

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter of:

ELECTRONIC INVESTIGATION OF JOHNSON)	
COUNTY GAS COMPANY, INC. AND BUD RIFE,)	
INDIVIDUALLY AND AS AN OFFICER OF)	Case No.
JOHNSON COUNTY GAS COMPANY, INC.)	2019-00056
ALLEGED VIOLATION OF KRS 278.300 AND ITS)	
TARIFF)	

**ATTORNEY GENERAL’S RESPONSE TO JOHNSON COUNTY GAS COMPANY’S
RESPONSE TO COMMISSION’S ORDER INITIATING INVESTIGATION**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and states as follows for his Response to Johnson County Gas Company (“JCG”)’s Response to the Kentucky Public Service Commission’s (“Commission”) Order initiating the investigation in this case.

The Commission has broad authority under KRS 278.250, 278.260, 278.280 and 278.990 to investigate utilities. As noted in the Commission’s Order dated February 27, 2019 initiating this investigation, the Commission has had “longstanding concerns regarding the operation and management of JCG by Mr. Rife.”¹ JCG’s ratepayers deserve the right to know what they are paying for when they receive their bills; moreover, they have a right to know the reasons for the significant increase in rates JCG proposes in its rate case.²

JCG’s application filed in Case No. 2018-00434 requests a significant increase in base rates premised at least in part on newly-provided evidences of indebtedness, in the form of promissory notes entered into with closely-affiliated entities. That application, filed under the

¹ Order Initiating Investigation, p. 3.

² Case No. 2018-00434.

Commission's ARF procedure pursuant to 807 KAR 5:076, contained Mr. Rife's sworn statement as ". . . an officer who is duly designated by the applicant and who has knowledge of the matters established in the application,"³ indicating that to the best of his knowledge all information set forth in the application was true and correct. Under the ARF regulation, had the Commission not provided a final order within six (6) months, JCG could have put the proposed rates into effect subject to refund.⁴ Importantly, the rates JCG intended to charge its customers included the amortization of the debts set forth in the promissory notes, which the utility has now inexplicably withdrawn mere months following their creation. The revocation of these promissory notes calls into question the very nature of JCG's operations, and Mr. Rife's fiduciary duty to the utility.

The Commission's determination of fair, just and reasonable rates is contingent upon the information and candor of the applicant,⁵ including the dependability of the authorized signatory of the application. The cursory manner in which JCG entered into and provided the promissory notes, only to subsequently withdraw them, begs the question of exactly how JCG handles its internal and external finances, and places the validity of all financial information, which forms the basis of the application at hand, into question. Mr. Rife's actions thus demonstrate an intentional lack of candor with this Commission, and JCG's ratepayers.

The closely-held, closely-affiliated nature and structure of Mr. Rife's enterprises has direct bearing on JCG's rates. The failure to follow even basic accounting, financial and legal

³ 807 KAR 5:076, Sec. 4(1).

⁴ 807 KAR 5:076 Sec. 7(2).

⁵ Case No. 2018-00230, *Electronic Application of Southern Water and Sewer District for an Alternative Rate Adjustment*, Order (Ky. PSC Jan. 31, 2019) p. 4, where the Commission dismissed an alternative rate adjustment based on the utility's "lack of candor and a failure to properly provide documentation," and due to the Commission's inability to rely on the information provided.

formalities, much less the affiliate accounting rules set forth in KRS Ch. 278, result in abuse of the public trust, and place the financial solvency of these enterprises in question.

Therefore, the Attorney General urges the Commission to continue a generalized investigation into JCG's finances, before it allows JCG's pending rate case to proceed.

Respectfully submitted,

ANDY BESHEAR
ATTORNEY GENERAL



LAWRENCE W. COOK
JUSTIN M. McNEIL
REBECCA W. GOODMAN
KENT A. CHANDLER
ASSISTANT ATTORNEYS GENERAL
700 CAPITOL AVE., SUITE 20
FRANKFORT KY 40601
(502) 696-5453
FAX: (502) 573-8315
Rebecca.Goodman@ky.gov
Larry.Cook@ky.gov
Justin.McNeil@ky.gov
Kent.Chandler@ky.gov

Certificate of Service and Filing

Counsel certifies that the foregoing is a true and accurate copy of the same document being filed in paper medium with the Commission within two business days; that the electronic filing has been transmitted to the Commission on March 22, 2019; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 22nd day of March, 2019.



Assistant Attorney General