

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NATURAL GAS OF KENTUCKY, INC.)	
)	
_____)	CASE NO. 2001-259
)	
ALLEGED VIOLATIONS OF)	
KRS 278.495 and 278.992(1))	

O R D E R

Natural Gas of Kentucky, Inc. (“Natural Gas”) owns and operates transportation facilities for natural gas in Allen, Barren, Hart, Metcalfe, Warren, and Ohio counties in Kentucky. Natural Gas is an intrastate natural gas pipeline company composed of 7 separate systems transporting gas for industrial users. Natural Gas also sells natural gas to Bluegrass Gas Sales, Inc. for consumption by residential consumers along the pipeline route.

Natural Gas is subject to the safety jurisdiction of the Commission, pursuant to KRS 278.040 and KRS 278.495. Natural Gas 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 KRS 278.992(1).

Pursuant to KRS 278.280(2), the Commission promulgated Administrative Regulation 807 KAR 5:022. Commission Staff has submitted to the Commission a Comprehensive Inspection Report, dated August 8, 2001, in which Commission Staff alleges the following violations:

1. Failure to conduct periodic leakage survey of distribution system, which is a violation of 807 KAR 5:022, Section 14(13) and 49 CFR Part 192.723.

2. Failure to maintain the records necessary to administer the procedures established under its operating and maintenance (“O&M”) plan, which is a violation of 9 CFR Part 192.603 and 807 KAR 5:022, Section 13(2)(b).

3. Failure to provide for the isolated steel sections of the pipeline at each tap, which is, a violation of 807 KAR 5:022, Section 10(4) and 49 CFR Part 192.455.

Based on its review of the Comprehensive Inspection Report and being otherwise sufficiently advised, the Commission finds *prima facie* evidence that Natural Gas has failed to comply with KRS 278.495, KRS 278.992(1) and Administrative Regulation 807 KAR 5:022.

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

1. Natural Gas shall appear on November 13, 2001 at 10:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky for the purpose of presenting evidence concerning the alleged violations of KRS 278.495 and 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. According to Kentucky law, corporations or foreign entities are required to be represented by an attorney authorized to practice in the Commonwealth of Kentucky in appearances before the Commission.

2. Neither opening statements nor witness' summaries of pre-filed direct testimony will be permitted.

3. The Comprehensive Inspection Report of Natural Gas, dated August 8, 2001, a copy of which is appended hereto, is made part of the record of this proceeding.

4. Within 20 days of the date of this Order, Natural Gas shall submit to the Commission a written response to the allegations contained in the Comprehensive Inspection Report.

5. Any motion for continuance of a hearing set by the Commission shall be made only for good cause and sufficiently in advance of the hearing date to allow time for the Commission to rule upon the motion.

6. Any motion requesting an informal conference with Commission Staff to consider matters which 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 18th day of September, 2001.

By the Commission

ATTEST:


Executive Director

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

COMPREHENSIVE INSPECTION REPORT

NATURAL GAS OF KENTUCKY, INC.
LOUISVILLE, KENTUCKY

August 8, 2001

BRIEF

David B. Kinman conducted a comprehensive inspection of the natural gas transportation facilities of the Natural Gas of Kentucky, Inc., ("Natural Gas") operations in Allen, Barren, Hart, Metcalfe, Warren, and Ohio counties in Kentucky on July 11-12, 2001. This inspection was conducted in accordance with the Public Service Commission's ("PSC") policy of inspecting all jurisdictional operators. Natural gas operators are jurisdictional to the PSC under KRS 278.040, 278.495, 278.992 and also through a 5(a) Agreement with the United States Department of Transportation, Office of Pipeline Safety, for the enforcement of the federal pipeline safety laws, 49 U.S.C. § 60101 et seq. and regulations promulgated thereunder.

INSPECTION

Natural Gas is an intrastate gas pipeline company composed of seven separate systems transporting gas for industrial users in several Kentucky counties. Natural Gas also sells gas to Bluegrass Gas Sales, Inc. for consumption by residential consumers along the pipeline route. The Natural Gas systems are composed of plastic pipelines operating at 90 to 96 pounds per square inch gauge. Each system has a separate tap on an interstate pipeline. Odorant levels and pressures are regulated independently at

each interstate tap. During the field inspection, assistance was provided by Rex Parsons of Natural Gas and during the office portion by Julie Parsons of Natural Gas.

During the field portion of this inspection, visits were made to each purchase location. Pipeline markers, regulators and relief valves and valve locations were observed.

The Operating and Maintenance, Emergency, and Drug and Alcohol Plan and the Operator Qualification plan were reviewed during the office visit. Also inspected were records pertaining to valve inspections, patrolling, and other pertinent records.

Deficiencies noted during this inspection will be further discussed in the findings section of this report.

FINDINGS

The following deficiencies were noted:

1. Natural Gas has not conducted a leakage survey as required by 807 KAR 5:022, Section 14(13) and 49 CFR Part 192.723.
2. Natural Gas has not kept the records necessary to administer the procedures established under its operating and maintenance (“O&M”) plan. 49 CFR Part 192.603 and 807 KAR 5:022, Section 13(2)(b).
3. Cathodic protection has not been provided for the isolated steel sections of the pipeline at each tap. 807 KAR 5:022, Section 10(4) and 49 CFR Part 192.455.

RECOMMENDATIONS

1. Natural Gas shall conduct a full leakage survey as soon as practicable.
2. Natural Gas must maintain appropriate records to document its compliance with the procedures set out in its O&M plan.
3. Apply cathodic protection to the isolated sections of steel pipe and keep records of testing.

These are repeat violations from the July 1998 inspection, therefore, it is recommended that a hearing be held to allow Natural Gas to show cause why it should not be penalized for failure to comply with Commission regulations.

Respectfully submitted,

David B. Kinman
Gas Utility Investigator

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