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September 17, 2019

Gwen Pinson
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Kentucky Frontier Gas, LLC: Case 2019-00322

Dear Ms. Pinson:

Kentucky Frontier Gas, LLC submits this response to the order of September 11, 2019. Frontier had about 3000 requests from contractors and others to locate pipelines through the 811 system in 2018. Frontier suffered 20 pipeline breaks in 2018 and 18 to date in 2019, fourteen of which Frontier was alleged to be at fault. Frontier has about 326 miles of PE mains and 5500 PE services and estimates 2/3 of these are not electronically locatable. Many of these lines were laid with aluminized plastic locate tape, which has now broken, or the metallized coating dissolved, making it useless for electronic continuity.

Additionally, when Frontier acquired these gas systems (12 small dis-functional systems over a period of ten years), there were no or limited maps of the systems. The facilities had not been properly installed or maintained. Both Frontier and the Commission were aware of these problems but given the choice of continued mismanagement or acquisition by Frontier, the choice was clear. Over the years, Frontier has made significant improvements to all the systems it acquired. It has an ongoing Pipeline Replacement Program that is eliminating the most leak-prone sections of the system. It has replaced approximately 14.5 miles

of pipeline so far. However, the number of miles of untraceable pipelines is problematic.

The PSC is now pursuing Frontier for 13 separate incidents for which the fines would be approximately \$60k. Since these intended fines were recently announced, Frontier has purchased several expensive non-traditional locating systems and has completely changed its procedures. It expects to greatly reduce the number of pipeline breaks, but will face greatly increased costs of locating lines, which can never go to zero.

Based on Commission statistics, approximately 45% of all incidents result in fines on the utility. Frontier cannot afford to pay \$4000 fines on 45% of all line hits every year, about \$60,000, nor can it be in continual dispute with the Commission over its liability for every pipeline break. Such an ongoing effort to resolve each individual incident is not cost effective for the company or the Commission and does nothing to address the issue of minimizing future incidents.

These are the technology steps Frontier has taken or will take in the next few months to start to locate "untraceable" lines:

- \$5500: vLoc3 Pro specialized locator purchased in July to find marker balls;
- \$3000: 3M marker balls initial order; these permanent markers are planted 12 to 60" deep at 15-20 ft intervals in the alignment of any pipe we can locate by any means;
- \$8500: Gas Tracker sonic locator system purchased in July; this unit blasts a very loud sound into the pipe at a meter riser, which can then be traced 500-1000 ft away;
- \$40,000: Jameson live main insertion reels & tools, to temporarily trace a line with a metallic tool inside the line; then plant marker balls in the alignment;
- \$35,000: Camera insertion system, to visually find service lines and connections that are not mapped and existence is not known; may identify points of gas theft;
- \$120,000: Hydrovac trailer to excavate untraceable lines without collateral damage;

- \$500,000: We will need 50,000 marker balls spread over 3-5 years to mark all lines.

Frontier will also need ongoing company resources:

- \$70,000: utility trucks for 2 additional workers
- \$80,000 /yr: 2 full time workers 811 locates for 10 months /yr
- \$30,000 /yr: excavation equipment callouts for locates

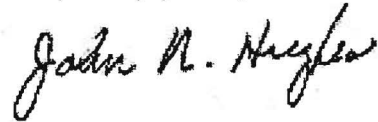
The cost of finding and marking these lines will be a fraction of replacement cost. Yet, Frontier will have to find ways to fund nearly \$300,000 in up-front capital equipment and \$250,000 per year in ongoing costs (including marker balls) to deal with the current level of 811 calls and the lack of easily locatable pipelines. It is determined to address the issues raised in the Commission's notices of violation, but given the financial condition of the company, its inability to absorb ongoing fines and the potential for significant operational impact on the company, some long-term resolution of the issues must be reached. It is counter-productive to fine the company for ongoing issues with a problem that started decades ago under previous owners and commissions and will continue for several years and until several hundred thousand dollars are spent to make pipelines locatable. Investing resources in solving a problem everyone acknowledges will be more effective than depleting limited financial resources through fines. Additional fines will not make Frontier any more aware of the problem or assist in the ongoing resolution of the problem.

Frontier has made substantial investment to deal with the issue and is committed to continue to actively seek solutions to the problem. Yet, every dollar paid in fines diminishes the funds available to improve the company's pipeline tracking and locating efforts.

Frontier expects to present evidence at the hearing of the cause of the problems, solutions to future incidents and its efforts to comply with the 811 requirements.

Rather than deal with each incident individually, Frontier believes a "global" solution to the ongoing situation is preferable.

Very truly yours,

A handwritten signature in black ink that reads "John N. Hughes". The signature is written in a cursive style with a large initial 'J' and 'H'.

John N. Hughes
Attorney for Kentucky Frontier Gas