

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

LOVELACEVILLE WATER COMPANY REQUEST)	CASE NO.
TO ABANDON)	2014-00136

ORDER

On March 18, 2014, Lovelaceville Water Company (“Lovelaceville Water”) tendered a letter to the Commission requesting approval to abandon and cease operation of its utility services and facilities. A copy of the letter is attached as an appendix to this Order. Lovelaceville Water asserts that the system was acquired in 2010 by Eric Young with the intention of implementing needed improvements. However, because Lovelaceville Water is a for-profit entity, it is not eligible for public grants, which as a result has stymied attempts to improve the system infrastructure. Necessary improvements include a generator to run a 1,000-gallon pressure tank needed due to the lack of an elevated storage tank and repairs to the electrical system consequent to a fallen tree limb. It further states that most customer meters do not have any means of being locked, and upon service disconnection, many customers are easily able to restore their own service. Similarly, because customers have been unwilling to repair leaks, Lovelaceville Water has been forced to repair the leaks, without remuneration, or else face increased electric and chemical costs.

Lovelaceville Water states that it has been unable to locate a prospective party to take over the utility’s operations or provide assistance. Finally, it asserts that a rate

increase is unlikely to remedy the situation, given the difficulties in securing payment from some customers at current rates. It, therefore, requests authorization to abandon its facilities.

Lovellaceville Water is a for-profit water utility that provides water services to approximately 55 customers in Ballard County, Kentucky.¹ It is a utility subject to the Commission's jurisdiction and regulation.²

KRS 278.020(5) provides that "[n]o utility shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission by sale of assets, transfer of stock, or otherwise, or abandon the same, without prior approval by the commission."

We find that an investigation in this matter should be conducted to examine Lovellaceville Water's request to abandon its facilities, and that an informal conference should be held. We further find that the Attorney General should be served with a copy of this Order.

IT IS THEREFORE ORDERED that:

1. This case is initiated to investigate the request by Lovellaceville Water to abandon its utility services and facilities.

2. A telephonic conference call shall be held in this matter on Wednesday, April 23, 2014, beginning at 1:30 p.m. Eastern Daylight Time, for the purpose of discussing the issues in this case. Commission Staff will contact all participants to provide the details for joining the conference call.

¹ Annual Report of Lovellaceville Water Company to the Public Service Commission of Kentucky for the Calendar Year Ended December 31, 2012 at 24.

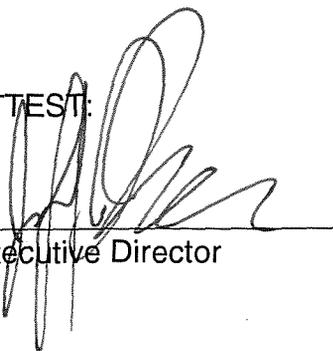
² KRS 278.015; KRS 278.040.

3. The Executive Director shall serve a copy of this Order upon the Attorney General.

By the Commission

ENTERED ^{RP}
APR 21 2014
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2014-00136

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2014-00136 DATED **APR 21 2014**

RECEIVED

MAR 18 2014

PUBLIC SERVICE
COMMISSION

Lovellaceville Water Company

P.O. Box 818

Lovellaceville, KY 42060

270-748-7040

Mr. Derouen,

My name is Eric Young and I am the owner/operator of the Lovellaceville Water Company. I am writing to you in regard to my situation concerning the water company. I want to take the necessary steps in order to abandon the water company. When I took possession of the water company in 2010, I was planning on making improvements to the system but I have not been financially able to do so. I was unaware at the time that the system is not eligible for grants since it is privately owned. Twice I qualified for grants for system improvements only to be told a few days later that I was not eligible due to the system being privately owned. With only 50 customers it is difficult to pay routine bills and have any money left. I live 40 miles from the system and after paying for fuel, electric bill, chemicals, laboratory and repairs there is no hope of being able to have the resources to upkeep the system. As with most water systems the aging water plant and distribution lines are in poor condition. I have repaired leak after leak only to have another one immediately start. I cannot reduce the system pressure due to some of the customers that are more elevated not having adequate pressure or volume. The roof of the water plant leaks and the wiring is almost 50 years old. The weather head on the electrical service was struck by a falling tree limb and is separated from the meter base. I have gotten estimates for the repair but cannot afford to have the work done.

The water system is not typical of most water systems in that there is no elevated tank for water storage and setters were not used to install meters. The storage tank is a 1000 gallon pressure tank inside the water plant. When the electrical service is interrupted there is approximately a 5 minute supply of water. To avoid the water service being interrupted a generator would need to be installed. I applied and was approved for a grant to install a generator, but was then told I was ineligible for the grant. I also have problems with delinquent customers and I am unable to disconnect their service properly since setters were not used to install the meters. Most of the connections have only a pvc valve with no way to lock it. When I turn off a delinquent customer they turn it back on when I leave. I have tried pulling the meter and end up with a broken service line most times which costs more to repair than the customer even owes. I also applied for a grant to install meter setters.

I also have to repair service lines on the customer side of the meter because they will not have them repaired. If I do not repair the lines they will not be repaired which makes my electric bill go up due the pumps running more and the added expense of more chemicals being used. When I do repair the line it costs the price of parts plus having to pay the labor for the repair. So if I make the repair it costs me, if I do not make the repair it costs me. One in particular last week had a leak on her side of the meter. She

used over 200,000 gallons of water in one month. I have difficulty getting her to pay the \$22.00 minimum bill so I know that I will not get the \$900.00 she now owes. I had to pay for the repair. I have turned off the service but I am sure I will not recover my costs.

I feel that as long as the system is privately owned it will continue to degenerate until it reaches a point where water cannot be supplied. If a well pump were to fail I could not afford to replace it. I contacted Water Sales of Eastern Kentucky (WSEK) to see if they would be interested in taking over the system. I sent all the information they asked for but have not heard back and they have not returned my calls, so I am assuming they are not interested. I contacted the county government but they were unable to offer any assistance. I do not think that raising the rates would help, I have trouble getting some of the customers to pay the minimum bill now and it would be even more difficult if the rates were higher. It would only make it harder on the ones that do pay.

Before I took over operations of the system there were many violations from the Division of Water and deficiencies from the Public Service Commission. I have done my best to return the system to compliance.

If the Public Service Commission can help me with this please contact me to instruct me on any further procedures.

Sincerely,

Eric Young

J. Eric Young
Owner
Lovelaceville Water Company
626 Elmos Road
Sedalia, KY 42079