

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF EAST KNOX WATER)	
DISTRICT AND DEWITT WATER DISTRICT FOR)	CASE NO. 2000-530
APPROVAL OF MERGER AGREEMENT)	
)	

ORDER

East Knox Water District ("East Knox") and Dewitt Water District ("Dewitt") (collectively "the Joint Applicants") have applied pursuant to KRS 74.363 for Commission approval of their proposed merger and the formation of the Knox County Utility Commission ("KCUC").

Having considered the application and the evidence of record, the Commission finds that:

1. East Knox is a water district organized pursuant to KRS Chapter 74. It was established in 1965. East Knox's mailing address is P. O. Box 8, Artemus, Kentucky 40903.
2. As of December 31, 1999, East Knox provided water service to approximately 1,232 customers in Knox County, Kentucky.
3. As of December 31, 1999, East Knox had total utility plant of \$1,600,921.
4. As of December 31, 1999, East Knox had total assets and other debits of \$1,038,298 and total liabilities of \$873,926.
5. For the operating year ended December 31, 1999, East Knox had a net income of \$13,551 based upon total operating revenues and other income of \$440,096.

6. As of December 31, 1999, East Knox had long-term debt of \$810,000.
7. A three-member board of commissioners manages East Knox.
8. East Knox is managed by Roy Sowders, who also manages the Dewitt.
9. East Knox operates its own water production facilities that provide most of East Knox's total water requirements. As of December 31, 1999, East Knox purchased 3,673,900 gallons of water from the Barbourville Utilities Commission.
10. East Knox's only wholesale customer is Dewitt.
11. Dewitt is a water district organized pursuant to KRS Chapter 74. It was established in 1967. Dewitt's mailing address is P. O. Box 8, Artemus, Kentucky 40903.
12. As of December 31, 1999, Dewitt provided water service to approximately 598 customers in Knox and Whitley counties, Kentucky.
13. As of December 31, 1999, Dewitt had total utility plant of \$2,117,027.
14. As of December 31, 1999, Dewitt had total assets and other debits of \$1,886,459 and total liabilities of \$521,071.
15. For the operating year ended December 31, 1999, Dewitt had a net income of \$(16,427) based upon total operating revenues and other income of \$167,642.
16. As of December 31, 1999, Dewitt had total long-term debt of \$509,000.
17. A three-member board of commissioners manages Dewitt.
18. Dewitt currently has no employees to operate its water distribution system. Its manager is Roy Sowders, who also manages East Knox. In its annual report filed for the year ending December 31, 1999, Dewitt states that Mr. Sowders' salary is \$30,336.¹

¹ Dewitt Water District 1999 Annual Report, p. 6.

However, Dewitt states further that it paid no salaries, wages or benefits for any employee in 1999.²

19. Dewitt does not operate any water production facilities. Dewitt purchases its total water requirements from East Knox and the city of Corbin, Kentucky.

20. On May 14, 1999, the Joint Applicants executed a Merger Agreement.

21. Under the terms of the Merger Agreement, the Joint Applicants will merge to form KCUC. KCUC will assume all assets and liabilities of East Knox and Dewitt. After the merger, KCUC will meet its needs through its own production and distribution facilities and purchasing water from the city of Corbin.

22. The proposed merger will result in no immediate change in existing rates for water service for either East Knox or Dewitt.

23. The Joint Applicants state that the merger will be in the best interests of the customers and that the merger will eliminate duplication of certain costs.

24. The current level of service provided by the Joint Applicants will not suffer as a result of the proposed merger and subsequent formation of KCUC.

25. KCUC will have the financial, technical, and managerial abilities to provide reasonable service.

26. KRS 74.361 provides:

[R]eduction of the number of operating water districts in the Commonwealth will be in the public interest, in that mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the

² Id. at 22.

general public; and that the public policy favors the merger of water districts wherever feasible.

27. The proposed merger is consistent with the objectives set forth in KRS 74.361.

28. The proposed merger is made in accordance with law, is for a proper purpose, and is consistent with the public interest.

29. The Joint Applicants state that if the merger is approved, KCUC will obtain bonds in the amount of \$1,535,800 for \$702,500 of East Knox bonds and \$833,300 of Dewitt bonds.

IT IS THEREFORE ORDERED that:

1. The proposed merger is approved.
2. Upon completion of the proposed merger, KCUC shall immediately advise the Commission of the merger and shall file an adoption notice, adopting, ratifying and making its own all rates, rules, and classifications of the Joint Applicants in effect at the time of the merger.
3. Within 10 days after the filing of its adoption notice, KCUC shall issue and file in its own name rate schedules which shall set out the Joint Applicants' rates then in effect in accordance with Administrative Regulation 807 KAR 5:011.
4. East Knox and Dewitt shall each file a separate annual report of their operations for calendar year 2000.

5. KCUC shall file with the Commission a copy of all ordinances and resolutions enacted by Knox County and Whitley County Fiscal Courts to effect the proposed merger.

6. The Joint Applicants' request for authority to issue bonds for the indebtedness of East Knox and Dewitt, as set forth in their application, is granted.

Done at Frankfort, Kentucky, this 29th day of January, 2001.

By the Commission

ATTEST:


Executive Director