

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PHELPS GAS COMPANY'S FAILURE TO)
COMPLY WITH COMMISSION REGULATIONS)
AND DELINQUENT PURCHASED GAS ACCOUNT))
WITH COLUMBIA GAS OF KENTUCKY)

CASE NO.
9877

SHOW CAUSE ORDER

On June 25-26, 1986, a comprehensive safety inspection was conducted on Phelps Gas Company ("Phelps") located in Phelps, Kentucky. Phelps is owned and operated by Mike Little. Eight violations of the Commission's regulations were cited, most of which were violations of the gas safety regulations (807 KAR 5:022). Attached as Appendix A is a copy of the safety inspection report which lists each of these alleged violations.

A review of the Commission's past annual safety inspections conducted on Phelps indicates that Phelps has been cited repeatedly for noncompliance with corrosion control requirements during the 1984, 1985, and 1986 safety inspections (807 KAR 5:022, Section 10). It is alleged that the pipe is not adequately protected against corrosion since the joints in the pipeline in the Phelps system were not wrapped when the lines were reconstructed. The need for an ongoing corrosion control program at Phelps is of paramount importance.

Commission records also indicate that Phelps has not provided timely responses to the safety inspection reports. Phelps took

over 5 months to respond to the 1984 safety inspection, requiring the Commission to send two reminder letters. More recently, Phelps has failed to respond at all to the 1986 inspection report, which was submitted to Phelps on July 23, 1986, in violation of KRS 278.230 and 807 KAR 5:006, Section 3(3). Timely responses to safety inspection reports are necessary so the Commission can determine if corrective action has been taken, when the corrective action is scheduled, or if any follow-up action may be necessary. Such responses also demonstrate a good faith effort on the operator's part to comply with the regulations. In this instance a follow-up inspection was conducted on November 11, 1986, through which it was determined that most of the deficiencies cited in June 1986 had been corrected. Mr. Little has made no effort to advise the Commission of the status of compliance nor requested any extension of time to reply. Only through the Commission's own initiative has Phelps' degree of compliance been determined. The Commission finds it necessary for Phelps to answer as to the allegations stated herein and demonstrate why a fine(s) should not be imposed.

On November 12, 1986, Columbia Gas of Kentucky, Inc., ("Columbia") filed with the Commission a letter it had sent to Phelps. Therein, Columbia, in accordance with its tariff, required Phelps to establish an escrow account in order to pay a \$15,636 arrearage to Columbia.

On December 12, 1986, the Commission requested by letter that Phelps provide the Commission with certain information regarding

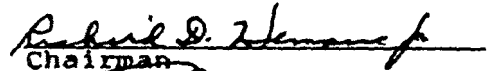
the arrearage; however, Phelps' response was not detailed enough to adequately inform the Commission as to the status of this arrearage.

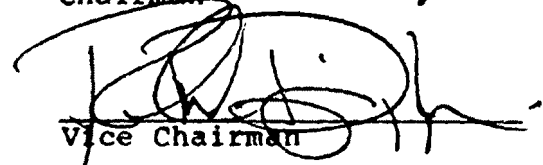
The Commission is therefore of the opinion that Phelps should provide information to the Commission regarding the resolution of the arrearage with Columbia.

IT IS THEREFORE ORDERED that Phelps shall appear before the Commission on April 9, 1987, at 9:00 a.m., Eastern Daylight Time, in the Commission's offices, Frankfort, Kentucky, to show cause why it should not be fined pursuant to KRS 278.990 for violations of KRS 278.230 and 807 KAR 5:022, Section 10, and to demonstrate what corrective actions it intends to take to comply with the regulations, and to explain what Phelps' intentions are concerning resolution of an arrearage in its purchased gas account with Columbia.

Done at Frankfort, Kentucky, this 13th day of March, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director



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

July 23, 1986

Mr. Mike Little, President
Phelps Gas Company, Inc.
P. O. Box 69
Melvin, Kentucky 41650

Dear Mr. Little:

Enclosed for your information is a copy of a Report of the Scheduled Comprehensive Inspection of Phelps Gas Company, Inc., Melvin, Kentucky.

Please acknowledge receipt and reply before August 25, 1986, as requested in the recommendations of the Report.

If you have any questions or need additional information please contact M. L. Rogers at 502-564-4309.

Sincerely,

A handwritten signature in cursive script, appearing to read "Claude G. Rhorer, Jr.".

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

CGR/REB/lr

Enclosure

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
ANNUAL COMPREHENSIVE INSPECTION REPORT

PHELPS GAS COMPANY, INC.
MELVIN, KENTUCKY

BRIEF

This inspection was conducted in accordance with our program of inspecting each jurisdictional natural gas operator annually. Phelps is a small intrastate natural gas utility operating in the Commonwealth of Kentucky and subject to the federal pipeline safety regulations as adopted by the Kentucky Public Service Commission (KPSC).

Attached as Exhibit A 1-5 are copies of correspondence and memoranda relative to the previous, 1985 inspection. Also attached as Exhibit B-1 and -2 are copies of the Findings of the December 23, 1985, Report. These are relative to this inspection which was scheduled as outlined in Mr. Rhorer's letter of March 13, 1986.

Historically recorded and briefly stated, Phelps remains in violation of certain regulations.

INSPECTION

On June 25, 1986, staff investigator, M. L. Rogers and I met with Mike Little, President of Phelps at Pikeville, Kentucky. Mr. Little accompanied us to the Phelps system where we made an inspection of the physical facilities.

REPORT - Phelps Gas Company
Page Two
July 17, 1986

On June 26, 1986, we met with Mr. Little and Virginia Gibson, Business Manager of/for Phelps at its Melvin, Kentucky office. We discussed present system conditions, natural gas safety considerations and its budgeted programs. A complete review of the required plans and records was made.

FINDINGS

A review of the above, the attached, our records and my notes reveals the following:

1. Phelps, i.e., Mr. Little's, prior response to the 1985 inspection basically remains incomplete (see Exhibit A-2 and A-3)
 - (a) The O & M Plan revisions need to be completed,
 - (b) The necessary corrosion surveys have been indefinitely postponed,
 - (c) No letters have been mailed to the customers and no public advertisement has been published in the local newspapers, and
 - (d) Better recordkeeping has not been accomplished, plus
2. Phelps meter history cards lack the required date of purchase of each meter and the meter test results are not being posted onto the cards.

RECOMMENDATIONS

It is recommended that Phelps again be cited for the continued deficiencies outlined in the above findings:

1. O & M Plan revisions are needed. [807 KAR 5:022, (3) Case Section 13(3) and (10)]
2. Inadequate maintenance records. [807 KAR 5:022, Section 14(12), (21) and (25)]
3. Lack of active corrosion control programming. [807 KAR 5:022, Section 10]
4. No adoption and implementation of a Damage Prevention Program. [807 KAR 5:022, Section 13]
5. Lack of complete and updated information on meter history cards. [807 KAR 5:006, Section 15]

(12) potential
(21) actual work, 10 minutes
(25) main line valves

It is further recommended that Phelps be forewarned that further delays and/or evasiveness will result in enforcement action, and that another 1986 comprehensive re-inspection be made 90 days from now.

Finally, it is recommended that a copy of this report be sent to Phelps so that it may be advised of the findings and requested to comply, by August 25, 1986, to the recommendations.

Respectfully submitted,


H. E. Brubaker
Utility Investigator

CEB
HWA
OK

REB/lr
Attachments



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

March 13, 1986

Mr. Mike Little, President
Mike Little Gas Company, Inc.
P. O. Box 69
Melvin, Kentucky 41650

Re: Mike Little Gas Co. and
Phelps Gas Co. 1985
Inspection Reports

Dear Mr. Little:

Your response letter of February 18, 1986, and your compliance conferences with staff investigator Bruflat have been considered as evidence of your compliance intentions. Accordingly, Mike Little Gas Company, Inc., and Phelps Gas Company, Inc., have been and are granted an extended period of time to implement those actions outlined in your response letter(s) -- they should be given top priority.

A thorough, comprehensive inspection of both systems will be made after June 1, 1986, but prior to October 15, 1986, to determine the need for further enforcement actions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Claude G. Rhorer, Jr.", written over a horizontal line.

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

CGR/REB/lr

cc: Phelps Gas Co.
Inspection File

REIS

PHELPS GAS COMPANY, INC. RECEIVED

P. O. BOX 60
MELVIN, KENTUCKY 41680

February 18, 1986

DIVISION OF UTILITY
ENGINEERING & SERVICES

Mr. Claude G. Rhorer, Jr., Director
 Division of Utility Engineering and Services
 Public Service Commission
 730 Schenkel Lane
 P.O. Box 615
 Frankfort, Kentucky 40602

Dear Mr. Rhorer:

In response to Mr. R. E. Bruflat's letter of December 23, 1985, regarding inspection of certain Phelps Gas Company facilities and records, I submit the following corrections to the cited deficiencies:

DEFICIENCY NO. 1

Revised O & M Plan to include more detailed forms for accurate reporting and assurance that office records will be maintained.

DEFICIENCY NO. 3

A qualified corrosion control consultant has been retained to conduct the necessary surveys on all buried steel systems during 1986.

DEFICIENCY NO. 5

A detailed letter will be mailed to all customers on an annual basis.

Also, public advertisement will be published in all local newspapers annually.

Also, addressing Mr. Bruflat's recommendations concerning items number (2) and 6, I submit the following as suggested means of compliance:

SUGGESTED ITEM NO. 2

New patrolling, regulator and relief valve and main line valve inspection forms have been prepared to insure better record keeping procedures and will be used in 1986.

PHELPS GAS COMPANY, INC.

P. O. BOX 66

MELVIN, KENTUCKY 41650


Page 2

Claude G. Rhorer, Jr., Director

SUGGESTED ITEM NO. 6

The program of physical protection and painting of customer service installations will continue in 1986.

Sincerely,

A handwritten signature in cursive script that reads "Mike Little".

Mike Little, President
Phelps Gas Company, Inc.

MEMORANDUM

TO: Mike Little Gas Co.
1985 Inspection File

Phelps Gas Company
1985 Inspection File

THRU: Claude Rhorer *all of*
Scott Smith *in*
Larry Amburgey *in*

FROM: R. E. Bruflat *File*
Utility Investigator
Gas Section

DATE: February 19, 1986

RE: Compliance Action Conference(s) as Follow-Up to 1985
Comprehensive Inspections

On February 5, 1986, I contacted Gary Greer, as requested per Mr. Little's letter of January 31, 1986*. We discussed my December 23, 1985 inspection report and made arrangements to meet the next day.

On the evening of February 5, 1986, I met with Mike Little, President of both Mike Little Gas Co. (MLG) and Phelps Gas Company (Phelps). We reviewed the status of the gas systems, his plans to comply with the recommendations of the 1985 Reports and his employment of Mr. Greer as a consultant to review and update the plans and to serve as the qualified corrosion person.

Mr. Little's late response to the MLG request and his failure to respond to the Phelps request are now a matter of record.

On February 6, 1986, Mr. Little and Mr. Greer met with me to review the MLG and Phelps citations. Basically, we reviewed the MLG report and discussed the requested detailed response. Compliance to the Phelps citations was mentioned and I reminded them that the Phelps report also required a detailed response.

The purpose of this memo is to record these compliance conferences (enforcement actions) and to update our inspection files--in effect we have granted him an extension.

REB/lr

Attachment *

Mike Little Gas Company, Inc.

P.O. BOX 69
MELVIN, KENTUCKY 41650

RECEIVED

FEB 03 1986

DIVISION OF UTILITY
ENGINEERING & SERVICES

January 31, 1986

Robert Bruflat
Public Service Commission
790 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

Dear Bob,

RE: Last inspection of MLOC

Gary Greer has the report and is updating the Emergency and O & M Plans, he has them roughed out and is ready for review. He would like you to call him at 606-886-2311 at your convenience to set up a meeting for you and I to go over them before they are typed.

Sincerely,

Mike Little

MIKE LITTLE, PRESIDENT
MIKE LITTLE GAS COMPANY, INC.

OK
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LLA
ESS
CGR w/ ?
re: Ask. on
Sho. Coun. ✓

REPORT - Phelps Gas Company
Page Three
December 23, 1985

FINDINGS

A review of the above, our records and my notes reveals the following:

1. ✓ Phelps needs to revise and update its O & M Plan to include uprating, abandonment or de-activation, discontinuance of customer service provisions [807 KAR 5:022, Section 13(3)]; and procedures for investigation of failures [807 KAR 5:022, Section 13(10)].
2. Phelps needs to make and maintain better patrolling, regulator and relief valve and main line valve inspection records [807 KAR 5:022, Section 14(12), (21) and (25)].
3. ✓ Phelps remains deficient in the implementation of the external underground corrosion control program [807 KAR 5:022, Section 10] (various sub-sections especially those requiring surveys, Cathodic Protection (C/P) and records).
4. Phelps needs to provide a written description and/or drawings of customer service installation to prospective customers and installers [807 KAR 5:022, Section 9(2)].

REPORT - ~~Mike Little~~ ^{Phelps} Gas Company
Page FOUR
December 23, 1985

5. ✓ Phelps needs to make and maintain a list of contractors and excavators in its service area and to notify the public regarding its Damage Prevention Program (DPP) [807 KAR 5:022, Section 13(8)].
6. ✓ Phelps needs to continue its inspection of customer meter sets to assure adequate protection from vehicular damage and atmospheric corrosion [807 KAR 5:022, Section 9(3) and Sections 16 and 18].

RECOMMENDATIONS

It is recommended that Phelps be cited for the deficiencies outlined in the above findings:

1. O & M Plan omissions and lack of the required records [807 KAR 5:027, Section 7].
2. Lack of Corrosion Control efforts, the employment of a qualified person and the implementation of C/P [807 KAR 5:022, Section 10].
3. Lack of customer/public information as to gas service and its DPP [807 KAR 5:022, Section 9(2) and Section 13(8)].

It is further recommended that Phelps review and study the findings of items 2. and 6., then prepare, submit and follow its scheduled program of compliance action.