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March 20, 2006

RECEIVED

MAR 20 2006

PUBLIC SERVICE  
COMMISSION


Hon. Beth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

RE: Jeffrey C. Quarles v. Peaks Mill Water District  
Motion for Hearing and Reconsideration  
Case No. 2005-00437

Dear Ms. O'Donnell,

Peaks Mill Water District herewith files, in the above-captioned case, its original motion and 10 copies. This filing is in regards to the Commission's Order dated February 24, 2006. Copies have been provided to the parties of record. Thank you for your attention to this matter.

Respectfully submitted,

  
Thomas A. Marshall  
Counsel for Peaks Mill Water District

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

**RECEIVED**

In the Matter of:

MAR 20 2006

PUBLIC SERVICE  
COMMISSION

JEFFREY CHARLES QUARLES )  
)  
COMPLAINANT )  
)  
V. )  
)  
PEAKS MILL WATER DISTRICT )  
)  
DEFENDANT )

CASE NO. 2005-00437

**MOTION FOR HEARING AND RECONSIDERATION**

Peaks Mill Water District (“Peaks Mill”), by counsel, hereby asks for a hearing in regards to the portion of the Order of the Kentucky Public Service Commission (“Commission”) dated February 24, 2006, which overruled the Motion to Dismiss, as filed by Peaks Mill in the above-styled case. It is necessary and prudent for the Commission to grant this request for hearing, and thereby hold the ruling in abeyance, to ensure that the facts are fully understood in relation to the legal principle of estoppel, which is relied upon in the Order. The Commission has already scheduled this case for hearing in on April 5, 2006, and thus there would be no significant added expense or lack of efficiency associated with the granting of this motion. Further, the issue of who should provide service and in which manner are key and threshold issues. Specifically, it is requested that the following be considered:

1. Whether the Defendant is required to and can legally serve from a connection to a facility or line that is located outside of its service territory. The Commission Order appears to state that Peaks Mill is estopped from

maintaining that it should comply with limitations on service outside of its territory as set forth in KRS Chapter 74. Before the Commission asserts the principle of estoppel, the facts must be thoroughly investigated and understood. This fact situation can be confusing, and a full understanding could avoid confusion and unnecessary litigation. Additionally, at hearing examination of witnesses could avoid unintended consequences associated with future demands for service.

2. Whether the Commission Order incorrectly relies upon Case No. 2003-00127. Peaks Mill states that it is not currently serving any additional customers in this vicinity of Owen County as a consequence of that Order. Case No. 2003-00127 was about the pressure in the area, and that was the reason for the line connection to the Kentucky American line in Owen County.
3. Whether the availability of service in the manner by which Mr. Quarles currently accesses the Peaks Mill system, a meter in Franklin County, is appropriate and meets the requirements for service, and whether Peaks Mill is required to offer an additional service from that meter.
4. Whether the principle of estoppel applies to circumstances that are substantially different from the current circumstances by which service is rendered. Mr. Quarles has asked for a service to be provided from within Owen County, unlike the service that has been given to date from within Peaks Mill's service territory in Franklin County. Unlike when he first received service from within Franklin County, he now has service available to him from Kentucky American Water Company. The Commission should

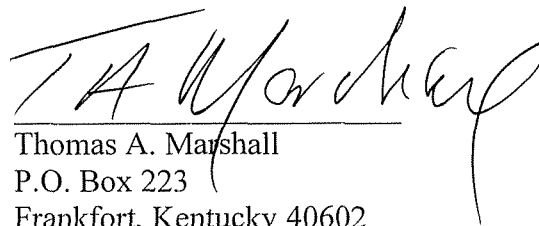
consider whether Kentucky American should be the entity to now provide water to Mr. Quarles, especially in that he desires service to be provided from within Owen County.

5. Whether the principle of estoppel should be invoked, under the circumstances of this case, against a subdivision of local government.

### CONCLUSION

For the foregoing reasons, Defendant Peaks Mill Water District respectfully requests that the Commission Order that a hearing be held on the issue of whether Defendant is obligated to serve Mr. Quarles from a facility or connection located outside of the territorial boundaries of the District. Further, it is suggested that this hearing should be accomplished by having these issues considered in the related hearing scheduled for April 5, 2006.

Respectfully submitted,



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Counsel to Peaks Mill  
Water District

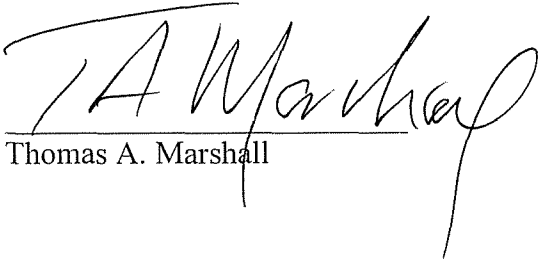
**CERTIFICATE OF SERVICE**

I hereby certify that, on March 20, 2006, a complete and accurate copy of the foregoing was sent by First Class Mail, postage prepaid, to:

Jeffrey C. Quarles  
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