

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

FAILURE OF BAIDEN GAS COMPANY)
TO COMPLY WITH) CASE NO. 9954
COMMISSION REGULATIONS)

INTERIM ORDER

On June 26, 1987, an Order was issued in which Baiden Gas Company ("Baiden") was required to show cause why it should not be fined for violating KRS 278.485 and Commission regulations, and to demonstrate what corrective action it intends to initiate to comply. During the Commission's review of this matter, Baiden also submitted information relating to a proposed abandonment of four wells and associated pipeline which will result in 33 customers losing gas service.

In this Order the Commission will rule on the issue of Baiden's proposed abandonment of service. The remaining matters will be ruled upon in a subsequent Commission Order.

BACKGROUND

Baiden is a natural gas production and gathering utility, located near Louisa in Lawrence County, Kentucky, which has approximately 20 active gas wells and sells most of its gas to Columbia Gas Transmission Corporation ("Columbia"). There are approximately 240 farm tap customers served by Baiden pursuant to KRS 278.485, including 100 customers who receive free gas through rights-of-way contracts. A compressor station is located on the

system at a point just beyond the interconnection of the gathering lines from the various wells. The system continues beyond the compressor station for approximately one-half mile, at which point the pipeline interconnects with Columbia. All the customers are located upstream of the compressor station.

In June 1977, Jerry Garden, operator of Baiden, discussed with Commission staff a proposed abandonment in southern Lawrence County of a portion of the Baiden system. Based upon the map Mr. Garden submitted, attached as Appendix A, 33 customers are served gas from this area, including 11 free gas customers. The wells to be abandoned are designated as Porter, Dilley, and Deerfield (2). Baiden has stated that these gas wells can no longer supply the peak needs of the customers and that backfeeding is required during the winter months. The gas field in which these wells are located is dedicated to Columbia. Baiden has requested permission from Columbia to drill additional wells, but the request has been denied.

COMMENTARY

Baiden filed additional information on July 10, 1987, regarding the proposed abandonment, including well production charts for January, May, and December 1986, and January through June 1987, and a copy of the contract between Baiden and Columbia. In this response Mr. Garden stated that the proposed date for discontinuance of service was September 15, 1987, and that the pipelines in this area would ". . . be removed of natural gas and will not be in use at any future date."

The 33 customers who will lose gas service if the proposed abandonment occurs were provided the service pursuant to KRS 278.485. However, this statute also contains a provision which allows a gas pipeline company such as Baiden to abandon a gas well or gas gathering pipeline, or any part of the gathering line. Section (6) states in part:

Nothing in this section shall be construed to restrict the right of any gas pipeline company to abandon any gas well or any gathering pipeline, or any part thereof, and to remove any such abandoned pipeline or lines.

The statute further states that if a line or portion of a line is abandoned it cannot be used for any other service. The company must remove some part of the line which is abandoned to render it inoperable.

It is evident that Baiden has the statutory authority to abandon service to customers supplied pursuant to KRS 278.485. However, the issue of abandonment is jurisdictional to the Commission pursuant to 807 KAR Chapter 5 which includes provisions by which utilities must provide service and reasons for which service may be terminated. Therefore, the Commission reviews such proposals and requires the company to provide information which supports the reasons for abandonment. Commission staff has reviewed the information on the well production charts supplied by Baiden and concluded that these pressure charts support Baiden's position that adequate pressure no longer exists in these wells to supply the peak winter needs of the 33 customers.

On July 20, 1987, a public hearing was conducted in Inez, Kentucky, to allow the customers to discuss with Baiden and the

staff the safety problems with the system. Many of the customers expressed concern about the cost of compliance and the period of time in which the corrections must be completed. Staff explained to the customers the importance of the safety-related equipment required by 807 KAR 5:026.

On July 31, 1987, a hearing was conducted in this proceeding. Regarding the issue of abandonment, Mr. Garden testified that Columbia has continued to take gas from this area during 4 months of each 12-month period (November through February). Some customers have expressed concern that Baiden will continue to sell gas to Columbia from these lines once the 33 customers have been disconnected. Mr. Garden testified that no gas will flow through these lines once abandoned and that he understands KRS 278.485 requires the lines to be severed within 6 months of the date of abandonment.

During its review of this proposed abandonment, Commission staff has been unable to identify any other potential supplier of gas to these customers. The Commission regrets that the only resolution to this situation appears to be that the proposed abandonment should be allowed.

The Commission has already given Baiden a deadline of September 1, 1987, to determine that all of its customers' hookups comply with Commission regulations. Since the Commission has concluded that the proposed abandonment discussed herein should be allowed, and given the date of this Order, the Commission is of the opinion that the 33 customers who will lose gas service should be given additional time to make other arrangements for their

heating needs. Therefore, the Commission is of the opinion that Baiden should not cause the abandonment to occur prior to 30 days from the date of this Order.

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

1. Baiden has been supplying gas to 33 customers in southern Lawrence County pursuant to KRS 278.485.

2. The wells which have supplied gas to these customers no longer have sufficient gas reserves to supply the peak needs of the customers, and during the winter months Baiden has been back-feeding gas supply to these customers from other wells.

3. The issue of abandonment is jurisdictional to the Commission pursuant to 807 KAR Chapter 5 which includes provisions by which utilities must provide service and reasons for which service may be terminated.

4. While Baiden has until September 1, 1987, to determine that all of its customers' hookups comply with Commission regulations, the 33 customers should be given additional time to make other arrangements for their heating needs. Therefore, Baiden should not abandon this portion of its system prior to 30 days from the date of this Order.

5. Baiden should notify the Commission when abandonment has occurred and where the line has been severed.

IT IS THEREFORE ORDERED that:


1. Baiden may proceed with abandonment of the portion of its system in southern Lawrence County which supplies gas to 33 customers.

2. Baiden shall comply with all matters set forth in Findings 4 and 5 as if the same were individually ordered.

3. All other matters relevant to Case No. 9954 and not related to the abandonment issue shall be ruled upon in a subsequent Order.

Done at Frankfort, Kentucky, this 25th day of August, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

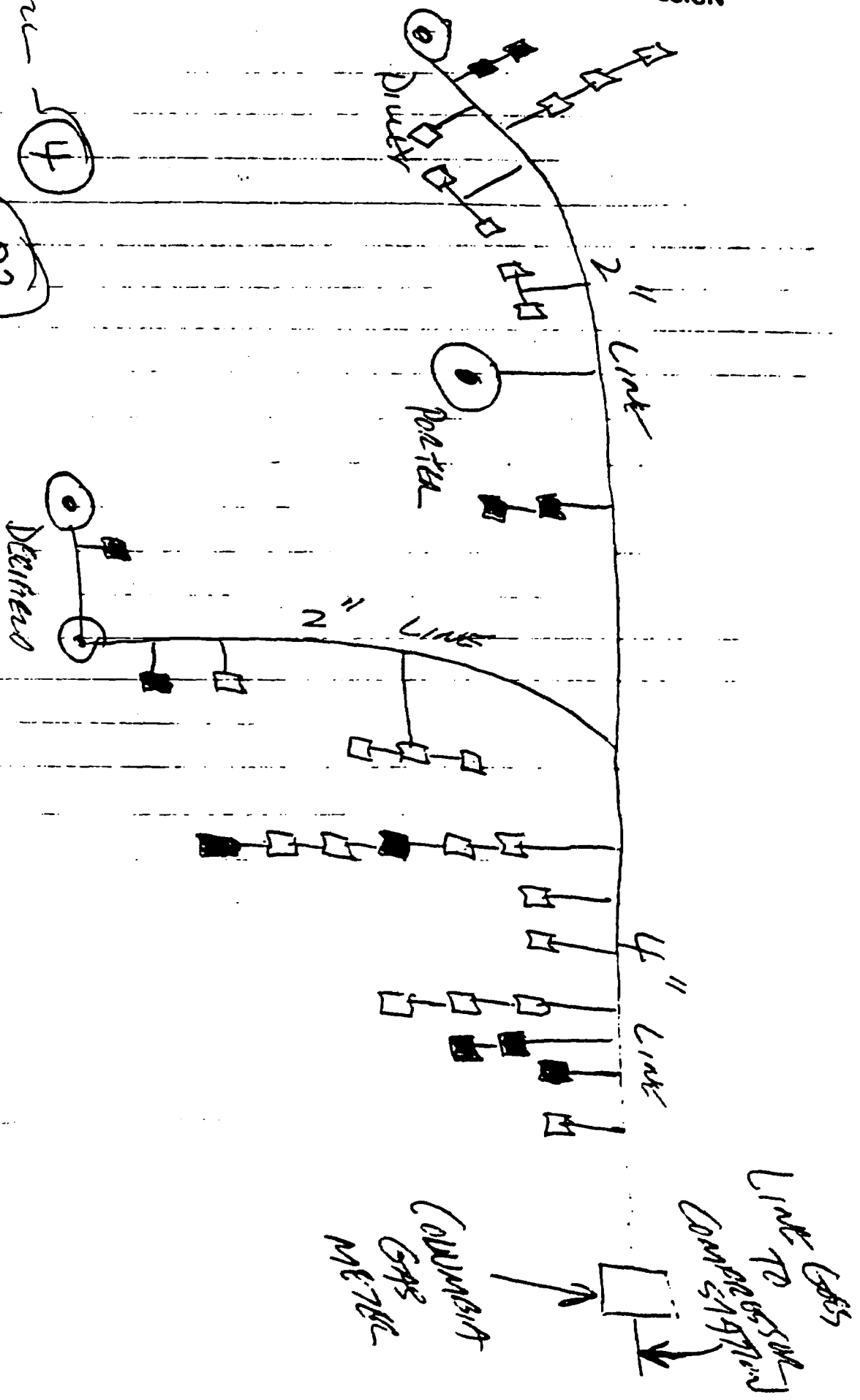
Executive Director

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PUBLIC SERVICE COMMISSION

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 - - FREE CONSUMER
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