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PUBLIC SERVICE
COMMISSION

ATTORNEY AT LAW

December 15, 2004

Ms. Beth O'Donnell
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RE: Case No. 2004-00484
Hardin County Water District No. 2

Dear Ms. O'Donnell:

Upon closer review of the RD Letter of Conditions dated April 6, 2004 (See Exhibit 1 to the PSC Application in this case), we have discovered that the Letter of Conditions includes a wholesale rate of \$2.00 per 1,000 gallons for water sold by Hardin County Water District No. 2 (Hardin No. 2) to Hardin County Water District No. 1 (Hardin No. 1). The inclusion of this wholesale rate in the Letter of Conditions is a mistake. Hardin No. 2 does **not** currently have, and has **never** had, a Water Purchase Agreement to sell water to Hardin No. 1. Consequently, its tariff does not contain a wholesale rate for Hardin No. 1.

There is, however, an emergency interconnection between Hardin No. 2 and Hardin No. 1. From time to time (perhaps once or twice a year) and for a limited duration, Hardin No. 2 has sold water to Hardin No. 1. The water has always been sold according to the retail schedule of rates set forth in Hardin No. 2's approved tariff (See Exhibit 9 to the PSC Application). The cheapest rate set forth in the tariff is \$2.00 per 1,000 gallons and applies to all water over 500,000 gallons per month used by any customer, including Hardin No. 1. Therefore, Hardin No. 2 is already in compliance with RD's Letter of Conditions because its current rates to Hardin No. 1 equal or exceed the proposed wholesale rate of \$2.00 per 1,000 gallons set forth in the Letter of Conditions.

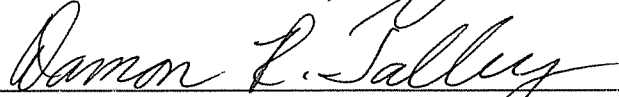
The proposed construction project (Project) described in Hardin No. 2's PSC Application consists of the installation of approximately 56 miles of 4" to 8" water distribution lines and related appurtenances. The Project will enable Hardin No. 2 to provide water service to approximately 330 new customers. There are **no** provisions in the Project, nor any other planned construction, to upgrade any transmission mains to enable Hardin No. 2 to sell more water to Hardin No. 1. Hardin No. 2 has **no** plans to sell water to Hardin No. 1 on a regular basis.

Hopefully, this information will clarify any misunderstanding about why Hardin No. 2 does not have a wholesale rate to sell water to Hardin No. 1 and why Hardin No. 2 has not proposed such a wholesale rate.

If you need any additional information, however, please let us know.

Yours truly,

DAMON R. TALLEY, P.S.C.



DAMON R. TALLEY, ATTORNEY FOR
HARDIN COUNTY WATER DISTRICT
NO. 2

DRT/ln

Enclosures

cc: Hardin County Water District No. 2

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First Class Mail

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