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NEWS RELEASE

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PSC Denies Request to Abandon Three Franklin County Sewer Systems

Allowing owner to shed only unprofitable operations not in the public interest

FRANKFORT, Ky. (Sept. 19, 2016) – The Kentucky Public Service Commission (PSC) has denied a request by Ridgelea Investments to abandon three unprofitable sewer systems in Franklin County while retaining a profitable system in Grant County.

In an order issued today, the PSC said that Kentucky law does not permit such partial abandonment.

“Authorizing a utility to abandon unprofitable facilities while it retains profitable one would be contrary to the plain meaning (of the statute governing abandonment) and would not be in the public interest,” the PSC said.

The PSC also denied a request by Ridgelea to transfer the Grant County system to an affiliated entity. The transfer would be “solely for the purpose of permitting abandonment of the unprofitable operations (and) would not be for a proper purpose or consistent with the public interest,” the PSC said in today’s order.

Ridgelea serves a total of about 350 customers in the Meadowbrook, Edgewood and Farmgate subdivisions in Franklin County and the Grantland Estates subdivision in Grant County. The four systems consist of sewers that feed into small wastewater treatment plants.

Evidence in the case showed that the three systems in Franklin County are under order by the Kentucky Division of Water - the state’s water quality regulators - to correct problems that are causing water pollution. Ridgelea stated that the revenue generated by the systems is insufficient to pay for the repairs and operate the systems, prompting the abandonment request.

Ridgelea has been in discussions with Franklin County officials, including the Farmdale Sanitation District, about the fate of the systems.

In a meeting with PSC staff, Ridgelea, the Division of Water and Franklin County officials, Farmdale Sanitation District indicated a willingness to become the temporary operator (receiver) of the Franklin County wastewater systems if they are abandoned. But the sanitation district said it did not want to assume ownership of the systems because of the potential environmental liabilities associated with them.

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The Division of Water, in a letter to the PSC, supported having Farmdale Sanitation District take over operation of the systems. But the Division of Water opposed Ridgelea's proposed partial abandonment.

Allowing a partial abandonment would set a potential precedent for private utilities to shed underperforming assets while retaining those that turn a profit, the Division of Water said. That would shift the costs of necessary repairs to the broader public, it said.

Today's PSC order directs Ridgelea to continue operating its facilities until such time as the PSC either authorizes their transfer or abandonment.

A public evidentiary hearing in the case was held on May 3.

Today's order, the case file and a video of the evidentiary hearing are available on the PSC website, psc.ky.gov. The case number is 2016-00106.

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 85 employees.

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