

Law Office Of  
**WARREN K. HOPKINS**  
Attorney at Law

405 Maple Street, Suite B  
Murray, Kentucky 42071

Telephone (270) 759-9504

Facsimile (270) 759-9821

September 16, 2014

**VIA FEDEX**

Nancy Vinsel, Esq.  
211 Sower Blvd  
Frankfort, KY 40602-0615

RECEIVED

SEP 17 2014

PUBLIC SERVICE  
COMMISSION

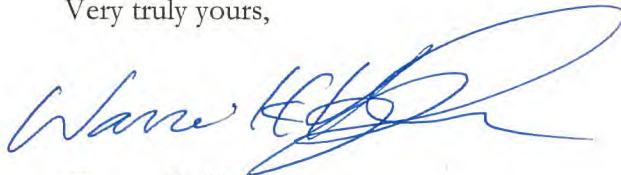
RE: Water District #3 located in Calloway County, Kentucky

Dear Ms. Vinsel:

Please find enclosed ten (10) originals of the Amended Application Joint Application for the Water District #3 acquisition by the City Of Murray, Kentucky.

If you have any questions regarding this matter, please do not hesitate to contact my office.

Very truly yours,



Warren K. Hopkins  
Attorney at Law

WKH/cf  
cc: enclosure

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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SEP 17 2014

PUBLIC SERVICE  
COMMISSION

IN MATTER OF:

APPLICATION OF WD3 WATER SYSTEM )  
FOR AN ORDER APPROVING A TRANSFER )  
OF OWNERSHIP AND CONTROL, )

CASE NO. 2014-00291

AMENDED APPLICATION

JOINT APPLICATION

This Amended Application is filed in order to amend the previously submitted Application to reflect this Application is a Joint Application filed on behalf of the joint applicants, WATER DISTRICT #3 and the CITY OF MURRAY, KENTUCKY.

Applicants WATER DISTRICT #3 ("WD3") and the CITY OF MURRAY, KENTUCKY hereby jointly apply to the Kentucky Public Service Commission ("Commission") for (a) approval pursuant to KRS 278.020(4) of a transfer of ownership and control of a jurisdictional utility, and (b) any other approval necessary relating to a proposed transaction with The City of Murray, Kentucky ("MURRAY"). In support of its request, the joint applicants states as follows:

CO-APPLICANT WD3

1. WD3 is a water district established pursuant to Chapter 74 of the Kentucky Revised Statutes, with its mailing address being Post Office Box 643, Murray, Kentucky 42071.
2. WD3 is authorized by the Commission to provide distribution of water for the public for compensation within the Commonwealth. Its facilities constitute a water distribution facility and appurtenant collection and transmission system located in a county containing a city of the third class and are not subject to regulation by a metropolitan water district. Specifically, WD3 provides potable water in an unincorporated area of Calloway County with the water being supplied by Murray.

3. A copy of WD3's Resolution of Existence by the Calloway County Fiscal Court is on file with the Commission.

4. Copies of all orders, pleadings, and other communications regarding this Application should be directed to Warren K. Hopkins, Attorney for the joint applicants, 405 Maple Street, Suite B, Murray, Kentucky 42071 and the following:

Authorized Representative of WD3: Max Morris, Chairman  
Post Office Box 643  
Murray, KY 42071

Authorized Representative of MURRAY: J.L. Barnett  
Post Office Box 1236  
Murray, KY 42071

#### THE PROPOSED TRANSACTION

5. WD3 proposes to transfer to Murray, and Murray proposes to acquire, all the utility assets and liabilities of WD3 pursuant to an agreement between WD3 and Murray (hereinafter, "the Proposed Transaction").

6. Murray was created as a third class city organized pursuant to the laws of the Commonwealth of Kentucky. It has complete control, possession, and supervision of the potable water system within the City of Murray and within large portions of Calloway County that it has annexed into its service area. KRS Chapter 76 authorizes Murray to construct facilities within its service area and to recover the cost of its services in accordance with rate schedules adopted by its governing Board.

7. The terms and conditions of the Proposed Transaction are set out in the Asset Acquisition Agreement ("the Agreement") attached as Exhibit "A".

8. By unanimous vote, Murray has authorized the Mayor of the City to execute the Agreement, subject to approval by this Commission. See resolution dated the 10<sup>th</sup> day of April, 2014, attached as Exhibit "N" of the Asset Acquisition Agreement (Exhibit "A").

9. By unanimous vote, WD3 has authorized the Chairman of WD3 to execute the Agreement, subject to the approval by this Commission. See Resolution of WD3 dated the 15<sup>th</sup> day of May, 2013, attached as Exhibit "A" of the Asset Acquisition Agreement (Exhibit "A").

10. If all necessary regulatory approvals are secured, the Agreement will be executed on behalf of WD3 and Murray. WD3 will provide a fully-executed copy of the Agreement to the Commission within 21 days after its signing.

11. As is proposed in the Asset Acquisition Agreement, WD3 will transfer to Murray, on September 1, 2014, all properties owned and operated by WD3 that are used in the operation of the WD3 potable water distribution system. The properties to be transferred include all assets as stated in the Asset Acquisition Agreement (Exhibit "A") and noted on Exhibit "B" of the Asset Acquisition Agreement..

12. On and after the date that the Public Service Commission (PSC) approves the Acquisition Agreement, Murray will operate the WD# potable water facilities, receive all income, and pay all expenses relating to that operation, and otherwise bear all responsibility for the operation and maintenance of the facilities. To assist in the transition, in particular the operation and maintenance, Murray has on staff a full time construction crew that is comprised of an equipment operator, a crew chief, and two laborers/drivers that assists in new construction as well as distribution maintenance. Murray also has a full time maintenance crew that consists of an equipment operator, crew chief, and two laborers/drivers. Two of the above mentioned personnel have current Environmental Protection Cabinet as water distribution system operators. There is also a certified class III water distribution system operator employed in the Planning/Engineering Department. Two other personnel are scheduled to be certified in December, 2013. Murray's Director of Field Operations and Murray's Field Supervisor have numerous years of combined experience in the Water Department.

#### KRS 278.020(4) Transfer Requirements

13. The Commission should approve the transfer by WD3 pursuant to KRS 278.020(4). Murray has the financial, technical, and managerial abilities to continue to provide reasonable service following the Proposed Transaction.

14. Murray is in the process of bringing its facilities and services to the area currently served by WD3. WD3 contemplates eventually discontinuing and dissolving its water district. The Proposed Transaction thus will serve the public's interest by enabling the continued expansion and integration of the Murray system and ensuring continued provision of quality potable water services to existing WD3 customers and to future customers in the existing WD3 service area.

15. Prior to the proposed transfer on September 1, 2014 WD3 will continue to operate the utility and otherwise bear all responsibility for the operation and maintenance of the facilities. Murray has been providing potable water to WD3 for 44 years and recently has enhanced the system in order to deliver increased pressure to WD3 customers. The transfer of the assets pursuant to the agreement will not interrupt the water service to WD3 customers.

16. On and after September 1, 2014, Murray will operate the WD3 potable water facilities, receive all income, and pay all expenses relating to that operation, and otherwise bear all responsibility for the operation and maintenance of the facilities. To assist in the transition, Murray has a demonstrated capability of resources, experience, and past service to the WD#3. Murray will provide administrative services and facilities as needed in the process of the Acquisition.

17. Before September 1, 2014, WD3 customers will be charged in accordance with the rates, classifications, and administrative regulations in the tariff currently on file with the Commission. A rate change is part of the proposed transaction. For service on and after September 1, 2014, WD3 customers will be subject to all applicable Murray rules and regulations, including its regular schedule of rates, rentals, and charges. See Agreement, ("Exhibit "P" of the Asset Acquisition Agreement). Murray is to hold any security deposits or other such customer funds under the same terms as WD3 for the benefit, use, or credit of the customers, however, WD3 does not hold any amounts required to be deposited by patrons to secure utility service.

18. WD3 acknowledges that, until the proposed transfer takes place, the Commission retains jurisdiction over WD3 and the WD3 facilities, and agrees to continue to comply with all Commission regulations, including those which require the timely filing of any information, notice or reports.

19. As demonstrated by its Comprehensive Annual Financial Report for the Fiscal Year Ended 2013, attached as Exhibit "B" to this Application, and its control and operation of the potable water system within the City of Murray and portions of Calloway County for more than 45 years, Murray has the financial, managerial, and technical abilities to provide reasonable service to the persons currently served by WD3.

#### OTHER REQUIREMENTS

20. The Proposed Transaction does not include an acquisition within the meaning of KRS 278.020(4) or an acquisition of control as defined by KRS 278.020(5), because Murray is not subject to the jurisdiction of the Commission.

21. If the Commission nonetheless applies KRS 278.020(5) to the Proposed Transaction, the Commission should approve the acquisition by Murray of control of the utility assets of WD3. As demonstrated by this Application, the Proposed Transaction is in accordance with law, for a property purpose, and is consistent with the public interest. Therefore, the Commission should approve the acquisition by Murray of the utility assets of WD3.

22. WD3 proposes to transfer all of its utility assets in the Proposed Transaction and to cease providing utility service on and after September 1, 2014. However, it is not abandoning the utility or its assets within the meaning of KRS 278.020(4), because the transfer is to Murray, an entity with the capability to provide reasonable service and which is agreeing to take on the responsibility of providing service to customers in the WD3 service area. If the Commission nonetheless applies the KRS 278.020(4) provisions relating to abandonment of ownership or control to the Proposed Transaction, the Commission should approve WD3's transfer of all of its utility assets and cessation of providing utility service.



CONCLUSION

WHEREFORE, the joint applicants request an Order of the Commission within 60 days of the filing of the Application which:

- a. Grants approval pursuant to KRS 278.020(4) for the transfer to Murray by WD3 of ownership and control of the WD3 utility assets in the Proposed Transaction; and
- b. Declares that KRS 278.020(5) is inapplicable or, in the alternative, grants approval pursuant to KRS 278.020(5) for the acquisition by Murray of control of the WD3 utility assets in the Proposed Transaction; and
- c. Declares that no other Commission approvals are necessary for the Proposed Transaction or, in the alternative, grants any other approvals necessary.

Respectfully submitted,

  
WARREN K. HOPKINS

Attorney at Law  
405 Maple Street, Suite B  
Murray, KY 42071

Telephone: (270) 759-9504  
Facsimile: (270) 759-9821

ATTORNEY FOR JOINT APPLICANTS WD3 and  
CITY OF MURRAY, KENTUCKY