



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
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Commissioner

December 21, 2006

W. Randall Jones
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KY 40202-1410

Dear Mr. Jones:

Commission Staff is in receipt of your letter dated December 18, 2006, in which you advised the Commission that Case No. 2006-00535 was filed by Letcher County Water and Sewer District ("Letcher") pursuant to KRS 278.023 and that all documents required under that statute were filed with the application and the application was therefore not deficient.

Please be advised that Commission Staff carefully reviewed the application upon filing by Letcher and concluded that the case did not meet the criteria for a 278.023 filing and therefore should be processed as an application for the issuance or assumption of a debt by a utility pursuant to KRS 278.300.

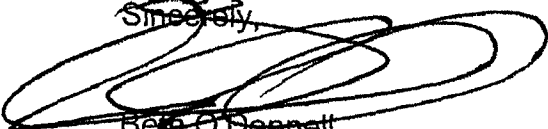
KRS 278.023 only applies to federally-funded constructions project undertaken by, in this case a water district. KRS 278.023 also requires the Commission to review the project and the agreement between the utility and the federal agency. Commission Staff interprets that provision to require a review of the construction plans and the financing requirements between the federal agency and the contracting utility within a thirty day period.

In the present case the agreement and construction project was between the federal agency and the city of Blackey. The city of Blackey is a municipal corporation and is not subject to the Commission's jurisdiction. Therefore, Blackey was not required to seek the Commission's approval of that project. However, the Commission has a responsibility to investigate the purposes and uses of the proposed issue of indebtedness for a jurisdictional utility pursuant to KRS 278.300 (3).

Commission Staff is of the opinion that since the application is not a construction project undertaken by Letcher and the Commission is not being asked to review that project, but instead to approve the assumption of a debt by another utility, then the proper statutory proceeding is pursuant to KRS 278.300.

Upon the filing of the required information Commission Staff will process this application in a timely manner.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over the word "Sincerely,".

Beth O'Donnell
Executive Director