

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE)
WHOLESALE WATER SERVICE RATES OF) CASE NO.
THE MUNICIPAL SYSTEM OF THE CITY OF) 97-452
ASHLAND, KENTUCKY)

O R D E R

The City of Ashland, Kentucky ("Ashland") has applied for Commission approval of its proposed wholesale water service rate. In support of its application, Ashland states that it has reached agreement with the Cannonsburg Water District ("Cannonsburg"), its sole wholesale customer, on the level of its wholesale service rates. Ashland further moves that the Commission dispense with all filing requirements related to its application. The Commission has not received any objections to the proposed rate adjustment or requests for intervention.

Having considered the application and being otherwise sufficiently advised, the Commission finds that Ashland's application 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 public utility "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, Ky., 872 S.W.2d 460, 465 (1994).

In the case at bar, this purpose has been served. The public utility which purchases water from Ashland made clear its objections to the proposed adjustment.¹ Ashland then satisfactorily addressed these concerns and reduced the level of its proposed rate adjustment. Ashland and Cannonsburg have reached agreement on the level of the wholesale water service rate. As the proposed rates on their face appear neither unreasonable nor unconscionable, the Commission sees no need to conduct further proceedings in this matter.

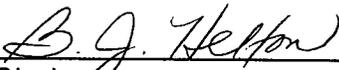
IT IS THEREFORE ORDERED that:

1. Ashland is granted a deviation from the filing requirements of Administrative Regulation 807 KAR 5:001, Section 10.
2. Ashland's application for rate adjustment is approved.
3. The rate of \$1.20 per 1,000 gallons of water is approved for wholesale water service rendered by Ashland to Cannonsburg on and after the date of this Order.

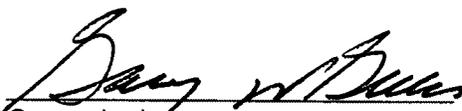
¹ In May 1996, Ashland proposed to adjust its wholesale water service rate from \$1.05 per 1,000 gallons to \$1.35 per 1,000 gallons. The Commission suspended the proposed rate and initiated an investigation. See Case No. 96-277, City of Ashland, Kentucky (June 19, 1996). When Ashland failed to comply with a Commission Order requiring the production of documents and information, the Commission subsequently dismissed the application without prejudice and without a determination of the reasonableness of the proposed rate. In its Order, the Commission noted that Ashland and Cannonsburg were in the midst of settlement discussions. Case No. 96-277, City of Ashland, Kentucky (Apr. 16, 1997) at 2.

Done at Frankfort, Kentucky, this 27th day of March, 1998.

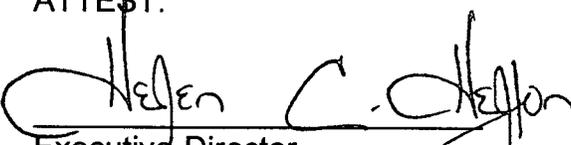
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director