

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR APPROVAL FOR)	
TRANSFER OF ASSETS FROM PINWOOD)	CASE NO.
SUBDIVISION INC. TO WESTERN MASON)	2015-00383
SANITATION DISTRICT)	

ORDER

On November 23, 2015, Pinewood Subdivision, Inc. ("Pinewood") tendered for filing an application requesting approval of a proposed transfer of ownership and control of the Pinewood wastewater system to Western Mason Sanitation District ("Western Mason"). Western Mason joined in the application to facilitate the transfer of Pinewood's assets. The Commission notified Pinewood by letter that its application was deficient and could not be accepted for filing. Pinewood cured the filing deficiencies and its application was accepted for filing on December 9, 2015. Pinewood mailed notice of the proposed transfer to its customers on February 19, 2016. No person has sought to intervene in this proceeding.

Pinewood is a for-profit Kentucky corporation and sewer utility that owns and operates facilities that treat sewage for approximately 72 customers in Mason County, Kentucky.¹ Pinewood is a utility subject to the Commission's jurisdiction pursuant to KRS 278.010(3)(f) and KRS 278.040. Pinewood employs a certified wastewater

¹ Application at 6.

operator who also operates the acquiring entity, Western Mason.² As of December 31, 2014, Pinewood had total assets of \$2,586, and all of its utility plant was fully depreciated.³

Western Mason is a sanitation district as set forth in KRS Chapter 220 and serves approximately 415 customers in Mason and Bracken counties, Kentucky.⁴ As a sanitation district, it is exempt from the Commission's jurisdiction.⁵ As of December 31, 2014, Western Mason had assets totaling \$3,944,706 and total liabilities of \$1,040,459.⁶ Western Mason has two employees, including its certified wastewater operator.⁷ Waste collected by Western Mason is pumped to and treated by the city of Maysville.

Pinewood proposes to transfer its wastewater treatment plant and collection system to Western Mason. Pinewood will pay Western Mason the sum of \$35,000 to acquire the system.⁸

Pinewood does not hold any customer deposits, and therefore there will be no need to refund deposits in conjunction with the proposed transfer.⁹ Pinewood currently charges customers a flat monthly rate of \$22.05. Western Mason assesses a minimum bill of \$41.31 for the first 2,000 gallons of water consumed and \$9.41 per 1,000 gallons

² *Id.*

³ *Annual Report of Pinewood to the Public Service Commission for the Year Ended December 31, 2014* at 12.

⁴ Application at 5.

⁵ KRS 278.010(3)(f).

⁶ Western Mason's Response to Commission Staff's First Request for Information ("Staff's First Request"), Item 4, Exhibit B.

⁷ Application at 6.

⁸ *Id.* at 2 and 3.

⁹ Pinewood's Response to Staff's First Request, Item 2.

thereafter.¹⁰ Pinewood also assesses a \$25 returned-check charge, whereas Western Mason charges \$30 for returned checks. Upon completion of the acquisition, Western Mason will assess the same rates to the former Pinewood customers as it assesses to its existing customers.¹¹

Western Mason states that it is in the process of procuring funding to construct a new sewer line that will enable connection of the Pinewood system to Western Mason's.¹² After the project is complete, the Pinewood treatment plant will be removed from service and Western Mason will send the Pinewood sewage to the city of Maysville for treatment.¹³

KRS 278.020(5) provides that:

No person 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. The commission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service.

KRS 278.020(6) further states in pertinent part:

No 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.

¹⁰ Western Mason's Response to Staff's First Request, Item 3.

¹¹ *Id.*, Item 4.a.

¹² *Id.*, Item 7.

¹³ *Id.*

As Pinewood is a regulated utility subject to the Commission's jurisdiction, pursuant to KRS 278.020(5) and (6), Commission approval of the proposed transfer is required. KRS 278.020(5) requires a demonstration that Western Mason has the financial, technical, and managerial abilities to provide reasonable service to Pinewood's customers.

The Commission finds that as demonstrated in its most recent financial statements,¹⁴ Western Mason has ample financial capability to ensure continuity of service. The Commission further finds that Western Mason possesses the requisite managerial and technical capability. Western Mason, through employing the same certified operator to operate its facilities as currently operates Pinewood's system, will be well placed to ensure the system's continued operation.

Moreover, the Commission also takes note that the General Assembly has promulgated a policy favoring the consolidation of wastewater providers with the goal of "making potable water and wastewater treatment available to all Kentuckians through the maximization of financial resources and conservation of natural resources of the Commonwealth."¹⁵ The proposed transaction will eliminate the wasteful duplication of costs and efforts, and clearly further this wastewater-consolidation goal.

Therefore, Pinewood and Western Mason having demonstrated that Western Mason has the financial, technical, and managerial abilities to provide reasonable service to the Pinewood system, the Commission finds that the proposed transaction is for a proper purpose, is in the public interest, satisfies KRS 278.020(5) and (6), and should be approved.

¹⁴Western Mason's Response to Staff's First Request, Exhibit B.

¹⁵ KRS 224A.300(1).

IT IS THEREFORE ORDERED that:

1. The proposed acquisition of Pinewood's wastewater assets by Western Mason is approved.

2. Pinewood shall notify the Commission within ten days of the transfer's completion.

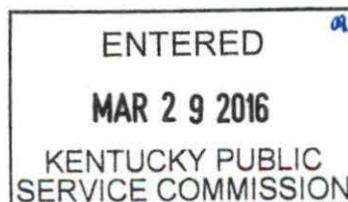
3. Within 60 days of the date of transfer of Pinewood's assets to Western Mason, Pinewood shall file with the Commission its 2016 Annual Report covering the period of January 1, 2016, through the date of transfer.

4. If there is a material revision to the proposed acquisition, Pinewood shall apply for Commission approval for the revision, and no material revision will be effective without prior Commission approval.

5. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon Pinewood's showing of good cause for such extension.

6. Any documents filed in the future pursuant to ordering paragraphs 2 and 3 of this Order shall reference the case number and shall be retained in the utility's general correspondence file.

By the Commission



ATTEST:


Acting Executive Director 

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