

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

LYDA GAS COMPANY'S FAILURE TO COMPLY)
WITH COMMISSION'S REGULATIONS) CASE NO. 9651

O R D E R

On August 4, 1986, the Commission issued an Order directing Lyda Gas Company ("Lyda") to appear and to show cause why it should not be fined for repeated violations of the Commission's regulations, and to demonstrate what corrective actions it intends to take to comply with the Commission's regulations. Attached as Appendix A to that Order was a copy of a staff inspection report dated July 7, 1986, listing several violations to the Commission's pipeline safety regulations found during a May 6 - 7, 1986, safety inspection.

A hearing was conducted by the Commission on September 9, 1986. Representing Lyda (and appearing as a witness) was Mabry Holbrook, owner and operator. The decision of the Commission is based upon written submissions, testimony by Mr. Holbrook and documents available in the Commission's office.

COMMENTARY

During the course of a 1986 safety inspection by a staff utility investigator, Lyda was found deficient in compliance with the Commission's gas safety regulations (807 KAR 5:022). Due to a lack of response to the staff report submitted on July 8, 1986,

the Commission initiated this Show Cause proceeding. Lyda's alleged violations were in two general areas: maintenance of its pipeline facilities and recordkeeping requirements. Various maintenance activities are prescribed in 807 KAR 5:022 in order to assure the safe and efficient operation of a natural gas utility. Without adequate, up-to-date records relating to maintenance and other activities, the Commission cannot determine whether required actions have been completed, or have been performed regularly.

At the hearing Lyda offered a statement, filed as Exhibit 1, responding to the May 6 - 7, 1986, safety inspection listing the corrections that have since been accomplished. All regulators are checked at least once per month for wear and corrosion and to assure that the proper outlet pressure is being maintained. Valves are checked and greased regularly. Meter history cards are being updated, and the data from the 1985 meter testing is presently being recorded. Odorization "sniff" tests are now being done weekly, and a damage prevention program was presented to the Commission for review and approval.

Lyda has also been cited for a lack of corrosion control on the system. The pipeline in the gas system is principally unprotected steel approximately 40 years old. Without adequate protection, buried steel pipe can corrode and become a safety hazard. According to Lyda, 10 anodes were installed on the system during 1983 and 1984. (An anode is a positive electrode buried alongside steel pipe, one element in a cathodic protection program which controls the corrosion or deterioration of steel pipe.) In

addition, each time a leak has been repaired since that time an anode has been installed. Lyda asserted that the gas system has no leaks at present.

While the actions taken by Lyda represent a step towards compliance, the Commission is of the opinion that these actions cannot determine whether the current protection is adequate. In order to make this determination, a corrosion survey should be performed on the system by a qualified corrosion technician to determine if additional cathodic protection is required.

The inspection report noted plastic pipe above ground and the use of unapproved fittings on plastic pipe. Lyda offered photographic evidence at the hearing to show that these violations had been corrected.

The Order also cited inadequate overpressure protection on the system. The evidence showed that a relief valve is installed at each customer regulator served by the high pressure line. Also, a relief valve is located at the regulator house. In addition, it was testified that the owner of the well which supplies Lyda has installed a regulator and relief valve at the well. While it may be that this provides some protection against excess pressure, additional information will be necessary to assure compliance. Lyda needs to submit information showing the maximum pressure at which the line can operate and at what pressure the various relief valves are set.

Based upon the testimony presented, the Commission is of the opinion that Lyda has made a good faith effort to comply with the Commission's gas safety regulations, but reminded, though, that it

is required to respond to any Commission inspection report within the prescribed time noted. It should not be necessary to conduct a show cause hearing in order to obtain a response to an inspection. Mr. Holbrook is also reminded that a follow-up inspection will be conducted to verify the corrections that he says have been accomplished. The Commission concludes that based upon the good faith effort expended, a fine should not be levied against Lyda at this time.

FINDINGS AND ORDERS

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

1. A safety inspection conducted on May 6 - 7, 1986, found Lyda in violation of numerous gas safety regulations.

2. From the evidence presented at the hearing, Lyda has taken some action toward compliance, particularly regarding various maintenance actions.

3. Lyda needs to continue its updating of all recordkeeping requirements related to the gas safety regulations, and is reminded once again that the Commission considers the absence of a particular record as evidence that the prescribed activity was not initiated or completed.

4. Lyda should immediately make arrangements to have a systemwide corrosion survey conducted and should submit the name of the person who will perform the survey and a proposed schedule to the Commission for review and approval.

5. Lyda should submit information to the Commission relating to the maximum pressures at which the high pressure line and

service lines can operate and at what pressure the various relief valves are set and the regulators capable of operating.

6. Based upon Mr. Holbrook's efforts to date, as evidenced by his statement submitted as Exhibit 1, a fine should not be administered at this time.

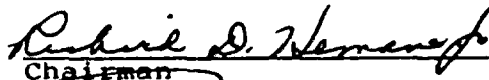
IT IS THEREFORE ORDERED that:

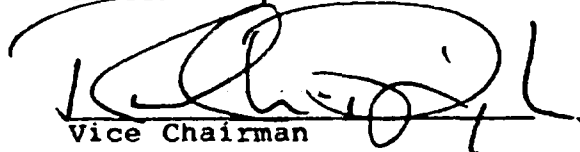
1. Within 30 days of the date of this Order Lyda shall initiate a corrosion survey and submit to the Commission for review and approval the name of the individual who will perform the survey and the proposed schedule.

2. Within 15 days of the date of this Order Lyda shall submit information to the Commission relating to the maximum operating pressures at which the high pressure line and service lines can operate, and the pressure at which each relief valve is set, and each regulator is capable of operating.

Done at Frankfort, Kentucky, this 31st day of October, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director