

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

EDMONTON NATURAL GAS	)	
_____	)	CASE NO. 2001-137
	)	
ALLEGED VIOLATIONS OF	)	
ADMINISTRATIVE REGULATION	)	
807 KAR 5:022 and 49 CFR 189-199	)	

O R D E R

Edmonton Natural Gas ("Edmonton Gas") is a municipally owned natural gas distribution system serving the city of Edmonton, Kentucky. The Edmonton Gas distribution system serves approximately 1,200 customers in Edmonton and Summer Shade.

Edmonton Gas, as a municipally owned gas distribution system, is subject to the safety jurisdiction of the Commission pursuant to KRS 278.495(2) and KRS 278.992.

Pursuant to these statutes, the Commission issued a show cause Order dated June 11, 2001, alleging that Edmonton Gas is in violation of pipeline safety regulations as follows:

1. Failure to perform a corrosion survey for calendar years 1999 and 2000, which is a violation of 49 CFR Part 192.465.
2. Failure to perform maintenance on key valves for calendar year 2000, which is a violation of 49 CFR Part 192.747.

3. Failure to perform maintenance on regulators for calendar years 1999 and 2000, which is a violation of 49 CFR Part 192.739.

4. Failure to perform maintenance on relief valves for calendar years 1999 and 2000, which is a violation of 49 CFR Part 192.743.

5. Failure to properly conduct tests to confirm odorant levels in its gas system, which is a violation of 49 CFR Part 192.625.

6. Failure to maintain records of all leaks that have been repaired, which is a violation of 49 CFR Part 192.603(b).

On August 15, 2001, an informal conference was held pursuant to the request of Edmonton Gas. Edmonton Gas did not accept the penalty recommendation of Commission Staff, and reserved the right to file an additional pleading with the Commission, which it did on October 8, 2001. In that filing Edmonton Gas admitted its violations of Commission regulations as set out in the show cause Order and agreed that a penalty of \$40,000 should be imposed. However, Edmonton Gas requested that the entire civil penalty be probated.

Pursuant to KRS 278.992, the Commission may assess a civil penalty not to exceed \$25,000 for each violation for each day that the violation persists. However, the maximum civil penalty shall not exceed \$500,000 for any related series of violations. Since Edmonton Gas has admitted the violations, the only issue to be considered by the Commission is the penalty to be assessed. KRS 278.992(1) provides that any civil penalty may be compromised by the Commission. In determining the amount of the penalty or the compromised amount, the appropriateness of the penalty to the size of the business charged, the gravity of the violation, and the good faith of the person

charged in attempting to achieve compliance after notification of the violation shall be considered.

The Commission finds that four of the six violations are for the years 1999 and 2000 and involve failure to maintain valves and regulators. The Commission finds that Edmonton Gas has taken timely steps to comply with the regulations, that Edmonton Gas has expended in excess of \$12,000 to correct the violations, and that Edmonton Gas has cooperated with the Commission's investigation in this matter and has pledged its further cooperation.

The Commission further finds that Edmonton Gas has submitted a proposal for a civil penalty of \$40,000, and has requested that the entire amount be immediately suspended.

The Commission tentatively concludes that the proposal of settlement of Edmonton Gas should be accepted in part and rejected in part. Specifically, the Commission rejects Edmonton Gas's proposal to the extent that it provides that the entire penalty should be suspended. Instead, \$37,000 of that penalty should be suspended for a period of 2 years if there is no further violation of pipeline safety regulations. The balance of \$3,000, however, should be paid by Edmonton Gas. If Edmonton Gas desires a hearing on this matter, it may so request, in writing, on or before November 21, 2001. If no hearing is requested, the disposition of this matter as outlined herein will become effective without further Order.

The Commission, having considered the record herein and being sufficiently advised, HEREBY ORDERS that:

1. Edmonton Gas is in violation of the six regulations as contained in the Commission's Order of June 11, 2001.

2. On or before November 21, 2001, Edmonton Gas may file with the Commission a request for a formal hearing on the amount of penalty to be payable immediately pursuant to KRS 278.992(1).

3. If no hearing is requested on or before November 21, 2001, Edmonton Gas shall be assessed a penalty of \$40,000 for the six violations listed herein. However, a portion of that penalty shall be compromised and suspended as follows:

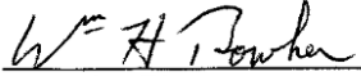
a. On or before December 4, 2001, Edmonton Gas shall pay \$3,000 to the Kentucky State Treasurer, by cashier's check, which shall be mailed or delivered to the Office of General Counsel, Public Service Commission of Kentucky, 211 Sower Boulevard, Post Office Box 615, Frankfort, Kentucky 40602.

b. The balance of the penalty, \$37,000, shall be suspended for a period of 2 years from the date Edmonton Gas's check is received by the Commission, such suspension to be conditioned upon the commission of no further violations of pipeline safety regulations by Edmonton Gas. If there are no violations within that period, the suspension is vacated and the \$37,000 shall become immediately due and payable.

Done at Frankfort, Kentucky, this 9<sup>th</sup> day of November, 2001.

By the Commission

ATTEST:

Deputy   
Executive Director