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April 22, 2011

Mr. Carl Waits
Jessamine County Water District No.1
2225 Lexington Road
Nicholasville, Kentucky 40356-9702

Re: PSC Case No 2011-00105
Jessamine County Water District No. 1

Dear Mr. Waits:

Commission Staff has reviewed Jessamine County Water District No.1's ("Jessamine District") application in the above-referenced case and has determined that the application does not meet statutory requirements. Accordingly, the application is rejected for filing.

KRS 278.015 permits a water district to increase its rates commensurate with an increase in the rates of its wholesale water supplier without Public Service Commission approval. It requires the water district to file revised tariff sheets reflecting any increase in rates, "a copy of the notice from its wholesale supplier showing the increase in the rate charged to the utility, and a statement of the volume of purchased water used or sewage treated to calculate the increase in rates" within 20 days of the increase. Jessamine District failed to comply with this requirement. It proposes to place its rates in effect on January 15, 2011 but made no filing with the Public Service Commission until March 23, 2011. As such the proposed increase is not in compliance with KRS 278.015.

If the Public Service Commission interprets Jessamine District's application as an application for a prospective rate adjustment, the application fails to comply with 807 KAR 5:068, Section 2, which requires that a purchase water adjustment be based upon the amount of water purchased for a 12-month period ending no more than 90 days prior to the effective date of the adjusted rate. Jessamine District's proposed rate is based upon water purchases for the 12-month period ending September 29, 2010. Jessamine District's application does not provide any information regarding Jessamine District's purchases after September 2010.

To meet the requirements of KRS 278.015 and 807 KAR 5:069, Jessamine District should resubmit its application based upon a new effective date for its proposed

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rates. The revised application should, in compliance with 807 KAR 5:001, Section 3, state the total gallons of water that Jessamine District purchased from each supplier during a twelve month period ending within 90 days of the effective date of rate adjustment.

Commission Staff recommends that Jessamine District also provide the following information with its revised application to expedite review of the application:

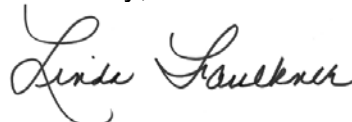
- A copy of the minutes from each meeting in which Jessamine District's Board of Commissioners discussed the proposed rate adjustment and or upon which a vote was taken;
- The rate schedule currently being used to determine Jessamine District customers bills and the date that Jessamine District first used this rate schedule;
- The amount of any refund that Jessamine District received from Kentucky-American Water Company in 2010;
- The amount of such refund that should be passed on to Jessamine District customers and an explanation as to how Jessamine District determined that amount.

If Jessamine District wishes to place its proposed purchase water adjustment into effect immediately, Commission Staff recommends that Jessamine District's Board of Commissioners approve the proposed purchase water adjustment with a new effective date and that the revised application reflecting this action be filed with the Commission within 20 days of that action.

Commission Staff respectfully requests that Jessamine District resubmit its application with the requested and recommended information within 15 days of the date of this letter.

Any questions regarding this letter should be directed to Gerald Wuetcher at (502) 564-3940, Extension 259, or Sam Reid at (502) 564-3940, Extension 250.

Sincerely,



Linda Faulkner
Filings Division Director