

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE PURCHASE PUBLIC)
SERVICE CORPORATION, D/B/A CARDINAL GROUP)
_____))
ALLEGED VIOLATIONS OF KRS CHAPTER 278 AND)
807 KAR CHAPTER 5)

CASE NO. 95-127

O R D E R

This case is established for the sole purpose of considering a Settlement Agreement entered into between Commission Staff and the Purchase Public Service Corporation, d/b/a Cardinal Group ("Cardinal"). The Settlement Agreement arises as a result of several informal conferences and discussions between Cardinal and the Commission Staff regarding violations of Commission statutes and regulations. As a result of those discussions, Commission Staff and Cardinal have agreed to a penalty in the amount of \$1.00, payable in full to the Commonwealth of Kentucky General Fund. After consideration of the Settlement Agreement, its terms and the severity of the violations addressed therein, the Commission finds that the Settlement Agreement represents a reasonable resolution of our informal investigation and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement, attached hereto and incorporated herein as Appendix A, be and it hereby is adopted and


approved in its entirety as a complete resolution of all issues and charges in this case.

2. Cardinal is hereby assessed a penalty of \$1.00 to be paid by certified check or money order made payable to the Kentucky State Treasurer and mailed to the Office of General Counsel, Public Service Commission, P. O. Box 615, Frankfort, Kentucky 40602.

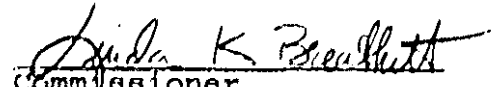
3. All alleged violations of Commission statutes and regulations having been resolved by this Settlement Agreement, this case be and it hereby is closed.

Done at Frankfort, Kentucky, this 11th day of April, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

WHEREAS, Cardinal and Commission Staff wish to resolve the issues regarding Cardinal's unauthorized construction, financing, and transfer in a prompt and complete manner.

1. The Natural Resources and Environmental Protection Cabinet, Division of Water ("Division of Water") placed a tap-on-ban at Cardinal's Draffenville sewage treatment plant ("Draffenville") due to chronic inflow/infiltration problems, frequent "KPDES" permit limit violations, and the fact that the treatment plant had reached its maximum capacity.

2. Pursuant to an oral agreement with the Division of Water, Cardinal constructed a pump station and installed a 49,500 gallon per day extended aeration treatment plant at Draffenville to correct the problems cited by the Division of Water.

3. Cardinal obtained a loan from the Farmers Home Administration ("FmHA") to finance its Draffenville construction.

4. Cardinal transferred its Fieldmont Estates and Green Acres sewage treatment plants to Reidland Water and Sewer District ("Reidland").

5. Commission approval was not obtained for the Draffenville construction and financing, or for the treatment plant transfers to Reidland.

6. Cardinal admitted that it failed to comply with KRS 278.020(1). However, Cardinal said that such failure was not intentional, and requested that the Commission take under consideration that the construction was pursuant to a directive from the Division of Water.

7. Cardinal is a utility subject to the Commission's jurisdiction pursuant to KRS 278.010 and is required to obtain Commission approval in the form of a Certificate of Public Convenience and Necessity prior to the construction of any plant, equipment, property or facility for furnishing to the public any of the services enumerated in KRS 278.010. KRS 278.020(1). The Commission does not retroactively grant Certificates of Public Convenience and Necessity.

8. Reidland owns, manages, and operates a sewage treatment facility in McCracken County, Kentucky. As required by KRS 278.020(4), Reidland has the financial, technical, and managerial abilities to provide reasonable utility service.

NOW, THEREFORE, in release of the mutual promises contained herein and the release and discharge of all liabilities and obligations arising out of Cardinal's unauthorized construction, financing, and transfer, the parties agree as follows:

1. Cardinal shall comply with all provisions of KRS Chapter 278 and all regulations promulgated pursuant thereto.

2. Cardinal shall, within ten days of entry of an Order approving this Settlement Agreement, pay to the Kentucky State Treasurer through the Public Service Commission a penalty in the amount of \$1.00.

3. Approval shall not be given to Cardinal's construction at Draffenville, as the Commission does not retroactively grant Certificates of Public Convenience and Necessity.

4. Cardinal's transfer of the Fieldmont Estates and Green Acres sewage treatment plants to Reidland was in the public interest and shall be approved.

5. Cardinal's FmHA debt incurred to fund its construction is hereby expressly declared to be for a lawful object within the corporate purpose of its utility operations. Rather than approving the loan retroactively, the financing shall be approved prospectively from the date of an Order by the Commission accepting this settlement.

6. Upon execution of this agreement, this case is hereby settled as to only the issues contained herein, with prejudice, notwithstanding any other provision of this agreement to the contrary.

7. The proposed Settlement Agreement is submitted for the purposes of this case only and is not deemed binding upon the signatories hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving Cardinal or any other utility.

8. Commission Staff shall use its best efforts in recommending complete adoption of this Settlement Agreement by the Commission. If the Commission issues an Order adopting this Settlement Agreement in its entirety, Cardinal shall not file an application for rehearing or appeal to Franklin Circuit Court from such Order.

9. If this Settlement Agreement is not accepted in its entirety, Cardinal reserves the right to withdraw from it and

require that hearings go forth upon all or any matters involved herein. In such event, this agreement shall not be deemed binding upon the signatories hereto nor shall same be admitted into evidence or referred to or relied upon in any manner by any signatory.

10. The signatories hereto agree that the foregoing Settlement Agreement is reasonable, not contrary to regulatory principals or the law, is in the best interest of all concerned, and urge that the Commission adopt this agreement in its entirety.

Purchase Public Service Corporation
d/b/a Cardinal Group

By Klark Kelly, Chairman

3-31-95
Date

Public Service Commission Staff

By [Signature]

4/1/95
Date