

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE)
WHOLESALE WATER SERVICE RATES OF) CASE NO.
FRANKFORT ELECTRIC AND WATER PLANT) 2014-00254
BOARD)

ORDER

On June 25, 2014, Frankfort Electric and Water Plant Board (“the Plant Board”) filed with the Commission a revised tariff setting forth a proposed adjustment to its existing wholesale water rate to public utilities effective on and after July 25, 2014. The cost-of-service study submitted by the Plant Board supported a wholesale water rate of \$3.18 per 1,000 gallons, increasing annual revenues by 59.8 percent. The Plant Board limited its request to an increase of 45 percent, which increases the current rate of \$2.01 per 1,000 gallons to \$2.91 per 1,000 gallons. On July 14, 2014, three water districts that are the Plant Board’s wholesale customers filed a motion to intervene. On July 18, 2014, four more water districts that are the Plant Board’s wholesale customers moved to intervene. On July 23, 2014, the Commission suspended the Plant Board’s proposed wholesale rate, established this docket to investigate the reasonableness of the proposed rate, and permitted the following parties to intervene in this matter: Elkhorn Water District (“Elkhorn”); North Shelby Water Company (“North Shelby”); Peaks Mill Water District (“Peaks Mills”); U.S. 60 Water District of Shelby and Franklin Counties (“U.S. 60”); Northeast Woodford County Water District (“Northeast Woodford”); Farmdale Water District (“Farmdale”); and South Anderson Water District (collectively

"Wholesale Intervenors"). The July 23, 2014 Order also included a procedural schedule and an information request from the Commission. The Plant Board responded to the Commission's information request on August 7, 2014.

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), submitted his motion for full intervention on August 6, 2014. The Commission granted the AG's motion for intervention on August 8, 2014. On August 14, 2014, North Shelby, U.S. 60, Elkhorn, Farmdale, Northeast Woodford, and Peaks Mill by counsel moved for a revised procedural schedule, which was granted by Commission Order dated August 15, 2014.

On August 19, 2014, Commission Staff, the Wholesale Intervenors, and the AG issued requests for information. Pursuant to the procedural schedule in the August 15, 2014 Order, the Plant Board filed its responses on September 2, 2014. The Plant Board also filed supplemental responses on September 16 and 17, 2014.

On October 1, 2014, Commission Staff, the Wholesale Intervenors, and the AG issued the next round of information requests. The revised procedural schedule required the Plant Board to file its responses to the supplemental requests by October 14, 2014. On October 13, 2014, the Commission issued an Order granting the Plant Board's motion to suspend the procedural schedule pending Commission approval of the parties' proposed settlement agreement. The Plant Board contends that the proposed settlement agreement makes the responses to the supplemental requests unnecessary. On October 10, 2014, the parties filed their Joint Settlement Stipulation and Recommendation, a copy of which is attached as Appendix A to this Order.

Having considered the Joint Settlement Stipulation and Recommendation, the Commission finds that the agreed-upon rate and other settlement provisions should be approved. The purpose of the Commission's jurisdiction over a municipal utility's wholesale transactions with a public utility is to ensure "that any water district consumer/customer that has contracted and become dependent for its supply of water from a city utility is not subject to either excessive rates or inadequate service." Simpson County Water District v. City of Franklin, 872 S.W.2d. 460, 465 (Ky. 1994).

In the case at bar, the purpose has been served. The intervenors that purchase water from the Plant Board made clear objections to the proposed rate adjustment. The Plant Board has apparently addressed the intervenors' concerns, and the parties have reached agreement on the appropriate rates for service for future years.

As the Joint Settlement Stipulation and Recommendation, on its face, appears neither unreasonable nor unconscionable, the Commission sees no need to conduct further proceedings in this matter.

IT IS THEREFORE ORDERED that:

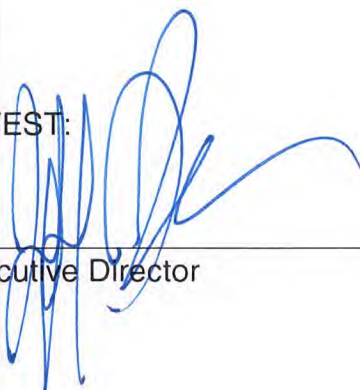
1. The Joint Settlement Stipulation and Recommendation is approved.
2. The rates for wholesale water service set forth in the Joint Settlement Stipulation and Recommendation are approved for wholesale water service rendered on and after issuance of this Order.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by the Plant Board on and after the date of this Order.

4. Within 20 days of the date of this Order, Plant Board shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, setting forth the rates approved herein.

By the Commission

ENTERED
NOV 12 2014
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2014-00254 DATED **NOV 12 2014**

RECEIVED

OCT 10 2014

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATES OF THE FRANKFORT) CASE NO. 2014-00254
ELECTRIC AND WATER PLANT BOARD)

JOINT SETTLEMENT STIPULATION AND RECOMMENDATION

It is the intent and purpose of the parties to this proceeding, namely the applicant, Frankfort Electric and Water Plant Board ("Frankfort Plant Board" or "FPB"); and the Intervenors, Elkhorn Water District, Peaks Mill Water District, Farmdale Water District, Northeast Woodford County Water District, South Anderson Water District, North Shelby Water Company, U.S. 60 Water District of Shelby and Franklin Counties, Kentucky and the Attorney General of the Commonwealth of Kentucky ("Intervenors") to express their agreement on a mutually satisfactory resolution of all of the issues in the instant proceeding which shall hereafter be referred to as the "Stipulation" and/or "Recommendation".

It is understood by all parties hereto that this Recommendation is not binding upon the Public Service Commission ("Commission"), nor does it represent agreement on any specific theory supporting the appropriateness of any recommended adjustments to FPB's rates. The parties have expended considerable efforts to reach the stipulation and agreements that form the basis of this Recommendation. The parties, representing diverse interests and divergent viewpoints, agree that this Recommendation, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

The adoption of this Recommendation will eliminate the need for the Commission and the parties to expend significant resources in litigation of this proceeding, and eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order. Therefore, the parties stipulate and recommend the following:

1. FPB should be permitted to adjust its rates to recover more in annual revenue than it is recovering under its current rates, with such rates to be effective for service rendered on and after November 1, 2014. The parties agree to phase in rate increases for the next four (4) years beginning with the current rate of \$2.25 per 1,000 gallons. Under this structure, the rates are as follows:

Year 1 (November 1, 2014 – October 31, 2015) - \$2.25 per 1,000 gallons

Year 2 (November 1, 2015 – October 31, 2016) - \$2.35 per 1,000 gallons

Year 3 (November 1, 2016 – October 31, 2017) - \$2.45 per 1,000 gallons

Year 4 (November 1, 2017 – October 31, 2018) - \$2.55 per 1,000 gallons

FPB will not increase the rates charged to the wholesale non-water producers (i.e. water districts and company) until after October 31, 2018. After October 31, 2018, FPB will continue to charge \$2.55 per 1,000 gallons until it files a revised tariff that is approved by the Commission. For the avoidance of doubt, changes in the Kentucky River Authority Withdrawal fee are not affected by this settlement.

The initial rate for water is established herein. Thereafter, all parties agree to attempt to resolve any future rate increases in good faith before filing with the Commission.

2. Each party waives all cross-examination of the witnesses of the other parties unless the Commission disapproves this Recommendation, and each party further stipulates and recommends that the testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record.

3. This Recommendation is submitted for purposes of this case only and is not deemed binding upon the parties in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving FPB or any other utility.

4. If the Commission issues an order adopting this Recommendation in its entirety, each of the parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to that order.

5. If this Recommendation is not adopted in its entirety, each party reserves the right to withdraw from it and require that hearings go forward upon any or all matters involved, and that in such event the terms of this Recommendation shall not be deemed binding upon the parties, nor shall such Recommendation be admitted into evidence, or referred to, or relied upon in any manner by any party, the Commission, or its Staff in any such hearing.

6. The parties agree that the foregoing Recommendation is reasonable and in the best interests of all concerned, and urge the Commission to adopt the Recommendation in its entirety.

AGREED: This the ^{10th} ~~21st~~ day of October, 2014.

**FRANKFORT ELECTRIC AND WATER
PLANT BOARD**

BY: Herbbie Bannister by Hans Pinn and Jennifer Black Hans
HERBBIE BANNISTER, ITS GENERAL MANAGER

SOUTH ANDERSON WATER DISTRICT

By: Raymond Edelman by Hans Pinn and Jennifer Black Hans
RAYMOND EDELMAN, ESQ., ITS ATTORNEY

**NORTH SHELBY WATER COMPANY, U.S. 60
WATER DISTRICT OF SHELBY AND FRANKLIN
COUNTIES, KENTUCKY, NORTHEAST
WOODFORD COUNTY WATER DISTRICT,
FARMDALE WATER DISTRICT, ELKHORN WATER
DISTRICT, PEAKS MILL WATER DISTRICT**

BY: Donald T. Prather by Hans Pinn and Jennifer Black Hans
DONALD T. PRATHER, ESQ, THEIR ATTORNEY

**ATTORNEY GENERAL OF THE COMMONWEALTH
OF KENTUCKY**

By: Gregory T. Dutton
JENNIFER BLACK HANS, ESQ.
GREGORY T. DUTTON, ESQ.,
ITS ATTORNEYS

The Electric and Water Plant Board
of the City of Frankfort, Kentucky
(NAME OF UTILITY)

FOR Entire Service Area
P.S.C. KY. NO. 1
1st Revised 1 SHEET NO. 1
CANCELLING P.S.C. KY. NO. 1
Original 1 SHEET NO. 1

RATES & CHARGES

APPLICABILITY: All wholesale water users regulated by the Public Service Commission purchasing water from the FEWPB for resale.

AVAILABILITY OF SERVICE: To all water districts.

RATE: Year 1 (November 1, 2014 – October 31, 2015) - \$2.25 per 1,000 gallons
Year 2 (November 1, 2015 – October 31, 2016) - \$2.35 per 1,000 gallons
Year 3 (November 1, 2016 – October 31, 2017) - \$2.45 per 1,000 gallons
Year 4 (November 1, 2017 – October 31, 2018) - \$2.55 per 1,000 gallons

CONDITIONS OF SERVICE: Pursuant to contract.

NOTE: As of November 1, 2014, this tariff sheet cancels and replaces all other tariff sheets on file containing general rates applicable to wholesale water districts and implements the general rates established herein. FPB's tariff sheet containing charges for the Kentucky River Authority withdrawal fee on file with the Commission shall remain in full force and effect.

DATE OF ISSUE: October 10, 2014
MONTH / DATE / YEAR

DATE EFFECTIVE: November 1, 2014
MONTH / DATE / YEAR

ISSUED BY: Herbie Bannister
SIGNATURE OF OFFICER

TITLE: General Manager

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2014-00254 DATED NOV 12 2014

The following rates and charges are prescribed for the customers in the area served by Frankfort Electric and Water Plant Board. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

Year 1 (Effective Date of this Order – October 31, 2015) - \$2.25 per 1,000 gallons

Year 2 (November 1, 2015- October 31, 2016) - \$2.35 per 1,000 gallons

Year 3 (November 1, 2016 – October 31, 2017) - \$2.45 per 1,000 gallons

Year 4 (November 1, 2017 – October 31, 2018) - \$2.55 per 1,000 gallons

Gregory T Dutton
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KENTUCKY 40601-8204

Honorable Ray Edelman
Attorney At Law
150 South Main Street
Lawrenceburg, KENTUCKY 40342

Honorable John N Hughes
Attorney at Law
124 West Todd Street
Frankfort, KENTUCKY 40601

Honorable Donald T Prather
Mathis, Riggs & Prather, P.S.C. Attorneys at Law
500 Main Street
Suite 5
Shelbyville, KENTUCKY 40065

Honorable Hance Price
Attorney at Law
Frankfort Electric & Water Plant Board
317 W. Second Street
P. O. Box 308
Frankfort, KY 40602

Jerry Ruble
President
North Shelby Water Company
4596 Bagdad Road
P. O. Box 97
Bagdad, KY 40003