

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE ALLEGED)
DEFICIENCIES OF APPALACHIAN OIL) CASE NO. 10378
AND GAS COMPANY)

O R D E R

On August 18, 1987, a comprehensive safety inspection of Appalachian Oil and Gas Company ("Appalachian") was conducted which found 4 noncompliances to 807 KAR 5:022, Commission gas safety regulations. In its subsequent response to the inspection report, Appalachian stated that 2 of the noncompliances had been corrected and the others would be corrected no later than December 31, 1987.

On July 14, 1988, another comprehensive safety inspection was conducted on Appalachian which found 3 of the 4 noncompliances from the 1987 inspection still uncorrected. Based upon the assertions made by Appalachian in its response to the 1987 inspection report and the subsequent findings in the 1988 inspection report, the Commission established this proceeding requiring Appalachian to show cause why it should not be subject to the penalties prescribed in KRS 278.990 and to demonstrate what corrective actions it intends to take to comply with Commission regulations.

During the October 5, 1987 hearing, Appalachian stated that the aboveground pipe found in 1987 had been buried, while the

aboveground pipe found in 1988 was a temporary pipe to test a well and would be removed immediately. Appalachian further stated that it thought anodes providing cathodic protection existed on the system; that office personnel were supposed to complete an operating and maintenance plan; and that the leaking plug valve had been greased in 1987 to stop the leak. The Commission notes that temporary plastic pipe may be installed aboveground for a limited period of time and that greasing a leaking valve is an acceptable means to stop a leak on a valve.

Appalachian also presented evidence at the hearing which demonstrated that a corrosion survey had been performed on July 23, 1988, and that on October 3, 1988 Appalachian had entered into a contract with a qualified professional to implement the recommendations of the survey. According to the corrosion technician, implementation of his recommendations would satisfy the criteria in Commission regulations. The Commission has reviewed the results of the corrosion survey and the recommendations and agrees with the assessment made by the corrosion technician. According to Appalachian the work should be completed by December 1, 1988.

On October 28, 1988, Appalachian submitted a statement which said that all leaks had been repaired, the plug valve had been replaced, and all plastic lines had been replaced. The Commission notes that development of an operating and maintenance plan is progressing with Staff assistance.

Based upon the information presented during and subsequent to the hearing, the Commission is of the opinion that the

noncompliances cited during the 1987 and 1988 comprehensive safety inspections have been corrected or are in the process of being corrected. The 2 noncompliances which remain are implementation of a corrosion control program and development of an operating and maintenance plan. Appalachian should advise the Commission when the corrosion control program has been installed and provide any information which describes how the recommendations were implemented. Appalachian should also continue its work towards development of an operating and maintenance plan which should be completed within 90 days.

The Commission is further of the opinion that Appalachian should be assessed a fine of \$250, which would be rescinded if Appalachian completes the correction of the 2 remaining non-compliances in the timely manner provided herein.

FINDINGS AND ORDERS

The Commission, after consideration of the record and being advised, is of the opinion and finds that:

1. Based upon the assertions made by Appalachian in its response to a 1987 inspection report and the subsequent findings in a 1988 inspection report, Appalachian was required to show cause why it should not be subject to the penalties prescribed in KRS 278.990 and to demonstrate what corrective actions it intends to take to comply with Commission regulations.

2. Based upon the information presented during and subsequent to the October 5, 1988 hearing, all but 2 of the non-compliances cited in the 1987 and 1988 reports have been corrected. The 2 remaining noncompliances are implementation of

a corrosion control program and development of an operating and maintenance plan. According to Appalachian, the corrosion control program should be implemented by December 1, 1988, while development of the operating and maintenance plan is progressing with Staff assistance.

3. Within 15 days of completion, Appalachian should notify the Commission when the corrosion control program has been installed. At the time of such notification, Appalachian should also provide the number and type of anodes installed and the location of each; the location of any insulators that were installed (or, if none, why insulators were not necessary); the location of test stations with attached drawings; and a description of how the program will be monitored to help assure its continued effectiveness. Appalachian should notify the Commission immediately if the program has not been implemented by December 1, 1988.

4. No later than 90 days from the date of this Order, Appalachian should submit a completed operating and maintenance plan which complies with Commission regulations. Appalachian should consult Staff when necessary as development of the plan proceeds.

5. Pursuant to KRS 278.990, Appalachian should be assessed a \$250 fine for noncompliance to Commission regulations. The fine should be rescinded if Appalachian implements its corrosion control program and completes its operating and maintenance plan in the timely manner prescribed herein.

IT IS THEREFORE ORDERED THAT:

1. Appalachian shall comply with Findings 3 and 4 herein the same as if each of these findings was also ordered.

2. Pursuant to KRS 278.990, Appalachian shall be and hereby is assessed a fine of \$250. The fine shall be rescinded upon demonstration by Appalachian that it has implemented its corrosion control program and completed development of its operating and maintenance in the timely manner prescribed herein.

Done at Frankfort, Kentucky, this 5th day of December, 1988.

PUBLIC SERVICE COMMISSION

Chairman



Vice Chairman



Commissioner

ATTEST:

Executive Director