

EXHIBIT C



Paul E. Patton, Governor
Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602-0615
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-3460

Martin J. Huelsmann
Chairman

Edward J. Holmes
Vice Chairman

Gary W. Gillis
Commissioner

July 31, 2001

Mr. Lloyd Merrell
City Administrative Officer
City of Madisonville
P.O. Box 705
Madisonville, KY 42431

RE: Contract Filing No. C62-0009 of a Wholesale sewer rate increase to the City of Earlington.

Dear Mr. Merrell:

The above referenced Contract filing has been received and reviewed. An accepted copy is enclosed for your files.

Sincerely,

Jordan C. Neel
Tariff Review Branch Manager
Filings Division

Enclosure





RECEIVED

JAN 03 2001

PUBLIC SERVICE
COMMISSION

C62-0009

CITY OF MADISONVILLE

Lloyd Merrell
City Administrative Officer

Karen L. Cunningham
Mayor

December 28, 2000

Commissioner Gary Gillis
Public Service Commission
211 Sower Blvd.
PO Box 615
Frankfort KY 40602

Dear Commissioner Gillis:

Enclosed you will find copies of the notice for a requested change in the rate of treated water and treated wastewater for each of the entities that has an agreement with the City of Madisonville.

If you have any questions or need further information, please feel free to contact me.

Sincerely,

City of Madisonville

Lloyd Merrell
City Administrative Officer/Finance Director



RECEIVED
JAN 03 2001
PUBLIC SERVICE
COMMISSION

CITY OF MADISONVILLE

Lloyd Merrell
City Administrative Officer

Karen L. Cunningham
Mayor

December 27, 2000

Public Service Commission
211 Sower Blvd
P.O. Box 615
Frankfort, Kentucky 40602

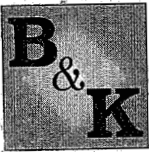
Mr. Gary Gillis, Commissioner

Enclosed please find the Cost Review Formulas for revising calendar year wholesale rate charges for the customers indicated. Also attached is the letter of transmittal from the City of Madisonville's auditor, Berry & Kington PSC.

I hope that the information is acceptable for our filing requirements.

With Best Regards

Lloyd Merrell
City Administrative Officer



BERRY & KINGTON, PSC
CERTIFIED PUBLIC ACCOUNTANTS

2822 North Main Street
Madisonville, KY 42431
Phone: 270-821-3355
Fax: 270-821-0101
www.bkscpa.com

December 26, 2000

Mr. Lloyd Merrell
City Administrative Officer
City of Madisonville, Kentucky
P.O. Box 705
Madisonville, KY 42431

Dear Lloyd:

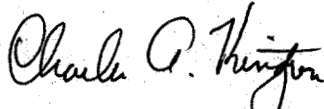
In accordance with an Amendment to Sewer Contract and Settlement Agreement between the City of Madisonville, Kentucky and the City of Earlington, Kentucky, the sewer rate to be charged to the City of Earlington by the City of Madisonville is to be computed on an annual basis effective January 1 of each year based upon an agreed formula. Therefore, I have attached with this letter a computation of the actual sewer rate that should be charged to the City of Earlington under the agreement to be \$1.60 per each 1,000 gallons of wastewater received from the City of Earlington.

As previously agreed between the cities, all outstanding bonds of the December 1, 1997 issue allowable are recovered over nine years beginning with the 1998 calendar year at the rate of \$269,596 annually.

Adding the average daily plant inflows per Discharge Monitoring Reports for the period July 1, 1999 through June 30, 2000 derived the total annual treatment computation. Each monthly discharge report average daily treatment flow was multiplied by the number of days in the reporting month and then totaled to arrive at the estimated total annual inflow to the plant.

We understand that the new rate will be effective February 1, 2001 and continue in effect until December 31, 2001. The Operating Expense Component of the rate computation was derived from the June 30, 2000 audited financial statements. We did not audit the user consumption records or wastewater treatment records for the year ended June 30, 2000 due to the fact that such records were outside the scope of our audit.

Very truly yours,


Charles A. Kington, CPA

CITY OF MADISONVILLE
CITY OF EARLINGTON
SEWER CONTRACT SETTLEMENT AGREEMENT
COMPUTATION OF APPLICABLE SEWER RATE
EFFECTIVE FEBRUARY 1, 2001

2000 Debt Service Requirements

K.I.A. Loan Payments	\$ 962,871	
December 1, 1977 Bond Series Amortization	269,596	
1994 Series Debt Service - 21.5% (\$548,018 x 21.5%)	117,824	
1994 Series Debt Coverage - 25% (\$117,824 x 25%)	29,456	
Total Debt Service Component		\$1,379,747

Operating Expense Component

Wastewater Treatment Plant Expenses		846,184	
Unallocated Expenses	\$ 124,023		
Allocable Factor	0.64		
Allocable Amount		79,375	
Total Plant Expenses Allocable			925,559
Wastewater Collection Expenses		818,197	
Unallocated Expenses	124,023		
Allocable Factor	0.36		
Allocable Amount		44,648	
Total		862,845	
Earlington Use Factor (92,254/1,569,273)		0.058788	
Total Collection Expenses Allocable			50,725
Depreciation Allowance:			
Westside Wastewater Plant Construction Costs as of June 30, 1996 (\$14,797,590 @ 1%)			147,976

Total Allocable Costs \$2,504,007

Annual Treatment Gallons (000's) 1,569,273

Calculated Earlington Rate \$ 1.60