



December 27, 2018

Ms. Paula Johnson
Chairman
Southern Water and Sewer District
245 Kentucky Route 680
P.O. Box 610
McDowell, KY 41647

In Re: 2019 Wholesale Water Rates

Dear Chairman Roberts:

Please be advised that the Knott Water & Sewer District (KW&SD) has decided to first commission a rate study to support its wholesale water rate adjustment. Thus, we are withdrawing the previous letter dated October 12, 2018. Until further notice, the wholesale rate shall remain at \$3.00 per thousand gallons.

If you have any questions, please contact us in writing. Until then, I remain,

Yours truly,

A handwritten signature in black ink, appearing to read "Dave Smith", is written over a light blue horizontal line.

Dave Smith
Chairman

7777 Big Branch Road
Vicco, KY 41773

Phone (606) 642-3582
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www.knottcountywater.com



KOWSD

Knott County Water Sewer District

October 12, 2018

Ms. Paula Johnson
Chairman
Southern Water and Sewer District
245 Kentucky Route 680
P.O. Box 610
McDowell, KY 41647

Dear Chairman Johnson:

This is to advise that the Knott County Water District will soon resolve to raise Wholesale Rate for water from \$3.00 to \$3.50 per thousand.

The effective date of the raise will go into effect January 3, 2019 for this account.

As a courtesy to you, we are giving advance notice.

This rate increase is within Knott Water's tariff already approved by P.S.C. which allows for rate of up to \$4.55 per thousand.

The current rate has never been raised. This rate increase is the first rate increase since the original contract.

Knott Water has determined that the rate increase is fair, just and reasonable.

An adjustment in the Wholesale Rate is necessary to recover a proportional share of operating expenses, cost of electricity, debt service, cost, depreciation, taxes, labor, and other expenses that are not being presently recovered in the rates being charged. We also have recognized that we are operating in an economy with 2.9% inflationary rate.

Although the Southern Water and Sewer District does not have a current Water Service Agreement with Knott County Water & Sewer, and as such, subject to increase at any time, we have delayed the rate increase to correspond with our Contract Customers.

We should still like to enter into a written water service agreement setting out the new Wholesale Rate and all obligations between the parties, so I hope you will contact us for that purpose.

Sincerely yours,

Dave Smith
Chairman

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