

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BLACK MOUNTAIN )  
UTILITY DISTRICT AND THE COUNTY OF HARLAN )  
FOR APPROVAL OF ASSUMPTION OF DEBT )  
ASSOCIATED WITH THE ACQUISITION OF THE )  
WATER SYSTEM OF THE CITY OF WALLINS )

CASE NO.  
2006-00531

ORDER

On December 1, 2006, Black Mountain Water District ("Black Mountain") filed an application for Commission approval to assume the Waterworks Revenue Bonds of 1988 in the name of the city of Wallins, Kentucky ("Wallins"), issued by the U.S. Department of Agriculture, Rural Development ("RD"). Black Mountain will assume the obligations of these bonds as a direct result of Wallins transferring its water utility assets to Black Mountain.

The Commission, after considering the evidence of record and being otherwise sufficiently advised, finds that:

1. Through the execution of the "Asset Purchase and Debt Assignment Agreement," as included in Black Mountain's application at Exhibit 2, between Wallins, Black Mountain, and the Harlan County Fiscal Court all of the rights, interest, and title to Wallins' water utility assets will be transferred to Black Mountain.
2. Wallins is not a regulated utility as defined by KRS 278.010 and as such its transfer of assets does not require the Commission's explicit approval.

3. KRS 278.300 requires Black Mountain to obtain Commission approval prior to the assumption of Wallins' RD bonds.

4. The original amount of the Wallins' RD bonds was \$296,000 which accrued interest at a rate of 5 percent per annum on the unpaid principal balance with the last principal retirement scheduled for 2027.

5. The anticipated outstanding bond principal balance at the asset transfer date is \$232,000.<sup>1</sup>

6. Black Mountain will be required to make bond principal retirements as originally scheduled for Wallins and the annual rate of interest accruing on all unpaid principal will continue to be the original rate of 5 percent per annum.

7. RD supports the proposed transfer of Wallins' water utility assets and assumption of related waterworks revenue bonds by Black Mountain.<sup>2</sup>

8. The General Assembly of the Commonwealth of Kentucky has determined that mergers and acquisitions such as the one proposed between the parties of this case are in the public's interest.<sup>3</sup>

9. Subsequent to the asset transfer the customers formerly served by Wallins will be subject to Black Mountain's tariff on file with this Commission and will be assessed the rates for service as designated "Water Rate A" in that tariff.

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<sup>1</sup> See Appendix A of this Order for the scheduled principal retirements.

<sup>2</sup> See Application, Exhibit 5.

<sup>3</sup> See KRS 74.631.

IT IS THEREFORE ORDERED that Black Mountain is authorized to assume and repay Wallins' 1988 waterworks revenue bonds which remain outstanding at the time of the water utility asset transfer as described herein.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized to be transferred and assumed herein.

Done at Frankfort, Kentucky, this 21st day of December, 2006.

By Commission

ATTEST:  
  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2006-00531 DATED December 21, 2006.

Schedule of RD Bond Principal Retirements for Wallins as Assumed by Black Mountain

Year	Amount
2006	\$6,000
2007	8,000
2008	7,000
2009	7,000
2010	7,000
2011	8,000
2012	8,000
2013	9,000
2014	9,000
2015	9,000
2016	10,000
2017	10,000
2018	11,000
2019	11,000
2020	12,000
2021	13,000
2022	13,000
2023	13,000
2024	14,000
2025	15,000
2026	16,000
2027	<u>16,000</u>
Total	<u>\$232,000</u>