

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

EASTERN STATES OIL & GAS, INC.)	
_____)	CASE NO. 99-374
)	
ALLEGED VIOLATION OF COMMISSION)	
REGULATION 807 KAR 5:022)	

O R D E R

Eastern States Oil & Gas, Inc. (Eastern) is a natural gas pipeline company that operates a gathering system in eastern Kentucky and supplies natural gas to customers, pursuant to KRS 278.485.

On August 16, 1999, a telephone call was received from Vic Ferguson in which he stated that on July 2, 1999, a 3-inch fiberglass natural gas pipeline crossing his farm in Martha, Kentucky had ruptured and released large volumes of natural gas into the atmosphere within approximately 100 yards of his home. Fiberglass gas pipe is allowed under certain conditions set forth in ASTM Specification D2517, Standard Specifications for Reinforced Epoxy Resin Gas Pressure Pipe and Fittings. An onsite visit was made on August 17, 1999 to meet with Mr. Ferguson and obtain other information available at the site of the rupture. Photographs were taken of a small piece of the damaged pipeline and of the site of the incident.

On August 19, 1999, Commission Staff met with Lloyd Hall, Operations Manager of Eastern, at his office in Pikeville, Kentucky. Mr. Hall stated that the line in question was originally installed by Ashland Oil at an undetermined time. The line was later sold to a

gathering company in the Martha area and was only recently acquired by Eastern when it purchased some of Ashland's holdings. The portion of the pipeline in question is located downstream from a compressor station, and is operating at between 250 and 300 pounds per square inch gage. An interpretation from USDOT considers pipelines downstream of compression to be transmission lines and, therefore, subject to the federal and state pipeline safety regulations.

As a natural gas pipeline operator, Eastern is subject to the safety jurisdiction of the Commission, pursuant to KRS 278.040 and KRS 278.495. Eastern is also subject to Commission jurisdiction under the authority of and in compliance with federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, and the regulations of 49 CFR 189-199. Pursuant to these statutes and 49 CFR 189-199, the Commission promulgated Administrative Regulation 807 KAR 5:022. Commission Staff has submitted to the Commission a Complaint Inspection Report, dated August 24, 1999, in which Commission Staff alleges the following violations:

1. There is no documentation that the installed fiberglass pipe meets the specifications of Appendix B of 49 CFR 49 192 and 807 KAR 5:022.
2. There is no maximum allowable operating pressure established for this segment of pipeline. 49 CFR 192.619 and 807 KAR 5:022, Section 13(11).
3. There are no procedures in the operation and maintenance plan for the correct and proper methods of repair for this type of pipe. 49 CFR 192.605 and 807 KAR 5:022, Section 13(3).

Based on its review of the Complaint Inspection Report, and being otherwise sufficiently advised, the Commission finds *prima facie* evidence that Eastern has failed to comply with Administrative Regulation 807 KAR 5:022.

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

1. Eastern shall appear before the Commission on November 3, 1999, at 9:30 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of presenting evidence concerning the alleged violations of Administrative Regulation 807 KAR 5:022, and of showing cause why it should not be subject to the penalties prescribed in KRS 278.992(1) for these alleged violations.

2. The Complaint Inspection Report, dated August 24, 1999, a copy of which is appended hereto, is made part of the record of this proceeding.

3. Within 20 days of the date of this Order, Eastern shall submit to the Commission a written response to the allegations contained in the Complaint Inspection Report.

4. 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 17th day of September, 1999.

By the Commission

ATTEST:

Executive Director