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LG&E to Pay $125,000 Fine in Natural Gas Safety Case

Problems found during investigation of December 2011 explosion in Louisville

FRANKFORT, Ky. (Feb. 5, 2013) – Louisville Gas & Electric Co. (LG&E) will pay a $125,000 penalty to the Kentucky Public Service Commission (PSC) in settlement of alleged safety violations that were uncovered during the PSC's investigation of a Dec. 6, 2011 natural gas explosion that destroyed a house in southern Jefferson County.

Another $125,000 in penalties is suspended pending LG&E's completion of several requirements set forth in a settlement agreement approved today by the PSC.

Both the $125,000 payment and the $250,000 total penalty are the largest ever assessed by the PSC in a safety case. The maximum possible fine in this case was $500,000.

In an order issued today, the PSC noted that LG&E has since taken a number of steps to improve training and emergency response. The PSC also noted that the settlement requires LG&E to make changes in how it maintains proper operating pressures in its natural gas distribution system.

The settlement was reached through negotiations between LG&E and PSC staff.

The explosion destroyed a house at 5206 River Trail Place and damaged several nearby properties. The explosion and fire resulted in no serious injuries to residents; however, a dog in the home was killed.

Fire investigators determined that a high-pressure leak in a water line cut a hole in a plastic gas main, allowing gas to work its way into nearby homes. The cause of the leak in the water line has not been determined.

The explosion occurred at about 7 a.m., 2½ hours after the first LG&E worker arrived at the scene to investigate a report of a possible gas leak in the neighborhood. Following the explosion, LG&E workers checked three nearby houses and evacuated those homes when gas was detected.

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A fourth home, where the three residents of the destroyed house had taken refuge, was not checked. That house was evacuated two hours later, when firefighters tested it and found gas inside.

In reviewing LG&E's initial response to the odor complaint, PSC investigators determined that the first company worker at the scene did not take the necessary steps – including properly checking for gas in sewers – to determine how far the gas had migrated and to establish a safe perimeter around the leak.

Subsequent review of LG&E records determined that the company had allowed pressure in the neighborhood's gas system to slightly exceed allowable levels on a regular basis.

The PSC alleged that LG&E violated four pipeline safety regulations:

- Not following proper safety procedures during an emergency response.
- Failing to minimize the danger of a gas explosion by not checking for gas levels in all nearby homes and eliminating all possible ignition sources.
- Operating a gas system in excess of the established maximum allowable operating pressure.
- Not taking the required corrective actions when abnormal pressure levels are detected.

Each of the alleged violations is tied to a specific provision in federal pipeline safety regulations. The PSC, under certification by the federal Pipeline and Hazardous Materials Safety Administration, enforces those regulations for natural gas distribution companies in Kentucky.

The PSC's responsibility is to determine whether any safety regulations have been violated and to see that those violations are corrected. Therefore, the investigation made no findings as to whether the alleged violations in this case caused or contributed to the explosion.

Measures that LG&E is required to take under the settlement agreement include:

- Providing additional and enhanced training for its employees who respond to reports of gas leaks.
- Strengthening protocols for the response to leak reports.
- Improving its gas training facility to allow a greater variety of emergency response scenarios.
- Conducting surprise drills for field response personnel, with PSC natural gas safety investigators in attendance.
- Making sure that operating pressure of its natural gas distribution system does not exceed maximum allowable levels under normal operating conditions.

LG&E is required to provide the PSC with documents showing that it has implemented all of the corrective measures.

Before today, the largest penalty ever paid in a natural gas safety case was $100,000. That amount was assessed in 1981 against Union Light Heat & Power Co. (now Duke Energy Kentucky) for violations connected to two Oct. 9, 1980, explosions that leveled a portion of Simon Kenton High School in northern Kentucky, killing one person and injuring 37.

When adjusted for inflation, the 1981 penalty would come to about $250,000 in today's dollars. The maximum penalty per violation per day in 1981 was $1,000, with the maximum penalty for a series of related violations set at $200,000.

At the time of the 2011 LG&E explosion, the maximum penalty per violation per day was $25,000, with an aggregate maximum of $500,000 for related violations. Last year, the maximum penalties were increased to $100,000 per day, with a total maximum of $1 million for a series of related violations.

Today's order and documents in the case are available on the PSC website, psc.ky.gov. The case number is 2012-00239.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 90 employees.

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