

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KIRKSVILLE WATER ASSOCIATION, INC. AND	)	
ITS INDIVIDUAL DIRECTORS, ARMON	)	
SANDERS, WAYNE LONG, ALFRED WINKLER,	)	CASE NO.
RANDAL WEBB, AND BOBBY POWELL, AND	)	2022-00197
MANAGER MIKE AGEE ALLEGED FAILURE TO	)	
COMPLY WITH KRS 278.300 AND KRS 278.020	)	

ORDER

On August 31, 2022 Kirksville Water Association, Inc. (Kirksville Water) filed a response to the Commission’s Order opening this proceeding. Kirksville Water stated that its last rate case was Case No. 2015-00097,<sup>1</sup> and therefore, it has not avoided Commission review of its finances as stated in the Commission’s final Order in Case No. 2022-00076.<sup>2</sup> Further, Kirksville Water requested that the Commission review the record of Case No. 2015-00097 and inform Kirksville Water if it is still required to file a rate adjustment case.

DISCUSSION AND FINDINGS

In the final Order in Case No. 2022-00076, the Commission ordered Kirksville Water to file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, an application for an alternative rate adjustment pursuant to 807 KAR 5:076,

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<sup>1</sup> Case No. 2015-00097, *Alternative Rate Adjustment Filing of Kirksville Water Association, Inc.* (Ky. PSC Sept. 25, 2015).

<sup>2</sup> Case No. 2022-00076, *Electronic Application of Kirksville Water Association Inc. for Permission to Issue Indebtedness Pursuant to KRS 278.300* (Ky. PSC June 20, 2022).

or a formal motion with a detailed analysis of its rates, revenues, and a statement explaining the reasons why no rate modifications are necessary by December 20, 2022.<sup>3</sup>

For the reasons discussed below, the Commission finds that the initial directive should be modified. Kirksville Water should file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or a formal motion with a detailed analysis of its rates and revenues and a statement explaining the reasons why no rate modifications are necessary by June 30, 2023. Further, the Commission finds that any application for an adjustment in Kirksville Water's rates should be based upon 2022 data and Kirksville Water's 2022 annual report. Commission regulation 807 KAR 5:076, Section 3(1) provides that the record upon which a decision will be made in an alternative rate filing proceeding is the applicant's annual report for the immediate past year and the annual reports for the prior two years. Commission regulations 807 KAR 5:006, Section 4(1) and (2) require utilities to file a gross annual operating revenue report and a financial and statistical report no later than March 31 each year. The Commission finds that a rate case or formal motion filed after Kirksville Water files its 2022 annual report will provide the clearest picture of Kirksville Water's current operations.

The Commission notes that Kirksville Water has required extensions of time to file its annual report in each of the last two years. The Commission strongly advises Kirksville Water to take whatever steps are necessary to file its annual report by the regulatory deadline of March 31, 2023. The Commission will not look favorably upon any motion for

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<sup>3</sup> Case No. 2022-00076, (Ky. PSC June 20, 2022) at ordering paragraph 3.

an extension of time to file an application for an adjustment in Kirksville Water's rates that is based on its failure to timely file its annual report with the Commission.

The Commission makes this modification to its initial directive to Kirksville Water because using 2022, rather than 2021, financial data will provide greater insight into the effect purchasing and retrofitting the Foxhaven Property had on Kirksville Water's finances. Additionally, although Kirksville Water filed a rate case in 2015, and its finances were thoroughly examined at that time, seven years has elapsed and a review of the sufficiency of Kirksville Water's rates is in order. Since its last rate case, Kirksville Water entered into a contract for office space and administrative services with Madison County Utilities District and has experienced the termination of that agreement. It remains unknown what effect either of these events has had on Kirksville Water's finances.

Further, the Commission's review of Kirksville Water's financial data contained in its audited financial statements indicates Kirksville Water's adjusted net income and cash basis income has declined each year since 2018, as shown on the table below:

Year	Audited 2018	Audited 2019	Audited 2020	Audited 2021
<i>Income Statement</i>				
Net Income before Contributions	(1) 2018 \$ 18,593	\$ 11,964	\$ 24,586	\$ 1,336,970
Less: Satisfaction of Program Restrictions ( )	(2) (1,077)	(97)	(33,156)	(1,155,867)
Sale of Property Rights	(3) 2021 0	0	0	(225,000)
Adjusted Net Income / (Loss)	\$ 17,516	\$ 11,867	\$ (8,570)	\$ (43,897)
Add: Depreciation Expense	169,741	169,745	173,480	160,476
Subtract: Principal Payments ( )	(42,298)	(42,165)	(42,963)	(43,764)
Cash Basis Income	\$ 144,959	\$ 139,447	\$ 121,947	\$ 72,815

**Notes**

(1) 2018 income was restated

(2) Designation of type of equity reclassification. There is not an income statement impact.

(3) The Association sold the rights to service a property development during 2021. \$45,000 was received during the year and \$180,000 remains to be paid (Note 1 to 2021 audited financial statements). \$45,000 is reported in current receivables and \$135,000 is reported in other assets (long term). Payments are \$45,000 annually through 2025.

Considering the totality of these circumstances and the impact of inflation and COVID-19 on utilities across the state, the Commission reiterates the importance of reviewing the sufficiency of Kirksville Water’s rates.

IT IS THEREFORE ORDERED that:

1. Kirksville Water shall file an application for a general rate adjustment pursuant to 807 KAR 5:001, section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or a formal motion with a detailed analysis of its rates and revenues and a statement explaining the reasons why no rate modifications are necessary by June 30, 2023.

2. The rate adjustment or detailed motion filed by Kirksville Water on or before June 30, 2023, shall be based upon 2022 financial data and Kirksville Water’s 2022 annual report.

PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Chairman

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Vice Chairman

  
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Commissioner



ATTEST:

  
\_\_\_\_\_  
Executive Director

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