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## **NEWS RELEASE**

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### **PSC Settles Loan Case With Mountain Water District** ***District will pay \$500 fine for unapproved loan from management company***

**FRANKFORT, Ky. (Feb. 15 , 2016)** – Mountain Water District has agreed to pay a civil penalty of \$500 to settle a case brought by the Kentucky Public Service Commission (PSC) regarding a \$500,000 loan made to the utility by its management company.

The PSC brought the case in November 2015, after the loan was discovered in the course of reviewing Mountain Water's financial records in connection with a rate adjustment sought by the utility. In addition to Mountain Water, the PSC cited the four former water commissioners who voted to approve the loan: Rhonda James, Lester "John" Collins, Toni Akers and Mike Litafik.

In April 2009, Utility Management Group, LLC (UMG) loaned Mountain Water \$500,000 in exchange for renewing UMG's contract to operate the utility. The loan was to be forgiven if UMG remained as the operator for five years.

Kentucky law requires the PSC to approve most debt taken on by a utility for a term of more than two years. The PSC alleged that Mountain Water and the four former commissioners had violated this provision when they borrowed the money from UMG.

Mountain Water and the former commissioners sought to settle the case. An agreement with PSC staff was reached in January. It was approved by the PSC in an order issued today.

In addition to the \$500 to be paid by Mountain Water, the agreement requires the four former Mountain Water commissioners to undergo additional training should they ever serve on the district's board in the future.

Today's order, the settlement agreement and other documents in the case are available on the PSC website, psc.ky.gov. The case number is 2015-00353.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 85 employees.

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