

Goss • Samford PLLC



Attorneys at Law

David S. Samford

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November 27, 2013

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**PUBLIC SERVICE
COMMISSION**

Via Hand-Delivery

Mr. Jeffrey Derouen
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: In the Matter of: Application for Alternative Rate
Filing of Fern Lake Company
PSC Case No. 2013-00172

Dear Mr. Derouen:

Enclosed please find for filing with the Commission in the above-referenced case an original and ten (10) copies each of Fern Lake Company's Joint Motion to Approve Second Stipulation, Settlement Agreement and Recommendation and Motion to Authorize Rates on or Before January 1, 2014 and the Second Stipulation, Settlement Agreement and Recommendation. Please return file-stamped copies of both documents to me.

Do not hesitate to contact me if you have any questions.

Very truly yours,

David S. Samford

Enclosures

M:\Clients\4100 - Fern Lake Company\2000 - Rate Adjustment\
Correspondence\Ltr. to Jeff Derouen - 131127

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION FOR ALTERNATIVE RATE) CASE NO. 2013-00172
FILING OF FERN LAKE COMPANY)

**JOINT MOTION TO APPROVE SECOND STIPULATION,
SETTLEMENT AGREEMENT AND RECOMMENATION and
MOTION TO AUTHORIZE RATES ON OR BEFORE JANUARY 1, 2014**

Come now Fern Lake Company (“Fern Lake”), the Office of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (“AG”) and Water Service Corporation of Kentucky (“WSCK”) (collectively, the “Joint Movants”), and do hereby tender the attached Second Stipulation, Settlement Agreement and Recommendation (“Second Stipulation”) to the Commission for its review and consideration. The Joint Movants, in order to limit rate case expense, respectfully request the Commission to take this matter under advisement based upon the record of the case and to cancel the hearing currently set for December 16, 2013. Moreover, the Joint Movants respectfully request the Commission to issue an Order accepting the Second Stipulation and authorizing rates sufficient to recover the revenue requirements agreed to by the Joint Movants therein so that said rates may become effective on or before January 1, 2014.

This 27th day of November 2013.

FERN LAKE COMPANY

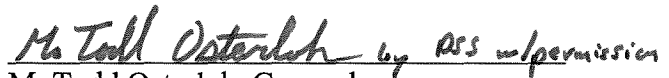


David S. Samford, Counsel
Allyson Honaker, Counsel
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B-325
Lexington, KY 40504

**OFFICE OF THE ATTORNEY GENERAL
OF THE COMMONWEALTH OF
KENTUCKY, BY AND THROUGH HIS
OFFICE OF RATE INTERVENTION**

Jennifer Black Hans
Gregory T. Dutton,
Assistant Attorneys General
Office of the Kentucky Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40602

**WATER SERVICE CORPORATION
OF KENTUCKY**



M. Todd Osterloh, Counsel
Sturgill, Turner, Barker, and Moloney, PLLC
333 Vine Street, Suite 1400
Lexington, Kentucky 40507

CERTIFICATE OF SERVICE

With all parties as signatories to this Motion, the undersigned certifies that no additional service is necessary.



Counsel for Fern Lake Company

FERN LAKE COMPANY

David S. Samford, Counsel
Allyson Honaker, Counsel
Goss Samford, PLLC
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Lexington, KY 40504

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OF THE COMMONWEALTH OF
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CERTIFICATE OF SERVICE

With all parties as signatories to this Motion, the undersigned certifies that no additional service is necessary.

Counsel for Fern Lake Company

NOV 27 2013

SECOND STIPULATION, SETTLEMENT AGREEMENT AND RECOMMENDATION

This Stipulation, Settlement Agreement and Recommendation (“Second Stipulation”) is entered into and effective this 27th day of November 2013 by and among Fern Lake Company (“Fern Lake”), the Office of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (“AG”) and Water Service Corporation of Kentucky (“WSCK”) in the proceeding involving the above parties, which are the subject of this Second Stipulation, as set forth below. (Fern Lake, the AG and WSCK are referred to collectively herein as the “Parties”).

WITNESSETH:

WHEREAS, Fern Lake filed on April 30, 2013, with the Kentucky Public Service Commission (“Commission”) its Application in *In the Matter of: The Application of Fern Lake Company for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076*, and the Commission has established Case No. 2013-00172;

WHEREAS, the AG and WSCK have been granted intervention by the Commission in this proceeding;

WHEREAS, the Parties tendered a Stipulation to the Commission on September 9, 2013, which was considered at a hearing held on September 10, 2013 and, thereafter, the Commission issued an Order on November 14, 2013, rejecting said Stipulation;

WHEREAS, an informal conference was attended in person by representatives of the Parties and Commission Staff on November 21, 2013, at the offices of the Commission. At this informal conference a number of procedural and substantive issues were discussed, including terms and conditions related to the issues pending before the Commission in this proceeding that might be considered by all Parties to constitute reasonable means of addressing their concerns;

WHEREAS, the Parties desire to recommend to the Commission that it enter its Order setting the terms and conditions that the Parties believe are reasonable as stated herein;

WHEREAS, it is understood by all Parties that this Second Stipulation is an agreement among the Parties concerning all matters at issue in these proceedings pursuant to 807 KAR 5:001, Section 9(6);

WHEREAS, the Parties have spent significant time to reach the terms and conditions that form the basis of this Second Stipulation;

WHEREAS, the Parties, who represent diverse interests and divergent viewpoints, agree that this Second Stipulation, viewed in its entirety, is a fair, just and reasonable resolution of all the issues in this proceeding;

WHEREAS, the Parties recognize that this Second Stipulation constitutes only an agreement among, and a recommendation by, themselves, and that all issues in this proceeding remain open for consideration by the Commission at a formal hearing in this proceeding; and

WHEREAS, the Parties recognize the fact that time is of the essence for enacting new rates for Fern Lake in light of the sale of its corporate affiliate, the Parties agree to submit this Second Stipulation on the record and request the Commission to issue an Order approving this Second Stipulation so that the rates established hereby may become effective on or before January 1, 2014.

NOW, THEREFORE, in consideration of the premises and conditions set forth herein, the Parties hereby stipulate, agree, and recommend as follows:

1. Fern Lake and WSCK agree, and the AG does not object, to an award to Fern Lake of additional annual revenue of \$38,000, which is \$26,596 less than the amount proposed by Fern Lake in its application. The Parties agree that the difference between the additional

revenue requirement set forth in the Staff Report and the amount of recommended award of additional revenue is generally attributable to a reduction in Fern Lake's variable operations and maintenance expenses, including employee wages and benefits.

2. Fern Lake relinquishes and abandons its claim to all rate case expenses.

3. The AG agrees and will not object to WSCK's subsequent request to pass-through the Fern Lake rate increase to the retail customers of WSCK via the Commission's process and regulation for purchased water adjustments.

4. Except as specifically stated otherwise in this Second Stipulation, the Parties agree that making this Second Stipulation shall not be deemed in any respect to constitute an admission by any Party hereto that any computation, formula, allegation, assertion, or contention made by any other Party in these proceedings is true or valid.

5. The Parties agree that the foregoing terms and conditions represent a fair, just, and reasonable resolution of the issues addressed herein.

6. The Parties agree that, following the execution of this Second Stipulation, the Parties shall cause the Second Stipulation to be filed with the Commission.

7. Each signatory waives all cross-examination of the other Parties' witnesses unless the Commission disapproves this Second Stipulation. The Parties stipulate that, after the date of this Second Stipulation, they will not otherwise contest Fern Lake's application in this proceeding, as modified by this Second Stipulation, during the hearing in this proceeding, and that they will refrain from cross-examination of all witnesses during the hearing, except insofar as such cross-examination supports the Second Stipulation or Fern Lake's application subject to the terms and conditions of this Second Stipulation.

8. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Second Stipulation be accepted and fully incorporated into any Order approving Fern Lake's application in this proceeding.

9. If the Commission issues an Order adopting all of the terms and conditions recommended herein, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such Order.

10. The Parties agree that if the Commission does not implement all of the terms recommended herein in its final Order in this proceeding, or if the Commission in its final Order in this proceeding adds or imposes additional conditions or burdens upon any or all of the Parties that are unacceptable to any or all of the Parties, then, upon written notice by any Party: (a) this Second Stipulation shall be void and withdrawn by the Parties from further consideration by the Commission and none of the Parties shall be bound by any of the provisions herein, provided that no Party is precluded from advocating any position contained in this Stipulation; and (b) neither the terms of this Second Stipulation nor any matters raised during the settlement negotiations shall be binding on any of the Parties to this Second Stipulation or be construed against any of the Parties.

11. The Parties agree that this Second Stipulation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

12. The Parties agree that this Second Stipulation shall inure to the benefit of, and be binding upon, the Parties, their successors and assigns.

13. The Parties agree that this Second Stipulation constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations, or

agreements made prior hereto or contemporaneously herewith, shall be null and void, and shall be deemed to have been merged into this Second Stipulation.

14. The Parties agree that, for the purpose of this Second Stipulation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.

15. The Parties agree that neither the Second Stipulation nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein. This Second Stipulation shall not have any precedential value in this or any other jurisdiction.

16. The signatories hereto warrant that they have informed, advised, and consulted with the Parties they represent in this proceeding in regard to the contents and significance of this Second Stipulation, and based upon the foregoing are authorized to execute this Second Stipulation on behalf of the Parties they represent.

17. The Parties agree that this Second Stipulation is a product of negotiation among all Parties, and that no provision of this Second Stipulation shall be strictly construed in favor of, or against, any Party.

18. The Parties agree that this Second Stipulation may be executed in multiple counterparts.

19. The Parties agree that time is of the essence and will recommend to the Commission that it accept this Second Stipulation so that the revenue requirement agreed to herein shall begin to be collected through new rates that are effective on or before January 1, 2014.

IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures.

Fern Lake Company

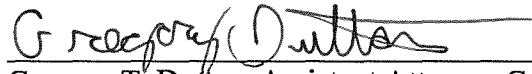
HAVE SEEN AND AGREED:

A handwritten signature in black ink, appearing to read 'D. Samford', written over a horizontal line.

David S. Samford, Counsel
Allyson Honaker, Counsel

**Office of the Attorney General of the
Commonwealth of Kentucky, by and through
his Office of Rate Intervention**

HAVE SEEN AND AGREED:

A handwritten signature in cursive script that reads "Gregory T. Dutton". The signature is written in black ink and is positioned above a horizontal line.

Gregory T. Dutton, Assistant Attorney General
Jennifer Black Hans, Assistant Attorney General

Water Service Corporation of Kentucky

HAVE SEEN AND AGREED:

M. Todd Osterloh *by DSS w/permission*
M. Todd Osterloh, Counsel