



2018 ANNUAL MEETING
FARM TAP UPDATE

Farm Tap Statute

KRS 278.485 (Created 1952 Ky. Acts ch. 160, sec. 1.)

- Created to provide rural landowners access to energy supply where no local distribution system service was available.
- This statute **does not** apply to “free gas” provided pursuant to a lease.
- This statute **does not** apply to distribution companies, even if they obtain gas from gathering lines.

[Link to KRS 278.485](#)

KRS 278.485 (Gas Pipeline Co. Obligations)

“Every gas pipeline company obtaining gas from producing wells located within this state, upon the request of the owner of the property on or over which any producing well or gas gathering pipeline is located or the owner of real estate whose property and point of desired service is located within one-half (1/2) air-mile of said company's producing gas well or gas gathering pipeline, shall furnish gas service to such owner and applicant” ...

- You must provide service if:

- You have a producing well or a gathering line on their property

OR

- Their property and point of service is within ½ air mile any of your producing wells or gathering lines

KRS 278.485 And 807 KAR 5:026 Detail The Process And the Parties' Ownership and Obligations

(1) You get paid for the required service based on a tariff rate set by PSC.

- You must file for and have a tariff issued by the PSC
- The tariff (and the tariff rate) will apply to all of your paid farm taps

(2) The Applicant must ask for service and provide an Application containing:

- Their name, address and the planned use of the gas
- *The name of the contractor they will have install the line from the tap to their house*
- Who they are asking to get service from -- you

(3) You must give the PSC a copy of the Application.

(4) You must furnish, install and maintain, and you will own:

- The *meter* (which must have your name on it)
- The *service tap, including the saddle and the first service shutoff valve*
- The Applicant must pay the cost of the tap or hookup

KRS 278.485 And 807 KAR 5:026 Detail The Process And the Parties' Ownership and Obligations

(5) The Applicant, at its own expense, is responsible for constructing, maintaining and keeping in good repair

- the service lines
- *the necessary automatic gas regulators*
- *any installation or equipment that you are not expressly responsible for under the statute and regulations*

(6) You must give the Applicant “construction drawings specifying the installation methods and the materials approved by the [PSC]”.

- This information is currently part of the administrative regulations and can be photocopied for this purpose.

(7) You must give the PSC a copy of the Application.

(8) The PSC will inspect the Applicant's installed line to see if it satisfies the regulatory standards

- This inspection may need to be done before the Applicant's line is covered up, so be sure to send the Application to the PSC right away.
- Gas should not be supplied until the PSC has approved the installation of the Applicant's and you have tested the lines as required by the regulations.
- Gas should not be supplied any time you become aware of leaks in the Applicant's line.

KRS 278.485 And 807 KAR 5:026 Detail The Process And the Parties' Ownership and Obligations

(9) “Neither the gas producer nor the gas pipeline company shall be liable for any accident or accidental injuries or damages which may result from any defect or failure of any automatic gas regulator or for any leakage or other defect or failure of any service line installed or constructed by the applicant.” KRS 278.485(4).

(10) You are not required to maintain any fixed or specified gas pressure.

(11) This does not limit your ability to shut in or abandon wells or pipelines.

(13) You can shut off the gas and remove your property from the premises upon reasonable notice for a number of reasons, including non-payment, tampering with a meter or theft of gas.

KRS 278.485 And 807 KAR 5:026 Detail The Process And the Parties' Ownership and Obligations

This is a summary of some of the provisions of KRS 278.485 and 807 KAR 5:026. You should consult the statute and regulations for their entire contents.

<http://www.lrc.ky.gov/statutes/statute.aspx?id=14128>

[Link to 807 KAR 5:026](#)



Yellow- Denotes Farm Tap Consumer Responsibility

Grey- Denotes Well or Pipeline Co. Responsibility

* KY PSC provides standard drawings and material requirements sheets that outline installation for both steel and PE pipeline configurations.

Federal Regulations (49CFR192)

§192.740 Pressure regulating, limiting, and overpressure protection—Individual service lines directly connected to **production, gathering**, or transmission pipelines

[Link to Code of Federal Regulations](#)

42 CFR 192.740

- (a) Applies to any service line directly connected to a production, gathering, or transmission pipeline that is not operated as part of a distribution system.
- (b) Each *pressure regulating or limiting device, relief device* (except rupture discs), *automatic shutoff device, and associated equipment* **must be inspected and tested at least once every 3 calendar years**, not exceeding 39 months, to determine that it is:
- (1) In good mechanical condition;
 - (2) Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;
 - (3) Set to control or relieve at the correct pressure consistent with the pressure limits of §[192.197](#); and to limit the pressure on the inlet of the service regulator to 60 psi (414 kPa) gauge or less in case the upstream regulator fails to function properly; and
 - (4) Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.

What Does All This Mean? Producers Are Caught Between the State And Federal Regulations.

- Kentucky law places the ownership and responsibility for the equipment on the gas user.
- Federal law says the equipment must be inspected, but doesn't say who has to do it.
- Early indications from PHMSA were that it expected the producer to do the inspections which could result in:
 - Increased Costs
 - Increased Liability
- The PSC, which enforces PHMSA regulations has not specifically addressed this federal regulation.
- The federal regulation was effective April 2017, so the clock is ticking on whoever has to do it.
- KOGA has expressed industry's concerns in meetings with representatives from both PHMSA and the PSC.
- With the help of IPAA those efforts are continuing.

Questions?

**Thank you for your continued membership in KOGA
and for your attendance during this presentation.**