

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE PURCHASE PUBLIC)
SERVICE CORPORATION, D/B/A GREAT OAKS)
SUBDIVISION)
_____) CASE NO. 96-387
ALLEGED VIOLATION OF KRS CHAPTER 278)

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 Great Oaks Subdivision ("PPSC"). The Settlement Agreement arises as a result of conferences and discussions between PPSC and the Commission Staff regarding an alleged violation of KRS 278.300. As a result of those discussions, Commission Staff and PPSC have agreed to a penalty in the amount of \$25.00, payable in full to the Commonwealth of Kentucky. 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 the informal investigation and should therefore be approved.

IT IS THEREFORE ORDERED that:

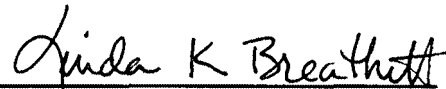
1. The Settlement Agreement, attached hereto and incorporated herein as Appendix A, is adopted and approved in its entirety as a complete resolution of all issues and charges in this case.


2. PPSC is hereby assessed a penalty of \$25.00 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.

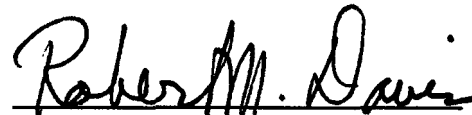
3. The alleged violation of KRS 278.300 having been resolved by the Settlement Agreement, this case is hereby closed.

Done at Frankfort, Kentucky, this 21st day of August, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 96- 387 DATED AUGUST 21, 1996

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ALLEGED VIOLATION OF KRS CHAPTER 278)
)

) CASE NO. 96- 387

SETTLEMENT AGREEMENT

THIS AGREEMENT is made and entered this 12th day of August, 1996, by and between STAFF OF THE PUBLIC SERVICE COMMISSION OF KENTUCKY ("Commission Staff") and the PURCHASE PUBLIC SERVICE CORPORATION D/B/A GREAT OAKS SUBDIVISION ("PPSC").

WITNESSETH:

THAT, WHEREAS, the PPSC was formed as a subsidiary of the Purchase Area Development District in January 1989;

WHEREAS, the PPSC is mandated to operate and maintain the neglected wastewater treatment facilities in western Kentucky;

WHEREAS, the PPSC is a utility subject to the jurisdiction of the Public Service Commission ("Commission") pursuant to KRS 278.010(3)(f) and KRS 278.040;

WHEREAS, Great Oaks Sanitation Company, Inc. ("Great Oaks Sanitation") was a Kentucky corporation which owned and operated a private wastewater treatment facility in McCracken County. As such, it was also subject to the jurisdiction of the Commission pursuant to KRS 278.010(3)(f) and KRS 278.040. In 1992, the Natural Resources and

Environmental Protection Cabinet found that Great Oaks Sanitation's wastewater treatment facility was not operated in a manner consistent with the laws and regulations of the Commonwealth of Kentucky;

WHEREAS, for \$20,000 the PPSC acquired the wastewater treatment facility owned and operated by Great Oaks Sanitation through a transfer approved by the Commission pursuant to KRS 278.020 in Case No. 93-205¹ on July 13, 1993;

WHEREAS, by means of a May 29, 1996, letter, which had been preceded by telephone discussions, the PPSC informed Commission Staff of the following information:

1. The PPSC obtained a loan from the Kentucky Housing Corporation ("KHC") to finance the purchase of the Great Oaks Sanitation facility.

2. While the transfer of the wastewater treatment facility from Great Oaks Sanitation to the PPSC had the approval of the Commission as required by KRS 278.020(4) and (5), the financing arrangement between the PPSC and KHC did not have the approval of the Commission as required by KRS 278.300.

3. While the PPSC does not deny that it failed to comply with KRS 278.300, it states that such failure was not intentional, and emphasizes its desire to resolve this issue forthwith; and

¹ Case No. 93-205, The Joint Application Of Great Oaks Sanitation, Inc. And Purchase Public Service Corporation, A Kentucky Corporation, For Approval Of A "Real Estate Purchase Agreement" Providing For The Transfer By Great Oaks Sanitation, Inc. Of A Wastewater Treatment Plant Servicing The Great Oaks Subdivision In McCracken County, Kentucky, To Purchase Public Service Corporation. Final Order issued July 13, 1993.

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

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

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

2. The PPSC shall, within ten days of entry of an Order approving this Settlement Agreement, pay to the Kentucky State Treasurer through the Commission a penalty in the amount of \$25.00.

3. The PPSC's KHC debt incurred to fund its purchase of the wastewater treatment facility owned by Great Oaks Sanitation, as well as the repayment plan prescribed therefor, are 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.

4. 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.

5. 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 the PPSC or any other utility.

6. 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, the PPSC shall not file an application for rehearing or appeal to the Franklin Circuit Court from such Order.

7. If this Settlement Agreement is not accepted in its entirety, the PPSC 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 Great Oaks Subdivision

By Klint Kelley, 8-9-96
Klint Kelley Date
Chairman

Public Service Commission Staff

By John R. Steffen 8/17/96
John R. Steffen Date
Staff Attorney