

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF PAUL AND BARBARA)
MCGOWAN AND ERIC YOUNG FOR APPROVAL)
OF THE TRANSFER OF OWNERSHIP OF) CASE NO. 2010-00422
LOVELACEVILLE WATER COMPANY'S PUMPING,)
TREATMENT, AND DISTRIBUTION FACILITIES)

ORDER

On October 29, 2010, Paul and Barbara McGowan, owners of Lovelaceville Water Company ("Lovelaceville"), tendered for filing a joint application with Eric Young requesting Commission approval of the transfer of assets of Lovelaceville from the McGowans to Mr. Young. The applicants were notified by Commission letter that their application was deficient due to the omission of a verification by oath of Mr. Young's signature as required by KRS 278.020(6). The filing deficiency was cured on January 24, 2011, and the joint application was accepted as filed on that date. The Commission issued one data request to the McGowans and one data request to Mr. Young. Responses have been filed to both requests, and this case now stands submitted for a decision on the merits matter.

Having considered the joint application and being otherwise sufficiently advised, the Commission finds that Lovelaceville is a water utility which is owned and operated by Paul and Barbara McGowan as a proprietorship. Lovelaceville operates water treatment and distribution facilities in Ballard County, Kentucky, serving 54 customers

as of December 31, 2009.¹ The McGowan's state in the joint application that due to health reasons, they must cease their involvement in, and ownership of, Lovelaceville, as they are no longer able to operate and maintain the water utility.

The McGowans and Mr. Young have entered into an agreement which provides that Mr. Young will pay \$100 to the McGowans for the acquisition of all Lovelaceville's assets. Mr. Young has operated small water systems for many years and he is a certified level IIBD treatment and distribution operator, holding license no. 4451, which remains in effect until June 30, 2012. Mr. Young has been operating Lovelaceville for at least one year, he intends to continue serving as operator subsequent to the transfer of assets,² and he believes that Lovelaceville is financially stable due to the rate increase recently approved by the Commission.³

Based upon these findings, the Commission makes the following conclusions of law:

1. Lovelaceville is a utility as defined by KRS 278.010(3)(d), and it is subject to Commission jurisdiction under KRS 278.040.
2. The McGowans and Mr. Young are "persons" as defined by KRS Chapter 278.010(2).

¹ Annual Report of Lovelaceville to the Public Service Commission for the Year Ended December 31, 2009 at 11, 44 and 55.

² Mr. Young's response to Commission Staff's first data request, Item No. 6.

³ In the Matter of the Alternative Rate Adjustment Filing of Lovelaceville Water Company, Case No. 2009-00381.

3. KRS 278.020(5) provides that, “[n]o person shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission . . . without prior approval by the commission.”

4. KRS 278.020(6) provides that, “[n]o individual, group, syndicate, general or limited partnership, association, corporation, joint stock company, trust, or other entity (an “acquirer”), whether or not organized under the laws of this state, shall acquire control, either directly or indirectly, of any utility furnishing utility service in this state, without having first obtained the approval of the commission.”

5. KRS 278.020(5) and 278.020(6) require prior Commission approval of the transfer of Lovelaceville’s assets from the McGowans to Mr. Young.

6. Mr. Young has the financial, technical, and managerial ability to provide reasonable service to Lovelaceville’s current customers.

7. The proposed transfer of Lovelaceville’s assets is in accordance with law, for a proper purpose, and is consistent with the public interest.

IT IS THEREFORE ORDERED that:

1. The transfer of Lovelaceville’s assets from the McGowans to Mr. Young is approved.

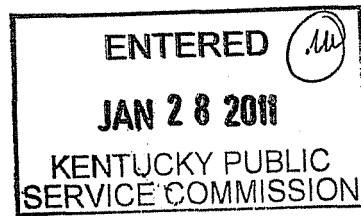
2. The McGowans shall be responsible for submitting to the Commission a financial and statistical report, as described in 807 KAR 5:006, Section 3, for the period in calendar year 2011 that they owned and operated the assets of Lovelaceville.

3. Mr. Young, as owner and operator of Lovelaceville Water Company, shall continue to use the rates, classifications, and administrative regulations that are

currently filed with the Commission until such time as the Commission authorizes changes to those rates, classifications, and administrative regulations.

4. Within 20 days of the effective date of the asset transfer, Mr. Young shall file with the Commission the journal entries used to record the asset transfer.

By Commission



ATTEST:

Stephanie Hall for Jeff Deaver
Executive Director

Paul S McGowan
Owner
Lovelaceville Water Company
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