

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,)	2021-00350
ROBERT W. BALLARD, GARY W. CLARK, BILL)	
OLIVER, AND SEAN SMITH, TO COMPLY WITH A)	
COMMISSION ORDER, KRS 278.990)	

ORDER

On January 21, 2022, the Garrard County Water Association, Inc. (Garrard County Water) filed a motion requesting that the Commission grant relief from the obligation to file an application for an adjustment in rates and to dismiss this case.

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 (IC) 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 requirement to file a rate case. The verified response also references Garrard County

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

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 As a result of this additional repayment, Garrard County Water no longer has any long-term indebtedness. For the calendar year ended December 31, 2020, Garrard County Water had a total cash balance of \$1,205,120 and remaining certificates of deposit of \$2,395,697,⁴ which strengthened its total cash position by \$466,299.⁵ Additionally, Commission Staff met with Garrard County Water at an IC on December 20, 2021, and discussed the financial and operational status of the utility. Garrard County Water attached materials to its filing on January 21, 2022, to support its position that its finances were stable. From its verified motion, Garrard County Water stated that utilizing the operating ratio method historically used by the Commission when a utility has little to no long-term indebtedness, a base rate revenue increase of \$55,542, or 2.48 percent would be necessary to generate the full revenue requirement of \$2,496,900.⁶ The Commission notes that Garrard County Water did not include in its calculations any pro forma

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.

⁴ *Id.* at 3.

⁵ *Id.* at 6.

⁶ Garrard County Water's Motion for Relief (filed Jan. 21, 2022), Exhibit A at 2.

adjustments for expenses related to water loss above 15 percent, which likely would have further minimized the required increase.

The Commission finds that Garrard County Water failed to comply with the Commission's June 23, 2020 Order in Case No. 2020-00187.⁷ The Commission finds that Garrard County Water shall implement a policy of regular rate sufficiency review and implement a water loss management and reduction plan within six months of the date of this Order to ensure that Garrard County Water has the financial and operational capacity to provide reasonable and adequate water service.

The Commission finds that Garrard County Water District has provided sufficient evidence that its finances and operations are stable. Therefore, the Commission finds that it is appropriate to dismiss this case.

IT IS THEREFORE ORDERED that:


1. Garrard County Water shall implement a policy of regular rate sufficiency review and file documentation with the Commission of the adopted rate review policy within six months of the date of this Order.
2. Garrard County Water shall implement a water loss management and reduction plan and file documentation with the Commission of the adopted plan within six months of the date of this Order.
3. Garrard County Water's motion filed January 21, 2022, is granted.
4. This case is closed and shall be removed from the Commission's docket.

⁷ Case No. 2020-00187, *Electronic Purchase Water Adjustment for Garrard County Water Association, Inc.* (Ky. PSC June 23, 2020).

PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman

Commissioner

ENTERED
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KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



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