

CITY OF HANSON

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Mr. Jimmy Epley
Mayor, City of Hanson, Kentucky
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May 7, 2025

Ms. Mary Pat Regan
Commissioner, Kentucky Public Service Commission
211 Sower BLVD
Frankfort, KY 40601

Commissioner Regan:

I am writing you on behalf of the City of Hanson, a wholesale wastewater utility customer, to formally request the Commission's intervention to ensure that the City of Madisonville complies with the statutory and regulatory requirements as a wastewater utility provider.

Since 1978, our city has owned and operated a wastewater collection and transmission system which then conveys all wastewater to a treatment plant in Madisonville for a contracted treatment rate. This contract was established under an Environmental Protection Agency Grant – 201 Grant Agreement Program - to ensure small cities compliance with the Federal Clean Water Act, Water Pollution Control Act, and corresponding regulations.

Under the terms of the grant, the cities of Madisonville, Hanson, and Earlington would individually own and operate collection and transmission systems which would be sent to a single treatment plant in Madisonville. As wholesale wastewater treatment providers, Madisonville provided the service to Hanson – and Earlington – at a pre-established rate. Based upon the number of customers in Hanson – and Earlington – wholesale rates are slightly different. To be clear, there has never been a Regional Commission established to oversee this operation.

The methodology for the wholesale rate computation for wastewater treatment has largely remained unchanged throughout the 40 years of operation, with a few minor exceptions, one of which was approved by the PSC in 2001, and others that were not submitted by Madisonville though implemented.

Recently, Madisonville increased the wholesale rate for Hanson from \$1.04/1000 gallons to \$3.75/1000 gallons, a 361% increase. This rate change no longer reflects a wholesale

classification. Instead, Hanson is now a Madisonville retail customer, with a rate that includes the operation and transmission of Madisonville's independent collection system. Thereafter, Hanson has demanded accounting for the drastic change.

Based on our expert's preliminary analysis, it has now come to our attention that Madisonville is not complying with the regulations - e.g., failure to file required schedules, failure to give proper notice, improper rate-setting, or other violations. Despite bringing this to Madisonville's attention, it asserts it is exempted from any and all regulations, including 807 KAR Chapter 5 or KRS 278, and that it now exerts unilateral authority to make any wholesale rate changes despite objections.

As a wholesale utility, the City of Hanson's customers rely on the proper and lawful operation of all entities within the utility framework to ensure fair, just, and reasonable practices for rate calculations. The failure of Madisonville to adhere to the statutory and regulatory requirements undermines the integrity of the system and adversely affects our customers – the citizens of Hanson – as we believe they are now bearing the collection and transmission costs of Madisonville in addition to their own.

We respectfully request that the Commission take the necessary steps to investigate this matter and enforce compliance with the applicable laws and regulations. The City of Hanson is prepared to provide any additional information or documentation that may assist the Commission in its review.

Please do not hesitate to contact me or our attorney for this matter if you require further details or wish to discuss this matter. Mr. Daniel N. Thomas, THOMAS, ARVIN & ADAMS, PLLC, can be reached 270-886-6363 or dthomas@thomasandarvin.com

Thank you for your attention to this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Jimmy Epley". The signature is fluid and cursive, with the first name "Jimmy" and the last name "Epley" clearly distinguishable.

Jimmy Epley
Mayor, City of Hanson

Enclosures: 2025 Wholesale Rate for 2025-2026 Computations
March 18, 2025, Preliminary Expert Opinion of Steven K. Brock