

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BLAINE CITY GAS COMPANY)	
_____)	CASE NO. 2000-417
)	
ALLEGED VIOLATIONS OF)	
ADMINISTRATIVE REGULATION)	
807 KAR 5:022 and 49 CFR 189-199)	

O R D E R

Blaine City Gas Company (“Blaine”) is a municipally owned natural gas distribution system, which serves approximately 70 customers in the city of Blaine, Kentucky. Blaine, as a municipally owned gas distribution system, is subject to the jurisdiction of the Public Service Commission of Kentucky (“Commission”) for the regulation of the safety of its natural gas facilities, pursuant to KRS 278.495(2). Blaine is also subject to Commission jurisdiction under the authority of and in compliance with federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, and the regulations of 49 CFR 189-199 pursuant to KRS 278.992(1). By this Order, we impose penalties upon Blaine for violations of those safety regulations and put Blaine on notice that if it fails to comply with applicable law pursuant to the schedule provided herein, we will seek injunctive relief from the courts which may necessarily include an order prohibiting Blaine from continuing to operate its gas system.

On October 4, 2000, the Commission issued a show cause Order directing Blaine to respond to 34 separate alleged violations of pipeline safety regulations as reported in a Comprehensive Inspection Report, dated August 23, 2000.

On October 30, 2000, Blaine met with Commission Staff for an informal conference. Blaine emphasized the problems it had and is having in obtaining records concerning the past operation of the system. Staff emphasized the need for immediate action to comply with the safety regulations and informed Blaine of the penalties that could be assessed pursuant to KRS 278.992.

On January 9, 2001, Blaine met with Commission Staff in a second informal conference. Blaine and Staff agree that the violations involve insufficient physical oversight of the system and failure to maintain records regarding such oversight. Some violations involved failure to perform safety procedures on the system. Blaine indicated, however, that it had employed a person to maintain the gas system and that that person would be given training offered by its membership in the Kentucky Gas Association. Blaine also stated that it was negotiating to retain Moore Pipeline Corrosion Control Company to do its leak survey, annual inspections, and corrosion control programs. Blaine stated that it was attempting to obtain the maximum allowable operating pressure ("MAOP") and odorization checks from outside sources and that it was preparing the required documents. It contended that the documents would be completed by February 15, 2001.

Blaine then appeared, by counsel, before the Commission on January 17, 2001 for a formal hearing pursuant to a Commission Order dated November 17, 2000. Blaine and Commission Staff entered into several stipulations and agreements during the

course of the hearing, which were entered into the record. Despite Blaine's having agreed to remedy the violations, the record demonstrates that little has been accomplished during the many months this case has remained upon the docket.

We cannot overstate our concern at the potentially catastrophic results of Blaine's continued failure to maintain proper oversight over its system. The conditions as they exist cannot be permitted to continue. We recognize Blaine's budget limitations, as well as the importance of gas service to its customers. However, the safety of Blaine's citizens must outweigh any other consideration in this case. Blaine's continued failure to comply with vital safety regulations will, accordingly, result in our taking all lawful steps to remedy the situation.

Based upon the record, the Commission makes the following findings:

1. Blaine is a municipally owned natural gas distribution system, which serves the city of Blaine, Kentucky and is jurisdictional to the Commission pursuant to KRS 278.495(2). Blaine is also subject to Commission jurisdiction under the authority of and in compliance with federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, and the regulations of 49 CFR 189-199 and KRS 278.992(1).
2. Blaine is in violation of the 34 regulations listed in the show cause Order of October 4, 2000 and as stipulated at the hearing of January 17, 2001.
3. Blaine and Commission Staff entered into stipulations and agreements that included a plan for Blaine to cure the deficiencies which led to the violations and allowed sufficient time in which to execute the plan to bring Blaine into compliance with the law.

4. Blaine has requested several extensions of the time in which to comply with the plan timetable, but has not performed all of the remedial requirements.

5. Blaine serves the city of Blaine, Kentucky, a sixth-class city, and has a limited operating budget.

6. In October 1999, the present city administration removed certain prior city officials from their positions and duties concerning the gas distribution system and filed suit in circuit court to recover Blaine's records alleged to be in the possession of those persons.

7. Blaine has proposed a civil penalty of \$5,000, but that it be suspended for period of time provided that it carries out required inspections.

8. The continuing failure of Blaine to perform legally required inspections or to hire personnel with the expertise to oversee a gas distribution system has resulted in a potentially hazardous situation for which immediate remedy is required.

9. Blaine's failure to comply with applicable safety laws in compliance with the schedule outlined below should result in fines and penalties as well as our seeking appropriate injunctions from a court of law including, but not limited to, an order requiring Blaine to cease providing gas service.

The Commission being sufficiently advised, IT IS HEREBY ORDERED that:

1. Blaine is assessed, pursuant to KRS 278.992(1), a civil penalty of \$50,000 for admitted violations of the regulations listed in our Order of October 4, 2000.

2. The penalty of \$50,000 is suspended for a period of 2 years upon the following terms and conditions:

a. Blaine shall locate all its gas mains and perform a leak survey by September 30, 2001, and shall file a verified certification of compliance with the Commission. If this is not completed by October 1, 2001, \$10,000 of the penalty shall be immediately due and payable.

b. Before September 17, 2001, Blaine shall repair all known leaks in the gas system and shall file a verified certification of compliance with the Commission. If this is not done by September 20, 2001, an additional \$10,000 of the penalty shall be immediately due and payable.

c. Blaine shall establish a MAOP for its system by September 17, 2001, and shall file a verified certification of compliance with the Commission. If this is not done by September 20, 2001, an additional \$5,000 of the penalty shall be immediately due and payable.

d. Blaine shall perform an inspection of all regulators and relief valves on its system by September 17, 2001, and shall file a verified certification of compliance with the Commission. If this is not done by September 20, 2001, an additional \$5,000 of the penalty shall be immediately due and payable.

e. All other violations shall be brought into compliance by January 1, 2002. If not, the entire penalty or any balance thereof shall be immediately due and payable.

Done at Frankfort, Kentucky, this 29th day of August, 2001.

By the Commission

ATTEST:


Executive Director