

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

FAILURE OF SALYERSVILLE GAS)
COMPANY TO COMPLY WITH THE) CASE NO. 9695
COMMISSION'S REGULATIONS)

O R D E R

On September 26, 1986, an Order was issued requiring Salyersville Gas Company ("Salyersville") to show cause why it should not be fined for failure to comply with Commission regulations. After comprehensive safety inspections in 1985 and 1986, Salyersville was cited for virtually the same violations of 807 KAR 5:022 and 807 KAR 5:006. A hearing was conducted on October 27, 1986, during which Salyersville admitted that records had not been kept and that it had been cited previously for most of the same violations.

In its Order of January 12, 1987, the Commission assessed Salyersville a \$5,000 fine and required certain additional information to be submitted. Salyersville was ordered first to pay \$2,500 of the fine, with the balance contingent upon the nature of Salyersville's response. When Salyersville failed to adequately respond, an Order was issued on April 2, 1987, which assessed the remaining \$2,500 of the fine and required the remaining information to be filed.

In an informal conference on May 29, 1987, the Commission agreed that payment of the fine would be deferred until the

1987-88 heating season, at which time a payment schedule would be developed. It was also agreed that Commission Staff would perform a financial audit on Salyersville to assist in the determination of the payment plan. The audit report was submitted to Salyersville on November 18, 1987, and provided that any response deemed appropriate could be filed within 20 days.

While the audit report was under review by the Commission, a second informal conference was conducted on November 10, 1987, to reconsider the amount of the fine and implementation of a payment schedule. Barkley Sturgill, counsel for Salyersville, suggested that the fine be suspended and the monies be directed towards maintenance and repairs of the system. Staff suggested that the \$5,000 fine might be suspended on the condition that Salyersville set aside \$250 per month into an escrow account during each heating season (November through March) until a total of \$2,500 was accumulated. Such payments would be deposited into a separate bank account, to be drawn out only for special maintenance projects. This arrangement recognizes the progress Grady Conley, the owner and operator, had made as demonstrated by the September 23-24, 1987, comprehensive safety inspection after which the investigator concluded, "Salyersville has improved tremendously in its attempt to comply with state regulations. . . ." The report concluded that the record keeping deficiencies cited as repeat violations in the 1986 inspection report had been corrected.

At the conclusion of the conference, Salyersville was advised that Staff would recommend the proposal to the Commission with certain limitations as to use of the account.

Based upon the Staff audit report and the adjustments recommended, a review of Salyersville's 1986 Annual Report, and the 1987 comprehensive safety inspection, the Commission concludes that the proposal should be approved. However, Salyersville shall use the separate account funds for extraordinary maintenance needs. Ordinary expenditures related to mains and services labor, supplies, and expenses shall continue as regular budget items. The separate account referenced herein should not be utilized for these purposes.

The Commission further concludes that certain reporting requirements should be met by Salyersville regarding the account. Salyersville should submit to the Commission a copy of the deposit receipt after each monthly deposit is made. Salyersville should also submit a request in writing when it wishes to make a withdrawal from the account. Such withdrawal should not be made until the Commission has approved the request.

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

1. A comprehensive safety inspection conducted on Salyersville in 1986 found repeated violations to 807 KAR 5:006 and 807 KAR 5:022.
2. After a hearing, Salyersville was assessed a \$5,000 fine and required to file certain information demonstrating compliance with Commission regulations.
3. It appears from the staff report, the 1987 comprehensive safety inspection, and the information submitted by Salyersville during this proceeding that Salyersville has corrected the

violations cited in the 1986 inspection and is now operating in substantial compliance with Commission regulations.

4. The \$5,000 fine should be suspended, and Salyersville should make monthly payments of \$250 during each heating season (November through March) into escrow and held in a separate bank account until an amount of \$2,500 is accumulated. This account should be used only for extraordinary expenses incurred over and above those related to daily, routine maintenance and service supplies, labor, and expenses.

5. Salyersville should submit a written request to the Commission each time it proposes to make a withdrawal from the account. No withdrawal should be made until the Commission has approved the request.

6. Salyersville should submit a copy of the deposit receipt after each monthly payment is made to the account.

IT IS THEREFORE ORDERED that Salyersville shall comply with all matters set forth in Findings 4 through 6 as if the same were individually ordered.

Done at Frankfort, Kentucky, this 17th day of December, 1987.

PUBLIC SERVICE COMMISSION

Richard D. Hemmings
Chairman

Robert M. Davis
Vice Chairman

ATTEST:

Executive Director

James H. Williams
Commissioner