

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ALLEGED FAILURE OF THE)	
GARRARD COUNTY WATER ASSOCIATION, INC.)	
AND ITS OFFICERS, BILL C. DOOLIN, FELIX)	CASE NO.
REYNOLDS, JENNY LYNN WHITTAKER, ROBERT)	2021-00350
W. BALLARD, GARY W. CLARK, BILL OLIVER,)	
AND SEAN SMITH, TO COMPLY WITH A)	
COMMISSION ORDER, KRS 278.990)	

ORDER

On October 29, 2021, The Garrard County Water Association, Inc. (Garrard County Water) filed a motion requesting that the Commission grant its request for an informal conference and postpone the hearing scheduled in this matter for January 26, 2022.

The Commission on its own motion, established this proceeding to investigate Garrard County Water, and its individual officers, Bill C. Doolin, Felix Reynolds, Jenny Lynn Whittaker, Robert W. Ballard, Gary W. Clark, Bill Oliver, and its manager, Sean Smith, for allegedly failing to comply with the Commission’s June 23, 2020 Order in Case No. 2020-00187.¹ Garrard County Water and its individual officers filed verified responses and a motion for an informal conference in the record on October 29, 2021. The responses state that the manager, Sean Smith, overlooked the requirement to file a rate case and the individual officers relied upon Mr. Smith to advise them of the

¹ Case No. 2020-00187, *Electronic Purchase Water Adjustment for Garrard County Water Association, Inc.* (Ky. PSC June 23, 2020).

requirement to file a rate case. The verified response also references Garrard County Water's good financial status. An examination of Garrard County Water's audit reports reveals that while the utility experienced operating losses in both 2019 and 2020, the Association had interest income that exceeded its net operating loss.² In addition, Garrard County Water used certificates of deposit to pay \$250,000 and \$950,000 in additional principal payments on its outstanding United States Department of Agriculture, Rural Development loans that reduced the remaining repayment period by 24 years.³ While Garrard County Water appears to have significant financial reserves, the Commission remains concerned that because an independent review of Garrard County Water's finances that would normally occur during a rate case has not been performed by the Commission since 1985, the revenue generated from base rates may not be sufficient to maintain Garrard County Water's sound financial condition.

As a matter of procedure, Commission Staff may, during the course of an ongoing matter, meet with utilities and counsel through informal conferences to discuss procedure and guidance, however Commission Staff cannot speak for the Commission, and the Commission only speaks through its Orders. Following an informal conference, a memo is prepared and entered into the record to memorialize the highlights of the informal conference generally. The Commission finds that Garrard County Water should meet with Commission Staff to discuss the procedures and so that Commission Staff can provide guidance on the information that the Commission requires to be filed in the record

² Garrard County Water Association Audit Reports can be found on the Commission's Website at: https://psc.ky.gov/Utility_Financial_Reports_Net/uploaded/support/SD_34100_2020_1.pdf at 4.

³ *Id.* at 13.

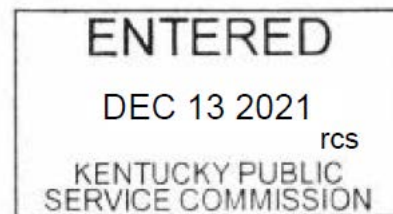
so that the Commission can be assured that Garrard County Water has the financial and operational capacity to provide reasonable and adequate water service.

The Commission is concerned about Garrard County Water's finances and finds that in order for the administrative processes to move as efficiently and quickly as possible, Garrard County Water should prioritize determining whether its rates are sufficient for the utility to provide adequate water services to its ratepayers. The Commission finds that it is appropriate to suspend proceedings in this case, pending the resolution of the allegations made in the Commission's October 18, 2021 Order. The record in this case should be incorporated by reference into any future alternative rate filing made to resolve the allegations set forth in the Commission's October 18, 2021 Order. A hearing was previously scheduled for January 26, 2022, at 9 a.m. and the Commission finds that it should be canceled, and to be rescheduled when the Commission deems it necessary.

IT IS ORDERED that:

1. Garrard County Water's motion filed October 29, 2021, is granted.
2. Garrard County Water shall meet with Commission Staff in an informal conference.
3. This case is held in abeyance pending the resolution of the allegations of the Commission's October 18, 2021 Order in a case for an alternative rate adjustment or an alternative resolution Ordered by the Commission.
4. The hearing scheduled for January 26, 2022 at 9 a.m. is canceled.

By the Commission



ATTEST:


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