

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY PUBLIC SERVICE COMMISSION)
VS.) CASE NO. 9438
KAY PIGMON DBA MEADES BRANCH GAS)
AND WATER)

O R D E R

On October 25, 1985, the Commission ordered Kay Pigmon d.b.a. Meades Branch Gas and Water ("Meades Branch") to show cause why it should not be fined for failure to comply with the Commission's regulations. Attached to the Order was a copy of a staff inspection report dated April 23, 1985, mailed to Meades Branch August 27, 1985, setting forth the need for improved construction, better maintenance and more attentive operation. Meades Branch requested an on-site conference with the staff utility investigators, which was conducted on December 16, 1985. Several items of deficiency were discussed, and Meades Branch was given 6 months to bring the system into compliance. At that time Meades Branch stated the deficiencies would be corrected.

A follow-up inspection on June 2 and 3, 1986, disclosed that the deficiencies had not been corrected. On July 11, 1986, the Commission issued an Order which scheduled a show cause hearing for August 13, 1986. After rescheduling on Meades Branch's motion, the hearing was held on September 25, 1986. Kay Pigmon, owner and operator of the system, appeared as a witness. Mark

Clevenger was counsel for Meades Branch. The decision of the Commission is based upon written submissions, testimony by Mr. Pigmon and Commission staff, and documents available in the Commission's offices.

COMMENTARY

Mr. Pigmon, owner and operator, testified that he acquired Meades Branch approximately 1 1/2 years ago, serving 12 water customers and 9 gas customers, 3 of whom receive free gas and water (Mr. Pigmon, his mother-in-law, and his sister-in-law). The summer rate is \$15 for water and \$5 for gas; the winter rate is \$40 for water and gas combined.

During the on-site conference Meades Branch agreed to correct several deficiencies noted in the staff report, including making a gas leak survey and repairing any leaks. Gas meters were to be installed at each gas service. Proper chemical treatment of the water was also to be commenced, with adequate testing. Finally, Meades Branch agreed to follow the regulations pertaining to the operation and management of a gas and water utility in a safe and efficient manner.

At a follow-up inspection the staff found that no discernible progress had been made toward bringing either system into compliance. Meades Branch has discontinued service to customers without prior written notice. The water is not protected by artificial treatment, including continuous disinfection throughout the system. The broken chlorinator has not been repaired or replaced. Some of the water mains and water service lines do not have adequate cover to protect them from freezing. Meades Branch has

never performed any gas or water leak surveys to determine where leaks exist and what repairs are needed. The services are not metered. The rates and rules by which Meades Branch operates have never been filed with the Commission. No annual report has ever been submitted and Meades Branch does not keep operating records required for service interruption, complaint information and pressure information.

On July 28, 1986, Meades Branch filed a response to the June 1986 inspection. In the response Mr. Pigmon stated that Meades Branch only discontinues service when a customer does not pay the bill. At the hearing he claimed that he sends the delinquent customer a written notice, then talks to the customer to try to work out a payment arrangement, and the final step is to send a written disconnection notice.

Also, Meades Branch has purchased a chlorinator. As of the date of the hearing it had been installed and was providing disinfection for the water system. Mr. Pigmon testified that every couple of months he sends water samples for testing. While the written response did not discuss the inadequate cover on water mains and service lines or the lack of gas and water leak surveys, Mr. Pigmon testified that the water lines have never frozen and that he walks the lines approximately three times per month as weather permits. Leaks are repaired as they are discovered; however, no records are kept of this activity.

In response to the lack of metering, the absence of operation records, and the failure of Meades Branch to file rates and conditions for service and an annual report, Mr. Pigmon stated the

revenues from the system are inadequate to comply with the Commission's regulations. Mr. Pigmon testified that Meades Branch derives an annual gross income of approximately \$3,600, and he estimates that the repairs the Commission requires would cost more than \$12,000.

Mr. Pigmon further testified that the gas system has two shut-off valves on the main and a shut-off valve at each service. Each service also has a high pressure regulator which assists in reducing the main and service line pressure from 140 - 150 pounds to approximately seven ounces in the house lines. The Commission is of the opinion that the pressure regulation and pressure relief capability which exists on the gas system does not meet the minimum requirements of the Commission's pipeline safety regulations. According to the record, the service regulator is the only means of pressure regulation between the well and each service. However, the Commission's pipeline safety regulations prescribe that when the operating pressure in a distribution system exceeds 60 pounds per square inch additional pressure regulation is required to regulate and limit the pressure of gas delivered to the customer [807 KAR 5:022, Section 4(31)(c)]. One of four methods is available to Meades Branch to achieve compliance. Commission staff will assist Meades Branch to determine the most economical approach which complies with the regulations.

The gas system has approximately 700 - 800 feet of bare steel pipe, which was installed around 1971, and inadequate corrosion control exists on the buried portion of the steel pipe. Mr. Pigmon testified that less than 10 feet of this pipe is

aboveground. A corrosion survey must be conducted to determine the proper method of corrosion control. The Commission staff will assist Meades Branch in achieving compliance with regard to corrosion control in the most economical and efficient way possible.

The Commission recognizes the limited financial resources available to Meades Branch. However, state statutes require Meades Branch to operate safely and in compliance with the Commission's regulations. Mr. Pigmon testified that he will develop and file a financial statement, annual report, and tariffs for Meades Branch. He also testified that four gas meters have been purchased and, in information filed subsequent to the hearing, asserted that gas meters will be installed for all paying customers by July 1, 1987. Commission staff will assist Meades Branch in determining the necessary plans and records that must be developed and maintained, and an appropriate schedule consistent with Meades Branch's resources.

Because Meades Branch has demonstrated a willingness to bring the gas and water systems into compliance with the regulations, the Commission is of the opinion that a fine should not be levied against Meades Branch at this time.

FINDINGS AND ORDERS

After reviewing the record and being advised, the Commission is of the opinion and hereby finds that:

1. Safety inspections conducted on March 3 and 4, 1985, and June 2 and 3, 1986, found Meades Branch in violation of numerous regulations of the Commission.

2. From the evidence presented at the hearing and the information filed subsequently, Meades Branch intends to operate its gas and water systems in compliance with the Commission's regulations.

3. Meades Branch should develop and maintain the plans and records regarding the safe operation of its gas and water systems in accordance with 807 KAR 5:022 (gas) and 807 KAR 5:066 (water).

4. Meades Branch should file with the Commission a copy of its tariff in accordance with 807 KAR 5:011.

5. Meades Branch should have a corrosion survey performed on its gas system to determine the appropriate corrosion control method to implement.

6. Meades Branch should install adequate pressure regulation on its gas system by implementing the appropriate method as prescribed in 807 KAR 5:022, Section 4(31)(c)1.-4.

IT IS THEREFORE ORDERED that:

1. Within 30 days of the date of this Order, Meades Branch shall file a copy of its tariff in accordance with 807 KAR 5:011 for approval by the Commission.

2. Meades Branch shall follow the operating requirements as prescribed in 807 KAR 5:022 for gas service and 807 KAR 5:066 for water service. Within 30 days of the date of this Order, Meades Branch shall file with the Commission a proposed timetable to bring the gas and water systems into compliance with these operating requirements.

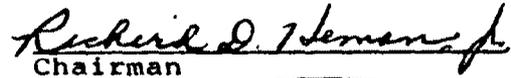
3. Within 30 days of the date of this Order, Meades Branch shall arrange for a corrosion survey to be performed on the steel

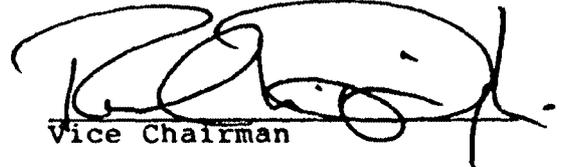
pipe in its gas system and submit the name of the person who will perform the corrosion survey to the Commission for approval. Meades Branch shall provide the Commission with a copy of the survey's results and recommendations within 10 days of its completion.

4. Within 30 days of the date of this Order, Meades Branch shall install adequate pressure regulation to bring the gas system's pressure regulation controls into compliance with 807 KAR 5:022, Section 4(31(c)1.-4).

Done at Frankfort, Kentucky, this 22nd day of December, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director