

County's ability to comply with the requirements in Case No. 8220, the Commission instituted this proceeding and ordered Whitley County to present evidence with regard to several unusual expense increases in addition to testimony regarding its failure to comply with the Commission's reporting requirements.

INVESTIGATION FINDINGS

Whitley County was granted a certificate of convenience and necessity in 1961. Since its inception Whitley County has had financial problems. The original construction of the plant was financed by Water Revenue Bonds totalling \$400,000. As recently as December 1981, Whitley County had not paid any principal or interest on these bonds. The bondholders have filed suit against Whitley County. No compromise between the parties has been reached nor has the court reached a decision. The Commission is clearly interested in the results of this suit and expects Whitley County to keep it informed of the status of this proceeding on a timely basis. The Commission also is concerned that Whitley County pay its current principal and interest requirements on these bonds. The rates in Case No. 8220 provided sufficient annual cash-flow for Whitley County to meet these expenditures. The annual deposit requirements of \$22,340 to a special bank account for payment of interest expense on debt, and the reporting requirements to the Commission were established to ensure payment and to allow the Commission to monitor Whitley County's compliance.

Moreover, the rates in Case No. 8220 provided sufficient cash-flow for Whitley County to implement and complete the metering of its system over a 5-year period. Again, to ensure that this program proceeded according to schedule, the Commission required Whitley County to establish another special bank account, to make annual deposits of \$8,040 and to file quarterly reports of the account activity.

At the hearing in this case held June 17, 1982, Mr. Everett Witt, Chairman of Whitley County, testified that from November 1981, the first month after the rate increase was granted, through April 1982 no money was available to set aside in these special accounts because Whitley County had an unusually high level of past due accounts payable outstanding.¹ Mr. Witt testified that by April 1982 the majority of those past due amounts had been paid and Whitley County began setting aside money in the special accounts as required by the Commission.²

Mr. Frank Atkins, Whitley County's Certified Public Accountant, corroborated Mr. Witt's statements concerning the actions taken by Whitley County to pay off past due payables prior to establishing the accounts for interest payments and meter installations and added that the accounts payable were current at the date of the hearing.³ Mr. Adkins and Mr. Witt

¹ Transcript of Evidence, June 17, 1982, page 9.

² Ibid., page 9.

³ Ibid., page 26.

both cited numerous examples of nonrecurring costs incurred during 1981. Mr. Adkins further stated that he knew of no reason why Whitley County could not begin to make the full amount of deposits to the special accounts from that date (June 1982) forward.⁴

Whitley County has established the two special interest bearing accounts with the Farmer's National Bank in Williamsburg, Kentucky, and has submitted quarterly reports of the activity in these accounts for the quarters ending June 1982, September 1982 and December 1982. Deposits to the meter fund through December 1982 total \$6,030 and should equal the required \$8,040 annual deposit requirement by the quarter ending March 1983. Deposits through December 1982 to the fund for payment of interest on the outstanding bonds total \$10,206, less than half the required annual deposit of \$22,340. Although the Order in Case No. 8220 did not require deposits to be made in equal amounts throughout the year, it concerns the Commission that Whitley County must deposit \$12,134 in order to meet its annual requirement in the interest account by the March 31, 1983, deadline.

The Commission finds that Whitley County is now in substantial compliance with Case No. 8220 and this investigation can therefore be dismissed. If Whitley County foresees that it will be unable to meet the annual deposit requirements,

⁴ Ibid., page 55.

it should immediately notify the Commission and supply the reasons why payment cannot be made.

The Commission further stresses the need for Whitley County's management to perform better financial planning. The financial records of Whitley County are not maintained in accordance with Commission regulations and are of little help to management in its assessment of financial needs. This situation must be corrected. The Commission will continue to monitor Whitley County's operations and directs Whitley County to institute a system of record-keeping in compliance with the Uniform System of Accounts and to institute and update a forecast of budgeted financial requirements on at least an annual basis.

SUMMARY

The Commission, after consideration of the record and being advised, is of the opinion and finds that:

(1) Whitley County is currently in substantial compliance with the requirements of Case No. 8220, and this proceeding should be dismissed.

(2) Whitley County should advise the Commission of any changes in the status of the litigation currently pending between Whitley County and its bondholders.

(3) Whitley County should notify the Commission immediately if for any reason annual payments of \$8,040 and \$22,340 cannot be made to the special accounts as specified in the Commission's Order in Case No. 8220.

(4) Whitley County should institute a system of record-keeping in compliance with the Uniform System of Accounts for Class C Water Utilities adopted by this Commission.

(5) Whitley County should institute and update a forecast of budgeted financial requirements on at least an annual basis.

(6) The orders in Case No. 8220 should remain in full force and effect.

IT IS THEREFORE ORDERED that this case be and it hereby is dismissed.

IT IS FURTHER ORDERED that Whitley County shall advise the Commission of any change in the status of the litigation currently pending between Whitley County and its bondholders.

IT IS FURTHER ORDERED that Whitley County shall notify the Commission immediately if for any reason annual payments of \$8,040 and \$22,340 cannot be made to the special accounts as specified in the Commission's Order in Case No. 8220.

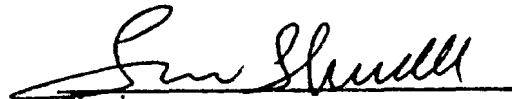
IT IS FURTHER ORDERED that Whitley County shall institute a system of record-keeping in compliance with the Uniform System of Accounts for Class C Water Utilities adopted by this Commission.

IT IS FURTHER ORDERED that Whitley County shall institute and update a forecast of budgeted financial requirements on at least an annual basis.

IT IS FURTHER ORDERED that the findings and Orders in Case No. 8220 shall remain in full force and effect.

Done at Frankfort, Kentucky, this 29th day of March, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary