

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

JOINT MOTION TO APPROVE SETTLEMENT AGREEMENT

The City of Madisonville (“City” or “Madisonville”), Nebo Water District (“Nebo”), and North Hopkins Water District (“North Hopkins”) (collectively, “Parties”), by counsel, jointly move for an order approving the attached Joint Settlement Agreement and Stipulation (“Settlement”). In support of their motion, the Movants state:

1. On February 6, 2017, Madisonville filed with the Public Service Commission (“Commission”) notice of a proposed increase in its rate for wholesale water service to Nebo, North Hopkins, and South Hopkins Water District (“South Hopkins”) from \$4.13 per 1,000 gallons to \$5.01 per 1,000 gallons.
2. On March 6, 2017, Nebo and North Hopkins requested that the Commission investigate the reasonableness of the proposed rate adjustment.

3. On March 30, 2017, the Commission initiated this proceeding to investigate the reasonableness of the proposed adjustment and suspended the effective date of the proposed rate until August 30, 2017.

4. On May 23, 2017, Madisonville filed the testimony of Charles A. Kington to support the proposed rate adjustment. In his testimony, Mr. Kington stated that the “significant increase” in the wholesale rate is “mainly attributable to the City’s replacement of portions of its water filtration membranes in the amounts of \$706,057.”¹ In its original calculation of the wholesale rates, Madisonville expensed the cost of the replacement water filtration membranes.

5. In their discovery requests filed pursuant to the Commission’s Order of May 1, 2017, Commission Staff and Nebo and North Hopkins requested information about the replacement water filtration membranes, including an explanation as to why their cost was expensed instead of capitalized.

6. Upon further review, Madisonville determined that the cost of the replacement water filtration membranes should be capitalized over the membranes’ seven-year useful life. Madisonville has revised its rate calculations to reflect this revision. A copy of the revised calculations is attached to the Settlement. These calculations produce a wholesale rate of \$4.39 per 1,000 gallons to be charged to Nebo and North Hopkins.

¹ Kington Testimony at 2.

7. All Parties to the proceeding agree that the cost of the replacement water filtration membranes should be capitalized and a rate of \$4.39 per 1,000 gallons is reasonable and appropriate.

8. Requests for information to Madisonville from Commission Staff and Nebo and North Hopkins are pending. The time requirement for responding to these requests should be suspended. If the Commission accepts the Settlement in its entirety, the need for these requests no longer exists and Madisonville should be relieved of any obligation to respond to them.

9. Commission acceptance and approval of the Settlement without a hearing in this matter is consistent with the Commission's historical approach to the resolution of disputes over municipal utility wholesale rates.²

WHEREFORE, the City of Madisonville, Nebo Water District, and North Hopkins Water District respectfully request that the Commission:

1. Immediately suspend the operation of the procedural schedule in this matter pending completion of its review of the Settlement;

² See, e.g., *Proposed Adjustment of the Wholesale Rate of the City of Milton*, Case No. 2012-00170 (Ky. PSC Sept. 21, 2012); *Proposed Adjustment of the Wholesale Water Service Rates of the Mount Sterling Water and Sewer Commission*, Case No. 95-193 (Ky. PSC Sept. 1, 1995). In Case No. 2012-00170, the Commission stated:

The purpose of the Commission's jurisdiction over a municipal utility's wholesale transactions with a public utility is to ensure that any public "consumer/customer that has contracted and become dependent for its supply of water from a city's utility is not subject to either excessive rates or inadequate service." In the case at bar, this purpose has been served. The public utility affected by the proposed rate adjustment has had the opportunity to voice its concerns and to request an investigation. Upon the public utility voicing its objections and both utilities engaging in discussions, the utilities have agreed upon a wholesale rate. As the proposed rate appears neither unreasonable nor unconscionable upon its face, we find that further proceedings are not required and that the agreed rate should be permitted to become effective.

2. Review the Settlement in an expeditious manner and without hearing;
3. Grant this Joint Motion; and
4. Issue an order approving the Joint Settlement Agreement and Stipulation.

Dated: June 28, 2017

Respectfully submitted,



Damon R. Talley
Stoll Keenon Ogden PLLC
P.O. Box 150
Hodgenville, KY 42748-0150
Telephone: (270) 358-3187
Fax: (270) 358-9560
damon.talley@skofirm.com

Mary Ellen Wimberly
Gerald E. Wuetcher
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1801
Telephone: (859) 231-3047
Fax: (859) 246-3647
maryellen.wimberly.skofirm.com
gerald.wuetcher@skofirm.com

*Counsel for Nebo Water District and
North Hopkins Water District*



Joe A. Evans, III
Frymire, Evans, Peyton,
Teague & Cartwright
Post Office Box 695
Madisonville, Kentucky 42431
Telephone: (270) 821-6165
Fax: (270) 825-2853
jevans@feptc.com

Counsel for City of Madisonville

CERTIFICATE OF SERVICE

This is to certify that the foregoing motion filed June 28, 2017 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 June 28, 2017; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that the original and six copies of the foregoing motion in paper medium will be delivered to the Commission no later than June 30, 2017.



*Counsel for Nebo Water District and
North Hopkins Water District*