

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

K-PETROLEUM, INC. AND)	
JAM KHORRAMI, AS OFFICER)	
AND DIRECTOR)	
_____)	CASE NO. 2002-00302
)	
ALLEGED VIOLATIONS OF)	
KRS 278.992, TO-WIT:)	
49 C.F.R. PART 192.465(a);)	
49 C.F.R. PART 192.603;)	
49 C.F.R. PART 192.614(c)(2);)	
49 C.F.R. PART 192.616;)	
49 C.F.R. PART 192.723;)	
49 C.F.R. PART 192.747; AND)	
49 C.F.R. PART 192.805)	

O R D E R

K-Petroleum, Inc. (K-Petro) is a gathering facility and a transmission facility located in Clay, Laurel, and Whitley counties with local offices at Little Goose Road, Manchester, Kentucky 40962.

K-Petro consists of a facility that has five compressor stations with approximately 500 feet of discharge pipeline. The pipeline is coated, 3- and 4-inch steel, with a discharge pressure of 275 to 650 pounds per square inch gauge. The facility operates approximately 500 natural gas wells and serves natural gas to 30 farm tap customers.

K-Petro is a foreign corporation authorized to do business in Kentucky with its principal offices located at 2425 Deewood Drive, Columbus, Ohio 43229. Jam Khorrami is a director and is president of the corporation. Honorable Robert Stivers,

209-A Main Street, Manchester, Kentucky 40962 is the registered agent for service of process.

K-Petro is a gathering and farm tap facility and a transportation facility and is subject to Public Service Commission (Commission) jurisdiction and regulation pursuant to the provisions of KRS 278.040, 278.485, 278.495, and 278.992. The Commission enforces the minimum natural gas safety standards and regulations pursuant to and in compliance with the federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, and amendments thereto, pursuant to KRS 278.495 and 278.992. K-Petro is subject to those minimum natural gas safety standards and regulations as duly enforced by the Commission.

On June 24, 2002, Commission Staff, together with Willis McQueen, employee, agent, and representative of K-Petro, performed a comprehensive inspection of K-Petro facilities pursuant to the federal pipeline safety laws and regulations, and pursuant to KRS Chapter 278. This inspection included an examination for and of certain written documentation, records, and proof of required facilities surveys, in addition to a field pipeline inspection. A Comprehensive Inspection Report (Report) dated July 11, 2002, prepared by Commission Staff was submitted to the Commission. Attached hereto and made a part hereof as if fully set out herein is a copy of said Report. The Report details the findings of the inspection conducted on June 24, 2002. The Report alleges that the following deficiencies and violations existed:

1. There is no Operator Qualification Plan. 49 C.F.R. 192.805.
2. There are no patrolling records. 49 C.F.R. 192.603.
3. There are no leak survey records for the system. 49 C.F.R. 192.723.

4. There are no annual maintenance records on main line valves. 49 C.F.R. 192.747.

5. There are no corrosion survey records for the system. 49 C.F.R. 192.465(a).

6. There are no records showing an established continuing educational program to enable customers, the public, appropriate government organizations, and persons engaged in excavation and related activities to recognize a gas pipeline emergency for the purpose of reporting it to the Operator or appropriate public official. 49 C.F.R. 192.616.

7. There is no notification to the public in the vicinity of the pipeline and actual notifications to persons identified in 49 C.F.R. 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. 49 C.F.R. 192.614(c)(2).

Based upon the foregoing facts and the Report, and being otherwise sufficiently advised, the Commission finds sufficient evidence to believe that K-Petro and Jam Khorrami, as officer and director of said corporation, have violated and failed to comply with the above-cited provisions of the federal pipeline safety standards and regulations. The Commission, on its own motion, HEREBY ORDERS that:

1. K-Petro shall appear on December 3, 2002 at 9:00 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 violations described in the Report, and of showing cause why it should not be subject to the penalties prescribed in KRS 278.992(1) for these alleged violations. Likewise, Jam

Khorrami shall appear for the same purpose. According to Kentucky law, corporations are required to be represented by an attorney authorized to practice in the Commonwealth of Kentucky in appearances before the Commission.

2. The Report attached hereto is made a part of the record in this proceeding.

3. Within 20 days of the date of this Order, K-Petro and Jam Khorrami, as officer and director, shall each submit to the Commission a written response to the allegations contained herein.

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

5. The Commission, on its own motion, may set an informal conference. Any motion by any other party requesting an informal conference with Commission Staff to consider matters that may aid in the informal handling and disposition of this proceeding shall be filed with the Commission no later than 30 days from the date of this Order.

Done at Frankfort, Kentucky, this 29th day of October, 2002.

By the Commission

ATTEST:


Executive Director

APPENDIX TO AN ORDER OF THE
KENTUCKY PUBLIC SERVICE COMMISSION

IN CASE NO. 2002-00302

DATED October 29, 2002.

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

COMPREHENSIVE INSPECTION REPORT

K-PETROLEUM, INC.
MANCHESTER, KENTUCKY

July 11, 2002

BRIEF

Earl H. Alderman, Jr. conducted a comprehensive inspection of the natural gas facilities of K-Petroleum, Inc. ("K-Petro") on June 24, 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

K-Petro is a small gathering and transmission company located in Clay, Laurel and Whitley Counties, Kentucky. The system has five compressor stations with approximately 500 feet of discharge line, which is coated 3- and 4-inch steel pipe with a discharge pressure of 275 to 650 pounds per square inch gage ("psig"). K-Petro has approximately 500 wells and 30 farm tap customers. The gathering system is 2- to 4-inch plastic pipe with 4 psig on the system.

A review was made of K-Petro's Operating and Maintenance, Emergency, Damage Prevention, and Anti-Drug Plans during the office portion of the inspection.

Also during the office visit, records were reviewed concerning the leak survey, system patrolling, valve maintenance, corrosion surveys and regulator and relief valves.

Willis McQueen accompanied me on the inspection.

FINDINGS

The following deficiencies were found:

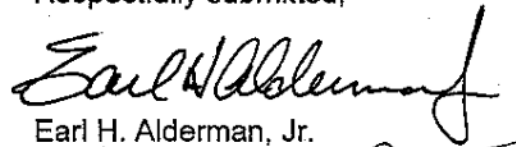
1. There is no Operator Qualification Plan. 49 CFR Part 192.805.
2. There are no patrolling records. 49 CFR Part 192.603. **This is a repeat violation of the April 2, 1998 Comprehensive Inspection Report.**
3. There are no leak survey records for the system. 49 CFR Part 192.723.
4. There are no annual maintenance records on main line valves. 49 CFR Part 192.747.
5. There are no corrosion survey records for the system. 49 CFR Part 192.465(a)
6. There are no records showing an 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. 49 CFR Part 192.616. **This is a repeat violation of the April 2, 1998 Comprehensive Inspection Report.**
7. There is no notification to the public in the vicinity of the pipeline and actual notification to persons identified in 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. 49 CFR Part 192.614(c)2.

RECOMMENDATIONS

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

Respectfully submitted,


Earl H. Alderman, Jr.
Gas Utility Investigator *gms*
Gas Branch
EBS

EHA:dcp
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