

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PUBLIC SERVICE COMMISSION)
versus)
MOUNTAIN UTILITIES, INC.) CASE NO. 7858

O R D E R

On September 4, 1981, the Commission conducted a show cause hearing against Mountain Utilities, Inc., to investigate four possible violations of the Commission's Order in Case No. 7858 issued October 20, 1980. Additionally, the Commission was concerned that Mountain Utilities was not complying with certain of our regulations in completing the construction authorized in our 1980 Order.

The Commission staff submitted a report to the Commission on August 4, 1981, which set forth certain findings made during three separate visits to the construction sites of the Mountain Utilities' gas distribution renewal project. This report was incorporated as a part of the Commission's show cause order issued on August 21, 1981.

At the show cause hearing Mountain Utilities was required to:

1. Explain to the Commission why a contract was awarded for reconstruction of this distribution system prior to approval

of this Commission as specified in Case No. 7858, October 20, 1980.

2. Assure the Commission that the installation and replacement of gas piping is being performed by a qualified installer or fitter who is experienced in such work, is 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 five of said Order No. 7858.

3. Explain to the 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 Order No. 7858, dated October 20, 1980, with specific reference to finding three of said Order.

4. Explain to the 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 special 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 ordered the show cause hearing at this time to insure that the construction contract would be completed before cold weather makes it impractical to continue further construction. Should the construction stop because of bad weather, it is possible that there may be no appreciable improvement in Mountain Utilities' present 29 percent line loss.

The primary reason for this construction project was to reduce this line loss before the present heating season begins. Information received by the Commission indicates that about three-fourths of the 180 days' construction time has already elapsed, while about 50 percent of the mains and 82 percent of the service lines are still to be installed.

Findings in this Matter

The Commission, after a review of the record and being advised finds that:

(1) Mountain Utilities, Inc., did accept and approve the low bidder for this construction project, LBK Construction Company, in a letter to this Commission of June 1, 1981, prior to this Commission's letter of acceptance dated June 5, 1981. This was in contravention of findings three and four of the Commission's Order in Case No. 7858 issued October 20, 1980.

(2) Although the experience and qualifications of the LBK Construction Company were inadequate to effectively construct a natural gas distribution system at the outset of this project, on-the-job training and help provided by the Commission staff have provided enough experience to effectively and safely complete the reconstruction part of this project. However, evidence does not substantiate that LBK employees have the expertise to safely re-establish service to individual customers after construction is completed.

(3) The understanding of the Commission at the time of the first Order in this case, dated October 20, 1980, was that

substantially all of the then-existing customer meters were located at, or very near, the structures being served. The Commission, therefore, ordered that customer service lines be renewed to the outlet riser (commonly located immediately adjacent to customer meters) of existing service locations. However, subsequent investigation and testimony in this case have disclosed that a great number of existing meters in the area served by the utility are not so located. Accordingly, the intent of the Commission's October 20, 1980, Order to require that all new service lines be extended to the outlet riser of existing services has not been accomplished.

Orders in this Matter

Based upon the above-stated findings, the Commission HEREBY ORDERS that Mountain Utilities, Inc., proceed immediately to complete, by use of LBK Construction Company, the reconstruction portion of the contract, and to cooperate with said LBK Construction Company in following the directions of the consulting engineers, Grier, Asher and Fuqua, in performing the portions of the contract relating thereto.

IT IS FURTHER ORDERED that Mountain Utilities, Inc., extend new service lines from the distribution main to the point where the gas service enters the structure being served. It is expressly directed that Mountain Utilities, Inc., perform this extension with respect to those customer installations which have been partially completed but which do not meet this standard, so that when the project is completed all service

lines affected will be renewed to the point where the gas service enters the structure being served.

IT IS FURTHER ORDERED that Mountain Utilities, Inc., shall immediately file with this Commission a schedule showing customer installations heretofore commenced which do not have new service lines up to the point where the gas service enters the structure being served; and further that Mountain Utilities, Inc., shall file monthly reports showing the progress being made in complying with the preceding paragraph of this Order.

IT IS FURTHER ORDERED that item four of the staff report raises an issue of such great importance to all natural gas distribution companies operating in Kentucky that it is more properly addressed in a separate hearing to be set at a later date after all interested parties have been duly notified.

Done at Frankfort, Kentucky, this 3rd day of November, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Vohs
Chairman

Katherine Randall
Vice Chairman

Jim Carreaga
Commissioner

ATTEST:

Secretary