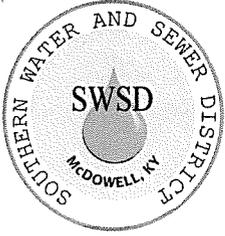


CASE NO: 2008-00511



SOUTHERN WATER & SEWER DISTRICT

P.O. Box 610
245 KY Rt. 680
McDowell, KY 41647

Ph. (606) 377-9296 Fax. (606) 377-9286

December 3, 2008

Ms. Stephanie Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
PO Box 615
Frankfort KY 40602

RECEIVED

DEC 10 2008

PUBLIC SERVICE
COMMISSION

RE: Notice of Intent to File a Rate Application

Dear Ms. Stumbo:

This letter is to serve notice to the Kentucky Public Service Commission and the Attorney General, Utility Intervention and Rate Division of the intent of the Southern Water and Sewer District to file an application for general adjustments in its existing rates.

The District has experience an increase in operating costs this past year that jeopardizes the District's ability to maintain a positive cash flow. We have enough funds to pay our current indebtedness but if our costs continue at the rate they are now, we may not be able to make our bond payments in 2009.

We have a project pending with USDA Rural Development but at this time do not have a commitment of funds. RD expects that it will be able to commit funds to our project in the spring of 2009 provide the US Congress passes USDA's operating budget or an infrastructure bill. This project would allow us to file for a rate adjustment under the KRS 278.023 statute.

However, we are in an emergency situation and feel that we cannot wait until RD can fund our project. We need a rate increase immediately in order to raise revenues sufficient to meet our upcoming obligations.

The District anticipates filing an application to adjust our rates in approximately four weeks and we will use a historical test period with some adjustments for known increases in cost.

Equal Opportunity Employer

We appreciate the willingness of the Public Service Commission Staff in answering questions that the District's Consultant may have as they complete the rate adjustment application.

Sincerely,



Paula Johnson,
Chairman

C: Dennis Howard
Executive Director
KY Attorney General Office, Office of Rate Intervention
Capital Building, Suite 118
700 Capital Avenue
Frankfort KY 40601

Vernon Brown
Program Director
Rural Utility Service
771 Corporate Drive, Suite 200
Lexington KY 40503

Ronnie Brooks
District Loan Specialist
Rural Utility Service
220 West First Street
Morehead KY 40351

Holly L. Nicholas
Sr. Project Financing Specialist
O'Brien & Gere Engineers, Inc.
1019 Majestic Drive, Suite 110
Lexington KY 40513