

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

B.T.U. PIPELINE, INC.

ALLEGED FAILURE TO COMPLY WITH
COMMISSION REGULATIONS

)
)
) CASE NO. 96-087
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)
)

O R D E R

On March 14, 1996, the Commission ordered B.T.U. Pipeline, Inc. ("B.T.U.") and its Operations Manager, Richard Williams, to appear at a hearing to show cause why civil penalties pursuant to KRS 278.992(1) should not be assessed against B.T.U. or Mr. Williams, or both, for alleged violation of 807 KAR 5:022, Section 15. At the hearing, held on June 28, 1996, Mr. Williams appeared on his own behalf. BTU did not appear.

807 KAR 5:022, Section 15, permits only a "trace" of hydrogen sulfide in gas supplied to customers, and requires gas utilities to test for hydrogen sulfide "at least once each day, except Sundays and holidays," when necessary (emphasis added). A January 26, 1996 report issued by the Commission Gas Pipeline Safety Investigators, attached as Appendix A to the March 14, 1996 Commission Order herein, stated that, on January 25, 1996, the Commission's investigator tested a sample of gas from a B.T.U. pipeline taken from a drip tank serving two residential meters. The test revealed the presence of hydrogen sulfide at a level of 1,000 parts per million. At the hearing, David Kinman, the Pipeline Safety Investigator who performed the test and prepared the report, testified to the accuracy of the report and explained the function of a Draker tube in conducting tests for hydrogen sulfide. Mr. Kinman used in his demonstration the tube used on January 25,

1996, stained at 1,000 parts per million, and testified that the tube had registered the presence of hydrogen sulfide "almost immediate[ly]" during the B.T.U. test.¹ The tube was entered into evidence as Commission Staff Exhibit 1.

Mr. Williams testified that he does not dispute the findings in the Commission Gas Pipeline Safety Inspectors' report, stating that he has "no reason to doubt" the report's accuracy.² Nor does the Commission. Consequently, the Commission finds that 807 KAR 5:022, Section 15, has been violated: 1,000 parts per million is, beyond doubt, more than the "trace" of hydrogen sulfide permitted by the regulation. It remains only for the Commission to determine the appropriate action it should take as a result of this finding.

KRS 278.992(1) provides for civil penalties up to \$10,000 per day for each violation of the Commission's pipeline safety regulations. In determining the amount of the penalty to be assessed, the Commission is to consider the gravity of the violation, the appropriateness of the penalty to the size of the business of the person charged, and the good faith of the person charged in attempting to achieve compliance after notification of the violation. Id.

The violation is one of extreme gravity. Mr. Williams agreed that "hydrogen sulfide is very dangerous."³ He pointed out, however, that no one died as a result of the hydrogen sulfide in the B.T.U. system.⁴ This statement, although true, hardly mitigates the offense. The level of hydrogen sulfide found in the B.T.U. system is indeed fatal to human beings, and its undisputed presence on January 25, 1996, endangered the lives of B.T.U.'s

¹ Transcript at 21.

² Transcript at 12.

³ Transcript at 22.

⁴ Transcript at 23.

employees and residential customers. That no one lost his life as a result of the poisonous gas being delivered to B.T.U. customers is attributable to luck rather than to any action taken by B.T.U. Exposure to only 700 parts per million of hydrogen sulfide gas -- a lower level than that found during the January 25, 1996 test of the B.T.U. system -- results in unconsciousness, followed by death, within 15 minutes. Other attributes of hydrogen sulfide gas enhance its deadly nature: it has an ignition point of only 500 degrees; its specific gravity causes it to settle in low areas rather than to dissipate quickly; and, even if it is present at only 50 parts per million, it deadens the sense of smell. Consequently, human beings are unaware of its presence and, absent an inkling that they are being exposed to poisonous gas, have no idea that they should take immediate measures to protect themselves.⁵

Mr. Williams contends that he could not have foreseen or prevented the buildup of hydrogen sulfide in the line because it was the result of the chips in the scrubber having frozen.⁶ However, Mr. Williams was well aware that the well from which the gas originated (the "Stevens well") was a sour gas producing well⁷ and that "we knew that we could have a problem there."⁸ Mr. Williams stated, "[w]e did not monitor it that morning, but we were monitoring it on a basis. . . ."⁹ When asked why B.T.U. had not tested for hydrogen sulfide that day, Mr. Williams said they were busy laying a new line and weren't "taking care of

⁵ See Appendix A to Commission Order of March 14, 1996.

⁶ Transcript at 10-11.

⁷ Transcript at 10.

⁸ Transcript at 26.

⁹ Transcript at 26.

[their] homework."¹⁰ Mr. Williams also said he was simply unaware that the chips in the scrubber could freeze.¹¹ The scrubber had not been insulated.¹²

Ignorance of such key issues as that professed by Mr. Williams does not excuse B.T.U.'s negligence. It is, in fact, alarming. Equally alarming is Mr. Williams's explanation that B.T.U. had conducted no hydrogen sulfide test that day, despite its knowledge that the Stevens well gas was unsafe, simply because B.T.U. was busy elsewhere. The law imposes upon gas companies the very basic duty not to sell hydrogen sulfide gas to customers. B.T.U.'s failure to fulfill that threshold duty subjects it to severe financial penalties. It also calls into serious question B.T.U.'s managerial and technical abilities to operate as a utility. In order to ensure that appropriate measures are taken to avoid egregious safety violations such as that described herein, B.T.U. should hire a registered professional engineer with experience in operating gas systems to identify the errors in the design and engineering of the B.T.U. system.

In addition to the gravity of the violation, the Commission must also consider "the appropriateness of the penalty to the size of the business of the person charged" and the "good faith of the person charged in attempting to achieve compliance" after notification. KRS 278.992(1). As to the former, B.T.U. has no annual reports on file with the Commission, itself a violation of 807 KAR 5:006, Section 3. Consequently, the Commission has no basis upon which to consider the appropriateness of the penalty in relation to the size of B.T.U. As to the final factor, the Commission finds that B.T.U. made a good faith effort to comply after having been notified of the violation. The record reflects that, shortly

¹⁰ Transcript at 28.

¹¹ Transcript at 26.

¹² Transcript at 26.

after B.T.U. was notified, investigations by the Commission's Gas Pipeline Safety Investigators demonstrated a steady decrease in hydrogen sulfide in B.T.U.'s line.¹³ The decrease was consistent with Mr. Williams's claim that he had immediately taken steps to stop the poisonous gas from the Stevens well from entering the B.T.U. system.¹⁴

However, the extremely grave nature of the violation found here all but overwhelms the other two factors prescribed by statute. Only B.T.U.'s compliance after having been notified of a regulatory violation of which no responsible utility should ever be guilty mitigates the egregiousness of this offense. Accordingly, in order to impress upon B.T.U. the seriousness of its offense and to provide B.T.U. with incentive to avoid future safety violations, the Commission finds that a penalty of \$9,500 should be assessed against B.T.U. but suspended for one year from the date of this Order. If, at the end of one year, B.T.U. has not committed any further violation of KRS Chapter 278 or Commission orders or regulations, the penalty will be vacated. Otherwise, the penalty will be due immediately, in addition to any other penalties that may be assessed against B.T.U. for the violation that triggered enforcement of the penalty assessed herein. During the upcoming 12 months, the Commission will closely monitor B.T.U.'s compliance with its safety regulations.

As a final matter, it is unfortunately clear that B.T.U. has been either unable or unwilling to perform the rigorous oversight necessary to ensure that the tainted gas flowing from the Stevens well is made safe enough to be distributed to customers. Although the Commission devoutly hopes that the action taken in this case awakens B.T.U. to a reasonable sense of its responsibilities as a gas utility, it is not prepared to take the chance of allowing B.T.U. to resume its use of the Stevens well unless steps are taken to block

¹³ Transcript at 19.

¹⁴ Transcript at 19.

physically the introduction of sour gas into B.T.U.'s lines. Therefore, B.T.U. shall implement one of the two following courses of action: the Stevens well off Highway 7 near Royalton, Kentucky, may be permanently, physically disconnected from the B.T.U. system to prevent any further flow of gas from the Stevens well. In order to accomplish this objective, the following actions should be taken by B.T.U.: the piping from the Stevens well to the B.T.U. system should be severed and should remain severed; a section of the pipe should be removed; and the ends of the remaining pipe should be sealed. In the alternative, B.T.U. may physically block the sour gas formation in the Stevens well and perforate the tube into a sweet gas formation if such a formation is present. The gas from the Stevens well should not be connected to the system until the Commission has issued an Order approving the connection. To request such an Order, B.T.U. shall analyze and test Stevens well gas in a laboratory to prove it to be free of hydrogen sulfide and shall file a copy of the gas analysis showing the result with the Commission. In its filing, B.T.U. shall cite this case number.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, THEREFORE ORDERS that:

1. B.T.U. shall, within 10 days of the date of this Order, take steps as described herein to ensure that hydrogen sulfide gas from the Stevens well is physically blocked from entering its system. If B.T.U. chooses the second blocking alternative, it shall not reconnect the Stevens well to its system until the Commission has issued an Order approving such reconnection.

2. A penalty of \$9,500 is hereby assessed against B.T.U., such penalty to be suspended for one year from the date of this Order. If B.T.U. has complied with applicable statutes, regulations and Orders at the end of one year, the penalty shall be vacated.

Otherwise, the penalty shall be due and payable immediately to the Treasurer, Commonwealth of Kentucky.

3. B.T.U. shall hire a certified professional engineer with experience in gas processing and distribution systems to evaluate B.T.U.'s system, to provide recommendations to eliminate the errors in the design and engineering, and to provide guidelines to operate the system in a safe manner pursuant to applicable statutes and regulations. A copy of the engineer's report shall be filed with the Commission.

4. B.T.U. shall test the gas of its system daily for hydrogen sulfide pursuant to 807 KAR 5:022, Section 15(2). The results of these tests shall be filed monthly with the Commission.

Done at Frankfort, Kentucky, this 21st day of August, 1996.

By the Commission

ATTEST:


Executive Director

B.T.U. GAS COMPANY, INC.
P.O. BOX 707
SALYERSVILLE, KENTUCKY 41465

RECEIVED

SEP 03 1997

DIVISION OF UTILITY
ENGINEERING & SERVICES

Phone: 606-349-1097
606-349-1096

Fax: 606-349-1510

August 28, 1997

Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

ATTN: Mr. Scott Smith

Dear Mr. Smith;

Please find below in this letter B.T.U.'s responses to the four (4) safety reports requested in your letter of August 18, 1997.

1. Gas violation attached to letter of September 22, 1995, we have never seen. Letter of October 18, 1995 pertains to letter of September 22, 1995. B.T.U. responded to the inspection on this date on October 27, 1995. You have acknowledged this in your letter of November 17, 1995. The more specific responses in this letter have also been addressed and corrected. This was addressed to Scott Smith dated December 5, 1995.

2. B.T.U. has never seen the letter nor the Follow Up Inspection report dated January 9, 1997. Meters are now in place at the locations listed in this report and have been since January, 1997. The regulator in the basement has been vented also. All valves have been replaced. This can be verified by Larry Amburgy who inspected this.

3. The brief dated February 20, 1997 has never been received by B.T.U. To address issues in this inspection:

1. Procedures for the investigation of failures are discussed in the Emergency Plan. 2. Patrolling records have been kept since January, 1997. 3. Maintenance on the main line valves have been done as required. 4. Of these unmetered customers, several of them have meters. All will have meters by the beginning of the 97-98 heating season. 5. Tests have been furnished to the PSC concerning tests on each section of line layed. 6. Odorization checks have been performed since January 1996. 7. Customer refund policy is in place. 8. Letters have

b

EXHIBIT N

een sent out of this office concerning procedures if you think there is a gas leak, along with the dangers of gas. 9. Safety is first and foremost as is established in both the Operation and Maintenance & Emergency Plans. 10. All customers have regulators at their service lines. 11. The issue of the certified professional engineer was addressed in a letter dated May 9, 1997 to Don Mills. 12. The monthly reports have been filed for the testing of hydrogen sulfide daily since April as required. Daily checks were being done regularly before the order from the PSC to do so. 13. The leak surveys have been done also.

4. B.T.U. responded to the May 15, 1997 inspection in a letter to Faud Sharifi dated June 9, 1997.

5. Concerning the August 8, 1997 inspection. The sign on the office door simply stated "Out of Town. Doctor's appointment." Mrs. Pam Williams was the only one out of town. Mr. Richard Williams was tending phones and running the shop. He was available for this inspection but no one contacted him.

The findings in this inspection have been completed and are listed as follows: 1 & 2 - All risers and valves have been replaced with new risers and lock off valves. 3 - Gas at Wildcat Pizza now has a meter on it. The block garage type building illegally hooked themselves up. This has now been locked off. 4 - Above ground plastic located at Intersection of Routes 1415 and 460 is dead line used as a marker only. B - The crossing at Conley General in Royalton does not belong to any of our companies. 5 - H₂S has not been found in our system by us using Draker tubes, in the past three (3) months. We were told to use the Draker tubes by the PSC. Now they are using strips.

We both need to use the same method. 6 - Plug has been placed in the drip at the scrubber on the Howard well. 7 - The relief valve on scrubber will be placed.

Mr. Smith, B.T.U. is requesting all correspondance from the PSC besent certified mail and B.T.U. will do the same so both parties will have copies. Thank you for allowing B.T.U. to answers these reports once again.

I hope this answers all the questions for the Public Service Commission.

Respectfully Submitted;



Pam Williams



Richard Williams



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

August 8, 1997

Mr. Richard Williams
B.T.U. Pipeline, Inc.
P. O. Box 707
Salyersville, KY 41465

Dear Mr. Williams:

Attached is a report of a partial inspection of the natural gas facilities of the B.T.U. Pipeline, Inc. in Salyersville, Kentucky, which was performed by David B. Kinman and Larry L. Amburgey on July 17, 1997.

B.T.U. Pipeline, Inc. must respond to this report by August 20, 1997, outlining a correction schedule of the cited deficiencies for Commission approval.

If you have any questions or need additional information, please contact David B. Kinman or Larry L. Amburgey at (502) 564-3940.

Sincerely,

A handwritten signature in cursive script that reads "E. Scott Smith".

E. Scott Smith, Manager
Gas Pipeline Safety Branch

ESS:DBK:dcp
9710500-9710600

Attachment

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

COMPREHENSIVE INSPECTION REPORT

B.T.U. PIPELINE, INC.
Salyersville, Kentucky

August 8, 1997

BRIEF

A partial inspection of the distribution and production facilities of B.T.U. Pipeline, Inc. ("B.T.U.") in Salyersville, Kentucky, was conducted on July 17, 1997 by Larry Amburgey and David Kinman of the Pipeline Safety Branch of the Kentucky Public Service Commission ("PSC"). This inspection was conducted in accordance with the PSC's policy of inspecting all local gas distribution companies under its jurisdiction. Natural gas operators are jurisdictional to the PSC under KRS 278.040, 278.495 and also through a 5(a) agreement with the United States Department of Transportation, Office of Pipeline Safety, for the enforcement of the Natural Gas Pipeline Safety Act of 1968.

INSPECTION

A partial inspection of the B.T.U. system was conducted on July 17, 1997. Mr. Richard Williams was not available to assist in this inspection. A sign on the office door stated that he was out of town. Tests were made for hydrogen sulphide ("H₂S") at the Howard well in Royalton, Kentucky and at a riser near the Salyersville heating and air conditioning building.

FINDINGS

1. Unauthorized water valves were found on meter sets at the following locations:

- a. Dixie Avenue opposite #1007 & 1017.
- b. Residence of James W. Hoskins.
- c. 909 Dixie Avenue.
- d. 191 Combs Street.
- e. House between 221 & 191 Combs Street.

These are violations of KAR 5:022, Section 2(5)(a).

2. 909 Dixie Avenue has a corroded bare steel riser, which is a violation of 807 KAR 5:022, Section 10(16)(a).

3. Unmetered gas service was found at Wildcat Pizza on Route 7 ^{now metered} and at a concrete block garage-type building ^{locked off} on Route 1415 in Salyersville. This is a violation of 807 KAR 5:022, Section 8(2)(a).

4. Aboveground plastic was noted at:

- a. Intersection of Routes 1415 and 460.
- b. Crossing a ditch beside the Coney General Store in Royalton.

These are violations of 807 KAR 5:022, Section 7(12)(a).

5. Using H₂S-sensitive test strips in the gas stream downstream of the Howard well Scrubber, 6-10 parts per million of H₂S was found. This is a violation of 807 KAR 5:022, Section 15(1).

*Response
all new
risers to
lock off
valves*

*dead
line
marker
only
not BTU*

*we don't
find any*

6. There is no plug in the blow-off upstream of the scrubber at the Howard well. This would allow an unauthorized person to open the blow-off and possibly be subjected to a harmful amount of H₂S. This is a violation of 807 KAR 5:022, Section 4(32)(h). *plug replaced*

7. In a report dated May 15, 1997, B.T.U. was cited for not having a relief valve on the scrubber at the Howard well. During the July 17, 1997 inspection visit, it was noted that there still is no relief valve in use on the scrubber at the Howard well and is a repeat violation of 807 KAR 5:022, Section 4(30). *relief valve will be replaced.*

RECOMMENDATIONS

It is recommended that B.T.U.:

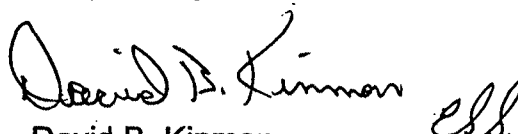
1. Immediately replace all unauthorized valves in use on this gas system.
2. The bare steel riser at 9909 Dixie Avenue must be cathodically protected in order to prevent further corrosion.
3. Meters must be placed at all locations on this system where gas is being consumed without metering.
4. All aboveground gas piping on this system must immediately be buried to the required depths and the required tracer wires installed.
5. Kentucky Pipeline Safety Regulations allow no more than a trace of H₂S in a gas distribution system. All H₂S must be removed from this system, or the well or wells producing the impurities must be removed immediately from the system.
6. A plug must immediately be installed at the blow-off at the Howard well.

Report - B.T.U. Pipeline, Inc.
Page 4
August 8, 1997

7. A relief valve must be installed immediately, or the well must be disconnected from the system.

It is further recommended that a copy of this report be sent to B.T.U. directing it to respond by August 20, 1997 with a schedule of compliance to the above deficiencies.

Respectfully submitted,


David B. Kinman
Gas Pipeline Safety Investigator

DK:dcp
9710500-9710600



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

August 18, 1997

Mr. Richard Williams
B.T.U. Pipeline, Inc.
P. O. Box 707
Highway 114
Salyersville, KY 41465

Dear Mr. Williams:

Please find enclosed, copies of four (4) pipeline safety reports for which we have as yet not received a response. B.T.U. Pipeline, Inc. is requested to respond to all of these reports by August 29, 1997 indicating what corrective actions, if any, have been taken.

If you have any questions or need additional information, please contact David B. Kinman or Larry L. Amburgey at (502) 564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Scott Smith".

E. Scott Smith, Manager
Gas Pipeline Safety Branch

ESS:DBK:dcp

Enclosures - 4

EXHIBIT M

B.T.U. GAS COMPANY, INC.
P.O. BOX 707
SALYERSVILLE, KENTUCKY 41465

Phone: 606-349-1097
606-349-1096

Fax: 606-349-1510

September 9, 1997

Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

RECEIVED
SEP 11 1997
PUBLIC SERVICE
COMMISSION

RE: Case No. 95-029

Director Don Mills:

B.T.U. would certainly like to thank the Commission for granting us the extension of time until August 31, 1997.

At this time B.T.U. would like to inform the Commission that R & D has entered into a contract to sell this portion of line with Tri-State Oil & Gas. The reason that R & D sold the line is that Tri-State had drilled wells on the property of B.T.U. customers and B.T.U./R & D no longer is in need of this line.

R & D has entered into a contract with Jefferson Gas (attached hereto) for a higher price per MCF and will no longer be selling gas to Ashland. Instead of gas flowing North to Ashland it will be flowing South to Jefferson Gas.

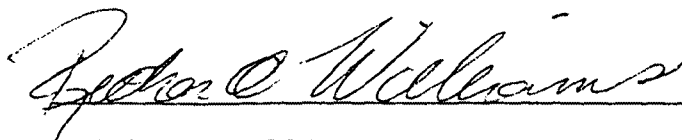
B.T.U. has entered into a contract with Tri-State to purchase their gas and R & D has agreed to transport it.

This portion of line will become a gathering line owned by Tri-State. Rather than spend \$30,000.00 to replace a section of line B.T.U./R & D decided to sell it. As soon as contracts and Bill of Sale have been returned to us by the lawyers we will mail a copy of both to you with reference to this case.

EXHIBIT S

B.T.U./R & D would again like to thank the Commission for its patience and understanding in this matter.

Respectfully Submitted:

A handwritten signature in cursive script, reading "Richard Williams", written over a horizontal line.

Richard Williams

Operations Manager

Jefferson Gas Transmission Company
Gas Purchase Contract

Buyer:

Jefferson Gas Transmission Co.
916 Highway 15 North
P.O. Box 619
Jackson, Kentucky 41339
(606) 666-4304 Phone
(606) 666-4493 Fax

Seller:

P & J Resources, Inc.
P.O. Box 707
Salyersville, KY 41465

(606) 349-1097 office
(606) 864-7886 field

Estimated volume: 500 Mcf/day
Term: JUNE 1997 to JUNE 1998

Delivery Point: Describe

Located on J.E. Arnett property next to
Jefferson Gas gate valve, behind Kentucky
May Coal Tipple

I acknowledge that this agreement, set forth on the front and reverse side of this document, represents the entire agreement reached between Buyer and Seller.

Buyer:

Signature

Ken Baker

Ken Baker

Title

President

Company

Jefferson Gas Transmission Company

Date

8/5/97

Seller:

Signature

Jean Williams

Jean Williams

Title

President

Company

P & J Resources

Date

July 21, 1997



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

September 22, 1997

Mr. Richard Williams
B.T.U. Pipeline, Inc.
P. O. Box 707
Salyersville, Kentucky 41465

Dear Mr. Williams:

Attached is a report of the 1997 comprehensive follow-up inspection of the natural gas facilities of B.T.U. Pipeline, Inc., in Salyersville, Kentucky, which was performed by David B. Kinman and Earl H. Alderman, Jr. on September 8-9, 1997.

Please respond to this report by October 10, 1997, outlining a correction schedule of the cited deficiencies for Commission approval.

If you have any questions or need additional information, please contact David B. Kinman or Earl H. Alderman, Jr., at (502) 564-3940.

Sincerely,

A handwritten signature in cursive script that reads "E. Scott Smith".

E. Scott Smith
Gas Pipeline Safety Branch

ESS:DBK:EHA:dcp

9710500-9710501, 9710600-9710601, 9707800-9707900, 9700100, 9519600-9519800,
9602100, 9602101, 9602102, 9602103, 9602104, 9703700, 9703701-9703702

Attachment



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

September 22, 1995

Mr. Richard Williams
Operations Manager
B.T.U. Pipeline, Inc.
P. O. Box 242
Salyersville, Kentucky 41465

Dear Mr. Williams:

Attached is a report of the 1995 comprehensive safety inspection of the natural gas facilities of B.T.U. Pipeline, Inc. which was performed by Larry L. Amburgey and David B. Kinman on September 11 and 18, 1995.

Please respond to this report by October 10, 1995, outlining a correction schedule of the cited deficiencies for Commission approval.

If you have any questions or need additional information, please contact Larry L. Amburgey or David B. Kinman at (502) 564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Scott Smith".

E. Scott Smith, Manager
Gas Pipeline Safety Branch

ESS:LLA:DBK:dcp
9519600-9519800

Enclosure

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

COMPREHENSIVE INSPECTION REPORT

B.T.U. PIPELINE, INC.
Salyersville, Kentucky

September 22, 1995

BRIEF

A comprehensive safety inspection of the natural gas piping system of B.T.U. Pipeline, Inc. ("B.T.U.") was conducted on September 11 and 18, 1995. This inspection was conducted in accordance with the Public Service Commission's ("PSC") program of inspecting all local gas distribution companies under its jurisdiction. Natural gas operators are jurisdictional to the PSC under KRS 278.040 and also through a 5(a) Agreement with the United States Department of Transportation, Office of Pipeline Safety, for compliance to the Natural Gas Pipeline Safety Act of 1968.

INSPECTION

A review was made of B.T.U.'s Operating and Maintenance Plan, Emergency Plan, Damage Prevention Plan, and Anti-Drug Plan during the office portion of the inspection. Also during the office visit, it was determined that no records existed for the leak survey, system patrolling, odorization, valve maintenance, and regulator and relief valves. Deficiencies found during the office inspection will be addressed in the findings section of this report.

During the field inspection, a partial leak survey was conducted along with checks on main line valves and residential and commercial meter settings. Deficiencies noted during this

inspection will be further discussed in the findings section of this report.

FINDINGS

The following deficiencies were found:

1. No written procedures for joining plastic pipe as required by 807 KAR 5:022, Section 6(2).
2. No person qualified to join plastic pipe as required by 807 KAR 5:022, Section 6(8).
3. All gas sold by B.T.U. is not metered as required by 807 KAR 5:022, Section 8(2)(a).
4. Steel pipelines at the Mountain Parkway road crossing and along Highway 867 in the Lakeville area are without cathodic protection as required by 807 KAR 5:022, Section 10.
5. No written damage prevention plan as required by 807 KAR 5:022, Section 13(8).
6. No established maximum allowable operating pressure (MAOP) as required by 807 KAR 5:022, Section 13(11).
7. Weekly odorization checks not being performed as required by 807 KAR 5:022, Section 13(17).
8. No patrolling records as required by 807 KAR, Section 14(12).
9. No annual maintenance of regulators and relief valves as required by 807 KAR 5:022, Section 14(21).

10. No drug prevention program as required by 807 KAR 5:023.
11. No leakage surveys have been conducted as required by 807 KAR 5:022, Section 14(13).

RECOMMENDATIONS

It is recommended that B.T.U.:

1. Make all joints on plastic pipe in accordance with written procedures shown by test or experience to be gas tight.
2. Make all joints on plastic pipe by qualified persons who use a procedure that demonstrates adequate training or experience.
3. Meter and maintain records of all gas consumed by customers.
4. Implement a corrosion control program or replace the steel section with underground plastic pipe.
5. Prepare and follow a written damage prevention plan.
6. Establish a MAOP for the entire gas system.
7. Conduct weekly checks by instrument to document that the odor level of the gas is at least 20 percent of the lower explosive level.
8. Maintain patrolling as required.
9. Check regulators and relief valves annually.
10. Implement a drug prevention program for the gas system employees.
11. Conduct a leakage survey as soon as possible and at intervals not exceeding 5 years thereafter.

Report - B.T.U. Pipeline, Inc.
Page 4
September 22, 1995

It is also recommended that B.T.U. utilize the training programs offered by the Kentucky Gas Association to further train its maintenance personnel. Information on these programs may be obtained by contacting Dr. Paul Lyons, Executive Secretary and Training Consultant, Kentucky Gas Association, P. O. Box 616, Murray, Kentucky, (502) 753-2151.

It is further recommended that a copy of this report be sent to B.T.U. directing that it respond by October 10, 1995 with a schedule of compliance to the deficiencies cited for Commission approval.

Respectfully submitted,

Larry L. Amburgey
Larry L. Amburgey
Investigator Supervisor

David B. Kinman
David B. Kinman
Utility Investigator *Ell*

LLA:DBK:dcp
9519600-9519800



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

September 22, 1995

Mr. Richard Williams
Operations Manager
B.T.U. Pipeline, Inc.
P. O. Box 242
Salyersville, Kentucky 41465

Dear Mr. Williams:

Attached is a report of the 1995 comprehensive safety inspection of the natural gas facilities of B.T.U. Pipeline, Inc. which was performed by Larry L. Amburgey and David B. Kinman on September 11 and 18, 1995.

Please respond to this report by October 10, 1995, outlining a correction schedule of the cited deficiencies for Commission approval.

If you have any questions or need additional information, please contact Larry L. Amburgey or David B. Kinman at (502) 564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Scott Smith".

E. Scott Smith, Manager
Gas Pipeline Safety Branch

ESS:LLA:DBK:dcp
9519600-9519800

Enclosure



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

September 22, 1997

Mr. Richard Williams
B.T.U. Pipeline, Inc.
P. O. Box 707
Salyersville, Kentucky 41465

Dear Mr. Williams:

Attached is a report of the 1997 comprehensive follow-up inspection of the natural gas facilities of B.T.U. Pipeline, Inc., in Salyersville, Kentucky, which was performed by David B. Kinman and Earl H. Alderman, Jr. on September 8-9, 1997.

Please respond to this report by October 10, 1997, outlining a correction schedule of the cited deficiencies for Commission approval.

If you have any questions or need additional information, please contact David B. Kinman or Earl H. Alderman, Jr., at (502) 564-3940.

Sincerely,

A handwritten signature in cursive script that reads "E. Scott Smith".

E. Scott Smith
Gas Pipeline Safety Branch

ESS:DBK:EHA:dcp

9710500-9710501, 9710600-9710601, 9707800-9707900, 9700100, 9519600-9519800,
9602100, 9602101, 9602102, 9602103, 9602104, 9703700, 9703701-9703702

Attachment

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

COMPREHENSIVE INSPECTION REPORT

B.T.U. PIPELINE, INC.
SALYERSVILLE, KENTUCKY

September 22, 1997

BRIEF

A follow-up inspection of the distribution facilities of the B.T.U. Pipeline, Inc., ("B.T.U.") natural gas distribution operation was conducted on September 8-9, 1997. This inspection was conducted in accordance with the Public Service Commission's ("PSC") policy of inspecting all jurisdictional gas operators. Natural gas operators are jurisdictional to the PSC under KRS 278.040, 278.495 and also through a 5(a) agreement with the United States Department of Transportation, Office of Pipeline Safety, for the enforcement of the Natural Gas Pipeline Safety Act of 1968.

INSPECTION

During this follow-up inspection, several deficiencies that had been cited in past reports were checked for compliance to the appropriate pipeline safety regulations.

Deficiencies noted during this inspection will be further discussed in the findings section of this report.

FINDINGS

1. A meter has been set at Wildcat Pizza on Route 7; however, there are still 10 consumers who are receiving unmetered gas. Mr. Williams stated that meters are on order and will be installed when they are received. 807 KAR 5:022, Section 8(2)(a).

2. B.T.U. has no records indicating that a leakage survey has ever been conducted. 807 KAR 5:022, Section 14(13).
3. B.T.U. has no records that annual key valve inspections have been made. 807 KAR 5:022, Section 14(25).
4. Odorization tests by instrument have not been conducted weekly as required by 807 KAR 5:022, Section 13(17)(g).
5. B.T.U. has not published an annual notice to the public regarding the procedures to report leaks and other activities. 807 KAR 5:022, Section 13(8)(b).
6. When tested previously, the gas entering the distribution system from the Howard well contained approximately 10 parts per million of hydrogen sulphide ("H₂S"). Tests taken during this inspection showed that the gas from this well was free of H₂S at the time of the inspection.
7. The off-grade pipeline referred to in the Commission's Order in Case No. 95-029 dated June 10, 1997 has not been replaced as ordered.

RECOMMENDATIONS

It is recommended that B.T.U.:

1. Install meters for all gas consumers as soon as possible.
2. Conduct a leakage survey as soon as possible and maintain records of all maintenance activities on this system.
3. Perform annual key valve inspections and maintain records documenting these activities.

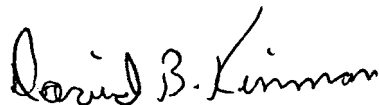
4. B.T.U. must perform weekly odorization tests by instrument to document that the gas in this system meets the requirements for acceptable odor levels.

5. The public must be notified at least annually as to the existence and purpose of the damage prevention program.

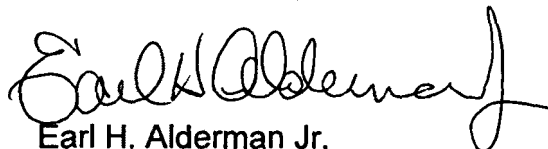
6. B.T.U. must continue to make daily tests to be assured that the H₂S does not enter the gas stream.

It is further recommended that a copy of this report be sent to B.T.U. directing it to respond by October 10, 1997 with a correction schedule to the cited deficiencies.

Respectfully submitted,



David B. Kinman
Gas Utility Investigator



Earl H. Alderman Jr.
Gas Utility investigator

DBK:EHA:dcp

9710500-9710501, 9710600-9710601, 9707800-9707900, 9700100, 9519600-
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COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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SALYERSVILLE, KENTUCKY

September 22, 1997

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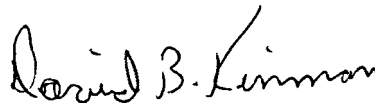
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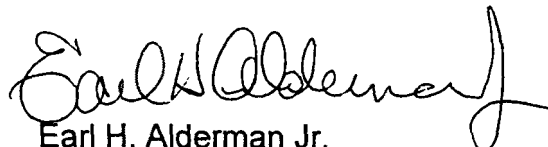
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Respectfully submitted,



David B. Kinman
Gas Utility Investigator



Earl H. Alderman Jr.
Gas Utility investigator

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