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Mark David Goss
Chairman

Teresa J. Hill
Vice Chairman

September 22, 2006

RE: Case No. 2006-00327

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

BOD/jc
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF SANDY VALLEY)	
WATER DISTRICT, SOUTHERN WATER AND)	
SEWER DISTRICT AND THE CITY OF)	
PIKEVILLE FOR APPROVAL OF THE)	CASE NO. 2006-00327
TRANSFER OF FACILITIES AND FOR THE)	
ASSUMPTION OF DEBT BY SOUTHERN)	
WATER AND SEWER DISTRICT)	

ORDER

On September 22, 2006, Sandy Valley Water District ("Sandy Valley"), Southern Water and Sewer District ("Southern District"), and the city of Pikeville, Kentucky ("Pikeville") (jointly "Petitioners") have applied to the Commission for authority to transfer Sandy Valley's existing water assets and customers to Southern District and Pikeville. Southern District further applies for authority to assume certain portion of Sandy Valley's debt obligations.

Sandy Valley is a water district organized pursuant to KRS Chapter 74 and owns and operates facilities that distribute water to approximately 2,326 customers in Floyd and Pike counties, Kentucky.¹ Sandy Valley is a utility subject to Commission jurisdiction.² KRS 278.020(5) and (6) require prior Commission approval of the proposed transfer.

¹ Annual Report of Sandy Valley Water District to the Public Service Commission for the Calendar Year Ended December 31, 2004 at 5 and 27.

² KRS 278.010(3)(d); KRS 278.015.

Southern District is a water district organized pursuant to KRS Chapter 74 and owns and operates facilities that distribute water to approximately 6,160 customers in Knott County, Kentucky.³ It is also a utility subject to Commission jurisdiction.⁴ KRS 278.300(1) requires prior Commission approval of any utility's assumption of any obligation or liability in respect to evidences of indebtedness.

Given the complexity of the proposed transfer, which will result in the division of Sandy Valley's operations and customers between a public utility and a municipal utility, the Commission finds that additional proceedings regarding the application are necessary, that such proceedings will require additional time beyond the 60-day review period provided in KRS 278.020(5) and KRS 278.300(2), and that good cause exists to extend the review period to 120 days. We further find that a procedural schedule should be established to review and investigate the merits of the pending application.

IT IS THEREFORE ORDERED that:

1. The period for reviewing the Petitioners' Application is extended to 120 days.
2. The procedural schedule set forth in Appendix A shall be followed.
3. a. All interrogatories and requests for production of documents shall be appropriately indexed. All responses shall include the name of the witness who will be responsible for responding to the questions related to the information provided, with copies to all parties of record and 6 copies to the Commission.

³ Annual Report of Sandy Valley Water District to the Public Service Commission for the Calendar Year Ended December 31, 2004 at 5 and 27.

⁴ KRS 278.010(3)(d); KRS 278.015.

b. Each response shall be under oath or accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. A party shall make timely amendment to any prior response if it obtains information upon the basis of which it knows that the response was *incorrect when made, or though correct when made is now incorrect* in any material respect.

d. For any request to which a party refuses to furnish the requested information, that party shall provide a written explanation of the specific grounds for its failure to furnish.

e. All parties shall respond to any interrogatories and requests for production of documents that Commission Staff submits in accordance with the procedural schedule set forth in Appendix A.

4. At any hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

5. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

6. All documents that this Order requires to be filed with the Commission shall be served upon all other parties.

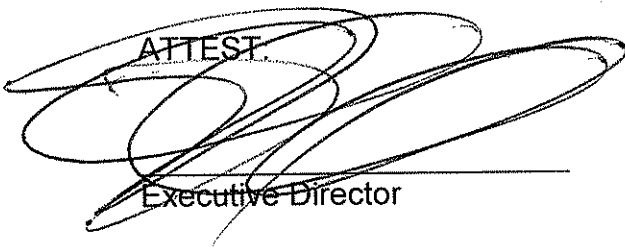
7. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

8. Applicants shall give notice of the hearing in accordance with the provisions set out in 807 KAR 5:011, Section 8(5). At the time publication is requested, Applicants shall forward a duplicate of the notice and request to the Commission.

9. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

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

By the Commission

ATTEST

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2006-00327 DATED *September 22, 2006.*

First set of requests for production of documents and interrogatories shall be served upon Petitioners and filed with the Commission no later than..... 10/06/2006

Petitioners shall file with the Commission and serve upon all parties their responses to first set of requests for production of documents and interrogatories no later than..... 10/20/2006

Second set of requests for production of documents and interrogatories shall be served upon Petitioners and filed with the Commission no later than..... 11/03/2006

Petitioners shall file with the Commission and serve upon all parties their responses to second set of requests for production of documents and interrogatories no later than..... 11/17/2006

Each party presenting testimony at the schedule hearing shall file with the Commission and serve upon all other parties a list of all witnesses that it intends to call and a summary of each witness's expected testimony no later than 12/01/2006

Last day for Petitioners to publish notice of hearing date (to be scheduled)

Public Hearing is to begin at 9:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, for the purpose of taking the testimony of witnesses (to be scheduled)