

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

MAR 14 2006

PUBLIC SERVICE
COMMISSION

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

CASE NO. 2005-00437

**Response by Peaks Mill Water District Regarding
Feasibility and Recommendations**

By Order dated February 24, 2006, the Kentucky Public Service Commission, in part, directed that the Peaks Mill Water District and Kentucky American Water Company make a filing regarding the feasibility of a transfer of a portion of water line owned by Peaks Mill to Kentucky American. While the Peaks Mill Water District will respond, it does so with the understanding that it does not waive its ability to ask the Commission to reconsider or ask for clarification as to the portions of the Order denying a part of Peaks Mill's Motion to Dismiss, or as to any factual error that may exist in the Order. Further, the District has had some communication with Kentucky American regarding the content of its companion filing, but reserves the right to file any comment or correction regarding same, if necessary. Peaks Mill hereby tenders its comments.

Discussion of Feasibility

1. Representatives of Peaks Mill and Kentucky American have met and discussed the possible transfer of water line. Peaks Mill has advised Kentucky American that the

estimated cost of the water line is approximately \$7,000. Kentucky American has estimated its expected costs associated with such a transfer to be between \$2,500 and \$5,000.

2. Peaks Mill inquired as to whether Kentucky American would sell a portion of its line that is currently connected to the Peaks Mill line at issue. This inquiry was made to see if there would be any merit to negotiations that could lead to a line configuration that would enable Peaks Mill to discontinue its purchase of water from Kentucky American. Peaks Mill was subsequently advised that Kentucky American would not sell the portion of line that could possibly be utilized by Peaks Mill.

Recommendations

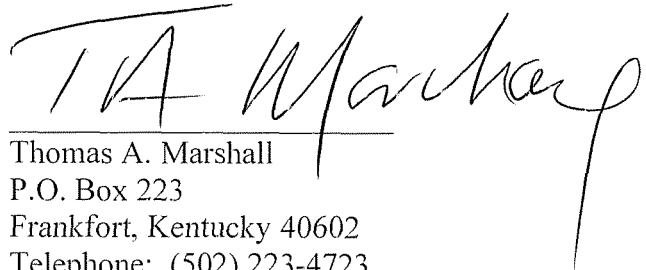
1. Peaks Mill denies that it is required to serve Mr. Jeffery C. Quarles from its transmission line located in Owen County. Currently, if Peaks Mill were to be persuaded to divest itself of its line, it would be expected that Mr. Quarles would reimburse the District for the value of the line. Peaks Mill understands that Kentucky American has submitted this scenario as a possible alternative to provide additional service to Mr. Quarles.

2. Peaks Mill now provides water service to one residence owned by Mr. Quarles. This service is extended from a meter located in Franklin County. Mr. Quarles has installed a service line from his residence in Owen County to the Peaks Mill meter in Franklin County. Peaks Mill may have been in error in allowing a service line to be extended from another county, but this is how Mr. Quarles currently accesses the Peaks Mill system. At the time of the informal conference with Commission Staff, Mr. Quarles stated that he installed two service lines to the meter in Franklin County. He further stated

that one of the lines has never been utilized. If Peaks Mill is indeed required to provide service into Owen County, for this customer, then service could be provided through the "dry" line at no significant additional expense to Mr. Quarles.

Peaks Mill will continue to review this matter as it prepares for the hearing, as currently scheduled.

Respectfully submitted,



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Counsel to Peaks Mill
Water District

CERTIFICATE OF SERVICE

I hereby certify that, on March 13, 2006, a complete and accurate copy of the foregoing was sent by First Class Mail, postage prepaid, to:

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