

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF JOANN ESTATES)	
UTILITIES, INC. AND PADUCAH-MCCRACKEN)	
COUNTY JOINT SEWER AGENCY FOR THE)	CASE NO.
APPROVAL OF THE TRANSFER OF)	2018-00347
WASTEWATER COLLECTION SYSTEMS)	
SERVNG WILMINGTON CHILES AND JOANN)	
ESTATES SUBDIVISIONS IN MCCRACKEN)	
COUNTY, KENTUCKY)	

ORDER

On October 11, 2018, Joann Estates Utilities, Inc. (Joann Estates), and Paducah-McCracken County Joint Sewer System (Paducah-McCracken Joint Agency) (jointly, Joint Applicants), filed a joint application, pursuant to KRS 278.020(6) and KRS 278.020(7), requesting approval of the transfer of Joann Estates' wastewater collection systems serving the Wilmington Chiles and Joann Estates subdivisions in McCracken County, Kentucky, to Paducah-McCracken Joint Agency, a city-county metropolitan sewer district. By order entered October 22, 2018, the Commission continued the statutory period to complete its investigation to February 8, 2019, pursuant to KRS 278.020(7). Joint Applicants responded to one round of data requests. There are no intervenors in the proceeding. This matter stands submitted for a decision based on the written record.

PROPOSED TRANSFER

Joann Estates, a sewer utility subject to the Commission's jurisdiction, provides wastewater collection and treatment service to 208 residences in the Wilmington Chiles,

Joann Estates, and Timberland subdivisions in McCracken County, Kentucky.¹ Paducah-McCracken Joint Agency is a joint sewer agency, pursuant to KRS 76.231, serving the city of Paducah and McCracken County, Kentucky. Joint Applicants propose to transfer the wastewater collection systems serving Wilmington Chiles and Joann Estates subdivisions to Paducah-McCracken Joint Agency from Joann Estates. The facilities serving Joann Estates subdivision are 1,000 feet from Paducah-McCracken Joint Agency's facilities; the facilities service Wilmington Chiles subdivision are one-half mile from Paducah-McCracken Joint Agency's facilities. The sewer facility serving the Timberland subdivision is not included in the proposed transfer because of the cost to connect the facilities, which are three miles from Paducah-McCracken Joint Agency's current facilities.²

Joann Estates will retain ownership and maintenance responsibility for the lagoons associated with the collections systems. Joann Estates will close and decommission the treatment plants, associated with the collection systems, with technical assistance from Paducah-McCracken Joint Agency. Paducah-McCracken Joint Agency will construct facilities to connect Joann Estate's collection systems to Paducah-McCracken Joint Agency's system, with sanitary sewer flow being treated at the Paducah Wastewater Treatment Plant. Joint Applicants state that the estimated capital cost to construct connection facilities is \$350,000. Paducah-McCracken Joint Agency states that it anticipates obtaining a grant to offset some of the \$350,000 in capital costs.

¹ Joann Estates 2016 Annual Report (filed March 23, 2017). Joann Estates timely submitted its 2017 Annual Report, as required by 807 KAR 5:006, Section 4, but it has not been deemed filed pending the clarification of certain information.

² Joint Applicants' Response to Commission Staff's First Request for Information, Item 2.

Joann Estates does not hold deposits for customers in the Wilmington Chiles or Joann Estates subdivisions. Customers in the Wilmington Chiles and Joann Estates subdivisions will be charged the rates generally applicable to Paducah-McCracken Joint Agency's existing customers. Joint Applicants state that the average bill for customers in Wilmington Chiles and Joann Estates subdivisions will be reduced from the \$34.71 flat fee charged by Joann Estates to \$27.01, based on the average water usage of 4,633 gallons for the two subdivisions in July, August, and September 2018.³

On June 1, 2018, and on October 1, 2018, Joint Applicants provided notice of the proposed transfer in informational notice letters to customers in Wilmington Chiles and Joann Estates subdivisions. In the notices, Joint Applicant explained that the proposed transaction arose because the primary owner/operator of Joann Estates died, leaving the system to the heirs. Joint Applicants further explained that the existing treatment facilities, which will be closed if the transfer is approved, have deteriorated significantly and would cost up to \$400,000 to replace.

Paducah-McCracken Joint Agency states that it has the financial, technical, and managerial abilities to provide reasonable service, as demonstrated by its wastewater collection and treatment services, which include 385 miles of gravity sanitary sewer, 41 miles of combined storm and sanitary sewer, and 58 miles of sanitary sewer force main. Paducah-McCracken Joint Agency's three wastewater treatment plants have a combined 10.9 million gallons per day capacity. Paducah-McCracken Joint Agency provided the name and class of 12 employees certified as wastewater treatment plant operators and/or as wastewater collection system operators. Joint Applicants state that the proposed

³ *Id.* at Items 3, 9.

transfer is necessary for the regionalization and consolidation of wastewater systems, which is a policy encouraged by the Legislature, as codified in KRS 224A.300. Joint Applicants assert that public interest is served because Joann Estates' customers in the Wilmington Chiles and Joann Estates subdivisions will benefit from Paducah-McCracken Joint Agency's greater revenue base, and additional technical expertise and equipment.

DISCUSSION AND FINDINGS

Joint Applicants request that the Commission approve the proposed transaction pursuant to KRS 278.020(6) and KRS 278.020(7).

Approval Pursuant to KRS 278.020(6)

KRS 278.020(6) provides that the Commission shall grant its approval of the transfer of ownership or control of any jurisdictional utility if "the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service."

In addition to its status as a political subdivision, Paducah-McCracken Joint Agency provided evidence, including audited financial statements, that it has the financial ability to provide reasonable service, which will benefit customers in the Wilmington Chiles and Joann Estates subdivisions immediately in the form of reduced rates for sewer service. Paducah-McCracken Joint Agency also provided evidence that it has technical and managerial experience to provide reasonable wastewater collection and treatment services. Customers in the Wilmington Chiles and Joann Estates subdivisions will benefit from Paducah-McCracken Joint Agency's additional experience and equipment. For example, under the proposed transaction, Joann Estates' customers in Wilmington Chiles and Joann Estates subdivisions will be served by 12 certified operators of the Paducah-

McCracken Joint Agency. Currently, those customers are served by two part-time staff employed by Joann Estates.

Having reviewed the evidence of record, the Commission finds that Joint Applicants established that Paducah-McCracken Joint Agency has the financial, managerial, and technical expertise to provide reasonable wastewater collection and treatment services, and therefore the proposed transaction should be approved pursuant to KRS 278.020(6).

Approval Pursuant to KRS 278.020(7)

KRS 278.020(7) provides that the Commission shall approve a proposed acquisition of control upon a finding that the proposed transaction is “made in accordance with law for a proper purpose and is consistent with the public interest.”

Joint Applicants contend that the proposed transaction has been authorized by resolutions approved by Joint Applicants’ respective boards, and in consultation with the Kentucky Division of Water, and therefore will be made in accordance with the law. As noted by Joint Applicants, KRS 224A.300 codifies the policy of the Kentucky Legislature to regionalize sewer services in order to maximize financial and service benefits. Further, Joint Applicants assert that the proposed transaction satisfies the proper purpose and public interest criteria because the proposed transaction will result in reasonable wastewater collection and treatment service to customers in Wilmington Chiles and Joann Estates subdivision through additional expertise, certified personnel, and equipment. Additionally, customers will pay reduced rates currently in effect for Paducah-McCracken Joint Agency.

Having reviewed the evidence of record, the Commission finds that Joint Applicants established that the proposed transaction is made in accordance with law for a proper purpose and is consistent with the public interest. Therefore, the proposed transaction should be approved pursuant to KRS 278.020(7).

IT IS THEREFORE ORDERED that:

1. The transfer of Joann Estates' wastewater collection system serving Wilmington Chiles and Joann Estates subdivisions to Paducah-McCracken Joint Agency, as described in their joint application, is approved.

2. Joint Applicants shall notify the Commission in writing of the transfer of assets within 10 days of the transfer's occurrence.

3. Within 60 days of the transfer's occurrence, Joann Estates shall file a financial and statistical report as required by 807 KRS 5:006, Section 4, for its operations for the period from January 1, 2018, to the date of transfer of ownership of the wastewater collection systems associated with Wilmington Chiles and Joann Estates subdivisions.

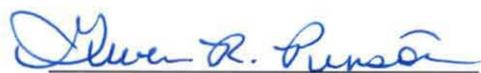
4. Any documents filed pursuant to ordering paragraph 2 shall reference this case number and shall be retained in the post-case correspondence file.

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

By the Commission

ENTERED
NOV 20 2018
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2018-00347

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