

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF OHIO COUNTY WATER)
DISTRICT FOR (1) AUTHORITY TO ASSUME)
OWNERSHIP, OPERATION AND MAINTENANCE)
OF ROUGH RIVER WATER SYSTEM, INC. (2)) CASE NO. 95-459
AUTHORITY TO MAKE GENERAL)
ADJUSTMENTS IN THE CURRENT RATES AND)
(3) AUTHORITY TO INCREASE THE CURRENT)
CONNECTION FEES)

INTERIM ORDER

On December 28, 1995, Ohio County Water District ("Ohio Water") petitioned the Commission for approval to assume ownership of the Rough River Water System, Inc. ("Rough River") and for authority to adjust its rates and increase its connection fees. After reviewing the merger portion of the application, the Commission entered an Order on April 18, 1996 finding that the merger should not be delayed pending final disposition of the rate application.

On April 18, 1996, the Commission also entered an Order granting full intervention in this proceeding to the Attorney General of the Commonwealth of Kentucky, by and through his Civil and Environmental Law Division's Public Service Litigation Branch ("Attorney General"). Discovery on the merger issue has been completed and all requested information has been filed. The Attorney General has not filed any objections in this proceeding.

Having reviewed the merger information and being otherwise sufficiently advised, the Commission finds that:

1. Ohio Water was organized under the provisions of KRS Chapter 74 and Rough River is a nonprofit corporation that operates adjacent to Ohio Water's system.

2. Ohio Water operates a water treatment and distribution system which serves, according to its 1995 annual report, approximately 3,875 customers in and around Ohio, Butler, Grayson, Daviess, and McLean counties, Kentucky.

3. Ohio Water sells water to Rough River and, pursuant to the terms of a 1992 merger agreement, Ohio Water reads all water meters within Rough River's system and provides labor for its maintenance.

4. A majority of the membership of the Boards of Commissioners of Ohio Water and Rough River has approved the merger agreement by lawful resolution.

5. Ohio Water has approximately 400 miles of transmission and distribution mains, 6 storage tanks, 4 clear wells, and a production plant with rated capacity of 1.56 million gallons per day.

6. Rough River has approximately 60 miles of transmission and distribution mains and one storage tank. Its system serves approximately 569 customers.

7. As of December 31, 1995, Ohio Water had total utility plant of \$8,584,759.

8. As of December 31, 1995, Ohio Water had total assets and other debits of \$8,032,034; total equity capital of \$877,479 and other liabilities and credits of \$7,154,555.

9. As of December 31, 1995, Rough River had total utility plant of \$623,073.

10. As of December 31, 1995, Rough River had total assets and other debits of \$423,041; total equity capital of negative \$117,461; and other liabilities and credits of \$540,502.

11. The present Board of Commissioners of Ohio Water will not be affected or altered by the merger.

12. As of the effective date of the merger, Ohio Water agrees to accept and acquire all of the assets and legal liabilities of Rough River.

13. All of Rough River's current customers will pay those retail rates and tariffs as are payable by Ohio Water's customers, pursuant to the schedule of rate and tariff increases as are approved by the Commission by separate Order in this proceeding.

14. Merger of the two systems will present significant opportunities for improving customer service, consolidating debt, eliminating duplication of costs and efforts, and ultimately result in economies of scale, less cost, and a higher degree of service to the public. It is therefore in the public interest.

IT IS THEREFORE ORDERED that:

1. The proposed merger/assumption of ownership of Rough River by Ohio Water is hereby approved.

2. Within 30 days from the date of closing, Ohio Water shall file with the Commission an original and 10 copies of the executed closing documents.

3. Within 30 days from the date of closing, Ohio Water shall file with the Commission the journal entries recording the merger.

4. Within 30 days from the date of closing, Rough River shall file with the Commission an annual report for the period in 1996 during which it possessed sole ownership of the Rough River system.

5. Within 30 days from the date of closing, Ohio Water shall file with the Commission a revised tariff reflecting the changes resulting from the merger.

Done at Frankfort, Kentucky, this 3rd day of December, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director