

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SALT LICK WATER)	
ASSOCIATION, INC., LEWIS COUNTY,)	
KENTUCKY FOR AUTHORIZATION OF ITS)	
PROPOSED SALE AND CONVEYANCE OF ALL)	CASE NO. 96-436
OF ITS WATER SYSTEM PROPERTY, ASSETS)	
AND FUNDS TO THE CITY OF VANCEBURG,)	
KENTUCKY)	

O R D E R

Salt Lick Water Association, Inc. ("Salt Lick") has applied for approval of the sale of its assets to the City of Vanceburg, Kentucky ("Vanceburg").

Having considered the application and being otherwise sufficiently advised, the Commission finds that:

1. Salt Lick operates a water distribution system that serves approximately 288 residential and commercial customers in Lewis County, Kentucky.
2. Salt Lick currently purchases its total water requirements from Vanceburg.
3. Salt Lick has agreed to transfer its water distribution system and other assets to Vanceburg in exchange for Vanceburg's assumption of Salt Lick's outstanding indebtedness. Upon the completion of the transfer, the Electric Plant Board of the City of Vanceburg, Kentucky ("Plant Board") will operate these assets and charge Salt Lick's present customers a rate for service that is lower than Salt Lick's present rate.
4. The Plant Board is a body politic and corporate and is operated by its Board of Public Utilities. See KRS 96.740(1).

5. The Plant Board is responsible for the operation, management and control of Vanceburg's combined and consolidated water and sewer system.

6. The Plant Board obtains its supply of water from underground wells and operates a water treatment and distribution plant in Vanceburg, Kentucky. Its plant has a production capacity of 865,000 gallons per day.

7. The Plant Board employs persons certified as operators of a Class IIID water treatment plant as set out in 401 KAR 8:030, Section 8(2)(d).

8. The Plant Board currently supplies Salt Lick's total water requirements.

9. As of December 31, 1995, the Plant Board provided water service to approximately 1,245 customers in Vanceburg, Kentucky and its surrounding environs.

10. As of June 30, 1995, the Plant Board had total utility plant of \$4,928,099. Approximately \$1,509,239 of this plant was devoted to its water treatment and distribution functions.

11. As of June 30, 1995, the Plant Board had total assets of \$7,975,656. Approximately \$1,824,935 of these assets were devoted to its water treatment and distribution functions.

12. As of June 30, 1995, the Plant Board had total equity capital (total contributions in aid of construction and retained earnings) of \$6,501,758 and liabilities of \$1,473,898. Its Water Department had total equity capital (total contributions in aid of construction and retained earnings) of \$1,565,564 and liabilities of \$259,371.

13. Vanceburg, through its Plant Board, has the financial, managerial, and technical abilities to provide reasonable utility service to the persons whom Salt Lick currently serves.

IT IS THEREFORE ORDERED that:

1. The transfer of Salt Lick's water distribution system and other assets to Vanceburg pursuant to the terms of the August 5, 1996 Contract of Sale and Transfer is approved.

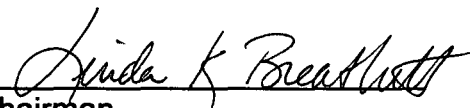
2. Within 10 days of the transfer of legal title of Salt Lick's water distribution system to Vanceburg, Salt Lick shall notify the Commission of that event.

3. Until the transfer of ownership occurs, the Commission shall retain jurisdiction over Salt Lick's water distribution system and Salt Lick shall continue to comply with all Commission regulations, including those which require the timely filing of any information, notice, or reports.

4. Salt Lick shall file an annual report for 1996 which reflects its operations until the transfer of its water distribution system to Vanceburg.

Done at Frankfort, Kentucky, this 26th day of November, 1996.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director