

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

WESTERN LEWIS-RECTORVILLE WATER AND GAS)	
)	
_____)	CASE NO.
)	91-221
ALLEGED FAILURE TO COMPLY WITH COMMISSION)	
ORDER FROM CASE NO. 9642 ISSUED)	
FEBRUARY 4, 1987)	

O R D E R

On July 10, 1991, the Commission ordered Western Lewis-Rectorville Water and Gas ("Western Lewis") to show cause why it should not be penalized for failing to comply with an Order of the Commission. A hearing was held in this matter on January 31, 1992.

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Western Lewis, a combined water and gas district organized pursuant to KRS Chapter 74, owns, manages, and operates facilities used in connection with the distribution and sale of natural gas to the public for compensation for light, heat, power, or other uses, is a utility subject to Commission jurisdiction. KRS 278.010(3)(b); 278.015; 278.040.

2. By Order dated February 4, 1987,¹ the Commission authorized Western Lewis to assess a surcharge for a period of not

¹ Case No. 9642, The Purchased Gas Adjustment Filing of Western Lewis-Rectorville Gas.

more than 60 months to be used exclusively to extinguish a debt of approximately \$161,033 owed to Columbia Gas Transmission Company ("Columbia") for past due gas purchases. The Commission further ordered the proceeds from the surcharge to be placed in an escrow account and monthly reports on the surcharge be filed with the Commission.

3. As of July 10, 1991, Western Lewis had failed to comply with the provisions of the February 4, 1987 Order. It had failed to file reports for the following months: May and December 1989; April, June, August, and October 1990; and January, April, and May 1991. It had failed to remit to Columbia the proceeds of the surcharge for the prior five months.

4. Western Lewis's failure to comply with the terms of the Order was the result of the poor management practices of Western Lewis's office manager who held primary responsibility for the district's financial records. For over a year prior to March 25, 1991, the office manager failed to keep detailed records of cash receipts, reconcile checking account statements, maintain a general ledger, deposit cash receipts on a daily basis, pay payroll taxes, remit to the proper agencies collected utility license gross receipt tax and state sales tax.

5. The members of Western Lewis's board of commissioners allowed these poor management practices to continue by failing to exercise proper oversight over the office manager.

6. During the period up to March 21, 1991, Western Lewis continued to place the proceeds of the surcharge into an escrow account. The proceeds were not, however, immediately deposited

into the escrow account but were commingled with other funds for lengthy periods.² The surcharge was used exclusively to extinguish the original amount owed to Columbia.

7. On March 25, 1991, Western Lewis's board of commissioners dismissed its office manager and hired a new office manager. It also retained a certified public accountant to assist the new office manager in correcting the management problems. As of January 31, 1992, many of the practices which lead to Western Lewis's failure to comply with the February 4, 1987 Order have been corrected.

8. Since March 25, 1991, four of the five members of Western Lewis's board of commissioners have been replaced.

9. As of January 31, 1992, Western Lewis had submitted all reports then required by the February 4, 1987 Order.

10. As of January 31, 1992, Western Lewis had collected \$164,217.08 from the surcharge and remitted those proceeds to Columbia. Approximately \$7,621.91 of the original debt remained.

11. As of January 31, 1992, Western Lewis was in compliance with the provisions of the February 4, 1987 Order.

12. It is the individual responsibility of each member of Western Lewis's board of commissioners to ensure the district's compliance with all Commission Orders. Failure to ensure such compliance may subject individual members to action under KRS 74.455 and/or KRS 278.990(1).

² Transcript of Evidence ("T.E.") at 45.

13. As of January 31, 1992, Western Lewis had incurred additional unpaid debts to Columbia in the amount of \$34,978.24 for service received since February 4, 1987.

14. Western Lewis currently has no historical basis for allocation of costs between its water and gas operations. Western Lewis should conduct a study to determine the proper cost allocations for its operations.

15. Revenues from Western Lewis's gas operations may not, in the near future, be adequate to cover the costs of that operation. Presently such revenues barely meet such costs.³

16. As Western Lewis has substantially complied with the provisions of the February 4, 1987 Order, no penalty should be assessed against it.

IT IS THEREFORE ORDERED that:

1. This investigation is concluded.

2. Western Lewis shall review its financial operation and, within 60 days of the date of this Order, submit to the Commission a report on its ability to meet the outstanding financial obligations of the utility and a detailed plan for repayment of all arrearages owed to Columbia.


3. Western Lewis shall take all actions necessary to maintain complete and accurate records of its operations and proper allocation of its funds.

4. Western Lewis shall file its cost allocation study with the Commission no later than October 1, 1992.

³ T.E. at 57, 83-86.

Done at Frankfort, Kentucky, this 27th day of March, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director