COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE)
WHOLESALE WATER SERVICE RATES OF) CASE NO. 2015-00039
THE CITY OF AUGUSTA)

REPORT ON SETTLEMENT DISCUSSIONS AND MOTION TO SUSPEND BRIEFING SCHEDULE

The City of Augusta ("Augusta") and Bracken County Water District ("Bracken District") jointly submit this Report on the status of their discussions to resolve this matter and further move that the Commission suspend the briefing schedule in this proceeding. As part of their report and in support of their motion, Augusta and Bracken District state:

- 1. On January 5, 2016, representatives of Augusta and Bracken District held lengthy negotiations in an effort to resolve the issues in this proceeding. At the end of these negotiations, the participants had reached an agreement-in-principle on most key issues, including a prospective wholesale rate, a methodology for determining future rate adjustments, and several water treatment plant operational issues about with witnesses for both parties testified extensively at the evidentiary hearing. The agreement-in-principle will result in a new wholesale water purchase contract which will supersede the prior agreements between the parties.
- 2. The parties have instructed their Counsel to prepare a written contract embodying the agreement-in-principle and addressing in detail the conditions under which Augusta will provide wholesale water service to Bracken District and the various aspects of the parties' new arrangement. The Parties expect that this document will be completed and submit to the parties' governing bodies for their review and approval at their next regularly scheduled meetings, which will be January 20, 2016.

- 3. If both governing bodies approve the proposed written contract at their scheduled meeting, then the parties will file an executed copy of the contract with the Commission no later than January 27, 2016 and request an expedited review of the proposed contract. To facilitate such review, the parties will also request a conference with Commission Staff to explain the contract's provisions and to answer any questions.
- 4. If either governing body rejects the proposed written contract, the parties will immediately report this development to the Commission.
- 5. In light of the parties' agreement, the Commission should suspend the briefing schedule. Such action will allow the parties to devote their full attention to the drafting of the new water purchase agreement and to avoid the additional and unnecessary cost of preparing written briefs.
- 6. The present uncertainty regarding the evidentiary record also supports suspension of the briefing schedule. On September 29, 2015, Bracken District moved to strike a significant portion of the evidentiary record. The Commission has yet to address this motion. In the absence of an Order on the motion, neither party is certain as to the portions of the evidentiary record that can be properly referenced in its brief. Depending on the Commission's ruling on Bracken District's motion, both parties may seek an opportunity to revise or supplement their briefs to remove references to stricken material or to address to evidence that was subject to the motion to strike and omitted from the initial brief. Holding the briefing schedule in abeyance for a short period allows the Commission additional time to address the motion, if needed, and to avoid the potential for additional briefs that would increase costs to the parties.
 - 7. The parties' motion is not made for purposes of delay.

8 If the motion is granted and the parties' governing bodies fail to approve the agreement, the Commission will still have adequate time to render a decision in this matter. Based upon the Commission's application of KRS 278.190 to these proceedings, the Commission is required to render a decision in this matter no later than May 27, 2016.

WHEREFORE, Augusta and Bracken District respectfully request that:

- 1. Accept this Report on Settlement Discussions; and,
- 2. Hold the present briefing schedule in abeyance.

Dated: January 6, 2016

Respectfully submitted,

Gerald E. Wuetcher Stoll Keenon Ogden PLLC 300 West Vine Street, Suite 2100

Lexington, Kentucky 40507-1801 gerald.wuetcher@skofirm.com
Telephone: (859) 231-3000

Fax: (859) 259-3517

Counselfor Bracken County Water District

M. Todd Osterloh

Sturgill, Turner, Barker & Moloney, PLLC

333 W. Vine Street, Suite 1500

Lexington, Kentucky 40507

tosterloh@sturgillturner.com

Telephone: (859) 255-8581

Fax: (859) 231-0851

Cynthia C. Thompson 202 E. Riverside Drive Augusta, Kentucky 41002 ccthompsonatty@yahoo.com

Telephone: (606) 756-2663

Fax: (606) 756-2664

Counsel for City of Augusta, Kentucky

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that the January 6, 2016 electronic filing of this Report on Settlement Discussions and Motion to Suspend Briefing Schedule is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on January 6, 2016; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original paper medium of the Report on Settlement Discussions and Motion to Suspend Briefing Schedule will be delivered to the Commission on or before January 8, 2016.

Gerald E. Wuetcher