

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TRANSFER OF ELK LAKE SHORES WATER COMPANY,)
INC., TO EUREKA INVESTMENTS, INC.) CASE NO. 9932

O R D E R

On May 6, 1987, Eureka Investments, Inc., ("Eureka") filed an application for approval of the transfer of ownership of the Elk Lake Shores Water Company, Inc., ("Elk Lake Shores") to Eureka.

Under the terms of an agreed judgment entered in Owen Circuit Court on July 21, 1987, Elk Lake Shores conveyed all of its assets, including all account receivables, inventory, fixtures, equipment and real estate, to Eureka. Elk Lake Shores had provided service to customers in Owenton, Kentucky.

The Commission, having reviewed the information provided by Eureka as well as its financial, technical and managerial abilities, is of the opinion that Eureka is ready, willing and able to provide reasonable service to the customers of Elk Lake Shores.

The Commission, however, is concerned with the current condition of the physical assets transferred to Eureka. In March and October 1986, the Commission staff inspected Elk Lake Shores' physical plant and found several deficiencies. Any of these deficiencies, if still existing, would constitute a violation of the Commission's Regulations. A copy of the Reinspection Report is attached hereto as Appendix A.

IT IS THEREFORE ORDERED that:

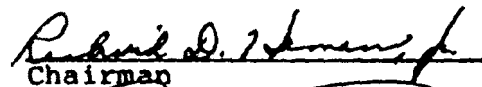
1. The transfer of Elk Lake Shores to Eureka by sale of assets shall be and hereby is approved.

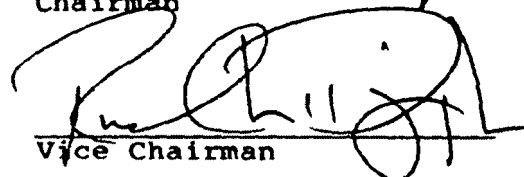
2. Eureka shall have the responsibility for filing with the Commission an annual report for the portion of 1987 in which it operated.

3. Eureka shall advise the Commission as to which deficiencies listed in Appendix A, if any, still exist. Eureka shall further advise the Commission as to its plans to correct these deficiencies.

Done at Frankfort, Kentucky, this 8th day of September, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

Commonwealth of Kentucky
Public Service Commission

REPORT OF REINSPECTION

Elk Lake Shores Water Company
Owenton, Kentucky

October 9, 1986

A periodic inspection of Elk Lake Shores Water Company was made March 14, 1986.

At that time the following deficiencies were noted:

1. The Company has no master meter to measure the quantity of water produced as required by Section 7 (1) of 807 KAR 5:066.
2. The 100,000-gallon storage facility is in need of inspection and cleaning as required by Section 23 (5)(a) of 807 KAR 5:006 and Section 4 (4)(a) of 807 KAR 5:066.
3. Pressure surveys are not being performed as required by Section 6 (3) of 807 KAR 5:066.
4. The Company does not flush dead-end lines as required by Section 9 (2) of 807 KAR 5:066.
5. The Company has no meter-test program nor history cards on each meter as required by Section 13 and Section 15 of 807 KAR 5:006.
6. There is no emergency standby pumping equipment in the event of failure of the primary pumping facilities as required by Section 5 (3) of 807 KAR 5:066.
7. The Company is charging a \$250.00 connection fee for new customers which is in violation of Section 14 (3)(a) of 807 KAR 5:066.

Elk Lake Shores did not respond to this inspection as it was directed by Claude G. Rhorer, Jr., in his letter of April 1, 1986. On August 8, 1986, a reinspection of the utility was conducted to

Report - Elk Lake Shores Water Company
Page 2
October 9, 1986

determine if the deficiencies had been corrected. This follow-up inspection was conducted with the assistance of Michael Dowdy, Plant Production Manager of the utility. None of the previously reported deficiencies have been corrected.

Summary

The Elk Lake Shore Water Company has failed to correct deficiencies reported in three consecutive inspections of 1984, 1985, and 1986. In addition Elk Lake Shores has failed to comply with the Commission's Order in C.N. 9338 which directed the utility to prepare and follow a plan for accomplishment of work essential to its compliance with Commission regulations.

Recommendations

Several of the deficiencies listed above are repeated from the 1984 inspection of the Elk Lake Shores Water Company. The Company has not corrected these deficiencies in spite of its being directed to do so. In addition the Company has not complied with the Commission Order in C.N. 9338. It is therefore recommended that the Commission conduct show cause proceedings for the purpose of assessing penalties against the Company, its officers, and employees as provided by KRS 278.990.

Submitted,
October 9, 1986


George E. Allison
Utility Investigator

CGR:GEA:aem