

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A JOINT APPLICATION OF THE PENDLETON )  
COUNTY WATER DISTRICT, AND THE UNION )  
LIGHT, HEAT AND POWER COMPANY, SEEKING ) CASE NO. 9951  
APPROVAL OF THE TRANSFER OF THE PENDLETON )  
COUNTY WATER DISTRICT'S GAS DIVISION TO )  
THE UNION LIGHT, HEAT AND POWER COMPANY )

O R D E R

On June 18, 1987, the applicants, Pendleton County Water District ("District") and Union Light, Heat and Power Company ("Union"), filed a joint application for the approval of the transfer of the District's gas division to Union.

A hearing was held on September 1, 1987. The Attorney General intervened and appeared at the hearing.

The District is organized and exists pursuant to KRS Chapter 74 and is a utility regulated under Chapter 278. The District has operated its gas division since 1966.

Union is a Kentucky public utility corporation operating and providing natural gas in Northern Kentucky and is also subject to regulation by this Commission.

The District has been unable to meet its financial obligations to Columbia Gas Transmission Corporation in Columbia LNG. As a result, it has incurred a substantial indebtedness with no realistic means of satisfying that indebtedness. The

District's inability to remain financially viable jeopardizes its ability to continue to provide service to its customers.

On May 14, 1987, Union and the District entered into an agreement which provides that Union is to purchase and the District agrees to sell to Union its gas division which includes all gas transmission distribution service lines, meters, regulators, regulating stations, gas transmitting or supplying equipment, real estate, vehicles, inventory, office equipment, rights of way, easements, accounting records and other records required to be kept, customers' accounts receivable, and all other associated gas distribution system inventory, equipment, materials, and supplies. The purchase price is to be the net book value of the District's gas division.

In addition, Union agrees to satisfy the requirements for payment of the District's natural gas system revenue bonds outstanding as of the date of closing of the sale by either making payment of, or providing for the payment of, the indebtedness.

In addition to the request for approval of the transfer, the applicants requested deviation from the rules of the Commission which require a purchasing utility to adopt the rates of the purchased utility. The basis of this request is that Union's rates will generally result in lower average customer bills to the District's gas customers than the District's current rates.

After a review of the record, the Commission finds that Union, because of its experience and record in operating a gas utility, has the technical, financial and managerial ability to

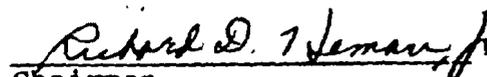
properly operate the District. Furthermore, Union will be able to incorporate the District into its system and provide adequate service without a concurrent increase in its rates. For these reasons, the application for transfer should be approved.

IT IS THEREFORE ORDERED that:

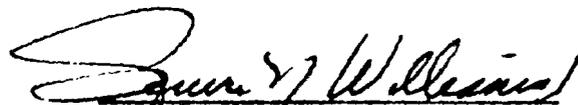
1. The application for approval of transfer of the District's gas division to Union is approved.
2. The request for deviation from adoption of the District's rates is approved.
3. Union shall file a copy of its final audit of the District with the Commission as soon as practicable upon its completion.

Done at Frankfort, Kentucky, this 3rd day of September, 1987.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director