

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HILLVIEW SEWER)	
PLANT #2, INC. FOR APPROVAL TO)	CASE NO.
TO ACQUIRE OWNERSHIP OF HILLVIEW)	95-176
SEWERAGE SYSTEM PLANT #2)	

O R D E R

Hillview Sewer Plant #2, Inc. ("Hillview Sewer") has applied for Commission approval to acquire the assets of Hillview Sewerage System Plant #2, Inc. ("Hillview Sewerage"). Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Hillview Sewerage operates an extended aeration treatment facility that provides sewage service to 807 customers in the Hillview Subdivision of Bullitt County, Kentucky.

2. Hillview Sewerage's sewage treatment facility has a maximum daily capacity of 317,000 gallons and is considered a Class II wastewater treatment system. 401 KAR 5:010, Section 8.

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 \$70,000.

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

5. The Kentucky Board of Certification of Wastewater System Operators has certified Mr. Wethington to operate Class III wastewater systems. Mr. Wethington, therefore, is qualified to operate a Class II wastewater system. See 401 KAR 5:010, Section 10.

6. Mr. Wethington owns, manages, and operates several sewage treatment facilities in Bullitt and Oldham counties, Kentucky.

7. Hillview Sewer has a loan proposal from the Liberty National Bank and Trust Company for a \$60,000 term loan to purchase the sewage treatment facility and a \$20,000 line of credit loan to provide working capital to operate the system.

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 1994 Annual Report, Hillview Sewerage reported a balance of \$53,419.55 in Account 271 - Contributions in Aid of Construction ("CIAC").¹ The Uniform System of Accounts for Class C and D Sewer Utilities ("USOA") requires that "[t]he amount of CIAC applicable to the property acquired, shall be charged to Account 106, Utility Plant Purchased or Sold, and concurrently

¹ Annual Report of Hillview Sewerage System Plant # 3, Inc. to the Public Service Commission of Kentucky for the Year Ended December 31, 1994, at 3.

credited to Account 271." Hillview Sewer's journal entries recording the purchase of the treatment facility should include the CIAC of \$53,419.55.²

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 the transfer.

3. Within 30 days of the date of the transfer, Hillview Sewerage shall file with the Commission an annual report for the sewage treatment facility for that period of 1995 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 the CIAC of \$53,419.55. Any plant acquisition adjustment which Hillview Sewer records shall be amortized over the remaining useful life of the purchased treatment facilities. Nothing contained herein shall be construed as Commission approval of this accounting treatment for rate-making purposes.

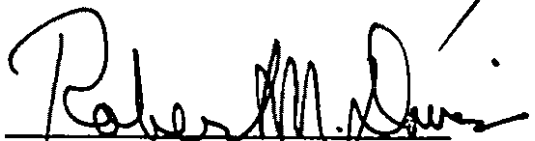
² Utility Regulatory Commission, Uniform System of Accounts for Class C and D Sewer Utilities (Oct. 1, 1979), 20.


5. If the transfer has not occurred by July 31, 1995, Hillview Sewerage shall advise the Commission in writing on that date.

Done at Frankfort, Kentucky, this 6th day of June, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director