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## NEWS RELEASE

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### **PSC Fines City of Liberty for Natural Gas Safety Violations** *Suspends all but \$10,000 of \$60,000 penalty, subject to compliance with requirements for system inspections*

**FRANKFORT, Ky. (June 13, 2017)** – The Kentucky Public Service Commission (PSC) has fined the city of Liberty \$60,000 for its repeated failures to conduct leakage surveys of the city-operated natural gas distribution system.

In an order issued today, the PSC levied the \$60,000 civil penalty but suspended \$50,000 of the fine until Jan. 1, 2023, subject to Liberty's compliance with conditions set forth in the order. Those conditions include hiring a contractor to conduct annual leakage surveys through 2022, and providing regular reports to the PSC on the results of the surveys and repairs of leaks detected.

An investigation conducted by the PSC found that Liberty had failed to conduct leakage surveys during most years from 2003 through 2016. During that time, Liberty completed only six of 19 required surveys. (Two surveys were required in certain years.)

Furthermore, the surveys were missed despite repeated assurances from Liberty officials, following citations issued by PSC inspectors, that the surveys would be completed, the PSC said in today's order.

"Liberty has a history of attempting to excuse the failure to perform the required leakage survey" by citing management changes, oversight or a lack of knowledge of the safety standard, the PSC said in today's order. Given the history of non-compliance and failure to abide by commitments, "Liberty does not have a credible justification for its failure to comply with leakage survey requirements," the PSC said.

Liberty, in Casey County, owns and operates a natural gas distribution system serving about 650 customers. Because it is municipally owned, the rates and service of the Liberty gas system are not regulated by the PSC.

However, the PSC has jurisdiction over the safety of the system. The PSC, under certification by the federal Pipeline and Hazardous Materials Safety Administration, enforces federal gas pipeline safety regulations for all natural gas distribution systems in Kentucky.

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## **PSC Fines City of Liberty for Natural Gas Safety Violations – Page 2**

The federal safety regulations require natural gas distribution systems to conduct annual leakage surveys in central business districts, and conduct surveys at least every three years in other areas. The PSC investigation found that Liberty repeatedly failed to meet both those requirements.

Under federal regulations, Liberty could have been penalized as much as \$2 million - \$1 million each for the failures to conduct surveys inside and outside its business district.

Liberty argued for a small penalty, with the entire amount suspended if the city complies with leak survey requirements in the future.

The PSC disagreed, citing in its order the “gravity of the violations” and “the number and history of violations, and the serious nature of the potential consequences of undetected gas leaks.”

The PSC fined Liberty \$30,000 for each series of violations – a total of \$60,000, with \$10,000 of that amount to be paid within 30 days. The PSC ordered Liberty to establish and file with the PSC procedures to make certain that leakage surveys are conducted as required in the future.

Liberty also was ordered to conduct annual leakage surveys both within and outside its business district through 2022. The PSC will inspect the system every year through 2022.

Failure to comply with any of the conditions set by the PSC could result in Liberty being required to pay the \$50,000 balance of the penalty.

The PSC initiated the proceeding against the city of Liberty in February, following a prior investigation of deficiencies noted in earlier inspections. An evidentiary hearing in the case was held on March 29.

Today's order, a video of the hearing, and other records in the case are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case number is 2017-00053.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 75 employees.

**-30-**

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