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**DAVID A. TAYLOR**  
**WILLIAM L. STEVENS**

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PUBLIC SERVICE  
COMMISSION

October 1, 2009

Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, Kentucky 40602-0615

In re: Alleged Failure of the City of Danville to Comply with KRS 278.160 and 278.180  
and the Commission's Order of August 10, 1994 in Administrative Case No. 351  
Case No. 2008-00176

To Whom It May Concern:

Enclosed you should find an original and ten copies of the Response of Lake Village Water Association in the above matter. Please file of record. Thank you.

Very truly yours,

TAYLOR & STEVENS  
Attorneys at law

By:   
WILLIAM L. STEVENS

WLS/ab

Enclosure

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALLEGED FAILURE OF THE CITY )  
OF DANVILLE TO COMPLY WITH )  
KRS 278.160 AND 278.180 AND THE )  
COMMISSION’S ORDER OF )  
AUGUST 10, 1994 IN )  
ADMINISTRATIVE CASE NO. 351 )

CASE NO. 2008-00176

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Comes now Lake Village Water Association, Inc. (“Lake Village”) by counsel and for its response to the Order of the Commission entered in the within case on September 25, 2009, would state as follows:

1. That, based on its prima facie finding that the City of Danville (“Danville”) had violated KRS 278.160 and 180 as well as the Order of the Commission entered in Administrative Case No. 351, the Commission ordered Danville in the within case to show cause why it should not be subject to penalties for these violations.

2. That the Commission made Lake Village, Parksville Water District, and Garrard County Water Association, Inc. parties to these proceedings.

3. That a hearing on the show cause order was held March 10, 2009.

4. That the evidence introduced at the hearing clearly demonstrated that Danville increased the water rates charged to Lake Village (as well as the other parties) without seeking or receiving approval of PSC. It also demonstrated that the increase was the result of a failure to make a specific, required exception to the standard account operations of Danville, which failure initially occurred without the knowledge of the City

Engineer or City Manager. The evidence further established that Danville did not refund the monies collected as a result of the increases prior to the hearing, although it had been made aware of the increases.

5. That following the close of the hearing the presiding hearing officer advised the parties that, based on the evidence produced at the hearing, a settlement should be negotiated.

6. That Lake Village and Danville reached a settlement agreement that resulted in a repayment plan to Lake Village of the agreed upon over charges.

7. That the settlement did not make provision for payment of a penalty nor was a penalty discussed by these parties, for reason that neither Lake Village nor Danville has authority to impose or waive penalties.


8. That Lake Village is not seeking the imposition of penalties.

9. That the decision as to whether Danville should or should not be subject to penalties for violation of the statutes, regulations, and Administrative Order lies within the sound discretion of the Commission.

Respectfully submitted this 1st day of October, 2009.


TAYLOR & STEVENS  
ATTORNEYS FOR LAKE VILLIAGE  
WATER ASSOCITAION, INC.  
337 West Broadway Street  
P.O. Box 901  
Danville, Kentucky 40423  
859-236-2167

By:

  
WILLIAM L. STEVENS

CERTIFICATE OF SERVICE

This is to certify that the foregoing RESPONSE was served by mailing a true copy thereof to H. Vincent Pennington, III, Esquire, 114 South Fourth Street, Danville, Kentucky, 40422, and Katherine K. Yunker, Esquire, P.O. Box 21784, Lexington, Kentucky, 40522-1784, attorneys for the City of Danville; to John N. Hughes, Esquire, 124 W. Todd Street, Frankfort, Kentucky, 40601, attorney for the Parksville Water District; and to Harold C. Ward, Garrard County Water Association, Inc., P.O. Box 670, Lancaster, Kentucky, 40444, this 1st day of October, 2009.

  
WILLIAM L. STEVENS