

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE FINANCIAL )  
CONDITION OF WHITLEY COUNTY WATER ) CASE NO. 89-364  
DISTRICT NO. 1 )

O R D E R

Motivated by concerns about Whitley County Water District No. 1's ("Whitley District") mounting debt and inability to service this debt, the Commission, on December 21, 1989, initiated an investigation into the water district's financial condition. The water district had failed to pay any interest or principal on \$400,000 of water revenue bonds which it had issued in 1964 and which matured serially on August 1, 1964 through August 1, 1991. This failure had led a federal district court to place the water district into receivership.<sup>1</sup>

Moreover, the water district did not appear to be addressing these problems. It was not complying with an earlier Commission Order<sup>2</sup> requiring it to deposit \$22,340 annually into a special interest-bearing account to be used exclusively for debt service.

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<sup>1</sup> Alvis v. Witt, No. 82-95 (E.D. Ky. Aug. 27, 1985).

<sup>2</sup> Case No. 8220, The Application and Petition of the Whitley County Water District No. 1 For An Order Authorizing the Water District to Revise Rates, Initiate a Metering Program to Begin Metering All Customers, for a Purchased Water Adjustment Clause, and for a Waiver by This Commission Permitting the Filing of This Application and the Processing of This Case Based upon Financial Statements for the Period Ending December 31, 1980 (Oct. 26, 1981).

Its proposed debt service plan did not meet this requirement. Furthermore, its financial records indicated that few funds were being allocated to debt service and that Whitley District was incurring expenses at unreasonable and imprudent levels.

Since the initiation of this proceeding, Whitley District has made significant strides in resolving its debt service problems. In 1993 the water district assembled a package of loans and grants from various governmental agencies totalling approximately \$1.9 million which the Commission has approved.<sup>3</sup> The proceeds of these loans and grants are earmarked to pay the principal owed for the 1961 water revenue bonds and to upgrade the water district's water distribution system.

On May 9, 1994, pre-closing of these loans and grants occurred. The principal on the 1961 water bonds, approximately \$400,000, was deposited with the District's paying agent. Pursuant to the terms of a federal district court order,<sup>4</sup> this action relieved the water district of all liability for the 1961 water revenue bonds, terminated the receiver's authority to operate the

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<sup>3</sup> Case No. 93-398, The Application of Whitley County Water District, of Whitley County, Kentucky, For: (1) Certificate of Public Convenience and Necessity, Authorizing and Permitting Said Water District to Construct a Waterworks Construction Project, Consisting of Extensions, Additions, and Improvements to the Existing Waterworks System of the District; (2) Approval of the Proposed Plan of Financing of Said Project; and (3) Approval of Increased Rates Proposed to be Charged to Their Customers: (4) Approval of the Extension of its Service Area (Nov. 23, 1993).

<sup>4</sup> Alvis v. Witt, No. 82-95 (E.D. Ky. Apr. 19, 1994).

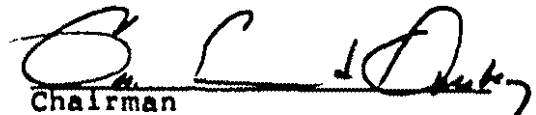
water district, and restored control of the water district to its appointed board of commissioners.

Based on the foregoing, the Commission finds that this investigation should be closed and this case removed from the Commission's docket.

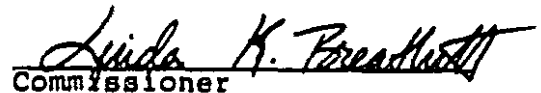
IT IS THEREFORE ORDERED that this investigation is concluded and this case is removed from the Commission's docket.

Done at Frankfort, Kentucky, this 6th day of June, 1994.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director