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March 22, 2006

Honorable David Edward Spenard
Assistant Attorney General
Office of the Attorney General Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

CERTIFICATE OF SERVICE

RE: Case No. 2004-00527
Clearwater Disposal, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on March 22, 2006.

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over a horizontal line.

Executive Director

BOD/jc
Enclosure

Honorable David Edward Spenard
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Robert W. Vaughn
Secretary
Clearwater Disposal, Inc.
109 South 24th Street
P. O. Box 1425
Middlesboro, KY 40965

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CLEARWATER DISPOSAL,)	
INC. TO CONNECT ITS COLLECTION SYSTEM)	
TO THE CITY OF MIDDLESBORO)	CASE NO. 2004-00527
WASTEWATER TREATMENT FACILITIES AND)	
TO ABANDON ITS WASTEWATER TREATMENT)	
OPERATIONS)	

ORDER

Clearwater Disposal, Inc. ("Clearwater Disposal") has applied for Commission approval to connect its wastewater collection facilities to the wastewater collection and treatment system of the city of Middlesboro, Kentucky ("Middlesboro") and to cease operations of its wastewater treatment facilities.¹

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

1. Clearwater Disposal is a Kentucky corporation organized pursuant to KRS Chapter 271B.²

¹ Clearwater Disposal applied for approval of the proposed abandonment on December 23, 2004. Following receipt of the application, Commission Staff served upon Clearwater Disposal interrogatories and requests for production of documents. Clearwater Disposal has responded to these discovery requests.

The Attorney General is the only party to move for intervention in this matter. The Commission granted his motion. The Attorney General has not conducted discovery or requested a hearing in this matter.

² Annual Report of Clearwater Disposal, Inc. to the Public Service Commission of Kentucky for the Year Ended December 31, 2004 at 1.

2. Clearwater Disposal owns and operates wastewater collection and treatment facilities that serve approximately 190 single family residential units in the Ambleside Subdivision of Bell County, Kentucky.³

3. Clearwater Disposal's wastewater collection and treatment facilities consist of an extended aeration wastewater treatment plant with a maximum capacity of 70,000 gallons of wastewater per day and 6,351 feet of various sized polyvinylchloride main.⁴

4. Clearwater Disposal's wastewater treatment facilities were constructed in 1982. Clearwater Disposal added additional capacity to these facilities in 1997.⁵

5. As of December 31, 2004, Clearwater Disposal had net utility plant of \$62,971.⁶

6. As of December 31, 2004, Clearwater Disposal had total assets of \$75,477, total equity capital of \$(42,363), total current and accrued liabilities of \$83,551, and contributions in aid of construction of \$34,289.⁷

7. Middlesboro owns and operates a wastewater collection and treatment system that provides sanitary sewer service to Middlesboro and the surrounding

³ Id. at 1 and 12.

⁴ Id. at 11.

⁵ Id.

⁶ Id. at 4.

⁷ Id. at 3.

environs. As of December 31, 1999, it provided sanitary sewer service to approximately 3,959 customers.⁸

8. Middlesboro's wastewater treatment plant is an oxidation ditch facility with a design capacity of 2.8 million gallons of wastewater per day.⁹ It employs 6 persons who are certified wastewater plant operators.¹⁰

9. Middlesboro's wastewater system was constructed in 1935 and has been in continuous operation since 1939.¹¹

10. As of June 30, 2004, Middlesboro's sewer operations had total assets of \$10,935,350 and total liabilities of \$947,613.¹²

11. For the year ending June 30, 2004, Middlesboro sewer operations had actual revenues of \$1,687,135 and actual expenditures of \$1,277,867.¹³

12. In 2001, Bell County Fiscal Court applied for and received a grant to extend sewer collection mains from Middlesboro's sewer collection system to Clearwater Disposal's collection system.¹⁴

⁸ Governor's Water Resource Development Commission, Water Resource Development: A Strategic Plan for Wastewater Treatment, Appendix B – Cumberland Area Development District at 8.

⁹ Id. at 8 - 9.

¹⁰ Clearwater Disposal's Response to Commission Staff's Interrogatories and Requests for Production of Documents, Items 5 and 6.

¹¹ Governor's Water Resource Development Commission, supra at 9.

¹² City of Middlesboro, Kentucky Report on Audit of Financial Statements and Supplemental Information for the Year Ended June 30, 2004 at 19.

¹³ Id. at 7.

¹⁴ Letter from Robert W. Vaughn, Secretary, Clearwater Disposal, Inc., to Beth O'Donnell, Executive Director, Kentucky Public Service Commission (Dec. 21, 2004).

13. In 2005, Middlesboro began construction of the sewer collection mains. Upon completion of the sewer collection mains, Clearwater Disposal will connect its sewage collection mains to Middlesboro's collection mains and cease operation of its collection and wastewater treatment facilities. Middlesboro has agreed to assume control of and responsibility for all collection facilities that Clearwater Disposal currently operates upon connection of the two collection systems.

14. Upon connection of the two collection systems, Clearwater Disposal customers will pay Middlesboro for the provision of wastewater services.

15. Middlesboro assesses the same rate for wastewater service to residential customers who reside inside or outside the city's boundaries.¹⁵

16. Assuming an average residential water usage of 5,000 gallons monthly, Clearwater Disposal customers will pay a monthly rate of \$16.15 for wastewater service to Middlesboro. They currently pay a monthly rate of \$18.66.¹⁶

17. Clearwater Disposal's proposed abandonment of its wastewater collection and treatment facilities will result in the consolidation of existing wastewater collection and treatment systems and the likely elimination of the wasteful duplication of costs and efforts and produce greater economies of scale and a higher degree of service to the general public.

IT IS THEREFORE ORDERED that:

1. Clearwater Disposal's proposed abandonment of the wastewater collection and treatment facilities is approved.

¹⁵ Id. at 2. Middlesboro limits the amount charged to its inside city residential customers to \$20. No such limit exists for outside city customers.

¹⁶ Id.

2. Middlesboro's assumption of control and responsibility for Clearwater Disposal's wastewater collection facilities is approved.


3. Within 10 days of abandonment of its wastewater collection facilities and transfer of any responsibility for such facilities to Middlesboro, Clearwater Disposal shall advise the Commission in writing of such abandonment and transfer.

4. Clearwater Disposal shall be responsible for submitting to the Commission a financial and statistical report, as described in Administrative Regulation 807 KAR 5:006, Section 3, for calendar year 2005 and for that period in 2006 in which it operates its wastewater collection and treatment facilities.

Done at Frankfort, Kentucky, this 22nd day of March, 2006.

By the Commission

ATTEST:


Executive Director