

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATES OF THE CITY OF) CASE NO. 99-131
WARSAW, KENTUCKY)

ORDER

On October 13, 1999, the Commission directed the city of Warsaw, Kentucky (Warsaw) to show cause why, as a result of Warsaw's failure to comply with the Commission's Orders of August 6, 1999 and September 3, 1999, this proceeding should not be dismissed and Warsaw's proposed wholesale rate adjustment be denied. In its response to our Order, Warsaw has advised that it has been engaged in negotiations with Gallatin County Water District (Gallatin District) and that the parties have reached a tentative agreement. Warsaw further requests that the Commission grant another continuance . . . for the parties to finalize their settlement.

While settlement negotiations are an integral part of many rate adjustment proceedings, such negotiations should not interfere with the orderly administration of those proceedings. In this proceeding, Warsaw has yet to file any documentary evidence to support its proposed rate adjustment or meet the minimal filing requirements imposed by the Commission's Order of August 6, 1999. It filed its proposed rate adjustment with the Commission more than 6 months ago. Given the limited time remaining before an order must be rendered in this proceeding, see KRS 278.190(3), the Commission cannot adequately review Warsaw's proposed rates should settlement negotiations fail.

While the Commission will grant the requested continuance, we place Warsaw and all other municipal utilities on notice that settlement negotiations will no longer be reviewed as an acceptable grounds for disturbing the discovery and hearing process. Municipal utilities should conduct their negotiations either prior to the filing of their proposed rate adjustments or concurrent with the discovery process before the Commission. While the Commission continues to encourage amicable settlement of rate disputes between municipal and public utilities, we cannot allow the orderly administration of the Commission's statutory duties to be held hostage to the parties lackadaisical approach to negotiation. In this regard, we intend to hold municipal utilities to the same standard imposed upon public utilities.

IT IS THEREFORE ORDERED that:

1. Warsaw's Motion for Continuance is granted.
2. Within 20 days of the date of this Order, Warsaw shall file with the Commission its settlement agreement with Gallatin District.
3. If Warsaw fails to file with the Commission its settlement agreement with Gallatin District within 20 days of the date of this Order, this proceeding shall be closed and Warsaw's proposed wholesale rate adjustment shall be denied.
4. No further Order shall be necessary to implement Ordering Paragraph 3.

Done at Frankfort, Kentucky, this 8th day of November, 1999.

By the Commission

ATTEST:

Executive Director