

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PROPOSED ADJUSTMENT OF)
THE WHOLESALE WATER SERVICE RATES OF) CASE NO. 2017-00133
MADISONVILLE WATER DISTRIBUTION)

ORDER

On January 31, 2017, the city of Madisonville ("Madisonville") filed with the Commission a revised tariff sheet setting forth proposed adjustments to its existing rates for wholesale water service to Nebo Water District ("Nebo"), North Hopkins Water District ("North Hopkins"), and South Hopkins Water District ("South Hopkins"), effective on March 31, 2017. Per the revised tariff sheet, Madisonville proposed a monthly wholesale water rate of \$5.01 per 1,000 gallons for service to all three of its wholesale customers.

On March 6, 2017, Nebo and North Hopkins, both through counsel, submitted a request for the Commission to "initiate a formal 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 required hearing." On March 30, 2017, the Commission entered an Order that initiated this proceeding and suspended Madisonville's proposed rates for five months, from March 31, 2017, to August 30, 2017. While South Hopkins filed a letter that stated its opposition to the proposed rate, South Hopkins has not filed a motion to intervene and is not a party.

On June 28, 2017, Madisonville, Nebo, and North Hopkins, the applicant and the only intervenors, respectively, filed a Joint Motion to Approve Settlement Agreement (“Joint Motion”) along with their Joint Settlement Agreement and Stipulation (“Joint Settlement”). The parties request an order approving, without a hearing, an increase in Madisonville’s rate for wholesale water service from \$4.13 per 1,000 gallons to \$4.39 per 1,000 gallons to Nebo and North Hopkins.¹ The Joint Motion also requests a suspension of the procedural schedule in this matter pending the Commission’s review of the Joint Settlement.²

The Commission has reviewed the Joint Settlement and finds that it contains a proposed wholesale rate of \$4.39 per 1,000 gallons for Nebo and North Hopkins, the intervenors, and a wholesale rate of \$4.41 per 1,000 gallons for South Hopkins, a non-party. Madisonville’s current rate for wholesale water service to Nebo, North Hopkins, and South Hopkins is a uniform rate of \$4.13 per 1,000 gallons; further, Madisonville’s initial proposal, which is the subject of this proceeding, sought a uniform rate increase from \$4.13 to 1,000 to \$5.01 per 1,000 for all three of its tariffed wholesale water customers.

With respect to South Hopkins, the supporting documentation supplied by Madisonville in its January 31, 2017 filing includes, among other things, a January 19, 2017 letter from Charles A. Kington, CPA, to Cory Alexander, City Finance Director/Treasurer (“January 19, 2017 Kington Letter”) and a water rate analysis. The

¹ Joint Motion (filed June 28, 2017) at 2 and 4.

² *Id.* at 3.

water rate analysis contains a cost per 1,000 gallons of \$5.03163 and a “Current Calculated Water Rate” of \$5.01 per 1,000 gallons

The supporting documentation supplied with the Joint Settlement includes, among other things, a June 21, 2017 letter from Charles A. Kington, CPA, to Cory Alexander, City Finance Director/Treasurer, (“June 21, 2017 Kington Letter”) and a revised water rate analysis for South Hopkins. The revised water rate analysis for South Hopkins contains a cost per 1,000 gallons of \$4.41290 and a “Current Calculated Water Rate” of \$4.39 per 1,000 gallons.

Neither the Joint Motion nor the Joint Settlement explain why uniform rates are no longer proposed for Nebo, North Hopkins, and South Hopkins. Further, the settlement materials do not explain why the Current Calculated Water Rate for South Hopkins, per the water rate analysis filed with the January 19, 2017 Kington Letter, was proposed with the initial filing while the Current Calculated Water Rate for South Hopkins, per the revised water rate analysis filed with the June 21, 2017 Kington Letter, has not been proposed through the Joint Settlement.

We find that Madisonville, Nebo, and North Hopkins should be required to file information into the record that addresses these two issues. Madisonville, Nebo, and North Hopkins, as joint movants, should file into the record responses to the request for information contained in the Appendix to this Order.

Because the record is not adequate to determine the reasonableness of the Joint Settlement, the Commission finds that it should defer ruling on the Joint Motion until after the filing of the responses to the request for information contained in the Appendix to this Order. We find, however, that the requirements of the procedural schedule set

forth in the Appendix to our June 22, 2017 Order should be suspended pending our review of the Joint Motion and Settlement Agreement.

IT IS THEREFORE ORDERED that:

1. A ruling on the Joint Motion of Madisonville, Nebo, and North Hopkins is deferred pending receipt of information concerning the reasonableness of the proposed wholesale rate to South Hopkins required by this Order.

2. The procedural schedule set forth in the Appendix to the Commission's June 22, 2017 Order is held in abeyance.

3. The information requested in the Appendix of this Order is due within 14 days of the date of this Order.

a. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

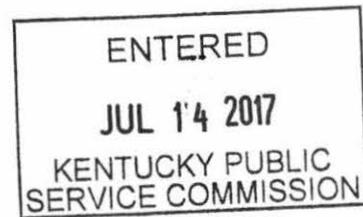
c. A party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party refuses to furnish all or part of the requested information that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. A party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

4. Service of any document or pleading required by this Order shall be filed with the Commission and served upon all parties of record in accordance with 807 KAR 5:001, Section 4(8).

By the Commission



ATTEST:

A handwritten signature in black ink, appearing to be "A. J. ...", written over a horizontal line.

Acting Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION CASE NO. 2017-00133 DATED **JUL 14 2017**

1. Refer to the Joint Settlement Agreement and Stipulation (“Joint Settlement”).

a. State the reasons why Madisonville, Nebo, and North Hopkins (“Joint Movants”) agreed upon and stipulated a wholesale rate of \$4.39 per 1,000 gallons for Nebo and North Hopkins and a wholesale rate of \$4.41 per 1,000 gallons for South Hopkins.

b. State why Madisonville, through the Joint Settlement, no longer proposes a uniform rate for wholesale water service to Nebo, North Hopkins, and South Hopkins.

c. Notwithstanding sub-parts a and b, refer to the revised water rate analysis for South Hopkins supplied as a supporting document for the June 21, 2017 Kington Letter and explain why Madisonville did not propose the Current Calculated Water Rate of \$4.39 per 1,000 gallons contained in the revised water rate analysis as the wholesale water rate for South Hopkins.

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