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## **NEWS RELEASE**

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# **PSC Fines B&H Gas, Johnson County Gas Total of \$107,500**

*Utilities and owner Bud Rife penalized for violating statutes and PSC orders*

**FRANKFORT, Ky. (Aug. 19, 2019)** – The Kentucky Public Service Commission (PSC) has fined Johnson County Gas Co. and B&H Gas Co. and their owner and president, Bud Rife, a total of \$107,500 for violating Kentucky statutes and PSC orders 34 times.

The violations involve issuing unauthorized debt in connection with since-dismissed rate cases filed by the companies and failing to adjust the amount charged to Johnson County Gas customers to reflect the declining cost of natural gas.

In orders issued today, the PSC noted its “longstanding concerns regarding (Rife’s) operation and management” of the two utilities, including “compliance with regulations and statutes enforced by the Commission.”

The specific violations cited in the orders, and the fines for each, are:

- Six promissory notes, totaling \$1,716,360.71, were issued by B&H Gas without prior approval of the PSC, as required by law. Five of the notes were to Rife personally or to companies owned by Rife, and were signed by him as both debtor and lender. The sixth note was to attorneys for B&H Gas, and was signed by Rife only. The PSC penalized B&H Gas and Rife individually the maximum amount for each violation - \$2,500, or \$15,000 each, for a total of \$30,000.
- Johnson County Gas and Rife were penalized for issuing three unauthorized promissory notes, totaling \$148,230.54, with the money owned to Rife, his construction company or a gas company partnership in which Rife is the managing partner. Johnson County Gas and Rife were fined \$2,500 each for three violations, for a total of \$15,000.
- Johnson County Gas and Rife were jointly penalized for failing to file quarterly adjustments to the commodity cost of gas charged to customers. The adjustments are to reflect fluctuations in the market price of natural gas, and allow a utility to recover only its actual costs on a dollar-for-dollar basis. The PSC found that Johnson County Gas filed no adjustments from the second quarter of 2013 through the first two quarters of this year – a total of 25 missed adjustments. The PSC jointly fined Johnson County Gas and Rife \$2,500 for each violation, for a total fine of \$62,500.

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B&H Gas, Johnson County Gas and Rife must pay the penalties by August 28. The companies share an address in Betsy Layne in Floyd County. B&H Gas has 258 customers in Floyd County, while Johnson County Gas has 315 customers in Johnson County.

The unauthorized promissory notes came to light late in 2018 when B&H Gas and Johnson County Gas filed separate applications for PSC approval of proposed rate increases. The utilities cited the debt as the justification for the rate increases.

In February, the PSC put the rate cases on hold while it investigated whether the debt had been properly issued. Rife and the two utilities subsequently revoked the promissory notes and requested that the investigation be closed because of the revocation, a request the PSC denied.

The PSC last month dismissed both rate applications, saying that B&H Gas and Johnson County Gas had failed to provide reliable evidence to support the requests.

In the Johnson County Gas order, the PSC noted that in March 2012 it ordered the utility and Rife to begin filing quarterly gas cost adjustments. Johnson County Gas last did so in February 2013, and the commodity cost of natural gas has declined substantially since then, indicating that Johnson County Gas is charging customers more than is justifiable.

At the April 24 hearing, Rife testified that the failure to file further adjustments was due to a litany of problems, including secretarial issues, an office move followed by an office fire and a bankruptcy proceeding.

“The excuses offered by Mr. Rife strain credulity,” the PSC said. It noted that the failure to file the adjustments “is not a new issue” and Rife was “repeatedly chastised” by the PSC for failing to file the required updates.

Furthermore, B&H Gas was the subject of a 2015 PSC investigation into its failure to file gas cost adjustments. The PSC found that B&H Gas had not adjusted its gas cost since 2008, leading to a total of \$102,000 in overcharges to its customers in just the 18 months since the investigation began.

In May 2017, the PSC ordered B&H Gas to refund the overcharges over two years. B&H Gas appealed the order to Franklin Circuit Court. No decision has been issued.

In addition to fining Johnson County Gas, the PSC ordered the utility to file a gas cost adjustment by September 1.

Today's orders, a video of the April 24 hearing and other records in the cases are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case numbers are 2019-00055 (B&H Gas investigation) and 2019-00056 (Johnson County Gas investigation). The rate cases are 2018-00433 (B&H Gas rates) and 2018-00434 (Johnson County Gas rates). The case number in the B&H Gas price investigation is 2015-00367.

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.

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