COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE ALLEGED DEFICIENCIES OF MEADES BRANCH GAS AND WATER	)))	CASE NO. 9438

ORDER TO SHOW CAUSE

Mr. Kay Pigmon, an individual doing business as the Meades Branch Gas and Water ("Meades Branch"), owns, operates, and manages facilities used in connection with the distribution, sale and furnishing of natural gas to the public for compensation for light, heat or power. He is a utility as defined by KRS 278.010.

KRS 278.280 authorizes the Commission to prescribe rules for the performance of any service furnished or supplied by a utility. Pursuant to this authority, the Commission has promulgated a rule, codified at 807 Kentucky Administrative Regulations ("KAR") 5:022 which establishes the minimum safety standards for the operation of natural gas utilities.

The Commission Staff has submitted to the Commission a Utility Inspection Report, a copy of which is attached hereto as Appendix A, which alleges that:

1. On November 19, 1986, the Commission Staff inspected the facilities of Meades Branch for compliance with the Commission's regulations.

2. The Commission staff found bare exposed steel pipe, corrosion at each customer service, and illegal and exposed

plastic pipe connected to regulators by radiator type hose clamps at two customer services.

3. Mr. Pigmon violated 807 KAR 5:022, Section 9(2)(a), by failing to protect service regulators from corrosion.

4. Mr. Pigmon violated 807 KAR 5:022, Section 10, by failing to maintain sufficient external coating on Meades Branch's metallic pipelines to protect them from corrosion.

5. Mr. Pigmon violated 807 KAR 5:022, Section 6(6)(b)(3), by his use of radiator type hose clamps on plastic pipe instead of joining materials which met the prescribed safety standards.

6. Mr. Pigmon violated 807 KAR 5:022, Section 7(12)(a), by failing to correctly install plastic pipe below ground level.

The Commission Staff further alleges that a copy of the Utility Inspection Report was sent to Mr. Pigmon on November 24, 1986. Enclosed with the Report was a letter, a copy of which is attached hereto as Appendix B, which requested Mr. Pigmon's response. On January 23, 1987, another letter was sent to Mr. Pigmon requesting his response. The Commission Staff reports that no response to its letters has been received.

On December 22, 1986, the Commission ordered Meades Branch to follow the operating requirements prescribed in 807 KAR 5:022 for gas service and to file with the Commission within 30 days a proposed timetable to bring the gas system into compliance with those operating requirements. The Commission later agreed to allow Meades Branch until April 1, 1987, to submit its proposed timetable for bringing the system into compliance. Copies of these Orders are attached hereto as Appendices C and D. It is

hereby alleged that neither Mr. Pigmon nor Meades Branch has complied with the Commission's Order.

On July 9, 1987, the Commission Staff conducted an unannounced inspection of the Meades Branch facilities. In a memorandum, attached hereto as Appendix E, the Staff alleges that the deficiencies found on November 19, 1986, were still present on July 9 and that the odor of natural gas was present at all service locations.

The Commission staff considers the lack of adequate pressure regulation and the existence of gas odors as serious potential safety hazards. Without correction of these alleged hazards, the Commission may require that the system be shut down.

WHEREFORE these premises considered, the Commission on its own Motion, HEREBY ORDERS that:

1. Mr. Kay Pigmon, individually and as owner and operator of Meades Branch, shall appear before the Commission on September 23, 1987, at 1:30 p.m., Eastern Daylight Time, in the Commission's offices at Frankfort, Kentucky, for the purpose of presenting evidence concerning the operation of Meades Branch, specifically the alleged violations of 807 KAR 5:022, and of showing cause why he personally and Meades Branch should not be subject to the penalties prescribed in KRS 278.990, attached hereto, for failure to comply with the Commission's Orders and regulations.

2. Additionally, evidence should be given as to why some or all of the service connections should not be disconnected so as to ensure the safety of the system.

3. Appendices A, B, C, D, and E shall be and hereby are included as part of the record of this proceeding.

4. Mr. Pigmon shall notify in writing each Meades Branch customer of this proceeding. The notification shall consist of distributing a copy of this Order to Show Cause to each customer of Meades Branch Gas and Water. (Copies enclosed.)

5. Mr. Pigmon shall submit a written response to the allegations of the Commission Staff by the close of business 10 days from the date of this Order. Such written response shall include an explanation of his failure to submit a proposed timetable for bringing the Meades Branch system into compliance as required by the Commission's Order of December 22, 1986. The written response shall also include a listing of the names and addresses of all Meades Branch customers.

Done at Frankfort, Kentucky, this 26th day of August, 1987.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Executive Director

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

UTILITY INSPECTION REPORT

Meades Branch Gas and Water
Louisa, Ky.

November 24, 1986

BRIEF

Meades Branch Gas and Water (Meades Branch) is a small utility located in Lawrence County south of Louisa on Hwy. 23. The principal purpose of this inspection was to determine if any aboveground plastic pipe supplying gas remained.

INSPECTION

On November 19, 1986, Investigator Buster Alderman and I met with Mr. Kay Pigmon, manager of Meades Branch. Mr. Pigmon took us to the well and over the entire system. We inspected the service to each home and walked the area of the gas main.

FINDINGS

1. There is bare exposed steel at the well which runs approximately 20 feet. There is also bare steel pipe at a small creek crossing.
2. There is atmospheric corrosion at every customer service (no meters, regulators only).
3. Two services have illegal and exposed plastic pipe connected to the regulators by radiator type hose clamps on customers' side.

RECOMMENDATIONS

Based on the findings of this investigation, it is recommended that Meades Branch:

1. Paint or apply coating to the exposed steel pipe by December 23, 1986. [KAR 5:022, Section 10(1)]
2. Paint all customer service settings by December 23, 1986. [807 KAR 5:022, Section 9(2)(a)]
3. Have illegal plastic removed from service and replaced with P/E plastic designed for use with gas and use coated steel for aboveground installations by December 23, 1986. [807 KAR 5:022 Section 10(6)(7)(8)]

It is further recommended that a copy of this report be sent to Meades Branch so that it may correct the above deficiencies.

Respectfully submitted,

M L Rogers

Marcus L. Rogers
Utility Investigator

MLR/mll

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

November 24, 1986

Mr. Kay Pigmon, Manager
Meades Branch Gas & Water
Route 4, Box 185
Louisa, KY 41230

Dear Mr. Pigmon:

Enclosed is a copy of a report concerning the Meades Branch follow-up inspection, which was performed by Mark Rogers on November 19, 1986.

Please respond to this report by December 23, 1986. If you require any clarification on these deficiencies, please contact Mr. Rogers at (502) 564-2545.

Sincerely,

Claude G. Rhorer, Jr., Director
Division of Utility Engineering
and Services

CGR/MLR/mll

Enclosure

Appendix B

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

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.

By the Commission

ATTEST:

Forest M. Skaggs
Executive Director

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY PUBLIC SERVICE COMMISSION	)	
VS.	)	CASE NO.
KAY PIGMON D/B/A MEADES BRANCH GAS AND WATER	)	9438

O R D E R

On February 19, 1987, Meades Branch Gas and Water ("Meades Branch") filed a request, by letter, which the Commission will treat as a Motion for a 30 day extension in which to file information requested in the Commission's Order, December 22, 1986. The Commission entered a reminder letter extending the information request to February 13, 1987.

The Commission is of the opinion and finds that the Motion should be granted.

IT IS THEREFORE ORDERED that the time in which Meades Branch shall file the information is extended to the close of business, April 1, 1987.

Done at Frankfort, Kentucky, this 9th day of March, 1987.

By the Commission

ATTEST:

Forest M. Skaggs
Executive Director

Appendix D

MEMORANDUM

TO: Meades Branch Gas & Water File

THRU: Scott Smith
Larry Amburgey
Ralph Dennis

FROM: Dave Kinman

DATE: July 10, 1987

RE: Meades Branch Noncompliance

On July 9, 1987, PSC Gas Pipeline Safety Branch Investigators Buster Alderman, Mark Rogers and I made an unscheduled inspection in the Meades Branch area of operations.

We found that no gas meters had been installed, nor was the gas well master metered. No regulators were visible at the gas well. Unapproved plastic pipe and unapproved fittings were visible on the regulator set supplying gas to the residence of Mrs. Betty Miller. Unauthorized plastic was also visible in an open ditch at this location. The odor of gas was present at all locations visited as well as being evident in the air behind the vacant store building on the Meades Branch system.

It would appear that Meades Branch has made very little effort to bring this system into even basic compliance.

DBK/mll

Attachments:
Photos of Meades Br. Gas system

278.610 Requirements for certification of nuclear power facility

If the requirements of KRS 278.605 have been met, the public service commission may certify a nuclear power facility if it finds that:

(1) Specific facilities with adequate capacity to contain high level nuclear waste are in actual operation, or will be in operation at the time the nuclear power facility being certified requires the means for the disposal of high level nuclear waste;

(2) The plan for disposal of high level nuclear waste for the nuclear facility to be certified is in full conformity with the technology approved by the authorized agency of the United States government; and

(3) The cost of disposal of high level nuclear waste from the nuclear facility to be certified is known with reasonable certainty, such that an accurate economic assessment of the proposal can be completed.

HISTORY: 1984 c 15, § 3, eff. 7-13-84

PENALTIES

278.990 Penalties

(1) Any officer, agent or employe of a utility, as defined in KRS 278.010, and any other person who willfully violates any of the provisions of this chapter, or who procures, aids or abets any violation of those provisions by any such utility, shall be fined not more than one thousand dollars ($1,000) or imprisoned for not more than six (6) months, or both. If any such utility that is a private corporation violates any of the provisions of this chapter, or does any act therein prohibited, or fails to perform any duty imposed upon it under those sections for which no penalty has been provided by law, or fails to obey any lawful requirement or order of the public service commission, the utility shall for each offense forfeit and pay to the state treasurer, to be credited to the general fund, a sum not less than twenty-five dollars ($25.00) nor more than one thousand dollars ($1,000). Each act, omission or failure by an officer, agent or other person acting for or employed by a utility and acting within the scope of his employment shall be deemed to be the act, omission or failure of the utility.

(2) Actions to recover the principal amount due and penalties under this chapter shall be brought in the name of the Commonwealth in the Franklin Circuit Court. Whenever any utility is subject to a penalty under this chapter, the public service commission shall certify the facts to its counsel, who shall bring an action for recovery of the principal amount due and the penalty. The commission may compromise and dismiss the action on terms approved by the court. The principal amount due shall be paid into the state treasury and credited to the account of the commission, and all penalties recovered in such actions shall be paid into the state treasury and credited to the general fund.

(3) Any utility that fails to pay an assessment as provided for by KRS 278.130 to 278.150 shall forfeit and pay to the state one thousand dollars ($1,000), and twenty-five dollars ($25.00) for each day it fails to pay the assessment, and shall not be released thereby from its liability for the assessment.

(4) Any utility that issues any securities or evidences of indebtedness, or assumes any obligation or liability in respect to the securities or evidences of indebtedness of any other person, or makes any sale or other disposition of securities or evidences of indebtedness, or the proceeds thereof, for purposes other than the purposes specified in the order of the commission made with respect thereto under KRS 278.300, shall be fined not more than ten thousand dollars ($10,000).

(5) Any utility that violates any of the provisions of KRS 278.460 shall be fined not less than one hundred dollars ($100) for each offense.

(6) Any company that willfully fails to receive, transport and deliver oil or gas as required by KRS 278.490 shall, in addition to being liable in damages to the injured person, be fined not less than one hundred dollars ($100) nor more than five hundred dollars ($500), and each day of willful failure shall constitute a separate offense.

(7) Any telephone company that refuses to make a connection with the exchange or lines of another company for a period of thirty (30) days after being ordered to do so by the public service commission under subsection (2) of KRS 278.530 shall be fined not less than one thousand dollars ($1,000) nor more than five thousand dollars ($5,000), to be recovered by indictment in the Franklin Circuit Court or in the circuit court of the county where the company requesting the connection resides or has its chief office in this state. If the company desiring the connection proceeds to make the connection, as permitted by subsection (2) of KRS 278.530, and the company so connected with refuses to receive and transmit the toll messages offered to it by the company making the connection, or refuses to deliver messages from its own lines or exchanges to the lines or exchanges of the company making the connection, the company so refusing shall be fined one hundred dollars ($100) for each day it refuses, to be recovered by indictment in the courts mentioned in the first sentence of this subsection; if it continues so to refuse for a period of six (6) months it shall forfeit its right to do business in this state, and any of its officers, agents or employes who does or attempts to do any business in this state for it after the expiration of the six (6) months' period shall be fined fifty dollars ($50.00) for each day he does or attempts to do such business.

HISTORY: 1986 c 300, § 4, eff. 7-15-86
1982 c 82, § 50; 1978 H 547, § 54; 1974 H 393, § 47; 1942 c 208, § 1; KS 786, 842b-2, 2223-2, 3766b-1e, 3952-24, 3952-59, 3952-61, 4679f-2, 4679f-4

CROSS REFERENCES

Jurisdiction of energy regulatory commission; application of other laws, 279.210

278.992 Civil penalty for certain pipeline violations

Any person who violates any regulation adopted and filed pursuant to KRS Chapter 13 by the public service commission governing the safety of pipeline facilities and/or the transportation of gas as those terms are defined in the Natural Gas Pipeline Safety Act of 1968, U.S. Congress, shall be subject to a civil penalty to be assessed by the