

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF LEDBETTER WATER
DISTRICT

)
) CASE NO. 91-086
)
)
)
)

ALLEGED VIOLATION OF KRS CHAPTER 278

SHOW CAUSE ORDER

Ledbetter Water District ("Ledbetter") is a water district formed pursuant to the provisions of KRS Chapter 74. Ledbetter is engaged in the distribution of water to the public for compensation and is subject to the regulatory jurisdiction of this Commission pursuant to KRS 278.040.

On November 13, 1990, a periodic inspection was made of Ledbetter's operations by the Commission's Division of Engineering. The findings of that inspection were reduced to a report, attached hereto and incorporated herein as Appendix A, and sent to the utility on November 16, 1990. Ledbetter's response to the Inspection Report, attached hereto and incorporated herein as Appendix B, was received on December 20, 1990 and a subsequent response regarding special charges, attached hereto and incorporated herein as Appendix C, was received on January 17, 1991.

According to the report, Ledbetter is charging to and collecting special charges from customers for reconnecting a customer's service, meter test charges, a 10 percent late payment

penalty charge, and charges for returned checks. The utility is alleged to be making these charges to its customers without Commission approval as required by 807 KAR 5:006, Section 12, and KRS 278.160. According to the utility investigator's worksheet, attached hereto and incorporated herein as Appendix D, the utility is alleged to be making a \$15 charge for meter testing, a \$5 returned check charge, a \$15 reconnection charge, and a 10 percent late payment penalty. These charges do not appear in the utility's currently effective tariff.

Ledbetter's response to the Inspection Report dated January 10, 1991 indicates that the utility is making only two special charges: a connection (a/k/a reconnection or transfer fee) of \$15; and a returned check fee of \$5. Ledbetter's cancelled tariffs indicate that the \$15 reconnection fee was approved by the Commission in a prior case. The reconnection or transfer fee of \$15 is included in a tariff effective July 1, 1978, the tariff having been authorized in Commission Case No. 7097.¹ Ledbetter's cancelled tariffs do not indicate that a returned check fee of \$5

¹ Case No. 7097, The Application of the Ledbetter Water District, Inc., Organized Pursuant to Chapter 273 of the Kentucky Revised Statutes, of Livingston County, Kentucky, for (1) A Certificate of Public Convenience and Necessity, Authorizing and Permitting Said Corporation to Construct Water System Improvements, Including a Water Treatment Building & Treatment Equipment, a Booster Station, 11,000 Feet of Mains with Appurtenances and a 100,000 Gallon Elevated Tank to Serve the Existing District; (2) Approval of the Proposed Plan of Financing of Said Project; and (3) Approval of the Water Rates Proposed to be Charged by the Corporation to Customers of the Area It Proposes To Serve.

has ever been approved by the Commission nor has the returned check fee ever been included in Ledbetter's tariffs.

Ledbetter's January 10, 1991 response does not address the two alleged unauthorized charges that remain, a \$15 meter test charge and a 10 percent late payment penalty. Ledbetter's cancelled tariffs show that as of January 1, 1971 Ledbetter had a 10 percent late payment penalty approved in its tariff. That late payment penalty was carried over to the next effective tariff dated July 1, 1978 and approved by the Commission in Case No. 7097; however, the late payment penalty does not appear in Ledbetter's currently effective tariff. Ledbetter's cancelled tariffs do not indicate that a \$15 meter test charge has ever been approved by this Commission.

KRS 278.160 provides:

(1) Under rules prescribed by the commission, each utility shall file with the commission, within such time and in such form as the commission designates, schedules showing all rates and conditions for service established by it and collected or enforced. The utility shall keep copies of its schedules open to public inspection under such rules as the commission prescribes.

(2) No utility shall charge, demand, collect or receive from any person a greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules, and no person shall receive any service from any utility for a compensation greater or less than that prescribed in such schedules.

The Commission finds that a prima facie showing has been made that Ledbetter has violated KRS 278.160 by charging unauthorized rates and Ledbetter should cease charging any and all rates not specifically approved by this Commission and not specifically contained in its currently effective tariff.

IT IS THEREFORE ORDERED that:

1. Ledbetter shall appear at a hearing scheduled for April 23, 1991, at 1:30 p.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky, and be prepared to show cause why Ledbetter should not be penalized pursuant to KRS 278.990 for its failure to comply with KRS 278.160.

2. Ledbetter shall immediately cease charging any rates and special charges not specifically approved by this Commission and reflected in its tariff.

3. Ledbetter shall submit a written response to all allegations contained herein within 20 days of the date of this Order.

4. Within 20 days of the date of this Order, Ledbetter shall file a schedule showing a monthly breakdown of miscellaneous service revenues collected for the last five years. The schedule shall list each and every unauthorized special charge or service charge collected and shall show each individual customer's name and address from whom each charge was collected.

Done at Frankfort, Kentucky, this 27th day of March, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A
APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 91-086 DATED 3/27/91



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

November 16, 1990

Dr. Ivus H. Crouch
Chairman
Ledbetter Water District
P. O. Box 123
Ledbetter, KY 42058-0123

Dear Dr. Crouch:

On November 13, 1990, a periodic inspection was made of Ledbetter Water District by K. Michael Newton, Utility Investigator with the Public Service Commission. The comments on this inspection have been condensed into a report, which is being sent herewith in the interest of obtaining your response. We would appreciate receiving your response to this report no later than December 17, 1990.

Please feel free to call Mr. Newton at (502) 564-2133 for any clarification you may need on this matter.

Sincerely,

A handwritten signature in cursive script that reads "Eddie B. Smith".

Eddie B. Smith, Manager
Water & Sewer Branch
Division of Utility Engineering
& Services

EBS:KMN:aem
Attachment

Commonwealth of Kentucky
Public Service Commission

UTILITY INSPECTION REPORT

Ledbetter Water District
Ledbetter, Kentucky

Utility operations, utility maintenance, utility management and their effect on utility services are a primary concern of the Commission and this Division. Our ongoing inspection program is an expression of this concern. During each inspection, I am stressing: (1) the importance of periodic testing of customers' meters, (2) the importance of accounting for all water purchased and/or produced, (3) the need for surveillance of system operations and (4) the significance of good operating records.

The subject inspection was made November 13, 1990. The utility consists of a treatment plant facility and distribution system operating in Livingston County, Kentucky. It has approximately 886 customers on its system. The utility representative providing information and assistance during this inspection were Barry L. Bolin, treatment plant and distribution operator and Rhonda Lewis, office secretary of the District.

The District's facility operations and its office procedures were reviewed for compliance with the Kentucky Revised Statutes (KRS 278) and the Public Service Commission Regulations (807 KAR).

The following deficiencies were noted:

1. The utility is having its testing of meters performed by an agency approved by the Commission for such purpose. The utility has not notified the Commission of said arrangement pursuant to 807 KAR 5:006, Section 13(2).

2. The utility has adopted a safety program, however in a letter written January 15, 1988 (see attached) the Commission staff informed the utility of several deficiencies in its safety program and inspection procedure. The utility has not replied to this letter nor has it provided the Commission with true copies of its inspection procedure. Therefore, the utility is considered deficient on both 807 KAR 5:006, Section 22 and Section 23.
3. The utility is charging "special charges" (\$15 meter test charge; \$5 return check charge; \$15 reconnection charge; and 10% late penalty charge after 15th of month) to customers for services. These special charges are not on file with the Commission as required by 807 KAR 5:006, Section 12.
4. The utility has not tested its large water meter (4-inch Turbine Badger) at its treatment plant periodically in accordance with 807 KAR 5:066, Section 17(1).
5. The utility has began a meter test program to test periodically all 5/8-inch x 3/4-inch water meters. However, as of the date of this report this program has only test 129 meters out of a total of 886. The majority of meters have remained in service without test for a period longer than specified in 807 KAR 5:066, Section 17(1).

Recommendations

A written response should be prepared and forwarded to the Public Service Commission within 30 days of the date of receipt of this report. This response should say what has been done or what will be done to correct each noted deficiency. A starting date and a completion date should be given for actions that are to be accomplished after the date the response is mailed.

The utility is maintaining meter history and test cards as required by 807 KAR 5:006, Section 15(1)(a) and (2). The utility has purchased a computer and programs to store all of its meter test and historical data. The utility stated to this investigator that it would soon be transferring this hard copy information over to its new computer program. The utility is required upon the transfer of this information to notify the Commission pursuant to 807 KAR 5:006, Section 15(4).

Submitted,
November 16, 1990


K. Michael Newton
Utility Investigator

CGR:KMN:aem

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 91-086 DATED 3/27/91

LEDBETTER WATER DISTRICT

P.O. Box 123
LEDBETTER, KENTUCKY 42058-0123
Phone 898-3238

December 17, 1990 **RECEIVED**

DEC 20 1990

DIVISION OF UTILITY
ENGINEERING & SERVICES

Public Service Commission
P.O. Box 615
730 Schenkel Lane
Frankfort, Ky. 40602

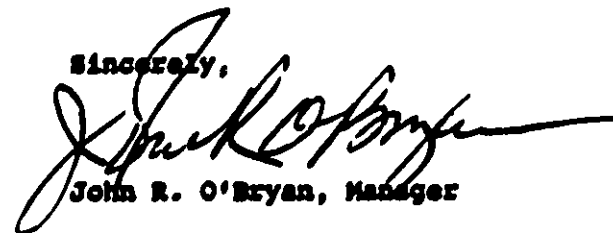
Dear Mr. Newton:

In reply to your letter of 11-16-90 concerning deficiencies of the Ledbetter Water facilities, we submit the following response to your recommendations.

1. This utility will submit notification of who is doing the meter testing in a separate letter.
2. This utility will give the Commission a written reply concerning the safety program by the end of January 1991.
3. This utility will submit a list of "special charges" to the Commission by January 15, 1991.
4. This utility will purchase an extra 4 inch meter and remove the old one now in service and have it tested.
5. This utility will increase its meter testing activity beginning in January 1991.
6. The meter history information will be computerized according to the Commissions standards, beginning in January 01, 1991.

If there is anything further that we can do to improve service, feel free to call on us.

Sincerely,



John R. O'Bryan, Manager

rl:jo

APPENDIX C
APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 91-086 DATED 3/27/91
LEDBETTER WATER DISTRICT

P.O. Box 123
LEDBETTER, KENTUCKY 42068-0123
Phone 888-3238

January 10, 1991

Public Service Commission
P.O. Box 615
730 Schenkel Lane
Frankfort, Ky. 40602

Dear Mr. Newton:

In reply to your letter of 11-16-90 concerning deficiencies of the Ledbetter Water facilities, we submit the following list of special charges used by this office.

- | | |
|----------------------------|---------|
| 1. Connect or Transfer Fee | \$15.00 |
| 2. Returned Check Fee | 5.00 |

If you have any further questions please call this office.

Sincerely,

J. Randal O. Bryan
Systems Manager

r1:jo

RECEIVED

NOV 16 1990

P.S.C.
RESEARCH DIV.

MEMORANDUM

TO: Phyllis Fannin, Director
Division Research

THRU: Eddie B. Smith, Manager
Water and Sewer Branch *ES*

FROM: ~~George D. Atkinson~~ K. Michael Newton *K.M.N.*
Utility Investigator
Water and Sewer Branch

DATE: November 16, 1990

RE: Unauthorized Charges

On November 13, 1990, a periodic inspection was made
of Ledbetter Water District.
During this inspection several discrepancies were found between
what is on file with the Public Service Commission and what the
utility charges. The following is a list of my findings:

	PSC File	Utility Charges
Residential Rate	_____	_____
Commercial Rate	_____	_____
Wholesale Rate	_____	_____
Water Hauling Rate	_____	_____
Other: _____		

Special Charges

	PSC File	Utility Charges
Connection Charges	_____	_____
Reconnection Charge	<u>0</u>	<u>\$15.00</u>

Memo - Phyllis Fannin
November 16, 1990
Page 2

	PSC File	Utility Charges
Disconnection Charge	_____	_____
Customer Deposit	_____	_____
Customer Requested Meter Test	_____ 0 _____	_____ \$15.00 _____
Returned Check Charge	_____ 0 _____	_____ 5.00 _____
Penalty for Late Payment	_____ 0 _____	_____ 10% after 15th _____
Re-reading Meter	_____	_____
Bad Check	_____	_____
Service Investigation Charge	_____	_____
Other: _____		

Special Contracts:

Please have someone look into this matter for further review and correction.