



Matthew G. Bevin
Governor

Charles G. Snavely
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Michael J. Schmitt
Chairman

Robert Cicero
Vice Chairman

Talina R. Mathews
Commissioner

NEWS RELEASE

Contact: Andrew Melnykovich
502-782-2564 or 502-564-3940
502-330-5981 (cell)
Andrew.Melnykovich@ky.gov

PSC Opens Investigation into Drakesboro Gas System

PSC to city: contract with qualified third-party operator or cease operations

Inspection found 35 violations of natural gas safety standards

FRANKFORT, Ky. (Feb. 28, 2019) – The Kentucky Public Service Commission (PSC) has opened an investigation into the city of Drakesboro’s natural gas distribution system after a recent inspection found 35 violations of natural gas safety standards.

In an order issued today, the PSC gave Drakesboro until tomorrow, March 1, to either contract with a qualified third party to operate the system, or to shut down the system. A third party has been operating the system in recent weeks, but Drakesboro has not contracted with it for continued services.

The PSC inspection, conducted from Feb. 18 to Feb. 21, found violations including:

- Failure to introduce odorant into the gas. Because natural gas is odorless, leaks can go undetected in the absence of odorant.
- Allowing unqualified personnel, possibly including jail inmates, to operate or service the system.
- Improper repairs to a damaged gas main.
- Failure to follow emergency procedures in response to reported leaks.
- Failure to conduct regular leak surveys and system inspections, as required.
- Absence of required safety programs.
- Not providing customers with required safety information.
- Failing to have numerous written operating procedures, as required by regulations.
- Failing to comply with numerous recordkeeping requirements, including the filing of annual reports.

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If Drakesboro is found to have committed all of the violations cited in the inspection report, it could be subject to penalties of more than \$7 million. The amount of the penalties is based on federal law, under which the PSC operates Kentucky's natural gas safety program.

In today's order, the PSC also directed Drakesboro, which is in Muhlenberg County, to respond to the inspection findings by the end of the day tomorrow.

The PSC ordered Drakesboro officials to appear at a hearing at the PSC offices in Frankfort on March 8. The hearing may be postponed if Drakesboro either contracts with a qualified third-party operator or shuts down its gas system.

Drakesboro and its current third-party operator have not come to terms on a contract. The third-party operator has told PSC staff that it has not been paid for the work it has done thus far and will not continue to operate the system beyond March 1 without a contract that assures payment.

Because it is municipally owned, the rates and services of the Drakesboro gas system are not regulated by the PSC.

However, the PSC has jurisdiction over the safety of the system. The PSC, under certification by the federal Pipeline and Hazardous Materials Safety Administration, enforces federal gas pipeline safety regulations for all natural gas distribution systems in Kentucky.

The PSC investigation will look into the operation of the Drakesboro system and the adequacy and safety of the city's practices relating to construction, installation, maintenance and operation of the city's natural gas facilities.

The March 8 hearing is scheduled for 10 a.m. EST at the PSC offices, 211 Sower Boulevard in Frankfort. It will be streamed live on the PSC website, psc.ky.gov.

Today's order, including the inspection report, is available on the PSC website. The case number is 2019-00065.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.

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