

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION INTO THE OPERATING STATUS ) CASE NO.  
OF RICHARDSVILLE GAS COMPANY, INC. ) 2015-00099

ORDER

On April 10, 2015, the Commission, on its own motion, opened this investigation into the adequacy of gas service provided by Richardsville Gas Company, Inc. (“Richardsville”). Richardsville provides natural gas to the public for compensation in Richardsville, Warren County, Kentucky.<sup>1</sup> No person requested intervention in this case.

Richardsville is owned and operated by Glenn and Joan Miller (collectively, the “Millers”). The Millers have operated Richardsville since 1976 after purchasing it from its previous owners, Pauline and Virgil Spears.<sup>2</sup> In addition to Richardsville, the Millers also own and operate Millers Bottled Gas, a bottled propane company operating in Bowling Green, Kentucky. Richardsville does not have any employees; instead it relies upon Millers Bottled Gas employees.<sup>3</sup> The system comprises approximately 1.25 miles of combined 3/4-inch and 1-inch pipe.<sup>4</sup> Gas is provided via two wells owned by a third

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<sup>1</sup> *Annual Report of Richardsville to the Public Service Commission for the Year Ended December 31, 2012* (“Richardsville’s Annual Report”) at 9.

<sup>2</sup> July 21, 2015 Hearing Video at 10:06:22–10:06:35.

<sup>3</sup> *Id.* at 10:06:52–10:07:02.

<sup>4</sup> *Id.* at 10:13:21–10:13:35.

party.<sup>5</sup> Richardsville previously utilized its own wells, but those wells have been nonproductive since 2007.<sup>6</sup>

Preceding this action, in June of 2013, Richardsville applied to the Commission for authority to abandon its facilities, citing the deteriorating condition of its natural gas wells and its poor financial condition. Richardsville's request to abandon its gas system was docketed as Case No. 2013-00234.<sup>7</sup> In February 2014, while that matter was pending, Richardsville tendered an application for a rate adjustment pursuant to the alternative rate filing process.<sup>8</sup> On April 1, 2014, the Commission granted Richardsville's request to increase its base rates to establish new nonrecurring charges and two surcharges.<sup>9</sup> Thereafter, Richardsville withdrew its abandonment request and Case No. 2013-00234 was dismissed.

This instant investigation was initiated consequent to Richardsville's notification that it was no longer able to provide adequate service to its customers during cold weather.<sup>10</sup> This was due to the loss of its peak propane shaving plant.<sup>11</sup> The propane shaving plant was previously utilized to inject propane into the gas lines to supplement

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<sup>5</sup> *Id.* at 10:13:42–10:13:48.

<sup>6</sup> *Id.* at 10:13:49–10:13:56.

<sup>7</sup> Case No. 2013-00234, *Request of Richardsville Gas Company, Inc. to Abandon Facility Pursuant to KRS 278.021 Section 2(B)*.

<sup>8</sup> Case No. 2014-00066, *Application of Richardsville Gas Company, Inc. for an Adjustment of Rates on an Emergency Basis under 807 KAR 5:076, the Commission's Alternative Rate Filing Procedure, and for a Rate Surcharge and for Nonrecurring Charges* (Ky. PSC filed Feb. 28, 2014).

<sup>9</sup> *Id.*, Final Order (Ky. PSC Apr. 1, 2014). The surcharges included a safety surcharge to provide funds for employee training and certification and a propane surcharge to recovery past propane expenses.

<sup>10</sup> See Order (Ky. PSC Apr. 10, 2015), Appendices A and C.

<sup>11</sup> *Id.*, Appendix A.

the pressure when the system's two gas wells were unable to provide adequate pressure, which generally occurred when the temperature dropped below freezing.<sup>12</sup> In its November 2014 letter to the Commission, Richardsville further noted that it had been unable to procure an alternative source of gas and that it was not financially feasible to purchase a new propane shaving plant.<sup>13</sup>

In 2012, Richardsville was serving 48 customers.<sup>14</sup> By June 2015, the customer count had fallen to 25, and as of July 21, 2015, it has dwindled to 23.<sup>15</sup> Richardsville alleged that it has unsuccessfully attempted to procure alternative natural gas supplies and that it does not have the necessary \$10,000 to replace the peak shaving plant.<sup>16</sup> Finally, Richardsville stated that it had exhausted all possible avenues of selling the utility.<sup>17</sup>

On July 8, 2015, the Commission issued an Order as part of this investigation directing Richardsville to show cause why the system should not be declared abandoned due to Richardsville's failure to provide safe and adequate service in accordance with Commission regulations. Richardsville responded on July 15, 2015,

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<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Richardsville's Annual Report* at 27.

<sup>15</sup> Richardsville's Response to Commission Staff's Initial Request for Information ("Staff's Initial Request"), Item 1; and the July 21, 2015 Hearing Video at 10:07:48–10:07:53.

<sup>16</sup> Richardsville's Response to Staff's Initial Request, Items 7 and 15.

<sup>17</sup> *Id.*, Item 11.

stating that it had no defense to the allegation that it had abandoned its facilities and noted that “we have exhausted all possible solutions to this issue.”<sup>18</sup>

A formal hearing was held on July 21, 2015, for the purpose of examining whether Richardsville had abandoned its system. Richardsville was not represented by counsel at the hearing. No customers or interested individuals appeared at the hearing to tender public comment. The Commission called Joan Miller to testify. Mrs. Miller testified that despite her attempts, she was unable to locate any additional sources of natural gas to supply the system and that no other individual or entity was interested in acquiring the system.

Mrs. Miller noted that a significant impediment to transferring the utility to another person is the issue of liability insurance. She asserted that Millers Bottled Gas carries Richardsville on its policy as a supplemental rider for an additional \$8,000 on top of the \$50,000-\$60,000 Millers Bottled Gas pays for its policy.<sup>19</sup> Mrs. Miller stated that liability insurance as a standalone entity would be substantially more than the approximately \$8,000 it costs as a rider.<sup>20</sup> Mrs. Miller testified that Richardsville has not certified its employees or conducted its annual leak test due to lack of funds, and at the current rate at which the surcharge to cover these costs is assessed, it will be at least another year before they are completed.<sup>21</sup> Of the remaining customers on the system, five are at

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<sup>18</sup> Letter from P. Glenn Miller, Richardsville Gas Company, Inc., to the Public Service Commission (filed July 15, 2015).

<sup>19</sup> July 21, 2015 Hearing Video at 10:28:35–10:28:45.

<sup>20</sup> *Id.* at 10:28:52.

<sup>21</sup> *Id.* at 10:23:00–10:23:10.

least two months behind on their bills.<sup>22</sup> Finally, when questioned as to whether she disputed the allegation that Richardsville was abandoned, she stated that she did not.<sup>23</sup>

All regulated utilities, including gas utilities, are required to “furnish adequate, efficient and reasonable service.”<sup>24</sup> The Commission’s regulations require gas distribution utilities to maintain adequate operating pressure to ensure safe and continued operation of the system as set forth by 807 KAR 5:022, Section 13(13)(b), which states:

(b) No person shall operate a low-pressure distribution system at a pressure lower than the minimum pressure at which the safe and continuing operation of any connected and properly adjusted low-pressure gas burning equipment can be assured.

Utilities must also maintain a standard operating pressure and report any service interruptions.<sup>25</sup> Richardsville has indicated that it does not know when its customers lose service and it can only guess unless otherwise notified by its customers.<sup>26</sup>

Mrs. Millers’ testimony establishes that the Richardsville system does not and cannot maintain a minimum or standard operating pressure. Absent a new propane shaving plant or additional sources of natural gas, it appears obvious that the system cannot be brought into compliance with Commission regulations. The Millers have clearly explored all available options for continuing service, including connecting to additional natural gas wells or transferring the utility to another person or regulated

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<sup>22</sup> *Id.* at 10:23:50.

<sup>23</sup> *Id.* at 10:35:25.

<sup>24</sup> KRS 278.030(2).

<sup>25</sup> 807 KAR 5:022, Sections 13(14), (16).

<sup>26</sup> Richardsville’s Response to Staff’s Initial Request, Item 12.

utility. The Millers have described their failed efforts to secure additional supplies of natural gas, and neither Richardsville's current customers nor any other entity has expressed interest in acquiring the Richardsville system. Moreover, given the dwindling customer base, the acquisition of a new propane shaving plant is plainly cost-prohibitive, leaving Richardsville unable to maintain pressure and thereby likely to lose more customers.

In addition to violating Commission regulations, the inability of the Richardsville system to maintain adequate system pressure and service during the winter months creates potential safety hazards. The fact that Richardsville is unaware when customers lose and regain gas service creates a dangerous situation by virtue of the sporadic gas flow and frequent necessity for customers to relight pilot lights.

Based upon the record and being otherwise sufficiently advised, the Commission finds that due to a dwindling customer base, Richardsville is unwilling and unable to maintain its facilities so as to provide safe and adequate service in accordance with Commission regulations.<sup>27</sup> Accordingly, the Commission finds that Richardsville has abandoned its system and should shut down its system in a safe and orderly fashion. To ensure that Richardsville's remaining customers have adequate time to secure other heating sources prior to the winter season, the Commission further finds that Richardsville should continue providing all gas service through October 31, 2015, and should notify its customers of the impending shutdown. Finally, Richardsville should submit Gross and Annual reports for the period in which it operates in 2015, as well as the past years 2013, and 2014.

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<sup>27</sup> KRS 278.030(2); 807 KAR 5:022, Section 13(13).

IT IS THEREFORE ORDERED that:

1. The Richardsville system is declared abandoned.
2. Richardsville shall continue operating through October 31, 2015.
3. Effective November 1, 2015, Richardsville shall cease distributing natural gas to the public.
4. Within ten days of the date of this Order, Richardsville shall mail a written notice to each customer of the October 31, 2015 shut-down date and shall file a copy of this notice with the Commission.
5. Within 20 days of the date of this Order, Richardsville shall file a detailed written plan with the Commission outlining the process and procedures it will follow to abandon its facilities and ensure the abandoned pipelines are safe. The plan shall be in accordance with 807 KAR 5:022, Section 14(15), and 49 CFR 192.727 and shall include a description of Richardsville's proposed abandonment process, along with the procedures to be followed, personnel roles and responsibilities, schedule of when the abandonment will commence, and when it will be completed.
6. No later than November 20, 2015, Richardsville shall file a report with the Commission certifying that it has abandoned its facilities in accordance with 807 KAR 5:022, Section 14(15), and 49 CFR 192.727.
7. No later than January 1, 2016, Richardsville shall submit separate Gross Reports and Annual Reports for the calendar years 2013, 2014, and the period spanning of January 1, 2015, through October 31, 2015.

8. Any documents filed pursuant to ordering paragraph 4, 5, and 6 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

By the Commission

ENTERED
<b>AUG 24 2015</b>
KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

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