

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**ELECTRONIC PROPOSED)
ADJUSTMENT OF THE WHOLESALE) CASE NO. 2017-00417
WATER SERVICE RATES OF)
LEBANON WATER WORKS)**

**LEBANON WATER WORKS COMPANY’S REPLY TO
MARION COUNTY WATER DISTRICT’S RESPONSE TO
MOTION TO MODIFY PROCEDURAL SCHEDULE**

Lebanon Water Works Company (the “Company”), by counsel, submits this reply to the Response of Marion County Water District (“Marion District”) to the Company’s Motion to Modify Procedural Schedule.

The Company agrees with Marion District’s position that Marion District should not be compelled to file written testimony, but should be permitted the opportunity to file such testimony if it so desires. The provision in the proposed schedule related to Marion District’s filing of testimony should be amended to read: “Marion District **may** file the written testimony and exhibits of its witnesses no later than 05/14/2018.”

Marion District’s assertions that the existing procedural schedule, in the absence of written testimony, is sufficient conveniently ignore the administrative and logistical problems in conducting a review of municipal wholesale rates

without written testimony. In Case No. 98-283,¹ the Commission expressly noted that a municipal utility's failure to present testimonial evidence precludes it from meeting its burden of proof. Under the current procedural schedule, the Company will be required to conduct direct examination of all of its witnesses before the Commission at the scheduled hearing. This action will likely result in the hearing extending beyond one day and require numerous post-hearing requests for information. It will not promote the orderly review of the Company's evidence, but instead will **increase the cost of the proceedings and delay the issuance of a final decision.**

Marion District contends that the proposed procedural schedule injures the water district because a final decision would not be made before the suspension period ends. KRS 278.190 clearly affords the Company the right to place the proposed rates into effect subject to refund. Moreover, if the Commission determines that the Company's proposed rate is excessive, the excessive portion will be refunded to Marion District and its ratepayers. Marion District and its ratepayers will be made whole and will not be required to pay more than the rate that the Commission determines to be fair, just and reasonable. Thus, Marion District will not suffer "injury" if any excessive rate is refunded.

¹ *Proposed Adjustment of the Wholesale Water Service Rates of the City of Owenton, Kentucky*, Case No. 98-283 (Ky. PSC Sep. 22, 1998).

The Commission should give no weight to Marion District's assertion that the Company has a financial incentive to extend the procedural schedule. The Company's proposed rate case expense recovery charge, which is similar to those proposed by other municipal utilities² and those that the Commission has established,³ would permit the Company to recover only those rate case expenses that the Commission deems reasonable. The Company will not financially profit from an expanded procedural schedule. At best, it will recover its reasonable costs related to the Commission's review of the Company's proposed rate and nothing more.

WHEREFORE, Lebanon Water Works Company respectfully requests an Order modifying the current procedural schedule in this matter to permit the Company to file written testimony of its witnesses in accordance with the proposed procedural schedule, as amended, as set forth in Exhibit 1 of the Motion to Modify Procedural Schedule.

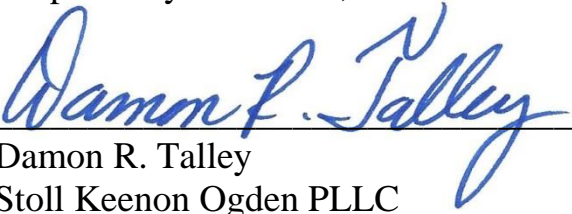
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² See, e.g., City of Augusta's Motion to Amend to Include Rate Case Expense (filed Aug. 28, 2015 in Case No. 2016-00039, *Proposed Adjustment of the Wholesale Water Service rates of the City of Augusta* (Ky. PSC filed Jan. 8, 2015)).

³ See, e.g., *Proposed Adjustment of the Wholesale Water Service Rates of the City of Owenton, Kentucky*, Case No. 98-283 (Ky. PSC Feb. 22, 1999).

Dated: March 6, 2018

Respectfully submitted,



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CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that Lebanon Water Works Company's March 6, 2018 electronic filing of this Reply 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 March 6, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original and one copy in paper medium of this Reply will be delivered to the Commission on or before March 8, 2018.



Damon R. Talley