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December 11, 2018

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PUBLIC SERVICE  
COMMISSION

**VIA ELECTRONIC MAIL AND REGULAR MAIL**

Ms. Gwen R. Pinson, Esq.  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602-0615

Re: TFS2018-00536  
Wholesale Provider: City of Ashland, Kentucky  
Wholesale Purchaser: Cannonsburg Water District

Dear Ms. Pinson:

On November 28, 2018 the City of Ashland, Kentucky ("Ashland") filed with the Kentucky Public Service Commission (the "Commission") notice of a proposed adjustment of its rate for wholesale water service to Cannonsburg Water District ("Cannonsburg District") to \$3.03 per 1,000 gallons from \$2.94 per 1,000 gallons. Ashland proposes to place its proposed rate into effect on January 1, 2019.

Ashland failed to provide with its notice of the proposed adjustment any evidence to demonstrate that the proposed wholesale water service rate is reasonable or reflects Ashland's actual cost of providing water service to Cannonsburg District.

In the absence of any supporting evidence for the proposed rate, Cannonsburg District respectfully requests that the Commission initiate a formal proceeding to investigate the reasonableness of the proposed rate, establish a procedural schedule that allows for discovery, and issue all orders necessary to ensure that the proposed rate is not placed into effect or otherwise assessed before the Commission conducts a hearing.

Pursuant to KRS 278.200 and the Kentucky Supreme Court's holding in *Simpson County Water District v. City of Franklin*, 872 S.W.2d 460 (Ky. 1994), a rate set forth in a contract between a city and a utility may not be charged until the Commission holds a hearing on the

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Proposed rate.<sup>1</sup> On twelve prior occasions since 1998, however, Ashland has adjusted its wholesale water service rate to Cannonsburg District without a formal review or hearing to determine the reasonableness of the proposed change. In light of the absence of such reviews, Cannonsburg respectfully submits that a review of the proposed rate at this time is appropriate and warranted.

If the Commission grants this request, Cannonsburg District also requests that the Commission consider consolidating such proceeding with any other proceedings that may be requested for review of Ashland's proposed wholesale rate adjustment and that, pursuant to 807 KAR 5:001, Section 8, **the Commission direct the use of electronic filing procedures for such proceeding.**

Sincerely,

Stoll Keenon Ogden PLLC



Gerald Wuetcher

GEW

cc: Ryan S. Eastwood, P.E.

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<sup>1</sup> See also *Purchased Treated Sewage Adjustment Filing of Knox County Utility Commission*, Case No. 2013-00223, Order at 2 (Ky. PSC Dec. 9, 2013) ("As no hearing has been held on Barbourville's proposed revision, as KRS 278.200 requires, its rate adjustment is not effective or lawful, may not be assessed, and may not serve as the basis for a purchased treated sewage adjustment."); *Proposed Adjustment of the Wholesale Water Service Rates of the City of Brandenburg, Kentucky*, Case No. 2012-00501, Order at 2 (Ky. PSC Nov. 19, 2012) ("KRS 278.200 prohibits any change in the rate or service standard in a contract between a city and a utility without a hearing before the Commission."); *Proposed Revision of Rules Regarding the Provision of Wholesale Water Service By the City of Versailles to Northeast Woodford Water District*, Case No. 2011-00419, Order at 1 (Ky. PSC Oct. 27, 2011) ("KRS 278.200 prohibits any change in the rate or service standard in a contract between a city and a utility without a hearing before the Commission."); *City of Franklin v. Simpson County Water District*, Case No. 92-084, Order at 5 (Ky. PSC Jan. 18, 1996) ("KRS 278.200 expressly states that a contract rate between a city and a public utility may not be changed until a hearing has been held.").