



Steven L. Beshear  
Governor

Leonard K. Peters  
Secretary  
Energy and Environment Cabinet

Commonwealth of Kentucky  
**Public Service Commission**  
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P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
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David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

Linda K. Breathitt  
Commissioner

January 24, 2014

W. Randall Jones, Esq.  
Rubin & Hays  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202

Mr. Leihman Howard  
Hyden-Leslie County Water District  
325 Wendover Road  
Hyden, Kentucky 41749

Re: Case No. 2013-00388  
Hyden-Leslie County Water District

Gentlemen:

The enclosed electronic mail messages have been filed in the record. Any objections to this action should be submitted to the Commission within five days of receipt of this letter.

Sincerely,

Jeff Derouen  
Executive Director

gw  
Enclosures

1. Email dtd 13 Jan 2014 1444
2. Email dtd 13 Jan 2014 1503
3. Email dtd 13 Jan 2014 1542
4. Email dtd 14 Jan 2014 0418
5. Email dtd 14 Jan 2014 0935
6. Email dtd 14 Jan 2014 0433
7. Email dtd 15 Jan 2014 0811
8. Email dtd 15 Jan 2014 1048
9. Email dtd 15 Jan 2014 1231
10. Email dtd 15 Jan 2014 1457

## ENCLOSURE 1

**From:** [Wuetcher, Jerry \(PSC\)](#)  
**To:** [wrjones@rubinhays.com](mailto:wrjones@rubinhays.com)  
**Subject:** Case No. 2013-00388: Hyden-Leslie Water District  
**Date:** Monday, January 13, 2014 2:44:21 PM

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Mr. Jones:

One additional issue has arisen in the course of PSC Staff's review of Hyden-Leslie Water District's application.

In the application, the water district states that the cost of the proposed project, including various fees and contingencies is \$3,825,000 (see Exhibit A of the Application). Funding sources include a proposed KRWFC loan of \$2,455,000 and appropriated funds of \$1,505,497. These funding sources total \$3,960,497. This produces a surplus of \$135,497. For what purpose will the additional funds be used? Will the loan amount be reduced? If not, explain why not.

Thank you for your attention to these questions and your patience in this matter.

Sincerely,

Gerald E. Wuetcher  
Executive Advisor/Attorney  
Public Service Commission of Kentucky  
[gerald.wuetcher@ky.gov](mailto:gerald.wuetcher@ky.gov)  
Office: (502) 564-3940  
Direct: (502) 782-2590  
Cell: (502) 229-6500

## ENCLOSURE 2

**From:** [Randy Jones](#)  
**To:** [Wuetcher, Jerry \(PSC\)](#)  
**Subject:** RE: Case No. 2013-00388: Hyden-Leslie Water District  
**Date:** Monday, January 13, 2014 3:03:31 PM

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I forwarded your questions to Mike Maggard for direct response.

W. Randall Jones, Esq.  
Rubin & Hays  
450 South Third Street, Suite 300  
Louisville, Kentucky 40202  
Phone: (502) 569-7534  
Fax: (502) 569-7555  
email: [wrjones@rubinhays.com](mailto:wrjones@rubinhays.com)

---

**From:** Wuetcher, Jerry (PSC) [<mailto:JWuetcher@ky.gov>]  
**Sent:** Monday, January 13, 2014 2:44 PM  
**To:** Randy Jones  
**Subject:** Case No. 2013-00388: Hyden-Leslie Water District

Mr. Jones:

One additional issue has arisen in the course of PSC Staff's review of Hyden-Leslie Water District's application.

In the application, the water district states that the cost of the proposed project, including various fees and contingencies is \$3,825,000 (see Exhibit A of the Application). Funding sources include a proposed KRWFC loan of \$2,455,000 and appropriated funds of \$1,505,497. These funding sources total \$3,960,497. This produces a surplus of \$135,497. For what purpose will the additional funds be used? Will the loan amount be reduced? If not, explain why not.

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## ENCLOSURE 3

**From:** [Randy Jones](#)  
**To:** [Wuetcher, Jerry \(PSC\)](#)  
**Cc:** [Mike Maggard](#)  
**Subject:** RE: Case No. 2013-00388: Hyden-Leslie Water District  
**Date:** Monday, January 13, 2014 3:42:03 PM  
**Attachments:** [KRWFC Final 12.12.13.XLS](#)

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Mr. Wuetcher,

The as-bid project cost is \$3,825,000. The coal severance grants amounted to \$1,505,497. The final KRWFC loan amount is \$2,435,000 (less than the preliminary figure of \$2,455,000 due to receiving a more favorable interest rate on the KRWFC Bonds). The loan proceeds are broken down as outlined in the final spreadsheet attached hereto. As you can see, the net amount to be received by the District for construction purposes is \$2,320,000 (the shortfall amount listed in Exhibit "A" of the Application). The remainder of the loan proceeds are used for capitalized interest, costs of issuance and underwriter's discount.

Please let me know if you need more information.

W. Randall Jones, Esq.  
Rubin & Hays  
450 South Third Street, Suite 300  
Louisville, Kentucky 40202  
Phone: (502) 569-7534  
Fax: (502) 569-7555  
email: [wrjones@rubinhays.com](mailto:wrjones@rubinhays.com)

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**Sent:** Monday, January 13, 2014 2:44 PM  
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Final

**\$2,435,000**

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Kentucky Rural Water Finance Corporation  
Public Projects Revenue Bonds, Series 2013 F  
(Hyden-Leslie County Water District Note)

## Sources & Uses

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Dated 12/18/2013 | Delivered 12/18/2013

### Sources Of Funds

Par Amount of Bonds	\$2,435,000.00
Reoffering Premium	50,915.85

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<b>Total Sources</b>	<b>\$2,485,915.85</b>
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### Uses Of Funds

Total Underwriter's Discount (0.750%)	18,262.50
Costs of Issuance	41,525.00
Deposit to Capitalized Interest (CIF) Fund	103,216.94
Deposit to Project Construction Fund	2,320,000.00
Rounding Amount	2,911.41

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<b>Total Uses</b>	<b>\$2,485,915.85</b>
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Final

**\$2,435,000**

Kentucky Rural Water Finance Corporation  
Public Projects Revenue Bonds, Series 2013 F  
(Hyden-Leslie County Water District Note)

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/18/2013	-	-	-	-	-
08/01/2014	-	-	30,166.94	30,166.94	-
12/31/2014	-	-	-	-	30,166.94
02/01/2015	-	-	24,350.00	24,350.00	-
08/01/2015	-	-	24,350.00	24,350.00	-
12/31/2015	-	-	-	-	48,700.00
02/01/2016	2,435,000.00	2.000%	24,350.00	2,459,350.00	-
12/31/2016	-	-	-	-	2,459,350.00
<b>Total</b>	<b>\$2,435,000.00</b>	<b>-</b>	<b>\$103,216.94</b>	<b>\$2,538,216.94</b>	<b>-</b>

### Yield Statistics

Bond Year Dollars	\$5,160.85
Average Life	2.119 Years
Average Coupon	1.9999999%
Net Interest Cost (NIC)	1.3672869%
True Interest Cost (TIC)	1.3555361%
Bond Yield for Arbitrage Purposes	1.0001118%
All Inclusive Cost (AIC)	2.2023822%

### IRS Form 8038

Net Interest Cost	0.9926640%
Weighted Average Maturity	2.119 Years

**Raymond James**

Public Finance

Final

**\$2,435,000**

Kentucky Rural Water Finance Corporation  
Public Projects Revenue Bonds, Series 2013 F  
(Hyden-Leslie County Water District Note)

## Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Expenses	CIF	Net New D/S	Fiscal Total
12/18/2013	-	-	-	-	-	-	-	-
02/01/2014	-	-	-	-	450.00	-	450.00	-
08/01/2014	-	-	30,166.94	30,166.94	-	(30,166.94)	-	-
12/31/2014	-	-	-	-	-	-	-	450.00
02/01/2015	-	-	24,350.00	24,350.00	450.00	(24,350.00)	450.00	-
08/01/2015	-	-	24,350.00	24,350.00	-	(24,350.00)	-	-
12/31/2015	-	-	-	-	-	-	-	450.00
02/01/2016	2,435,000.00	2.000%	24,350.00	2,459,350.00	450.00	(24,350.00)	2,435,450.00	-
12/31/2016	-	-	-	-	-	-	-	2,435,450.00
<b>Total</b>	<b>\$2,435,000.00</b>	<b>-</b>	<b>\$103,216.94</b>	<b>\$2,538,216.94</b>	<b>\$1,350.00</b>	<b>(103,216.94)</b>	<b>\$2,436,350.00</b>	<b>-</b>

**Raymond James**

Public Finance



Final

**\$2,435,000**

Kentucky Rural Water Finance Corporation  
Public Projects Revenue Bonds, Series 2013 F  
(Hyden-Leslie County Water District Note)

## Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
02/01/2016	Term 1 Coupon	2.000%	1.000%	2,435,000.00	102.091%	2,485,915.85
Total	-	-	-	\$2,435,000.00	-	\$2,485,915.85

### Bid Information

Par Amount of Bonds	\$2,435,000.00
Reoffering Premium or (Discount)	50,915.85
Gross Production	\$2,485,915.85
Total Underwriter's Discount (0.750%)	\$(18,262.50)
Bid (101.341%)	2,467,653.35
Total Purchase Price	\$2,467,653.35
Bond Year Dollars	\$5,160.85
Average Life	2.119 Years
Average Coupon	1.9999999%
Net Interest Cost (NIC)	1.3672869%
True Interest Cost (TIC)	1.3555361%

**Raymond James**

## ENCLOSURE 4

**From:** Wuetcher, Jerry (PSC)  
**To:** W. Randall Jones Esq.  
**Subject:** Case No. 2013-00388: Hyden-Leslie Water District  
**Date:** Tuesday, January 14, 2014 4:18:15 AM  
**Importance:** High

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Mr. Jones:

Some additional questions have arisen in the above-referenced proceeding.

First, in the application and in your message of 1/13/2014, reference is made to coal severance grants of \$1,505,497. In HB 608 (2008 Ky. Acts Ch. 191), the General Assembly appropriated \$2,000,000 to Hyden-Leslie WD for the proposed project. (In HB 608, three projects are specifically mentioned: WX21131007, WX21131008, and WX21131111. These projects are listed in Exhibit A to the Application.) Explain why only \$1,505,497 is available for use on the proposed project. If a portion of the appropriated funds has already been used, please advise as to how Hyden-Leslie WD used these funds.

Second, based upon the present number of applicants for service, the proposed project will provide water service to 210 customers at an average cost per customer of \$18,214 (\$3,825,000/210 customers). Based upon the WD's expectations of 300 customers by completion of the project, the average cost per customer is \$12,750. To the extent that the WD has any knowledge, how does this level of expenditure compare with other projects that the WD has constructed or with other water utilities within the area development district in which the WD is located?

Third, the WD's Application does not explain why the proposed extension of water service is necessary other than to indicate that the area is not currently served by a water supplier. In the Drinking Water Project Profiles for Projects WX21131007, WX21131008, and WX21131111, the WD indicated that the existing water supply to persons in the area to be served was falling or subject to contamination. Please indicate how the persons in the area to be served by the proposed project are obtaining water and what problems, in any, presently exist with that water source. Please provide either a copy or a reference to all studies or reports on the quality of that water source.

Your assistance in addressing these questions is greatly appreciated.

Sincerely,

Gerald E. Wuetcher  
Executive Advisor/Attorney  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602  
(502) 782-2590 (Direct Line)  
(502) 564-3940 (Switchboard)  
(502) 564-7279 (Fax)  
gerald.wuetcher@ky.gov

## ENCLOSURE 5

**From:** [Mike Maggard](#)  
**To:** [Wuetcher, Jerry \(PSC\)](#)  
**Cc:** [Randy Jones](#); [hlwater.tds.net](#)  
**Subject:** Hyden - Leslie County Water District Case No. 2013-00388  
**Date:** Tuesday, January 14, 2014 9:35:43 AM  
**Attachments:** [pscresponse11414.docx](#)

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Jerry,

Please find attached the responses to the last questions that you asked Randy Jones .

Thanks,

Michael K. Maggard  
Sisler - Maggard Engineering

1. The funds were used for construction of Project Phase I which included a portion of – WX 21131007.
2. Usually the average cost per customer for the District is approximately \$10,000 per customer. As the District expands further and further away from the previous projects the cost of installation increases and the areas that contained the higher population densities have already been served. Therefore, these areas contain less population density and increased construction costs.
3. The proposed customers currently obtain their drinking water from wells, springs and hauling water. A portion of the existing wells are contaminated with ecoli, high sulphur and high iron contents.

## ENCLOSURE 6

**From:** [Wuetcher, Jerry \(PSC\)](#)  
**To:** [Covington, John \(KIA\)](#)  
**Subject:** Request For Assistance  
**Date:** Tuesday, January 14, 2014 4:33:13 AM

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Mr. Covington:

The Public Service Commission is currently reviewing Hyden-Leslie County Water District's application for public convenience and necessity to construct certain water improvement projects. These projects are listed in the WRIS as Project Nos. WX21131007, WX21131008, and WX21131111. WRIS reports that the Kentucky General Assembly appropriated \$2.0 million for these projects. The specific language of HB 608 (2008 Ky. Acts ch. 191) also indicates a combined appropriation of \$2.0 million for these projects. The WD is reporting to the PSC that only \$1,505,497 is available to finance its proposed projects.

It is my understanding that the Kentucky Infrastructure Authority (KIA) administers these appropriations. Do KIA records indicate that the original appropriation has been reduced or directed to another project? If not, do KIA's records indicate whether any of the appropriated \$2.0 million already been spent by the WD? If some funds have been expended, what was the nature of the expenditure?

Any assistance that KIA could provide in addressing these questions would be greatly appreciated. If you or your staff requires additional information to answer this inquiry, please contact me. Again, any assistance would be especially appreciated.

Respectfully,

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[gerald.wuetcher@ky.gov](mailto:gerald.wuetcher@ky.gov)

## ENCLOSURE 7

**From:** Milton, Debby (KIA)  
**To:** Wuetcher, Jerry (PSC)  
**Cc:** Barnes, Amy (DLG); Covington, John (KIA)  
**Subject:** Request For Assistance  
**Date:** Wednesday, January 15, 2014 8:11:24 AM

1-15-14

### HB269 coal severance grant

WRIS	Project Title	County	Entity	Coal Sev - HB269	Balance	Closed
WX21131007	Leslie County Fiscal Court - Bobs Fork, Sizerock Water Extensions	Leslie	Hyden-Leslie County Water District	\$1,378,890.00	\$0.00	

### Coal (bond) fund grants

WRIS	Grant ID	Grant Title	County	Entity	Grant Amount	Balance	HB	Closed
WX21131007	120C-2007	Hyden Leslie Water District - Hell for Certain Water Line Extensions	Leslie	Hyden-Leslie County Water District	\$500,000.00	\$0.00	380-2006	N
WX21131007	95C-2008	Hyden/Leslie County Water District - Hell for Certain Water Project (WX21131007)	Leslie	Hyden-Leslie County Water District	\$750,000.00	\$0.00	608-2008	N
WX21131008	94C-2008	Hyden/Leslie County Water District - Grassy Waterline Extensions (WX21131008)	Leslie	Hyden-Leslie County Water District	\$500,000.00	\$95,604.07	608-2008	N
WX21131111	96C-2008	Hyden/Leslie County Water District - Water System Improvements Phase II (WX21131111)	Leslie	Hyden-Leslie County Water District	\$750,000.00	\$0.00	608-2008	N
WX21131111	97C-2008	Leslie County Fiscal Court - Waterline - McKintosh	Leslie	Leslie County Fiscal Court	\$100,000.00	\$100,000.00	608-2008	N

Hello Jerry.

This District started these various water projects back in 2004. They bid and construct these projects in various phases. From talking to the engineer, Sissler-Maggard, I do know they are in the process of bidding another phase. The engineer has not closed any grants out or provided the final design indicating exactly what has been constructed in the original profile narratives.

Under **WORK PERFORMED TODATE**, I have listed the projects and included a description of the work that was provided on the invoices. KIA has paid for this work.

I have listed the balance of funds for a total of \$195,604.07. I am not sure the reasoning for the

\$1,505,497 figure unless they have some coal severance funds that have not been certified to KIA from DLG or if they have other funds that DLG will be administering.

I have copied Amy Barnes, DLG, on the email and perhaps she can check and let you know of any pending projects she is administering that would be included in the \$1,505,497 figure.

**WORK PERFORMED TODATE:**

**WX21131007: awarded - \$2,628,890 – balance \$0**

Waterline extension on SR 209

Waterline extension on Bob's Fork, Sizerock and Hell for Certain

Water tank work

Scada programming changes

**WX21121008: awarded - \$500,000 – balance \$95,604.07**

Phase II - Waterline extension in the North-Central section of the county including the Grassy area

**WX21131111: awarded \$850,000 – balance \$100,000**

Phase II – Waterline extension

SR 209

Spur Water Booster Station

---

**From:** <Wuetcher>, Jerry Wuetcher <[JWuetcher@ky.gov](mailto:JWuetcher@ky.gov)>

**Date:** Tuesday, January 14, 2014 at 4:33 AM

**To:** John Covington <[john.covington@ky.gov](mailto:john.covington@ky.gov)>

**Subject:** Request For Assistance

Mr. Covington:

The Public Service Commission is currently reviewing Hyden-Leslie County Water District's application for public convenience and necessity to construct certain water improvement projects. These projects are listed in the WRIS as Project Nos. WX21131007, WX21131008, and WX21131111. WRIS reports that the Kentucky General Assembly appropriated \$2.0 million for these projects. The specific language of HB 608 (2008 Ky. Acts ch. 191) also indicates a combined appropriation of \$2.0 million for these projects. The WD is reporting to the PSC that only \$1,505,497 is available to finance its proposed projects.

It is my understanding that the Kentucky Infrastructure Authority (KIA) administers these appropriations. Do KIA records indicate that the original appropriation has been reduced or directed to another project? If not, do KIA's records indicate whether any of the appropriated \$2.0 million already been spent by the WD? If some funds have been expended, what was the nature of the expenditure?

Any assistance that KIA could provide in addressing these questions would be greatly appreciated. If you or your staff requires additional information to answer this inquiry, please contact me. Again, any assistance would be especially appreciated.

Respectfully,

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## ENCLOSURE 8

**From:** Milton, Debby (KIA)  
**To:** Wuetcher, Jerry (PSC)  
**Subject:** Request For Assistance  
**Date:** Wednesday, January 15, 2014 10:48:56 AM

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Jerry:

I can check with the Water District and the engineer/project administrator (Sissler-Maggard) to see what their intentions are regarding funding the \$1,505,497 proposed project. Please advise.

Debby

---

**From:** Barnes, Amy (DLG)  
**Sent:** Wednesday, January 15, 2014 10:44 AM  
**To:** Milton, Debby (KIA); Wuetcher, Jerry (PSC)  
**Cc:** Covington, John (KIA)  
**Subject:** RE: Request For Assistance

Hello everyone:

Unfortunately, I am not showing any coal severance line-items in HB 265 for water projects in Leslie County so there is nothing yet to be certified to DLG so I can't add to the \$1.5 million figure.

Debby, there was that old HB 267 project that expired on June 30, 2007 - 21131008 HYDEN-LESLIE WATER DISTRICT GRASSY WATER LINE EXTENSIONS - \$600,000. As you will recall, we returned these funds to the Leslie County single county account because the MOA had expired and the authorization for this project lapsed.

Let me know if anyone has any additional questions.

Amy

---

**From:** Milton, Debby (KIA)  
**Sent:** Wednesday, January 15, 2014 8:11 AM  
**To:** Wuetcher, Jerry (PSC)  
**Cc:** Barnes, Amy (DLG); Covington, John (KIA)  
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**Date:** Tuesday, January 14, 2014 at 4:33 AM

**To:** John Covington <[john.covington@ky.gov](mailto:john.covington@ky.gov)>

**Subject:** Request For Assistance

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[gerald.wuetcher@ky.gov](mailto:gerald.wuetcher@ky.gov)

## ENCLOSURE 9

**From:** [Wuetcher, Jerry \(PSC\)](#)  
**To:** [wjones@rubinhays.com](mailto:wjones@rubinhays.com)  
**Bcc:** [Milton, Debby \(KIA\)](#); [Greenwell, Aaron D \(PSC\)](#); [Newby, Daryl E \(PSC\)](#)  
**Subject:** Case No. 2013-00388: Hyden-Leslie County Water District  
**Date:** Wednesday, January 15, 2014 12:31:58 PM

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Mr. Jones:

In the course of reviewing the proposed project in the above-referenced case, Commission Staff contacted the Kentucky Infrastructure Authority to confirm the availability of \$1,505,497 in appropriated funds for the proposed project. KIA officials advised me this morning that these funds are not available for WRIS Projects No. WX21131007, No. WX21131008, and No. WX21131111. They report that Hyden-Leslie County Water District has a balance of funds of only \$195,604.

Please advise the Commission in writing as to the source of \$1,505,497 in funds to which the Application refers and which account for approximately 40 percent of the project's funding. If possible, please reconcile the discrepancy between the Application's statements and KIA's statement to Commission Staff.

Respectfully,

Gerald E. Wuetcher  
Executive Advisor/Attorney  
Public Service Commission of Kentucky  
[gerald.wuetcher@ky.gov](mailto:gerald.wuetcher@ky.gov)  
Office: (502) 564-3940  
Direct: (502) 782-2590  
Cell: (502) 229-6500

## ENCLOSURE 10

**From:** [Randy Jones](#)  
**To:** [Wuetcher, Jerry \(PSC\)](#)  
**Cc:** [Mike Maggard](#); [hlwater.tds.net](mailto:hlwater.tds.net)  
**Subject:** RE: Case No. 2013-00388: Hyden-Leslie County Water District  
**Date:** Wednesday, January 15, 2014 2:57:42 PM  
**Attachments:** [pscresponse11514.docx](#)

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Mr. Wuetcher,

Attached please find the Engineer's response to your questions.

W. Randall Jones, Esq.  
Rubin & Hays  
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Louisville, Kentucky 40202  
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**From:** Wuetcher, Jerry (PSC) [<mailto:JWuetcher@ky.gov>]  
**Sent:** Wednesday, January 15, 2014 12:32 PM  
**To:** Randy Jones  
**Subject:** Case No. 2013-00388: Hyden-Leslie County Water District

Mr. Jones:

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Respectfully,

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The previous KIA grant funds have been spent on this project including Engineering Design Fees, Project Materials and Preliminary Work completed by the Contractor. No additional funds will be required by this project.