

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

|                                    |   |                            |
|------------------------------------|---|----------------------------|
| <b>ELECTRONIC PROPOSED</b>         | ) |                            |
| <b>ADJUSTMENT OF THE WHOLESALE</b> | ) |                            |
| <b>WATER SERVICE RATES OF</b>      | ) | <b>CASE NO. 2017-00133</b> |
| <b>MADISONVILLE WATER</b>          | ) |                            |
| <b>DISTRIBUTION</b>                | ) |                            |

**MOTION TO MODIFY PROCEDURAL SCHEDULE FILED BY  
NEBO WATER DISTRICT AND NORTH HOPKINS WATER DISTRICT**

Nebo Water District (“Nebo”) and North Hopkins Water District (“North Hopkins”), by counsel, hereby move the Kentucky Public Service Commission (“Commission”) to modify the procedural schedule in this proceeding to permit at least one additional round of discovery. In support of this request, Nebo and North Hopkins state as follows:

1. The City of Madisonville (“Madisonville”) relies upon the provisions of its water supply contracts with Nebo and North Hopkins to support its proposed rate adjustments. Despite these contracts having been in effect for more than 30 years, the Commission has never reviewed either contract, conducted a hearing, or formally reviewed any proposed adjustment to the contracts’ rates.
2. There exists no publicly available sources of financial and operational information on Madisonville’s water operations as exists for public utilities. As a

municipal utility, Madisonville is not subject to 807 KAR 5:006, Section 4 and is not, therefore, required to file its audit reports or an annual report with the Commission.

3. Madisonville's notice of wholesale rate adjustment contains little information regarding the expenses incurred during the proposed period that serve as the basis for the requested rate adjustment. It contains only four pages of information, including a comparative schedule of operating expenses, a summary calculation of capital costs, a calculation of the cost review formula, and a summary of various expenses between its water operations and sewer operations. It contains no detailed breakdown of its water operations' expenses.

4. Although directed by the Commission in its Order of May 1, 2017 to file verified written testimony to support its proposed rate adjustments, Madisonville filed only a letter from its accountant. In his letter, Madisonville's accountant has attached documents previously filed with the Commission. Aside from the Depreciation Schedule, the testimony contains only summary financial information and offers no explanation of the contract adjustment process, why that process is reasonable, or how it accurately reflects Madisonville's cost to provide wholesale water service to Nebo and North Hopkins.

5. In prior municipal utility rate adjustment proceedings, the Commission typically issued at the start of the review proceeding a lengthy request

for information to develop a basic body of information regarding the municipal utility's operations to overcome the general lack of information.<sup>1</sup> In these cases, the Commission further permitted at least two rounds of discovery.<sup>2</sup>

6. The contrast is even greater if the proposed procedural schedule is compared to those normally established in general rate adjustment proceedings. In those proceedings, the applicant must submit a substantial amount of information with its application, is generally subject to a request for information from Commission Staff prior to the application's submission, and must face at least two rounds of discovery from intervening parties.<sup>3</sup>

7. The procedural schedule that the Commission established in its Order of May 1, 2017 places Nebo and North Hopkins at great disadvantage. The Order provides the intervening parties with just one opportunity for discovery. Here, the Applicant for rate adjustment has provided none of the financial or operation information normally provided in an application for rate adjustment. There is no general body of information regarding the application presently on file with the Commission. The procedural schedule provides no opportunity to follow-up on responses to those initial requests for information with requests for additional information. Providing a second round of discovery would allow Intervenors and

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<sup>1</sup> See, e.g., *Proposed Adjustment of the Wholesale Water Service Rates of the City of Augusta*, Case No. 2015-00039 (Ky. PSC Feb. 10, 2015); *Proposed Adjustment of the Wholesale Water Service Rates of the City of Danville*, Case No. 2014-00392 (Ky. PSC Nov. 14, 2014).

<sup>2</sup> *Id.*

<sup>3</sup> See, e.g., *Application of Water Service Corporation of Kentucky for a General Adjustment of Existing Rates*, Case No. 2015-00382 (Ky. PSC Dec. 9, 2015).

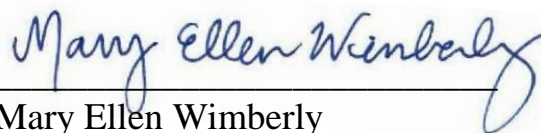
Commission Staff to develop an informed position and fully assess the Applicant's proposed adjustment.

8. One unintended consequence of the existing procedural schedule will be the unnecessary lengthening of this proceeding. By failing to afford Commission Staff and Intervenor adequate time and opportunity to conduct discovery, the existing procedural schedule increases the likelihood of lengthy cross-examination of witnesses at the formal hearing and numerous post-hearing requests for documents. It may also require the Intervenor to request subpoenas for persons who did not present testimony but possess information regarding the municipal utility's operations. It also increases the likelihood of surprising information being revealed at the formal hearing that may require additional discovery or the scheduling of additional days of hearing.

**WHEREFORE**, Nebo Water District and North Hopkins Water District respectfully request the Commission to issue an order modifying the procedural schedule in this proceeding to allow for at least one additional round of discovery.

Dated: May 31, 2017

Respectfully submitted,



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## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct electronic copy of the foregoing Motion was served on the following persons by electronic mail using the electronic mail addresses shown below and a true and correct copy in paper medium of the same was served by placing the same in the U.S. Mail for delivery to the addresses shown below all on the 31st day of May 2017:

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