

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF P.R. WASTEWATER)
MANAGEMENT, INC. FOR APPROVALS OF) CASE NO. 96-238
OWNERSHIP AND OPERATION, TARIFF, AND)
INITIAL RATES)

O R D E R

P.R. Wastewater Management, Inc. ("P.R. Wastewater") has applied to the Commission for authority to acquire the sewage treatment facility presently owned by Persimmon Ridge Golf Course, Inc. d/b/a Persimmon Ridge Development ("Persimmon Ridge") and operated through a lease agreement by the Persimmon Ridge Homeowners' Association ("Homeowners' Association"). P.R. Wastewater also requested a Certificate of Public Convenience and Necessity to operate the facility, approval of its initial rates for service, and approval of its proposed plan of financing.

This Order will address the transfer, initial operations, and financing portion of the application. By subsequent Order in this case, the Commission will address the rates necessary to provide P.R. Wastewater with an opportunity to recover its reasonable operating costs, service its debt, and provide a reasonable surplus for equity growth.

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that the sewage treatment facility in question is located in the Persimmon Ridge Development off of Aiken Road in Western Shelby County, Kentucky. It currently provides service to 118 lots, with 35 additional lots planned to be developed

in 1997. P.R. Wastewater was formed in March 1989 for the purpose of owning and operating the sewage treatment facility. Due to time constraints, rather than seek the Commission's approval to operate the facility at that time, the owners of Persimmon Ridge, which are also the owners of P.R. Wastewater, leased the facility to the Homeowners' Association. Under the lease, which has been month-to-month since May 1994, the Homeowners' Association was responsible for the electric, chemical and lab bills, as well as management fees.

The owners of Persimmon Ridge have operated and maintained the sewage treatment facility since its inception through a management arrangement with the Homeowners' Association. Thus, after the transfer the facility will remain under the same management and under the supervision of the current licensed operator. There will be no disruption in service. P.R. Wastewater now wishes to own and operate the facility under the jurisdiction of the Commission to ensure the future growth and expansion of the facility, to ensure the proper management of the facility, and to ensure the safety and well-being of those connected to and involved with the facility.

P.R. Wastewater has entered into an agreement with Persimmon Ridge to purchase the facility and the 16+ acres on which it is located, along with all water withdrawal rights and easements, for \$112,350.00. P.R. Wastewater proposes to finance this purchase through a loan from First Capital Bank of Kentucky in the amount of \$125,000.00. The amount of the loan in excess of the purchase price will be utilized for working capital requirements. Repayment will be based on a 15 year amortization period, with payments of principal and interest due on a quarterly basis. The loan is to

be jointly and severally guaranteed by Lawren A. Just, Elmore A. Just, and Persimmon Ridge.

After the transfer of the sewage treatment facility is completed, P.R. Wastewater will be a utility within the definition of KRS 278.010(3)(f) and therefore subject to the Commission's jurisdiction. Pursuant to KRS 278.020(4), persons under the jurisdiction of the Commission are required to receive Commission approval prior to the acquisition or transfer of ownership or control of a utility. KRS 278.020(5) prohibits any entity from acquiring control of any utility under the jurisdiction of the Commission without prior approval.

Based on the evidence of record, the Commission finds that the proposed transfer of the sewage treatment facility from Persimmon Ridge to P.R. Wastewater is feasible, is in the public interest, and is consistent with KRS 278.020(4) and (5). The transfer will not work to the detriment of those persons served by the sewage facility. The Commission finds that the financing plan proposed by P.R. Wastewater is for lawful objects within its corporate purpose, is necessary and appropriate for the consistent and proper performance of its service to the public and will not impair its ability to perform this service. The Commission finds that P.R. Wastewater has the financial, technical, and managerial abilities to operate the sewage treatment facility, through an experienced contract operator, so that the customers presently served by Persimmon Ridge through the Homeowners' Association will continue to receive adequate and reasonable sewage service.

IT IS THEREFORE ORDERED that:

1. The transfer of the sewage treatment facility located at the Persimmon Ridge Development in Shelby County, Kentucky, from Persimmon Ridge to P.R. Wastewater is approved.

2. P.R. Wastewater is granted a Certificate of Public Convenience and Necessity to operate the sewage treatment facility located at the Persimmon Ridge Development in Shelby County, Kentucky.

3. The financing plan proposed by P.R. Wastewater through First Capital Bank of Kentucky is approved.

4. P.R. Wastewater shall notify the Commission within ten days of the date of closing of the proposed transfer or, in the alternative, shall notify the Commission if the proposed transfer does not occur.

5. Within 30 days of the date of transfer, P.R. Wastewater shall file with the Commission a list of all assets received from Persimmon Ridge in the transfer.

6. Within 30 days of the date of transfer, P.R. Wastewater shall file with the Commission the accounting entries used to record the transfer.

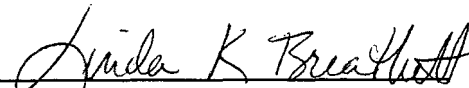
7. Nothing contained herein shall be construed as constituting approval of any other portion of P.R. Wastewater's application.

8. P.R. Wastewater's application for approval of initial rates is continued generally.

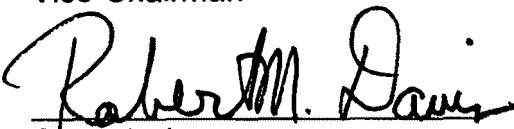
Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 26th day of August, 1996.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director