

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HILLVIEW SEWER)	
PLANT #3, INC. FOR APPROVAL TO)	
ACQUIRE OWNERSHIP OF HILLVIEW)	CASE NO. 94-025
SEWERAGE SYSTEM PLANT #3 AND A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY TO MAKE NECESSARY)	
REPAIRS)	

O R D E R

Hillview Sewer Plant #3, Inc. ("Hillview Sewer") has applied for Commission approval to acquire the assets of Hillview Sewerage System Plant #3, Inc. ("Hillview Sewerage"). The Commission had previously denied Hillview Sewer's application, but subsequently granted rehearing to consider newly presented evidence.

Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Hillview Sewerage operates a sewage treatment facility which provides sewage service to 423 customers in the Hillview Subdivision of Bullitt County, Kentucky.

2. Hillview Sewerage's sewage treatment facility has a maximum daily capacity of 148,000 gallons and is considered a Class I wastewater treatment system. 401 KAR 5:010, Section 9.

3. Hillview Sewerage has agreed to sell its sewage treatment facility and all associated real estate and equipment to Hillview Sewer for the sum of \$95,000.

4. Hillview Sewer is wholly-owned by James F. Wethington.

5. The Kentucky Board of Certification of Wastewater System Operators has certified Wethington to operate Class III wastewater systems. Wethington, therefore, is qualified to operate a Class I wastewater system. See 401 KAR 5:010, Section 9.

6. Wethington owns, manages, and operates several sewage treatment facilities in Oldham County, Kentucky.

7. Hillview Sewer has secured a commitment from Liberty National Bank and Trust Company for a \$110,000 loan to purchase the sewage treatment facility and make improvements to it.

8. Hillview Sewer has the financial, technical, and managerial abilities to provide reasonable utility service.

9. The proposed transfer is in the public interest.

10. The proposed transfer of Hillview Sewerage's sewage treatment facility to Hillview Sewer should be approved.

11. Hillview Sewer's proposed loan is for a period of five years and requires Hillview Sewer to provide its lender with a security interest in all Hillview Sewer assets. KRS 278.300 requires Commission approval prior to the issuance of such indebtedness. Hillview Sewer has not applied for such approval. Nothing contained herein shall be construed as Commission approval or authorization to issue such indebtedness.

12. In its 1993 annual report, Hillview Sewer reported a balance of \$26,950.79 in Account 271 - Contributions in Aid of Construction ("CIAC").¹ The Uniform System of Accounts for Class

¹ Annual Report of Hillview Sewerage System Plant #3, Inc. to the Public Service Commission of Kentucky for the Year Ended December 31, 1993, at 3.

C and D Sewer Utilities ("USoA") requires, "The amount of CIAC applicable to the property acquired, shall be charged to Account 106, Utility Plant Purchased or Sold, and concurrently credited to Account 271."² Hillview Sewer's journal entries recording the purchase of the sewage treatment facility should include the CIAC of \$26,950.79.

IT IS THEREFORE ORDERED that:

1. The proposed transfer of sewage treatment facilities from Hillview Sewerage to Hillview Sewer is approved.

2. Within 10 days of the date of transfer, Hillview Sewer shall file with the Commission in accordance with Commission Regulation 807 KAR 5:011 an adoption notice adopting, ratifying, and making its own all of Hillview Sewerage's rates, rules, classifications, and regulations on file with the Commission and effective at the time of transfer.

3. Within 30 days of the date of transfer, Hillview Sewerage shall file with the Commission an annual report for the sewage treatment facility for that period of 1994 in which it owned those facilities.

4. Within 30 days of the date of transfer, Hillview Sewer shall file with the Commission the journal entries recording the purchase of the sewage treatment facility. These journal entries shall include a CIAC of \$26,950.79. Any plant acquisition adjustment which Hillview Sewer records shall be amortized over the

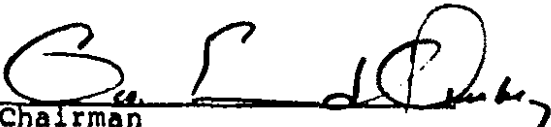
² Utility Regulatory Commission, Uniform System of Accounts For Class C and D Sewer Utilities (Oct. 1, 1979), 20.

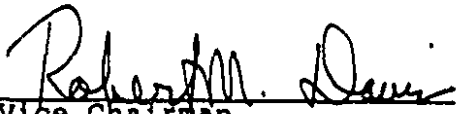
remaining useful life of the purchased plant. Nothing contained herein shall be construed as Commission approval of this accounting treatment for rate-making purposes.

5. If the transfer has not occurred by September 30, 1994, Hillview Sewerage shall so advise the Commission in writing on that date.

Done at Frankfort, Kentucky, this 5th day of August, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director