

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

MAGOFFIN GAS COMPANY'S FAILURE TO) CASE NO. 9839
COMPLY WITH COMMISSION REGULATIONS)

SHOW CAUSE ORDER

On December 15, 1986, a comprehensive safety inspection was conducted on Magoffin Gas Company ("Magoffin") by the Commission's Gas Pipeline Safety Branch. Numerous violations to Commission safety and service regulations (807 KAR 5:022) and general regulations (807 KAR 5:006) were cited. Magoffin failed to respond to the inspection report with a proposed schedule of compliance to correct the deficiencies cited. On January 28, 1987, an Order was issued directing Magoffin to show cause why it should not be fined for repeated violations of Commission regulations and present evidence depicting Magoffin's schedule to correct these deficiencies.

On February 2, 1987, Magoffin requested that an informal conference be scheduled with Commission staff. The Commission granted the motion, and on March 11, 1987, an informal conference was held to discuss the actions to be taken by Magoffin. Donald Cohen, owner and operator, asserted that many of Magoffin's deficiencies had been corrected. In particular, he stated that all safety violations of a physical nature were now in compliance. He

also agreed that maintaining records required by Commission regulations is important and they would be developed and maintained. On March 27, 1987, Magoffin submitted additional information to confirm the improvements made to the gas system and stated that the following documents would be available July 1, 1987: an Operating and Maintenance (O&M) Plan; procedures for continuing surveillance and investigating failures; written emergency and damage prevention plans; and main line valve inspection records.

On April 22, 1987, a follow-up inspection was conducted to determine the progress in upgrading Magoffin since December 1986. Attached as an Appendix to this Order is a copy of the inspection report submitted to Magoffin. This inspection verified that certain deficiencies cited in December 1986 had been corrected, but the inspection report noted that certain regulatory requirements relating to corrosion control were still deficient (item nos. 11, 13, and 14). On May 11, 1987, Commission staff advised Magoffin of the status of its compliance to Commission regulations and restated that any aboveground steel pipe must be protected from atmospheric corrosion and that a corrosion control program must be implemented for the buried steel pipe. Magoffin was also directed to cover two separate sections of buried steel pipe that had become exposed.

After requesting and being granted a 10-day extension, Magoffin filed on June 12, 1987, its response to the April 1987 inspection report, stating that the written records were still in the process of development. While certain other information would be available for review within 60 days, Magoffin requested an

additional 30 days to file an annual leak report. Regarding the deficiencies related to corrosion control, it was asserted that no funds exist to initiate a cathodic protection or corrosion control program without a rate increase. Magoffin stated that an application for an adjustment in rates would be submitted "soon," in addition to an alternative cost study plan for painting the exposed pipe and protecting or replacing the underground pipe by September 1, 1987.

On August 3, 1987, Magoffin filed another request for an extension of time to complete development of the O&M Plan, written emergency and damage prevention plans, and other records and procedures. On August 5, 1987, an Order was issued granting Magoffin an extension of time until September 1, 1987, to complete the remaining documents and records.

The Commission notes that a show cause proceeding had been initiated against Magoffin on March 14, 1984, (Case No. 8991) for failure to comply with existing regulations including: no O&M Plan; no written emergency and damage prevention plans; no cathodic protection procedures; no meter history cards; and no maintenance records. This case was dismissed only after Magoffin had made progress on some deficiencies and agreed to correct other deficiencies on a scheduled basis. Since many of the deficiencies cited in 1984 were once again cited in the April 1987 inspection, the Commission concludes that Magoffin has failed to maintain compliance with Commission regulations during this time and has not followed any schedule of repair as it agreed to in 1984.

It also appears that Magoffin is attempting to delay indefinitely the correction of certain deficiencies cited in April 1987: an O&M Plan, written emergency and damage prevention plans; procedures for continuing surveillance and investigating failures; and a corrosion control program. These deficiencies existed in 1984 and continue to exist in 1987. Magoffin had stated that these plans and procedures would be completed July 1, 1987; then September 1, 1987; and now, Magoffin proposes September 30, 1987. Magoffin has also provided an unclear and inadequate response to its corrosion control deficiencies. On the one hand, it is stated in Magoffin's June 12, 1987, response that no monies exist to implement a cathodic protection or corrosion control program without an adjustment in rates which would be requested "soon"; in that same response, however, Magoffin states that an alternative cost study will be submitted by September 1, 1987. As of the date of this Order, Magoffin has neither initiated any action before the Commission to seek additional funds through an increase in rates nor submitted an alternative cost study plan for corrosion control. Over 3 months have elapsed since Magoffin presented these proposals in its June 12, 1987, response.

On September 2, 1987, Magoffin once again submitted a request for an extension of time, although no specific reasons or time period were provided. This motion is still under review by the Commission.

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

1. Magoffin's motion for another extension of time should be denied.

2. Magoffin should appear before the Commission to show cause why it should not be fined for continued violations of various sections of 807 KAR 5:022 as identified in the April 27, 1987, inspection report, and to present evidence that demonstrates these violations will be corrected.

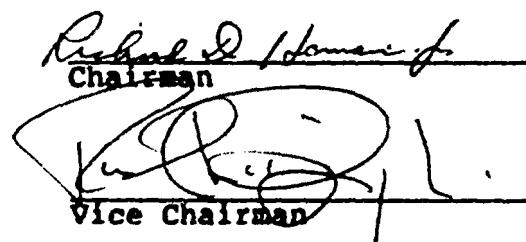
IT IS THEREFORE ORDERED that:

1. Magoffin's motion for an extension of time shall be and hereby is denied.

2. Magoffin shall appear on November 4, 1987, at 10:00 a.m., Eastern Standard Time, in Hearing Room No. 1 of the Commission's offices, Frankfort, Kentucky, to show cause why it should not be fined for violations to 807 KAR 5:022 and to demonstrate what corrective actions it intends to take to comply with the regulations.

Done at Frankfort, Kentucky, this 1st day of October, 1987.

PUBLIC SERVICE COMMISSION

Richard D. Johnson Jr.
Chairman

Vice Chairman

Steve Williams
Commissioner


ATTEST:

Executive Director

M E M O R A N D U M

TO: Magoffin Gas Company File

THRU: E. Scott Smith, Chief Engineer *SS*
Larry L. Amburgey, Investigator Supervisor *LA*

FROM: Marcus L. Rogers *MR*

DATE: April 27, 1987

RE: Interim inspection with respect to Case No. 9839,
Magoffin Gas Company

On April 22, 1987, accompanied by Buster Alderman, PSC Investigator; and Ralph Dennis of the PSC Gas Branch, I met with Jim Howard, Manager of Magoffin Gas Company. The purpose of this inspection was to determine the progress in upgrading the Magoffin Gas system since the December 1986 inspection with respect to the deficiencies listed below:

1. No Operating and Maintenance Plan (807 KAR 5:022, Section 13,14).

OS&M Plan has not been submitted to PSC, but Magoffin has until July 1, 1987, through Case No. 9839 to do so.)

2. No leak report filed (807 KAR 5:027, Sections 2, 3, 4, and 5).

Leak report has not been filed as of this date. Magoffin states in its correspondence that the report will be filed by April 30.

Memo - Magoffin Gas File
Page 2
April 27, 1987

3. Inadequate meter test records (807 KAR 5:022, Section 8).

Magoffin has test cards made up for 23 meters and information on hand for balance of meters, but no meter history cards.

4. No procedure for continuing surveillance [807 KAR 5:022, Section 13(7)].

Same as No. 1.

5. No procedure for investigation of failures [807 KAR 5:022, Section 13(10)].

Same as No. 1.

6. No records of patrolling gas facilities [807 KAR 5:022, Section 14(12)].

No records available.

7. No regulator and relief valve annual records [807 KAR 5:022, Section 14(21)].

Still no records. This is the responsibility of the utility.

8. No main line valve inspection records [807 KAR 5:022, Section 14(25)].

No records being kept.

Memo - Magoffin Gas File
Page 3
April 27, 1987

9. No meter history records [807 KAR 5:006, Section 15(1),(2)].

No cards in use, contracted meter repairman cannot furnish utilities with meter history information.
10. No customer refund policy (807 KAR 5:006, Section 9).

No written policy exists. Utility needs to adopt a written policy in accordance with the regulations.
11. No corrosion control records [807 KAR 5:022, Section 10(2)].

No corrosion control for buried steel, most aboveground steel has been protected. All steel pipe must be protected.
12. No odorization records [807 KAR 5:022, Section 13(17)].

Records not being kept.
13. No qualified person to perform cathodic protection [807 KAR 5:022, Section 10(3)].

No change.
14. No corrosion surveys performed [807 KAR 5:022, Section 10(6)].

No change. Visual and paint cannot protect underground pipe.
15. No written Emergency Plan [807 KAR 5:022, Section 13(9)].

No change. Same as No. 1.

Memo - Magoffin Gas File
Page 4
April 27, 1987

16. No written damage prevention program [807 KAR 5:022, Section 13(8)].
Same as No. 1.
17. Meter #3269950 has black plastic water pipe connected with radiator type hose clamp (807 KAR 5:022, Section 5).
Violation has been corrected.
18. Regulator blocked open at meter #191998.
Violation has been corrected.
19. Orange plastic p/e pipe aboveground from meter #191998 to residence [807 KAR 5:022, Section 7(5)].
Line has been buried.
20. Abandoned meter location not locked, closed or plugged (807 KAR 5:022, Section 14(15)(d)1,2,3].
Violations have been corrected.
21. Rusty meter sets throughout system [807 KAR 5:022, Section 10(16)].
All observed meter sets have been painted.
22. Gas leak underground at meter #191998 (807 KAR 5:022, Section 14). This meter set is loose and is laying over on its side.
Leak has been repaired and meter set up straight.

Memo - Magoffin Gas File
Page 5
April 27, 1987

Additional observations made during this inspection:

1. There is a slight valve leak at point where plastic ends and steel main begins, also a slight leak at meter #191998. Both of these leaks are too small to warrant maintenance but should be kept under observation.
2. Bare aboveground 2" steel pipe near Farris Collins well and bare 1" exposed steel in same general area. All exposed bare steel should be painted or coated.

An inspection will be scheduled for Magoffin in July of 1987. Magoffin will be made aware of the results of this inspection through correspondence from Ralph Dennis.

MLR:mll

cc: Ralph Dennis