

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CITY OF LIBERTY GAS COMPANY ALLEGED)	CASE NO.
FAILURE TO COMPLY WITH KRS 278.495 AND)	2017-00053
49 C.F.R. PART 192)	

ORDER

This matter arises from an investigation into the city of Liberty, Kentucky, (Liberty) Gas Company's compliance with Kentucky and federal pipeline safety laws, and subsequent monitoring of Liberty's compliance with the terms of a Commission Order. For the reasons discussed below, the Commission finds that the monitoring period established in the June 13, 2017 Order and that Liberty complied with the terms of the June 13, 2017 Order. The Commission further finds that the \$50,000 suspended civil penalty should be waived, Liberty be relieved of certain reporting requirements, Liberty resume leakage surveys at the period established by 49 C.F.R. Section 192.723, and this matter should be closed and removed from the Commission's docket.

BACKGROUND

The Commission initiated this proceeding in February 2017 to investigate Liberty's alleged failure to comply with federal pipeline safety laws, focusing on the municipal utility's repeated failures to timely conduct leakage surveys as required, to timely repair leaks, and to correct deficiencies found in multiple periodic inspections conducted by Commission Division of Inspections Staff (Inspections Staff). After discovery and a formal hearing, the Commission issued an Order on June 13, 2017, that found that Liberty failed

to perform leakage surveys on the required schedule between 2009 and 2016, and had a history of non-compliance with federal pipeline minimum safety standards between 2003 and 2016. For that reason, the Commission assessed a civil penalty totaling \$60,000 for the violations. Of the \$60,000, Liberty was required to pay \$10,000 with \$50,000 of the civil penalty suspended until January 1, 2023, pending Liberty's compliance with the following requirements: (1) Liberty had to develop and file written policies and procedures for operating and maintaining its gas system, including periodic review of the policies and procedures to evaluate the implementation of the processes; (2) Liberty had to conduct annual leakage surveys annually through December 31, 2022, file the surveys with the Commission within a designated time, and file leak repair information within a designated time; and (3) Liberty had to contract with a leakage survey company designated by the Commission. Additionally, Commission Inspections Staff was required to conduct annual surveys of Liberty's compliance with federal pipeline safety standards.

The Commission stated that a determination regarding Liberty's compliance with the requirements established in the June 13, 2017 Order would be reviewed and a determination whether to close this case after the termination of the penalty suspension period on January 1, 2023.

If Liberty complied with the terms of the June 13, 2017 Order through December 31, 2022, the Commission would: (1) allow Liberty to resume performing leakage surveys according to federal standards established in 49 C.F.R. Section 192.723; (2) waive the \$50,000 suspended civil penalty at the conclusion of the suspension period on January 1, 2023; and (3) close this case and remove it from the Commission's active docket.

DISCUSSION AND FINDINGS

Consistent with the June 13, 2017 Order, the penalty suspension period ended on January 1, 2023, and this case is ripe for a determination whether to close the case.

As an initial matter, the Commission finds that Liberty's compliance with the requirements set forth in the June 13, 2017 Order is evidenced by the case record. Liberty timely paid the \$10,000 civil penalty on July 10, 2017. On July 12, 2017, Liberty filed the agreement with the third-party contractor designated by the Commission to conduct annual leakage surveys and filed the updated policy pertaining to gas leakage surveys. Since the June 13, 2017 Order, Liberty has timely obtained and filed leakage survey reports and leak repair reports consistent with the period established by the Commission.

Additionally, between 2017 and 2022, Commission Inspections Staff conducted annual inspections of Liberty's gas system and confirmed that Liberty complied with the development of written policies and ongoing review of the implementation of those policies. In the six annual inspections, no deficiencies were cited by Commission Inspections Staff in 2018, 2019, 2021, and 2022, and the single deficiency cited in 2017 and 2020 inspections, respectively, were timely cured.

Based upon the above information and the case record, the Commission concludes that Liberty timely complied with the terms of the June 13, 2017 Order. For this reason, the Commission finds that the \$50,000 suspended civil penalty should be waived, and that Liberty should be relieved from filing the leakage survey reports and repair reports as required in the June 13, 2017 Order.

The Commission further finds that Liberty should resume leakage surveys at the time period established by 49 C.F.R. Section 192.723, which states in 49 C.F.R. Section

192.723(b)(1) that leakage surveys must be conducted in business districts at intervals not exceeding 15 months, but at least once each calendar year, and in 49 C.F.R. Section 192.723(b)(2) that leakage surveys must be conducted outside business districts as frequently as necessary, but at least once every five calendar years at intervals not exceeding 63 months, and for cathodically unprotected distribution lines subject to 49 C.F.R. 192.465(e) on which electrical surveys for corrosion are impractical, a leakage survey must be conducted at least once every three calendar years at intervals not exceeding 39 months.

Additionally, instead of annual inspections, Commission Inspections Staff will determine an inspection cycle based upon a standard risk ranking matrix followed by Commission Inspections Staff.

Finally, the Commission finds that this case should be closed and removed from the Commission's docket.

IT IS THEREFORE ORDERED that:

1. The \$50,000 suspended civil penalty assessed in the June 13, 2017 Order is waived.
2. Liberty shall conduct leakage surveys at the period established in 49 C.F.R. Section 192.723.
3. Commission Inspections Staff shall develop an inspection cycle for Liberty based upon a risk ranking matrix followed by Commission Inspections Staff.
4. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION



Chairman

Vice Chairman



Commissioner



ATTEST:



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