

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT ELECTRONIC APPLICATION OF WEST	)	
CARROLL WATER DISTRICT AND THE CITY OF	)	
CARROLLTON ON BEHALF OF CARROLLTON	)	
UTILITIES FOR (1) AN APPROVAL OF THE	)	
PROPOSED ASSET ACQUISITION AND	)	CASE NO.
TRANSFER OF CONTROL OF WEST CARROLL	)	2021-00155
WATER DISTRICT TO THE CITY OF	)	
CARROLLTON ON BEHALF OF CARROLLTON	)	
UTILITIES PURSUANT TO KRS 278.218, KRS	)	
278.020(6) AND KRS 278.020(7), AND, (2) ALL	)	
OTHER REQUIRED APPROVALS AND RELIEF	)	

ORDER

On April 8, 2021, pursuant to KRS 278.218, KRS 278.020(6), and KRS 278.020(7), West Carroll Water District (West Carroll District) and the city of Carrollton on behalf of Carrollton Utilities (Carrollton Utilities) (collectively, Joint Applicants) filed an application requesting approval of their merger agreement. The application was accepted for filing on April 8, 2021.

PROCEDURAL

The Commission takes administrative notice of the ongoing proceedings in Case No. 2019-00041<sup>1</sup> in which West Carroll District participated in the investigation and was ordered by the Commission to seek merger in order to improve its financial and operational ability to provide safe and reliable water service. In the interest of

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<sup>1</sup> See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC. Nov. 22, 2019).

administrative efficiency, the verified information submitted by the Joint Applicants in this case and in the above-referenced case was used by the Commission in this matter to determine the financial, technical, and managerial abilities of the Joint Applicants to provide reasonable service should the merger be approved.

### DISCUSSION

Carrollton Utilities is a municipally owned utility created by the city of Carrollton in 1951.<sup>2</sup> Carrollton Utilities provides natural gas, water, and sewer service to portions of Carroll, Gallatin, Owen, Henry, and Trimble Counties, including the cities of Carrollton, Prestonville, Ghent, Sanders, Worthville, Glencoe, Sparta, Owenton, Campbellsburg, and Milton. Carrollton Utilities has approximately 93 miles of steel high pressure gas mains and 74 miles of plastic mains with 2,621 natural gas services. Carrollton Utilities annually treats and delivers over 250 million gallons of water through 37 miles of water mains and serves 1,590 customers in Carrollton and surrounding areas. Carrollton Utilities operates the Carroll-Gallatin-Owen-Henry Regional Sewer System, which serves parts of four counties including eight cities with approximately 170 miles of sewer mains and 55 lift stations and serves approximately 3,200 customers. Currently, Carrollton Utilities operates and maintains West Carroll District pursuant to an operations agreement. Carrollton Utilities also operates a water treatment plant and utilizes groundwater supply via three production wells with a capacity of 1.5 million gallons per day.

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<sup>2</sup> Application at unnumbered page 2, paragraph 2.

West Carroll District was established in 1975,<sup>3</sup> and is a water district organized under the provisions of KRS Chapter 74.<sup>4</sup> West Carroll District is engaged in the distribution and sale of water in Carroll, Henry, and Trimble counties, Kentucky. As of December 31, 2019, West Carroll District provided retail water service to approximately 982 customers in Carroll, Henry, and Trimble counties, Kentucky.<sup>5</sup> It has no wastewater customers. West Carroll District has a five-member board and no employees. Since 1998, Carrollton Utilities has provided operations, maintenance, customer service, etc. for West Carroll District pursuant to an operations agreement between the two.

On April 21, 2021, the Joint Applicants entered into an Asset Purchase Agreement (the Agreement) whereby West Carroll District will merge with and into Carrollton Utilities and Carrollton Utilities will be the surviving water district.<sup>6</sup> On March 18, 2021, West Carroll District adopted a Resolution authorizing the merger of West Carroll District and Carrollton Utilities, approving the Agreement, and authorizing the chairwoman to execute the Agreement and to file an application for approval of the merger with the Commission.<sup>7</sup> On March 22, 2021, the city of Carrollton on behalf of Carrollton Utilities adopted Resolution No. 2021-02 authorizing the merger of West Carroll District and Carrollton

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<sup>3</sup> Application at unnumbered page 2, paragraph 4, states 1974; however, the date of organization is listed as July 1, 1960, in its *Annual Report of West Carroll Water District to the Kentucky Public Service Commission for the Year Ending December 31, 2019* at 9. Upon contacting West Carroll Water District for clarification, a Notice of Existence of a Special District, West Carroll Water District, Carroll and Trimble Counties, Kentucky, in Accordance with KRS 65.005 was signed on April 10, 1975, and is on file with the fiscal courts and utility.

<sup>4</sup> Application at unnumbered page 2, paragraph 4.

<sup>5</sup> *Annual Report of West Carroll Water District to the Kentucky Public Service Commission for the Year Ending December 31, 2019* at 12, 49.

<sup>6</sup> Application, Exhibit 1.

<sup>7</sup> Application, Exhibit 1 of Exhibit 1.

Utilities, approving the Agreement, and authorizing the Mayor to execute the Agreement.<sup>8</sup>

The Agreement provides that West Carroll District will merge with and into Carrollton Utilities and the separate existence of West Carroll District shall cease. The title to all property, whether real, personal, or intangible, owned by West Carroll District will automatically be vested in Carrollton Utilities by operation of law. All investment accounts maintained by West Carroll District will become Carrollton Utilities' investment accounts. Carrollton Utilities will also assume all the liabilities of West Carroll District.<sup>9</sup>

As of the effective date of the merger, West Carroll District will no longer have assets, liabilities, or customers and, after the closing of the transaction, will petition the county fiscal courts within which its service territory lies to allow West Carroll District to dissolve. The Agreement contains an agreement to draft and pass an ordinance providing for one of the Commissioners on Carrollton Utilities' Commission to be a person residing in and who would be a customer of West Carroll District as its service territory existed at the time of closing of the transfer.<sup>10</sup>

Based upon the evidence in this proceeding, as well as the evidence of the case records incorporated herein, the Commission finds that:

1. KRS 278.020(6) and (7) state that the Commission must authorize the transfer of ownership or control of any entity under its jurisdiction prior to the transaction taking place. KRS 278.020(6) further states that the Commission shall grant its approval if the acquiring entity has the "financial, technical, and managerial abilities to provide

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<sup>8</sup> *Id.*, Exhibit 11 of Exhibit 1.

<sup>9</sup> *Id.*

<sup>10</sup> Application at unnumbered 6, paragraph 18.

reasonable service.”

2. The Joint Applicants have provided the financial documents to prove the consolidated utility has the financial abilities to provide reasonable service to its customers.<sup>11</sup>

3. The Joint Applicants have certified water distribution system operators who hold valid water certification licenses issued by the Kentucky Board of Certification of Water System Operators to prove that Carrollton Utilities has the technical ability to provide reasonable service to West Carroll District’s customers in addition to continuing to provide adequate service to its own customers.<sup>12</sup>

4. The Joint Applicants have shown that the combined district will have the same management that has been managing West Carroll District for the last 22 years so that the combined utility will have sufficient managerial ability to provide reasonable service to all of its customers.<sup>13</sup>

5. The merger would benefit the Joint Applicants and create efficiencies and shared resources that will ultimately benefit the ratepayers.

6. The merger would allow West Carroll District to satisfy the requirements of the Commission’s Order entered on November 22, 2019 in Case No. 2019-00041.<sup>14</sup>

7. The merger would further the public policy of the Commonwealth of

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<sup>11</sup> Application, Exhibit 4 of 1.

<sup>12</sup> Application, Exhibit 2 and Exhibit BO-1 of 2.

<sup>13</sup> Application at unnumbered page 4, paragraph 10

<sup>14</sup> See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC. Nov. 22, 2019).

Kentucky, “to encourage regionalization, consolidation, and merger of water districts wherever feasible.”<sup>15</sup>

8. The Joint Applicants’ application for merger should be approved.

IT IS THEREFORE ORDERED that:

1. The application for merger is approved.

2. Within 60 days of the date of entry of this Order, West Carroll District shall file a financial and statistical report as required by 807 KAR 5:006, Section 4, for the reporting period from January 1, 2021, to the date of merger.

3. West Carroll District has complied with the November 22, 2019 Order in Case No. 2019-00041 and should be dismissed as a party to that case.<sup>16</sup>

4. A copy of this Order shall be filed in Case No. 2019-00041.<sup>17</sup>

5. This case is closed and removed from the Commission’s docket.

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<sup>15</sup> KRS 224A.300(1) and KRS 74.361(1).

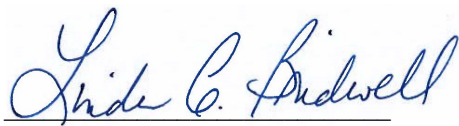
<sup>16</sup> See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC. Nov. 22, 2019).

<sup>17</sup> *Id.*

By the Commission

ENTERED  
APR 28 2021  
bsb  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2021-00155

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