



Ernie Fletcher
Governor

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Timothy J. LeDonne
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Commissioner

December 22, 2006

Ms. Linda Neal
Nebo Water District
P.O. Box 147
Nebo, Kentucky 42441

RE: Case No. 2006-00551
Nebo Water District

Dear Ms. Neal:

This letter is to confirm our telephone conference call of December 21, 2006 regarding Nebo Water District's application for purchased water adjustment. Participating in the call were: yourself and Commission Staff members Gerald Wuetcher, Jess Thompson, Sam Reid and Robert Cowan.

Commission Staff noted that the Nebo Water District had not adjusted its rates in February 2006 when its water supplier, the city of Madisonville, had decreased its wholesale rate. It further noted that Administrative Regulation 807 KAR 5:068 required Nebo Water District to reduce its rates to reflect its wholesale supplier's reduction in rates. In response, you stated that Nebo Water District's accountant had contacted Commission Staff in February 2006 and inquired whether a rate reduction was required. He was advised that no reduction was required. You did not know the identity of the person with Nebo Water District's accountant spoke.

Commission Staff estimated that, as a result of Nebo Water District's failure to reduce its rates, the water district overcollected approximately \$3,200 in revenues. Commission staff suggested that Nebo Water District refund this amount to its customer over a one or two month period through a billing credit. You stated that Nebo Water District had no objection to refunding the monies but wanted the refund made by the administrative burdensome means. You stated some concerns that the utility's billing computer software made not be capable of permitting a billing credit and suggested that Nebo Water District charge rates for a two-month period that reflect Madisonville's proposed rate adjustment and the refund of overcollections. At the end of this two-month period, Nebo Water District would then assess rates that reflect only Madisonville's proposed wholesale rates. In response to your inquiry as to whether Nebo Water District would be required to publish notice of any rates reflecting a refund, Commission Staff stated that Administrative Regulation 807 KAR 5:068 did not require such notice.

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The conference call adjourned without any agreement on the manner in which the overcollections should be returned to customers. You suggested that Commission Staff contact Michael Overby to discuss the matter further.

Should you have questions concerning this matter, please contact me at 502-564-3940, Extension 278.

Sincerely,

A handwritten signature in black ink that reads "Jess Thompson". The signature is written in a cursive, flowing style.

Jess Thompson
Public Utility Rate Analyst

CC: J.E. Ellis
Michael Overby