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May 9, 2017

VIA ELECTRONIC MAIL AND REGULAR MAIL

RECEIVED

Dr. Talina R. Mathews
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615

MAY 10 2017

Public Service
Commission

Re: TFS2017-00202
Wholesale Provider: City of Central City, Kentucky
Wholesale Purchaser: Muhlenberg County Water District No. 3

Dear Dr. Mathews:

On April 13, 2017, the City of Central City, Kentucky ("Central City") filed with the Kentucky Public Service Commission (the "Commission") notice of a proposed adjustment of its rate for wholesale water service to Muhlenberg County Water District No. 3 ("MCWD3") to \$3.19 per 1,000 gallons from \$2.63 per 1,000 gallons. According to this notice, Central City's proposed adjustment is to become effective on May 31, 2017.

Central City failed to provide with its notice of the proposed adjustment sufficient evidence to demonstrate the reasonableness of the proposed wholesale water service rate. Central City provided supplemental information to MCWD3, but the information is not in sufficient detail to determine whether the proposed adjustment is consistent with the methodology set forth in the Water Purchase Contract that Central City and MCWD3 executed. Further, it is unclear from the information provided by Central City whether the wholesale rate reflects Central City's actual cost of providing service to MCWD3.

Pursuant to KRS 278.200 and the Kentucky Supreme Court's holding in *Simpson County Water District v. City of Franklin*, 872 S.W.2d 460 (Ky. 1994), a rate set forth in a contract between a city and a utility may not be charged until the Commission holds a hearing on the proposed change.¹ MCWD3 respectfully requests that the Commission initiate a formal

¹ See also *Purchased Treated Sewage Adjustment Filing of Knox County Utility Commission*, Case No. 2013-00223, Order at 2 (Ky. PSC Dec. 9, 2013) ("As no hearing has been held on Barbourville's proposed revision, as KRS

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proceeding to investigate the reasonableness of the proposed rate, establish a procedural schedule that allows for discovery, and issue all orders necessary to ensure that the proposed rate is not placed into effect or otherwise assessed before the Commission conducts a hearing.

In initiating this proceeding, MCWD3 requests that the Commission consider consolidating this proceeding with the Muhlenberg County Water District proceeding (TFS2017-00201) since both proceedings rely on common questions of law and fact. MCWD3 further requests that, pursuant to 807 KAR 5:001, Section 8, **the Commission direct the use of electronic filing procedures for such proceeding.**

Sincerely,

Stoll Keenon Ogden PLLC



Mary Ellen Wimberly

MEW

cc: Muhlenberg County Water District No. 3
City of Central City, Kentucky (City Administrator & City Attorney)

278.200 requires, its rate adjustment is not effective or lawful, may not be assessed, and may not serve as the basis for a purchased treated sewage adjustment.”); *Proposed Adjustment of the Wholesale Water Service Rates of the City of Brandenburg, Kentucky*, Case No. 2012-00501, Order at 2 (Ky. PSC Nov. 19, 2012) (“KRS 278.200 prohibits any change in the rate or service standard in a contract between a city and a utility without a hearing before the Commission.”); *Proposed Revision of Rules Regarding the Provision of Wholesale Water Service By the City of Versailles to Northeast Woodford Water District*, Case No. 2011-00419, Order at 1 (Ky. PSC Oct. 27, 2011) (“KRS 278.200 prohibits any change in the rate or service standard in a contract between a city and a utility without a hearing before the Commission.”); *City of Franklin v. Simpson County Water District*, Case No. 92-084, Order at 5 (Ky. PSC Jan. 18, 1996) (“KRS 278.200 expressly states that a contract rate between a city and a public utility may not be changed until a hearing has been held.”).