

Ernie Fletcher
Governor

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Timothy J. LeDonne
Commissioner
Department of Public Protection



Commonwealth of Kentucky
Public Service Commission
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Mark David Goss
Chairman

John W. Clay
Commissioner

8/7/07
@ cost

August 3, 2007

Mr. Robert M. Nickell
Morehead Utility Plant Board
135 South Wilson Avenue
Morehead, Kentucky 40351

Dear Mr. Nickell:

The Public Service Commission acknowledges receipt of your letter of July 5, 2007 in which you advise that Morehead Utility Plant Board ("Morehead") has increased its wholesale water service rate to Bath County Water District and Rowan Water, Inc. for service rendered on or about January 1, 2007.

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.

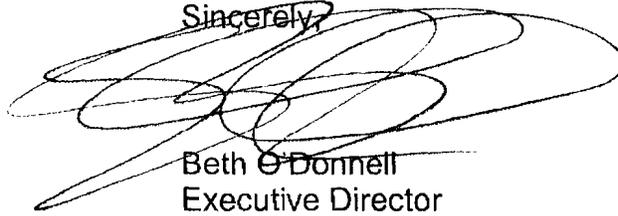
Changes to Morehead's wholesale rate must be made in accordance with KRS 278.180 and Administrative Regulation 807 KAR 5:011. As of this date, Morehead has not filed its proposed rate revisions with the Public Service Commission in accordance with these statutory and administrative authorities. Your letter of July 3, 2007 does not accord with these authorities and is not proper notice. Until the proposed revisions are properly filed with the Public Service Commission, Morehead may not charge the rates set forth in your letter of July 3, 2007 to Bath County Water District or Rowan Water, Inc. Any charge to Bath County Water District or Rowan Water, Inc. in excess of the wholesale rate presently on file with the Public Service Commission must be refunded.

For your reference, I am enclosing previous guidance that Commission Staff has issued on the procedures that a municipal utility must follow when changing its rates for utility service to public utilities.

Robert M. Nickell
August 3, 2007
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Any questions regarding this letter should be directed to Gerald Wuetcher,
Assistant General Counsel, at (502) 564-3940, Extension 259.

Sincerely,

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Beth O'Donnell
Executive Director

Enclosures

cc: Bath County Water District
Rowan Water, Inc.