

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

THE JOINT APPLICATION OF THE CITY OF)
PLANTATION, KENTUCKY, A MUNICIPAL CORPOR-)
ATION OF THE FIFTH CLASS, SITUATED IN)
JEFFERSON COUNTY, KENTUCKY, AND PLANTATION)
SUBDIVISION PROPERTY OWNERS ASSOCIATION,)
INC., A KENTUCKY NOT-FOR-PROFIT CORPORA-)
TION, EXISTING AND ORGANIZED UNDER THE) CASE NO. 7913
LAWS OF THE COMMONWEALTH OF KENTUCKY, AND)
BEING A REGULATED UTILITY, THAT THE)
UTILITY REGULATORY COMMISSION OF THE)
COMMONWEALTH OF KENTUCKY APPROVE THE SALE)
OF THE ASSETS OF THE SAID CORPORATION AND)
THE PURCHASE OF THE SAID ASSETS BY THE)
SAID CITY.)

ORDER

On July 16, 1980, the City of Plantation, Kentucky, a municipal corporation of the fifth class, hereinafter referred to as "Purchaser," and Plantation Subdivision Property Owners Association, Inc., a Kentucky Not-For-Profit Corporation, hereinafter referred to as "Seller," respectfully filed a Joint Application with attachments thereto seeking approval of the proposed sale and transfer of all of the assets of the Seller to the Purchaser, pursuant to an Agreement of Sale and Purchase made and entered into on May 19, 1980, by and between the two Parties. The said Agreement being for the sale, transfer and assignment of all assets and liabilities of the Seller, including, but not by way of limitation, all sewer lines, lift stations and other sewer system facilities and properties, both real and personal.

This matter was set for public hearing at the Commission's offices in Frankfort, Kentucky, on October 15, 1980. All parties of interest were notified and no protests were entered. This matter is considered to be fully submitted for final determination by the Commission.

Findings in This Matter

The Commission, after consideration of the evidence of record and being advised is of the opinion and so finds:

1. That the Commission concurs with a resolution of the City Council of the Purchaser that it is in the public interest and in the interest of public health, safety and welfare of Purchaser to assume control and operation of the sewage treatment facilities in order to maintain the highest and best quality of service for its residents.

2. That the Commission concurs with Seller that the continued operation of the sewage treatment facilities by the Seller has become expensive and burdensome to the members of the Property Owners Association and that it will be more economically and feasibly handled by the Purchaser.

3. That Seller is composed of all property owners in Plantation Subdivision, various sections which comprise a substantial portion of the City of Plantation.

4. That an Agreement of Sale and Purchase was made and entered into, by and between Seller and Purchaser on May 19, 1980, in which the Seller agreed to sell and the Purchaser agreed to purchase the assets and liabilities of Seller subject to the approval of this Commission.

5. That the Purchaser is ready, willing and able to provide adequate and proper sewer services to the residents presently being served and that it will continue to employ such persons as are necessary and experienced, or maintain such contracts as are proper and appropriate, for the proper and efficient operation of the sewage facility, all by an independent Sewer Board duly constituted by the Purchaser.

6. That since municipally owned utilities are not subject to the regulatory jurisdiction of this Commission, consummation of the transfer sought herein will result in termination of this Commission's jurisdiction over the facilities acquired by the City of Plantation, Kentucky.

7. That the Seller should file with this Commission the closing journal entries upon the transfer of the assets and liabilities described herein.

Orders in This Matter

The Commission, on the basis of the findings hereinbefore set forth and the evidence of record in this matter:

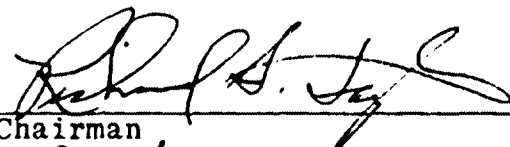
HEREBY ORDERS that the City of Plantation be and is hereby authorized to purchase the sewer facilities of the Plantation Subdivision Property Owners Association, Inc., in accordance with the terms set forth in the Agreement For Sale and Purchase dated May 19, 1980.

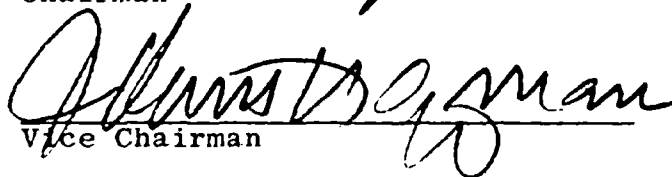
IT IS FURTHER ORDERED that upon consummation of the transfer approved herein, the regulatory jurisdiction of this Commission concerning the Plantation Subdivision Property Owners Association, Inc., shall cease.

IT IS FURTHER ORDERED that the Plantation Property Owners Association, Inc., shall file with this Commission the closing journal entries upon or no later than thirty (30) days after the transfer of the assets and liabilities described herein.

Done at Frankfort, Kentucky, this 24th day of October, 1980.

UTILITY REGULATORY COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

Order of this Commission will address the matter of the establishment of initial rates for water and sewage services.

A copy of a letter from the Sanitary Engineering Division of the Kentucky Department for Natural Resources and Environmental Protection approving the plans and specifications is on file with this Commission.

Findings in This Matter

The Commission, after consideration of all the evidence of record and being advised, is of the opinion and FINDS:

1. That public convenience and necessity requires construction of the proposed water distribution system by the Applicant in the area defined in the Application.

2. That the total project proposed by the Applicant consists of the construction of approximately 11 miles of distribution mains, a 75,000 gallon storage tank, a booster pumping station, purchase of the existing water and sewage systems of the city of Hazel, Kentucky, and approximately 54 new water service connections at a total project cost of \$1,140,000.00.

3. That the Applicant will be obligated to maintain the continuance of service to approximately 229 water customers and to 216 sewage customers presently serviced by the city of Hazel. Further that a copy of the contract entered into between the city of Hazel and the Applicant has been made a part of the record in this matter. Said contract assigns all rights, titles, and interest in the Hazel Water and Sewage Systems to the Applicant, with the Applicant assuming the responsibilities of: operating and maintaining said water and sewage systems; providing water services and sewage disposal services to the customers of said systems at the approved rates of the District; and retirement of the present indebtedness of the Hazel Water and Sewage Systems by inclusion of the refinancing thereof in the total scope of the Applicant's financing plan.

4. That any construction deviations from the contract plans and specifications, herein approved, which could adversely

affect service to any customer should be subject to the prior approval of this Commission.

5. That the financing of this project composed of \$8,000.00 in Applicant contributions, a FmHA grant of \$660,000.00 and a FmHA loan of \$472,000.00 is for lawful objects within the corporate purposes of the Applicant, is necessary and appropriate for and consistent with the proper performance by the Applicant of its service to the public and will not impair its ability to perform that service.

6. That the financing plan for this project provides a \$8,000.00 initial operation and maintenance fund to be used by the District to supplement its revenues during initial operations. Further that this \$8,000.00 initial operations and maintenance fund should be established by the District to be utilized proportionately over the first 3 years or more of operations as set forth in the Farmers Home Administration's letter of conditions dated March 23, 1979.

7. That in the interest of providing the means for an expedient award of a construction contract for the proposed project, this Order primarily addresses the matter of the proposed construction. As an adjunct thereto, it also addresses the proposed acquisition of the Hazel systems and the proposed method of financing. The matters pertaining to the establishment of initial rates for water services and sewage services are not addressed by this Order. No specific findings regarding the said rates are included herein except the following general matters: "Revenue Requirements" will include the Utility's obligations for payment of principal and interest on the proposed 1980 bonds as well as the expenses for operations, maintenance and management. The "Rates" to be set by the Commission in this matter should provide for revenues that will enable the Bonds of 1980 to be issued on the basis of a coverage factor of 1.2 times debt service requirements.

8. That the Applicant should furnish the Commission with duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs

(engineering, legal, administration, etc.) within sixty (60) days of the date that construction is substantially completed. Further, that the documents should clearly separate the costs for the major components of the system such as (1) water mains (2) pumping stations, (3) storage tanks, etc..

9. That a 5/8" x 3/4" meter should be the standard customer service meter and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter. Further, that any customer with a larger meter, with the exception of special contract customers, should pay for the service in accordance with the Applicant's approved meter size rate schedules.

10. That the contract between the Applicant and the Engineer should require the Engineer to provide full-time resident inspection under his supervision to insure that the construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

11. That within sixty (60) days of the date of substantial completion of this construction the Applicant should require the Engineer to furnish this Commission with a copy of the "As-Built Plans" and a certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

12. That the Applicant should file with this Commission all contracts concerning services provided by or contracted for the District which are subject to the Commission's approval.

ORDERS IN THIS MATTER

The Commission, on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

HEREBY ORDERS That the South 641 Water District be and it is hereby granted a Certificate of Public Convenience and Necessity to construct a water distribution system in the area set forth in the application in accordance with the contract plans and specifications of record in this matter.

IT IS FURTHER ORDERED That any construction deviations from the contract plans and specifications, approved herein, which could adversely affect the service to any customer should be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED That the South 641 Water District be and it is hereby authorized to finance this construction project by \$8,000.00 in Applicant contributions, a \$660,000.00 FmHA grant and a \$472,000.00 FmHA loan at an interest rate not to exceed 5%. This \$1,140,000.00 in project funds shall be used only for lawful objects as set forth in the application.

IT IS FURTHER ORDERED That the South 641 Water District shall establish a \$8,000.00 initial operations and maintenance fund to be utilized proportionately over the first 3 years of operation to supplement revenues in accordance with the conditions set forth in the Farmers Home Administration's letter of conditions dated March 23, 1979.

IT IS FURTHER ORDERED That the South 641 Water District shall file with this Commission duly verified documentation showing the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) in accordance with Finding # 8 within sixty (60) days of the date that construction is substantially completed.

IT IS FURTHER ORDERED That a 5/8" x 3/4" meter shall be the standard customer service meter and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter. Further, that any customer with a larger meter, with the exception of special contract customers, shall pay for that service in accordance with the Applicant's approved meter size rate schedule.

IT IS FURTHER ORDERED That the contract between the South 641 Water District, and the Engineer shall require the Engineer to provide general engineering supervision and full-time resident inspection to insure that the contractor's construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

IT IS FURTHER ORDERED That the South 641 Water District shall require the Engineer, within sixty (60) days of the date of

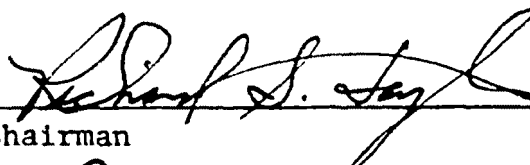
substantial completion of the proposed construction, to furnish this Commission with a copy of the "As-Built Plans" and a certification that the construction has been satisfactorily completed and was done in accordance with the contract plans and specifications.

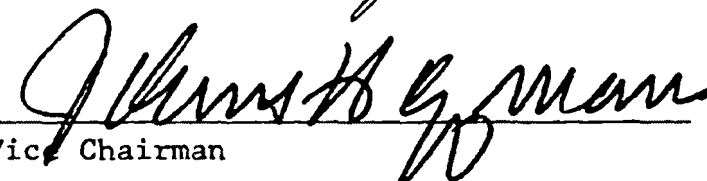
IT IS FURTHER ORDERED That the South 641 Water District shall file with this Commission all contracts concerning services provided by or contracted for the Applicant which are subject to the Commission's approval within thirty (30) days of the date of this Order.

Nothing contained herein shall be deemed a warranty by the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky this 24th day of October, 1980.

PUBLIC SERVICE COMMISSION OF KENTUCKY


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary