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Public Service Commission

COMMONWEALTH OF KENTUCKY
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Robert E. Spurlin
Commissioner

January 17, 2002

Mr. L. F. Hale
Hopkinsville Water Environment Authority
P.O. Box 628
Hopkinsville, Kentucky 42241-0628

Dear Mr. Hale:

Christian County Water District has advised the Public Service Commission that the Hopkinsville Water Environment Authority ("HWEA") has increased its rate for wholesale water service. The purpose of this letter is to advise you of the procedures that must be followed to implement any adjustment in wholesale rates.

In Simpson County Water District v. City of Franklin, Ky., 872 S.W.2d 460 (1994), the Kentucky Supreme Court held that the Public Service Commission has jurisdiction over contracts between municipal utilities and public utilities and that changes in any rate that a municipal utility assesses a public utility for wholesale utility service must be approved by the Public Service Commission. Pursuant to the Simpson County decision, the Public Service Commission in Administrative Case No. 351 directed that "[a]ny municipal utility wishing to change or revise a contract or rate for wholesale utility service to a public utility shall, no later than 30 days prior to the effective date of the revision, file with the Commission the revised contract and rate schedule." A copy of the Simpson County decision and the Public Service Commission's Order is enclosed.

Consistent with the Public Service Commission's Order in Administrative Case No. 351 and KRS 278.160, contracts and rate schedules filed with the Public Service Commission shall control the rates and conditions of service of the parties. Changes to those currently on file with the Public Service Commission shall be made in accordance with KRS 278.180 and Administrative Regulation 807 KAR 5:011. Until such changes are approved by the Commission, existing contracts and rate schedules remain in effect.

The Commission has not approved the rate increase that became effective December 4, 2001. Therefore, HWEA may bill Christian County Water District only at the rates in effect on December 3, 2001. Until HWEA files its proposed revisions with and obtains the approval of the Public Service Commission, it may not charge that revised rate to Christian County Water District.



Mr. L.F. Hale
January 17, 2002
Page 2

and obtains the approval of the Public Service Commission, it may not charge that revised rate to Christian County Water District.

Enclosed is the Public Service Commission's letter of December 18, 1998, which contains detailed guidance on the procedures that a municipal utility must follow when changing its rates for utility service to public utilities. Please note that in addition to the documents discussed in that letter, HWEA should submit a copy of the ordinance(s) that authorize the proposed rate adjustment.

Any questions regarding this letter should be directed to Gerald Wuetcher, Assistant General Counsel, at (502) 564-3940, Extension 259.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman", with a long horizontal flourish extending to the right.

Thomas M. Dorman
Executive Director

Enclosures