

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF PROPOSED MERGER OF CITY OF)	
CRESTVIEW, KENTUCKY WATER DISTRIBUTION)	
SYSTEM BY CAMPBELL COUNTY KENTUCKY)	CASE NO. 90-219
WATER DISTRICT)	

O R D E R

On July 29, 1990, Campbell County Kentucky Water District ("Campbell District") applied for Commission approval of its proposed acquisition of the water distribution system of the city of Crestview, Kentucky ("Crestview") or, in the alternative, a disclaimer of Commission jurisdiction over the proposed acquisition.

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

1. Campbell District, a water district organized pursuant to the provisions of KRS Chapter 74, provides water service throughout Campbell County, Kentucky.
2. Crestview is an incorporated city of the sixth class situated in Campbell County, Kentucky.
3. Crestview owns and operates a water distribution system which provides water service to approximately 200 customers within Crestview's municipal boundaries.
4. On July 3, 1990, Crestview and Campbell District entered into an agreement whereby Crestview agreed to convey its water

distribution system, except fire hydrants, to Campbell District for \$201,000 and Campbell District agreed to purchase, operate and maintain Crestview's system. Campbell District further agreed to pay Crestview \$21,000 upon Commission approval of the acquisition and \$20,000 annually for nine consecutive years thereafter. Under the terms of this agreement, Campbell District assumes no debt.

5. KRS 74.100 authorizes a water district to purchase water supply systems operating within its district boundaries.

6. Campbell District is the sole supplier of treated water to Crestview.

7. On July 5, 1990, Campbell District assumed control over the operation of Crestview's water distribution system.

8. As of July 3, 1990, the rates for water provided to Crestview's customers are the same as those charged by Campbell District. Upon Commission approval of the proposed acquisition, Campbell District intends to continue charging these rates subject to such changes as the Commission may authorize.

9. Campbell District proposes to finance the acquisition of Crestview's water distribution system entirely from internally generated funds. It will issue no securities or debt to finance the proposed acquisition.

10. As of December 31, 1989, Campbell District had total assets of \$18,481,886.56 and long-term and current liabilities of \$5,813,750.52.

11. The written agreement for the acquisition of Crestview's water distribution system evidences a form of long-term capital indebtedness and therefore constitutes an evidence of indebtedness

requiring Commission approval. Red Star Transportation Co. v. Silverman, 186 N.E. 460 (Ohio Ct.App. 1933). KRS 278.300.

12. The issuance of long-term indebtedness evidenced by the written agreement on the acquisition of Crestview's water distribution system is for a lawful objective within Campbell District's corporate purposes, is reasonably necessary and appropriate for such purposes, is necessary for and consistent with the proper performance of its service to the public, and will not impair its ability to perform that service.

13. As Crestview is a city and is not, therefore, a "utility" as defined in KRS 278.010, Commission approval of Campbell District's acquisition of its water distribution system is not required by KRS 278.020(4) and 278.020(5).

14. The Commission "is charged with responsibility, and vested with power, to see that the service of public utilities is adequate. . . ." Pub. Serv. Comm'n v. Southgate, Ky., 268 S.W. 19, 21 (1954). Insofar as the acquisition of a municipal utility may impact upon a jurisdictional utility's ability to provide adequate and reasonable service, it follows by necessary implication that the Commission has the authority to prevent such acquisition and its approval for such acquisition is required.¹

¹ This finding is consistent with the Commission's finding in Case No. 89-211 that Commission approval of merger of a municipal utility's water distribution system with a water district's system was not required. Therein we spoke only to the requirements of KRS 278.020.

15. Campbell District's acquisition of Crestview's water distribution system will not affect Campbell District's quality of service.

IT IS THEREFORE ORDERED that:

1. Campbell District's acquisition of Crestview's water distribution system is approved.

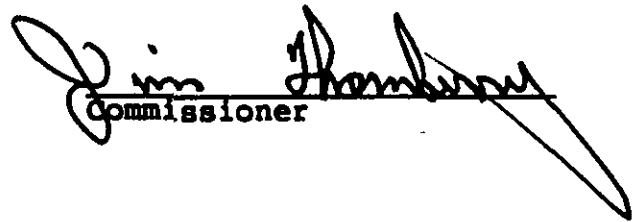
2. Campbell District is hereby authorized to issue long-term indebtedness as evidenced by its written agreement with Crestview for the acquisition of Crestview's water distribution system.

Done at Frankfort, Kentucky, this 2nd day of October, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director