

1. Kevil is a municipally owned corporation governed by a City Council, pursuant to KRS 96.355. Kevil is classified as a municipal corporation of the sixth class.¹

2. Kevil currently serves 451 customers.

3. The Purchase Public Service Corporation ("PPSC") provides billing services for Kevil.

4. As of June 30, 1999, Kevil had water plant valued at \$811,085.

5. Bandana is a water district organized pursuant to KRS Chapter 74. It was established in 1964. Bandana's mailing address is P. O. Box 13, Bandana, Kentucky 42022.²

6. As of December 31, 1999, Bandana provided water service to 90 residential and 2 commercial customers in Ballard County, Kentucky.³

7. As of December 31, 1999, Bandana had total utility plant of \$145,638.

8. As of December 31, 1999, Bandana had total assets and other debits of \$23,030.10 and total liabilities of \$1,204.77.

9. For the operating year ended December 31, 1999, Bandana had a net income of \$859.14 based upon total operating revenues and other income of \$1,185.39.

10. Bandana currently has no outstanding debt.

11. A four-member board of commissioners manages Bandana.

¹ KRS 81.010(6).

² 1999 Annual Report. All future references will be to Bandana's 1999 annual report. It has not yet filed its 2000 annual report.

³ Id.

12. Bandana currently employs a secretary, treasurer and system operator.

13. As of December 31, 1999, Bandana produced 4,358,175 gallons of water. It did not purchase water during 1999.

14. Bandana does not currently provide any sanitary sewer service nor does it own or operate any sewage treatment or collection facilities.

15. The Bandana system has suffered recently from water delivery problems and unsafe levels of nitrates in the water delivered to customers. It has further suffered from mechanical problems due to the age of its well pumps.⁴

16. Bandana's board members approved a resolution to enter into the agreement with Kevil on January 3, 2001.

17. On November 14, 2000, Kevil and Bandana executed a Merger Agreement.

18. Under the terms of the Merger Agreement, Bandana will deliver to Kevil all money in its possession, including customer deposits and payments.

19. At the time the application was filed, Kevil stated that it had the capacity to supply the demands of approximately 104 homes.⁵ However, Kevil has since determined that with the addition of Bandana to its system, it may accommodate an additional 170 customers.⁶

⁴ Application, Exh. H.

⁵ Id. at pg. 1.

⁶ Response to Data Request No. 1(a).

20. After the approval of this application, Kevil and Bandana will connect their respective systems. This connection will require the installation of approximately 27,800 linear feet of 6" PVC water line. In addition to this connection, Kevil will construct a 75,000 gallon elevated water storage tank.⁷ Kevil will partially fund this extension through a Community Development Block Grant. Kevil is in the process of obtaining funding from the Rural Utilities Service to finance the remainder of the connection project.⁸

21. Kevil currently charges customers in the city \$6.75 for the first 2,000 gallons of water used and \$1.70 per 1,000 gallons used thereafter. Customers outside the city are charged \$8.10 for the first 2,000 gallons of water used and \$2.05 per 1,000 gallons used thereafter.⁹

22. After the merger, Kevil will charge Bandana's customers the following rates:

0 to 3,000 gallons	\$13.94 minimum
3,001 to 5,000 gallons	\$4.40 per 1,000 gallons
5,001 + gallons	\$4.10 per 1,000 gallons

The rates currently charged by Bandana are:

0 to 3,000 gallons	\$9.05 minimum
3,001 to 5,000 gallons	\$3.90 per 1,000 gallons
5,001 + gallons	\$3.10 per 1,000 gallons

⁷ Response to Data Request No. 1(b).

⁸ Id.

⁹ Response to Data Request No. 2(a).

23. Following an annual audit of revenues and expenses of Kevil's water utility, the City Council will determine whether to increase rates. Kevil will send letters to its customers regarding the proposed increase as well as publish notice in a local newspaper. Bandana's customers may oppose a rate increase at City Council meetings.¹⁰

24. Kevil does not at this time have sufficient staff to address the added customers from this acquisition. It is in negotiations with Purchase Area Development District to delegate certain administrative duties related to the additional customers. These duties include collections, water quality testing, customer service and meter reading.¹¹

25. Bandana's customers will not suffer a loss of quality or quantity of service through this acquisition.

26. Kevil states that it has the financial, technical, and managerial abilities to provide reasonable service. Rod H. Martin, P.E., provided an affidavit in which he affirmed that Kevil has the "capability and capacity to serve the [Bandana Water District]." Mr. Martin is the President of Hunter Martin and Associates, Inc., which provides consulting services to Kevil.¹²

27. KRS 278.020(4) provides:

No person shall acquire . . . ownership of, or control . . . any utility under the jurisdiction of the commission . . . without prior approval of the commission. The commission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service.

¹⁰ Response to Data Request No. 5.

¹¹ Response to Data Request No. 7(c).

¹² Application, Exh. B and Response to Data Request No. 1(a).

28. KRS 278.020(5) provides that “The commission shall approve any proposed acquisition when it finds that the same is in accordance with law, for a proper purpose and is consistent with the public interest.”

29. Kevil has the financial, managerial and technical abilities to provide reasonable service to Bandana’s customers. Further, this transfer is in accordance with law, proper purpose and is consistent with the public interest.

30. The proposed transfer is consistent with the requirements of KRS 278.020.

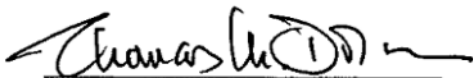
IT IS THEREFORE ORDERED that:

1. The proposed transfer is approved as of the date of this Order.
2. Bandana shall notify the Commission when the transfer has been completed.
3. After full compliance with this Order, Bandana is authorized to cease operations as a utility.

Done at Frankfort, Kentucky, this 24th day of May, 2001.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Thomas M. [unclear]", written over a horizontal line.

Executive Director