

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF LAWRENCE COUNTY)
WATER DISTRICT AND BIG SANDY WATER)
DISTRICT FOR AUTHORIZATION AND APPROVAL)
OF THE PROPOSED TRANSFER OF OWNERSHIP) CASE NO. 99-481
AND CONTROL OF ALL LAWRENCE COUNTY)
WATER DISTRICT'S WATER SYSTEM PROPERTY)
ASSETS AND FUNDS TO BIG SANDY WATER)
SYSTEM)

ORDER

Lawrence County Water District ("Lawrence District") and Big Sandy Water District ("Big Sandy District") (collectively "the Joint Applicants") have jointly applied for approval of the proposed transfer of Lawrence District's assets to Big Sandy District.

Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Lawrence District is a water district, organized pursuant to KRS Chapter 74, that provides water service to approximately 244 customers in Lawrence County, Kentucky.
2. As of December 31, 1998, Lawrence District had total net utility plant of \$1,629,543.¹
3. As of December 31, 1998, Lawrence District had total assets of \$1,715,669 and total liabilities of \$517,975.

¹ For information regarding Lawrence District's financial condition, see Report to the Public Service Commission: Financial Examination of Lawrence County Water District (submitted Oct. 5, 1999).

4. For the 1998 calendar year, Lawrence District had operating revenues of \$43,581 and operating expenses of \$81,753. It had net losses of \$52,571.²

5. Rural Development ("RD"), an agency of the U.S. Department of Agriculture, currently holds \$495,000 in outstanding Lawrence District Revenue Bonds.

6. Lawrence District acquires its water from the city of Louisa, Kentucky.

7. Big Sandy District has managed and operated Lawrence District's distribution system since June 1999.

8. Big Sandy District is a water district, organized pursuant to KRS Chapter 74, that provides water service to 2,502 customers in Boyd, Carter, and Lawrence counties, Kentucky.

9. Big Sandy District has existed since 1977.

10. As of December 31, 1999, Big Sandy District had total net utility plant of \$5,129,060.³

11. As of December 31, 1999, Big Sandy District had total assets of \$5,894,344 and total liabilities of \$2,902,355.

12. For the 1999 calendar year, Big Sandy District had operating revenues of \$1,144,428 and operating expenses of \$961,843. It had net income of \$12,874.

13. As of December 31, 1999, Big Sandy District employed 11 persons to operate and manage its water distribution system. Six of these employees are certified

² Lawrence District became operations on or about May 1, 1998. These amounts, therefore, do not reflect a full year of operations.

³ For Big Sandy District's financial status, see Joint Applicants' Response to the Commission's Order of February 8, 2000.

by the Kentucky Board of Certification of Water Treatment Plant and Water Distribution System Operators, as Class II-D distribution system operators.

14. Big Sandy District acquires its supply of water from the city of Louisa, Kentucky and Kenova Water Company.

15. On November 1, 1999, the Joint Applicants and RD executed a contract for the sale and transfer of Lawrence District's assets. Under the terms of this contract, Lawrence District will transfer all of its assets to Big Sandy District, and Big Sandy District will assume all obligations evidenced by Lawrence District's outstanding Revenue Bonds.

16. Big Sandy District's acquisition of Lawrence District's system will not immediately require the hiring of additional employees.

17. Big Sandy District will assess to customers currently located in Lawrence District's territory the same rates that Lawrence District currently assesses.

18. RD has approved the proposed transfer of assets to Big Sandy District. Prior to completion of the proposed transfer, Big Sandy intends to issue bonds in an amount equal to the outstanding Lawrence District Revenue Bonds to retire those bonds. The terms of these new bonds will be the same as those of the outstanding Lawrence District Revenue Bonds.

19. Prior to completion of the transfer, Big Sandy District will petition the Lawrence County Judge/Executive to expand its current boundaries to include all areas that Lawrence District presently serves and all areas in Lawrence County, Kentucky that are not presently served by Rattlesnake Ridge Water District, the city of Paintsville and the city of Louisa.

20. Big Sandy District has the financial, technical, and managerial abilities to provide reasonable utility service to those persons that Lawrence District currently serves.

21. 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, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public. See KRS 74.361(1).

22. The proposed 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 of Lawrence District's assets is approved.
2. Within 10 days after the Lawrence County Judge/Executive expands Big Sandy District's boundaries pursuant to KRS 74.110, Big Sandy District shall file a copy of that Order with the Commission.
3. Within 20 days of completion of the transfer of Lawrence District's assets, Big Sandy District shall:
 - a. Notify the Commission in writing of the transfer's completion.
 - b. File with the Commission revised tariff sheets reflecting the rates charged to customers previously served by Lawrence District.
 - c. File the journal entries used to record the purchase and identify the detailed plant accounts to which the assets are recorded.

4. Lawrence District 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 1998 and 1999 calendar years.

5. Nothing contained in this Order shall be construed as approval of Big Sandy District's issuance of evidences of indebtedness to RD to replace outstanding Lawrence District Revenue Bonds that RD currently holds.

Done at Frankfort, Kentucky, this 2nd day of March, 2000.

By the Commission

ATTEST:

Executive Director