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## **NEWS RELEASE**

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# **PSC Suspends Rate Cases for B&H, Johnson County Gas** *Opens investigation into unauthorized debt assumed by the utilities*

**FRANKFORT, Ky. (Feb. 27, 2019)** – The Kentucky Public Service Commission (PSC) has halted further proceedings on rate increases requested by B&H Gas Co. and Johnson County Gas Co. while it investigates unauthorized debt issued by the two companies.

In four orders issued today, the PSC put the two rate cases on hold and opened two new cases to investigate several promissory notes executed by the owner of the two companies. The need to repay the promissory notes – essentially after-the-fact loans – was cited by the companies as the reason for seeking substantial rate increases.

On Dec. 28, 2018, B&H Gas and Johnson County Gas submitted applications for base rate increases. B&H Gas sought to increase the average monthly bill – not including the cost of the gas itself, which is calculated separately – from \$9.74 to \$88.44. Johnson County Gas sought to increase the average monthly bill, not including gas cost, from \$49.40 to \$86.16.

Both companies cited the need to repay debt - \$148,230.54 in the case of Johnson County Gas and \$1,775,823.53 in the case of B&H Gas. The debt is all in the form of promissory notes dated Dec. 28, 2018.

Kentucky law requires utilities to seek PSC approval before assuming any debt obligations lasting longer than two years. None of the promissory notes in question, which have terms ranging from 5 to 20 years, were approved in advance by the PSC.

Both B&H Gas and Johnson County Gas are owned and operated by Bud Rife and share an address in Betsy Layne, in Floyd County.

Of the promissory notes issued by B&H Gas, five, totaling \$1,716,360.71, are to either Rife personally or to other companies owned by Rife. He signed the notes as both the debtor and lender. The remaining note, for \$39,462.82, is for money owed by B&H Gas to its attorneys. It is signed only by Rife and not by the law firm.

Of the \$148,230.54 in Johnson County Gas debt, \$62,898 is owed to Rife or his construction company, with the remaining \$82,074 to a gas company partnership in which Rife is the managing partner. There is also a one-year promissory note of \$3,258.54 to the utility's lawyers, which is not at issue in the investigation.

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## **PSC Suspends Rate Cases for B&H, Johnson County Gas – Page 2**

B&H Gas has 258 customers in Floyd County, while Johnson County Gas has 315 customers in Johnson County.

Two of today's PSC orders open investigations into whether B&H Gas and Johnson County Gas, as well as Rife individually, should be penalized for entering into the promissory notes without obtaining the required prior approval from the PSC. The PSC scheduled a hearing in those cases for 9 a.m. EDT on April 24 at its offices in Frankfort.

The other two orders place the rate cases in abeyance. Absent a PSC decision in the rate cases by Aug. 4, the rate increases sought by B&H Gas and Johnson County Gas would take effect as proposed. The PSC said it is likely that the investigation into the promissory notes may not be concluded until after the deadline in the rate cases.

Since the promissory notes are the primary reason for the proposed rate increases, a decision in the rate case cannot be made until the validity of the promissory notes is determined, the PSC said in its orders. Therefore, the rate cases must be delayed until the investigation is concluded.

In the rate case orders, the PSC also granted motions by the Kentucky Office of Attorney General that the PSC open investigations into the promissory notes. The Office of Attorney General, already a party to the rate cases, was also made a party to the investigations.

Today's orders and other records in the cases are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case numbers are 2018-00433 (B&H Gas rates), 2018-00434 (Johnson County Gas rates), 2019-00055 (B&H Gas investigation) and 2019-00056 (Johnson County Gas investigation).

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.

**-30-**

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