

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

STURGIS NATURAL GAS SYSTEM)	
_____)	CASE NO. 2001-371
)	
ALLEGED VIOLATIONS OF)	
ADMINISTRATIVE REGULATION)	
807 KAR 5:022 and 49 CFR 189-199)	

O R D E R

Sturgis Natural Gas System ("Sturgis Gas") is a municipally owned natural gas distribution system, which services Sturgis and Sullivan in Union County, Kentucky. Sturgis Gas serves approximately 900 residential and commercial customers through a distribution system of 2- to 4-inch pipe.

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

Pursuant to these statutes and 49 CFR 189-199, Commission Staff has submitted to the Commission a Comprehensive Inspection Report, dated November 1, 2001. That report alleges that Sturgis Gas is in violation of pipeline safety regulations as follows:

1. Atmospheric corrosion was evident throughout the system on aboveground steel piping. 49 CFR Part 192.479.

2. The Operation and Maintenance (“O&M”) Plan prepared by Sturgis Gas does not set out in sufficient detail the required procedures for conducting operations and maintenance activities and for emergency response. 49 CFR Part 192.605.

3. Leakage surveys have not been performed annually on the transmission line. 49 CFR Part 192.706.

4. The corrosion inspection reports indicate a large number of casings that are not electrically isolated. 49 CFR Part 192.467.

5. Key valve maintenance has not been performed since 1997. 49 CFR Part 192.747.

6. New customers have not been given the opportunity to have excess flow valves installed on new customer service lines. 49 CFR Part 192.383.

Based on its review of the Comprehensive Inspection Report and being otherwise sufficiently advised, the Commission finds that prima facie evidence exists that Sturgis Gas has failed to comply with the minimum safety standards of 49 U.S.C. § 60101 as contained in 49 CFR 192 and KRS 278.992(1).

The Commission, on its own motion, HEREBY ORDERS that:

1. Sturgis Gas shall appear before the Commission on January 9, 2002, at 10:00 a.m., Eastern Standard Time, in Hearing Room 2 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, for the purpose of presenting evidence concerning the alleged violation of Administrative Regulation 807 KAR 5:022 and

49 CFR 192, and of showing cause why it should not be subject to the penalties prescribed in KRS 278.992(1) for these alleged violations.

2. Within 20 days of the date of this Order, Sturgis Gas shall submit to the Commission a written response to the allegations contained in the Comprehensive Inspection Report.

3. The Comprehensive Inspection Report of November 1, 2001, a copy of which is appended hereto, is made part of the record of this proceeding.

4. Any motion requesting an informal conference with Commission Staff to consider any matter which would aid in the handling or disposition of this proceeding shall be filed with the Commission no later than 20 days from the date of this Order. If a telephonic conference is desired, the motion shall so indicate. According to Kentucky law, corporations or foreign entities are required to be represented by an attorney, authorized to practice in the Commonwealth of Kentucky, in appearances before the Commission.

5. Neither opening statements nor witnesses' summaries of pre-filed direct testimony will be permitted at the formal hearing.

6. The Commission will consider motions for continuance only when made in writing with a showing of compelling reasons why the motion should be granted.

Done at Frankfort, Kentucky, this 26th day of November, 2001.

By the Commission

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE
KENTUCKY PUBLIC SERVICE COMMISSION

IN CASE NO. 2001-371

DATED

NOVEMBER 26, 2001

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

COMPREHENSIVE INSPECTION REPORT

STURGIS NATURAL GAS SYSTEM
Sturgis, KENTUCKY

November 1, 2001

BRIEF

David B. Kinman conducted a comprehensive inspection of the natural gas facilities of Sturgis Natural Gas System ("Sturgis") in Sturgis, Kentucky on September 27-28, 2001. This inspection was conducted in accordance with the Public Service Commission's ("PSC") policy of inspecting all jurisdictional operators. Natural gas operators are jurisdictional to the PSC under KRS 278.040, 278.495, 278.992 and also through a 5(a) Agreement with the United States Department of Transportation, Office of Pipeline Safety, for the enforcement of the federal pipeline safety laws, 49 U.S.C. § 60101 et seq. and regulations promulgated thereunder.

INSPECTION

Sturgis is a municipally-operated natural gas system operating approximately 15 miles of steel and plastic gas mains within the cities of Sturgis and Sullivan in Union County, Kentucky. It serves about 900 industrial and residential consumers through a piping system of 2- to 4-inch pipe, operating at pressures ranging from 260 pounds per square inch gauge ("psig") to less than 10 psig in the distribution portion of the system. Gas Superintendent, Troy Meadows, provided assistance during this inspection.

Sturgis purchases its gas from the Clay Municipal Gas System high-pressure pipeline in Wheatcroft. The inspection began at this point and included the following regulators, relief valves and the gas odorizer that is also located at this site. Pipeline markers, key valves, residential and commercial meter sets and other pressure regulator stations within the system were also inspected during this visit, as well as numerous other locations of relevance.

Also inspected were records pertaining to valve inspections, patrolling, leakage surveys and repairs, corrosion control, odorant tests, operator qualification and other pertinent and necessary records.

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

FINDINGS

The following deficiencies were noted:

6. Atmospheric corrosion was evident throughout the system on aboveground steel piping. 49 CFR Part 192.479
7. The Operation and Maintenance (“O&M”) Plan is lacking in detail and needs to be rewritten to instruct employees in the procedure that Sturgis expects them to follow. 49 CFR Part 192.605
8. Leakage surveys have not been performed annually on the transmission line. 49 CFR Part 192.706
9. The corrosion inspection reports indicate a large number of casings that are not electrically isolated. 49 CFR Part 192.467

10. Key valve maintenance has not been performed since 1997. 49 CFR Part 192.747

11. New customers have not been given the opportunity to have excess flow valves installed on new customer service lines 49 CFR Part 192.383

RECOMMENDATIONS

It is recommended that Sturgis:

1. Protect its aboveground steel pipe from atmospheric corrosion by either jacketing or painting the pipe.

2. Rewrite the O&M Plan giving specific instructions to employees.

3. Conduct transmission line leakage surveys annually by instrument.

4. Perform the necessary electrical tests in order to determine which casings are shorted and correct those that are in fact shorted to the carrier pipe.

5. Designate the key valves and service annually.

6. Notify in writing new or renewed single family, residential customers operating at 10 psig or greater of the excess flow valves and give the opportunity to have this valve installed.

It is recommended that a hearing be held to allow Sturgis to show cause why it should not be penalized for failure to follow the pipeline safety regulations

Respectfully submitted,

David B. Kinman
Gas Utility Investigator

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