

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF MAVO, INC.)
D/B/A BRIGHTLEAF SEWAGE TREATMENT)
PLANT AND MERRICK DEVELOPMENT) CASE NO. 9663
COMPANY, INC., FOR AUTHORITY TO)
TRANSFER AND ACQUIRE THE ASSETS)
OF BRIGHTLEAF SEWAGE TREATMENT PLANT)

O R D E R

IT IS ORDERED that Mavo, Inc., d/b/a Brightleaf Sewage Treatment Plant ("Mavo") and Merrick Development Company, Inc., ("Merrick") shall file an original and 7 copies of the following with this Commission, with a copy to all parties of record, within 2 weeks of the date of this Order. Mavo and Merrick shall be jointly responsible for the response to this Order. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. On what date did the current operator begin operating the system?

2. Mavo's 1985 Annual Report indicates that 100 percent of the utility plant in service was recovered through the sale of lots, yet Account No. 271 Contributions in Aid of Construction has a zero balance. Provide an explanation of why Mavo has not recorded the appropriate contributions.

3. Mavo's 1985 Annual Report indicates the treatment plant and sewer lines were treated as development costs and are recorded

to the balance sheet accounts as lots are sold. Explain the reason for recording utility plant in this manner and provide a detailed breakdown of the original and existing cost of sewer plant.

4. Provide accounting entries to record the appropriate acquisition adjustments based upon purchase price and the balance sheet referred to in question #6.

5. Provide the proposed journal entries on the books of both the purchaser and the seller that will reflect the sale and transfer.

6. Provide a current balance sheet for the acquired utility.

7. Provide a statement showing projected annual revenues and expenses of the utility under the new ownership including a detailed explanation of how the projected annual revenue and expenses were determined.

8. Provide a statement setting forth the complete details of proposed operating changes under the new ownership, including changes in management.

9. Provide statements indicating the approval of the transfer by the creditors having liens on the assets of the seller.

10. Provide copies of any operational, material or service contracts to be placed into effect upon acquisition of the utility by the purchaser.

11. Provide a statement setting forth any financial resources available to the purchaser other than those contained in the financial statements.

12. Provide a statement setting forth any anticipated change in rates within the next 12 months.

Done at Frankfort, Kentucky, this 25th day of August, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Henning
For the Commission

ATTEST:

Executive Director