

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH GRAVES WATER)	
DISTRICT, WINGO, KENTUCKY, AND RICHARD)	
CROTZER, PRESENT OPERATOR OF PILOT OAK)	CASE NO. 91-415
WATER DISTRICT, AND J.T. HEDGE, FORMER)	
OPERATOR OF PILOT OAK WATER DISTRICT)	

O R D E R

By Joint Application filed November 7, 1991, South Graves Water District ("South Graves") and Richard Crotzer and J.T. Hedge, present and former operators, respectively, of Pilot Oak Water Supply ("Pilot Oak") request the Public Service Commission approve the transfer of assets of Pilot Oak to South Graves. Attached as exhibits to the petition are the contract of sale between the parties and a letter agreement between Mr. Hedge and Mr. Crotzer.

The contract of sale provides that Mr. Crotzer and Mr. Hedge have entered into an agreement with South Graves to transfer the assets, liabilities, and the distribution system of Pilot Oak and, that once acquired, all Pilot Oak properties will be operated in accordance with recognized standards currently utilized by South Graves. Subsequent to the transfer, the rates charged to the former Pilot Oak customers will be such rates as have been established and approved by the Public Service Commission for customers of similar classes on the South Graves' system. South Graves will assume obligations related to existing water use

agreements between Pilot Oak and its members or may require new water use agreements. The petition reflects that Richard Crotzer mailed written notices to all 38 customers of Pilot Oak advising them of the proposed transfer and that no significant critical comments were received.

KRS 278.020(4) provides that the Commission shall grant its approval of a proposed transfer if the entity acquiring the utility has the financial, technical, and managerial ability to provide reasonable service. In this instance, South Graves is a water district formed pursuant to KRS Chapter 74. A review of South Graves' annual reports for both calendar years 1989 and 1990 reflects that South Graves served an average of 706 customers and had averaged gross annual revenues of \$129,610. These reports indicate that South Graves has operated with a positive cash flow the last two years and the Commission believes that the addition of 38 additional customers will have a de minimus impact upon the ongoing operations of South Graves. South Graves will use its operational personnel to continue the operations of Pilot Oak and will apply the same managerial and technical abilities to Pilot Oak that are currently applied to the operation of South Graves.

South Graves intends to serve the Pilot Oak customers under its existing and approved rate schedule. The rate currently charged to those customers by Pilot Oak is a flat monthly fee of \$18.55. Under the residential rate schedule approved for South Graves, using an average for residential consumption of 5,000 gallons per month, the average residential bill would decrease to approximately \$17.50 per month. The petition reflects that the

customers of Pilot Oak have not raised any substantial objection to a decrease in rates and metering of service.

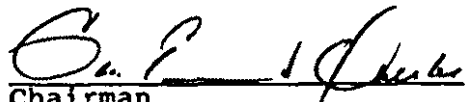
After consideration of the petition, the contract, and other matters of record and after review of the last two years annual reports filed by South Graves, and being otherwise sufficiently advised, the Commission finds that the transfer of the assets, liabilities, and customers currently served by Pilot Oak to South Graves should be approved as South Graves possesses the requisite financial, managerial, and technical expertise to continue to provide reasonable service to the customers currently served by Pilot Oak.

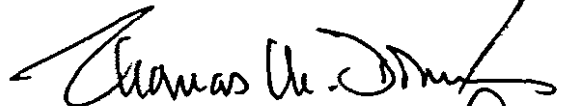
IT IS THEREFORE ORDERED that the transfer of the assets and liabilities of Pilot Oak to South Graves be and it hereby is approved effective on and after the date of this Order.

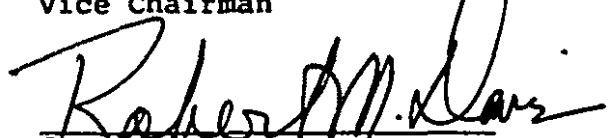
IT IS FURTHER ORDERED that within 10 days of the date of this Order South Graves shall file an executed copy of the contract of sale with the Commission, and shall also file a statement certifying that all assets have been transferred and Pilot Oak has ceased operating as a public utility.

Done at Frankfort, Kentucky, this 6th day of January, 1992.

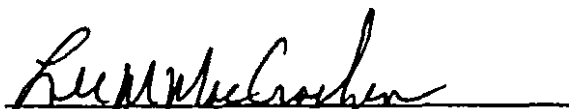
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director