

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--|---|------------|
| AN INVESTIGATION OF LEDBETTER WATER |) | |
| DISTRICT AND WILLIAM P. DAE, CHAIRMAN; |) | CASE NO. |
| TERRY TEITLOFF, VICE-CHAIRMAN; ARNIE |) | 2008-00484 |
| PUCKETT, COMMISSIONER; BILL GILLAHAN, |) | |
| COMMISSIONER, INDIVIDUALLY AND AS |) | |
| OFFICERS OF THE UTILITY, FOR ALLEGED |) | |
| VIOLATIONS OF KRS 278.015 AND 278.160 |) | |

O R D E R

On February 13, 2008, the Commission entered an Order in a proceeding against Ledbetter Water District (“Ledbetter District”) and its officers. Ledbetter District is a Chapter 74 water district subject to the Commission’s jurisdiction pursuant to KRS 278.010(3)(d) and 278.040. Ledbetter District provides water service to approximately 1,181 residential and 40 commercial customers in Ledbetter, Livingston County, Kentucky. A five-member board of commissioners controls and manages the affairs of Ledbetter District.¹ William Phillip Dae, Terry Teitloff, Arnie Puckett, and Bill Gillahan have served as members of Ledbetter District’s Board of Commissioners since on or after March 31, 2004.

KRS 278.015 provides that, when a wholesale supplier selling water to a water district increases its rates, the water district may increase its rates commensurate with

¹ KRS 74.020(1); *Annual Report of Ledbetter Water District for Year Ending December 31, 2007* at 6.

the wholesale supplier without the prior approval of the Commission.² It further provides that, within 20 days after any such increase in rates, the water district must file its revised tariffs with the Commission “together with a copy of the notice from its wholesale supplier showing the increase in the rate charged to the utility, and a statement of the volume of purchased water used or sewage treated to calculate the increase in rates.”

KRS 278.160(1) provides that “[n]o 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”

On February 13, 2009, an Order was issued directing the parties to respond to the allegations of violations of KRS 278.015, KRS 278.160 and 807 KAR 5:068, Section 3, and to participate in an informal conference to assist in a resolution of this matter. During the informal conference held March 4, 2009, Ledbetter District, Ledbetter District’s water commissioners, and Commission Staff entered into a Settlement Agreement to dispose of all issues in the case. Commission Staff agreed to accept a civil penalty for Ledbetter District in the amount of \$2,500, probated for a period of two years provided there is no further violation. This probated disposition was based upon the financial condition of this non-profit utility and the circumstances of the alleged filing. Commission Staff required that the water commissioners also be assessed a civil penalty of \$2,500 each, probated for two years upon the provision that each of them attend two annual water commissioner training programs given by the Commission Staff.

² 807 KAR 5:068 refers to this procedure as a Purchased Water Adjustment.

The Commission finds that Ledbetter District and the named water commissioners have waived a formal hearing. The Commission further finds that the Settlement Agreement dated May 26, 2009, and attached as an Appendix to this Order, is in accordance with the law, does not violate any regulatory principle, results in a reasonable resolution of this case, and is in the public interest.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement dated May 26, 2009 is incorporated into this Order as if fully set forth herein.

2. The terms and conditions set forth in the Settlement Agreement are adopted and approved.

3. Ledbetter District is assessed a civil penalty of \$2,500 for violations of KRS 278.015(2) and KRS 278.160(1), which amount is probated for a period of two years upon the condition that Ledbetter District have no violations within that period.

4. Ledbetter District's water commissioners, William Phillip Dae, Terry Teitloff, Arnie Puckett, and Bill Gillahan are each assessed a civil penalty of \$2,500, which amount is probated for a period of two years upon the condition that each water commissioner attend two annual water district management training programs as provided by the Kentucky Public Service Commission.

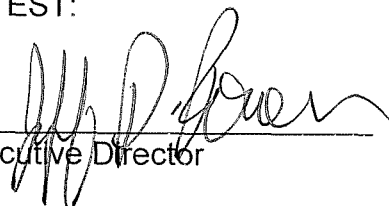
5. A repeat violation of those enumerated in the Settlement Agreement shall constitute a violation of the terms of the penalty suspension and render the suspended penalty due and payable.

6. This case shall be considered closed and shall be removed from the Commission's docket.

By the Commission

ENTERED
JUN 12 2009 *al*
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2008-00484

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00484 DATED **JUN 12 2009**

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| COMMISSIONER, INDIVIDUALLY AND AS |) | |
| OFFICERS OF THE UTILITY, FOR ALLEGED |) | |
| VIOLATIONS OF KRS 278.015 AND 278.160 |) | |

SETTLEMENT AGREEMENT

THIS AGREEMENT is made and entered this 26 day of May, 2009, by and between the STAFF OF THE PUBLIC SERVICE COMMISSION OF KENTUCKY ("Commission Staff") and Ledbetter Water District ("Ledbetter District") and William P. Dae, Chairman; Terry Teitloff, Vice-Chairman; Arnie Puckett, Commissioner; and Bill Gillahan, Commissioner, individually and as officers of the utility.

WITNESSETH:

WHEREAS, Ledbetter District is a Chapter 74 non-profit water district utility subject to the jurisdiction of the Commission, pursuant to KRS 278.010; and

WHEREAS, on February 13, 2009, the Public Service Commission entered an order establishing this case and directing Ledbetter District and William P. Dae, Chairman; Terry Teitloff, Vice-Chairman; Arnie Puckett, Commissioner; and Bill Gillahan, Commissioner, individually and as officers of the utility, to show cause why

each of them should not be subject to penalties for violation of KRS 278.015 and 278.160; and

WHEREAS, on February 26, 2009, Ledbetter District and William P. Dae, Chairman; Terry Teitloff, Vice-Chairman; Arnie Puckett, Commissioner; and Bill Gillahan, Commissioner, individually and as officers of the utility, by counsel, filed a response to the Commission's Order; and

WHEREAS, Ledbetter District and William P. Dae, Chairman; Terry Teitloff, Vice-Chairman; Arnie Puckett, Commissioner; and Bill Gillahan, Commissioner, individually and as officers of the utility, by counsel; and Commission Staff held an informal conference on March 4, 2009 to discuss all issues and any possible settlement of all matters; and

WHEREAS, Ledbetter District and William P. Dae, Chairman; Terry Teitloff, Vice-Chairman; Arnie Puckett, Commissioner; and Bill Gillahan, Commissioner, individually and as officers of the utility; and Commission Staff desire to settle the issues raised by this proceeding and have entered into this Settlement Agreement through compromise to settle this proceeding,

NOW, THEREFORE, Ledbetter District and William P. Dae, Chairman; Terry Teitloff, Vice-Chairman; Arnie Puckett, Commissioner; and Bill Gillahan, Commissioner, individually and as officers of the utility by counsel; and Commission Staff agree that:

1. Ledbetter District and William P. Dae, Chairman; Terry Teitloff, Vice-Chairman; Arnie Puckett, Commissioner; and Bill Gillahan, Commissioner, individually and as officers of the utility, waive a formal hearing before the Commission.

2. Ledbetter District shall be assessed a civil penalty of \$2,500 for a violation of KRS 278.015(2) and KRS 278.160(2) by failure to obtain Commission approval of its revised tariff showing the increase in the rate charged by its wholesale supplier. However, the civil penalty shall be probated for a period of two years conditioned upon no violations of KRS Chapter 278 or Commission regulations.

3. William P. Dae, Chairman; Terry Teitloff, Vice-Chairman; Arnie Puckett, Commissioner; and Bill Gillahan, Commissioner, individually and as officers of the utility, shall be assessed a civil penalty each of \$2,500 for a violation of KRS 278.015(2) for failure to obtain Commission approval of Ledbetter District's revised tariff showing the increase in the rate charged by its wholesale supplier. However, the civil penalty shall be probated for a period of two years conditioned upon the attendance of each Water Commissioner at two annual water district management training programs provided by the Kentucky Public Service Commission. After completion of said annual training, the probated civil penalty shall be forgiven.

3. Nothing contained herein shall be construed as an admission of a willful violation of any statute or administrative regulation by Ledbetter District and William P. Dae, Chairman; Terry Teitloff, Vice-Chairman; Arnie Puckett, Commissioner; and Bill Gillahan, Commissioner, individually and as officers of the utility; nor shall the Public Service Commission's acceptance of this agreement be construed as a finding of a willful violation of any statute or administrative regulation.

6. This Agreement is subject to the acceptance of and approval by the Public Service Commission.

7. If the Public Service Commission fails to accept and approve this Settlement Agreement in its entirety, this proceeding shall go forward and neither the terms of this Settlement Agreement nor any matters raised during settlement negotiations shall be binding on any signatory or be construed against either Ledbetter District, the Water Commissioners, or Commission Staff.

8. Commission Staff shall recommend to the Public Service Commission that this Settlement Agreement be accepted and approved.

IN WITNESS WHEREOF, Ledbetter District and William P. Dae, Chairman; Terry Teitloff, Vice-Chairman; Arnie Puckett, Commissioner; Bill Gillahan, Commissioner; and Commission Staff have executed this Settlement Agreement the day and year first above written.

STAFF OF PUBLIC SERVICE
COMMISSION OF KENTUCKY

BY:

TITLE:

James R. Goff
Staff Attorney

LEDBETTER WATER DISTRICT

BY:

TITLE:

J. David Besnell
attg

William Phillip Dae
William P. Dae, Chairman

Terry Teitloff
Terry Teitloff, Vice-Chairman

Arnie Puckett
Arnie Puckett, Commissioner

Bill Gillahan
Bill Gillahan, Commissioner

Billy Downs
Manager
Ledbetter Water District
P. O. Box 123
Ledbetter, KY 42058-0123