

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TRANSFER OF RIDGEWOOD SEWAGE TREATMENT) CASE NO.
PLANT TO CLASSIC CONSTRUCTION, INC.) 2002-00320

O R D E R

On September 20, 2002, Classic Construction, Inc. (Classic) filed, pursuant to 278.020(4) and (5), an application for Commission approval of its proposed acquisition of Ridgewood Sewage Treatment Plant (Ridgewood).

PROCEDURE

On October 8, 2002, Commission Staff issued its first data request. Classic responded on October 16, 2002. On October 8, 2002, the Commission granted the Attorney General's motion to intervene. An evidentiary hearing was held on Monday, November 4, 2002. John Baughman, Master Commissioner, testified on behalf of Ridgewood. Russell Givens testified on behalf of Classic.

PROPOSED TRANSACTION

Ridgewood is a sewage treatment plant serving 97 customers in Franklin County, Kentucky. Classic is a Kentucky corporation principally located at 5312 Sleepy Hollow Drive in Frankfort, Kentucky. Classic was primarily established to engage in the business of home construction and this acquisition, if approved, will be the company's first substantial utility operation.

Ridgewood was formerly owned and operated by J.B. Marston. In 1992, the Natural Resources and Environmental Protection Cabinet (Cabinet) initiated a civil action against Mr. Marston, alleging that his failure to properly maintain the facility had

resulted in violations of environmental statutes and regulations. In response to this litigation, the Court assigned a temporary receiver to operate the plant. Because the receiver failed to adequately maintain the plant, the Court appointed John Baughman, Master Commissioner, to operate the plant. Mr. Givens has been working with Commissioner Baughman and anticipates securing ownership of the plant.

Although neither party anticipates the payment of purchase money to acquire the utility, Classic has agreed to assume any cost associated with the transfer. Classic has also agreed to resolve any outstanding debts the plant may have at the time of acquisition.

STATUTORY PROVISIONS

KRS 278.020(4) provides that no person may acquire or transfer control or ownership of a utility without prior approval by the Commission. The Commission will approve such a transfer if it determines that the acquirer has the financial, technical, and managerial abilities to provide reasonable service. The Commission must also determine that the acquisition is made in accordance with the law, for a proper purpose, and is consistent with the public interest. KRS 278.020(5). The Commission may grant an application upon terms and conditions it deems necessary to protect the public interest.

After carefully reviewing the record established in this proceeding, the Commission concludes that Classic has the financial, technical, and managerial ability to provide reasonable service to Kentucky customers. The Commission finds that the proposed acquisition is consistent with the public interest and that Classic will maintain both the level and quality of service currently received by Ridgewood customers.

In demonstration of its financial ability to operate the sewer system, Classic has provided an irrevocable letter of credit up to an aggregate amount of \$12,000 from Farmers Bank & Capital Trust Company. In addition, Mr. Givens states that he has accumulated \$45,000 in stocks, money market funds, and index funds in a personal account. Mr. Givens has committed to use these funds to cover any unexpected expenses associated with his ownership of the plant.

Classic has demonstrated the technical ability necessary to operate the system. Classic has committed to employ Noel Norton, the certified operator previously hired by the Master Commissioner. Also, Mr. Givens testified that he will begin taking classes to become a certified operator. With regard to managerial ability, Mr. Givens has experience as a contractor. He states that he has effectively managed multiple projects, including accounts receivable and accounts payable. For more complex financial matters, Classic will retain the services of David Eddins, CPA.

CONCLUSIONS

Classic has provided sufficient evidence to prove that it has the financial, technical, and managerial ability to provide reasonable service to Kentucky customers. The proposed acquisition is made in accordance with law, does not violate any statutory prohibition, and is executed for a proper purpose. The Commission finds that the proposed acquisition is consistent with the public interest and that Classic will maintain both the level and quality of service currently received by Ridgewood customers.

The Commission, having reviewed the record and being otherwise sufficiently advised, HEREBY ORDERS that:

1. Classic s proposed acquisition of Ridgewood is approved.

2. Within 30 days of the transfer, Classic shall file with the Commission all documents effectuating Classic's acquisition of the plant.

3. Classic shall employ a certified sewage system operator to maintain the plant. In the event that the current certified operator is unable or unwilling to continue service, Classic shall immediately hire another certified sewage system operator.

Done at Frankfort, Kentucky, this 18th day of November, 2002.

By the Commission

ATTEST:



Executive Director