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September 4, 2015

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
PO Box 615
Frankfort, Kentucky 40602

RECEIVED

SEP 8 2015

PUBLIC SERVICE
COMMISSION

RE: Case No. 2015-000178

Dear Mr. Derouen:

Please find enclosed an original and eight (8) copies of the Responses of Carrollton Utilities to the Commission Staff's First Request for Information dated August 27, 2015.

If you have any questions, please call me at (502) 732-4777.

Very Truly Yours,

JAMES & WELLS, P.S.C.



G. Edward James

GEJmwg
Enclosures

I hereby certify that each response to Staff's First Request for Information is true and accurate to the best of my knowledge, information and belief, formed after a reasonable inquiry.



Bill R. Osborne
General Manager
Carrollton Utilities

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SEP 8 2015

PUBLIC SERVICE
COMMISSION

1. *Requested Information: Explain when Carrollton received the local fire chief's report and how it influenced Carrollton's PHMSA F 7100.1, Incident Report Form.*

Carrollton Utilities Response: Carrollton Utilities received the first draft of the Carrollton Fire Department's report on June 12, 2014; however, the report was not considered "final" at that time because the debris had not been removed from the first floor of the home to safely access the basement.

In addition to the investigation performed by Carrollton Fire Department and Carrollton Utilities, the State Fire Marshal, along with multiple insurance companies, performed an assessment of the scene and damage to the house in the weeks following the event. Carrollton Utilities expected a report to be issued from the State Fire Marshal's office, but was later informed that no report would be issued and that the Carrollton Fire Department's report would be the only official report issued from the fire personnel associated with the investigation. It was mid to late July 2014 when Carrollton Utilities was informed by the Carrollton Fire Department that this report was the final report. This report confirmed that the source of the explosion and fire originated in the basement of the house.

As part of its own investigation, Carrollton Utilities reviewed and relied on information contained in this report, including the origin of the explosion and fire. Carrollton Utilities

completed the PHMSA F7100.1, Incident Report Form after concluding its investigation, and at the request of the Kentucky Public Service Commission Pipeline Safety investigators.

2. *Requested Information: Explain if Carrollton determined that a release of gas from the service riser or other jurisdictional facility resulted in a reportable event.*

Carrollton Utilities Response: Carrollton Utilities determined that a release of gas from its jurisdictional facilities did not result in a reportable event. Carrollton Utilities concluded that the event was not reportable because the origin of the fire and explosion was found to be in the basement of the structure and not on Carrollton Utilities jurisdictional pipeline facilities. Therefore, it is Carrollton Utilities position that this event does not meet the definition of "Incident" pursuant to 49 CFR 191.3, and did not require an incident report to be filed as required by 49 CFR 191.9.

PHMSA's instructions for completing Form PHMSA F7100.1 (rev 10-2014): *Incident Report-Gas Distribution Systems* define a secondary ignition (also referred to as "Fire First") as a fire where the origin of the fire is unrelated to the gas systems **subject to Parts 191 and 192** (*emphasis added*). It goes on to state that "(a)n incident caused by secondary ignition is not to be reported unless a release of gas escaping **from facilities subject to regulation under Parts 191 or 192** (*emphasis added*) results in one or more of the consequences as described in 191.3 under "Incident" (1)". Guidance in the instructions also states that "A gas distribution system incident attributed to secondary ignition is NOT to be reported to PHMSA **unless the damage to facilities subject to Parts 191 or 192** (*emphasis added*) equals or exceeds \$50,000".

While significant damage to the property occurred as a result of this event, it was not due to an incident on or involving Carrollton Utilities jurisdictional pipeline facilities. Carrollton Utilities service riser, meter, and regulator were damaged in this event, resulting in the release of a small amount of natural gas from its facilities. As per PHMSA's instructions for completing Form PHMSA F7100.1 (rev 10-2014), Carrollton Utilities considers this a "secondary ignition" (fire first) because the origin of the fire was unrelated to the gas system subject to Parts 191 and 192. Any damage to Carrollton Utilities facilities subject to Parts 191 or 192 (i.e. meter, regulator, and service riser) did not meet or exceed the \$50,000 threshold.

3. *Requested Information: Explain the portion of this property damage (\$95,000) that Carrollton determined to be a result of the release of gas from jurisdictional facilities.*

Carrollton Utilities Response: While significant damage to the property occurred as a result of this event, it was not due to an incident on or involving Carrollton Utilities jurisdictional pipeline facilities. Carrollton Utilities service riser, meter, and regulator were damaged in this event, resulting in the release of a small amount of natural gas from its facilities. As per PHMSA's instructions for completing Form PHMSA F7100.1 (rev 10-2014), Carrollton Utilities considers this a "secondary ignition" (fire first), because the origin of the fire was unrelated to the gas system subject to Parts 191 and 192, and is NOT to be reported to PHMSA because any damage to Carrollton Utilities facilities subject to Parts 191 or 192 (i.e. meter, regulator, and service riser) did not equal or exceed the \$50,000 threshold.

For the determination of the property damage calculation, it is unknown as to what minor portion, if any, was incurred as a result of the small gas release from Carrollton Utilities facilities.

4. Requested Information: Does Carrollton contend a supplemental written report was not required within 30 days pursuant to this section (807 KAR 5:027, Section 3(5))?

Carrollton Utilities Response: It is Carrollton Utilities' position that a supplemental written report was not required within 30 days pursuant to 807 KAR 5:027, Section 3(5) for the following reason:

- a. KRS 278.010 (3) states, in part, a *"Utility means any person **except** (emphasis added) a regional wastewater commission established pursuant to KRS 65.8905 **and** (emphasis added) for purposes of paragraphs (a), (b), (c), (d), and (f) of this subsection, a city, who owns, controls, operates, or manages any facility used or to be used for or in connection with:"* (emphasis added)
(b) The production, manufacture, storage, distribution, sale, or furnishing of natural or manufactured gas, or a mixture of same, to or for the public, for compensation, for light, heat, power, or other uses;"

Carrollton is a city who owns, controls, operates, or manages a facility used for or in connection with the distribution, sale, or furnishing of natural gas to or for the public, for compensation, for light, heat, power, or other uses. Thus, Carrollton Utilities is not a "utility" as defined in 278.010 and is not subject to state promulgated pipeline safety regulations, including 807 KAR 5:027. Carrollton Utilities is not required to submit a supplemental written report within 30 days pursuant to 807 KAR 5:027, Section 3(5).