

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF LYON COUNTY)
WATER DISTRICT, LYON COUNTY,)
KENTUCKY [1] FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND)
NECESSITY AUTHORIZING SAID)
DISTRICT TO CONSTRUCT MAJOR)
IMPROVEMENTS AND EXTENSIONS TO)
ITS EXISTING MUNICIPAL WATER) CASE NO. 9120
DISTRIBUTION SYSTEM PURSUANT)
TO THE PROVISIONS OF CHAPTER)
74 OF THE KENTUCKY REVISED)
STATUTES; AND [2] SEEKING)
APPROVAL OF THE ISSUANCE OF)
CERTAIN SECURITIES; AND [3] FOR)
AN ADJUSTMENT OF RATES; AND)
[4] APPROVAL OF PURCHASE LAKE)
BARKLEY WATER SYSTEM, INC.)

O R D E R

On January 11, 1985, Lyon County Water District ("Lyon County") and Lake Barkley Water System, Inc., ("Lake Barkley") filed with the Commission a joint application requesting approval of the sale and transfer of a certain water utility plant (the "Facility") from Lake Barkley to Lyon County. The application further included a request by Lake Barkley to finance the transfer with a proposed loan from the Farmers Home Administration ("FmHA").

There were no intervenors in this matter and all of the requested information has been filed at this time.

COMMENTARY

Lake Barkley is owned and operated by the Honorable James E. Story, Attorney at Law, and Lyon county is a non-profit water utility located in Lyon County, Kentucky. The facility serves approximately 130 customers and is located south of Eddyville in Lyon County, Kentucky.

DISCUSSION OF ISSUES

Lyon County proposed to charge the customers of Lake Barkley a per customer "tap-on fee" in the amount of \$300 for the connection to the Lyon County system. In order for the Lake Barkley customers to be connected to the original Lake Barkley system it was necessary for each of the prospective customers to purchase a share of stock for \$300. Due to customer complaints Lake Barkley and Lyon County agreed that Lake Barkley would pay to Lyon County the value of each of its customers' share of stock and in turn Lyon County would waive the "tap-on fee". The Commission is of the opinion that it would be unfair, unjust and unreasonable to make the existing customers of Lake Barkley to pay a second connection fee and therefore concurs with the aforementioned agreement between Lake Barkley and Lyon County.

Lyon County should maintain its books of account in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission. Accounting for acquisition includes:

- a. Recording the utility plant acquired at its original cost to the person first devoting it to public service,

estimated if not known, in the appropriate utility plant in service accounts;

b. Crediting the requirements for accumulated provision for depreciation and amortization applicable to the original cost of the properties acquired to the appropriate account for accumulated provision for depreciation and amortization;

c. Transferring the cost of any non-utility property to Account No. 121--Non-utility Property;

d. Crediting Contributions in Aid of Construction, estimated if not known, to Account No. 271--Contributions in Aid of Construction; and

e. Including in Account No. 108--Utility Plant Acquisition Adjustment, any difference between the purchase price and the original cost of the utility plant and non-utility property less the amounts credited to accumulated depreciation and amortization reserves and contribution in aid of construction.

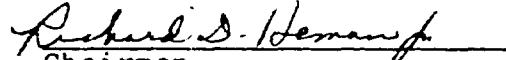
IT IS THEREFORE ORDERED that:


1. The transfer of ownership of the Facility from Lake Barkley to Lyon County be and it is hereby approved contingent upon the approval of the FmHA loan.

2. The sale and transfer of assets be recorded in accordance with the above requirements.

Done at Frankfort, Kentucky, this 11th day of November, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary