

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF THE)
MALLOWBONE WATER DISTRICT AND SOUTH)
CUMBERLAND WATER DISTRICT, BOTH WATER)
DISTRICTS OF CUMBERLAND COUNTY,)
KENTUCKY, ORGANIZED PURSUANT TO)
CHAPTER 74 OF THE KENTUCKY REVISED)
STATUTES, FOR A CERTIFICATE OF PUBLIC) CASE NO. 94-437
CONVENIENCE AND NECESSITY, AUTHORIZING)
AND PERMITTING SAID WATER DISTRICTS TO)
MERGE INTO A SINGLE, SURVIVING WATER)
DISTRICT TO BE KNOWN AS "CUMBERLAND)
COUNTY WATER DISTRICT" PURSUANT TO THE)
PROVISIONS OF SECTION 74.363 OF THE)
KENTUCKY REVISED STATUTES)

O R D E R

On November 10, 1994, Marrowbone Water District ("Marrowbone") and South Cumberland Water District ("South Cumberland") [hereinafter "Joint Applicants"], pursuant to KRS 74.363, filed with the Public Service Commission ("Commission") an application ["Joint Application"] wherein they sought authorization to merge into a single surviving water district to be known as "Cumberland County Water District" ["Merged District"]. Joint Applicants also requested Commission approval of the proposed exchange of the outstanding \$702,500 of Marrowbone revenue bonds and \$833,300 of South Cumberland revenue bonds for \$1,535,800 of Cumberland County Water District Water Revenue Bonds. On January 31, 1995, Joint Applicants filed their responses to the Commission's data request of December 27, 1994. On January 9, 1995, the Chairman of Marrowbone and the Chairman of South Cumberland filed with the

Commission Adoption Notices stating the intent of the Merged District to continue to furnish service pursuant to the respective districts' tariffs currently on file with the Commission. Joint Applicants state that rates within the areas currently served by Marrowbone and South Cumberland will not change when the merger takes place.

Both Marrowbone and South Cumberland are water districts pursuant to KRS Chapter 74, and both provide water service in Cumberland County, Kentucky. Both Marrowbone and South Cumberland are utilities within the definition of KRS 278.010(3) and are subject to the jurisdiction of the Commission.

Section (1) of KRS 74.361 sets forth the purposes of merger, stating in pertinent part,

The general assembly of the Commonwealth of Kentucky determines as a legislative finding of fact that reduction of the number of operating water districts in the Commonwealth will be in the public interest, in that mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public; and that the public policy favors the merger of water districts whenever feasible.

The Boards of Water Commissioners of Marrowbone and South Cumberland have determined by respective resolutions that it is in the best interests of the customers of Marrowbone and South Cumberland that the proposed merger take place [Exhibit 1 to Joint Application]. Both Boards have determined that the proposed merger will eliminate certain duplications of costs in providing water service.

Joint Applicants submit that the Merged District shall initially be governed by a Board of Water Commissioners consisting of the present Commissioners of Marrowbone and South Cumberland until such time as the respective terms of the incumbent Commissioners expire. In addition, the County Judge/Executive of the County of Cumberland, Kentucky, with the approval of the Fiscal Court, shall appoint a seventh Commissioner. As the terms of the incumbent Commissioners expire, the County Judge/Executive, with the approval of the Fiscal Court, shall appoint successors as provided in KRS 74.363 and KRS 74.020.

KRS 74.363 requires that the Merged District will assume all assets and legal liabilities of Marrowbone and South Cumberland. Joint Applicants submit that such assumption will take place. The United States Department of Agriculture, Farmers Home Administration ("FmHA") is the registered owner of all outstanding water revenue bonds of both Marrowbone and South Cumberland. Joint Applicants propose that, subsequent to the merger, the water revenue bonds of Marrowbone and South Cumberland be exchanged for water revenue bonds of the Merged District upon identical terms as to rate of interest and principal maturities.

Joint Applicants do not presently propose any change in their basic operations other than the merger of Marrowbone and South Cumberland.

IT IS THEREFORE ORDERED that:

1. Joint Applicants' request for authorization to merge Marrowbone Water District and South Cumberland Water District into

a single merged district to be known as Cumberland County Water District is approved.

2. Within 10 days of the consummation of the proposed merger, Joint Applicants shall notify the Commission that the merger has taken place or, in the alternative, shall notify the Commission if the proposed merger does not occur.

3. Joint Applicants shall file with the Commission documentation memorializing the exchange of the revenue bonds of Marrowbone and South Cumberland for revenue bonds of the Merged District within 10 days after such exchange takes place.

4. Within 30 days of the consummation of the merger, Joint Applicants shall file with the Commission the journal entries for Marrowbone, South Cumberland and the Merged District reflecting the merger.

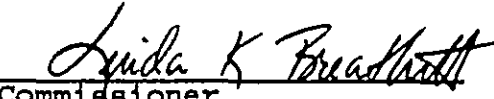
5. Within 30 days of the consummation of the merger, Joint Applicants shall file a balance sheet for the Merged District.

Done at Frankfort, Kentucky, this 24th day of February, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director