

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF)	
KENTUCKY-AMERICAN WATER)	
COMPANY AND TRI-VILLAGE)	CASE NO. 2007-00367
WATER DISTRICT FOR APPROVAL)	
OF A CHANGE IN CONTROL OF)	
TRI-VILLAGE WATER DISTRICT)	

O R D E R

On August 9, 2007, Tri-Village Water District (“Tri-Village”) and Kentucky-American Water Company (“Kentucky-American”)(collectively “Joint Applicants”) applied for Commission approval for the transfer of Tri-Village’s assets.

Having considered the application and the evidence of record, the Commission finds that:

1. Kentucky-American is a Kentucky corporation located at 2300 Richmond Road, Lexington, Kentucky. It is a wholly owned subsidiary of American Water Works Company, Inc., which is located at 1025 Laurel Oak Road, Voorhees, New Jersey.¹
2. As of December 31, 2006, Kentucky-American had a net utility plant valued at \$256,229,469.² For this period, Kentucky-American reported long-term debt of \$49,900,000 and total equity capital of \$79,025,964.³
3. As of December 31, 2006, Kentucky-American served 104,754 residential customers, 8,573 commercial customers, and 21 industrial customers⁴ in Bell, Bourbon,

¹ Annual Report of Kentucky-American to the Public Service Commission for the Year Ended December 31, 2006 at 6.

² Id. at 13.

³ Id. at 18.

⁴ Id. at 56.

Clark, Fayette, Gallatin, Grant, Harrison, Jessamine, Owen, Scott, and Woodford counties, Kentucky.⁵

4. For the calendar year 2006, Kentucky-American recorded operating revenues of \$48,706,602 and utility operating expenses of \$39,673,761, resulting in net utility operating income of \$9,032,841.⁶

5. Tri-Village is a water district organized pursuant to KRS Chapter 74. It was established in 1961. Its business address is 3700 Highway 127 North, Owenton, Kentucky 40359.

6. In Case No. 2007-00094,⁷ the Commission authorized the transfer of Tri-Village's tangible assets to Kentucky-American. After the transfer was completed, Tri-Village remained in existence to secure a grant from the Kentucky Infrastructure Authority for the construction of a distribution main known as the New Columbus Facility.

The New Columbus Facility was constructed in 2003. Tri-Village and Kentucky-American are co-owners of the Facility.⁸

7. Kentucky-American maintains and operates the New Columbus Facility and collects all revenues from customers that the Facility serves.⁹

⁵ Id. at 11.

⁶ Id. at 21.

⁷ Case No. 2007-00094, Application of Tri-Village Water District and Kentucky-American Water Company (Ky. PSC June 8, 2001).

⁸ Joint Application of Kentucky-American and Tri-Village, Case No. 2007-00367 (filed August 9, 2007) at 3.

⁹ Id.

8. Tri-Village has no customers, produces no water, and purchases no water.¹⁰

9. As of December 31, 2006, Tri-Village had a total utility plant of \$830,625.¹¹

10. For the calendar year ending December 31, 2006, Tri-Village recorded operating revenues as provided by Kentucky-American of \$20,000 and utility operating expenses of \$48,481.56, resulting in a net utility operating loss of \$28,481.56.¹²

11. Tri-Village has no employees.¹³

12. Tri-Village intends to transfer its interest in the New Columbus Facility and all remaining assets to Kentucky-American, who will use the assets to construct a water distribution main to serve Stewarts Lane in Owen County. Kentucky-American will construct, own, and operate the Stewarts Lane distribution main. Kentucky-American will continue to serve customers who are currently served by the New Columbus Facility. The proposed transaction will not interrupt customers' service.¹⁴

Based upon the above findings, the Commission makes the following conclusions of law:

1. KRS 278.020(5) provides:

No person shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission . . . without prior approval by the commission. The commission shall grant its approval if the person acquiring the utility has

¹⁰ Id.

¹¹ Tri-Village Basic Financial Statements and Independent Auditors' Reports at December 31, 2006 and 2005, at 8 (Joint Applicants' Supplemental Data Response (filed October 31, 2007)).

¹² Id. at 3.

¹³ Joint Applicants' Data Response No. 7 (filed October 9, 2007).

¹⁴ Id. at No. 9.

the financial, technical, and managerial abilities to provide reasonable service.

2. KRS 278.020(6) provides that “[t]he commission shall approve any proposed acquisition when it finds that the same is to be made in accordance with law, for a proper purpose and is consistent with the public interest.”

3. Kentucky-American has the financial, managerial, and technical abilities to provide reasonable service to Tri-Village customers.

4. This transfer is in accordance with law, is for a proper purpose, and is consistent with the public interest.

IT IS THEREFORE ORDERED that:

1. The proposed transfer is approved as of the date of this Order.
2. Within 10 days of the transfer of Tri-Village’s assets to Kentucky-American, Joint Applicants shall file written notification with the Commission.

Done at Frankfort, Kentucky, this 28th day of November, 2007.

By the Commission

Commissioner Clark Abstains.

ATTEST:



Executive Director