

S T O L L | K E E N O N | & | P A R K | L L P

300 WEST VINE STREET | SUITE 2100 | LEXINGTON, KENTUCKY 40507-1801
(859) 231-3000 PHONE | (859) 253-1093 FAX | WWW.SKP.COM

LINDSEY W. INGRAM, JR.
859-231-3033
ingramjr@skp.com

August 10, 2001

RECEIVED
AUG 13 2001
PUBLIC SERVICE
COMMISSION

Mr. Tom Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RE: Case No. 2001-094

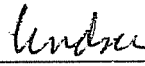
Dear Tom:

The original and eight (8) copies of the Report of Kentucky-American Water Company for filing in the above-captioned matter are enclosed herewith.

Very truly yours,

STOLL, KEENON & PARK, LLP

By



Lindsey Ingram, Jr.

/s/

Encs.

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**COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION**

RECEIVED
AUG 13 2001
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:)
)
THE VERIFIED JOINT APPLICATION OF)
TRI-VILLAGE WATER DISTRICT AND)
KENTUCKY-AMERICAN WATER COMPANY)
FOR THE APPROVAL OF THE TRANSFER)
OF THE OWNERSHIP OF THE ASSETS)
OF TRI-VILLAGE WATER DISTRICT TO)
KENTUCKY-AMERICAN WATER COMPANY)

CASE NO. 2001-094

RESPONSE OF KENTUCKY-AMERICAN WATER COMPANY

Comes Kentucky-American Water Company, by counsel, and in response to the Commission's Order dated June 8, 2001, states as follows:

1. On Thursday, August 2, 2001, Kentucky-American Water Company purchased all of the tangible assets of Tri-Village Water District devoted to the provision of water service for \$1,685,567.92. Kentucky-American Water Company is current waiting for financial statements of Tri-Village Water District as of the closing date to determine the acquisition adjustment which will be written off.

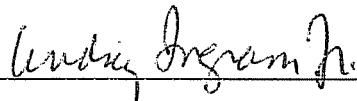
2. Attached hereto as Exhibit A is a letter dated July 30, 2001, from the United States Department of Agriculture, Rural Development, authorizing and encouraging the payment of the indebtedness of Tri-Village Water District.

3. Pursuant to 807 KAR 5:011, Section 11(1), effective with the date of the last meter reading by Tri-Village Water District prior to August 2, 2001, Kentucky-American Water Company will provide service in Owen County, Kentucky, pursuant to, and does hereby adopt the rates of Tri-Village Water District shown on Sheets No. 14 and 14A of its tariff, the tap-on

fees for five-eighths by three-quarter inch meters and large meters as shown on unnumbered Sheet No. 27 and the Purchase Water Adjustment Clause as shown on unnumbered Sheet No. 52 although it is labeled PSC No. 1, Original Sheet No. 6, all attached hereto as Exhibit B. Other than these rates, tap-on fees and water adjustment clause, service will be provided pursuant to the tariff of Kentucky-American Water Company on file with the Public Service Commission.

WHEREFORE, Kentucky-American Water Company prays that this be accepted as its Response to the Commission's Order dated June 8, 2001.

LINDSEY INGRAM, JR.
STOLL, KEENON & PARK, LLP
300 West Main Street, Suite 2100
Lexington, Kentucky 40507-1801
859-231-3000

By 

ATTORNEYS FOR KENTUCKY-AMERICAN
WATER COMPANY

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing Report has been served by mailing same, postage prepaid, on this 10th day of August, 2001, to the following:

Bruce F. Clark, Esq.
Stites & Harbison
421 West Main Street
Frankfort, Kentucky 40601

David E. Spenard, Esq.
Assistant Attorney General
Utility and Rate Intervention Division
1024 Capital Center Drive, Suite 200
P.O. Box 2000
Frankfort, Kentucky 40602-2000

Doug Hendrix, Esq.
Public Service Commission
211 Sower Blvd.
Frankfort, Kentucky 40601

STOLL, KEENON & PARK, LLP

By Lindsey Ingram Jr.
Lindsey Ingram, Jr.

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