

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF THE CITY OF)	
LAWRENCEBURG, KENTUCKY, AND THE)	
ALTON WATER AND SEWER DISTRICT FOR)	CASE NO.
APPROVAL OF THE SALE OF ASSETS OF THE)	2002-00140
ALTON WATER AND SEWER DISTRICT TO)	
THE CITY OF LAWRENCEBURG)	

O R D E R

On April 22, 2002, Alton Water and Sewer District (Alton District) and the city of Lawrenceburg (Lawrenceburg) filed a joint application for Commission approval of the transfer of the water and sewer utility owned and operated by Alton District to Lawrenceburg.

On May 22, 2002, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, pursuant to his motion, was permitted to intervene as a party to this proceeding. None of the parties prefiled testimony and, in accordance with the procedural Order dated May 22, 2002, the matter is before the Commission on the existing record. Having reviewed the record, the Commission finds that:

1. Alton District is a utility organized and existing under the laws of this state, whose offices are at 1336 Alton Road, Lawrenceburg, Kentucky. Alton District owns and operates a water and sewer utility operating under the jurisdiction of this Commission that serves approximately 1,104 water customers and 569 sewer customers in Anderson County.

2. Lawrenceburg, a city organized and existing under the laws of this state, has its principal office at City Hall, 205 East Woodford Street, Lawrenceburg, Kentucky.

3. Since 1940, Lawrenceburg has owned and operated municipal water and sewage treatment facilities that serve all areas within its corporate limits and certain areas outside its limits in Anderson County. Lawrenceburg currently serves more than 3,400 water and sewer customers and provides wholesale service to Alton District.

4. To manage and operate its water system, Lawrenceburg employs six persons for each system and regularly utilizes the services of two employees of its Maintenance Department.

5. Lawrenceburg's wastewater treatment plant is run by the Wastewater Plant Supervisor and the remaining employees are each classified as Wastewater Plant Operators II. Lawrenceburg requires its Wastewater Plant Operators to be licensed, and all six operators are certified by the Division of Water, Kentucky Department for Environmental Protection (DOW).

6. Lawrenceburg's water treatment plant is run by the Water Plant Supervisor and the Assistant Water Plant Supervisor. The remaining employees are each classified as Water Plant Operator III.

7. In addition, the two employees of Lawrenceburg's Maintenance Department who regularly provide service to the water and sewer utility are also certified by DOW.

8. For the fiscal year ending June 30, 2001, Lawrenceburg's Enterprise Fund, which includes its water and sewer utilities, had assets of \$13,912,978, liabilities

of \$6,434,857, and fund equity and other credits of \$7,478,121. For the same period, the Fund recorded net income of \$130,150.

9. The application arises out of an Agreement executed by the applicants on March 11, 2002, under the terms of which Lawrenceburg agreed to purchase for \$1.00 all of the assets, and assume all of the liabilities and obligations, of the Alton District, including the obligation to continue to provide water and sewer service in Alton District's service territory.

10. Lawrenceburg has not agreed to adopt the rates Alton District currently charges its customers for water and sewer service and has requested a waiver from 807 KAR 5:011, Section 11. However, as the following demonstrates, the transfer will reduce the rates for most, if not all, of Alton District's water and sewer customers.

11. Under the terms of the Agreement, Lawrenceburg has agreed to charge Alton District water customers a minimum bill of \$9.75 for up to 2000 gallons and \$3.10 for each additional 1000 gallons. For an average customer using 5000 gallons per month, these rates would produce a bill of \$19.05. By comparison, Alton District customers currently pay a minimum bill of \$11.80 for up to 2000 gallons, \$4.95 per 1000 gallons for the next 2000 gallons, \$4.20 per 1000 gallons for the next 2000, \$3.40 per 1000 gallons for the next 4000 gallons, and \$2.80 per 1000 gallons thereafter. For an average customer using 5000 gallons per month, these rates would produce a bill of \$25.90. These rates will remain in effect until the rates charged to Lawrenceburg customers reach the agreed rates for Alton District customers, at which time all customers will be charged the same rate for at least 30 years.

12. The agreement further provides that for sewer service Lawrenceburg has agreed to charge Alton District sewer customers a minimum of \$7.80 for up to 2000 gallons and \$7.27 for each 1000 gallons of water thereafter. By comparison, Alton District customers currently pay a minimum of \$14.54 for the first 2000 gallons and \$7.27 for each 1000 gallons of water thereafter. These rates will remain in effect until the rates charged to Lawrenceburg customers reach the agreed rates for Alton District customers, at which time all customers will be charged the same rate for at least 30 years.

13. Combining and consolidating Alton District's system with Lawrenceburg's system should result in improved economies of scale and should allow the combined system to be operated, managed, and maintained more efficiently.

14. Alton District currently maintains a customer deposit account, which had a balance of \$25,710 on June 4, 2002. This account represents a liability of Alton District, the disposition of which the parties do not specifically address in their Agreement.

CONCLUSION

Lawrenceburg has the financial, technical, and managerial abilities to provide reasonable service to the customers of Alton District, and the transfer is for a proper purpose.

The transfer serves the public interest in that it involves the absorption of a small water system into a larger, professionally operated system, thereby better ensuring that Alton District's customers will receive reliable and efficient service at fair, just, and

reasonable rates and by providing most, if not all, of those customers an immediate reduction of their water and sewer rates.

Because of the rate reduction that Alton District customers will receive from the transfer, Lawrenceburg should be granted a waiver from 807 KAR 5:011, Section 11, which would otherwise require Lawrenceburg to adopt Alton District's rates.

As part of the transfer, Lawrenceburg should assume the liability of Alton District's customer deposits.

The Commission, being otherwise sufficiently advised, HEREBY ORDERS that:

1. The proposed transfer of Alton District's water system to Lawrenceburg is approved.
2. Alton District's customer deposit liability and any accrued interest liability on those customer deposits shall be assumed by Lawrenceburg.
3. Lawrenceburg is granted a waiver from 807 KAR 5:011, Section 11.
4. Within 60 days of the date of this Order, Alton District shall file annual reports for the portion of 2002 that it owned and operated its water and sewer systems.

Done at Frankfort, Kentucky, this 14th day of June, 2002.

By the Commission

ATTEST:


Executive Director