

Cannonsburg Water District
1606 Cannonsburg Road
Ashland, KY 41102
August 18, 2011

Mr. Gerald Wuetcher
Executive Advisor
Kentucky Public Service Commission
211 Sower Blvd.
PO Box 615
Frankfort, KY 40602-0615

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AUG 22 2011

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RE: Case No. 2011-00217

Dear Mr. Wuetcher:

Enclosed for filing in the above referenced case are items requested at the hearing held on August 16, 2011. You will note that the District's unaccounted for water loss exceeds 15 percent. The District requests a deviation from 807 KAR 5:066, Section 6(3) which states that for rate making purposes a utility's unaccounted for water loss shall not exceed 15 percent. The regulation goes on to state that upon application by a utility in a rate case filing or by separate filing, or upon motion by the commission, an alternative level of reasonable unaccounted for water loss may be established by the commission.

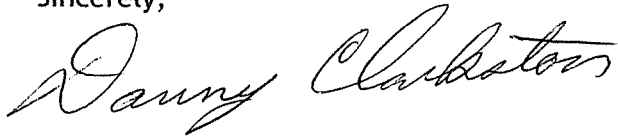
The District states that its lines are for the most part 40 years old and near replacement stage. With 40 year old lines in the ground sometimes when repairing one leak a new leak occurs due to additional pressure on the repaired line. It is imperative that Cannonsburg have a water line replacement plan in place in order to limit the number of new breaks in the system as aging pipe is replaced. Cannonsburg proposes that the Commission allow it a deviation for a period of three years while it devises a plan to begin replacing its infrastructure. This will allow Cannonsburg to meet its monthly expenses and have a good workable plan on file with the Commission when the three year time period is spent.

To limit revenues to be collected to the 15 percent allowable unaccounted for water loss would limit the revenue received from rates for Cannonsburg to pay its monthly bills and place Cannonsburg in jeopardy of being able to meet its debt coverage. As Cannonsburg begins replacing the aging infrastructure the water loss will decrease to the level deemed acceptable by the Commission.

If the Commission does not believe a deviation is necessary in this case, then Cannonsburg requests that it be allowed to asses a surcharge whose proceeds are restricted to addressing non-revenue water reduction efforts and that the Commission grant it rates that will cover the cost of purchased water and power in the interim while a leak replacement program is being put into place.

Should you have any questions feel free to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Danny Clarkston".

Danny Clarkston, Manager
Cannonsburg Water District

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