

REED LAW OFFICE

**HENRY M. REED III**  
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**RECEIVED**

May 27, 2004

MAY 20 2004

PUBLIC SERVICE  
COMMISSION

Mr. Thomas Dorman, Executive Director  
Public Service Commission  
211 Sower Blvd.  
PO Box 615  
Frankfort, Kentucky 40602

Case 2004-00202

**In re: Case No. ~~2003-00364~~ Adair County Water District**

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Mr. Dorman:

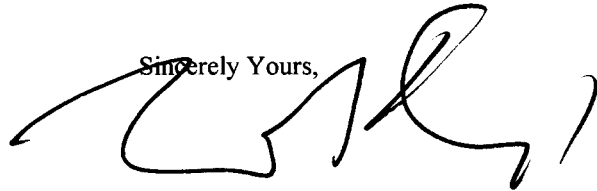
In accordance with the Commission's Order the Adair County Water District recently filed a Supplemental Petition with the Commission in the above Case.

Enclosed please find 10 copies of a letter to the Commission from the District's Manager which I believe will be helpful to the Commission and its Staff in evaluating the District's request for an increase in its water rates.

I request that the enclosed be included in the Commission's files on this case.

Thank you for your courtesy and cooperation.

Sincerely Yours,



HENRY M. REED III

HMR:jmz

cc: Mr. Lennon Stone  
Superintendent  
Adair County Water District  
P.O. Box 567  
Columbia, Kentucky 42728

Mr. David W. Bowles, P.E.  
Monarch Engineering, Inc.  
556 Carlton Dr.  
Lawrenceburg, Kentucky 40342

**RECEIVED**

MAY 28 2004

PUBLIC SERVICE  
COMMISSION

May 26, 2004

109 Grant Lane \* P.O. Box 567 \* Columbia, KY 42728  
Phone (270) 384-2181 \* Fax (270) 384-3437

Mr. Thomas Dorman  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

Re: Case No. 2003-00364  
Adair County Water District

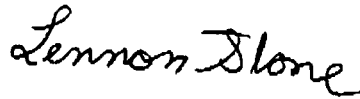
Dear Mr. Dorman:

On November 10, 2004, the Water District received a Certificate of Service for our Phase I Water System Improvements & Extensions project, of which we are in the process of constructing. Due to the fact that we planned a two phased project, Condition No. 7 of the Order required that the District "make application with the Commission for a Certificate of Public Convenience and Necessity when approval is necessary for Phase II of the project." We have reached that point and the necessary documents are being prepared to be submitted to your agency soon. The purpose of this correspondence is to request from your agency approval for an increase in our water rates as a part of the Phase II process. The increase is due to a series of events which consists of increased wholesale rates from all of our suppliers, the impact of the increase in petroleum prices which affects our pipe material prices, an increase in steel prices which affects nearly all of our material costs such as valves, fittings, and meter settings, and also a planned increase in operating costs so that we can maintain the required level of operation. Prior to the submission of the documents to your agency for the Phase I portion, we were aware that we would require a rate increase but at that time it was unknown as to the level of increase that would be needed. Since that time we have been informed by our wholesale water suppliers as to the amount of increase that has either occurred or will occur. This issue combined with our current knowledge of what we can expect as far as pipe and material cost increases, along with a defined plan for maintaining our operation, has allowed us to determine the level of rate increase we will need to apply to our consumers. The amount of increase requested can be found as a part of the application that is being prepared by Reed Law Office which serves as our bond council. Please note that the District's last retail rate increase occurred in August of 1992, and although we have worked to maintain those rates, we have finally reached a point where our rates must be adjusted in order for us to continue the required level of service.

Adair County Water District is an equal opportunity provider and employer. "Deaf, Hard of Hearing, and Speech Impaired users, call the Kentucky Relay Service at (800) 648-6056. Give the communications Assistant our phone number to contact us."

May 26, 2004  
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Sincerely,

A handwritten signature in cursive script that reads "Lennon Stone".

Lennon Stone  
Manager

Cc Charles Blankenship  
Rural Development

Hank Reed  
Reed Law Office