

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PUBLIC SERVICE COMMISSION)
versus)
MOUNTAIN UTILITIES, INC.) Case No. 7858

SHOW CAUSE ORDER

The Commission has conducted an ongoing inspection of the Mountain Utilities Gas Restoration Project. The staff report dated August 4, 1981, attached hereto as Appendix A, indicates four possible violations of this Commission's regulations and its Order in Case No. 7858 dated October 20, 1980.

Based upon the findings contained in the attached staff report, which are hereby adopted as the findings of this Commission, the Commission HEREBY ORDERS that Mountain Utilities, Inc., shall appear at the offices of the Public Service Commission at Frankfort, Kentucky, on the 4th day of September, 1981, at 9:30 a.m. (EDT) to show cause, if any it can, why it should not be subject to the penalties prescribed under KRS 278.990 and KRS 278.992 for violation of certain provisions of the Order issued in this matter on October 20, 1980.

Done at Frankfort, Kentucky, this 21st day of August, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Vohz
Chairman

Katherine Randall
Vice Chairman

Jim Garrison
Commissioner

ATTEST:

Secretary

R E P O R T

TO: Jesse C. Oak
Assistant Director
Division of Utility Engineering and Services

FROM: E. Scott Smith
Chief Engineer
Gas Section

RE: Mountain Utilities, Inc.
Gas Distribution System
Renewal Project

DATE: August 4, 1981

Introduction

This is a continuing report concerning the Mountain Utilities, Inc., Gas Distribution System Renewal Project whereby low interest loan funds were made available to small natural gas systems to renew systems that have met certain criteria.

Investigation

This report combines three separate visits to the construction site of Mountain Utilities, Inc.,--July 15, 21 and 29, 1981-- by Gas Regulatory and Safety Supervisor, Larry Amburgey. The purpose of these visits was to conduct inspections of this ongoing construction project.

On July 15, 1981, Larry met with Mr. Robert Chaffins, owner of L. B. K. Construction Company and Mr. Robert Crook, inspector for the Grier, Asher and Fuqua Engineering firm.

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As of this date about two miles of 4-inch plastic main and 600 feet of 2-inch pipe had been laid along old Route 23.

Mr. Chaffins complained that the engineer and/or owner was severely restricting him to the areas where he could lay pipe. Permits from the state Highway Department had not been obtained, thereby preventing him from employing additional crews to enable him to comply with the 180-day completion date of this construction project.

We contacted Mr. W. L. Fuqua of Grier, Asher and Fuqua, Inc., engineers, and Mr. John Allen, representing Mountain Utilities, Inc., to get their response to the allegation of Mr. Chaffins. We were told by both parties that another area of the system, not affected by the highway permits, was available and, further, that Mr. Chaffins was aware of this information.

On July 20, 1981, Mr. Amburgey contacted Mr. Frank Castle, a representative of the Kentucky Highway Department, at his office in Pikeville, Kentucky. He assured Larry that all pertinent information needed by the Kentucky Highway Department had been received from the engineer and owner. Mr. Castle also stated that the permits had been issued the day before and construction could begin on any or all phases of this renewal project.

On July 21, 1981, Mr. Amburgey met with the following persons: Messrs. W. L. Fuqua, Engineer, and Robert Crook, Inspector, representing Grier, Asher and Fuqua Engineering Company, and Messrs. David Allen, John Allen and Tommy Thompson, representing Mountain Utilities, Inc. This meeting had been requested by Mr. Fuqua to discuss existing and possible problems with this project. The areas of discussion included:

1. Mr. Tommy Thompson's making field changes to the plans without prior written authorization from the owners as specified in the agreement.
2. Mr. Robert Chaffins' having submitted a request for partial payment prior to applying the required pressure test to the completed section of line.
3. Mr. Robert Chaffins' not having obtained an electric plastic pipe facer that the Public Service Commission's staff had requested in the pre-construction conference on June 12, 1981.
4. Mr. John Allen's concern about the experience of the contractor's pipefitters to set meters and risers as required by the contract.
5. Mr. Robert Chaffins requested clarification of the bid contract as to who is required to hook the customer to the new system when the change is made.

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6. Mr. Robert Chaffins' question on the legality of Mr. John Allen's decision to relocate meters near the right-of-way.

On July 29, 1981, Mr. Amburgey and I toured the construction site with Mr. Estill Branham, who will act as a consultant for the engineer and work with the inspector on this project.

Conclusion and Findings

This renewal program started under adverse conditions, in that construction began without notification to this Commission as specified in our Order of October 20, 1980. The owners of Mountain Utilities, Inc., awarded this contract while this Commission was still in the process of making a determination as to the experience and qualifications of L. B. K. Construction Company to reconstruct this gas system.

Construction on this project was first brought to our attention by the Department of Transportation's Office of Pipeline Safety. One of its inspectors, Mr. Bennie Andrews, happened to be in the area and stopped to observe the construction. He related that he had observed the contractor's personnel backfilling the ditch with chunks of broken black-top. He stated that this was also witnessed by the engineer and his inspector.

Based on these findings during our investigation, we conclude as follows:

1. The engineer for Grier, Asher and Fuqua, Inc., Mr. William Grier, did not have the necessary highway permits to begin this project.
2. Mr. William Grier, the engineer who was familiar with this project, left the company; and an engineer, Mr. W. L. Fuqua, who was not familiar with this project, had to take charge of the project.
3. The engineering firm of Grier, Asher and Fuqua, Inc., hired an inspector, Mr. Robert Crook, who in my professional opinion, lacks the necessary experience to perform effectively as an inspector for this type of project.
4. As of July 29, 1981, the contractor for the project, Mr. Robert Chaffins, did not have employees experienced in setting meters, installing and setting regulators, pressure testing house line piping and re-lighting appliances.
5. The contractor, Mr. Robert Chaffins, does not have the necessary equipment to effectively do this construction project. An electric plastic pipe facing machine, which would greatly enhance the proficiency to the pipe jointing operation, has not been obtained as requested by this Commission's staff.

6. Mountain Utilities, Inc., was ordered by this Commission in Case No. 7858 to replace and take ownership of the service lines to and through the outlet riser on each meter. Meters are now being relocated closer to the property line, thereby shortening the length of service line that will be owned and maintained by Mountain Utilities, Inc.

7. Mountain Utilities, Inc., did not obtain legal rights-of-way from private landowners prior to the start of construction as is normally done on this type project.

8. Mountain Utilities, Inc.'s, owners have stated that their employees have not in the past, nor will they be allowed in the future, to go into a customer's residence to perform any type of service as required by this Commission's regulations.

Recommendation

Based upon the above-recited findings by employees under my supervision, it is my conclusion that the following recommendation should be made to the full Commission:

A Show Cause Order should be issued immediately to Mountain Utilities, Inc., to appear before this Commission to:

1. Explain why the contract for this project was awarded before this Commission had completed its study as to the experience and expertise of the low bidder's ability to successfully perform this renewal project as was contemplated by the Commission's October 20, 1980, Order, with specific reference to findings 3 and 4 contained therein.
2. Assure this Commission that the installation and replacement of gas piping is being performed by a qualified installer or fitter who is experienced in such work, familiar with all precautions required, and has complied with all requirements of applicable regulations as required by the Commission's Order of October 20, 1980, with specific reference to finding 5 of said Order.
3. Explain to this Commission why the individual meters are being relocated in contravention of Mountain Utilities, Inc.'s, originally submitted plans which were approved by this Commission in its Order of October 20, 1980, and with specific reference to finding 3 of said Order.

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4. Explain to this Commission how the gas distribution system of Mountain Utilities, Inc., is being operated safely pursuant to all PSC regulations relating to safety and adequacy of service, with specific reference to 807 KAR 5:006E, Section 11(1)(b) and 807 KAR 5:021E, Section 9(9), Section 9(11), Section 11(1)(c), and Section 20(1)(a).

The Commission staff will continue to monitor the restoration of Mountain Utilities, Inc.'s, facilities. However, with our own limited staff, it is impracticable to assign one inspector full-time to this project to oversee all phases of this construction. This is properly a function of the engineering firm hired for this purpose.

Respectfully submitted,



E. Scott Smith

ESS:mfb