

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DISSOLUTION OF HIMA-SIBERT WATER DISTRICT)
AND TENTATIVE TAKEOVER BY THE CITY OF) CASE NO. 2000-553
MANCHESTER)

ORDER

The city of Manchester, Kentucky ("Manchester") has applied for Commission approval of its acquisition of the assets and liabilities of Hima-Sibert Water District ("Hima-Sibert"). Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Hima-Sibert is a water district, organized pursuant to KRS Chapter 74, that provides water service to approximately 600 customers and sewer service to approximately 39 customers in Clay County, Kentucky.

2. As of December 31, 1999, Hima-Sibert's water operations had total net utility plant of \$523,172.¹

3. As of December 31, 1999, Hima-Sibert's water operations had total assets of \$590,913 and total liabilities of \$272,110.

4. For the 1999 calendar year, Hima-Sibert's water operations had operating revenues of \$201,196 and utility operating expenses of \$234,825. It had a total net loss of \$45,605 for the year.

¹ For information regarding Hima-Sibert's financial condition, see Report to the Public Service Commission: Financial Examination of Hima-Sibert Water District (submitted May 3, 1999).

5. Since on or before 1993, Hima-Sibert has operated sewage collection facilities. The value of these facilities and the extent of their operations are negligible.

6. As of December 31, 1999, Rural Development ("RD"), an agency of the U.S. Department of Agriculture, held \$232,290 in outstanding Hima-Sibert Revenue Bonds.

7. Hima-Sibert acquires its water from Manchester and East Laurel Water District.

8. Hima-Sibert's sewage collection facilities transport wastewater to Manchester's sewage treatment facilities.

9. Manchester is a city of the fourth class. KRS 81.010(4).

10. Pursuant to KRS 96.190(1) and 96.350(1) and (2), Manchester operates a water treatment and distribution facility and a sewage treatment facility.

11. Manchester currently provides water service to approximately 2,896 retail customers and to Hima-Sibert and North Manchester Water Association.²

12. As of June 30, 1999, Manchester's water and sewer operations had total net utility plant of \$11,531,156.³

13. As of June 30, 1999, Manchester's water and sewer operations had total assets of \$13,567,041 and total liabilities of \$5,472,121.

14. As of June 30, 1999, Manchester's water and sewer operations had operating revenues of \$1,697,632 and operating expenses of \$1,536,996.

² Letter from Daugh K. White, Mayor, City of Manchester, Kentucky, to Tom Dorman, Executive Director, Public Service Commission (Nov. 21, 2000).

³ Charles M. Stivers, General Purpose Financial Statements and Audit Report of Certified Public Accountant Twelve Months Ended June 30, 1999.

15. Manchester employs 21 persons to operate and manage its water and sewer distribution system. At least 7 of these employees are certified by the Kentucky Board of Certification of Water Treatment Plant and Water Distribution System Operators, as Class II-D or higher distribution system operators.⁴

16. On October 5, 2000, Hima-Sibert's Board of Commissioners unanimously adopted a resolution to transfer its facilities to Manchester.

17. Under the proposed arrangement, all of Hima-Sibert's assets and liabilities will be transferred to Manchester. Manchester will, with RD's approval, assume all of Hima-Sibert's outstanding debt obligations. Hima-Sibert's existing sewer collection facilities will be abandoned and replaced with new facilities currently under construction. Upon completion of the transfer, Hima-Sibert will be dissolved.

18. Manchester has the financial, technical, and managerial abilities to provide reasonable utility service to those persons that Hima-Sibert currently serves.

19. The proposed transfer is consistent with the General Assembly's finding that the reduction of the number of operating water districts in Kentucky is in the public interest, will eliminate wasteful duplication of costs and efforts, will result in a sounder and more businesslike degree of management, and ultimately will result in greater economies, less cost, and a higher degree of service to the general public. See KRS 74.361(1).

20. The proposed transfer is in accordance with law, is for a proper purpose, and is consistent with the public interest.

⁴ Letter from Daugh K. White, Mayor, City of Manchester, Kentucky, to Tom Dorman, Executive Director, Public Service Commission (Jan. 10, 2001).

IT IS THEREFORE ORDERED that:

1. The proposed transfer of Hima-Sibert's assets and liabilities is approved.
2. Within 20 days of completion of the transfer of Hima-Sibert's assets and liabilities, Manchester shall notify the Commission in writing of the transfer's completion.
3. Within 10 days of Clay County Fiscal Court's enactment of an ordinance dissolving Hima-Sibert, Manchester shall file a copy of such resolution with the Commission.
4. Hima-Sibert remains responsible for filing with the Commission the financial and statistical report required by Administrative Regulation 807 KAR 5:006, Section 3(1), for the 2000 calendar year.

Done at Frankfort, Kentucky, this 22nd day of February, 2001.

By the Commission

ATTEST:


Executive Director