



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
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Frankfort, Kentucky 40602-0615
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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda Breathitt
Commissioner

September 18, 2014

VIA ELECTRONIC MAIL AND U.S. FIRST CLASS MAIL

Ms. Donna Peek
City Clerk/Human Resources Director
City of Danville
P.O. Box 670
Danville, KY 40423

**Re: Parksville Water District v. City of Danville
Case No. 2014-00314**

Dear Ms. Peek:

Attached is a copy of an Order issued via electronic mail on September 5, 2014 to DPeek@DanvilleKY.org. Pursuant to KRS 278.380, amended by the Kentucky General Assembly during the 2014 General Session, the electronic delivery of all Kentucky Public Service Commission orders is now allowed. By this letter we request that you confirm that DPeek@DanvilleKY.org is the correct electronic mail address for receipt of electronic mail from the Commission.

The City of Danville was ordered to satisfy the matters complained of or file a written answer to the complaint within ten days. As of the date of this letter, a response to the September 5, 2014 Order has not been received. Our records do not indicate any problems with electronic delivery of the September 5, 2014 Order. We are aware that delivery of the September 5, 2014 Order may have been blocked by the City of Danville's electronic mail filters. This letter is being sent via both electronic mail and U.S. First Class mail to ensure delivery.

The City of Danville is to respond to the September 5, 2014 Order within ten days of receipt of this letter or the Commission may issue an order to show cause. Any

Letter to Donna Peek
September 18, 2014
Page 2 of 2

questions regarding the contents of this letter should be directed to Ann Ramser, Staff Attorney, at (502) 782-2585.

Sincerely,

A handwritten signature in blue ink that reads "Jeff Derouen".

Jeff Derouen
Executive Director

Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PARKSVILLE WATER DISTRICT)
)
v.) CASE NO.
) 2014-00314
CITY OF DANVILLE)

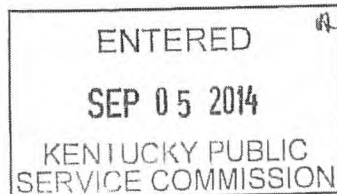
ORDER TO SATISFY OR ANSWER

The city of Danville ("Danville") is hereby notified that it has been named as defendant in a formal complaint filed on August 28, 2014, a copy of which is attached hereto.

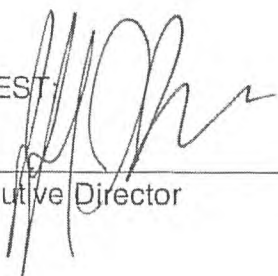
Pursuant to 807 KAR 5:001, Section 20, Danville is HEREBY ORDERED to satisfy the matters complained of or file a written answer to the complaint within ten days of the date of service of this Order.

Should documents of any kind be filed with the Commission in the course of this proceeding, the documents shall also be served on all parties of record.

By the Commission



ATTEST



Executive Director

RECEIVED

AUG 28 2014

**PUBLIC SERVICE
COMMISSION**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

Parksville Water District

v.

City of Danville

)
)
)

Case No. 2014-00

314

COMPLAINT

Parksville Water District, by counsel, files this complaint against the city of Danville for the purpose of protesting the city's increase of its wholesale water rate charged to Parksville.

1. Parksville is a statutorily created water district operating pursuant to KRS Chapter 74, with an address of 10711 Lebanon Road, Box 9, Parksville, KY 40464. It is regulated by the Public Service Commission.

2. The City of Danville is a city of the third class located in Boyle County which owns and operates a water treatment and distribution system that provides wholesale water service to Parksville, Garrard County, Lake Village and Hustonville. Its address is P.O. Box 670, Danville, KY 40423.

3. Parksville purchases water at wholesale from the city of Danville. Copies of the water purchase contract and amendments thereto are attached as Exhibit 1.

4. Parksville and Danville operate under a Settlement Agreement approved by the Commission in Case No. 2007-00405 and 2008-00176. A copy of the Settlement Agreement is attached hereto as Exhibit 2.

5. The Settlement Agreement requires that prior to any increase in water rates to Parksville, Danville will provide Parksville with ninety (90) days written notice.

6. On August 21, 2014, Danville provided Parksville with written notice that the rate for wholesale water shall increase to \$2.68 per 1000 gallons consumed. A copy of the Notice is attached hereto as Exhibit 3.

7. Danville represented that the current rate for wholesale water paid by Parksville to Danville is \$1.59 per 1000 gallons consumed, including a surcharge. A copy of Danville's documentation is attached hereto as Exhibit 4.

8. On August 21, 2014, representatives from Danville announced at a meeting of the Parksville Board of Directors that the new rate would go into effect on September 1, 2014. *See also* Exhibit 3

9. Parksville believes that the increase in rates announced by Danville is void in that Danville failed to comply with procedures established by the Commission to increase rates.

10. Danville failed to give Parksville written notice as required by the Settlement Agreement or by the provisions of 807 KAR 5:011(8)(2).

11. Danville failed to comply with the directive of the Commission dated December 18, 1998, that requires a city to follow one of two methods to increase rates: (1) file a new rate schedule or tariff specified in 807 KAR 5:011(6)(3); or (2) file an application for an increase in rates pursuant to KRS 278.190;

12. No notice of an effective date of the proposed increase in rates was given to the Commission or Parksville as required by 807 KAR 5:011(9).

13. Because the required notice was not given to Parksville about the rate increase, it had limited opportunity to object to it or to adjust its rates to reflect the increased wholesale rate.

14. Parksville was recently provided with an explanation of the rate increase, but was not, on information and belief, provided with a copy of the complete cost study prepared for Danville.

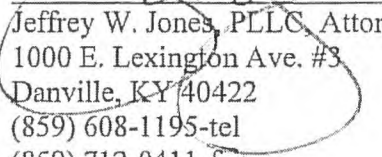
15. Parksville's proposed wholesale rate is significantly greater than that of the other three wholesale purchasers who buy water from Danville. See Exhibit 4 attached hereto.

16. Parksville believes the increase is not reasonable.

Parksville seeks a determination that the proposed increase is void having been improperly noticed and implemented without approval of the Commission and a determination that the increase as applied to Parksville is unreasonable in light of the proposed rate increases allocated to the other three wholesale water purchasers. For these reasons, Parksville requests that the Commission void the rate increases improperly proposed and investigate the reasonableness of the proposed rate increase.

This 28 day of August, 2014

Respectfully submitted by;



Jeffrey W. Jones, PLLC, Attorney at Law
1000 E. Lexington Ave. #3
Danville, KY 40422
(859) 608-1195-tel
(859) 712-0411-fax
email: Jeff@JWJLAW.us

Attorney for Parksville Water District.

EXHIBIT 1

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is made and entered into this 7th day of October, 1994, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as the "SELLER"; and the PARKSVILLE WATER DISTRICT, hereinafter referred to as "PURCHASER";

W I T N E S S E T H:

WHEREAS, the Seller owns and operates a water supply distribution system and is currently providing water unto Purchaser, Parksville Water District, pursuant to a contract dated December 1, 1964 and

WHEREAS, the Purchaser intends to make improvements to its water service to its customers and in order to do so must borrow money from the United States of America, Farmers Home Administration, and in order to satisfy the requirements of the United States of America, Farmers Home Administration, the Purchaser must have an extension of its right to purchase water from the City of Danville; and

WHEREAS, the Purchaser, Parksville Water District, does now desire to continue to purchase its entire water supply directly from Seller, City of Danville, for the next forty (40) years; and

WHEREAS, the Seller, City of Danville, desires to sell water directly to the Purchaser for the next forty (40) years; and

WHEREAS, resolutions have been duly passed by each of the legislative bodies of the respective parties hereto, which resolutions approved the terms and provisions of this agreement and do further authorize the respective officers of each party to execute this agreement;

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions:

1. The term of this contract shall be for a period of forty (40) years, commencing effective _____, 1994.

2. The Seller agrees to furnish the Purchaser at the point of delivery hereinafter specified during the term of this contract potable treated water, meeting applicable purity standards of the state health department, in such quantity as may be required by the Purchaser. The Purchaser specifically agrees and covenants to purchase from the Seller during the term set forth above the Purchaser's entire water needs.

3. The water to be sold hereunder will be furnished at a reasonably constant pressure from the twelve (12") water main location on the Industrial Foundation property parallel to KY 34 approximately 1100 feet from its intersection with Alum Springs Cross Pike. If a greater pressure than normally available at the point of delivery is required by the Purchaser, the costs and means of providing such greater pressure shall be the responsibility of the Purchaser. It shall be the expense and the responsibility of the Purchaser to (a) construct and maintain any line or lines between the Parksville Water District and the point of delivery, (b) purchase and install a water meter consistent with the specifications directed by the Seller's City Engineer, and (c) provide the hookup or connection at the point of delivery, but subject to the supervision and approval of the Seller's City Engineer.

4. The water purchased and sold under this agreement shall be delivered by Seller at the above stated point of delivery and shall pass through and be measured by a meter or meters capable and sufficient to measure the quantity of water so delivered. It shall be the expense and responsibility of the Purchaser to furnish, install, operate and maintain at the point of delivery the necessary equipment, including a meter house or pit, and required devices of standard types for properly measuring the quantity of water delivered to the Purchaser and to calibrate and test for accuracy such metering equipment annually, or at such

other times as are reasonably requested by the Seller. A meter registering not more than 2% above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the three months previous to such tests in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water delivered in the corresponding period immediately prior to the failure shall be considered the amount consumed, unless the Seller and the Purchaser shall agree upon a different amount. The metering equipment shall be read on a regular basis, but not less than once every two months. An appropriate official or representative of the Purchaser shall at all reasonable times have access to the meter for the purpose of verifying its readings.

5. The Purchaser agrees to pay unto Seller for the water delivered in accordance with the following rate schedule:

	QUANTITY (Cu. Ft.)	RATE (\$/100 Cu. Ft.)
First	20,000 cu. ft.	1.68 (Min:448.00 per mo.)
Next	80,000 cu. ft.	1.35
Next	100,000 cu. ft.	1.05
Next	300,000 cu. ft.	.96
All over	500,000 cu. ft.	.91

In addition to the foregoing schedule of rates, the Purchaser shall further pay unto the Seller a surcharge of twenty percent (20%) added to the total water bill only less taxes.

HOWEVER, the parties understand and agree that if at any time during the term of this agreement the rate charged to the other wholesale or industrial consumers, including other municipalities, independent water districts, or privately owned water companies, are modified, either increased or decreased, the rate of charge to the Purchaser shall automatically be modified to conform to such rates; similarly, it is agreed and understood

that in the event the amount of the surcharge which is charged to all customers outside the city limits of Seller is modified, then the rate of surcharge unto Purchaser shall automatically be modified to conform with such surcharge rate. It is understood and agreed by the parties that modification of the water purchase rate and surcharge thereon shall be at the discretion of the Seller, City of Danville.

6. Payment for such water delivered shall be made promptly and in accordance with the regular billing policy of the Seller, which shall from time to time be in effect. The Seller shall furnish Purchaser with an itemized statement for the amount of water furnished the Purchaser during the preceding period for which the meter was read.

7. The Seller will at all times operate and maintain its system to the point of delivery to Purchaser in a state of reasonable repair and will take such reasonable action as may be necessary to furnish the Purchaser with the quantities of water heretofore set forth. Temporary or partial failure to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or if the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's other customers located outside its corporate limits is reduced or diminished. The obligation of the Seller to supply water is limited, however, by the understanding that while the Seller shall use reasonable care and diligence in the operation and maintenance of its existing system to prevent and avoid interruptions and fluctuations in supply, that nevertheless the Seller does not guarantee that such interruption and fluctuations will not occur. The parties agree that the Seller shall not be liable for the curtailment of supply due to emergencies, breaks, leaks, defects, necessary repairs, fires, strikes, acts of God, or other causes of unusual demand upon its

system. Further, in the event of fire, storm, war, acts of God, or other emergencies, the Seller's City Manager may, without liability attaching to the Seller, and without notice, reduce or temporarily discontinue such water supply. In the event the Seller's City Manager shall be absent from the City of Danville, or be for any reason incapacitated, his power to order reduction or cessation of supply shall vest in the City of Danville's Engineer or the Mayor. In either event, the official determination of emergency shall permit such reduction or cessation during the pendency of the emergency without liability unto the Seller, but with the understanding that the same shall be rectified as quickly as is reasonably possible.

8. It is contemplated and understood that the water sold hereunder it for the purpose of providing for the needs of those residents and businesses located within the boundaries of the Parksville Water District, or within close proximity thereto. It is agreed and understood that the Purchaser shall not circumvent the intention of this contract by the selling of such water, or any portion thereof, unto other municipalities, water districts, or such other entities providing water to persons or businesses not located within the boundaries of the Parksville Water District or within close proximity thereto without the express written consent of the City of Danville.

9. Should a major industrial consumer of water desire to located in the area served by the Parksville Water District, the Parksville Water District shall not supply water unto said major industrial consumer of water without the express written consent and approval of the City of Danville, which consent and approval shall not be unreasonably withheld. A major industrial consumer of water is defined as one using more than 500,000 gallons of water per month.

10. From and after the date of this Contract, all waterlines and other appurtenant and related water facilities developed within the annexable area as shown and designated in the City of

Danville's Growth Management Area shall be built and constructed according to all applicable construction regulations and specifications for the same or similar facilities developed within the limits of the City of Danville.

11. The parties do hereby agree that this contract agreement shall become effective upon execution by both parties and that the agreement dated December 1, 1964 shall no longer be of any force or effect.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have executed this agreement as of the date first above written.

CITY OF DANVILLE, KENTUCKY
SELLER

By: William Bunny Davis
Mayor Pro Tem

PARKSVILLE WATER DISTRICT
PURCHASER

By: Ronald Russell
Chairman

ATTEST:

Craig Holman
CITY CLERK

ATTEST:

Carl Lippert
SECRETARY

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by William Bunny Davis, Mayor Pro Tem, a duly authorized officer of the City of Danville, Kentucky, to be his voluntary act and deed and the voluntary act and deed of the City of Danville, Kentucky.

Signed - 10-4-98

Sharon W. Broach
NOTARY PUBLIC, STATE AT LARGE, KY
My Commission Expires: 2-14-95

S E A L) **

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by Ronald Russell, Chairman, a duly authorized officer of the Parksville Water District to be his voluntary act and deed and the voluntary act and deed of the Parksville Water District.

Signed 10-7-98

Jerry B. Feather
NOTARY PUBLIC, STATE AT LARGE, KY
My Commission Expires: 4-20-99

S E A L) **

ADDENDUM TO WATER PURCHASE CONTRACT

This addendum to the water purchase contract dated the 7th day of October, 1994, between the City of Danville, Kentucky, hereinafter referred to as the "Seller", and the Parksville Water District, hereinafter referred to as the "Purchaser", is made and entered into this 28th day of October, 1994.

W I T N E S S E T H

WHEREAS, the parties hereto have entered into a contract under which the Seller supplies treated water unto the Purchaser; and

WHEREAS, the Seller owns and operates a water supply distribution system and is currently providing water unto Purchaser, Parksville Water District, pursuant to a contract dated December 1, 1964 and

WHEREAS, the Purchaser intends to make improvements to its water service to its customers and in order to do so must borrow money from the United States of America, Farmers Home Administration, and in order to satisfy the requirements of the United States of America, Farmers Home Administration, and

WHEREAS, the water supply distribution system of the Seller is being extended, and

WHEREAS, the extension of the water supply distribution system is of mutual financial benefit to both the Seller and Purchaser.

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions:

1. The Purchaser is to pay as an agreed cost, a connection fee to connect the Seller's system with the system of the Purchaser, the sum of \$36,000 which shall cover the Purchaser's proportionate share of the water supply distribution system extension. The cost is based on the difference between the cost to the Purchaser of extending an 8" PVC line along the same

route which would have been required if the 12" ductile iron line were not being extended by the Seller.

2. The Seller will engineer and construct the twelve (12) water mains to a point as planned by Quest Engineers dated June 1994.

3. The Purchaser will provide for relocation of the meter pit and assembly at its expense. This pit is to be relocated and used.

4. The Seller will construct a wet tap connecting the new line to the old line for the purpose of a temporary service. This will provide for service to Purchaser during the time of the changing of the water meter pit.

5. Payment will be made within 15 days after completion of the line. Completion shall be defined as first use of the main.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have executed this agreement as of the date first above written.

CITY OF DANVILLE, KENTUCKY
SELLER

PARKVILLE WATER DISTRICT
PURCHASER

BY: John W. Banting
MAYOR

BY: Ronald Russell
CHAIRMAN

ATTEST: --

ATTEST:

Craig K. Bolcom
CITY CLERK

Carl Jeffrey
SECRETARY

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by John Bowling, a
duly authorized officer of the City of Danville, Kentucky, to be his voluntary
act and deed and the voluntary act and deed of the City of Danville, Kentucky.

Nicholas Clayton Worley
NOTARY PUBLIC, STATE AT LARGE, KY

MY COMMISSION EXPIRES: 7-5-1998

S E A L)**

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by RONALD RUSSELL, a
duly authorized officer of the Parksville Water District, to be his voluntary
act and deed and the voluntary act and deed of the Parksville Water District.

October 28, 1994

Nicholas Clayton Worley
NOTARY PUBLIC, STATE AT LARGE, KY

MY COMMISSION EXPIRES: 3/5/97

S E A L)**

ADDENDUM TO WATER PURCHASE CONTRACT

This ADDENDUM made and entered into this 11 day of January, 2002, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as "Seller" and PARKSVILLE WATER DISTRICT, with its principal office at Kentucky Highway, P. O. Box 9, Parksville, Kentucky 40464, hereinafter referred to as "Purchaser";

WITNESSETH:

WHEREAS, these parties entered into a Water Purchase Agreement dated October 7, 1994;

WHEREAS, the parties hereto desire to extend that agreement under the terms contained herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, the parties hereto hereby agree as follows:

All the terms contained the existing Water Purchase Contract are hereby ratified and incorporated herein as if fully set out verbatim with the exception that the term of said Contract shall be for a period of forty-one (41) years commencing on December 31, 2001 and ending at midnight on December 31, 2042.

This Addendum is entered into by the parties pursuant to Resolutions of their respective Board of Directors adopted at meetings of the same, duly and regularly held and had, and the respective officers of each party are authorized to execute this Addendum.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have hereunto set their hands on this date which is first above written.

CITY OF DANVILLE, KENTUCKY

PARKSVILLE WATER DISTRICT

by: Alex Stevens
ALEX STEVENS, Mayor

by: Ronald Russell
RONALD RUSSELL, Chairman

ATTEST:

ATTEST:

Doree Adams
City Clerk


Hubert Biles
Secretary

STATE OF KENTUCKY~COUNTY OF BOYLE

The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by the CITY OF DANVILLE, KENTUCKY, through its authorized representative and Mayor, ALEX STEVENS.

WITNESS my hand and seal of office this the 11th day of December, 2001.

My Commission expires March 7 2005

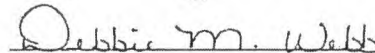

Notary Public

STATE OF KENTUCKY~COUNTY OF BOYLE

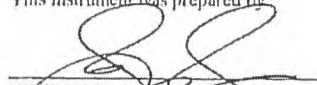
The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by PARKSVILLE WATER DISTRICT, through its authorized representative and Chairman, RONALD RUSSELL.

WITNESS my hand and seal of office this the 11 day of January, 2002.

My Commission expires 3-19-2005


Notary Public

This Instrument was prepared by:


JEFFREY W. JONES, Attorney at Law
104 West Main Street, Suite #202
Danville, Kentucky 40422

ADDENDUM TO WATER PURCHASE CONTRACT

This ADDENDUM made and entered into this 25 day of July, 2011, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as "Seller" and PARKSVILLE WATER DISTRICT, with its principal office at 10711 Lebanon Rd, P. O. Box 9, Parksville, Kentucky 40464, hereinafter referred to as "Purchaser";

WITNESSETH:

WHEREAS, these parties entered into a Water Purchase Agreement dated October 7, 1994;

WHEREAS, the parties hereto desire to extend that agreement under the terms contained herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, the parties hereto hereby agree as follows:

All the terms contained in the existing Water Purchase Contract are hereby ratified and incorporated herein as if fully set out verbatim with the exception that the term of said Contract shall be for a period of forty-four (44) years commencing on December 31, 2011 and ending at midnight on December 31, 2055.

This Addendum is entered into by the parties pursuant to Resolutions of their respective Board of Directors adopted at meetings of the same, duly and regularly held and had, and the respective officers of each party are authorized to execute this Addendum.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have hereunto set their hands on this date which is first above written.

CITY OF DANVILLE, KENTUCKY

PARKSVILLE WATER DISTRICT

by: Bernie Hunstad
BERNIE HUNSTAD, Mayor

by: Ronald Russell
RONALD RUSSELL, Chairman

ATTEST:

ATTEST:

D. Peck
City Clerk


Mary S. Guernant
Secretary

STATE OF KENTUCKY~COUNTY OF BOYLE

The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by the CITY OF DANVILLE, KENTUCKY, through its authorized representative and Mayor, BERNIE HUNSTAD.

WITNESS my hand and seal of office this the 25 day of July, 2011.

My Commission expires 3/7/13.

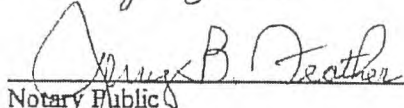

Notary Public

STATE OF KENTUCKY~COUNTY OF BOYLE

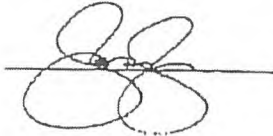
The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by PARKSVILLE WATER DISTRICT, through its authorized representative and Chairman, RONALD RUSSELL.

WITNESS my hand and seal of office this the 28 day of July, 2011.

My Commission expires 7/27/13.


Notary Public

This Instrument was prepared by:



JEFFREY W. JONES, Attorney at Law
1000 East Lexington Avenue, Suite #3
Danville, Kentucky 40422

EXHIBIT 2

Agreement

This Settlement Agreement is between Parksville Water District ("Parksville"), with its principal office at 10711 Lebanon Road, P.O. Box 9, Parksville, Kentucky 40464, and the City of Danville ("Danville"), a municipal corporation of the third class.

- (1) During the course of proceedings before the Public Service Commission of Kentucky ("Commission") styled Case No. 2007-00406 and Case No. 2008-00176, Danville and Parksville have identified a number of issues and questions relating to usage, calculation of charges, billings, and payments, including purchasing power adjustments made to rates in 2005, 2006, and 2007 and involving periods of time before, during, and after those affected by the purchasing power adjustments.
- (2) This settlement is intended as a resolution of all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009, an agreement about the proper calculation of charges thereafter and currently, and an accord about procedures for considering proposed changes to billing methods and elements in the future.
- (3) The parties acknowledge and agree: that approval by the Commission is necessary for this Settlement Agreement to be effective and binding on either party; and that, if Commission approval of the entire agreement without modification, together with a final and appealable dismissal of the case is not obtained within 90 days of submission to the Commission with a request for approval, then this Settlement Agreement shall be null and void and shall be without any effect whatsoever on the parties' respective rights, arguments, or positions in Case No. 2007-00405, Case No. 2008-00176, or otherwise. If and when approved by the Commission, this Settlement Agreement will operate as an addendum or revision to the existing Water Purchase Contract between Danville and Parksville. Each party agrees that it will neither request rehearing nor seek judicial review of any Commission order approving the entire agreement without modification.
- (4) Danville and Parksville agree to compromise all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009 for the payment by Danville to Parksville of the amount of \$ 38,171.18. Danville will pay that amount to Parksville in one lump-sum within 5 days following the close of any

EXHIBIT 3

City of

DANVILLE

KENTUCKY

P.O. Box 670
Danville, KY 40425
(859) 258-1200

August 20, 2014

Parksville Water District
c/o Jerry Feathers
10711 Lebanon Road
Parksville KY 40464
859-332-2255

RE: 2014 Wholesale Water Rate Adjustment

Dear Mr. Feathers,


We are providing this letter as the official notice of the 2014 Wholesale Water Rate Adjustment as discussed previously. This letter is to confirm for you the basis for the rate adjustment and also the details of the change.

Recall the City previously indicated its intention to complete a utility rate study this year. The City contracted with a third party, Salt River Engineering, to complete the rate study with a cost of service component and to evaluate and recommend adjustments for all rates charged by the City's municipal utility. The study began this past winter and the wholesale portion of the evaluation has been completed. The rate study was completed consistent with the principles established in the American Water Works Association Manual M-1. The chosen study approach was the *Hybrid Method* (Cash Needs/Utility Basis) which was used to determine the revenue requirements for both owner and non-owner utility customers.

The City Commission accepted the recommendations from the consultant by implementing revised wholesale rates. The implementation of the revised rates will begin with the effective date of September 1st 2014. Consistent with the recommendations, the Parksville Water District shall pay a Flat Rate of \$2.68 per 1000 gallons consumed or \$2.00 per 100 cubic feet consumed. The minimum bill will not adjust as a result of this change.

As stated previously it is our goal to help you understand the details related to the rate identified. As such we will be more than willing to provide information to provide a better understanding. Please let us know how we may address your questions. We look forward to working with you as we transition into this revised rate.

Respectfully,


Earl Coffey
City Engineer

"This institution is an equal opportunity provider and employer."

"The City of Firsts"

First Courthouse in Kentucky - 1785
First U.S. Post Office in the West - 1792
First Successful Ovariectomy in the World - 1809

First Capitol of Kentucky District - 1785
First Political Club in the West - 1786
First Constitutional Convention in the West - 1792

First College in the West - 1785
First Law School in the West - 1799
First State Supported School for Deaf - 1825

City of Danville
Wholesale Customers Proposed Rates

Existing Declining Block Rate Structure								Existing Rate as a Flat Rate (\$/100 cf) ¹	Proposed Flat Rate (\$/100 cf)	Proposed Flat Rate (\$/1000 gal)
Parksville										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.19	\$2.03	\$2.71
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons			
Hustonville										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.24	\$1.87	\$2.50
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons			
GCWA										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.23	\$1.80	\$2.41
Next	80,000	cubic feet	\$1.44	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.20	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$1.06	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.86	per 100 cf	or per	3,740,250	gallons			
LVWA										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.22	\$1.80	\$2.41
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons			

¹All wholesale customers are assessed an additional 20% surcharge after calculation of the monthly bill--surcharge is included. Equivalent flat rate is calculated based on FY13 usage.

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