

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CITY OF DRAKESBORO D/B/A DRAKESBORO)	
NATURAL GAS COMPANY)	CASE NO.
)	2019-00065
ALLEGED FAILURE TO COMPLY WITH KRS)	
278.495, 807 KAR 5:022, AND 49 C.F.R. PART 192)	

DIVISION OF INSPECTION'S MOTION TO RE-OPEN CASE

By order entered February 25, 2021, the Commission assessed the city of Drakesboro, Kentucky, d/b/a Drakesboro Gas Company (Drakesboro), a civil penalty in the amount of \$864,000 for violations of pipeline safety standards. The Commission suspended all but \$30,000 of the penalty contingent on upon Drakesboro's satisfaction of six conditions set forth in ordering paragraph 3 of the order.

The first condition is that Drakesboro complete Phase 1 of a remediation project recommended by Abacus Engineering (Abacus) by March 1, 2022. Abacus conducted a review of Drakesboro's gas system, identified the areas of most concern, and made a recommendation for Phase I remediation work on the portion of Drakesboro's gas system it considered to present the highest safety threat.

On January 12, 2022, Drakesboro filed a motion for a one-year extension of time to complete the Phase 1 work.¹ In support of its motion, Drakesboro cited its current lack of financing and the safety improvements the city has made to its system to date. Because the Commission's February 25, 2021, Order closed the case and removed it

¹ A copy of Drakesboro's motion is attached as an Appendix to the Order.

from the Commission's docket, Drakesboro's motion was not entered into the record of this case and was filed with other post-case files.

Based on the foregoing, the Commission's Division of Inspections (DOI) moves the Commission to:

1. Re-open this case to consider the city's request for an extension of time to complete Phase 1 remedial work.
2. Direct that Drakesboro's motion and the instant motion be filed into the record.
3. Allow DOI an opportunity to serve information requests pertaining to Drakesboro's request for an extension of time to complete Phase 1 remedial work.
4. Schedule a hearing on Drakesboro's motion for an extension of time to complete Phase 1 remedial work.

DOI is not opposed to a temporary suspension of the deadline to complete Phase 1 pending the commission's consideration and ruling on Drakesboro's motion.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'John Park', with a long horizontal flourish extending to the right.

John Park
Staff Attorney II
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

APPENDIX

APPENDIX TO DIVISION OF INSPECTIONS' MOTION TO RE-OPEN IN CASE NO.
2019-00065 DATED FEB 03 2022

5 PAGES TO FOLLOW

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CITY OF DRAKESBORO D/B/A
DRAKESBORO NATURAL GAS
COMPANY

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CASE NO.
2019-00065

MOTION FOR ADDITIONAL TIME

Comes now, the City of Drakesboro (hereafter the “City”), by counsel, and for its motion for additional time, states as follows:

Pursuant to an order entered by this Commission, on or about February 25, 2021, the City of Drakesboro, d/b/a Drakesboro Natural Gas Company, was ordered to complete certain upgrades to its natural gas system by March 1, 2022. The system improvements were those identified on page 64 and related to an Abacus engineering report.

Essentially, these repairs or upgrades are expected to fight against the damage potentially caused by the lack of a proper cathodically protected system. The obvious goal of Phase 1 is to stop damaged or weakened piping from leaking and/or causing dangerous conditions to the community served by the Drakesboro Natural Gas system.

However, as is outlined in this motion, completing the project will not be possible by the current deadline and an extension is appropriate.

The City was, only recently, awarded a provisional grant known as the Community Development Block Grant. It is the understanding of counsel that the funds awarded, provisionally, in the amount of \$514,977 require the City to find a matching source. In other words, the City must find another grant or loan for funds in that amount to match the grant amount in order to obtain the funds for the grant. The notification of the provisional award came on October 20, 2021.

The City intends to seek matching funding from Rural Development which provides low interest loans to government entities. In the alternative, the City will seek matching funds by borrowing from a private lender such as First Southern Bank. As was explained previously, audits were necessary to seek the grant referenced above and such audits were only finished recently. Those audits not only enabled the City to seek and provisionally attain the grant, it also will enable the City to seek loans because most lenders require financial statements illustrating the ability of the organization to repay the loans.

Given the inflationary environment caused by the government's stimulus and low rate policies, the costs initially estimated for completing Phase 1 are likely to be much higher than set forth in the Abacus report referenced by the February 2021 PSC order. Therefore, the City will only be able to begin the implementation of Phase 1 by obtaining the grant and matching funds described herein. Thus, the City expects that it will need an additional year to complete Phase 1 of the project and requests same.

Fortunately, the condition of the system and the operational situation for the system has greatly improved and the risk of harm has been dramatically reduced. The following is a list of

some of the actions and circumstances that support the proposition of the system being safe enough to continue operation for an additional year before the completion of Phase 1:

1. The City, or its contractors, have repaired all Grade 1 leaks identified in the 2021 leak survey and subsequent leak survey of March 2019 completed by Martin contracting, which did include the replacement of a 4 inch main located at 431 S. Main, Browder, KY;

2. Heaters have been installed at the purchase point regulator system to prevent certain operational components from freezing and this system has worked flawlessly since the time of installation;

3. As was referenced in the City's response to information during the summer of 2021, the City has now installed a two new rectifiers and readings are in compliance with applicable law;

4. The City has installed at least two new regulators (at Horseshoe Loop and Purchase Point) and are working with contractors to fabricate the installation of new regulators on the second leg of the station;

5. The City has updated its positive response standard operating procedures which notifies contractors when they are clear to dig; Drakesboro has updated the O & M plan to outline procedures on locates and a positive response on 811.

6. The City has in place a payment plan for all customers not current on bills and has the remainder of the customers up-to-date on obligations;

7. Emergency calls for gas leaks are exceedingly minimal as of December 29, 2021 and have incremental decreased since February 2019;

8. The City continues to provide monthly reporting to the PSC staff, which evidence the lack of emergency situations within our system;

9. The City has used a qualified operator to operate system safely and intends to continue the use of qualified personnel, either through a third-party contractor like Russmar or other qualified operator(s);

10. Monthly odorant tests are performed to ensure appropriate mercaptan levels;

11. The City has strived to replace meters at services at the rate of 50 to 75 customers per year; and,

12. All readings from the natural gas system meet or exceed the standards for compliance which is documented in our work orders provided to the PSC staff monthly.

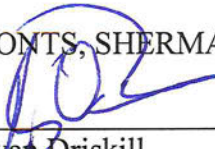
It is submitted that the system is being maintained and monitored in a manner which is safe and effective since February 2019. The City has made important upgrades to the system through the addition of heaters, rectifiers, and regulators during the last year and these upgrades have served the system well – evidenced by the lack of emergency calls and by the continuous operation of the system.

The undersigned respectfully requests that the deadline for the City to complete each phase of the project, or at least the deadline for Phase 1, be extended for a period of one year due to the funding circumstances set forth herein and significant measures the City has taken to provide for the safe operation of the natural gas system.

WHEREFORE, the City of Drakesboro requests an order in conformity with the contents of this motion.

Respectfully submitted,


YONTS, SHERMAN & DRISKILL, P.S.C.



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CERTIFICATE OF SERVICE

This is to certify that the above notice was filed electronically on this the 12th day of January, 2022 and served upon the Honorable John Parks by electronic mail at John.Park@ky.gov.



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