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James Gardner
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Commissioner

July 10, 2008

Ms. Jenny Huff
Hardin County Water District No. 1
1400 Rogersville Road
Radcliff, Kentucky 40160

Dear Ms. Huff:

Commission Staff ("Staff") acknowledges receipt of your electronic mail message of June 4, 2008 in which you request an opinion on Hardin County Water District No. 1's ("Hardin District") proposed treatment of customer deposits.

Staff understands the facts to be as follows: Hardin District, a water district organized pursuant to KRS Chapter 74, provides water and wastewater services to portions of Hardin County, Kentucky. It recently acquired city of Radcliff's wastewater system. Hardin District also provides billing and collection services to Radcliff for the city's stormwater services. Currently Hardin District is maintaining separate bank accounts for water customer deposits and sewer customer deposits. Hardin District's independent auditor has proposed that Hardin District place all of its customer deposits in one account. This proposal would maximize interest earnings on deposits, reduce bank fees, and simplify accounting processes.

Your message presents the following issues:

- May Hardin District establish one bank account for all water and wastewater customer deposits?
- If water and wastewater customer deposits are held in the same bank account, should the deposits be listed on each fund's general ledger as separate liabilities?
- May Hardin District apply a customer's total deposit to his or her total bill for water, wastewater, and stormwater services?

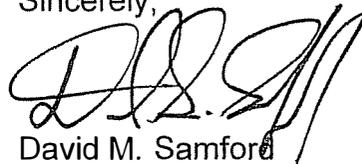
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Based upon the facts noted above, Staff is of the opinion that Hardin District may deposit water and wastewater customer deposits into one bank account. In Case No. 2004-00422,¹ the Commission ordered Hardin District to maintain separate accounts for its water, wastewater and stormwater operations. Staff does not interpret this directive as prohibiting Hardin District from depositing the customer deposits into a single bank account, but as requiring the water district to establish an account on each fund's general ledger to record its portion of the bank account. In light of this directive, however, Hardin District should list customer deposit liabilities on each fund's general ledger separately.

As to the application of a customer's deposit to a customer's final bill, Staff is of the opinion that a customer's deposit may be applied to a customer's final bill for all regulated services that Hardin District provides. Please note that, as Hardin District performs only billing and collection services for the city of Radcliff's stormwater operations and as stormwater services are unregulated, customer deposits for water and wastewater services should not be applied to any portion of a customer's bill attributable to stormwater operations.

This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this opinion should be directed to Gerald Wuetcher, Assistant General Counsel, at (502) 564-3940, Extension 259.

Sincerely,



David M. Samford
General Counsel

¹ Case No. 2004-00422, Application of Hardin County Water District No. 1 Requesting a Certificate of Public Convenience and Necessity to Own Operate a Sewer Utility and For Approval of Initial Rates (Ky. PSC Dec. 1, 2004) at 12.