

October 31, 2019

Ms. Gwen R. Pinson
Executive Director
Public Service Commission
PO Box 615 Frankfort, KY 40602

Ms. Pinson:

Provided is a copy of the supplier's notice showing a change in the supplier's base rate (See Exhibit A). On September 30, 2019 Muhlenberg County Water District No. 1 entered into a settlement agreement with Central City with an effective date of October 31, 2019 (See Exhibit B). Please contact the office if anything else is needed. Thank you.

Sincerely,

Craig Porter, Superintendent

Enclosures

Exhibit A

NOTICE

Notice is hereby given that the City of Central City proposes to increase its rate for wholesale water service to Muhlenberg County Water District and Muhlenberg County Water District No. 3 effective July 31, 2019. On or about June 24, 2019, documentation will be filed with the Kentucky Public Service Commission to increase rates as follows:

<u>Current Rate</u>	<u>New Rate</u>	<u>Change</u>	<u>\$ Change</u> <u>Ave. Month</u>	<u>% Change</u> <u>Ave. Rate</u>
\$2.63 per 1,000 gals.	\$3.31 per 1,000 gals.	\$0.68		
	Muhlenberg County Water District		\$27,483.33*	25.9%
	Muhlenberg County Water District No. 3		\$13,430.00**	25.9%

* Based on 485,000,000 gallons per year for Muhlenberg County Water District

** Based on 237,000,000 gallons per year for Muhlenberg County Water District No. 3

The proposed effective date is July 31, 2019. Water flowing through the meter(s) before the effective date will be charged at the current rate while water flowing through the meter(s) on and after the effective date will be charged at the proposed new rate.

The rates contained in this notice are the rates proposed by the City of Central City, and are based on a requirement by the U.S. Department of Agriculture, acting through Rural Development ("RD") in connection with a loan by RD to the District in the principal amount of \$1,000,000, which includes \$150,000 of grant funding that RD has agreed to provide if the City meets certain conditions of RD, including revising the water rates as set forth above. The proposed rates are required under the terms of an agreement between the City and RD. The Public Service Commission has previously explained that if the Commission should find that a City must charge rates less than those specified by Rural Development, the City would fail to meet the conditions imposed by Rural Development. It further declined "to impair or impede" a City's ability to receive funding and that the General Assembly's policy expressed in KRS 278.023 supported its decision.

Any person may examine at the offices of the City of Central City located at 214 N. First Street, Central City, Kentucky. Please contact David Rhoades, City Administrator, at 270-754-2336 regarding any questions related to the proposed rates.

This filing may also be examined at the offices of the Public Service Commission located at 211 Sower Boulevard in Frankfort, Kentucky, Monday through Friday from 8:00am to 4:30pm or through the PSC website at <http://psc.ky.gov>.

Comments regarding the filing may be submitted to the PSC through its website or by mail to Public Service Commission, Post Office Box 615, Frankfort, KY 40602.

A timely written request for intervention that establishes grounds for the request may also be submitted to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602. If the PSC does not receive a written request for intervention within thirty (30) days of the date notice was initially provided, the PSC may take final action on the filing.

Exhibit B

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATES OF CENTRAL CITY) Case No. 2019-00260
MUNICIPAL WATER & SEWER)

SETTLEMENT AGREEMENT AND STIPULATION

This Settlement Agreement and Stipulation is entered this 30th day of September 2019 by and between the City of Central City (“Central City”), Muhlenberg County Water District (“Muhlenberg District”), and Muhlenberg County Water District (“Muhlenberg District No. 3”), (collectively “the Parties”).

WITNESSTH

WHEREAS, On June 24, 2019, Central City filed with the Commission a revised tariff sheet setting forth proposed adjustments to its existing rates for wholesale water service to Muhlenberg and Muhlenberg District No. 3 to be effective on July 31 , 2019;

WHEREAS, Central City proposes to increase wholesale water service from \$2.63 to \$3.31 per 1,000 gallons;

WHEREAS, on July 22, 2019, the Water Districts each filed with the Commission a request that a formal proceeding be established to review the reasonableness of Central City’s proposed wholesale rate and that the proposed wholesale rate not be permitted to become effective pending a hearing;

Exhibit 1

WHEREAS, in their request, the Water Districts identified several issues for which they sought additional clarification, including information on which to determine the reasonableness of the proposed rates, compliance with contractual provisions, and details of Central City's proposed project on which it has obtained approval for favorable funding;

WHEREAS, on July 30, 2019, the Commission established Case No. 2019-00260 to review the reasonableness of Central City's proposed wholesale rate;

WHEREAS, in the Order establishing this docket, the Commission issued its initial request for information;

WHEREAS, on August 12, 2019, Central City filed a motion for the Commission to accept a proposed tariff on rate-case-expense surcharge, and incorporate the tariff into this proceeding;

WHEREAS, on September 4, 2019, the Commission Staff and the Water Districts filed requests for information;

WHEREAS, the Water Districts have reviewed the information filed by Central City in responses to various data requests, and are satisfied that the proposed wholesale rate of \$3.31 per 1,000 gallons is a fair, just, and reasonable rate;

WHEREAS, the Water Districts are satisfied with the procedure following its July 22 request to establish a formal proceeding and do not challenge compliance with the contractual provisions between Central City and each Water District;

WHEREAS, the Water Districts are satisfied that Central City is actively pursuing its proposed projects, for which Central City will obtain favorable financing from Rural Development, and that those projects will assist in the provision of wholesale service to the Water Districts;

WHEREAS, the Parties acknowledge that the Commission commonly allows a party seeking a rate adjustment to recover reasonable rate-case expense;

WHEREAS, the Parties agree that there is mutual benefit in resolving rate cases in an expedient manner so that the parties can avoid incurring additional rate-case expense;

WHEREAS, the Parties agree that it is in the best interest of the Parties to suspend the procedural schedule prior to the filing deadline for Central City's responses to supplemental requests for information;

WHEREAS, the proposed effective date of October 31, 2019, will allow sufficient time for the Water Districts to approve and prepare documentation for a Purchased Water Adjustment;

WHEREAS, the adoption of this Settlement Agreement and Stipulation as a fair, just, and reasonable disposition of the issues presented by the proposed wholesale rate adjustment will eliminate the need for the Commission and the Parties to expend significant resources litigating those issues, will eliminate the need for a hearing, and will eliminate the possibility of, and any need for, rehearing or judicial review of the Commission's final order in Case No. 2019-00260;

WHEREAS, the Parties acknowledge and understand that this Settlement Agreement is subject to the Commission's approval insofar as it constitutes an agreement by the Parties for settlement, and, absent express agreement stated herein, does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any proposed or recommended adjustments to Central City's rates, terms, or conditions;

WHEREAS, the Parties agree that this Settlement Agreement, viewed in its entirety, is a fair, just, and reasonable resolution of all the issues in Case No. 2019-00260; and

WHEREAS, the Parties believe sufficient and adequate evidence supports this Settlement Agreement, and further believe the Commission should approve it;

NOW, THEREFORE, for and in consideration of the promises and conditions set forth herein, the Parties hereby stipulate and agree as follows:

1. The preamble to this Agreement is hereby incorporated and made a part hereof.
2. Effective for service rendered on and after October 31, 2019, Central City should be authorized to assess a rate of \$3.31 per 1,000 gallons for wholesale water service to Muhlenberg District and Muhlenberg District No. 3.
3. The rate of \$3.31 per 1,000 gallons is a fair, just, and reasonable rate for Central City's wholesale water service to Muhlenberg District and Muhlenberg District No. 3.
4. The Parties agree to file a joint motion to approve this Settlement Agreement and Stipulation and accept Central City's proposed wholesale rate of \$3.31 per 1,000 gallons.
5. The Parties agree to file a joint motion to suspend the procedural schedule, in order to allow the Commission to reach a decision on the Parties' joint motion to approve this Settlement Agreement and Stipulation without the need for the parties to incur additional rate-case expense.
6. Central City agrees to waive recovery of rate-case expense if the Commission grants the Parties' joint motion to approve this Settlement Agreement and Stipulation and accept Central City's proposed wholesale rate.
7. Central City and Muhlenberg District No. 3 intend to execute an agreement, whereby Central City would reserve 300,000 gallons of storage capacity for Muhlenberg District No. 3 for a three (3)-year term.
8. The Parties agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and request the Commission to approve the Settlement Agreement and Stipulation.

9. This Settlement Agreement and Stipulation is subject to the acceptance of and approval by the Commission. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Settlement Agreement be accepted and approved.

10. If the Commission issues an order adopting this Settlement Agreement and Stipulation in its entirety, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor bring an action for review in Franklin Circuit Court with respect to such order.

11. If the Commission does not accept and approve this Settlement Agreement in its entirety, then: (a) this Settlement Agreement and Stipulation shall be void and withdrawn by the Parties from further consideration by the Commission and neither of the Parties shall be bound by any of its provisions, provided that neither of the Parties is precluded from advocating any position contained in this Settlement Agreement and Stipulation; and (b) neither the terms of this Settlement Agreement and Stipulation nor any matters raised during the settlement negotiations shall be binding on either of the Parties or be construed against either of the Parties.

12. If the Settlement Agreement and Stipulation is voided or vacated for any reason after the Commission has approved it, neither of the Parties will be bound by the Settlement Agreement and Stipulation.

13. The Settlement Agreement and Stipulation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

14. The Settlement Agreement and Stipulation shall inure to the benefit of and be binding upon the Parties hereto, their successors and assigns.

15. The Settlement Agreement and Stipulation constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations or

agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into the Settlement Agreement and Stipulation.

16. The Parties hereto agree that, for the purpose of the Settlement Agreement and Stipulation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.

17. The Parties agree that this Settlement Agreement and Stipulation may be executed in multiple counterparts.

IN WITNESS WHEREOF, the Parties, through counsel, have affixed their signatures.

City of Central City, Kentucky

HAVE SEEN AND AGREED

By: 
M. Todd Osterloh, Counsel

Muhlenberg County Water District and
Muhlenberg County Water District No. 3

HAVE SEEN AND AGREED

By: 
Damon R. Talley, Counsel

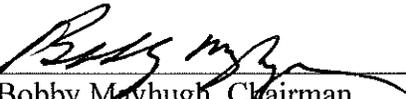
City of Central City

HAVE SEEN AND AGREED

By: 
Tony Armour, Mayor

Muhlenberg County Water District

HAVE SEEN AND AGREED

By: 
Bobby Mayhugh, Chairman

Muhlenberg County Water District No. 3

HAVE SEEN AND AGREED

By: Don Garrett
Don Garrett, Chairman