

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF STEPP BRANCH )  
GAS COMPANY, INC. TO CEASE )  
OPERATIONS OF ITS NATURAL ) CASE NO. 2002-00182  
GAS DISTRIBUTION SYSTEM )

O R D E R

On June 5, 2001, Stepp Branch Gas Company, Inc. ( Stepp Branch ) filed a petition with the Commission requesting authority to cease all operations as a natural gas distribution utility. Stepp Branch states that due to flood damage to its plant, excessive financial problems, and other issues, it can no longer remain in operation and gives notice that it intends to close all operations by August 1, 2002.

Stepp Branch is a Kentucky corporation that owns and operates facilities used in the distribution, sale, and furnishing of natural gas to the public for compensation in Martin County, Kentucky. It is a utility subject to Commission jurisdiction pursuant to KRS 278.010(3)(b) and KRS 278.040. Stepp Branch is also subject to the safety jurisdiction of the Commission, pursuant to KRS 278.040 and KRS 278.495. Stepp Branch is 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).

Pursuant to KRS 278.020(4), no person shall acquire or transfer ownership of any utility or abandon the same without prior approval of the Commission. We shall treat the petition filed by Stepp Branch as a petition for abandonment.

The Commission has previously explored the question of an adequate supply of natural gas for Stepp Branch.<sup>1</sup> In settlement of that case, Stepp Branch entered into an agreement which temporarily disposed of the issues concerning Stepp Branch's gas supply problems.

Apparently the same problem has arisen, necessitating a new source of supply. In addition, Stepp Branch has sustained significant recent damage to its distribution plant. On May 6-10, 2002, Commission Staff conducted an investigation concerning a landslide, which occurred on May 4, 2002, damaging the gas distribution system of Stepp Branch. A copy of that Incident Report dated May 28, 2002 is attached hereto as Appendix A.

The other issues referred to by Stepp Branch in its petition involve numerous safety violations and the expense required to comply with those safety regulations. The Commission has inspected Stepp Branch for compliance with natural gas safety regulations. Commission Staff has noted numerous safety deficiencies since August 2000. In Staff's Comprehensive Inspection Report dated November 8, 2000, there were 35 possible violations recorded. The Comprehensive Inspection Report dated November 8, 2000 is attached hereto as Appendix B.

The other problems alluded to by Stepp Branch in its petition are Stepp Branch's inability to secure its own gas production; lack of insurance to cover current liabilities,

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<sup>1</sup> Case No. 2000-346, An Investigation Into the Reliability of the Natural Gas Supply For Stepp Branch Gas Company and Alleged Violations of KRS 278.300.

and the possibility of a very large increase in rates necessary to offset necessary operating expenses.

The Commission finds that a hearing should be set to determine whether or not Stepp Branch can furnish adequate, efficient, and reasonably priced natural gas service and to determine if Stepp Branch should be granted approval to abandon its natural gas distribution system.

The Commission HEREBY ORDERS that:

1. A formal hearing is set for July 11, 2002 at 9:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky for the purpose of taking evidence concerning whether the Commission should approve the abandonment of Stepp Branch as a local gas distribution company.

2. Stepp Branch shall appear at the hearing prepared to present testimony concerning expenses associated with coming into compliance with applicable safety regulations; the costs of repairs to its system; the costs of obtaining its own source of supply of gas; its potential current liabilities; and its uncollectible accounts.

3. The Incident Report dated May 28, 2002, attached hereto as Appendix A, and the Comprehensive Inspection Report dated November 8, 2000, attached hereto as Appendix B, are made part of the record of this proceeding.

4. Any motion for continuance of a hearing set by the Commission shall be made only for good cause and sufficiently in advance of the hearing date to allow time for the Commission to rule upon the motion.

Done at Frankfort, Kentucky, this 13<sup>th</sup> day of June, 2002.

By the Commission

ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE  
KENTUCKY PUBLIC SERVICE COMMISSION

IN CASE NO. 2002-00182

DATED JUNE 13, 2002

COMMONWEALTH OF KENTUCKY  
PUBLIC SERVICE COMMISSION

**INCIDENT INVESTIGATION**

Stepp Branch Gas Company  
Martin County, Kentucky

May 28, 2002

**BRIEF**

Mr. Earl H. Alderman, Jr., gas investigator, conducted an incident investigation of the natural gas facilities at the Stepp Branch Gas Company ( Stepp Branch ) on May 6, 7, 8 and 10, 2002. 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**

Stepp Branch is a privately owned, gas distribution system serving approximately 47 customers in Martin County, Kentucky. On Monday, May 6, 2002, Mr. William H. Bowker received a call from Ms. Lisa Davis saying that a landslide on Saturday, May 4, 2002 had caused a loss of gas service to all Stepp Branch customers. Mr. Eddie B. Smith, Gas Branch Manager, instructed Mr. Alderman to conduct an investigation into this matter on May 6, 2002.

When Mr. Alderman arrived at the Stepp Branch location, he met with Ms. Davis. Ms. Davis told the investigator that her father, Mr. Mike Davis, owner of Stepp Branch, was locating the line and trying to get some of the customers back on.

The following is an account of the events leading up to the shutting down of the system given the investigator by Ms. Davis:

May 4, 2002, 6:30 PM, Mr. Davis received a call from Ms. Madge Muncie saying her neighbor, Mr. Larry Guess, smelled gas around his house. Mr. Davis received this call on his cell phone. He was in Ohio at this time and on his way back to his home in East Lynn, West Virginia.

May 4, 2002, 8:12 PM, Ms. Davis received a call at her home from Ms. Sara Stepp that they did not have any gas on Stepp Branch.

May 4, 2002, 9:30 PM, Mr. and Ms. Davis arrived at the Stepp Branch location. At Mr. Guess's house, they found that a landslide had occurred at the back of his property where the main gas line was located. They proceeded to shut off the wells and the Columbia Natural Resources (CNR) connection that serves the system.

May 4, 2002, 10:00 PM, Entire system was shut off.

The Martin County 911 operator, Ms. Bonnie Jude, received a call from Mrs. Larry Guess at 10:49 PM on May 4, 2002, stating that her house was on fire. The fire department arrived at 11:10 PM and left at 12:57 AM on May 5, 2002. The house was completely destroyed.

Gas service to all Stepp Branch customers was restored by May 8, 2002. The 2-inch main that services the system was cut and capped on each side of the landslide. Gas from the Lydia Kirk well on Highway 292 serves the customers on the northwest side of the landslide, and the majority of customers are getting gas from the CNR tap.

### **FINDINGS**

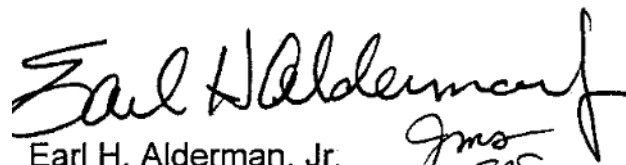
The following deficiencies were observed:

1. Stepp Branch has not established written procedures to minimize the hazard resulting from a gas pipeline emergency and to provide prompt and effective response to a notice of an emergency as required by 40 CFR Part 192.615.
2. Stepp Branch failed to provide the Commission telephonic notice of the incident within 2 hours as required by 807 KAR 5:027, Section 3(1).

### **RECOMMENDATIONS**

It is recommended that a hearing be held in order for Stepp Branch to show cause why it should not be penalized for its failure to establish written emergency plans in accordance with 49 CFR Part 192.615 and for its failure to notify the Commission of the incident as set out in 807 KAR 5:027.

Respectfully submitted,

  
Earl H. Alderman, Jr.  
Gas Utility Investigator



APPENDIX B

APPENDIX TO AN ORDER OF THE  
KENTUCKY PUBLIC SERVICE COMMISSION

IN CASE NO. 2002-00182

DATED JUNE 13, 2002

COMMONWEALTH OF KENTUCKY  
PUBLIC SERVICE COMMISSION

**COMPREHENSIVE INSPECTION REPORT**

**STAPP BRANCH GAS COMPANY**

Martin County, Kentucky

November 8, 2000

**BRIEF**

Earl H. Alderman, Jr. conducted a comprehensive inspection of the natural gas facilities at Stepp Branch Gas Company, ( Stepp Branch ) on August 29 and 31, 2000. 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**

Stepp Branch is a gas distribution system operating in Martin County, Kentucky, and serves approximately 40 customers.

An attempt was made to review Stepp Branch's Operating and Maintenance, Emergency, Damage Prevention, and Anti-Drug Plans during the office portion of the inspection, but none were found. Also during the office visit, attempts were made to review records concerning the leak survey, system patrolling, corrosion, odorization, valve maintenance, and regulator and relief valves and none were found.

During the field inspection, checks were made on residential meter settings and system wells. Mike Davis accompanied me on this inspection.

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

### **FINDINGS**

The following deficiencies were found:

1. There are no written procedures for joining plastic pipe. *807 KAR 5:022, Section 6(2)b and 49 CFR Part 192.273.*
2. There is no corrosion control program. *807 KAR 5:022, Section 10(3) and 49 CFR Part 192.453.*
3. There are no patrolling records. *807 KAR 5:022, Section 13(2)b and 49 CFR Part 192.603.*
4. There is no Operating and Maintenance ( O&M ) Plan. *807 KAR 5:022, Section 13(3) and 49 CFR Part 192.605.*
5. There are no written procedures for continuing surveillance. *807 KAR 5:022, Section 13(7) and 49 CFR Part 192.613.*
6. There is no Damage Prevention Program. *807 KAR 5:022, Section 13(8) and 49 CFR Part 192.614.*
7. There is no list that includes the identity, on a current basis, of persons who normally engage in excavation activities in the vicinity of the pipeline. *807 KAR 5:022, Section 13(8)b(1) and 49 CFR Part 192.614(c)1.*
8. There is no notification to the public in the vicinity of the pipeline and actual notification to persons identified in *807 KAR 5:022, Section 13(8)b(1) and 49*

*CFR Part 192.614(c)1* of this section as often as needed to make them aware of the existence and purpose of the damage prevention program and how to learn the location of underground pipelines prior to excavation activities. *807 KAR 5:022, Section 13(8)b(2) and 49 CFR Part 192.614(c)2.*

9. There is no Emergency Plan. *807 KAR 5:022, Section 13(9)a and 49 CFR Part 192.615.*

10. There are no written procedures for receiving, identifying, and classifying notices of events that require immediate response by the operator. *807 KAR 5:022, Section 13(9)a(1) and 49 CFR Part 192.615(a)1.*

11. There are no written procedures for establishing and maintaining adequate means of communication with appropriate fire, police, and other public officials. *807 KAR 5:022, Section 13(9)a(2) and 49 CFR Part 192.615(a)2.*

12. There are no written procedures for a prompt and effective response to a notice of each type of emergency, including gas, fire, explosion or natural disaster near or involving a building with gas pipeline or pipeline facility. *807 KAR 5:022, Section 13(9)a(3) and 49 CFR Part 192.615(a)3.*

13. There is no list of the availability of personnel, equipment, tools, and materials, as needed at the scene of emergency. *807 KAR 5:022, Section 13(9)a(4) and 49 CFR Part 192.615(a)4.*

14. There are no written procedures for actions directed toward protecting people first and then property. *807 KAR 5:022, Section 13(9)a(5) and 49 CFR Part 192.615(a)5.*

15. There are no written procedures for emergency shutdown and pressure reduction in any section of the operator's pipeline system necessary to minimize hazards to life or property. *807 KAR 5:022, Section 13(9)a(6) and 49 CFR Part 192.615(a)6.*

16. There are no written procedures for making safe any actual or potential hazard to life or property. *807 KAR 5:022, Section 13(9)a(7) and 49 CFR Part 192.615(a)7.*

17. There are no written procedures for notifying appropriate fire, police, and other public officials of gas pipeline emergencies and coordinating with them, both planned responses, and actual responses during an emergency. *807 KAR 5:022, Section 13(9)a(8) and 49 CFR Part 192.615(a)8.*

18. There are no written procedures for safely restoring any service outage. *807 KAR 5:022, Section 13(9)a(9) and 49 CFR Part 192.615(a)9.*

19. Operating personnel have not been trained in emergency procedures. *807 KAR 5:022, Section 13(9)b(2) and 49 CFR Part 192.615(b)2.*

20. There is no established continuing educational program to enable customers, the public, appropriate government organizations, and persons engaged in excavation related activities to recognize a gas pipeline emergency for the purpose of reporting it to the operator or appropriate public officials. *807 KAR 5:022, Section 13(9)d and 49 CFR Part 192.616.*

21. There are no procedures for the investigation of failures. *807 KAR 5:022, Section 13(10) and 49 CFR Part 192.617.*

22. There is no established maximum allowable operating pressure ( MAOP ).  
*807 KAR 5:022, Section 13(11) and 49 CFR Part 192.619.*
23. There are no odorization checks being performed. *807 KAR 5:022, Section 13(17) and 49 CFR Part 192.625.*
24. There are no procedures for system patrolling. *807 KAR 5:022, Section 14(12) and 49 CFR Part 192.721.*
25. No provisions have been made for leakage surveys. *807 KAR 5:022, Section 14(13) and 49 CFR Part 192.723.*
26. There are no leak surveys being performed on system. *807 KAR 5:022, Section 14(13)b and 49 CFR Part 192.723.*
27. There are no test requirements for reinstating service lines. *807 KAR 5:022, Section 14(14) and 49 CFR Part 192.725.*
28. There are no written procedures for abandonment or inactivation of facilities. *807 KAR 5:022, Section 14(15) and 49 CFR Part 192.727.*
29. There are no annual inspections on regulators and relief valves. *807 KAR 5:022, Section 14(21) and 49 CFR Part 192.739.*
30. There are no reviews or recalculations on relief valve capacities. *807 KAR 5:022, Section 14(23) and 49 CFR Part 192.743.*
31. There is no annual maintenance on main line valves. *807 KAR 5:022, Section 14(25) and 49 CFR Part 192.747.*
32. There are no written procedures for the prevention of accidental ignition.  
*807 KAR 5:022, Section 14(27) and 49 CFR Part 192.751.*

33. There is no written anti-drug plan. *807 KAR 5:023, Section 3 and 49 CFR Part 199.7.*

34. There is no written alcohol misuse plan. *49 CFR Part 199.202.*

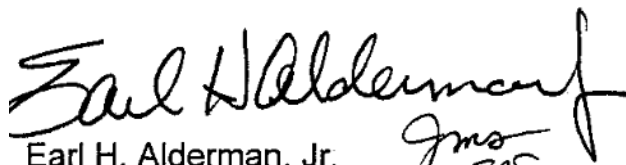
35. There is no written corrosion control program for the steel section of the system. *807 KAR 5:022, Section 10 and 49 CFR Part 199.453.*

### **RECOMMENDATIONS**

It is recommended that the Commission initiate a hearing to allow Stepp Branch to show cause why it should not be penalized for failure to comply with Commission regulations.

It is also recommended that in order to safely operate a natural gas system, maintenance personnel must have training on the safe and proper ways to respond to leakage calls and also how to handle gas in an emergency. This training is available through the Kentucky Gas Association. Further information on the Kentucky Gas Association training seminars may be obtained by contacting Dr. Paul Lyons, Kentucky Gas Association, 92 Chestnut Street, Murray, Kentucky 42071, (270) 753-2151 or (800) 455-9427, email: [itskga@idd.net](mailto:itskga@idd.net), web address: <http://www.kygas.org>.

Respectfully submitted,

  
Earl H. Alderman, Jr.  
Gas Utility Investigator