

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF EDMONSON	)	
COUNTY WATER DISTRICT AND CAVELAND	)	
SANITATION AUTHORITY, INC. D/B/A	)	
CAVELAND ENVIRONMENTAL AUTHORITY	)	CASE NO.
FOR THE APPROVAL OF THE TRANSFER	)	2018-00127
OF THE SEWER SYSTEM IN THE	)	
CHALYBEATE AREA EAST OF THE	)	
GREEN RIVER	)	

ORDER

Edmonson County Water District (Edmonson District) and Caveland Sanitation Authority d/b/a Caveland Environmental Authority (Caveland) have jointly applied for the transfer of the sewer system serving the Chalybeate area in Edmonson County, Kentucky, east of the Green River to Caveland. In support of this request, Edmonson District and Caveland (Joint Applicants) have submitted an Assets Acquisition and Operations Agreement (Agreement) containing the terms of the transfer. No person has sought to intervene in this proceeding, and Joint Applicants have not requested a formal hearing. Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:

1. Edmonson District is a water district created and existing under, and by, virtue of Chapter 74 of Kentucky revised statutes and is therefore a utility subject to the Commission's jurisdiction pursuant to KRS 278.010(3)(f) and KRS 278.040.

2. Edmonson District serves approximately 64 sewer customers located in the Chalybeate area of Edmonson County on the East side of Green River.<sup>1</sup>

3. Edmonson District also operates a water district.

4. Caveland is a Kentucky Corporation in good standing, organized May 27, 1987.<sup>2</sup> Caveland was formed as a non-profit, no-stock public corporation, whose purpose is “to assist and cooperate . . . in the planning, development, acquisition, construction, installation, operation, management, financing and refinancing of sewer system projects....”<sup>3</sup>

5. Pursuant to the Agreement, Edmonson District agrees to sell Caveland all the assets associated with the sewer system in the Chalybeate area in Edmonson County, Kentucky east of the Green River.<sup>4</sup>

6. Caveland agrees that all residential and business sewer system customers shall pay the same sewer rates no matter where located with the initial rate being \$11.20 for the first 2,000 gallons, and \$5.60 for every 1,000 gallons used thereafter. Caveland agrees not to pass on rate increases for a period of at least two years after closing.<sup>5</sup>

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<sup>1</sup> Edmonson County Water District’s and Caveland Sanitation Environmental Authority’s Responses to Commission Staff’s First Request for Information to Joint Applicants, Request No. 2.

<sup>2</sup> Application, at 2.

<sup>3</sup> *Id.* Exhibit D at 2.

<sup>4</sup> *Id.* at 3.

<sup>5</sup> *Id.* Exhibit A at 12.

7. According to its most recent Financial Audit, Caveland had, as of June 30, 2017, total assets of \$24,598,913, including \$1,197,987 in total current assets, \$22,913,704 in net capital assets, and \$5,351,838 in total liabilities.<sup>6</sup>

8. KRS 278.020(6) provides that “[n]o person shall acquire or transfer ownership or, or control, or the right to control, any utility under the jurisdiction of the commission . . . without prior approval by the commission. The commission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service.”

9. KRS 278.020(7) provides that “[n]o individual, group, syndicate, general or limited partnership, association, corporation, joint stock company, trust, or other entity (an acquirer), whether or not organized under the laws of this state, shall acquire control, whether directly or indirectly, of any utility furnishing utility service in this state, without first having obtained the approval of the commission.” KRS 278.020(7) further provides that the “commission shall approve any proposed acquisition when it finds that the same is to be made in accordance with law, for a proper purpose and is consistent with the public interest.”

10. The transfer of Edmonson District to Caveland is a transaction subject to the jurisdiction of the Commission and requires Commission approval.

11. Caveland has the legal authority to provide wastewater service in the territory currently served by Edmonson District.

12. In view of its financial assets and its status as an incorporated sanitation authority, Caveland has sufficient financial integrity to ensure continuity of service.

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<sup>6</sup> *Id.* Exhibit F at 5.

13. Caveland will have the financial, technical, and managerial abilities to provide reasonable service to those persons located in the area now served by Edmonson.

14. KRS 224A.300(1) provides that the regionalization and consolidation of water and wastewater systems should be encouraged, and the transfer of ownership and control of Edmonson to Caveland is consistent with this goal.

15. The transfer of Edmonson is in accordance with the law, for a proper purpose, and is consistent with the public interest.

16. As an incorporated sanitation authority, Caveland is not subject to the Commission's jurisdiction over rates and service.<sup>7</sup>

17. Upon Caveland's acquisition of Edmonson, that system and its customers will no longer be subject to the Commission's jurisdiction.

IT IS THEREFORE ORDERED that:

1. The proposed transfer of ownership and control of Edmonson pursuant to the terms of the agreement is approved, subject to the conditions set forth in ordering paragraphs 2 through 6, as of the date of this Order.

2. Edmonson shall notify the Commission in writing of the closing of the transaction with ten days of the closing.

3. If the transaction does not close within 90 days of the date of this Order, within 15 days, Edmonson shall file with the Commission a report on the status of the efforts to complete the transfer.

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<sup>7</sup> See *Boone County Water & Sewer District v. Public Service Comm'n*, 949 S.W.2d 588 (Ky. 1997).

4. Any material revision to the proposed transaction shall be approved by the Commission in order for the amendment to be effective.

5. No later than September 1, 2018, Edmonson shall submit its Gross Report and an annual report for the calendar year ending December 31, 2017, and its Gross Report and an Annual Report for the period January 1, 2018, through the date of the transfer.

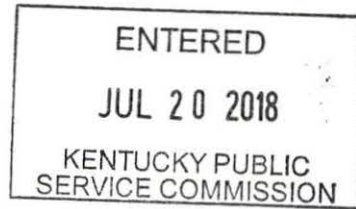
6. Any documents filed pursuant to ordering paragraphs 2, 3, and 5 shall reference this case number and shall be retained in Edmonson's general correspondence file.

7. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon a showing of good cause for such an extension.

8. A copy of this order shall be served on the Edmonson County Fiscal Court.

9. This case is closed and removed from the Commission's docket.

By the Commission



ATTEST:

  
Executive Director

\*Thomas H Goff  
Goff & Goff  
53 Public Square  
Leitchfield, KENTUCKY 42754

\*Edmonson County Water District  
1128 Highway 259N  
P. O. Box 208  
Brownsville, KY 42210

\*Edmonson County Water District  
1128 Highway 259N  
P. O. Box 208  
Brownsville, KY 42210