

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

CUMBERLAND FALLS HIGHWAY WATER DISTRICT)
TO SHOW CAUSE AS TO FAILURE TO PAY BOND)
PRINCIPAL AND INTEREST PAYMENTS AND) CASE NO. 9441
OTHER INTEREST EXPENSE ASSOCIATED WITH)
LONG-TERM DEBTS)

O R D E R

On February 12, 1981, an Order was issued granting Cumberland Falls Highway Water District ("Cumberland Falls") an increase in rates charged for water service, authority to borrow \$13,000, authority to establish a revised amortization program with reference to the existing bond indebtedness, and permission to adopt a purchased water adjustment clause. The Commission received a letter on July 9, 1982, from Ms. Josephine Ellison, Commissioner and Secretary-Treasurer of Cumberland Falls, giving notice of her resignation. At that time, she was the sole commissioner since Mr. Iias Lawson's term expired March 31, 1982, and Mr. Joe Powers resigned in April, 1981. In the letter Ms. Ellison stated that she was unable to proceed with the requirements set by Farmers Home Administration ("FmHA") for a revised amortization program. The subsequent annual reports indicate that the chairman and sole commissioner is currently Roy Petrey.

On September 9, 1985, Cumberland Falls filed an application requesting approval of an increase in rates under its purchased water adjustment clause, Case No. 9417. An Order issued on

October 18, 1985, stated that Cumberland Falls could absorb \$1,918 of the total increase of \$7,533 in its purchased water cost. Therefore, an increase in rates of \$5,615 was granted.

As of July 31, 1985, Cumberland Falls was in arrears on its FmHA bond principal payments by approximately \$24,000, in addition to accruing approximately \$79,927 of interest expense associated with FmHA and various other long-term debts. The last FmHA bond principal payment was made in 1982 for the amount due in 1977. However, the balance sheet for July 31, 1985, shows a cash balance of \$67,425.

The Commission finds that a public hearing should be held in accordance with KRS 278.250 for Cumberland Falls to show cause why the bond principal and interest payments have not been timely paid, and why the revised amortization program approved in the Commission's Order dated February 12, 1982, has not been implemented. In addition, Cumberland Falls should explain why two additional commissioners have not been appointed.

IT IS THEREFORE ORDERED that:

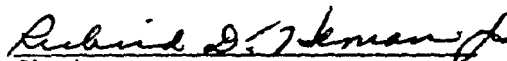
1. Cumberland Falls shall provide prefiled testimony regarding the aforementioned issues within 20 days of the date of this Order.


2. The record in Case No. 9417 be and it hereby is incorporated herein by reference.

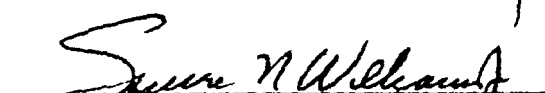
3. This case be and it hereby is scheduled for hearing at the Commission's offices in Frankfort, Kentucky, on December 3, 1985, at 1:30 p.m., Eastern Standard Time, in Hearing Room No. 2, the Commission's Annex Building, 677 Commanche Trail.

Done at Frankfort, Kentucky, this 30th day of October, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary