

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE MASSAC)
WATER ASSOCIATION AND THE CITY) CASE NO. 9141
OF PADUCAH FOR APPROVAL OF THEIR)
LEASE-PURCHASE AGREEMENT)

O R D E R

On September 17, 1984, Massac Water Association, Inc., ("Massac") filed a joint application with the municipally-owned Paducah Water Works ("Paducah") requesting approval of the leasing of all assets of Massac to Paducah. An agreement was signed September 12, 1984, whereby Paducah agreed to lease all assets of Massac for the purposes of managing, operating and maintaining the same until the repayment of the existing debt of Massac to the Farmers Home Administration and thereafter Massac shall permit Paducah, at its option, to purchase the remaining assets for a nominal consideration.

The Commission, having considered the joint application and being advised, is of the opinion and finds that:

1. The City of Paducah presently owns a municipal water distribution and treatment system which is operated by the Paducah Water Works and serves approximately 13,500 customers.

2. The Massac water system serves 402 customers and is presently connected to the Paducah water system.

3. Paducah has been supplying water to Massac since approximately January, 1977.

4. Massac desires to lease and to ultimately sell its water distribution system to Paducah and Paducah desires to lease and to ultimately purchase Massac's water system.

5. Paducah possesses the requisite expertise to operate and maintain the Massac water distribution system in an adequate, efficient and reasonable manner.

6. Massac should maintain its corporate existence and comply with all applicable regulations of this Commission during the life of the lease.

7. Paducah should act as an agent for Massac and assist in the regulatory compliance of Massac during the life of the lease.

8. Massac should notify the Commission immediately of any change in the status of the lease with Paducah.

9. Massac should obtain the additional approval of the Commission at such future time that the actual transfer or sale of its system to Paducah is finalized.

10. The Farmers Home Administration, USDA, is the holder of the outstanding indebtedness of Massac and should approve any lease-purchase agreement.

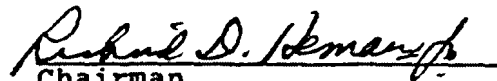
IT IS THEREFORE ORDERED that the lease by Massac of its water distribution system to Paducah be and it hereby is

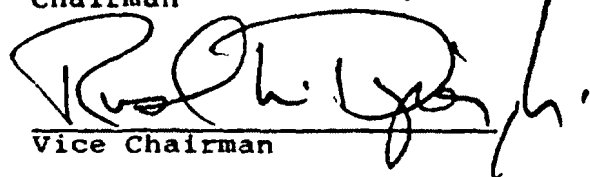
approved subject to the concurrent approval of the Farmers Home Administration.

IT IS FURTHER ORDERED that Massac and Paducah shall comply with the matters set out in findings 6 through 9 above as if the same had been individually so ordered.

Done at Frankfort, Kentucky, this 14th day of December, 1984.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary