

July 12, 1996

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF PRATER CREEK WATER)
DISTRICT, FLOYD COUNTY, KENTUCKY FOR)
AUTHORIZATION OF ITS PROPOSED SALE AND) CASE NO. 96-201
CONVEYANCE OF ALL OF ITS WATER SYSTEM)
PROPERTY, ASSETS AND FUNDS TO THE CITY OF)
PRESTONSBURG, KENTUCKY)

O R D E R

On May 14, 1996, Prater Creek Water District ("Prater Creek") applied for approval to convey its water distribution system to the city of Prestonsburg.

Having considered the application and being otherwise sufficiently advised, the Commission finds that:

1. Prater Creek operates a water distribution system which serves approximately 355 customers.
2. On January 11, 1996, Prater Creek terminated its Water System Management Contract with Mountain Utility Management Corporation which had been in effect since April 15, 1988.
3. On January 11, 1996, Prater Creek entered into a Financial and Field Management Contract with the city of Prestonsburg for an initial term of one year which allows the city to operate and maintain Prater Creek's distribution system and serve Prater Creek customers directly.

4. Prater Creek has agreed to transfer its water distribution system to the city in exchange for the assumption of Prater Creek's outstanding indebtedness and other valuable consideration, including certain commitments of the transferee respecting water service in Prater Creek's territory.

5. The city of Prestonsburg, through its Utilities Commission, serves within its corporate limits and surrounding environs, including, but not limited to, the city of Martin, Sandy Valley Water District, and Auxier Water Company. The city water system has been operating since 1963 and serves approximately 4,400 customers, as well as 410 active fire services/hydrants through approximately 185 miles of mains.

6. The city maintains and operates a filtering and treatment plant and obtains its water from the Levisa Fork of the Big Sandy River.

7. The city pumped 2.1 million gallons per day of treated water in 1995 and expanded its capacity to 5 million gallons per day in 1996.

8. The city's water treatment plant is operated by Class IVA certified water treatment plant operators, and its distribution system is operated by Class IIID certified distribution plant operators who have the technical ability to provide reasonable service to Prater Creek's customers.

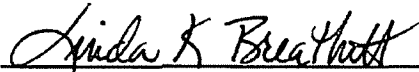
9. Annual reports for fiscal years ended June 30, 1994 and 1995 demonstrate that the Utilities Commission has the financial and managerial ability to serve Prater Creek's customers.

IT IS THEREFORE ORDERED that:

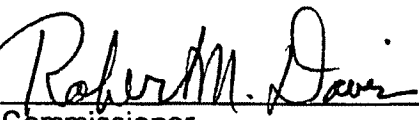
1. The transfer of Prater Creek to the city of Prestonsburg pursuant to the terms of the March 20, 1996 contract is approved.
2. Within 10 days of legal transfer of the title of Prater Creek's water distribution system to Prestonsburg, Prater Creek shall notify the Commission of that event.
3. Prater Creek shall file an annual report of its operation for calendar year 1996 which reflects its operations up to the closing of the transfer approved herein.

Done at Frankfort, Kentucky, this 12th day of July, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director