

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT)	
AND POWER COMPANY FOR A CERTIFICATE)	
OF PUBLIC CONVENIENCE AND NECESSITY)	CASE NO.
TO CONSTRUCT GAS DISTRIBUTION)	2002-00089
FACILITIES WITHIN ITS SERVICE TERRITORY)	
AND FOR A DEVIATION FROM)	
ADMINISTRATIVE REGULATION 807 KAR)	
5:022, SECTION 9(17))	

ORDER

On August 29, 2002, the Commission entered an Order granting The Union Light, Heat and Power Company (ULH&P) a Certificate of Public Convenience and Necessity to replace approximately 27 miles of cast iron and bare steel facilities, including customer service lines, through the end of year 2002. The construction work was divided into modules with each module consisting of 2 to 5 miles of cast iron and bare steel pipe. On September 18, 2002, ULH&P filed a motion for clarification pursuant to KRS 278.400. Although filed as a motion for clarification, the pleading is in the nature of an application for rehearing and will be addressed as such. Based on the motion, the Commission makes the following findings:

Prior Commission Approval for Deviations

In its Order of August 29, 2002, the Commission directed ULH&P to obtain prior approval from the Commission for any deviation from the construction approved therein. ULH&P requests that the Commission amend this provision. ULH&P states that there are circumstances that may arise that will require deviation. ULH&P requests the

Commission to amend its Order to permit ULH&P to deviate in these circumstances without prior approval. ULH&P described 3 specific situations in which deviation may be required.

First, it states that during the actual replacement process, it may experience field conditions that will necessitate additional work before the scheduled approved construction can be completed. It requests that the Commission allow it to make these minor changes without returning to the Commission for authority as long as the total cost of the module does not exceed the originally approved cost of the module by 20 percent.

Second, ULH&P states that governmental entities notify it when they plan to do road resurfacing. ULH&P states that if there are cast iron and bare steel pipes under those roadways that are slated for resurfacing in the future, then ULH&P may be required to replace them before originally planned. ULH&P requests that it be permitted to accelerate replacement of these mains as long as the cost does not exceed the total cost by 20 percent.

Third, ULH&P states that its AMRP program includes gas mains that it replaces under its Cast Iron Main Optimization System (CIMOS) and Bare Steel Main Optimization System (BSMOS).¹ One of the factors graded by the programs is leaks. ULH&P states that leaks may require immediate replacement of a main. ULH&P requests that it be granted approval to replace mains under these programs as long as

¹CIMOS and BSMOS are grading systems that ULH&P uses to prioritize its cast iron and bare steel gas main replacements.

the parameters of the programs are not changed from those described in Case No. 2001-00092.²

The Commission previously found that clear safety and reliability risks are associated with the use of cast iron and bare steel mains and previously granted ULH&P general approval of the accelerated replacement of these mains. The Commission now finds that good cause and necessity have been shown to modify our Order of August 29, 2002. That Order should be modified to permit ULH&P to deviate from the construction approved therein under the circumstances described in the rehearing motion with certain conditions. The cost of all deviations should not exceed the total cost of the originally approved construction cost for 2002 by more than 20 percent. ULH&P should be required to include in its quarterly reports a list of all changes, additions, and/or deletions ULH&P made to the originally approved plans. ULH&P should re-evaluate the CIMOS and BSMOS programs each year to make sure that it is properly prioritizing its replacement projects.

Inspection by a Licensed Kentucky Engineer

In its Order of August 29, 2002, the Commission ordered that all construction is to be inspected under the general supervision of a licensed professional engineer with a Kentucky registration in civil or mechanical engineering. The Commission stated that the purpose of this requirement is to ensure that the construction work is performed in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

² Case No. 2001-00092, Application of The Union Light, Heat & Power Company for an Adjustment of Gas Rates, Final Order dated January 31, 2002, Rehearing Order dated March 13, 2002.

ULH&P outlined the procedure it uses on the construction projects and requested clarification that the procedure complies with the Commission's directive. ULH&P states that the AMRP projects are designed by a staff engineer or a consulting firm with a Kentucky engineering license in civil engineering. It states that field supervision is performed by a ULH&P supervisor. It further states that the supervisors will submit field changes and as-built drawings to the ULH&P engineering personnel for review. It states that significant changes, if any, are approved by the engineer that designed the project. It further states that its manager of gas engineering is a licensed professional engineer with a Kentucky registration in civil engineering and that he is the ultimate supervisor of the process.

After a review of the construction process, we find that ULH&P's procedure is sufficient to meet our concerns and that our Order of August 29, 2002 should be modified to reflect approval of ULH&P's construction supervision process.

IT IS THEREFORE ORDERED that our Order of August 29, 2002 is amended to reflect the modifications discussed hereinabove.

Done at Frankfort, Kentucky, this 7th day of October, 2002.

By the Commission

ATTEST:


Executive Director