

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION OF THE OPERATING CAPACITY)
OF MARTIN COUNTY WATER DISTRICT) CASE NO. 2002-00116
PURSUANT TO KRS 278.280)

O R D E R

This is an Order accepting a Settlement Agreement in a case in which the Commission investigated the operating capacity of Martin County Water District (Martin District). The Settlement Agreement, which is between Martin District and Commission Staff, addresses the Commission's concerns regarding Martin District's operating capacity.

This case had its genesis on April 5, 2002 when Commission Staff issued a Utility Inspection Report (Inspection Report) describing the results of an inspection of Martin District's facilities and records conducted on April 4, 2002. The inspection revealed that Martin District's water treatment plant was in a general state of disrepair, and Commission Staff expressed the concern that further equipment failure would render the plant incapable of providing water to Martin District's system.

On April 5, 2002, the Commission initiated an investigation to address the conditions described in the Investigation Report and the long-term actions necessary to ensure the continuity of service to Martin District's customers. Following a hearing on July 1, 2002, the Commission expanded the scope of its investigation to include assessing the current condition of Martin District's operations and management.

Commission Staff extensively investigated Martin District's management and operations and filed written testimony with the Commission regarding its findings and recommendations. Following the investigation, Martin District and Commission Staff conducted settlement negotiations.

As a result of settlement negotiations and Martin District's affirmative showing of improvements to its operating capacity, Martin District and Commission Staff have entered into the Settlement Agreement attached hereto as Appendix A. The Commission notes that while this Settlement Agreement addresses the Commission's concerns relating to Martin District's operating capacity, Martin District remains challenged by many obstacles from within (antiquated, inadequate distribution system) and without (inadequate funding). Consequently, issues still exist regarding Martin District's future operational capacity. This Settlement Agreement, therefore, is intended not merely to address the immediate issues facing Martin District's short-term threats to its system, but also to prescribe a manner in which Martin District may ensure the long-term health and viability of its system.

Based upon the foregoing, and the Commission being otherwise sufficiently advised, IT IS HEREBY ORDERED that:

1. The attached Settlement Agreement is accepted and adopted by the Commission.
2. This case is closed and is removed from the Commission's docket.

Done at Frankfort, Kentucky, this 17th day of November, 2003.

By the Commission

ATTEST:

*Deborah T. Everett for
Thomas M. Lorman*

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2002-00116 DATED November 17, 2003

(See document named 200200116_11172003apx.pdf for Appendix A)