

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)	
WATER SERVICE RATES OF MADISONVILLE)	CASE NO. 2017-00133
WATER DISTRIBUTION)	

NOTICE OF FILING

In its Order entered herein on August 9, 2017 the Commission requested the City of Madisonville to file a copy of the June 17, 1977 accounting study by H.J. Umbaugh and Associates, Certified Public Accountants, which was incorporated by reference into the Water Purchase Agreement between the City of Madisonville, the Nebo Water District and the North Hopkins Water District. The City of Madisonville has made a diligent search of its records to find a copy of the Umbaugh study but has been unable to locate same. The City of Madisonville was able to locate an accounting services agreement dated June 6, 1977 between the City of Madisonville and the Nebo Water District and same is attached herewith.

The City of Madisonville contacted H.J. Umbaugh and Associates and requested a copy of the 1977 Umbaugh study. As reflected in the email correspondence attached herewith H.J. Umbaugh was unable to find a copy of the study.

Although the City of Madisonville has been unable to produce a copy of the 1977 Umbaugh study the City of Madisonville certifies that the methodology set forth in the 1977 water rate study has been utilized by the City of Madisonville since that time to

calculate the wholesale water rates to be charged to the various water districts. Hopefully the Nebo Water District and/or the North Hopkins Water District may be able to produce a copy of the 1977 Umbaugh study.

There are no materials not included in the electronic filing, and the electronically filed documents are a true representation of the original documents to be filed with the Commission.

FRYMIRE, EVANS, PEYTON,
TEAGUE & CARTWRIGHT
Post Office Box 695
Madisonville, KY 42431
(270) 821-6165 phone
(270) 825-2853 fax



Joe A. Evans III, jevans@feptc.com
Attorney for City of Madisonville

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct electronic copy of the foregoing Notice of Filing was electronically filed with the Public Service Commission and served on the following persons having the following electronic mail addresses on this 23rd day of August, 2017:

Mary Ellen Wimberly
STOLL KEENON OGDEN PLLC
300 West Vine Street, Suite 2100
Lexington, KY 40507-1801
maryellen.wimberly@skofirm.com

Gerald E. Wuetcher
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Hodgenville, KY 42748-0150
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North Hopkins Water District
2915 Anton Road
Madisonville, KY 42431
northhopkinswd@yahoo.com

Nebo Water District
45 North Bernard Street
Nebo, KY 42441
nwdoffice@yahoo.com

Cory C. Alexander
City of Madisonville
Post Office Box 1270
Madisonville, KY 42431
calexander@madisonvillegov.com

Madisonville Water Distribution
600 McCoy Avenue
Post Office Box 704
Madisonville, KY 42431
calexander@madisonvillegov.com

Original to:

Kentucky Public Service Commission
Post Office Box 615
211 Sower Boulevard
Frankfort, KY 40602-0615
Attn: Talina Mathews, Executive Director



Joe A. Evans III

ACCOUNTING SERVICES AGREEMENT

This Agreement made and entered into this 6th day of June, 1977,
by and between the City of Madisonville, Hopkins County, Kentucky
and the Nebo Water District, Hopkins County, Kentucky acting
jointly by and through the City's duly elected public officials
and the Water District Directors (the "City/District") and H.J.
Umbaugh & Associates, Certified Public Accountants, Indianapolis
and Plymouth, Indiana, (the "Accountants");

WITNESSETH THAT:

WHEREAS, the City owns and operates a water treatment plant with a
capacity in excess of the current requirements of the municipal
customers, and;

WHEREAS, the District proposes to construct a water supply distri-
bution system and will require a supply of treated water, and;

WHEREAS, the City proposes to sell ("Seller") water to the District
("Purchaser") in accordance with terms set forth in a Water Pur-
chase Contract which must be acceptable to the Farmers Home
Administration ("FmHA") in order for the Purchaser to obtain
financial assistance from FmHA to construct a water distribution
system, and;

WHEREAS, the City/District desires to have a cost accounting study conducted in order to establish an equitable water purchase agreement;

NOW, THEREFORE, in consideration of the mutual promises and undertakings of the parties hereto, it is mutually agreed as follows:

ARTICLE 1. Cost Study

The Accountants will:

- A. Make a comprehensive study from available records of the capital cost of the seller's present water utility and the cost of any current proposed additions in order to determine and classify capital costs by major functions, such as, source of supply, pumping plant, transmission, distribution, fire protection and customer service for the purpose of segregating and allocating such capital costs to and between the costs of supplying treated water and all other costs.
- B. Study and analyze the seller's operation and maintenance expenses from available records for the calendar year 1976 in order to classify and determine the amount and nature of such operation and maintenance expenses for the purpose of determining the initial amount and type of continuing operation and maintenance expenses that should be included in the proposed water purchase agreement.
- C. Confer with consulting engineers and/or other representatives in order to project the first year cost of providing treated water to the purchaser and to develop a format for periodic and continuing review of appropriate cost data in order to revise future charges in an equitable manner, where appropriate.
- C. (a) As modified, it is the intent of the parties that the format for periodic review will also include a basic formula which could serve as a guide for establishing purchase agreements with and between other wholesale users.

- D. To prepare and furnish an accounting report of the findings and suggestions concerning the cost of providing treated water to the purchaser.
- E. Furnish information to the attorneys for the City/District and to the Farmers Home Administration which may be needed for the drafting of the Water Purchase Contract and resolutions to be adopted by the City/District.
- F. Meet with representatives of the City/District to discuss findings, recommendations and suggestions underlying the proposed Water Purchase Contract.
- G. Confer, if deemed appropriate, with representatives of the Farmers Home Administration.

ARTICLE 2. Charges

The Accountants' charges for services and expenses in connection with the services to be rendered for the City/District shall be not less than forty-five hundred dollars (\$4,500) and shall not exceed the sum of seventy-two hundred dollars (\$7,200). Such charges shall be shared equally by the City/District.

ARTICLE 3. Expenses

~~The accountants will pay all the out-of-pocket expenses~~
incurred by them in connection with this Agreement.

ARTICLE 4. Litigation

The fees for services set forth herein shall not include services and/or expenses of the Accountants in relation to any litigation or the threat thereof, and any fees

or expenses of the Accountants incurred on such account shall be billed separately.

ARTICLE 5. Assignment

Neither this Agreement nor any interest of the Accountants herein may be assigned by them without the written consent of the City/District.

ARTICLE 6. Assistance

The City/District agrees to cooperate with and assist the Accountants in connection with the services required of them herein, and to provide to the Accountants full and complete access to all books, records and documents which the Accountants may reasonably request.

ARTICLE 7. Termination

This Agreement may be terminated by the City/District or by the Accountants at any time upon ten (10) days written notice thereof.

ARTICLE 8. Adjustments

In the event the services under this Agreement shall be performed on or after December 31, 1977, such services and the compensation therefor may be adjusted in accordance with changing requirements and conditions, inflationary factors or other influences that may impair the reasonableness and fairness of this Agreement.

ARTICLE 9.

Accountants' Opinion

The work performed by the Accountants shall not include an audit of the records nor the expression of an opinion on financial data unless specifically provided for.

ARTICLE 10.

Payment

Payment shall be made by the City/District within thirty (30) days after receiving billings therefor upon completion of services by the Accountants or upon termination of the Agreement.

ARTICLE 11.

Additional Services

In the event other services such as, but not limited to, participating in public meetings, testifying before the Public Service Commission of Kentucky, updating accounting information because of unusual delays beyond the accountants control are required of the Accountants by the City/District of a kind not specified within this Agreement, the Accountants shall perform such services upon specific instructions by the City/District and shall be compensated therefor based upon the normal time and expense charges of the Accountants for such accounting services. At the request of the City/District, the Accountants will provide a range of charges prior to commencement of such work.

IN WITNESS WHEREOF, the Parties have hereunto set their hands
and seals at Hopkins County, Kentucky on the day and year set out;

The City of Madisonville, Kentucky
By Its Mayor and City Council

Butler A. McCarty Jr.
Mayor

The Nebo Water District
By Its Board of Directors

James W. Reed
Thomas H. Foster
Charles P. Morrow

ATTEST:

Jociane Lise
Clerk-Treasurer

ATTEST:

Thomas H. Foster
Secretary

H.J. Umbaugh & Associates
Certified Public Accountants

By:

Raymond H. H. H. H.
Partner

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Subject: FW: 1977 Rate Study

From: "Cory Alexander" <calexander@madisonvillegov.com>

Date: Mon, Aug 14, 2017 12:03 pm

To: <jevans@feptc.com>

Attach: Image007.jpg

image008.jpg

image009.jpg

Umbaugh Accountants_Rate Study Contract.pdf

Joe,

See below.

Thanks

Cory

From: Bill Jackson [<mailto:bjackson@madisonvillegov.com>]

Sent: Friday, June 16, 2017 1:04 PM

To: 'Joe Evans' <jevans@feptc.com>; 'Charles Kington' <CKington@bkucpa.com>; 'Cory Alexander' <calexander@madisonvillegov.com>; 'Rhonda Bryant' <rbryant@madisonvillegov.com>; 'Laura Faulk' <lfaulk@madisonvillegov.com>

Subject: FW: 1977 Rate Study

All,

The below is for your information.

Attached a copy of the Umbaugh rate study contract, which was done regarding Nebo WD.

William L. Jackson, PE
City Engineer
City of Madisonville
(270) 824-2187

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From: Scott Miller [<mailto:miller@umbaugh.com>]

Sent: Friday, June 16, 2017 8:15 AM

To: bjackson@madisonvillegov.com

Cc: Claudia Black <black@umbaugh.com>

Subject: 1977 Rate Study

Mr. Jackson:

I have searched our files for the report you reference below. Unfortunately, it appears we no longer have a copy. We relocated our office eleven years ago and many of our files from the late 1970's were purged at that time. As you indicated, forty years is a long time to operate under one rate structure. If the two parties are interested, we would be happy to assist with the preparation of a new rate study that would reflect changes in the two systems that have occurred over time.

Again, I am sorry we are not able to locate the original rate study but if we can assist in any other way, please do not hesitate to contact me.

Thank you.

Scott

UMBAUGH



Scott Miller, CPA

Partner

H.J. Umbaugh & Associates
Certified Public Accountants, LLP
8365 Keystone Crossing, Suite 300
Indianapolis, IN 46240-2687

317-465-1506
miller@umbaugh.com
www.umbaugh.com

From: Bill Jackson [<mailto:bjackson@madisonvillegov.com>]

Sent: Thursday, June 15, 2017 2:38 PM

To: Claudia Black

Subject: 1977 Rate Study

Ms. Black,

The City of Madisonville and Nebo Water District continue to work under arrangements from a rate study done by Umbaugh & Associates from 1977. While we have a copy of the Accounting Services Agreement (attached), we cannot locate a copy of the actual rate study. Some questions have arisen that would make having the rate study document helpful.

I know it has been forty years, but I'm hoping that you or someone at Umbaugh & Associates could locate and furnish a copy of that rate study?

William L. Jackson, PE
City Engineer
City of Madisonville
(270) 824-2187

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