

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)	
WATER DISTRICT FOR APPROVAL OF)	CASE NO.
FINANCING THE ACQUISITION OF THE)	2003-00430
CITY OF TAYLOR MILL WATER SYSTEM)	

O R D E R

On November 24, 2003, Northern Kentucky Water District (Northern District) applied to the Commission for its approval of the financing of the acquisition of the city of Taylor Mill water system (Taylor Mill facilities). The application did not meet the minimum filing requirements, but all deficiencies were cured and the application deemed filed as of December 10, 2003.

On December 2, 2003, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (Attorney General), moved the Commission for full intervenor status in this action.

On November 11, 2003, Northern District and the city of Taylor Mill entered into an Asset Acquisition Agreement (Agreement), wherein Northern District agreed to purchase the Taylor Mill facilities for \$3,000,000. The city of Taylor Mill agreed to finance Northern District s purchase over a 15-year term with a non-interest bearing loan.

The city of Taylor Mill agreed to adopt Northern District s current rates, rules and regulations prior to closing.¹ Because Northern District s current tariffed rates are less

¹ Agreement at 10.

than those being charged by the city of Taylor Mill, the ratepayers of the city of Taylor Mill will benefit from the purchase. According to Northern District, Northern District's ratepayers will also benefit from the purchase due to the additional net income that will result. Northern District's analysis shows that the additional revenue will result from switching Taylor Mill's water purchases from wholesale to retail rates and will be in the range of \$1.2 million to \$1.7 million per year.² An increase in revenue of this range will fund the operating costs of the Taylor Mill facilities, cover the debt service payments, and provide income for Northern District's debt service requirements.³

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Northern District's proposal to obtain the \$3,000,000 loan from the city of Taylor Mill, as described herein, for the purchase of the Taylor Mill facilities is for a lawful object within its corporate purpose, is necessary or appropriate for and consistent with the proper performance of its service to the public, and should be approved.

IT IS THEREFORE ORDERED that:

1. The Attorney General's motion for intervention is granted.
2. Northern District is authorized to obtain a \$3,000,000 loan for the purchase of the Taylor Mill facilities as described herein.
3. Northern District shall notify the Commission of the purchase of the Taylor Mill facilities within 10 days of the completion thereof.

² Application, Exhibit 2, City of Taylor Mill Water System Purchase at 9.

³ Application, Exhibit 2, City of Taylor Mill Water System Purchase at 4.

4. Northern District shall record the purchase of the Taylor Mill facilities on its books in accordance with the requirements of the Uniform System of Accounts for Class A and B Water Districts and Associations.

5. Within 30 days of the completion of the transaction, Northern District shall file the journal entries used to record the purchase and identify the detailed plant accounts to which the assets are recorded.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 29th day of December, 2003.

By the Commission

ATTEST:


Executive Director