

**WOOD CREEK WATER DISTRICT
EAST LAUREL WATER DISTRICT
WEST LAUREL WATER ASSOCIATION
1670 EAST HAL ROGERS PARKWAY
PO BOX 726
LONDON, KY 40743-0726
(606) 878-9420**

March 29, 2006

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MAR 31 2006

**PUBLIC SERVICE
COMMISSION**

Beth O'Donnell
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40602-615

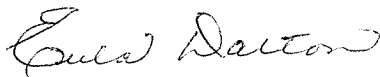
Re: The Application of the East Laurel Water District
For Approval of a Proposed Increase In Rates For Water Service
Case No. 2005-00476

The Application of the West Laurel Water Association, Inc.
For Approval of a Proposed Increase In Rates For Water Service
Case No. 2005-00477

Dear Ms. O'Donnell:

Please find enclosed written comments in response to the Staff Report of the East Laurel Water District and the West Laurel Water Association.

Sincerely,



Eula Dalton
Office Manager
Wood Creek Water District

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FINANCIAL ANA

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

The Application of the East Laurel Water District
For Approval of a Proposed Increase In
Rates For Water Service

Case No.
2005-00476

PUBLIC SERVICE
COMMISSION

And

The Application of the West Laurel Water
Association, Inc., for Approval of a
Proposed Increase in Rates for Water Service

Case No.
2005-00477

RESPONSE OF EAST LAUREL WATER DISTRICT and
RESPONSE OF WEST LAUREL WATER ASSOCIATION, INC.

This response is made by East Laurel Water District and West Laurel Water Association, Inc., to Findings and Recommendation by the Commission Staff recommending a rate increase pursuant to a request for a rate increase by East Laurel Water District ("East Laurel") and by West Laurel Water Association, Inc., ("West Laurel"). East Laurel and West Laurel do not object or except to the recommendation of the rate increase. East Laurel and West Laurel do, however, take exception to that part of the findings and recommendation regarding merger of East Laurel, West Laurel Water Association and Wood Creek Water District.

In preparing this response, the boards of these two (2) water districts and water association met to discuss these recommendations. All of the member of the boards of these (3) water providers approved these exceptions and the Chairperson of each of these three (3) water providers have been authorized to sign these exceptions.

It is the opinion of these boards (commissioners and directors) that the recommended consolidation would be detrimental to the water services provided to the three (3) different and distinct water service areas and customers in those areas.

1. Although the recommendations reflect or leave the impression that there is a duplication of effort, time and documentation by Wood Creek Water District (“Wood Creek”) meeting the labor needs of the three (3) water providers, there are only three (3) checks per month that are written now that would not be written if the consolidation recommendation is followed. Although the recommendations state that consolidation would eliminate 2400 work orders, those work orders would be generated regardless of whether there is one consolidated entity or three.
2. The plans of each of these water providers are different and distinct. For example, the financing plans of each district is different. West Laurel Water Association is an “association” and has financed its water system and expansions through loans with a lending institution. Wood Creek and East Laurel are “districts” and have issued bonds for the repayment of debts. The interest rates for this financing is different. Wood Creek’s infrastructure expansion is much greater than that of the other two water providers.
3. Laurel County is divided into five (5) different Kentucky House of Representative districts. Those representatives represent geographic areas that have greater and lesser water needs than three water providers’ areas. The governmental funding resources available to the five representatives is different, but if there was one consolidated water provider, that single provider would have less ability to procure funding

from the five representatives since a part of each of the five representatives does not exist in the single consolidated water district's provider area.

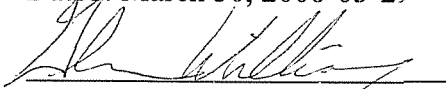
4. In past applications for both state and federal grants, both Kentucky and the United States government grant authorities have recognized differences in the areas being served by these water providers. On occasions, all three of these water providers have made application for the same grant, but only one provider has been awarded a grant. Both the Kentucky and federal governments have recognized a clear and distinct difference in these three water providers in awarding grants. Generally speaking, grants or parts of grants are more readily available to smaller water providers; consolidation would lessen the likelihood of receiving such grants.
5. It is important that there be local representation on the water provider's board. If the three entities were consolidated, the number of directors would be fewer and the local community access to their representative on the water board would be limited. There would be a loss of personal access to the commissioners or board members. It is important that there be a local commission or board member in the local community. A fewer number of commissioners will cause the appointment of members (by the County Judge and Fiscal Court) to become more political in nature. The association's board are voted by the members of the association (the public served) and removed entirely from the

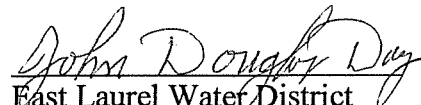
appointment process. Voter representation would be eliminated by consolidation.

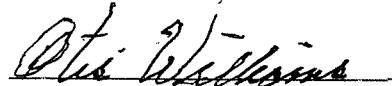
6. We are “merged” as much as anyone here desires. We have the best of what we would “gain” through consolidation, and the best of local accessibility and management of a smaller water provider.

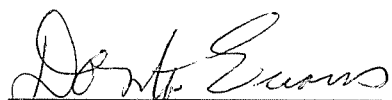
For all of the reasons we have described herein, we except to the recommendation of consolidation. Although this written explanation has been limited, we can explain in more detail our reasons for opposing this recommendation.

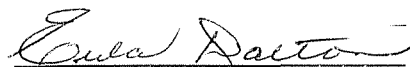
Dated: March 30, 2006-03-29

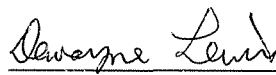

Wood Creek Water District
Glenn Williams, Chair

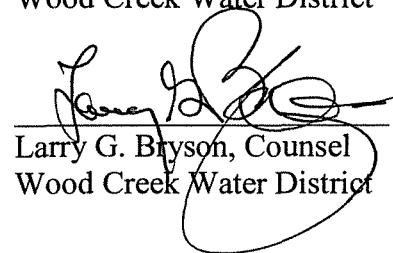

East Laurel Water District
John Douglas Day, Chair


West Laurel Water Association, Inc.
Otis Williams, President


Donta Evans, Superintendent
Wood Creek Water District


Eula Dalton, Office Manager
Wood Creek Water District


Dewayne Lewis, Assistant Manager
Wood Creek Water District


Larry G. Bryson, Counsel
Wood Creek Water District