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## NEWS RELEASE

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### **PSC Fines BTU Gas Company for Violating Safety Rules** ***Magoffin County natural gas distributor to pay \$10,000 now; \$160,000 more if*** ***problems are not corrected***

**FRANKFORT, Ky. (Sept. 23, 2010)** – The Kentucky Public Service Commission (PSC) has fined a Magoffin County natural gas utility \$170,000 for multiple violations of safety rules.

BTU Gas Company Inc. was ordered to pay \$10,000 of the fine within 30 days. The PSC suspended the balance of the fine for two years on the condition that BTU Gas correct within 90 days the 17 violations identified by the PSC and commit no further violations.

BTU Gas owns and operates a system that serves 401 residential customers and 12 commercial customers, including four schools.

A July 2007 regular inspection by the PSC found 16 violations of safety regulations. The next year, the PSC opened an enforcement proceeding against BTU Gas. A follow-up inspection in July 2009 found that only six of the 16 earlier violations had been corrected, and also found seven new violations.

The violations involved both PSC regulations and federal rules regarding operation of natural gas pipelines. Under an agreement with the U.S Department of Transportation, the PSC is delegated to enforce federal pipeline safety rules for natural gas utilities in Kentucky.

On March 4, 2010, the PSC held a hearing that included testimony from the PSC inspectors and from Pamela Williams, the president and sole owner of BTU Gas.

In today's order, the PSC said that BTU Gas has "consistently been poorly managed and operated" and "has failed to carry out its most basic obligations" with respect to providing for the safety of its employees, customers and the community in which it operates.

BTU operators "evidence a general lack of awareness, knowledge and skill needed to operate a private gas distribution system in a safe manner," the PSC said. "BTU has been in operation for approximately 16 years, yet its president presents herself as totally uninformed and unfamiliar with what is required."

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BTU's failures to meet even the basic safety requirements call "into serious question BTU's managerial and technical abilities to continue its operation as a gas utility," the PSC said. Nevertheless, the PSC said it accepts, though "with serious reservations," BTU's commitment to come into compliance.

That acceptance will come with close monitoring by the PSC of a strict schedule of deadlines that BTU must meet to avoid further violations. Furthermore, any future violations will result in actions not just against the company, but also individually against Pamela Williams and her husband Richard Williams, who is BTU's vice president and operator.

Violations cited by the PSC include:

- No map of the system.
- Failure to check the system regularly for leaks or for conditions that could lead to damage to pipes and thus cause leaks.
- Failure to correct unsafe conditions in the system.
- No records showing the location of safety valves and other safety devices in the system or documenting that such devices have been regularly tested.
- Absence of programs to prevent damage to buried lines and to provide safety information to customers.
- Operations manuals that do not include emergency procedures.
- Lack of emergency equipment for employees.
- Failure to maintain various safety-related plans and records and to submit required reports.

Compliance measures ordered today by the PSC include:

- Completion of a leak survey of the entire BTU Gas system within 45 days.
- Annual leak surveys, no more than 15 months apart, for the next five years, with notice to the PSC and correction of leaks as required by regulations.
- Patrol the system for potentially hazardous conditions within 90 days, and at least once every three months thereafter.
- Correction of all other deficiencies within 90 days.
- Completion of all other reports and records on a timely basis.

BTU also will undergo annual inspections by the PSC for the next five years. That is more frequent than inspections of systems without persistent safety problems.

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The \$170,000 fine is the largest ever levied by the PSC for natural gas safety violations. The largest immediate penalty was the \$25,000 paid by Union Light, Heat and Power Co. (now Duke Energy Kentucky) for violations that led to an explosion and fire at an elementary school in Covington in 2002.

Today's order, a videotape of the hearing and other case records are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case number is 2007-00403.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.

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