

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PEOPLE'S GAS, INC. AND)	
RANDALL A. HAYES, INDIVIDUALLY)	
AND AS AN OFFICER OF)	
PEOPLE'S GAS, INC.)	
_____)	CASE NO. 2003-00491
)	
ALLEGED VIOLATIONS OF KRS 278.992(1))	

O R D E R

People's Gas Inc. ("People's Gas") is a gas distribution company located in Phelps, Kentucky. People's Gas is subject to the Commission's jurisdiction pursuant to KRS 278.040. People's Gas is also subject to the Commission's safety jurisdiction under the authority of KRS 278.495, and in compliance with federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, the regulations of 49 CFR 189-199, and the penalty provisions contained in KRS 278.992.

Commission Staff has submitted to the Commission a Comprehensive Inspection Report, dated December 2, 2003, in which Commission Staff alleges the following deficiencies:

1. No Operator Qualification Plan was found, a violation of 49 CFR Part 192.809.
2. No Anti-Drug and Alcohol Plan was found, a violation of 49 CFR Part 199.1.

3. No Damage Prevention Plan was found, a violation of 49 CFR Part 192.614.

4. No continuing educational program for the public, a violation of 49 CFR Part 192.616.

5. No Corrosion Control Program was found for the steel section of the system, a violation of 49 CFR Part 192.455. (This was a repeat violation carried over from the previous owners, Mike Little Gas Company, Case No. 2001-00027.¹)

6. Above-ground 2-inch polyethylene pipe was observed at Bones Branch, and 1¼-inch pipe broken by a sewer contractor.

Based on its review of the Comprehensive Inspection Report; the evidence of record, and being otherwise sufficiently advised, the Commission finds as follows:

1. There is *prima facie* evidence that People's Gas is in violation of minimum safety regulations as set out in items 1 through 5 of the Comprehensive Inspection Report.

2. The 2002 Annual Report filed by People's Gas with the Commission lists Randall A. Hayes as President and the only corporate officer of People's Gas.

3. A *prima facie* showing has been made that Randall A. Hayes has aided and abetted People's Gas in its violation of minimum safety regulations as set out in items 1 through 5 of the Comprehensive Inspection Report.

¹ Case No. 2001-00027, Joint Petition of Mike Little Gas Company, Inc. and People's Gas, Inc. For the Transfer of Gas Transmission Facilities and Joint Motion For Relief From Compliance Schedule.

The Commission, on its own motion, HEREBY ORDERS that:

1. People's Gas and Randall A. Hayes, President of People's Gas, shall appear before the Commission on March 2, 2004 at 10:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky for the purpose of presenting evidence concerning their alleged violations of pipeline safety regulations and of showing cause why People's Gas and Randall A. Hayes, President, both jointly and severally, should not be subject to the penalties prescribed in KRS 278.992(1).

2. The official record of the proceeding shall be by video only, unless otherwise requested by a party to the proceeding.

3. The Commission does not favor motions for continuance and will grant them only when they are made in writing and state compelling reasons for granting the continuance.

4. Corporate entities are advised that under Kentucky law a corporation, its employees, and any representatives who are not licensed to practice law in Kentucky are not permitted to make objections, examine, or cross-examine witnesses in administrative hearings.²

5. The Comprehensive Inspection Report of People's Gas dated December 2, 2003, a copy of which is appended hereto, is made part of the record of this proceeding.

² Turner v. Kentucky Bar Ass'n., Ky., 980 S.W.2d 560 (1998), and Practice Before The Commission By Attorneys Non-Licensed In The Commonwealth Of Kentucky, Admin. Case No. 249, Order dated June 15, 1981.

6. Within 20 days of the date of this Order, People's Gas and Randall A. Hayes each shall file a written response to the allegations contained in the Comprehensive Inspection Report.

7. Any motion requesting an informal conference with Commission Staff to consider any matter that would aid in the handling or disposition of this proceeding shall be filed with the Commission no later than 20 days from the date of this Order.

Done at Frankfort, Kentucky, this 21st day of January, 2004.

By the Commission

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2003-00491 DATED January 21, 2004

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

INITIAL COMPREHENSIVE INSPECTION REPORT

PEOPLE'S GAS, INC.
Phelps, Kentucky

December 2, 2003

BRIEF

Mr. Earl H. Alderman, Jr. conducted the initial comprehensive safety inspection of the natural gas facilities of People's Gas, Inc. ("People's") on November 21, 2003 in Phelps, Kentucky. This inspection was conducted in accordance with the Public Service Commission's ("PSC") policy of inspecting all jurisdictional operators. Natural gas operators are jurisdictional to the PSC under KRS 278.040, 278.495, 278.992 and also through a 5(a) Agreement with the United States Department of Transportation, Office of Pipeline Safety, for the enforcement of the federal pipeline safety laws, 49 U.S.C. § 60101 et seq. and regulations promulgated thereunder.

INSPECTION

People's is a gas distribution company in Phelps, Kentucky. People's serves 93 customers and receives its gas from a tap off of a Columbia Transmission line located in the area. A review was made of People's Operating and Maintenance, Emergency, Damage Prevention, Operator Qualification and Anti-Drug Plans during the inspection. Also during the inspection, records were reviewed concerning the leak survey, system patrolling, odorization, valve maintenance, and regulator and relief valves.

Mr. Randy Hayes, President of People's, assisted me on this inspection.

FINDINGS

The following deficiencies were observed during the inspection.

1. No Operator Qualification (“OQ”) Plan was found. *49 CFR Part 192.809.*
2. No Anti-drug and Alcohol Plan was found. *49 CFR Part 199.1.*
3. No Damage Prevention Plan was found. *49 CFR Part 192.614.*
4. There is no continuing educational program for the public. *49 CFR Part 192.616.*
5. No Corrosion Control Program was found for the steel section of the system. *49 CFR Part 192.455.* (This was a repeat violation carried over from the previous owners, Mike Little Gas Company, Case Number 2001-027.)
6. Aboveground polyethylene (“PE”) pipe was observed at the following location- Bones Branch, 2-inch; and 1¼-inch pipe broken by a sewer contractor.

RECOMMENDATIONS

It is recommended that People’s:

1. Implement a written OQ plan for the qualification of its employees and contractors and follow that plan.
2. Implement an Anti-drug and Alcohol Plan.
3. Implement a Damage Prevention Plan.
4. Establish a continuing educational program for the public.
5. Replace the steel sections with PE or bring the steel sections into compliance. (Case Number 2001-027 addressed that approximately 10,500 feet of steel pipe needed to be replaced. Approximately 5,800 feet of the 10,500 feet remains in the system.)

6. Bury the exposed sections of PE pipe as soon as practical.

It is recommended that the Commission initiate a hearing to allow People’s to show cause why it should not be penalized for failure to comply with Commission regulations.

It is also recommended that maintenance personnel from People’s attend the various training seminars conducted throughout the state to learn to operate its natural gas system safely. The training available for maintenance personnel on the safe and proper ways to respond to leakage calls, how to handle gas in an emergency, and how to safely operate a natural gas system is available through the Kentucky Gas Association (“KGA”). Further information on the Kentucky Gas Association training seminars may be obtained by contacting Dr. Paul Lyons, Kentucky Gas Association, 310 C.C. Lowry Drive, Murray, Kentucky 42071, (270) 753-2151 or (800) 455-9427, E-mail Address: p.lyons@kygas.org, web address: <http://www.kygas.org>.

Respectfully submitted,

Earl H. Alderman, Jr.
Gas Utility Investigator

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