

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

RECEIVED

FEB 03 2015

PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

THE JOINT APPLICATION OF MIDDLETOWN WASTE )  
DISPOSAL, INC. AND LOUISVILLE AND JEFFERSON )  
COUNTY METROPOLITAN SEWER DISTRICT FOR )  
APPROVAL OF TRANSFER OF THE MIDDLETOWN )  
WASTEWATER TREATMENT PLANT AND COLLECTION )  
SYSTEM TO LOUISVILLE AND JEFFERSON COUNTY )  
METROPOLITAN SEWER DISTRICT )

CASE NO.  
2015 - 00041

**JOINT APPLICATION FOR APPROVAL OF TRANSFER**

Pursuant to KRS 278.020(5), Middletown Waste Disposal, Inc. ("MWD") and the Louisville and Jefferson County Metropolitan Sewer District ("MSD") hereby submit to the Public Service Commission of Kentucky ("Commission") this application for the transfer to MSD of the Middletown Wastewater Treatment Plant and Collection System and Appurtenances serving the MWD service area in Jefferson County, Kentucky, in accordance with the Assets Purchase Agreement executed by the joint Applicants, a copy of which is attached hereto as Exhibit A. In support of their application, MWD and MSD state the following:

1. MWD, the Seller under the Agreement, is a Kentucky Corporation in good standing with its principal place of business at 8105 Parkshire Court, Louisville, KY 40220. A copy of the Articles of Incorporation of MWD is attached hereto as Exhibit B. MWD is subject to Commission jurisdiction under KRS 278.010(3)(f). Jack Kaninberg is the Vice-President and Secretary of MWD and has been duly authorized to execute this Joint Application on behalf of the corporation. A copy of the resolution of the Board of Directors of MWD authorizing the execution of the Agreement transferring to MSD the

Wastewater Treatment Plant and Collection System and Appurtenances ("WWTP") serving the MWD service area in Jefferson County, Kentucky, and this Joint Application is attached hereto as Exhibit C.

2. MSD is a public body corporate created and organized pursuant to KRS Chapter 76 of the Kentucky Revised Statutes, whose address is 700 West Liberty Street, Louisville, Kentucky.

3. MSD's statutory responsibilities include the providing of sewage and drainage facilities to the public; the regulation of public and private sewers and drains and the discharge of waste and waters into the sewer system, and is authorized to provide for wastewater discharge permits and abatement of and liabilities and penalties for the violations of MSD's regulations and Metro Government ordinances.

4. In order to carry out these responsibilities MSD provides sanitary sewer and drainage services to approximately over 232,000 customers in Jefferson County, Kentucky. MSD operates six or more large waste water treatment facilities and 15 or more small waste water treatment plants, including the connected collection systems and the combined daily treatment capacity of MSD's treatment facilities exceeds 173.5 million gallons.

5. Pursuant to KRS 76.070 and KRS 76.110, MSD has the legal authority to acquire land and existing facilities.

6. MSD is not a utility as defined by KRS 278.010(3)(f).

7. MSD has been in existence since 1946. MSD is governed by a Board that consists of eight members who are appointed by the Mayor of the Louisville Metro Government, subject to the approval of the Louisville Metro Council. Per ordinance, the

approval of the Louisville Metro Council is required before MSD may implement a change in its rates for service above 7%, for any rate increase below 7%, MSD must provide notice to the Council.

8. Greg Heitzman, as the Executive Director of MSD, is duly authorized to execute this joint application on behalf of MSD.

9. As of December 31, 2014, MSD employs over 500 persons and approximately 20 of these employees are certified waste water treatment plant operators. For the year ending June 30, 2014, MSD had total operating revenues of \$ 214,056,000 and total operating expenses of \$ 106,921,000.

10. The WWTP and collection system owned by MWD serves over 200 residential, commercial, and industrial customers in MWD's service area in Middletown, Kentucky.

11. Under the Agreement, MWD will sell to MSD the WWTP and Collection System currently serving the MWD service area located in Jefferson County, Kentucky. The assets purchased by MSD are described more fully in the Assets Purchase Agreement, but include the MWD WWTP and collection system and appurtenances. The conveyance under the Agreement will occur within seven (7) business days after receipt of the approval of this Application for Transfer by the Commission.

12. Pursuant to the Assets Purchase Agreement, MWD is conveying the MWD WWTP and collection system to MSD. MWD will continue to operate and be responsible for the operation of the treatment plant and collection system until MSD is able to divert the flows from the MWD treatment plant, taking it out of service within a timeframe estimated to be May or June of 2015.

13. MSD will demolish the WWTP and restore the site after connection of the MWD plant to the MSD system allowing diversion of flow from the MWD service area into MSD's sanitary sewer system.

14. The Commission has previously found that in view of MSD's financial assets and its status as a political subdivision of the Commonwealth of Kentucky, MSD has sufficient financial integrity to ensure the continuity of utility services to the former customers of MWD. Furthermore, the Commission has previously found that MSD has the financial, technical, and managerial abilities to provide reasonable service to MWD's present customers. Therefore, MSD's acquisition of MWD's collection system is in accordance with law and for a proper purpose. (See Attachment D, Order entered in Application of the Louisville and Jefferson County Metropolitan Sewer District for an Order approving a Transfer of Ownership and Control, Case No. 2012-00373, page 6). MSD is not a utility subject to Commission regulation.

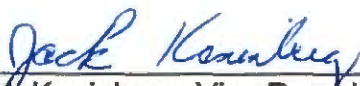
15. The proposed transfer of the assets of the MWD Collection System to MSD will be accomplished in accordance with law, is for a proper purpose and is consistent with the public interest: (a) On or before closing, MSD will have all necessary permits for the operation of the MWD Collection System; (b) The public interest would be served by the transfer of the Collection System to MSD, as it has the technical expertise to operate the system in accordance with the requirements of the Kentucky Division of Water. As stated in Paragraphs 2 through 8, MSD has the requisite managerial ability to provide adequate sewer services to the customers of the MWD service area in Jefferson County, Kentucky, consistent with the public interest.

16. MSD tenders this application in conjunction with MWD only in order to facilitate a transfer of ownership to MSD. In joining in this application, MSD does so in compliance with the settlement agreement between MSD and the PSC arising from the PSC's appeal of the holding and opinion of the Franklin Circuit Court in *MSD v. PSC*, *Civil Action No. 10-CI-00357* which confirmed that as a public, municipally owned sewer district, and political subdivision, MSD is exempt from Commission oversight under KRS 278.040(2), the statutory exemption afforded special districts. Based on this ruling, MSD joins in this application as a perfunctory matter per the agreement and not as a mandatory statutory requirement and without waiving any of its rights afforded to it by that ruling.

WHEREFORE, the undersigned Joint Applicants respectfully request the Public Service Commission to issue an Order finding that MSD has the financial, technical, and managerial abilities to provide reasonable service to the wastewater customers of MWD; that the proposed transaction is in accordance with law, is for a proper purpose, and is consistent with the public interest; and that the proposed transfer of the MWD Wastewater Treatment Plant and Collection System by MWD to MSD is authorized and approved.

Respectfully submitted,

MIDDLETOWN WASTE DISPOSAL, INC.

  
\_\_\_\_\_  
Jack Kaninberg, Vice President and Secretary  
Phone - (502) 671-0214; no fax number  
E-mail address: jwkaninberg@insightbb.com  
Date: 2/2/2015

LOUISVILLE AND JEFFERSON COUNTY  
METROPOLITAN SEWER DISTRICT

Steve W Emly  
Date: 2/2/15

STATE OF KENTUCKY     )  
  )  
COUNTY OF JEFFERSON    )

Signed and sworn to before me by Jack Kaninberg, as Vice-President of  
Middletown Waste Disposal, Inc., this the 2<sup>ND</sup> day of ~~January~~, 2015.

My commission expires Nov. 14, 2017 <sup>February</sup>.

Belinda S. Porter

Notary Public



STATE OF KENTUCKY     )  
  )  
COUNTY OF JEFFERSON    )

Signed and sworn to before me by Steve Emly, as  
<sup>Chief Engineer</sup> ~~Attorney~~ of the Louisville and Jefferson County Metropolitan Sewer District, this the  
2<sup>nd</sup> day of ~~January~~, 2015.

My commission expires 2/2/2015 <sup>February</sup>.

Jennifer Head  
Notary Public

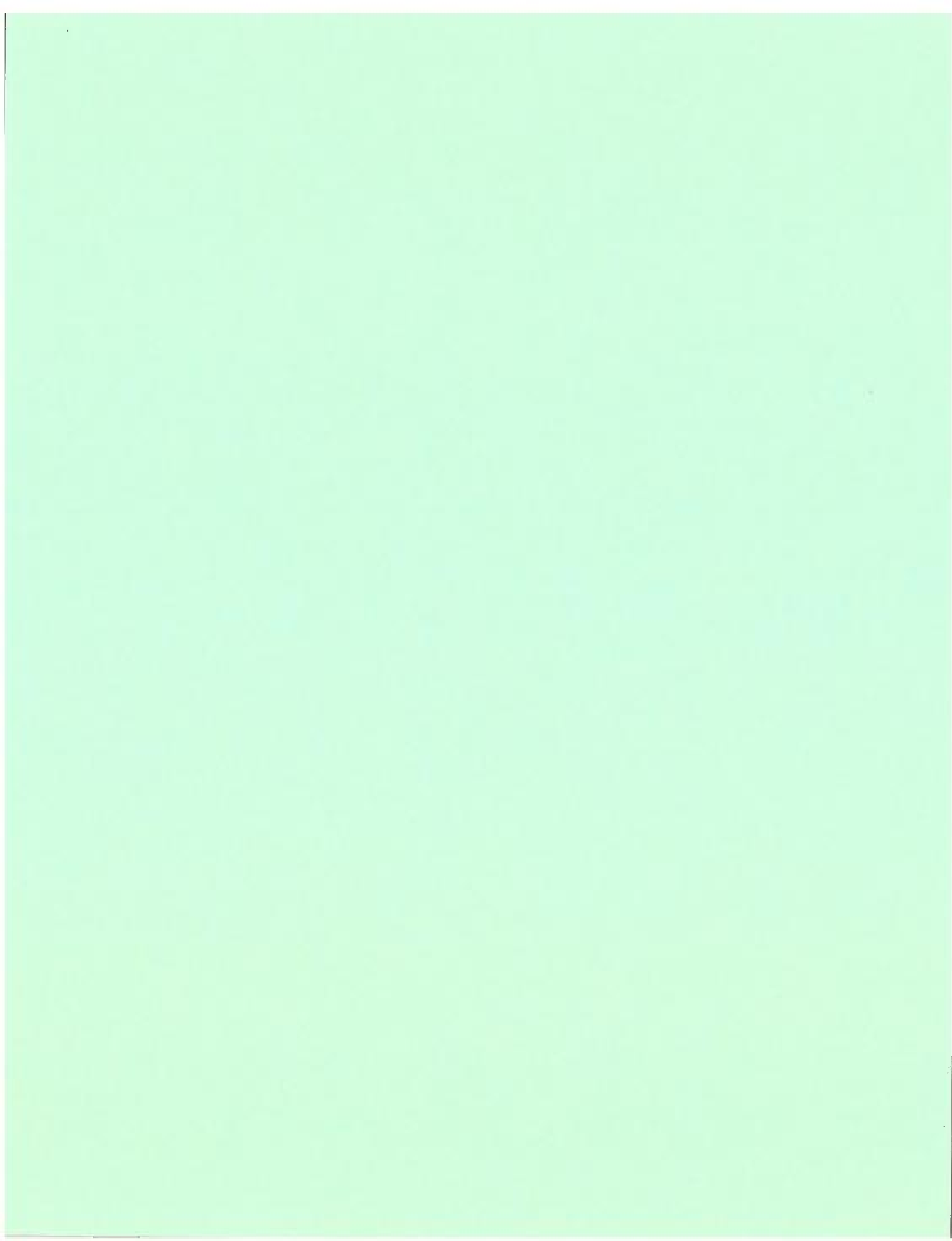
MWD Transfer Case Exhibit Index

A. Assets Purchase Agreement

B. MWD Articles of Incorporation

C. MWD Board Resolution Authorizing Sale to MSD

D. PSC Order Approving Hillridge Facilities Transfer to MSD – Case No. 2012-00373





MWD Transfer Case Exhibit A

Assets Purchase Agreement



Louisville and Jefferson County Metropolitan Sewer District  
700 West Liberty Street  
Louisville Kentucky 40203-1911  
502-540-6000  
[www.msdlouky.org](http://www.msdlouky.org)

February 2, 2015

Jack Kaninberg, Vice-President  
Middletown Waste Disposal, Inc.  
8105 Parkshire Court  
Louisville, KY 40220

Subject: Middletown Waste Disposal System Acquisition

Dear Jack:

I am writing in my capacity as Chief Engineer for the Louisville and Jefferson County Metropolitan Sewer District ("MSD") to inform you, as representative for Middletown Waste Disposal, Inc ("MWD"), that MSD is willing to purchase collection system and associated infrastructure of the MWD's collection system. This Letter of Intent ("LOI") dated ~~January 27~~<sup>February 2</sup>, 2015, sets forth a statement of the basic business terms and conditions ("Offer") upon which the Louisville and Jefferson County Metropolitan Sewer District ("MSD") would be willing to purchase from MWD the assets as defined below:

1. Property Description:

MSD will acquire all rights and title to the MWD collection system, infrastructure and associated appurtenances related to the collection system. The system operates, collects and treats waste within the area outlined and marked on Exhibit "A", attached hereto and made a part hereof. This transaction will not involve the transfer of any real property. MWD and MSD agree that, after demolition, MWD will retain ownership of the existing MWD treatment plant site, after all appropriate easements are dedicated, at no cost, to MSD.

MWD understands that MSD will not operate, or be responsible for the operation of the treatment plant or collection system until such time as MSD is able to divert the flows from the MWD treatment plant, taking it out of service within a timeframe estimated to be May or June of 2015.

Upon diversion of flows from the treatment plant, MWD recognizes that MSD will assume all responsibility and ownership for the collection system, along with all associated revenues.

MWD agrees that MSD will demolish the existing MWD plant, in accordance with standard MSD Construction Specifications, and that MWD will be given 30 days for exclusive salvage rights to any equipment/materials on the treatment plant site after the diversion of flows has occurred. After demolition and salvage, MSD agrees to restore the site in accordance with the specifications that MSD and MWD will set



Beneficial Use of Louisville's Biosolids  
[www.louisvillegreen.com](http://www.louisvillegreen.com)

forth and agree to in the final purchase agreement. MSD agrees that it shall not exacerbate the conditions at the site which would cause MWD to incur costs it would not have otherwise incurred.

2. Type of Conveyance:

The Property that shall be conveyed by Seller to MSD will all rights and interests appurtenant thereto is the mechanical equipment, infrastructure and hardware owned by MWD and which comprises the collection and treatment system.

3. Purchase Price:

The purchase price will be Seven Hundred and Fifty Thousand Dollars ( \$750,000.00) and payable in cash at Closing subject to deposits, prorations, closing costs and any other applicable adjustments as may be agreed upon pursuant to paragraph 4(C) below.

4. Earnest Money:

- A. MSD will deposit with \_\_\_\_\_ (“Escrow Agent”) the sum of One Hundred Thousand and no/100 Dollars (\$100,000.00) as earnest money (Earnest Money) upon the date that Seller and MSD execute a definitive final purchase agreement (“Purchase Agreement”) and a fully executed copy thereof is delivered to and received by MSD and Seller (“Effective Date”).
- B. The final purchase agreement shall be executed within 7 business days after MWD receives approval from the Public Service Commission (“PSC”) to transfer ownership of their collection and treatment system to MSD.
- C. The Earnest Money will be held by the Agent in an interest-bearing account, with interest to accrue to MSD, under the terms of a separate escrow agreement, the form of which shall be mutually satisfactory to MSD, Seller, and the Agent.
- D. The Purchase Price shall be payable in cash at Closing, plus or minus deposits, prorations, closing costs and any other applicable adjustments as set forth in the Purchase Agreement.

5. Due Diligence Period:

MSD shall have a sixty day (60) day inspection period to perform a complete “due diligence” review of the MWD collection system and operation and to examine any and all existing contracts, agreements and lawful obligations of MWD, to commence the first day following the Effective Date of this LOI. Said inspection shall also be conducted to determine if easements are necessary to facilitate the connection of the MWD system to the MSD system. MWD agrees that all easements reasonably requested by MSD on property controlled by MWD or its owners will be granted voluntarily, and at no cost to MSD. Additionally, MSD will evaluate what construction will be necessary to make the connection and MSD will be responsible for the design and construction of lines needed to eliminate the MWD treatment plant.

In the event MSD determines in its sole discretion (for any reason or no reason at all) that the transaction is not acceptable to MSD or that the transaction is otherwise not feasible, MSD may terminate this Agreement and receive a refund of its Earnest Money deposit together with all interest earned thereon, and neither party shall be liable to the other for damages on account of this termination. If MSD fails to notify Seller of its intent to terminate the Purchase Agreement prior to the expiration of the Due Diligence Period, the Earnest Money deposit shall become non-refundable to Purchaser except for Seller’s failure to close the transaction per the terms and conditions of the Purchase Agreement.

6. Closing:

The closing of the transaction shall occur fifteen (15) days after the expiration of the Due Diligence Period, and shall occur at the offices of MSD, or at such other time as the parties may mutually agree.

7. Due Diligence Investigation:

MSD and its employees and agents shall, after the Effective Date of the Purchase Agreement and until the expiration of the Due Diligence Period, have the right and permission, to enter upon any property owned by MWD as well as having access to the MWD collection and treatment system on any part thereof at all reasonable times for the purpose of conducting environmental assessments, inspecting, examining, surveying, making soil tests, borings, percolation tests and other necessary tests for engineering and planning for development and determination of surface, sub-surface and topographic conditions.

All accounts receivable, as well as any services rendered for which invoices would be prepared (even though they may not yet be considered an account receivable); any monies procured; insurance proceeds received or rights to receive for a claim, condemnation awards, etc., which occur or accrue prior to flow diversion and full acceptance of all items that MSD is required to accept or perform, shall be considered the property of MWD for which MSD will not be entitled to any rights or claims for those items. MWD will make available to MSD for review all reasonable financial records and reports that MSD requests. Accordingly, MSD and MWD will cooperate in determining the reasonable revenues which should accrue to MWD from accounts receivable, given that Louisville Water Company meter readings which form the basis for MWD revenues normally occur only every two months.

MWD will continue to collect revenues, pay utilities, and maintain the system per KPDES permit requirements until such time as flows can be diverted from the treatment plant as mentioned above.

In addition, MSD shall obtain from MWD all surveys, maps, blueprints, as-built plans and diagrams of the collection and treatment system which are in MWD's actual possession. MWD will also provide discharge monitoring reports and environmental compliance monitoring reports that are submitted to the Division of Water per MWD's KPDES permit.

8. Closing Costs/Prorations:

If applicable, Seller shall pay for the deed preparation, transfer taxes, Seller's attorney's fees, 50% of all escrow fees, and costs and fees to release Seller's liens, if any, including any mortgages. MSD shall pay for any and all recording fees, title insurance premium, tax, and examination fees, 50% of all escrow fees, costs of any surveys and environmental assessments. Although this acquisition will not involve the transfer of any real estate, should there be any real estate taxes, rents and any expenses for the Property for the year of closing (and prior year, as applicable), MWD and MSD agree to prorate these expenses.

9. Confidentiality:

Except as may otherwise be required of MSD pursuant to the Kentucky Open Records Act (KRS 61.870 to 68.884) and the Kentucky Open Meetings Act (KRS 61.800 to 61.850), Seller and MSD agree to keep this Letter of Intent confidential and not disclose or make any public announcements with respect to the subject matter hereof without the consent of the other party.

10. Authority of Seller/Definitive Agreement:

MSD acknowledges and agrees that Seller's sale of the MWD collection and treatment system on the terms and conditions of this LOI and authority to negotiate a more definitive purchase agreement shall be subject to and contingent upon approval and direction of the MSD Board. Upon receipt by Seller of a copy of this LOI signed by both Purchaser and Seller, Seller will present the proposed purchase and sale of the MWD collection and system to the MSD Board for approval and direction at the earliest possible date.

MWD acknowledges the final transfer of the system is contingent upon the approval of the PSC. MWD agrees that MWD and MSD will cooperate in obtaining approvals from the PSC for this acquisition. The parties agree that the diversion of flows from the MWD plant will occur at the earliest opportunity after the PSC approves the sale of the MWD system, and MWD will reasonably assist MSD in achieving that goal.

Upon approval of the MSD Board and contingent upon PSC approval, MWD and MSD will enter into a final Purchase Agreement for the collection and treatment system. Said Agreement will contain the essential provisions of this LOI and other provisions acceptable to the parties.

This Letter of Intent shall expire at 5:00 p.m. (Eastern Standard Time) on April 15 2015. If the above terms and conditions are acceptable, please sign this Letter of Intent where indicated below and return the original fully executed copy via first class U.S. mail, hand delivery, facsimile, or electronic mail to Steve Emly, Chief Engineer, Louisville and Jefferson County Metropolitan Sewer District, 700 West Liberty Street, Louisville, Kentucky 40203-1911. [steve.emly@louisvillemwd.org](mailto:steve.emly@louisvillemwd.org)

MWD LOI  
February 2, 2015  
Page 6

Sincerely,

LOUISVILLE AND JEFFERSON COUNTY  
METROPOLITAN SEWER DISTRICT

By: *Steve Emly*  
Steve Emly

Title: Chief Engineer

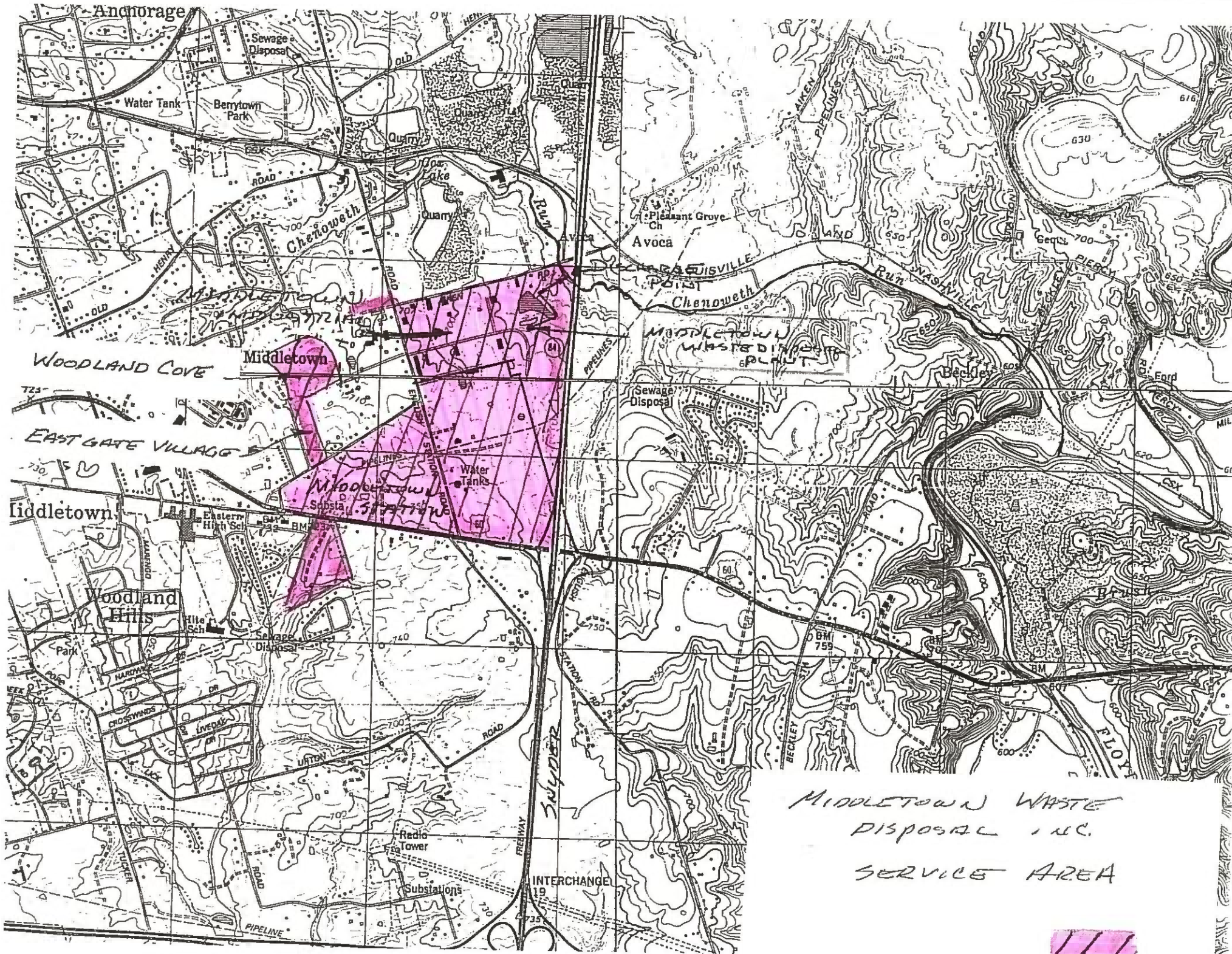
Date: *February 2, 2015*

AGREED to this *2ND* day of *FEBRUARY*, 2015

By: *Jack Weinberg*  
(NAME)

Title: *Vice President / Treasurer / Secretary*

Date: *February 2, 2015*



MIDDLETOWN WASTE  
DISPOSAL INC.  
SERVICE AREA





The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial data. This includes not only sales and purchases but also expenses and income. The document provides a detailed list of items that should be tracked, such as inventory levels, accounts payable, and accounts receivable. It also outlines the procedures for recording these transactions, including the use of double-entry bookkeeping to ensure that the books are balanced.

The second part of the document focuses on the analysis of the recorded data. It explains how to calculate key financial ratios and metrics, such as the gross profit margin, net profit margin, and return on investment. These calculations are essential for understanding the overall performance of the business and identifying areas for improvement. The document also discusses the importance of comparing the current period's performance against the previous period and against industry benchmarks to provide context for the results.

The final part of the document addresses the reporting requirements for the financial data. It outlines the format and content of the financial statements, including the balance sheet, income statement, and cash flow statement. It also discusses the importance of providing clear and concise explanations for any significant changes or trends in the data. The document concludes by emphasizing the need for transparency and accountability in financial reporting, and the role of the accounting department in providing accurate and reliable information to management and stakeholders.

MWD Transfer Case Exhibit B

MWD Articles of Incorporation

SECRETARY OF STATE  
**RECEIVED**  
JUN - 5 1978  
LK 25  
Commonwealth of Kentucky

JUN 05 1978

*Daniel P. Davis*  
SECRETARY OF STATE  

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ARTICLES OF INCORPORATION  
OF  
MIDDLETOWN WASTE DISPOSAL, INC.

77775

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned does hereby form a corporation under the provisions of Chapter 271A of the Kentucky Revised Statutes, and does hereby adopt the following as its Articles of Incorporation.

ARTICLE I

The name of the corporation is Middletown Waste Disposal, Inc.

ARTICLE II

The duration of the corporation is perpetual.

ARTICLE III

The purpose for which the corporation is organized is the transaction of any and all lawful business for which corporations may be incorporated under KRS Chapter 271A, including, but not limited to the planning, construction, operation, maintenance, sale and lease of a sewage treatment plant facility and additionally, the ownership of real estate and interests therein, for investment purposes.

ARTICLE IV

The aggregate number of shares which the corporation shall have authority to issue is 1,000 shares, all of which

are common stock without par value, and having voting power to the extent of one vote for each share of stock.

#### ARTICLE V

The address of the initial registered office of the corporation is 989 Logan Street, Louisville, Kentucky, and the name of the initial registered agent is Donald Lorenz, whose address is 989 Logan Street, Louisville, Kentucky.

#### ARTICLE VI

The number of directors constituting the initial Board of Directors is two (2). The names and addresses of the persons who will serve as directors until the first annual meeting of shareholders or until their successors be elected and qualified are, Donald Lorenz and Paul A. Lichtefeld, 989 Logan Street, Louisville, Kentucky.

#### ARTICLE VII

The name and address of the incorporator is Donald Lorenz, 989 Logan Street, Louisville, Kentucky.

#### ARTICLE VIII

The unreserved and unrestricted capital surplus of the corporation may be used by it to purchase, take, receive, or otherwise acquire shares of its own stock without otherwise limiting the rights of the corporation to purchase, take, receive, hold, own, pledge or otherwise deal in its own shares of stock.


ARTICLE IX

Shareholders shall not have a preemptive right to subscribe to or acquire unissued or treasury shares or securities convertible into such shares of the corporation or carrying a right to subscribe or acquire shares of the corporation.

ARTICLE X

The corporation, acting through its Board of Directors, may from time to time, distribute to its shareholders out of capital surplus of the corporation, a portion of its assets in cash and property subject to the provisions of Kentucky Revised Statutes 271A.230, and the approval of the shareholders shall not be required.

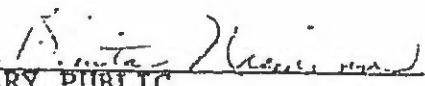
IN TESTIMONY WHEREOF, witness the signature of the Incorporator this the 31st day of May, 1978.

  
DONALD LORENZ

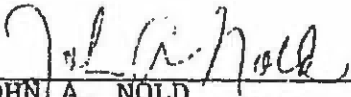
STATE OF KENTUCKY            )  
  )    SS  
COUNTY OF JEFFERSON        )

Acknowledged before me by Donald Lorenz, this the 31st day of May, 1978.

My commission expires: September 8, 1980

  
NOTARY PUBLIC  
State at Large, Kentucky

THIS INSTRUMENT PREPARED BY:

  
\_\_\_\_\_  
JOHN A. NOLD  
NOLD, MOSLEY, CLARE, HUBBARD & ROGERS  
Suite 200, Hart Block Building  
730 West Main Street  
Louisville, Kentucky 40202  
Phone: (502) 582-3891

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial statements. This includes not only sales and purchases but also expenses, income, and any other financial activity.

The second part of the document provides a detailed breakdown of the accounting process. It starts with the identification of the accounting cycle, which consists of eight steps: identifying the accounting cycle, analyzing and journalizing the transactions, posting to the ledger, preparing a trial balance, adjusting the accounts, preparing financial statements, and closing the books. Each step is explained in detail, with examples and practical advice.

The third part of the document focuses on the preparation of financial statements. It covers the balance sheet, the income statement, and the statement of owner's equity. It explains how these statements are derived from the accounting records and how they provide a comprehensive view of the company's financial health.

The fourth part of the document discusses the importance of internal controls. It outlines various control procedures, such as segregation of duties, authorization, and documentation, which are essential for preventing errors and fraud. It also discusses the role of the auditor in verifying the accuracy of the financial statements.

The fifth part of the document covers the final steps of the accounting process, including the closing of the books and the preparation of the final financial statements. It explains how the temporary accounts are closed to the permanent accounts and how the final financial statements are prepared and presented.

MWD Transfer Case Exhibit C

MWD Board Resolution Authorizing Sale to MSD



**SALE RESOLUTION OF BOARD OF DIRECTORS OF  
MIDDLETOWN WASTE DISPOSAL, INC.**


A special telephone meeting of the Board of Directors of Middletown Waste Disposal, Inc. ("MWD") was held on the 28<sup>th</sup> day of January, 2015 at 10:30 am at Louisville, KY pursuant to notice given by telephone. Present were Paul Lichtefeld, Sr. and Jack Kaninberg, constituting the full membership of said Board. All members of the Board of Directors waived formal written notice of said Special Meeting.

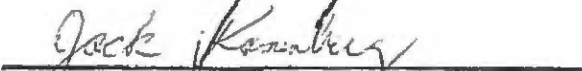
Jack Kaninberg, the Vice President, Treasurer and Secretary of MWD, discussed the negotiation of the sale of the MWD sewer system located in Jefferson County, Kentucky to the Louisville-Jefferson County Metropolitan Sewer District ("MSD"). On motion duly made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED, that MWD is hereby authorized to negotiate and complete the sale of the MWD sewer system to MSD, to enter into and execute the documents necessary to consummate the sale of said sewer system, which will include an Assets Purchase Agreement, and to take all actions necessary to consummate the sale of the system to MSD, including the signing of a Joint Application for Approval of Transfer to be filed with the Public Service Commission.

BE IT FURTHER RESOLVED, Jack Kaninberg is hereby authorized to enter into and execute any and all documents necessary to consummate the sale of the MWD sewer system to MSD, including but not limited to signing the Joint Application for Approval of Transfer.

There being no further business to come before the special meeting, the same was adjourned by unanimous consent.

  
\_\_\_\_\_  
Paul Lichtefeld, Sr. President

  
\_\_\_\_\_  
Jack Kaninberg, VP/Secretary-Treasurer

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial data. This includes not only sales and purchases but also expenses and income. The document provides a detailed list of items that should be tracked, such as inventory levels, accounts payable, and accounts receivable. It also outlines the procedures for recording these transactions, including the use of double-entry bookkeeping to ensure that the books are balanced.

The second part of the document focuses on the analysis of the financial data. It explains how to calculate key financial ratios and metrics, such as the gross profit margin, operating profit margin, and return on investment. These calculations are essential for understanding the company's financial performance and identifying areas for improvement. The document also discusses the importance of comparing the company's performance to industry benchmarks and providing a clear explanation of the reasons for any variances.

The final part of the document covers the preparation of financial statements. It provides a step-by-step guide to creating the income statement, balance sheet, and cash flow statement. It also discusses the importance of auditing the financial statements to ensure their accuracy and reliability. The document concludes with a summary of the key findings and recommendations for the future, emphasizing the need for continued monitoring and reporting of financial performance.

MWD Transfer Case Exhibit D

PSC Order Approving Hillridge Facilities Transfer to MSD – Case No. 2012-00373

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF HILLRIDGE )  
FACILITIES, INC. AND LOUISVILLE AND )  
JEFFERSON COUNTY METROPOLITAN )  
SEWER DISTRICT FOR APPROVAL OF ) CASE NO. 2012-00373  
TRANSFER OF THE HILLRIDGE WASTEWATER )  
TREATMENT PLANT AND COLLECTION )  
SYSTEM TO LOUISVILLE AND JEFFERSON )  
COUNTY METROPOLITAN SEWER DISTRICT )

ORDER

Hillridge Facilities, Inc. ("Hillridge") and Louisville and Jefferson County Metropolitan Sewer District ("MSD")<sup>1</sup> have jointly applied for approval of MSD's acquisition of Hillridge's sewage treatment and collection facilities.

Having reviewed the application and being otherwise sufficiently advised,<sup>2</sup> the Commission finds that:

1. Hillridge is a Kentucky corporation<sup>3</sup> that is organized pursuant to KRS Chapter 271B.

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<sup>1</sup> MSD has joined in the Application "as a perfunctory matter and not as a mandatory requirement." Joint App. ¶ 10. MSD takes the position that "as a public, municipally owned sewer district, and political subdivision, it is exempt from PSC oversight under KRS 278.040(2), the statutory exemption afforded special districts." *Id.*

<sup>2</sup> The Applicants tendered their Application on August 20, 2012. They subsequently supplemented their Application to conform to 807 KAR 5:001, Section 8(3). The Commission accepted the Application, as amended, on August 24, 2012.

<sup>3</sup> See <https://app.sos.ky.gov/corpscans/90/0023190-09-99999-19650921-ART-4065440-PU.pdf> (last visited Aug. 31, 2012).

2. Hillridge owns and operates subdivision sewage collection and treatment facilities that serve approximately 720 customers in the Hillridge, Hillridge East, Watterson Trail, and Bristol Oak Subdivisions of Jefferson County, Kentucky.<sup>4</sup>

3. Hillridge's treatment and collection facilities consist of an extended aeration treatment plant with a maximum daily treatment capacity of 326,500 gallons; four pumping stations; and 36,685 linear feet of 8-inch clay collection main. The treatment plant was constructed in 1965.<sup>5</sup>

4. As of December 31, 2011, Hillridge had total net utility plant of \$305,768.<sup>6</sup>

5. As of December 31, 2011, Hillridge had total assets of \$548,776.<sup>7</sup>

6. As of December 31, 2011, Hillridge had total liabilities of \$161,214, which consisted of notes payable of \$136,499, accounts payable of \$16,944, and accrued taxes and interest of \$7,771.<sup>8</sup>

7. MSD is a metropolitan sewer district created pursuant to KRS Chapter 76.

8. MSD provides sanitary sewer and drainage services to approximately 230,240 customers in Jefferson County, Kentucky.<sup>9</sup>

9. MSD operates six large wastewater treatment facilities and 14 small wastewater treatment plants, which are similar in size and design to Hillridge's sewage

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<sup>4</sup> *Annual Report of Hillridge Facilities, Inc to the Public Service Commission for the Year Ended December 31, 2011 ("Annual Report")* at 1 and 12.

<sup>5</sup> *Id.* at 11-12.

<sup>6</sup> *Id.* at 2.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> Louisville and Jefferson County Metropolitan Sewer District, *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011 ("Comprehensive Annual Report")* 3, available at [http://www.msdlouky.org/aboutmsd/pdfs/2011\\_MSD\\_CAFR.pdf](http://www.msdlouky.org/aboutmsd/pdfs/2011_MSD_CAFR.pdf).

treatment plant. The combined daily treatment capacity of MSD's treatment facilities is 173.4 million gallons.<sup>10</sup>

10. As of June 30, 2011, MSD employed 655 persons.<sup>11</sup> Approximately 70 of these employees are certified wastewater treatment operators.<sup>12</sup>

11. As of June 30, 2011, MSD had net plant of \$2,002,782,000.<sup>13</sup>

12. As of June 30, 2011, MSD had total assets of \$2.505 billion, total liabilities of \$1.970 billion, and total net assets of \$535,792,000.<sup>14</sup>

13. For the year ending June 30, 2011, MSD had total operating revenues of \$185,676,000 and total operating expenses of \$171,590,000.<sup>15</sup>

14. MSD has been in existence since 1946.

15. MSD is governed by a board that consists of eight members who are appointed by the Mayor of the Louisville Metro Government, subject to the approval of the Louisville Metro Council.<sup>16</sup>

16. The approval of the Louisville Metro Council is required before MSD may implement a change in its rates for service.<sup>17</sup>

17. On August 17, 2012, Hillridge and MSD entered into an Agreement that provides:

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<sup>10</sup> *Id.* at 63

<sup>11</sup> *Id.* at 18.

<sup>12</sup> App. ¶ 3.

<sup>13</sup> *Comprehensive Annual Report* at 36 (includes construction work in progress).

<sup>14</sup> *Id.* at 19.

<sup>15</sup> *Id.* at 20.

<sup>16</sup> *Id.* at 23. See also KRS 76.030.

<sup>17</sup> *Comprehensive Annual Report* at 24; KRS 76.080(10).

a. MSD will pay \$150,000 to Hillridge for Hillridge's treatment and collection facilities.

b. On October 1, 2012, MSD will begin providing service to Hillridge's customers.

c. Hillridge will retain any checks issued by the Louisville Water Company ("LWC") for services rendered through September 30, 2012.

d. Hillridge shall apply to the Commission for approval of the transfer.

e. Within ten days of closing, Hillridge will move to dismiss its appeals pertaining to the denial of its application for a Kentucky Pollution Discharge Elimination System permit.<sup>18</sup>

f. MSD will complete demolition of the Hillridge facilities on or before March 1, 2013.

g. Should MSD determine that it is necessary to operate the Hillridge facilities after September 30, 2012, it will pay to Hillridge the sum of \$3,000 per month for the first twelve months of operation, \$4,000 per month for the next twelve months, and it may not operate the plant beyond twenty-four months.

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

1. Hillridge is a utility that is subject to Commission jurisdiction.<sup>19</sup>

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<sup>18</sup> *Hillridge Facilities, Inc. v. Energy and Environment Cabinet*, No. 12-CI-00643 (Franklin Cir. Ct. Ky. May 14, 2012); *Hillridge Facilities, Inc. v. Energy and Environment Cabinet*, DOW-43685-039 (EEC Ky. filed May 14, 2012).

<sup>19</sup> KRS 278.010(3)(f).

2. MSD is not a utility and is therefore not subject to Commission regulation.<sup>20</sup>

3. As a metropolitan sewer district organized pursuant to KRS Chapter 76, MSD is a municipal corporation.<sup>21</sup>

4. MSD is a "corporation"<sup>22</sup> and a "person"<sup>23</sup> for purposes of KRS Chapter 278.

5. 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." As MSD is a person and is acquiring ownership of Hillridge's sewage treatment facilities, this statute is applicable to and requires prior Commission approval of MSD's acquisition.

6. 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." As MSD is a corporation and is acquiring control of Hillridge's utility operations through the acquisition of

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<sup>20</sup> See KRS 278.010(3)(f) (expressly excluding from definition of "utility" any person who owns facilities that are subject to regulation by a metropolitan sewer district).

<sup>21</sup> See *Rash v. Louisville & Jefferson County Metropolitan Sewer District*, 309 Ky. 442, 217 S.W.2d 232 (1948). See also *Louisville-Jefferson County Metro Ethics Com'n v. Schardein*, 259 S.W.2d 510, 513 ("the MSD is 'a public body corporate, and political subdivision"); *Fawbush v. Louisville-Jefferson County Metropolitan Sewer District*, 240 S.W.2d 622, 623 (Ky. 1951) (holding that MSD "is an independent public corporation").

<sup>22</sup> See KRS 278.010(1) (providing that a corporation "includes private, quasipublic, and public corporations, and all boards, agencies, and instrumentalities thereof, associations, joint-stock companies, and business trusts").

<sup>23</sup> See KRS 278.010(2) (providing that a person "includes natural persons, partnerships, corporations, and two (2) or more persons having a joint or common interest")



Hillridge's sewage treatment and collection facilities, this statute is applicable to and requires prior Commission approval of the transfer of those facilities.

7. KRS 278.020(6) further provides that "[a]ny acquisition of control without prior authorization [of the Commission] shall be void and of no effect."

8. While all parties to a transaction transferring ownership or control of a utility are not required to be signatories to an application to the Commission for authorization for such transaction or parties to a Commission proceeding considering such application,<sup>24</sup> the transferor and transferee are jointly responsible for ensuring Commission approval of the transfer before effecting such transfer.

9. In view of its financial assets and its status as a political subdivision of the Commonwealth, MSD has sufficient financial integrity to ensure the continuity of utility service.

10. MSD has the financial, technical, and managerial abilities to provide reasonable service to Hillridge's present customers.

11. MSD's acquisition of Hillridge's sewage treatment and collection facilities is in accordance with law, for a proper purpose, and is consistent with the public interest.

IT IS THEREFORE ORDERED that:

1. MSD's acquisition of Hillridge's sewage treatment and collection facilities is approved.

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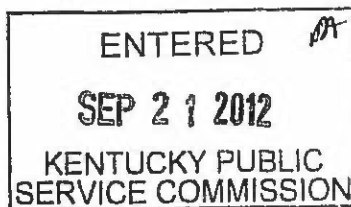
<sup>24</sup> See Case No. 2002-00018, *Application for Approval of the Transfer of Control of Kentucky-American Water Company to RWE Aktiengesellschaft and Thames Water Aqua Holdings GmbH* (Ky PSC May 30, 2002) at 11

2. Within ten days of completion of the transfer of ownership of Hillridge's sewer collection and treatment facilities, Hillridge shall file with the Commission written notice of the transfer's occurrence.

3. Within 120 days of the date of this Order, Hillridge shall file with the Commission a financial and statistical report for its sewer operations for the period from January 1, 2012 until the date of transfer of ownership.

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

By the Commission



ATTEST

  
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Executive Director