe Rodriguez Title: Chesapeake Utilities Const. Inspector
also Homer Barlow & Greg Fowler of F & T Underground

14b. Comments of person interviewed: Joe Rodriguez had stated that the completed saddle fusion and 3/4-inch service line had held a pressure of 102PSIG for 20 minutes without any change in pressure, so the saddle fusion appeared to be acceptable though the joining pressure of the saddle fitting was 100PSIG instead of Chesapeake Utilities construction standard's 140PSIG (Performance Pipe's saddle fusion fitting label 280/0/140 for bead-up force/heating force/joining force). Homer Barlow stated that he had ben joining saddle fittings for the past 9 years using a joining force of 100PSIG.

Continuation Sheet

Violation No. 2

11a. CFR Violated: 192.805(b)

11b. Summarize what the regulation requires that operator did not do:

Operator did not ensure that the contractor employee (Homer Barlow of F&T Underground) was adequately evaluated to perform the sidewall (saddle) fusion in accordance with the operator's construction standards (reference Performance Pipe's Saddle Fusion procedures and saddle fusion fitting label parameters)

12. Provide detailed information about the violation: Operator's contractor employee failed to follow the joining force requirement as indicated in the operator's Performance Pipe Sidewall Fusion standard when performing the sidewall fusion at 916 Sunset Terrace.

13. Public and/or environmental concerns in area of violation: Due to operator's contractor employee not being fully familiar with the operator's sidewall fusion procedures, contractor employee Homer Barlow had installed a saddle fitting using an incorrect joining pressure which could have caused voids or discontinuities in the pipe sidewall fusion and subsequent leakage that could migrate into a house's basement resulting in a fire or explosion.

14a. Person Interviewed: Joe Rodriguez Title: Chesapeake Utilities Const. Inspector

14b. Comments of person interviewed: Joe Rodriguez had stated that the completed saddle fusion and 3/4-inch service line had held a pressure of 102PSIG for 20 minutes without any change in pressure, so the saddle fusion appeared to be acceptable. After Joe Rodriguez had talked to Greg Madden and possibly Charlie Russell, Joe Rodriguez asked if he should have the contractor (F & T underground) abandon the saddle fusion and perform another sidewall fusion at a different location on the 2-inch high density main. It was noted by Chesapeake and the contractor that they would need to move the saddle down the pipe at least a foot from another sidewall fusion for another service.

Continuation Sheet

Violation No. _____

11a. CFR , Violated: _____

11b. Summarize what the regulation requires that operator did not do:

12. Provide detailed information about the violation:

13. Public and/or environmental concerns in area of violation:

14a. Person Interviewed:

Title:

14b. Comments of person interviewed:

15. Supporting Documents/Materials

Item No.	Description (Include date)	Source of Documents	Remarks
1	Chesapeake Utilities Construction Standards Section 300, Fusion Procedure 362 titled Phillips/Plexco/Performance Pipe Sidewall Fusion	Chesapeake Utilities	None

16. Inspector's Signature:

Date:

Robert Schaeffgen

01/03/13

17. Compliance History

Date	Place	Describe Violation/ Noncompliance	CPF No. Date WL	Outcome

18. Gravity of Offense

19. Degree of Culpability

High

20. Ability to Continue in Business

Excellent

21. Ability to Pay

Good

22. Good Faith in Attempting to Achieve Compliance

Yes

23a. Proposed Remedy

- Warning Letter
- Civil Penalty: Recommended Amount \$ To be determined
- Compliance Order
- Hazardous Facility Order
- Notice of Amendment of O&M Plan

23b. Analysis of Proposed Remedy

24. Regional Director's Signature:

Date:

EXHIBIT "B"

Staff's Memorandum to the Commission dated March 28, 2013



STATE OF DELAWARE
PUBLIC SERVICE COMMISSION

861 SILVER LAKE BOULEVARD
CANNON BUILDING, SUITE 100
DOVER, DELAWARE 19904

TELEPHONE: (302) 736-7500
FAX: (302) 739-4849

MEMORANDUM

TO: The Chair and Commissioners

FROM: Jerry Platt, P.E., Engineer IV *JDP*

DATE: March 28, 2013

SUBJECT: IN THE MATTER OF THE NOTICE OF PROBABLE VIOLATION OF 26 DEL. ADMIN. C. §8001 AND ASSOCIATED CIVIL PENALTIES ASSESSED TO CHESAPEAKE UTILITIES CORPORATION (OPENED JANUARY 8, 2013) – PSC DOCKET NO. 387-13

On January 22, 2013, the Commission approved Order No. 8280 which, among other things, granted Commission Staff ("Staff") the authority to undertake an investigation into potential violations of federal and/or state regulations committed by Chesapeake Utilities Corporation (the "Company") regarding gas pipeline safety. The event that initiated this Order was a Staff Pipeline Safety Inspector witnessing a Company representative constructing a joint by fusing a fitting onto a gas pipeline utilizing an incorrect pressure. As part of the investigation, Staff required the Company to remove this newly constructed joint from service and have it tested according to appropriate procedures at an independent testing facility. The results of this testing showed a deficiency in the structural integrity of this joint. In a previous interview, the Company representative who made the joint, Mr. Homer Barlow, indicated that he had always used this same pressure in constructing this type of joint.

Because Mr. Barlow admitted he had always used this pressure in constructing this type of joint, Staff feels that this admission calls into question all joints of this type (i.e., saddle fusion joints) constructed by Mr. Barlow. Staff acknowledges there was a time in the past where the Company's procedures did not stipulate a pressure to be used in constructing this type of joint, and this procedure was considered acceptable in the industry. However, these test results indicate that the former procedures may not have been adequate to provide a safe and reliable gas distribution system. In addition, Pipeline Safety Regulations, specifically 49 CFR §192.805, require that the Company have a qualification program to train and evaluate all personnel performing covered tasks that are established as part of the company's qualification program. Because of Mr. Barlow's admission of always constructing saddle fusion joints in this fashion, Staff has additional concerns about the Company's qualification program.

Consequently, Staff directs the Company to take the following actions to show the integrity of its gas distribution system:

- 1) The Company should immediately provide the test specimen, in its post-test condition, to Staff for further examination.
- 2) The Company should research its records to determine all joint fusions performed by Homer Barlow (not just saddle joint fusions) and provide copies of such records to Staff immediately.
- 3) The Company should immediately replace all saddle joint fusions made by Mr. Barlow in an agreed upon time period.
- 4) The Company should conduct testing on other types of joint fusions performed by Mr. Barlow in order to determine their adequacy. Further action may be required as a result of this testing.
- 5) The Company should test one random saddle joint fusion performed by each person who was performing saddle joint fusions during the same time period when Mr. Barlow was operator qualified for this task. This is an effort to determine the soundness of the Company's qualification program. Further action may be required as a result of this testing.
- 6) The Company, as the operator with more detailed knowledge of their system, should take any other actions that it deems necessary as a result of its own findings to ensure a safe and reliable system.
- 7) The Company should separately track all costs associated with these actions.

Compliance with the above actions does not relieve the Company of further possible violations findings, related civil penalties, and remedial actions.

Cc: Charles Russell, Engineering and Compliance Manager, Chesapeake Utilities Corporation

EXHIBIT "C"

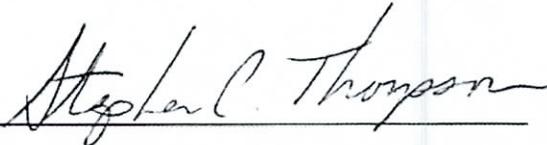
Proposed Consent Agreement
Fully Executed by the Commission Staff,
Chesapeake Utilities Corporation,
and the Public Advocate

The undersigned Parties, intending to bind themselves and their successors and assigns, have caused this Proposed Consent Agreement to be signed by their duly-authorized representatives and hereby agree to all of the conditions and terms set forth in this Proposed Consent Agreement.

DELAWARE PUBLIC SERVICE COMMISSION STAFF

By:  Date: 7/31/14
Printed Name: GERALD D. PLATT
Title: Pipeline Safety Program Manager

CHESAPEAKE UTILITIES CORPORATION

By:  Date: 7-31-14
Printed Name: Stephen C. Thompson
Title: Sr. Vice President

DIVISION OF THE PUBLIC ADVOCATE

By: _____ Date: _____
Printed Name: _____
Title: Public Advocate

The undersigned Parties, intending to bind themselves and their successors and assigns, have caused this Proposed Consent Agreement to be signed by their duly-authorized representatives and hereby agree to all of the conditions and terms set forth in this Proposed Consent Agreement.

DELAWARE PUBLIC SERVICE COMMISSION STAFF

By: _____

Date: _____

Printed Name: _____

Title: Pipeline Safety Program Manager

CHESAPEAKE UTILITIES CORPORATION

By: _____

Date: _____

Printed Name: _____

Title: _____

DIVISION OF THE PUBLIC ADVOCATE

By: David L. Bonar by ABM

Date: 7/31/14

Printed Name: David L. Bonar

Title: Public Advocate