

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE ALLEGED)
VIOLATIONS OF KRS CHAPTER 278)
BY SANICO, INC.) CASE NO. 10019

ORDER TO SHOW CAUSE

Sanico, Inc. ("Sanico"), a corporation which owns and operates a sewage treatment facility in Mason County, Kentucky, for the public for compensation, is a utility as defined in KRS 278.010(3).

KRS 278.040 establishes the jurisdictional authority of the Commission over all utilities in this state and requires the Commission to regulate all utilities and to enforce the provisions of Chapter 278 of the Kentucky Revised Statutes. The jurisdictional authority of the Commission extends to the sale or transfer of utility systems. Public Service Commission v. Cities of Southgate, Etc., 268 S.W.2d 19 (Ky. 1954).

KRS 278.020(4) requires that any person under the jurisdiction of the Commission obtain the Commission's approval prior to the transfer of ownership or control of a utility or the abandonment of a utility.

The Commission Staff has submitted a Complaint Inspection Report, a copy of which is attached hereto as Appendix A, which alleges the following:

1. On July 3, 1987, James P. Breslin, president of Sanico, informed all customers of Sanico by letter that Sanico's water and sewage treatment system had been transferred to the City of Maysville Utility Commission. A copy of Mr. Breslin's letter is attached hereto as Appendix B.

2. Mr. Breslin took several actions to end Sanico's operation of its Mason County facilities. On July 2, 1987, he instructed Kentucky Utilities Company to cease providing electricity to its two lift stations located on Hinton Drive in Maysville, Kentucky. He further informed Kentucky Utilities that Sanico was no longer responsible for billing after July 2. By letter dated July 21, 1987, he informed the Maysville Utility Commission that Sanico would not pay for water service provided to Sanico's Mason County facilities as it no longer owned them.

3. Sanico notified the Commission by letter on July 6, 1987, that it had transferred its sewer and water facilities in Mason County to the Maysville Utility Commission on July 1. A copy of this letter is attached hereto as Appendix C. The Commission was not notified prior to the effective date of the transfer of ownership nor did it approve the transfer.

4. The Maysville Utility Commission denies ownership of Sanico's Mason County facilities and claims that Sanico is still the owner of these facilities.

5. When the Commission Staff inspected Sanico's Mason County Sewage Treatment facilities on July 28, 1987, it found them abandoned. Electric service to the facilities had been

disconnected. The facilities were not operating. Raw sewage was flowing from them, creating a health hazard to the general public.

6. Sanico violated KRS 278.020(4) by failing to obtain the Commission's approval prior to the transfer of its Mason County sewage treatment facilities to the Maysville Utility Commission.

7. Sanico violated KRS 278.020(4) by failing to obtain the Commission's approval prior to its abandonment of its Mason County sewage treatment facilities.

WHEREFORE, these premises considered, the Commission on its own Motion, HEREBY ORDERS that:

1. Sanico through its representatives shall appear before the Commission on September 30, 1987, at 9:00 a.m. Eastern Daylight Time, in the Commission's offices at Frankfort, Kentucky, for the purpose of presenting evidence concerning the ownership of Sanico's Mason County sewage treatment facilities, specifically the alleged violations of KRS 278.020(4), and of showing cause why it should not be subject to the penalties prescribed in KRS 278.990 for failure to comply with the provisions of Chapter 278 of the Kentucky Revised Statutes.

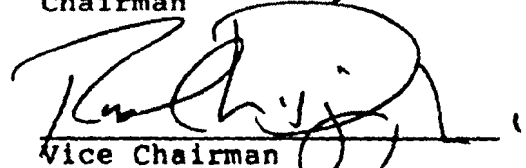
2. Appendices A, B, and C to this Order shall be and hereby are included as a part of the record of this proceeding.

3. Sanico shall have until the close of business two weeks from the date of this Order to submit a written response to the allegations contained in the Complaint Investigation Report. Its written response shall also address the issue of the current ownership of Sanico's Mason County sewage treatment facilities.

Done at Frankfort, Kentucky, this 2nd day of September, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

Commonwealth of Kentucky
Public Service Commission

COMPLAINT INSPECTION REPORT

Sanico, Inc.
Maysville, Kentucky

July 29, 1987

BRIEF

On July 24, 1987, the Commission received a telephone call from Ms. McHugh, office manager of Maysville Utility Commission ("Maysville") concerning Sanico, Inc., ("Sanico"). The complaint was that Sanico had notified its customers that its sewer system had been turned over to Maysville and that it would not be responsible for any future billings. Also that Sanico had Kentucky Utilities Company ("KU") remove the electric meter from the two lift stations on Hinton Drive and that raw sewage was running out the overflow pipe. Ms. McHugh stated that Maysville did not want ownership or operation of Sanico and would not accept responsibility for the sewer system. The Division of Utility Engineering and Services received a request from Forest M. Skaggs, Executive Director of the Commission on July 24, 1987, to conduct an investigation to determine the current operational condition of Sanico. A field investigation was made on July 28, 1987, (see attached photos taken during the inspection).

INVESTIGATION

The investigation consisted of interviewing Mr. Breslin, President of Sanico by telephone; interviewing Mrs. Charlene

Duncan, a Sanico customer; holding a conference at the Maysville's office with Ms. McHugh, office manager, Dennis Redmond, City of Maysville manager and Mr. Roy Lasbrooke, manager of Maysville; and a field inspection. The following information was obtained:

1. James P. Breslin, president of Sanico has notified its customers, by letter dated July 2, 1987, that the sewer system of Sanico has been turned over to Maysville.

2. Sanico notified its customers by letter, dated July 2, 1987, that it will not be responsible for any billings after July 2, 1987.

3. Mr. Breslin, president of Sanico, requested KU to disconnect service to its two lift stations on Hinton Drive by certified letter, dated July 2, 1987.

4. Raw sewage is overflowing from the lift station at 361 Hinton Drive.

5. Maysville rejects Mr. Breslin claim that it owns Sanico.

6. The Commission was not notified by Sanico that it had transferred ownership to Maysville.

7. KU disconnected the electric service to the two lift stations owned by Sanico on July 7, 1987.

Report - Complaint, Sanico, Inc.
Page 3
July 29, 1987

8. Customers of Sanico are going to request KU to reinstall the electric meter to the lift station until such time it is decided who owns Sanico. The customers will pay the electric bills.

CONCLUSIONS

1. Sanico is operating as a public utility subject to Commission jurisdiction pursuant to KRS 278.010.

2. The Commission should require Sanico to operate the sewage system until such time that Sanico proves that it is not the owner.

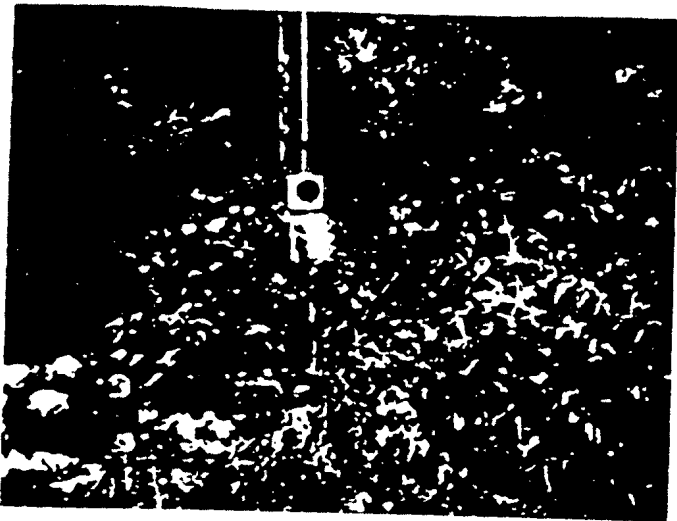
3. A Show Cause Order should be initiated against Sanico to show cause why it should not be subject to penalties described in KRS 278.990 for failure to comply with Commission regulations.

Submitted,
July 29, 1987

Larry N. Updike
Larry N. Updike
Utility Investigator

EPJ
LNU

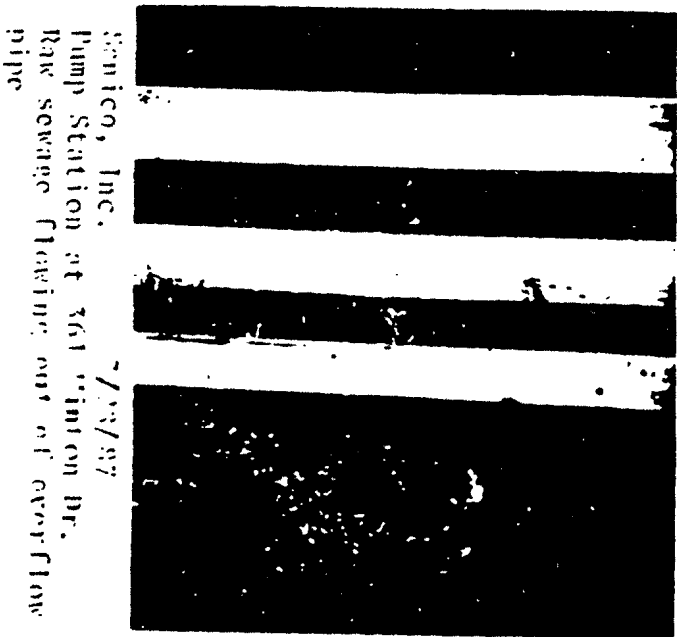
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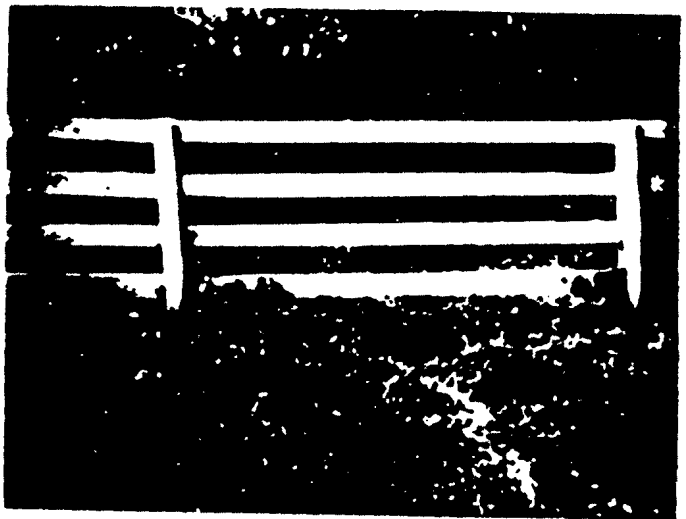
Sanico, Inc. 7/28/87
Pump Station at 361 Hinton Dr.
Missing Electric Meter



Sanico, Inc. 7/28/87
Pump Station at 361 Hinton Dr.



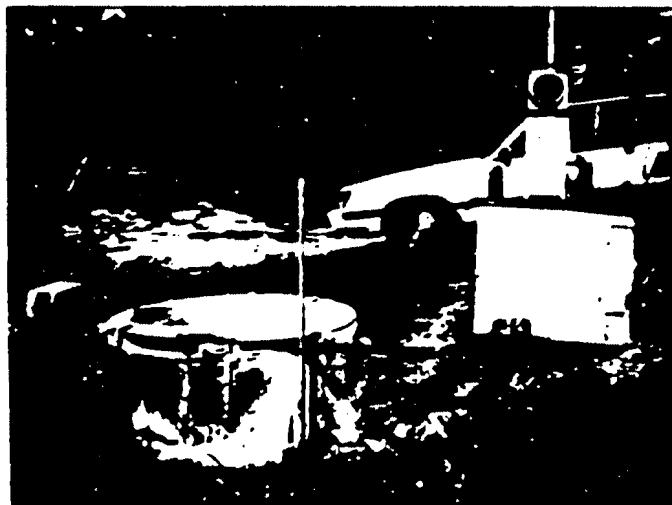
Sanico, Inc. 7/28/87
Pump Station at 361 Hinton Dr.
Raw sewage flowing out of overflow
pipe



Sanico, Inc. 7/28/87
Pump Station at 361 Hinton Dr.
Raw sewage flowing out of overflow
pipe of pump station.



7/28/87
Sanico, Inc.
Pump Station at the end of Hinton Dr.



7/28/87
Sanico, Inc.
Pump Station at the end of Hinton Dr.
and Missing electric meter

SANICO, INC.

Engr - Larry U.

fy. 2

228 LEXINGTON STREET
MAYSVILLE, KENTUCKY 41056

FILED
July 3, 1987

JUL 27 1987

PUBLIC SERVICE
COMMISSION

Dear Customer:

Recently my Attorney has advised Sanico, Inc. that their privilege to continue operation of the water and sewage disposal systems for you has, by operation of law, been turned over to the Maysville Utility Commission of Maysville, Kentucky.

Henceforth, Sanico, Inc. will not be providing any service from and after July 3, 1987. Therefore, your services will be provided to you by the Maysville Utility Commission from then on.

You are obligated to pay Sanico, Inc. for your services for June, 1987 by sending your remittance to Sanico, Inc., as you have been doing in the past. Thereafter, you will be billed by the Maysville Utility Commission and you should make your payments for July and afterwards to the Maysville Utility Commission. Any questions concerning this should be addressed to the Maysville Utility Commission.

It has been a pleasure to serve you as a customer the past several years and with Best Wishes, I remain

Yours truly,

SANICO, INC.

By: James P. Breslin
JAMES P. BRESLIN, President

Copy sent by Maysville Utilities Comm.

SANICO, INC.

220 LEXINGTON STREET
MAYSVILLE, KENTUCKY 41056

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FILED

PUBLIC SERVICE COMMISSION
POB 615
FRANKFORT KY 40602

JUL 06 1987

PUBLIC SERVICE
COMMISSION

ATTENTION: Mr. Richard Heman

Dear Mr. Heman,

This is to advise you that we have terminated our utilities business by transferring the sewer and water divisions to the City of Maysville's Utility Commission. This is effective July 1.

We believe this terminates our association with the PSC.

Should you have any questions regarding this matter, please contact us.

Sincerely


President
Sanico, Inc.

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