

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF THE ROCHESTER)
WATER DISTRICT AND THE HUNTSVILLE-SOUTH)
HILL WATER SYSTEM, INC. FOR APPROVAL OF A)
CONTRACT OF SALE WHEREBY THE ROCHESTER)
WATER DISTRICT PROPOSES TO ACQUIRE THE) CASE NO. 96-041
EXISTING WATER DISTRIBUTION SYSTEM OF THE)
HUNTSVILLE-SOUTH HILL WATER SYSTEM, INC.,)
PURSUANT TO THE PROVISIONS OF KRS)
278.020(4) AND 807 KAR 5:001(8))

O R D E R

On February 7, 1996, Rochester Water District ("Rochester") and Huntsville-South Hill Water System, Inc. ("Huntsville-South Hill") filed a joint application with the Commission for its approval of a Contract of Sale whereby Rochester proposes to acquire the water distribution system and to assume the debt of Huntsville-South Hill. Rochester is a water district organized pursuant to KRS Chapter 74 which owns, operates, and maintains a water treatment, supply, and distribution system serving approximately 472 customers in Butler and Muhlenberg counties, Kentucky. Huntsville-South Hill is a water association organized pursuant to KRS Chapter 273 which owns, operates, and maintains a water distribution system serving approximately 213 customers in Butler County, Kentucky. Rochester's waterworks system is adjacent to, and connected with, Huntsville-South Hill's water distribution system. Rochester sells water to Huntsville-South Hill on a wholesale basis and is its sole supplier.

Rochester is subject to the Commission's jurisdiction pursuant to KRS 278.010(3)(d), KRS 278.015, and KRS 278.040(2). Huntsville-South Hill is subject to the Commission's jurisdiction pursuant to KRS 278.010(3)(d), KRS 278.012, and KRS 278.040(2). KRS 278.020(4) requires persons under the jurisdiction of the Commission to receive Commission approval prior to the acquisition or transfer of ownership or control of a utility. KRS 278.020(5) prohibits any entity from acquiring control of any utility under the jurisdiction of the Commission without prior approval.

On January 15, 1996, the membership of Huntsville-South Hill adopted a resolution authorizing the proposed transaction. On January 16, 1996, the Board of Commissioners of Rochester adopted a resolution authorizing the proposed transaction. Also on January 16, 1996, the applicants entered a Contract of Sale, subject to Commission approval, in which Huntsville-South Hill agreed to transfer all of its assets to Rochester and Rochester agreed to assume all debts and liabilities of Huntsville-South Hill as well as responsibility for its management, operation, and maintenance. Pursuant to 807 KAR 5:011, Rochester has filed with the Commission an Adoption Notice confirming that it will adopt the rates, rules, and regulations of Huntsville-South Hill as its own following the transfer.

Huntsville-South Hill's assets consist primarily of a complete water distribution system, including a 75,000 gallon water storage tank and the parcel of real estate on which it is located and a booster pump station and the parcel of real estate on which it is

located. Its debts and liabilities include a loan now administered and serviced by the General Electric Capital Corporation ("GECC") in the approximate unpaid principal amount of \$64,690.00, plus accrued interest, and a promissory note owed to the Morgantown Bank & Trust in the unpaid principal amount of \$5,000.00, plus accrued interest. Approval of the proposed transfer of assets and debt assumption by GECC is anticipated. At the time of closing, Rochester intends to pay the \$5,000.00 promissory note owed by Huntsville-South Hill out of surplus funds.

Huntsville-South Hill states in the joint application that it no longer has the financial resources nor the technical expertise and managerial abilities to continue providing adequate, dependable, potable water to its customers. Rochester has demonstrated that it has the financial, technical, and managerial abilities to provide reasonable service to the customers of Huntsville-South Hill as required by KRS 278.020(4). According to the joint application, the Division of Water of the Department for Environmental Protection, Kentucky Natural Resources and Environmental Protection Cabinet has strongly recommended that Huntsville-South Hill combine and consolidate its system with Rochester.

Based on the evidence of record, the Commission finds that the proposed transfer of Huntsville-South Hill to Rochester is feasible, is in the public interest, is consistent with KRS 278.020(4) and (5), and will not result in diminished financial,

technical, or managerial ability to provide adequate water service to the customers of the applicants.

IT IS THEREFORE ORDERED that:

1. The proposed transaction consisting of the transfer of all the assets of Huntsville-South Hill to Rochester and the assumption of all the debts and liabilities of Huntsville-South Hill by Rochester as well as responsibility for its management, operation, and maintenance, as set out in the joint application filed in this proceeding and in the Contract of Sale entered by the parties to this proceeding, is hereby approved.

2. Rochester shall notify the Commission within ten days of the date of closing of the sale or, in the alternative, Huntsville-South Hill shall notify the Commission if the sale does not occur.

3. Upon receipt by the applicants of GECC approval of the proposed transfer of assets and debt assumption, a copy of the approval shall be filed with the Commission.

4. Within 10 days of the date of closing of the sale, Rochester shall file an Adoption Notice pursuant to 807 KAR 5:011, Section 11.

5. Within 10 days of its filing of the Adoption Notice, Rochester shall file a tariff which incorporates Huntsville-South Hill's rates.

6. Within 60 days of the transfer of legal title of Huntsville-South Hill to Rochester, Rochester shall file with the Commission the journal entries recording the purchase.

7. Within 60 days of the date the transfer is completed, Huntsville-South Hill shall file with the Commission an annual

report for the portion of 1996 in which it operated its water distribution system.

Done at Frankfort, Kentucky, this 22nd day of March, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director