

CASE

NUMBER:

99-375

HISTORY INDEX FOR CASE: 1999-3
BEAVER-ELKHORN WATER DISTRICT
Transfer/Sale/Purchase/Merger
& MUD CREEK WATER DISTRICT

IN THE MATTER OF MUD CREEK WATER DISTRICT AND BEAVER ELKHORN
WATER DISTRICT FOR A JOINT PETITION FOR APPROVAL OF MERGER
AGREEMENT

SEQ NBR	ENTRY DATE	REMARKS
0001	09/13/1999	Application.
0002	09/20/1999	Acknowledgement letter.
M0001	09/23/1999	PAUL HUNT FLOYD CO FISCAL COURT-COPY OF NOTICE REGARDING INTERVENTION BY INTERESTED PARTIES
M0002	10/04/1999	BRETT DAVIS JUDGE EXECUTIVE OFFICE-REQUEST FOR ADDRESS CHANGE
0003	10/21/1999	Order requesting information, due 11/10/99.
M0005	11/17/1999	BRETT DAVIS-WAIVER & EXTENSION OF STATUTORY TIME PERIOD (FAX)
M0003	11/22/1999	BRETT DAVIS MUD CREEK WD-WAIVER & EXTENSION OF STATUTORY TIME PERIOD
M0004	11/22/1999	BRETT DAVIS MUD CREEK BEAVER ELKHOR-MOTION FOR EXTENSION OF TIME
0004	12/16/1999	Final Order approving proposed merger.
M0006	03/16/2000	BRETT DAVIS-COPY OF EXECUTIVE ORDER ENTERED ON MARCH 14,00 WHICH RELATES TO PSC
M0007	03/16/2000	BRETT DAVIS FLOYD CO JUDGE EXECUTIVE-COPY OF EXECUTIVE ORDER ENTERED ON MARCH 14,00 BY FLOY



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

B. J. Helton
Chairman
Edward J. Holmes
Vice Chairman
Gary W. Gillis
Commissioner

July 18, 2000

Honorable Brett D. Davis
Attorney for Mud Creek & Beaver Elkhorn Water Districts
Floyd County Courthouse
149 South Central Avenue
Room 9
Prestonsburg, Kentucky 41653

Re: Case No. 1999-375, First Reminder Letter

Dear Mr. Davis:

The Commission entered the enclosed Final Order in this case on December 16, 1999. The Commission ordered that upon completion of the proposed merger, Southern District shall immediately notify the Commission of the merger and shall file an adoption notice, adopting, ratifying and making its own all rates, rules, classifications and administrative regulations of the Joint Applicants in effect at the time of the merger. Within 10 days after the filing of its adoption notice, Southern District shall issue and file in its own name rate schedules and administrative regulations which shall set out the Joint Applicants' rates and administrative regulations then in effect in accordance with Administrative Regulation 807 KAR 5:011. Please make this filing referencing the case number 1999-375, not later than 15 days from the date of this letter.

If you have questions concerning this letter, please contact Jess Helton, of the Filings Division, at 502-564-3940, extension 278. Otherwise, please mail the required filing to Martin J. Huelsmann, Executive Director, Public Service Commission, 211 Sower Blvd., Post Office Box 615, Frankfort, Kentucky 40602.

Sincerely,
Stephanie Bell

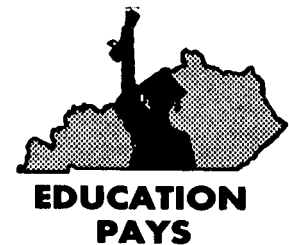
Stephanie Bell
Secretary of the Commission

Enclosure
CC: Hubert Halbert
Dean Hall





PAUL HUNT THOMPSON
JUDGE/EXECUTIVE of FLOYD COUNTY
COMMONWEALTH of KENTUCKY



Telephone (606) 886-9193
Fax (606) 886-1083

Floyd County Fiscal Court
149 South Central Avenue - Suite 9
Prestonsburg, Kentucky 41653

March 15, 2000

Hon. Martin J. Huelsmann
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

RECEIVED
MAR 16 2000
PUBLIC SERVICE
COMMISSION

RE: In the Matter of Mud Creek Water District and Beaver Elkhorn Water District,
Before the Kentucky Public Service Commission
Case No. 99-375

Dear Prof. Huelsmann:

Enclosed please find a copy of the Executive Order entered on March 14, 2000 by the Hon. Paul H. Thompson, Judge/Executive of Floyd County, Kentucky, which directly relates to the Public Service Commission's December 16, 1999 Order in the above-styled case. Also enclosed please find an Appendix prepared in regard to the March 14, 2000 Executive Order outlining the procedural steps that preceded the entry of Judge Thompson's Order.

Pursuant to KRS 74.110, that pleading identified and styled "Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger Agreement" in Exhibit 2 of the enclosed Appendix, filed with the Office of the Floyd County Judge/Executive on January 27, 2000 by the Mud Creek Water District and the Beaver Elkhorn Water District, was sustained and approved by Judge Thompson in its entirety after proper notice to the residents of each district and the necessary public hearing. The name of the water district resulting from the merger is the Southern Water & Sewer District and the district's new territorial boundaries are more particularly described and set forth in Judge Thompson's March 14, 2000 Order.

Please consider this correspondence and the accompanying documentation as notice to the Public Service Commission that the merger process regarding these two (2) districts is continuing here in Floyd County. The initial organizational meeting for the Southern Water & Sewer District is scheduled for March 15, 2000 at 4:30 o'clock p.m. at the Floyd County Fiscal Courtroom in Prestonsburg, Kentucky. Following that meeting, we will

transmit a notice of merger, notice of name change, and a list of the commissioners of the Southern Water & Sewer District to the Public Service Commission.

On a personal note, John T. Chafin and I, as former students of yours, want to extend congratulations to you on your appointment as Executive Director. As always, if we can be of any assistance to you in this area of the country, please do not hesitate to contact either of us. I also wanted to mention to you what a tremendous help that your legal counsel, Hon. Gerald Wuetcher, has been to this office in moving these two (2) districts forward to merger. His advice and references to statutes and research that were necessary in the merger have been invaluable.

Sincerely,

A handwritten signature in cursive script that reads "Brett D. Davis".

Brett D. Davis
Floyd County Deputy Judge/Executive

Enclosures

CERTIFICATION

I, Anita Thornsby, Notary Public, Commonwealth of Kentucky, State-At-Large, do hereby certify that the attached document is a true and correct copy of the original Executive Order, dated, entered, and filed on March 14, 2000, and contained in the file of the Office of the Floyd County Judge/Executive in relation to the Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger, filed with the Office of the Floyd County Judge/Executive on January 27, 2000.

Given under my hand this 15 th day of March, 2000.

Anita Thornsby
ANITA THORNSBURY,
Notary Public, State-At-Large

My Commission Expires: 08-11-03

COMMONWEALTH OF KENTUCKY
BEFORE THE COUNTY JUDGE/EXECUTIVE,
FLOYD COUNTY FISCAL COURT
Prestonsburg, Kentucky

In the Matter of:)
MUD CREEK WATER DISTRICT)
And)
BEAVER ELKHORN WATER DISTRICT)

RECEIVED
MAR 16 2000
PUBLIC SERVICE
COMMISSION

ORDER

Pursuant to KRS 74.110, Mud Creek Water District and Beaver Elkhorn Water District, through their respective Boards of Commissioners, having filed a Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries & Joint Petition To Approve Merger with the Office of the Floyd County Judge/Executive on January 27, 2000, the Kentucky Public Service Commission having previously approved the proposed voluntary merger of the Mud Creek Water District and the Beaver Elkhorn Water District on December 16, 1999, by virtue of the joint and voluntary petition of the two (2) districts and that body's authority, both deriving from and pursuant to KRS 74.363, the County Judge/Executive having reviewed this Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries & Joint Petition To Approve Merger, dated January 27, 2000, as well as the contents of the aforementioned Joint Petition To Approve Merger Agreement and an additional Response which the two (2)

districts filed before the Public Service Commission on September 17, 1999 and November 22, 1999, respectively, and having conducted a public hearing on March 13, 2000 at 11:00 o'clock a.m. in the Floyd County Fiscal Courtroom, Floyd County Courthouse, at Prestonsburg, Kentucky, pursuant to Legal Notices published, as provided by KRS 74.110(2) and in accordance with KRS Chapter 424, in the February 9, 2000 and February 23, 2000 editions of The Floyd County Times, a newspaper of regular issue and of bona fide and general circulation published in Floyd County, Kentucky, regarding the filing of and contents of the Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries & Joint Petition To Approve Merger and regarding the request of the Mud Creek Water District and Beaver Elkhorn Water District to approve the voluntary merger of their two (2) water districts, no written or verbal objections and/or exceptions having been made to the Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries & Joint Petition To Approve Merger or to the request of the Mud Creek Water District and Beaver Elkhorn Water District to approve the voluntary merger of their two (2) water districts, the time and opportunity for all interested parties to be heard on these matters and for making such written or verbal objections and/or exceptions having now passed, and the County Judge/Executive being otherwise sufficiently and well advised,

IT IS HEREBY ORDERED AND ADJUDGED that:

1. The proposed changes in the territorial limits of the Mud Creek Water District and the Beaver Elkhorn Water District and the requests contained in their Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries & Joint Petition To Approve Merger, filed January 27, 2000, are reasonably necessary and the reasons given

by the two (2) districts for the proposed merger in their Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries & Joint Petition To Approve Merger, filed January 27, 2000, which are more particularly described in the Joint Petition To Approve Merger Agreement and Response filed before the Kentucky Public Service Commission in that case styled In the Matter of: THE APPLICATION OF MUD CREEK WATER DISTRICT AND BEAVER ELKHORN WATER DISTRICT FOR APPROVAL OF MERGER AGREEMENT, Case No. 99-375, are all reasons which are recognized by the County Judge/Executive and, for additional reference, by the Kentucky General Assembly, as expedient for the merger of water districts, namely, that the reduction of the number of operating water districts in the County will be in the public interest, in that the merger of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies of scale, less cost, and a higher degree of service to the citizens currently residing within the territorial limits of the Mud Creek Water District and Beaver Elkhorn Water District. KRS 74.110; As additional reference, see KRS 74.361(1). A copy of the Public Service Commission's Order, dated December 16, 1999, is set forth as Exhibit 1 in the Appendix accompanying this Order.

2. Based upon all of the aforementioned reasons, the Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries & Joint Petition To Approve Merger, filed January 27, 2000, is SUSTAINED and the merger of Mud Creek Water District and Beaver Elkhorn Water District to form one (1) water district shall be and the same is APPROVED. KRS 74.110(3). Copies of the Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries & Joint Petition To Approve Merger

filed with the Office of the Floyd County Judge/Executive on January 27, 2000 and of the Executive Order requiring notice of its filing and scheduling a public hearing, of Affidavits of Publication as to the required notices, of the aforementioned Joint Petition To Approve Merger Agreement and an additional Response which the two (2) districts filed before the Public Service Commission on September 17, 1999 and November 22, 1999, respectively, and of minutes of the public hearing conducted on March 13, 2000 are set forth as Exhibits 2, 3, 4, and 5, respectively, in the Appendix accompanying this Order.

3. The name of the resulting water district formed from the merger of the Mud Creek Water District and the Beaver Elkhorn Water District shall be the SOUTHERN WATER AND SEWER DISTRICT.

4. The Southern Water and Sewer District shall be permitted to annex all territory of the Mud Creek Water District and the Beaver Elkhorn Water District as those territories presently exist and as the boundaries are presently described in the records of each respective district and in the records of the Kentucky Public Service Commission.

5. The territorial boundaries of the Mud Creek Water District and the Beaver Elkhorn Water District shall be changed by merging the territorial boundaries of the two (2) districts, as they presently exist and are presently described in the records of each respective district and in the records of the Kentucky Public Service Commission, into one (1) water district and one (1) set of territorial boundaries to be designated as the Southern Water and Sewer District. The new territorial boundaries and resulting service area of the Southern Water and Sewer District shall be more particularly described as follows, to wit:

Beginning on Big Mud Creek at the mouth of Little Mud Creek; thence southeast up the point to the ridge between Big Mud Creek and the Levisa Fork of the Big Sandy River; thence south up said ridge to the boundary line of Pike County and Floyd County; thence south with said boundary line and up the ridge to the head of Clear Creek of Left Beaver Creek; thence south up the dividing ridge between Left Beaver Creek and Robinson Creek to the boundary line of Knott County and Floyd County; thence north down the dividing ridge between the two (2) Forks of Beaver Creek to a point in the head of Steele Creek, a tributary of Right Beaver Creek; thence southwest with said boundary line of Knott County and Floyd County to a point on the dividing ridge between Jones Fork and Right Beaver Creek; thence north with said boundary line of Knott County and Floyd County to the mouth of Jones Fork; thence northeast with said boundary line of Knott County and Floyd County to the boundary line of Magoffin County and Floyd County on the ridge between Right Beaver Creek and the head waters of the Licking River; thence northeast with said boundary line of Magoffin County and Floyd County to a point on the ridge between the Licking River and the two (2) tributaries of Middle Creek, Lick Fork and Open Fork; thence northeast down the dividing point of the two (2) aforesaid tributaries of Middle Creek to the mouth of Lick Fork; thence southeast up the point to the ridge between Caney Creek and Middle Creek to a point adjoining the watershed of Right Beaver Creek; thence northeast along the dividing ridge of Beaver Creek to a point above the City of Allen; thence down to the Levisa Fork of the Big Sandy River; thence southeast up the dividing ridge between Beaver Creek and said Levisa Fork of the Big Sandy River to a point between the head of Prater Creek and Little Mud Creek; thence northeast along the dividing ridge to a point between Betsy Layne Branch and Little Mud Creek; thence southeast to the beginning, so as to include all areas located within said boundaries.

There is specifically EXCEPTED from the territorial boundaries and service area of the Southern Water and Sewer District all areas located within the municipal corporate limits and/or service areas of the City of Martin, the City of Wayland, and the City of Wheelwright and within the territorial boundaries and/or service area of the privately-owned Francis Water District; provided, however, that the territorial boundary lines and service area of the Southern Water and Sewer District shall run contiguous with and directly adjacent to the municipal corporate limits and/or service areas of the Cities of Martin, Wayland, and Wheelwright, and shall also run contiguous with and directly adjacent to the territorial boundaries and/or service areas of the Francis Water District, the Sandy Valley Water District, and the City of Prestonsburg and its Utilities Commission insofar as any of those boundaries and/or service areas may share a common border with the Southern Water and Sewer District, in order to insure that all citizens of Floyd County residing near any of the aforesaid territorial boundaries and/or service areas have access to treated water and wastewater collection facilities now or in the future.

6. Pursuant to KRS 74.363, the statute through which the two (2) districts sought the approval of this merger, the present members of the Boards of Commissioners of the

Mud Creek Water District and the Beaver Elkhorn Water District shall serve as members of the Board of Commissioners of the Southern Water and Sewer District, regardless of their normal term expiration, until one (1) year after approval of the merger by the Kentucky Public Service Commission. KRS 74.363(2). Upon expiration of the aforesaid period of service, the composition of the Southern Water District's Board of Commissioners shall be governed thereafter by Section (2)(a) of this same statute, the new territorial boundaries of the merged water district lying wholly within Floyd County, Kentucky. KRS 74.363(2)(a).

7. This is a final and appealable Order of the Floyd County Judge/Executive issued pursuant to KRS 74.110.

SO ORDERED this the 14th day of March, 2000.



THE HON. PAUL H. THOMPSON,
Floyd County Judge/Executive
Floyd County Courthouse
149 South Central Avenue, Suite 9
Prestonsburg, Kentucky 41653

Copies of Order to:

Eula Hall, Chairperson
Mud Creek Water District
P.O. Box 51
Grethel, Kentucky 41631


Hubert Halbert, Chairperson
Beaver Elkhorn Water District
P.O. Box 769
Martin, Kentucky 41649

Hon. Martin J. Huelsmann
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P.O Box 615
Frankfort, Kentucky 40602

APPENDIX

I, Anita Thornsbury, Notary Public, Commonwealth of Kentucky, State-At-Large, do hereby certify that the items comprising this Appendix are true and correct copies of the original documents contained in the file of the Office of the Floyd County Judge/Executive in relation to the Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger, filed with the Office of the Floyd County Judge/Executive on January 27, 2000.

Given under my hand this 14 th day of March, 2000.



ANITA THORNSBURY,
Notary Public, State-At-Large

My Commission Expires: 08-11-03

Exhibit 1. Order of Kentucky Public Service Commission, dated December 16, 1999,
Approving Merger Of Mud Creek Water District & Beaver Elkhorn Water
District

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MUD CREEK WATER)
DISTRICT AND BEAVER ELKHORN WATER) CASE NO. 99-375
DISTRICT FOR APPROVAL OF MERGER)
AGREEMENT)

ORDER

Mud Creek Water District ("Mud Creek") and Beaver Elkhorn Water District ("Beaver Elkhorn") (collectively "the Joint Applicants") have applied, pursuant to KRS 74.363 and KRS 278.020, for Commission approval of their proposed merger and the formation of Southern Water and Sewer District ("Southern District").

Having considered the application and the evidence of record, the Commission finds that:

1. Beaver Elkhorn is a water district organized pursuant to KRS Chapter 74.
2. As of December 31, 1998, Beaver Elkhorn provided water service to approximately 2,610 customers in Floyd and Knott counties, Kentucky.
3. As of December 31, 1998, Beaver Elkhorn had total utility plant of \$10,204,060.
4. As of December 31, 1998, Beaver Elkhorn had total assets and other debits of \$10,631,746 and total liabilities of \$4,196,812.
5. For the operating year ended December 31, 1998, Beaver Elkhorn had a net income of \$16,804 based upon total operating revenues and other income of \$889,573.

6. As of December 31, 1998, Beaver Elkhorn had long-term debt of \$3,922,237 and short-term debt of \$94,165.

7. A three-member board of commissioners manages Beaver Elkhorn.

8. Beaver Elkhorn currently employs 19 persons to operate its water production and distribution systems.

9. Beaver Elkhorn operates its own water production facilities that provide Beaver Elkhorn's total water requirements.

10. Beaver Elkhorn does not currently provide any sanitary sewer service; nor does it own or operate any sewage treatment or collection facilities.

11. Mud Creek is a water district organized pursuant to KRS Chapter 74.

12. As of December 31, 1998, Mud Creek provided water service to approximately 1,020 customers in Floyd County, Kentucky.

13. As of December 31, 1998, Mud Creek had total utility plant of \$816,644.

14. As of December 31, 1998, Mud Creek had total assets and other debits of \$896,254 and total liabilities of \$303,272.

15. For the operating year ended December 31, 1998, Mud Creek had a net income of \$(32,167) based upon total operating revenues and other income of \$325,973.

16. As of December 31, 1998, Mud Creek had no long-term debt and short-term debt of \$3,005.

17. A three-member board of commissioners manages Mud Creek.

18. Mud Creek currently employs 4 persons to operate its water distribution system.

19. Mud Creek does not operate any water production facilities, but purchases its total water requirements from the city of Pikeville, Kentucky.

20. Mud Creek does not currently provide any sanitary sewer service nor does it own or operate any sewage treatment or collection facilities.

21. The territories of Beaver Elkhorn and Mud Creek are adjacent to each other.

22. On August 26, 1999, the Joint Applicants executed a Merger Agreement.

23. Under the terms of the Merger Agreement, the Joint Applicants will merge to form Southern District. Southern District will be divided into two divisions. Division 1 will consist of all territory that Beaver Elkhorn currently serves. Division 2 will consist of all territory that Mud Creek currently serves. The Joint Applicants expect that Southern District's two divisions will be merged within one year of the consolidated district's operation.

24. The proposed merger will result in no immediate change in existing rates for water service. Division 1 will charge the rates that Beaver Elkhorn currently charges. Division 2 will charge the rates that Mud Creek currently charges.

25. The Joint Applicants expect Southern District to seek Commission approval of a unified rate for all customers no later than March 1, 2001.

26. Upon beginning operation, Southern District will employ all of the Joint Applicants' current employees.

27. The proposed Southern District will assume all assets and liabilities of the Joint Applicants.

28. The Joint Applicants have identified several areas, including purchased water costs and personnel costs, in which they expect the proposed merger will produce lower operating costs due to greater economies of scale.

29. The current level of service provided by the Joint Applicants will not suffer as a result of the proposed merger and formation of Southern District.

30. Southern District has the financial, technical, and managerial abilities to provide reasonable service.

31. KRS 74.361 provides:

[R]eduction of the number of operating water districts in the Commonwealth will be in the public interest, in that mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public; and that the public policy favors the merger of water districts wherever feasible.

32. The proposed merger is consistent with the objectives set forth in KRS 74.361.

33. The proposed merger is made in accordance with law, is for a proper purpose, and is consistent with the public interest.

IT IS THEREFORE ORDERED that:

1. The proposed merger is approved.
2. Upon completion of the proposed merger, Southern District shall immediately advise the Commission of the merger and shall file an adoption notice, adopting, ratifying and making its own all rates, rules, classifications and administrative regulations of the Joint Applicants in effect at the time of the merger.

3. Within 10 days after the filing of its adoption notice, Southern District shall issue and file in its own name rate schedules and administrative regulations which shall set out the Joint Applicants' rates and administrative regulations then in effect in accordance with Administrative Regulation 807 KAR 5:011.

4. Beaver Elkhorn and Mud Creek shall each file a separate annual report of their operations for calendar year 1999.

5. Southern District shall file with the Commission a copy of all ordinances and resolutions enacted by Floyd County and Knott County Fiscal Courts to effect the proposed merger.

Done at Frankfort, Kentucky, this 16th day of December, 1999.

By the Commission

ATTEST:


Executive Director

Exhibit 2. Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger, filed with the Office of the Floyd County Judge/Executive on January 27, 2000, and Executive Order requiring Notices in relation to the filing of and a public hearing regarding Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger.

COMMONWEALTH OF KENTUCKY
BEFORE THE COUNTY JUDGE/EXECUTIVE,
FLOYD COUNTY FISCAL COURT
Prestonsburg, Kentucky

In the Matter of:)
MUD CREEK WATER DISTRICT)
And)
BEAVER ELKHORN WATER DISTRICT)

JOINT PETITION TO ANNEX TERRITORY,
JOINT PETITION TO CHANGE TERRITORIAL BOUNDARIES,
& JOINT PETITION TO APPROVE MERGER

Come the Joint Petitioners, Mud Creek Water District and Beaver Elkhorn Water District, by and through their respective chairpersons, pursuant to KRS 74.110, and for their Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries & Joint Petition To Approve Merger state that:

A. Procedural History

1. The circumstances leading to the Joint Petitioners' initial consideration of and their eventual agreement regarding a voluntary merger of their systems evolved from a series of meetings called by the County Judge/Executive to consider the ways and means to improve and expand water and sewer services throughout the County. All elected and appointed officials involved either directly or indirectly with a water or sewer utility, as

well as system personnel and citizens at large, met as an ad hoc committee (named the Floyd County Utilities Service Committee) several times in early 1999 to review information and to consider alternative service approaches.

A majority of this group came to a consensus, on or about May 19, 1999, that two (2) large sectors of the County would best be served by correspondingly large, capable systems. In the northern portion of the County, the Prestonsburg City's Utilities Commission was acknowledged to be the principal "in-place" service provider and the most able to further expand such services in a timely basis. In the southern portion of the County, a merger of the Mud Creek and Beaver Elkhorn Water Districts into a new entity was considered to be the best approach to implement this role.

Subsequently, the County Judge/Executive met independently with each district's Board of Commissioners to discuss the ideas generated by the ad hoc committee. At their direction, the staff of the Kentucky Public Service Commission was contacted and queried regarding the proper procedure for a voluntary merger of water districts. The proper individual and joint meetings of the respective Boards were conducted, the proper independent and joint resolutions of the respective Boards were adopted expressing the desire of the districts to merge, and a Joint Petition For Approval Of Merger Agreement was drafted and filed with the Commission on September 17, 1999. (See Collective Exhibit "A" to this Joint Petition). Proper notice to the public and the customers of the respective water districts, regarding intervention by interested parties, was published in the September 17, 1999 edition of The Floyd County Times and the districts filed an additional joint Response with the Commission on November 22, 1999.

2. On December 16, 1999, the Kentucky Public Service Commission entered an

Order approving the proposed merger of the Mud Creek Water District and the Beaver-Elkhorn Water District into a new entity to be named the Southern Water and Sewer District. (See Order of the Kentucky Public Service Commission, dated December 16, 1999, attached as Exhibit "B" to this Joint Petition).

* * * * *

B. Petition To Annex Territory/Change Territorial Boundaries/Approve Merger

1. The Joint Petitioners averred in their Joint Petition For Approval Of Merger Agreement, filed September 17, 1999 with the Kentucky Public Service Commission, in their Response, filed with the Commission on November 22, 1999, and do also aver in this Joint Petition To Annex Territory & Joint Petition To Change Territorial Boundaries that the Southern Water and Sewer District will initially be organized into two (2) divisions, with Division 1 to be comprised of the former Mud Creek Water District and Division 2 to be comprised of the former Beaver Elkhorn Water District. Such organization will better allow for customer service continuity in each division during the transitional period anticipated while the former systems are being merged in fact. Specifically, all components of the respective accounting systems, including all customer accounts, vendor accounts, long and short term debt obligation, and all associated bank accounts will be verified prior to integration into a comprehensive accounting system. Similarly, the approved rates of each original system will be charged to the respective customers during this initial period of transition.

Further, the Joint Petitioners intend to merge these two (2) divisions as soon as practicable but, at the latest, expect that the eventual merger of the two (2) divisions will be fully completed within one (1) calendar year from December 16, 1999. The Joint

Petitioners will also determine and apply for a unified rate for all customers of the merged systems, effective July 1, 2001, and the rate change application will be prepared and submitted to the Kentucky Public Service Commission on or before March 1, 2001.

2. Owing to the entry of the Kentucky Public Service Commission's Order, dated December 16, 1999, granting the merger of the two (2) districts and because it is now reasonably necessary to petition for such action pursuant to KRS 74.110, the Joint Petitioners petition the County Judge/Executive to approve the proposed merger of the two (2) districts, to permit that entity designated as the Southern Water and Sewer District to annex all territory of the Mud Creek Water District and all territory of the Beaver Elkhorn Water District as those territories presently exist and as the boundaries are presently described in the records of each respective district and in the records of the Kentucky Public Service Commission, and, further, to change the territorial boundaries of the Mud Creek Water District and the Beaver Elkhorn Water District by merging the boundaries of the two (2) districts, as they presently exist and are presently described in the records of each respective district and in the records of the Kentucky Public Service Commission, into one (1) water district and set of territorial boundaries to be designated as the Southern Water and Sewer District, upon the approval of the County Judge/Executive, after proper notice to the public and the customers of each respective water district regarding the right of intervention by interested parties and the scheduling of a public hearing concerning the contents of this Joint Petition and regarding the proposed merger.

* * * * *


WHEREFORE, the Joint Petitioners petition the County Judge/Executive to enter an Order:

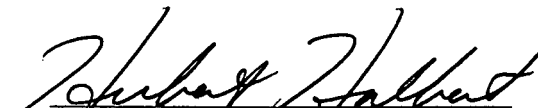
1. Approving the proposed merger of the Mud Creek Water District and Beaver Elkhorn Water District to form an entity designated as the Southern Water and Sewer District.

2. Permitting that entity designated as the Southern Water and Sewer District to annex all territory of the Mud Creek Water District and the Beaver Elkhorn Water District as those territories presently exist and as the boundaries are presently described in the records of each respective district and in the records of the Kentucky Public Service Commission; and

3. Changing the territorial boundaries of the Mud Creek Water District and the Beaver Elkhorn Water District by merging the territorial boundaries of the two (2) districts, as they presently exist and are presently described in the records of each respective district and in the records of the Kentucky Public Service Commission, into one (1) water district and one (1) set of territorial boundaries to be designated as the Southern Water and Sewer District.

Respectfully submitted this 27th day of January, 2000.


EULA HALL, Chairperson
Mud Creek Water District
P.O. 51
Kentucky Route 979
Grethel, Kentucky 41631
(606) 478-2455


HUBERT HALBERT, Chairperson
Beaver Elkhorn Water District
P.O. 769
Kentucky Route 3188
Martin, Kentucky 41649
(606) 285-3856

**Boards of Commissioners
Mud Creek Water District & Beaver Elkhorn Water District
Floyd County, KY**

August 26, 1999

Whereas, a joint meeting between the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District was held on this date for the purpose of reviewing, discussing, voting and acting upon a Merger Agreement, with the intent and purpose to merge the Mud Creek Water District and the Beaver Elkhorn Water District to form the Southern Water and Sewer District, as previously approved by the independent boards; and

Whereas, as of this date, the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District have independently authorized their chairmen to sign a merger agreement formally authorizing the merger of the Mud Creek Water District with the Beaver Elkhorn Water District to form the Southern Water and Sewer District; and

Whereas, the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District believe it is within the best interests of their respective customers and the public generally;

Now, therefore, on a motion by Hubert Halbert and seconded by Eula Hall, the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District do hereby jointly authorize the development of a Joint Petition for Approval of Merger Agreement and do hereby authorize their chairmen to sign the petition and any and/or all additional documentation related thereto.

Approved: _____ Disapproved: _____

Eula Hall
Hubert Halbert
Dary N. Newman
Tommy Hall

Absent: Paula Johnson
Ernitta Lawson

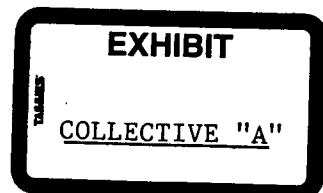
Passed by the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District, this 26th day of August, 1999.

Approved By:
Eula Hall
Eula Hall, Chairman
Mud Creek Water District

Approved By:
Hubert Halbert
Hubert Halbert, Chairman
Beaver Elkhorn Water District

ATTEST:
[Signature]
(Name)

Aug 26, 1999
(Date)



Board of Commissioners
Mud Creek Water District
Floyd County, KY

August 26 1999

Whereas, by previous vote, the Board of Commissioners of the Mud Creek Water District has agreed to merge the Mud Creek Water District with the Beaver Elkhorn Water District to form the Southern Water and Sewer District; and

Whereas, as of this date, the Board of Commissioners of the Mud Creek Water District has authorized its chairman to sign a merger agreement formally authorizing the merger of the Mud Creek Water District with the Beaver Elkhorn Water District to form the Southern Water and Sewer District; and

Whereas, the Board of Commissioners of the Mud Creek Water District believes it is within the best interests of their respective customers and the public generally;

Now, therefore, on a motion by Gary Newman and seconded by Eula Hall, the Board of Commissioners of the Mud Creek Water District does hereby authorize the development of a Joint Petition for Approval of Merger Agreement and does hereby authorize the chairman of the Mud Creek Water District to sign the petition and any and/or all additional documentation related thereto.

Approved: Eula Hall Disapproved: _____
Gary A. Newman _____

Absent: Emmitt Lawson

Passed by the Board of Commissioners of the Mud Creek Water District, this 26th day of August, 1999.

Approved By:

Eula Hall
Eula Hall, Chairman
Mud Creek Water District

ATTEST:

[Signature]
(Name)

Aug 26, 1999
(Date)

Board of Commissioners
Beaver Elkhorn Water District
Floyd County, KY

8 26 1999

Whereas, by previous vote, the Board of Commissioners of the Beaver Elkhorn Water District has agreed to merge the Beaver Elkhorn Water District with the Mud Creek Water District to form the Southern Water and Sewer District; and

Whereas, as of this date, the Board of Commissioners of the Beaver Elkhorn Water District has authorized its chairman to sign a merger agreement formally authorizing the merger of the Beaver Elkhorn Water District with the Mud Creek Water District to form the Southern Water and Sewer District; and

Whereas, the Board of Commissioners of the Beaver Elkhorn Water District believes it is within the best interests of their respective customers and the public generally;

Now, therefore, on a motion by Tommy Hall and seconded by Hubert Halbert, the Board of Commissioners of the Beaver Elkhorn Water District does hereby authorize the development of a Joint Petition for Approval of Merger Agreement and does hereby authorize the chairman of the Beaver Elkhorn Water District to sign the petition and any and/or all additional documentation related thereto.

Approved: Hubert Halbert Disapproved: _____
Tommy Hall _____

Absent: Paula Johnson

Passed by the Board of Commissioners of the Beaver Elkhorn Water District, this 26 day of August, 1999.

Approved By:

Hubert Halbert
Hubert Halbert, Chairman
Beaver Elkhorn Water District

ATTEST:

Ruth McKim
(Name)

Aug 26, 1999
(Date)

MUD CREEK WATER DISTRICT

P.O. BOX 069
GRETHEL, KENTUCKY 41631
606-587-2455

DATE: AUGUST 26, 1999

MEETING MINUTES:

PRESENT:	PAUL HUNT THOMPSON	FLOYD CO. JUDGE EXT.
	EULA HALL	M.C.W.D. CHAIRMAN
	GARY NEWMAN	M.C.W.D. COMMISSIONER
	HUBERT HALBERT	B.E.W.D. CHAIRMAN
	TOMMY HALL	B.E.W.D. COMMISSIONER
	BRETT DAVIS	ASST. CO JUDGE EXT
	DEAN HALL	M.C.W.D. DISTRICT MANAGER
	PATTY MCKINNEY	M.C.W.D. OFFICE MANAGER

Beaver Elkhorn Water District chairman Hubert Halbert made a motion to call the meeting to order for Beaver Elkhorn Water District and Tommy Hall seconded the motion.

Mud Creek Water District chairman Eula Hall made a motion to call the meeting to order for the Mud Creek Water District and Gary Newman seconded the motion.

This is a special meeting between the Boards of commissioners of the Beaver Elkhorn Water District and the Mud Creek Water District for the purpose of voting and acting upon a Merger Agreement, with the intent and purpose to merge the Beaver Elkhorn Water District and the Mud Creek Water District to form Southern Water and Sewer District, as previously approved by the independent boards.

On a motion made by Tommy Hall and seconded by Hubert Halbert, the Board of Commissioners of the Beaver Elkhorn Water District does hereby authorize the development of a joint Merger, to form the Southern Water and Sewer District.

On a motion made by Gary Newman and seconded by Eula Hall, the Board of Commissioners of the Mud Creek Water District does hereby authorize the development of a joint merger, to form the Southern Water and Sewer District.

The Board of Commissioners of the Beaver Elkhorn Water District and the Mud Creek Water District believe it is

within the best interest of their customers to merge the two districts.

On a motion by Hubert Halbert and seconded by Eula Hall, the Boards of commissioners of the Beaver Elkhorn Water District and the Mud Creek Water District do hereby jointly authorize the development of a joint petition for Approval of a Merger Agreement and do hereby authorize their chairmen to sign the petition and any additional documentation.

Being no further business the meeting was adjourned.

BEAVER ELKHORN WATER DISTRICT
REGULAR MEETING AUG. 11, 1999

PRESENT

Maribeth Allen - Secretary
James Patton - Employee
Billy Ray - Employee
Paula Johnson - Comm.
Gary Blankenship - Employee
Marilyn Tackett - Customer

Donna Murray - Clerk
Shanon Newsome - Employee
Hubert Halbert - Chairman
Bob Hackworth - Supt.
Brad Tackett - Employee
Tommy Hall - Comm.

1. Hubert Halbert called the meeting to order at 5:00.
2. Paula Johnson made the motion to accept the minutes of June and July meetings. Hubert Halbert stepped down and seconded.
3. Paula Johnson made the motion to approve financial statements of April, May and June. Hubert Halbert stepped down and seconded.
4. Paula Johnson made the motion to merge Beaver Elkhorn Water Dist. with Mud Creek Water Dist. Hubert Halbert stepped down and seconded.
5. Paula Johnson made the motion to hire East Ky. Water to dig the water line at Pitts Fork at \$2.00 per foot. Tommy Hall seconded.
6. Paula Johnson made the motion to hire Shannon Newsome and Brad Tackett as full time employees on six months probation period. Tommy Hall seconded.
7. Paula Johnson made the motion to contact BC /BS concerning the waiting period for new employees. Tommy Hall seconded.
8. Paula Johnson made the motion to get uniforms for Brad and Shannon. Tommy Hall seconded.
9. Paula Johnson made the motion to adjourn. Tommy Hall seconded.


Hubert Halbert, Chairman

I certify that the above is a true and accurate recording of the Beaver Elkhorn Water District meeting held Aug. 11, 1999 at the office in Marlin, Ky.


Maribeth Allen, Secretary

MEETING MINUTES

PRESENT:	EULA HALL	[CHAIRMAN]
	EMMITT LAWSON	[COMMISSIONER]
	GARY NEWMAN	[COMMISSIONER]
	PAUL HUNT THOMPSON	[FLOYD CO. JUDGE EXECUTIVE]
	DEAN HALL	[DISTRICT MANAGER]
	PATTY MCKINNEY	[OFFICE CLERK]
	JAMIE MCKINNEY	[FIELD EMPLOYEE]
	REECE SALYER	[FIELD EMPLOYEE]

Meeting call to order by Mrs. Hall, seconded by Mr. Newman.

Mr. Thompson called this meeting today to discuss the possible merger with Beaver Elkhorn Water District.

Mr. Thompson explained to the commission that he was told that there would be no further grants of any kind for small water districts in the area, and without these funds we would not be able to supply water to customers who are in need of water service, and he felt it would be to the advantage of Mud Creek and Beaver Elkhorn to merge into the Southern Water District. Mrs. Hall ask Mr. Thompson what kind of equipment did their water district have? Also what kind of advantages could they give us? Mr. Thompson explained that they had a backhoe and other equipment like the ones your district have, and your water loss is the same, But they also have a water treatment plant which could serve Mud Creek as well as there district. Mr. Thompson then stated that after the two districts merge their would be grants available to improve both districts and supply water service to many more customers and he felt that the district could be a benefit to each other. Mrs. Hall then explained to Mr. Thompson that Mud Creek Water District has come a long way in the past few years and she gives credit to the staff and its management. Mrs. Hall also stated that she, Mr. Lawson, and Mr. Newman would not want it to be said that they stood in the way of anyone receiving water service, and if this merger would help

the people in this area she would not stand in the way. She then explained that she had heard rumors that our employees would be fired and we would no longer have our board members. Mr. Thompson then stated that those rumors did not come from him, and he assured the board that no one would be fired and we may need to employ more staff in the future and our board members would be working with Beaver Elkhorn's board members to upgrade both systems. Mr. Hall ask what would be the name of the new district and where would the office be located. Mr. Thompson explained that the decision of where the location of the new utility would be up for discussion by the board member's and the name of the new utility would be Southern District. Mr. Newman made the motion to merge with Beaver Elkhorn Water District into the new Southern Water District, and it was seconded by Mrs. Hall.

REGULAR MONTHLY MEETING
JUNE 16, 1999

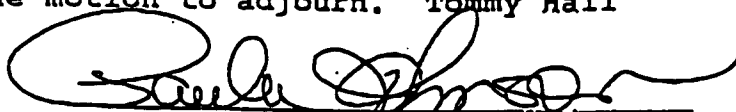
Present	Paula Johnson	Chairman
	Tommy Hall	Commissioner
	Maribeth Allen	Secretary
	Bob Hackworth	Supt.
	Willie Elliott	Floyd Co. Times
	Charles Byers	Summit Eng.
	Eddie Patton	Administrative
		Assistant to Co. Judge
	Paul Thompson	Floyd Co. Judge Exec.

Due to the absence of Hubert Halbert, Paula Johnson will be acting Chairman for this meeting.

1. Paula Johnson called the meeting to order at 4:30 p.m.
2. Tommy Hall made the motion to accept the minutes for the last meeting as printed. Paula Johnson stepped down and seconded.
3. Tommy Hall made the motion to approve a .70¢ per hour raise for the employees. Paula Johnson stepped down and seconded.
4. Hubert Halbert made the motion for Beaver Elkhorn Water to join the 4 county water system. Paula Johnson stepped down and seconded.
5. Hubert Halbert on the recommendation of the Floyd County Utilities Board and Hal Rogers Office made the motion to offer to merge with Mud Creek Water for mutual benefits for both districts. Paula Johnson stepped down and seconded.

****Comm. went into executive session****

6. Hubert-Halbert made the motion to change the comp time policy to give the employee who has the pager \$15.00 per day, and to terminate the comp days. Tommy Hall seconded.
7. Hubert Halbert made the motion to hire Brad Tackett and Shannon Newsome as part time workers. Tommy Hall seconded.
8. Hubert Halbert made the motion to put Billy Ray on six month probation period. Tommy Hall seconded.
9. Hubert Halbert made the motion to adjourn. Tommy Hall seconded.


Paula Johnson, Acting Chairman

I certify that the above is a true and accurate recording of the Beaver Elkhorn Water District meeting held 6/16/99 at the office in Martin, Ky.


Maribeth Allen, Secretary

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MUD CREEK WATER)
DISTRICT AND BEAVER ELKHORN WATER) CASE NO. 99-375
DISTRICT FOR APPROVAL OF MERGER)
AGREEMENT)

ORDER

Mud Creek Water District ("Mud Creek") and Beaver Elkhorn Water District ("Beaver Elkhorn") (collectively "the Joint Applicants") have applied, pursuant to KRS 74.363 and KRS 278.020, for Commission approval of their proposed merger and the formation of Southern Water and Sewer District ("Southern District").

Having considered the application and the evidence of record, the Commission finds that:

1. Beaver Elkhorn is a water district organized pursuant to KRS Chapter 74.
2. As of December 31, 1998, Beaver Elkhorn provided water service to approximately 2,610 customers in Floyd and Knott counties, Kentucky.
3. As of December 31, 1998, Beaver Elkhorn had total utility plant of \$10,204,060.
4. As of December 31, 1998, Beaver Elkhorn had total assets and other debits of \$10,631,746 and total liabilities of \$4,196,812.
5. For the operating year ended December 31, 1998, Beaver Elkhorn had a net income of \$16,804 based upon total operating revenues and other income of \$889,573.

EXHIBIT

"B"

6. As of December 31, 1998, Beaver Elkhorn had long-term debt of \$3,922,237 and short-term debt of \$94,165.

7. A three-member board of commissioners manages Beaver Elkhorn.

8. Beaver Elkhorn currently employs 19 persons to operate its water production and distribution systems.

9. Beaver Elkhorn operates its own water production facilities that provide Beaver Elkhorn's total water requirements.

10. Beaver Elkhorn does not currently provide any sanitary sewer service; nor does it own or operate any sewage treatment or collection facilities.

11. Mud Creek is a water district organized pursuant to KRS Chapter 74.

12. As of December 31, 1998, Mud Creek provided water service to approximately 1,020 customers in Floyd County, Kentucky.

13. As of December 31, 1998, Mud Creek had total utility plant of \$816,644.

14. As of December 31, 1998, Mud Creek had total assets and other debits of \$896,254 and total liabilities of \$303,272.

15. For the operating year ended December 31, 1998, Mud Creek had a net income of \$(32,167) based upon total operating revenues and other income of \$325,973.

16. As of December 31, 1998, Mud Creek had no long-term debt and short-term debt of \$3,005.

17. A three-member board of commissioners manages Mud Creek.

18. Mud Creek currently employs 4 persons to operate its water distribution system.

19. Mud Creek does not operate any water production facilities, but purchases its total water requirements from the city of Pikeville, Kentucky.

20. Mud Creek does not currently provide any sanitary sewer service nor does it own or operate any sewage treatment or collection facilities.

21. The territories of Beaver Elkhorn and Mud Creek are adjacent to each other.

22. On August 26, 1999, the Joint Applicants executed a Merger Agreement.

23. Under the terms of the Merger Agreement, the Joint Applicants will merge to form Southern District. Southern District will be divided into two divisions. Division 1 will consist of all territory that Beaver Elkhorn currently serves. Division 2 will consist of all territory that Mud Creek currently serves. The Joint Applicants expect that Southern District's two divisions will be merged within one year of the consolidated district's operation.

24. The proposed merger will result in no immediate change in existing rates for water service. Division 1 will charge the rates that Beaver Elkhorn currently charges. Division 2 will charge the rates that Mud Creek currently charges.

25. The Joint Applicants expect Southern District to seek Commission approval of a unified rate for all customers no later than March 1, 2001.

26. Upon beginning operation, Southern District will employ all of the Joint Applicants' current employees.

27. The proposed Southern District will assume all assets and liabilities of the Joint Applicants.

28. The Joint Applicants have identified several areas, including purchased water costs and personnel costs, in which they expect the proposed merger will produce lower operating costs due to greater economies of scale.

29. The current level of service provided by the Joint Applicants will not suffer as a result of the proposed merger and formation of Southern District.

30. Southern District has the financial, technical, and managerial abilities to provide reasonable service.

31. KRS 74.361 provides:

[R]eduction of the number of operating water districts in the Commonwealth will be in the public interest, in that mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public; and that the public policy favors the merger of water districts wherever feasible.

32. The proposed merger is consistent with the objectives set forth in KRS 74.361.

33. The proposed merger is made in accordance with law, is for a proper purpose, and is consistent with the public interest.

IT IS THEREFORE ORDERED that:

1. The proposed merger is approved.
2. Upon completion of the proposed merger, Southern District shall immediately advise the Commission of the merger and shall file an adoption notice, adopting, ratifying and making its own all rates, rules, classifications and administrative regulations of the Joint Applicants in effect at the time of the merger.

3. Within 10 days after the filing of its adoption notice, Southern District shall issue and file in its own name rate schedules and administrative regulations which shall set out the Joint Applicants' rates and administrative regulations then in effect in accordance with Administrative Regulation 807 KAR 5:011.

4. Beaver Elkhorn and Mud Creek shall each file a separate annual report of their operations for calendar year 1999.

5. Southern District shall file with the Commission a copy of all ordinances and resolutions enacted by Floyd County and Knott County Fiscal Courts to effect the proposed merger.

Done at Frankfort, Kentucky, this 16th day of December, 1999.

By the Commission

ATTEST:


Executive Director

Exhibit 2. Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger, filed with the Office of the Floyd County Judge/Executive on January 27, 2000.

COMMONWEALTH OF KENTUCKY
BEFORE THE COUNTY JUDGE/EXECUTIVE,
FLOYD COUNTY FISCAL COURT
Prestonsburg, Kentucky

In the Matter of:)
MUD CREEK WATER DISTRICT)
And)
BEAVER ELKHORN WATER DISTRICT)

EXECUTIVE ORDER

RE: JOINT PETITION TO ANNEX TERRITORY, JOINT
PETITION TO CHANGE TERRITORIAL BOUNDARIES &
JOINT PETITION TO APPROVE MERGER

The Mud Creek Water District and Beaver Elkhorn Water District having on January 27, 2000 filed a Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries & Joint Petition To Approve Merger, pursuant to KRS 74.110, the County Judge/Executive having reviewed the Joint Petition, and being otherwise sufficiently and well advised,

IT IS HEREBY ORDERED that:

1. Notice shall be given to the public, the customers and residents of both water districts, and to any other interested parties, by publication in The Floyd County Times, regarding their right to intervene and protest the proposed action requested in the Joint

Petition, namely, that the proposed merger of the Mud Creek Water District and the Beaver Elkhorn Water District to form an entity designated as the Southern Water and Sewer District be approved; that the entity designated as the Southern Water and Sewer District be permitted to annex all territory of as those territories presently exist and as the boundaries are presently described in the records of each respective district and in the records of the Kentucky Public Service Commission; and that the territorial boundaries of the Mud Creek Water District and the Beaver Elkhorn Water District be changed by merging the territorial boundaries of the two (2) districts, as they presently exist and are presently described in the records of each respective district and in the records of the Kentucky Public Service Commission, into one (1) water district and one (1) set of territorial boundaries to be designated as the Southern Water and Sewer District.

2. A hearing regarding the action requested in the Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries & Joint Petition To Approve Merger and regarding the proposed merger of the Mud Creek Water District and the Beaver Elkhorn Water District to form the Southern Water and Sewer District shall be scheduled for Monday, March 13, 2000 at the hour of 11:00 o'clock a. m. in the Courtroom of the Floyd County Fiscal Court located on the 2nd Floor of the Floyd County Courthouse, 149 South Central Avenue, Suite 9, Prestonsburg, Kentucky.

SO ORDERED this the 4th day of February, 2000.


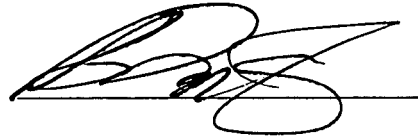

PAUL H. THOMPSON,
Floyd County Judge/Executive
Floyd County Courthouse
149 South Central Avenue, Suite 9
Prestonsburg, Kentucky 41653

Exhibit 3. Affidavits of Publication for and copies of Legal Notices regarding Joint
Petition To Annex Territory, Joint Petition To Change Territorial Boundaries,
& Joint Petition To Approve Merger,

AFFIDAVIT OF PUBLICATION

I, Ralph B. Davis III, after first being duly sworn, hereby certify that I am the Managing editor of THE FLOYD COUNTY TIMES, a newspaper of general circulation published in Prestonsburg, Floyd County, Kentucky. I certify that the attached copy is a Legal Notice that was published as an advertisement in the February 9, 2000 edition of THE FLOYD COUNTY TIMES.

IN TESTIMONY WHEREOF, witness my signature this 14 day of March, 2000.



COMMONWEALTH OF KENTUCKY
COUNTY OF Floyd

I, Anita Thornsbury, a Notary Public in and for the State and County aforesaid, do hereby certify that the foregoing Affidavit of Publication was duly signed and acknowledged before me by Ralph Davis III Managing Editor of THE FLOYD COUNTY TIMES, a Kentucky corporation, on behalf of said corporation.

This 14th day of March, 2000.

Anita Thornsbury
NOTARY PUBLIC, State at Large
My Commission Expires: 08-11-00

**HEARING TO
CUSTOMERS &
RESIDENTS OF
MUD CREEK
WATER DISTRICT
AND BEAVER
ELKHORN WATER
DISTRICT**

Notice is hereby given that Mud Creek Water District and Beaver Elkhorn Water District have filed a Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger with the Office of the Floyd County Judge/Executive, pursuant to KRS 74.110, seeking approval from the County Judge/Executive for the proposed merger of Mud Creek Water District and Beaver Elkhorn Water District to form the Southern Water and Sewer District. To accomplish the proposed merger, the County Judge/Executive must conduct a hearing to determine whether the combination of the existing boundaries of

**NOTICE OF FILING OF PETITION
AND NOTICE OF**

Mud Creek Water District and Beaver Elkhorn Water District, thereby changing the territorial limits of these districts to form the Southern Water and Sewer District, is reasonably necessary.

The Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger was filed with the Office of the Floyd County Judge/Executive on January 27, 2000. The hearing regarding the Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger will be held at 11:00 a.m. on March 13, 2000, at the Floyd County Fiscal Courtroom, located on the Second Floor of the Floyd County Courthouse at 149 South Central Avenue, Suite 9, Prestonsburg, Kentucky. Any corporation, association, body politic, customer or resident of either water district, or any other person may protest the proposed action by filing objections and exceptions at the Office of the Floyd County Judge/Executive within thirty (30) days from February 9, 2000, the date of the publication of these Notices.


Interested parties may obtain a copy of the Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger by contacting Mud Creek Water District at P.O.

Box 51, Kentucky Route 979, Grethel, Kentucky 41631; Telephone # (606) 587-2455 or Beaver Elkhorn Water District at P.O. Box 769, Kentucky Route 3188, Martin Kentucky 41649; Telephone # (606) 285-3856 or the Office of the Floyd County Judge/Executive, 149 South Central Avenue, Suite 9, Prestonsburg, Kentucky 41563; Telephone # (606) 886-9193. A copy of the Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger is also available for public inspection at the offices of Mud Creek Water District, Beaver Elkhorn Water District and the Office of the Floyd County Judge/Executive.

AFFIDAVIT OF PUBLICATION

I, Ralph B Davis III, after first being duly sworn, hereby certify that I am the Managing editor of THE FLOYD COUNTY TIMES, a newspaper of general circulation published in Prestonsburg, Floyd County, Kentucky. I certify that the attached copy is a Legal Notice that was published as an advertisement in the February 23, 2000 edition of THE FLOYD COUNTY TIMES.

IN TESTIMONY WHEREOF, witness my signature this 14 day of March, 2000.



COMMONWEALTH OF KENTUCKY
COUNTY OF Floyd

I, Anita Thornsbury, a Notary Public in and for the State and County aforesaid, do hereby certify that the foregoing Affidavit of Publication was duly signed and acknowledged before me by Ralph Davis III, Managing Editor of THE FLOYD COUNTY TIMES, a Kentucky corporation, on behalf of said corporation.

This 14th day of March, 2000.

Anita Thornsbury
NOTARY PUBLIC, State at Large
My Commission Expires: 08-11-00

**NOTICE IF FILING
OF PETITION AND
NOTICE OF
HEARING TO
CUSTOMERS &
RESIDENTS OF
MUD CREEK
WATER DISTRICT
AND BEAVER
ELKHORN WATER
DISTRICT**

Notice is hereby given that Mud Creek Water District and Beaver

Elkhorn Water District have filed a Joint Petition To Annex Territory, Joint Petition to Change Territorial Boundaries & Joint Petition to Approve Merger with the Office of the Floyd County Judge/Executive, pursuant to KRS 74.110, seeking approval from the County Judge/Executive for the proposed merger of Mud Creek Water District and Beaver Elkhorn Water District to form the Southern Water and Sewer District. To accomplish the proposed merger, the County Judge/Executive must conduct a hearing to determine whether the combination of the existing boundaries of Mud Creek Water District and Beaver Elkhorn Water District, thereby changing the territorial limits of these districts to form the Southern Water and Sewer District, is reasonably necessary.

The Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger was filed with the Office of the Floyd County Judge/Executive on January 27, 2000. The hearing regarding the Joint Petition To

Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger will be held at 11:00 a.m. on March 13, 2000, at the Floyd County Fiscal Courtroom, located on the Second Floor of the Floyd County Courthouse at 149 South Central Avenue, Suite 9, Prestonsburg, Kentucky. Any corpora-

tion, association, body politic, customer or resident of either water district, or any other person may protest the proposed action by filing objections and exceptions at the Office of the Floyd County Judge/Executive within thirty days from February 9, 2000, the date of the first publication of this Notice.

Interested parties may obtain a copy of the Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger by contacting Mud Creek Water District at P.O. Box 51, Kentucky Route 979, Grethel, Kentucky 41631; Telephone # (606) 587-2455 or Beaver Elkhorn Water District at P.O. Box 769, Kentucky Route 3188, Martin Kentucky 41649; Telephone #(606) 285-3856 or the Office of the Floyd County Judge/Executive, 149 South Central Avenue, Suite 9, Prestonsburg, Kentucky 41653; Telephone #(606)

886-9193. A copy of the Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger is also available for public inspection at the offices of Mud Creek Water District, Beaver Elkhorn Water District and the Office of the Floyd County Judge/Executive.

Exhibit 4. Joint Petition For Approval of Merger Agreement, filed September 17, 1999,
and additional Response, filed November 22, 1999, with the Kentucky Public
Service Commission

RECEIVED

SEP 13 1999

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:)
MUD CREEK WATER DISTRICT)
and)
BEAVER ELKHORN WATER DISTRICT)

I CERTIFY THAT THIS
IS A TRUE COPY OF
THE ORIGINAL

Susan Hutcherson 9/14/99
PUBLIC SERVICE COMMISSION

JOINT PETITION FOR APPROVAL OF MERGER AGREEMENT

CASE No. 99-375

The Mud Creek Water District (hereinafter referred to as "Mud Creek") and the Beaver Elkhorn Water District (hereinafter referred to as "Beaver Elkhorn"), by and through their respective chairpersons, petition the Public Service Commission, as a requisite of KRS 74.363, for approval of a Merger Agreement entered into between the parties on August 26, 1999. This Petition is filed pursuant to KRS 278.020(4), KRS 278.080 and 807 KAR 5:001, Section 10. As grounds for approval of the proposed merger, the Joint Petitioners state:

1. Mud Creek is a public utility organized and existing under Chapter 74 of the laws of the Commonwealth of Kentucky

and is regulated by Chapter 278 of the Kentucky Revised Statutes. Mud Creek provides water at retail rates to approximately One Thousand One (1001) customers located in Floyd County, Kentucky. Mud Creek purchases treated water for distribution from the City of Pikeville pursuant to a Water Purchase Agreement entered into on January 23, 1987, as amended on June 17, 1991. The mailing address for Mud Creek is P. O. Box 51, Grethel, Kentucky 41631; the physical address is 96 Kentucky Route 979, Grethel, Kentucky.

2. Beaver Elkhorn is a public utility organized and existing under Chapter 74 of the laws of the Commonwealth of Kentucky and is regulated by Chapter 278 of the Kentucky Revised Statutes. Beaver Elkhorn withdraws water from the Levisa Fork of the Big Sandy River, treats water at its 2.0 mgd plant at Allen, Kentucky and distributes water to approximately Two Thousand Four Hundred Twenty-Eight (2428) retail customers located in Floyd County and Knott County, Kentucky. Beaver Elkhorn also sells treated water at an approved wholesale rate to the City of Hindman, in Knott County, pursuant to a Water Purchase Contract, dated May 7, 1976, as well as to the City of Wheelwright, in Floyd County. The mailing address for Beaver Elkhorn is Post Office Box 769, Martin, Kentucky 41649; the physical address is 96 Kentucky Route 3188, Langley, Kentucky.

3. On August 26, 1999, Mud Creek and Beaver Elkhorn entered into and executed a Merger Agreement which seeks to incorporate both districts into a newly created district to be known as Southern Water and Sewer District. A copy of the Merger Agreement is attached as Exhibit A and is adopted and incorporated by reference herein as if fully set out in this Petition.

4. Mud Creek and Beaver Elkhorn are authorized, conditioned on approval of the Commission and upon the execution of an order by the Floyd County Judge Executive, to join together in this manner pursuant to the provisions of the Kentucky Revised Statutes. The new Southern Water and Sewer District will possess, through pooled resources, "the financial, technical, and managerial abilities to provide reasonable service." Pursuant to the Merger Agreement, the existing employees of both Mud Creek and Beaver Elkhorn will become employees of Southern Water and Sewer District. The Southern Water and Sewer District will maintain the utility service currently being rendered by Mud Creek and Beaver Elkhorn. Consequent upon and subsequent to the merger, the Southern Water and Sewer District will be more easily capable of responding to service requests along existing lines as well as installing new service mains in a more timely basis.

5. Excerpts of regular meeting minutes from both the Mud Creek and the Beaver Elkhorn Boards of Commissioners wherein the proposed merger was considered and approved, together with excerpts of a special joint meeting of the Boards approving the proposed action and authorizing the respective chairpersons to execute this Petition, as well as copies of the necessary resolutions, are attached to and made part of this Petition as Collective Exhibit B.

6. The Boards of Commissioners of Mud Creek and Beaver Elkhorn deem the decision to enter into the Merger Agreement to be reasonable, prudent, and in the best interests of their respective water customers. The Boards of Commissioners are prompted to this action by their commitment to good stewardship of public resources and find the merger to be fully warranted for the following reasons:

- a. Periodic financial stress which threatens quality of service and long term fiscal viability as experienced by both districts will be alleviated as a result of the merger;
- b. The utilities are adjacent to each other in Floyd County, Kentucky, and together they serve a major portion of the land mass of the County.

- c. Taking such action will enable the successor Southern Water and Sewer District to better plan and implement large scale water extension projects and to initiate planning and development of sewer services heretofore unavailable in portions of the service area.
- d. The current employees of Mud Creek and Beaver Elkhorn have developed utility expertise over the course of a period of years so that Southern Water and Sewer District will have the necessary expertise and the requisite number of employees with which to successfully operate and maintain the merged system.
- e. Merger will consolidate two of the five regulated water utilities in Floyd County resulting in certain economies of scale relating both to operations and management, thus, directly benefiting the consumers connected to the system; and
- f. The Southern Water and Sewer District will assume all the assets and liabilities of both Mud Creek and Beaver Elkhorn.

7. The principal bond holder of Beaver Elkhorn's long term debt is the Kentucky Infrastructure Authority. The Authority has been notified of the proposed Merger Agreement and the consent of the Authority to the assignment of the bonded indebtedness from Beaver Elkhorn to the Southern Water and Sewer District is anticipated. Such approval will be filed with the Commission upon receipt.

8. The current retail rates of both Mud Creek as well as those of Beaver Elkhorn are not proposed to be changed from those currently being charged by each respective district. A copy of these rates are attached to this Petition as Exhibit C.

9. A general description of Mud Creek's property to be transferred to Southern Water and Sewer District, as contained in the Annual Report of the Mud Creek Water District for the Year Ended December 31, 1998, is attached hereto as Exhibit D and included herein by reference as if fully set out in this Petition.

10. A general description of Beaver Elkhorn's property to be transferred to Southern Water and Sewer District, as contained in the Annual Report of the Beaver-Elkhorn Water District for the Year Ended December 31, 1998, is attached hereto as Exhibit E and included herein by reference as if fully set out in this Petition.

11. Notice to the public and customers of Mud Creek and Beaver Elkhorn will be published once on September 17, 1999 in a newspaper of general circulation in Floyd County, Kentucky (the service area of the two water districts), and will be published twice more after the filing of this Petition for Approval of Merger Agreement, if such notice is deemed necessary by the Commission. Verification of publication will be presented to the Commission in a timely manner.

WHEREFORE, the Joint Petitioners pray for an Order from this Commission:

1. Expediting the Commission's decision regarding this Petition for Approval of Merger Agreement.
2. Approving the Merger Agreement entered into between Mud Creek and Beaver Elkhorn on August 26, 1999.
3. Awarding such other relief as the Commission may believe the Joint Petitioners, or either of them, to be entitled.

Respectfully submitted, this 10th day of September, 1999.

Eula Hall

EULA HALL, Chairperson

Mud Creek Water District
P.O. 51
Kentucky Route 979
Grethel, Kentucky 41631

Hubert Halbert

HUBERT HALBERT, Chairperson

Beaver Elkhorn Water District
P.O. 769
Kentucky Route 3188
Martin, Kentucky 41649

MERGER AGREEMENT

THIS MERGER AGREEMENT, made and entered into this 26th day of August 1999, by and between the Mud Creek Water District (Mud Creek), P.O. Box 69, 7490 KY Route 979, Grethel, KY 41631 and the Beaver Elkhorn Water District (Beaver Elkhorn), P.O. Box 769, KY Route 3188, Martin, KY 41649;

WITNESSETH:

THAT WHEREAS, the Mud Creek Water District and the Beaver Elkhorn Water District are duly organized water districts pursuant to Chapter 74 of the Kentucky Revised Statutes which operate adjacent to each other in Floyd County, Kentucky, and

WHEREAS, the water districts have determined that merger of the two systems will produce economies of scale, lower operating costs, allow for more timely and more extensive expansions of service, and stabilize retail water rates, and

WHEREAS, merger of the two water districts is deemed to be in the best interests of the customers of the respective districts and in the general public interest:

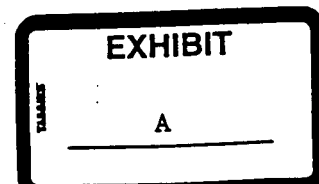
NOW, THEREFORE, in consideration of the above-stated findings, and the mutual covenants and agreements set forth below, and pursuant to the authority vested in Mud Creek Water District and Beaver Elkhorn Water District by KRS 74.363, the parties agree as follows:

1. **Merger.** Subject to and conditioned upon the approval of the Kentucky Public Service Commission and the order of the Floyd County Judge Executive, the Mud Creek Water District and the Beaver Elkhorn Water District mutually agree to merge into and become the Southern Water and Sewer District. The distribution system and appurtenances thereto formally known as the Mud Creek Water District will be designated as the Southern Water and Sewer District – Division 1, while the water treatment plant, distribution system and appurtenances thereto formally known as the Beaver Elkhorn Water District will be designated as the Southern Water and Sewer District – Division 2

2. **Assets and Liabilities.** All assets and liabilities of the Mud Creek Water District and those of the Beaver Elkhorn Water District presently known or which may be subsequently revealed shall be transferred to and become the assets and liabilities of the Southern Water and Sewer District.

3. **Customers and Retail Rates.** All of Mud Creek's current customers shall be transferred to and become customers of the Southern Water and Sewer District and these customers shall pay those retail rates and tariffs as are established by the Mud Creek Water District and approved by the Public Service Commission. All of Beaver Elkhorn's current customers shall be transferred to and become customers of the Southern Water and Sewer District and shall pay those retail rates and tariffs as are established by the Beaver Elkhorn Water District and approved by the Public Service Commission.

4. **Notice.** Notice of this Merger Agreement shall be given to the public generally and customers of both the Mud Creek Water District and the Beaver Elkhorn Water District on or before September 5, 1999, pursuant to the provisions of Chapter 424 of the Kentucky Revised Statutes and administrative regulation 807 KAR 5:006, Section 8.



5. Mud Creek Water District's Obligations:

Upon approval by the Kentucky Public Service Commission and upon execution of the order by the Floyd County Judge Executive to create the Southern Water and Sewer District, the Mud Creek Water District agrees within thirty (30) days thereafter:

- a. To pay and satisfy, to the extent possible, all outstanding accounts payable and other short-term debts and/or obligations which are due or which will become due within that 30-day period;
- b. To transfer the employment of its existing employees, who are employed as of the date of this agreement, and their associated benefits, to the Southern Water and Sewer District;
- c. To transfer, deliver and assign to the Southern Water and Sewer District all of Mud Creek's existing real and personal property, motor vehicles, inventories of supplies and repair materials, equipment, tools, system engineering reports and maps, contract and other legal documents and related rights, as well as all bank accounts and related financial information and records;
- d. To execute such documents as may be necessary to effectuate transfer of both the assets and liabilities of the Mud Creek Water District to the Southern Water and Sewer District; and
- e. To operate the Mud Creek Water District in a reasonable, prudent and economic manner from the date of this agreement until the effective date of the creation of the Southern Water and Sewer District as set out in the order of the Floyd County Judge Executive.

6. Beaver Elkhorn Water District's Obligations:

Upon approval by the Kentucky Public Service Commission and upon execution of the order by the Floyd County Judge Executive to create the Southern Water and Sewer District, the Beaver Elkhorn Water District agrees within thirty (30) days thereafter:

- a. To pay and satisfy, to the extent possible, all outstanding accounts payable and other short-term debts and/or obligations which are due or which will become due within that 30-day period;
- b. To transfer the employment of its existing employees, who are employed as of the date of this agreement, and their associated benefits, to the Southern Water and Sewer District;
- c. To transfer, deliver and assign to the Southern Water and Sewer District all of Beaver Elkhorn's existing real and personal property, motor vehicles, inventories of supplies and repair materials, equipment, tools, system engineering reports and maps, contract and other legal documents and related rights, as well as all bank accounts and related financial information and records;
- d. To execute such documents as may be necessary to effectuate transfer of both the assets and liabilities of the Beaver Elkhorn Water District to the Southern Water and Sewer District; and
- e. To operate the Beaver Elkhorn Water District in a reasonable, prudent and economic manner from the date of this agreement until the effective date of the creation of the Southern Water and Sewer District as set out in the order of the Floyd County Judge Executive.

7. Southern Water and Sewer District's Obligations:

Upon approval by the Kentucky Public Service Commission and upon the execution of the order establishing the Southern Water and Sewer District by the Floyd County Judge Executive, the Southern Water and Sewer District agrees within thirty (30) days thereafter:

- a. To establish for accounting purposes a Southern Water and Sewer District – Division 1 and Southern Water and Sewer District – Division 2, affecting Mud Creek and Beaver Elkhorn respectively;
- b. To accept, own, maintain, and manage all of the real and personal existing property, system engineering reports and maps, bank accounts, other assets and the liabilities of the Mud Creek Water District and to accept, own, maintain, and manage all of the real and personal existing property, system engineering reports and maps, bank accounts, other assets and liabilities of the Beaver Elkhorn Water District;
- c. To accept in the employ of Southern Water and Sewer District all of the former employees of the Mud Creek Water District, and to assign to and account for their associated wages and costs to the Southern

Water and Sewer District – Division 1; and, to accept in the employ of Southern Water and Sewer District all of the former employees of the Beaver Elkhorn Water District, and to assign to and account for their associated wages and costs to the Southern Water and Sewer District – Division 2;

d. To accept the financial responsibility for and/or all vendor / short-term indebtedness currently held in the name of the Mud Creek Water District and to pay such indebtedness from revenues generated by the Southern Water and Sewer District – Division 1 and to accept the financial responsibility for and/or all vendor / short-term indebtedness currently held in the name of the Beaver Elkhorn Water District and to pay such indebtedness from revenues generated by the Southern Water and Sewer District – Division 2;

e. To execute such documents as may be necessary to effectuate transfer of both the assets and liabilities of the Mud Creek Water District and the Beaver Elkhorn Water District to the Southern Water and Sewer District.

8. Effective Date. The effective date for the existence of the Southern Water and Sewer District shall be follow approval of the merger by the Kentucky Public Service Commission and the order of the Floyd County Judge Executive, anticipated to be within 30 days from the execution of the order. Upon such creation and the seating of commissioners, the Kentucky Public Service Commission shall be notified and public notification shall be made in the legal newspaper of Floyd County.

9. Retail Water Rates. Under this Merger Agreement, the retail water rates for existing customers of the Mud Creek Water District and the Beaver Elkhorn Water District shall remain the same as existing retail rates and tariffs as are currently established by the respective districts and approved by the Kentucky Public Service Commission. Any refunds for service or other similar action initiated by or for customers of Mud Creek (Division 1) or by or for Beaver Elkhorn (Division 2) occurring during the process of merging the systems shall be processed by Southern Water and Sewer District in a timely manner pursuant to Public Service Commission directive.

10. Representations and Warranties. The Mud Creek Water District and the Beaver Elkhorn Water District represent, warrant, and pledge that to their best current knowledge and full intent:

a. That the existing system records, engineering reports and related mapping are accurate and complete.

b. That all current assets and liabilities of the Mud Creek Water District will be accurately listed and submitted to the Floyd County Judge Executive on or before August 30th and shall become Attachment 1-A to this document and that the current assets and liabilities of the Beaver Elkhorn Water District will be accurately listed and submitted to the Floyd County Judge Executive on or before August 30th and shall become Attachment 1-B to this document.

c. That a majority of the membership of the Board of Commissioners of the Mud Creek Water District has approved this Merger Agreement as shown through excerpts of meeting minutes which shall be submitted to the Floyd County Judge Executive on or before August 30th and shall become Attachment 2-A to this document and that a majority of the membership of the Board of Commissioners of the Beaver Elkhorn Water District has approved this Merger Agreement as shown through excerpts of meeting minutes which shall be submitted to the Floyd County Judge Executive on or before August 30th and shall become Attachment 2-B to this document

11. Termination. Either water district shall have the right to terminate this Merger Agreement if the Kentucky Public Service Commission disapproves the Agreement or materially alters its terms and/or if the Floyd County Judge Executive fails to order such merger.

12. Board of Commissioners. Upon approval of this Merger Agreement, the Southern Water and Sewer District shall be governed by a Board of Commissioners, the composition of which shall comply with the statutes of the Commonwealth of Kentucky.

13. **Merger Expenses.** All of the expenses specifically relating to the merger shall be paid by the parties of this agreement jointly.

Executed this 20th day of August, 1999.

Eula Hall
Eula Hall
Chairperson, Mud Creek Water District

Hubert Halbert
Hubert Halbert
Chairman, Beaver Elkhorn Water District

Attest:

[Signature]
(Name)

Aug 26, 1999
(Date)

**Boards of Commissioners
Mud Creek Water District & Beaver Elkhorn Water District
Floyd County, KY**

August 26, 1999

Whereas, a joint meeting between the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District was held on this date for the purpose of reviewing, discussing, voting and acting upon a Merger Agreement, with the intent and purpose to merge the Mud Creek Water District and the Beaver Elkhorn Water District to form the Southern Water and Sewer District, as previously approved by the independent boards; and

Whereas, as of this date, the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District have independently authorized their chairmen to sign a merger agreement formally authorizing the merger of the Mud Creek Water District with the Beaver Elkhorn Water District to form the Southern Water and Sewer District; and

Whereas, the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District believe it is within the best interests of their respective customers and the public generally;

Now, therefore, on a motion by Hubert Halbert and seconded by Eula Hall, the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District do hereby jointly authorize the development of a Joint Petition for Approval of Merger Agreement and do hereby authorize their chairmen to sign the petition and any and/or all additional documentation related thereto.

Approved: Eula Hall Disapproved: _____
Hubert Halbert _____
Dary A. Newman _____
Loring Hall _____

Absent: Paula Johnson _____
Ernie Lawson _____

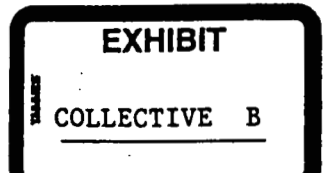
Passed by the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District, this 26th day of August, 1999.

Approved By:
Eula Hall
Eula Hall, Chairman
Mud Creek Water District

Approved By:
Hubert Halbert
Hubert Halbert, Chairman
Beaver Elkhorn Water District

ATTEST:
[Signature]
(Name)

Aug 26, 1999
(Date)



Board of Commissioners
Mud Creek Water District
Floyd County, KY

August 26 1999

Whereas, by previous vote, the Board of Commissioners of the Mud Creek Water District has agreed to merge the Mud Creek Water District with the Beaver Elkhorn Water District to form the Southern Water and Sewer District; and

Whereas, as of this date, the Board of Commissioners of the Mud Creek Water District has authorized its chairman to sign a merger agreement formally authorizing the merger of the Mud Creek Water District with the Beaver Elkhorn Water District to form the Southern Water and Sewer District; and

Whereas, the Board of Commissioners of the Mud Creek Water District believes it is within the best interests of their respective customers and the public generally;

Now, therefore, on a motion by Gary Newman and seconded by Eula Hall, the Board of Commissioners of the Mud Creek Water District does hereby authorize the development of a Joint Petition for Approval of Merger Agreement and does hereby authorize the chairman of the Mud Creek Water District to sign the petition and any and/or all additional documentation related thereto.

Approved: Eula Hall Disapproved: _____
Gary A. Newman _____

Absent: Emmitt Lawson

Passed by the Board of Commissioners of the Mud Creek Water District, this 26th day of August, 1999.

Approved By:

Eula Hall
Eula Hall, Chairman
Mud Creek Water District

ATTEST:

[Signature]
(Name)

Aug 26, 1999
(Date)

Board of Commissioners
Beaver Elkhorn Water District
Floyd County, KY

8 26 1999

Whereas, by previous vote, the Board of Commissioners of the Beaver Elkhorn Water District has agreed to merge the Beaver Elkhorn Water District with the Mud Creek Water District to form the Southern Water and Sewer District; and

Whereas, as of this date, the Board of Commissioners of the Beaver Elkhorn Water District has authorized its chairman to sign a merger agreement formally authorizing the merger of the Beaver Elkhorn Water District with the Mud Creek Water District to form the Southern Water and Sewer District; and

Whereas, the Board of Commissioners of the Beaver Elkhorn Water District believes it is within the best interests of their respective customers and the public generally;

Now, therefore, on a motion by Tommy Hall and seconded by Hubert Halbert, the Board of Commissioners of the Beaver Elkhorn Water District does hereby authorize the development of a Joint Petition for Approval of Merger Agreement and does hereby authorize the chairman of the Beaver Elkhorn Water District to sign the petition and any and/or all additional documentation related thereto.

Approved: Hubert Halbert Disapproved: _____
Tommy Hall _____

Absent: Paula Johnson

Passed by the Board of Commissioners of the Beaver Elkhorn Water District, this 26 day of August, 1999.

Approved By:

Hubert Halbert
Hubert Halbert, Chairman
Beaver Elkhorn Water District

ATTEST:

Ruth M'Kernan
(Name)

Aug 26, 1999
(Date)

MUD CREEK WATER DISTRICT

P.O. BOX 069
GRETHEL, KENTUCKY 41631
606-587-2455

DATE: AUGUST 26, 1999

MEETING MINUTES:

PRESENT:	PAUL HUNT THOMPSON	FLOYD CO. JUDGE EXT.
	EULA HALL	M.C.W.D. CHAIRMAN
	GARY NEWMAN	M.C.W.D. COMMISSIONER
	HUBERT HALBERT	B.E.W.D. CHAIRMAN
	TOMMY HALL	B.E.W.D. COMMISSIONER
	BRETT DAVIS	ASST. CO JUDGE EXT
	DEAN HALL	M.C.W.D. DISTRICT MANAGER
	PATTY MCKINNEY	M.C.W.D. OFFICE MANAGER

Beaver Elkhorn Water District chairman Hubert Halbert made a motion to call the meeting to order for Beaver Elkhorn Water District and Tommy Hall seconded the motion.

Mud Creek Water District chairman Eula Hall made a motion to call the meeting to order for the Mud Creek Water District and Gary Newman seconded the motion.

This is a special meeting between the Boards of commissioners of the Beaver Elkhorn Water District and the Mud Creek Water District for the purpose of voting and acting upon a Merger Agreement, with the intent and purpose to merge the Beaver Elkhorn Water District and the Mud Creek Water District to form Southern Water and Sewer District, as previously approved by the independent boards.

On a motion made by Tommy Hall and seconded by Hubert Halbert, the Board of Commissioners of the Beaver Elkhorn Water District does hereby authorize the development of a joint Merger, to form the Southern Water and Sewer District.

On a motion made by Gary Newman and seconded by Eula Hall, the Board of Commissioners of the Mud Creek Water District does hereby authorize the development of a joint merger, to form the Southern Water and Sewer District.

The Board of Commissioners of the Beaver Elkhorn Water District and the Mud Creek Water District believe it is

within the best interest of their customers to merge the two districts.

On a motion by Hubert Halbert and seconded by Eula Hall, the Boards of commissioners of the Beaver Elkhorn Water District and the Mud Creek Water District do hereby jointly authorize the development of a joint petition for Approval of a Merger Agreement and do hereby authorize their chairmen to sign the petition and any additional documentation.

Being no further business the meeting was adjourned.

BEAVER ELKHORN WATER DISTRICT
REGULAR MEETING AUG. 11, 1999

PRESENT

Maribeth Allen - Secretary
James Patton - Employee
Billy Ray - Employee
Paula Johnson - Comm.
Gary Blankenship - Employee
Marilyn Tackett - Customer

Donna Murray - Clerk
Shanon Newsome - Employee
Hubert Halbert - Chairman
Bob Hackworth - Supt.
Brad Tackett - Employee
Tommy Hall - Comm.

1. Hubert Halbert called the meeting to order at 5:00.
2. Paula Johnson made the motion to accept the minutes of June and July meetings. Hubert Halbert stepped down and seconded.
3. Paula Johnson made the motion to approve financial statements of April, May and June. Hubert Halbert stepped down and seconded.
4. Paula Johnson made the motion to merge Beaver Elkhorn Water Dist. with Mud Creek Water Dist. Hubert Halbert stepped down and seconded.
5. Paula Johnson made the motion to hire East Ky. Water to dig the water line at Pitts Fork at \$2.00 per foot. Tommy Hall seconded.
6. Paula Johnson made the motion to hire Shannon Newsome and Brad Tackett as full time employees on six months probation period. Tommy Hall seconded.
7. Paula Johnson made the motion to contact BC /BS concerning the waiting period for new employees. Tommy Hall seconded.
8. Paula Johnson made the motion to get uniforms for Brad and Shannon. Tommy Hall seconded.
9. Paula Johnson made the motion to adjourn. Tommy Hall seconded.


Hubert Halbert, Chairman

I certify that the above is a true and accurate recording of the Beaver Elkhorn Water District meeting held Aug. 11, 1999 at the office in Martin, Ky.


Maribeth Allen, Secretary

MEETING MINUTES

PRESENT:	EULA HALL	[CHAIRMAN]
	EMMITT LAWSON	[COMMISSIONER]
	GARY NEWMAN	[COMMISSIONER]
	PAUL HUNT THOMPSON	[FLOYD CO. JUDGE EXECUTIVE]
	DEAN HALL	[DISTRICT MANAGER]
	PATTY MCKINNEY	[OFFICE CLERK]
	JAMIE MCKINNEY	[FIELD EMPLOYEE]
	REECE SALYER	[FIELD EMPLOYEE]

Meeting call to order by Mrs. Hall, seconded by Mr. Newman.

Mr. Thompson called this meeting today to discuss the possible merger with Beaver Elkhorn Water District.

Mr. Thompson explained to the commission that he was told that there would be no further grants of any kind for small water districts in the area, and without these funds we would not be able to supply water to customers who are in need of water service, and he felt it would be to the advantage of Mud Creek and Beaver Elkhorn to merge into the Southern Water District. Mrs. Hall ask Mr. Thompson what kind of equipment did their water district have? Also what kind of advantages could they give us? Mr. Thompson explained that they had a backhoe and other equipment like the ones your district have, and your water loss is the same, But they also have a water treatment plant which could serve Mud Creek as well as there district. Mr. Thompson then stated that after the two districts merge their would be grants available to improve both districts and supply water service to many more customers and he felt that the district could be a benefit to each other. Mrs. Hall then explained to Mr. Thompson that Mud Creek Water District has come a long way in the past few years and she gives credit to the staff and its management. Mrs. Hall also stated that she, Mr. Lawson, and Mr. Newman would not want it to be said that they stood in the way of anyone receiving water service, and if this merger would help

the people in this area she would not stand in the way. She then explained that she had heard rumors that our employees would be fired and we would no longer have our board members. Mr. Thompson then stated that those rumors did not come from him, and he assured the board that no one would be fired and we may need to employ more staff in the future and our board members would be working with Beaver Elkhorn's board members to upgrade both systems. Mr. Hall ask what would be the name of the new district and where would the office be located. Mr. Thompson explained that the decision of where the location of the new utility would be up for discussion by the board member's and the name of the new utility would be Southern District. Mr. Newman made the motion to merge with Beaver Elkhorn Water District into the new Southern Water District, and it was seconded by Mrs. Hall.

REGULAR MONTHLY MEETING
JUNE 16, 1999

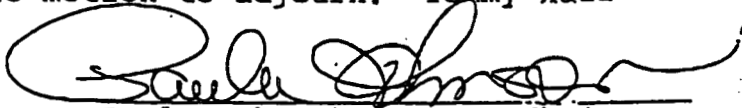
Present	Paula Johnson	Chairman
	Tommy Hall	Commissioner
	Maribeth Allen	Secretary
	Bob Hackworth	Supt.
	Willie Elliott	Floyd Co. Times
	Charles Byers	Summit Eng.
	Eddie Patton	Administrative
		Assistant to Co. Judge
	Paul Thompson	Floyd Co. Judge Exec.

Due to the absence of Hubert Halbert, Paula Johnson will be acting Chairman for this meeting.

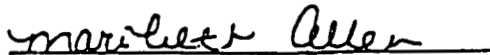
1. Paula Johnson called the meeting to order at 4:30 p.m.
2. Tommy Hall made the motion to accept the minutes for the last meeting as printed. Paula Johnson stepped down and seconded.
3. Tommy Hall made the motion to approve a .70¢ per hour raise for the employees. Paula Johnson stepped down and seconded.
4. Hubert Halbert made the motion for Beaver Elkhorn Water to join the 4 county water system. Paula Johnson stepped down and seconded.
5. Hubert Halbert on the recommendation of the Floyd County Utilities Board and Hal Rogers Office made the motion to offer to merge with Mud Creek Water for mutual benefits for both districts. Paula Johnson stepped down and seconded.

****Comm. went into executive session****

6. Hubert-Halbert made the motion to change the comp time policy to give the employee who has the pager \$15.00 per day, and to terminate the comp days. Tommy Hall seconded.
7. Hubert Halbert made the motion to hire Brad Tackett and Shannon Newsome as part time workers. Tommy Hall seconded.
8. Hubert Halbert made the motion to put Billy Ray on six month probation period. Tommy Hall seconded.
9. Hubert Halbert made the motion to adjourn. Tommy Hall seconded.


Paula Johnson, Acting Chairman

I certify that the above is a true and accurate recording of the Beaver Elkhorn Water District meeting held 6/16/99 at the office in Martin, Ky.


Maribeth Allen, Secretary

P.S.C. NO. 3

2nd Revised SHEET NO. 1

CANCELING P.S.C. NO. 2

1st Revised SHEET NO. 1

Mud Creek Water District
Name of Issuing Corporation

CLASSIFICATION OF SERVICE

	RATE PER UNIT
The following rates are changed:	
First 2,000 gallons (minimum bill)	\$11.54
All over 2,000 gallons (per additional 1,000 gallons)	\$ 4.27
<p>PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE</p> <p>JUL 1 1991</p> <p>PURSUANT TO 807 KAR 5:011. SECTION 9 (1)</p> <p>BY: <u>[Signature]</u> PUBLIC SERVICE COMMISSION MANAGER</p>	

DATE OF ISSUE June 4, 1991

DATE EFFECTIVE July 1, 1991

ISSUED BY [Signature]
Name of Officer

TITLE [Signature]

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No. 91-178 dated June 21, 1991

EXHIBIT
TRAVERSE
COLLECTIVE C

FOR _____ Community, Town or City

P.S.C. NO. 4

SHEET NO. 1

CANCELLING P.S.C. NO. 3

SHEET NO. 1

Beaver-Elkhorn Water District
Name of Issuing Corporation

CLASSIFICATION OF SERVICE

	RATE PER UNIT
<u>RATE SCHEDULE:</u> Applicable in all territory served by Company.	
<u>AVAILABILITY OF SERVICE:</u> For all residential and commercial purposes.	
<u>MONTHLY RATES</u>	
First 1,000 gallons	\$14.10 (1)
Next 19,000 gallons per 1,000 gallons	2.94 (1)
Next 80,000 gallons per 1,000 gallons	2.57 (1)
Over 100,000 gallons per 1,000 gallons	2.00 (1)
<u>MINIMUM BILL</u>	\$14.10 (1)
<u>WHOLESALE RATE</u>	
\$2.00 per 1,000 gallons	
PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE JAN 07 1996 PURSUANT TO 807 KAR 5011. SECTION 9(1) PURSUANT TO 807 KAR 5011. SECTION 9(1) BY: <u>Jordan C. Neal</u> FOR THE PUBLIC SERVICE COMMISSION BY: <u>Jordan C. Neal</u> FOR THE PUBLIC SERVICE COMMISSION	

DATE OF ISSUE January 19, 1996

DATE EFFECTIVE January 1, 1996

ISSUED BY [Signature]
Name of Officer

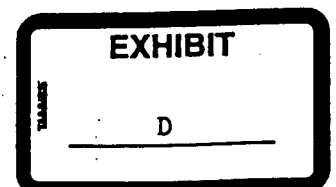
TITLE Chairman

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 95-200 dated January 19, 1996

CLASS "A & B"
WATER DISTRICTS & ASSOCIATIONS
ANNUAL REPORT
OF

Mud Creek Water District
Exact Legal Name of Respondent

For the
YEAR ENDED DECEMBER 31, 19 98



REPORT OF GROSS OPERATING REVENUES DERIVED FROM INTRA-KENTUCKY
BUSINESS FOR THE YEAR ENDING DECEMBER 31, 1998

Mud Creek Water District
(Utility Reporting)

P.O. Box 051 Grethel, KY 41631
(Address)

(DO NOT INCLUDE TAXES COLLECTED)

- (1) Gross Revenues of Electric Utility.....\$ _____
- (2) Gross Revenues of Gas Utility.....\$ _____
- (3) Gross Revenues of Radio-Telephone Utility.....\$ _____
- (4) Gross Revenues of Cellular Telephone Utility...\$ _____
- (5) Gross Revenues of Telephone Utility.....\$ _____
- (6) Gross Revenues of Water Utility.....\$ _____ 325,446
- (7) Gross Revenues of Sewer Utility.....\$ _____
- (8) Other Operating Revenues.....\$ _____
- *** TOTAL GROSS REVENUES.....\$ _____ 325,446

O A T H

State of...Kentucky.....)

) ss.

County of...Floyd.....)

Eula Hall being duly sworn, states that he/she
(Officer)

is Chairperson of the Mud Creek Water District
(Official Title) (Utility Reporting)

that the above report of gross revenues is in exact accordance with the books of accounts of:

Mud Creek Water District, and that such books
(Utility Reporting)

accurately show the gross revenues of:

Mud Creek Water District, derived from Intra-Kentucky
(Utility Reporting)

business for the year ending December 31, 1998

(Officer) (Title)

This the _____ day of March, 1999

(Notary Public) (County)

My Commission expires _____

NOTE: ANY DIFFERENCE BETWEEN THE AMOUNT OF THE GROSS REVENUES SHOWN IN THE ANNUAL REPORT AND THE AMOUNT APPEARING ON THIS STATEMENT MUST BE RECONCILED ON THE REVERSE SIDE OF THIS REPORT

**CHECKLIST FOR THE ANNUAL REPORT
FOR A AND B WATER DISTRICTS AND WATER ASSOCIATIONS
TO BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT**

<u>Page No.</u>	<u>Account No.</u>	<u>Page No.</u>	Yes	NO	<u>If No, Explain Why</u>
-6	The identification pages have been completed.				
7	101-106	13	X		Total 101-106
7	108-110	14	X		Total 301-348 Cols c & h
7	114-115	15	X		Net Balance 114-115
7	123	16	X		Total 123
7	124	16	X		Total 124
7	125	16	X		Total 125
7	126-127	16	X		Total 126-127
7	141-144	17	X		Net Balance 141-144
7	151-153	18	X		Total 151-153
7	162	18	X		Total 162
8	181	19	X		Total 181
8	182	20	X		Total 182
8	186	19	X		Total 186
9	214-215	23	X		Total 214-215
9	221	22	X		Total Line 10 Col 4
9	221	22	X		Total Col 12
9	224	21	X		Total Col d
9	232	24	X		Total 232

**CHECKLIST FOR THE ANNUAL REPORT
FOR A AND B WATER DISTRICTS AND WATER ASSOCIATIONS
TO BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT**

Acct. No.	Page No.	If No, Explain Why	Yes	No
234	24	Total 234	X	
236	25	Beginning & Ending Balance 236	X	
237	25	Total 237 Cols b & e	X	
242	26	Total 242	X	
251	19	Total 251	X	
252	20	Total 252	X	
271	27	Beginning & Ending Balance 271	X	
400	29	Total Water Operating Rev Col e	X	
401	30	Total 601-675 Col c	X	
406	15	Total Accumulated Amortization 115	X	
408.1	25	Total Taxes Accrued 408.10-408.20	X	
427	25	Total Col c	X	
Net Income	23	Balance Trans. From Inc Col c	X	
101	28	Total Water Plant Col f	X	
The analysis of accumulated depreciation and amortization by primary account has been completed.			X	
186.1	27	Total 186.1 Col c	X	
Schedule of Long-Term Debt has been completed.			X	
Schedule of Bond Maturities has been completed.			X	

**CHECKLIST FOR THE ANNUAL REPORT
FOR A AND B WATER DISTRICTS AND WATER ASSOCIATIONS
TO BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT**

<u>Line No.</u>	<u>Account No.</u>	<u>Page No.</u>	<u>Yes</u>	<u>No</u>	<u>If No, Explain Why</u>
28	The analysis of water utility plant accounts Cols c through k has been completed.		X		
29	Taxes collected (example: school tax, sales tax, franchise tax) have been excluded from Operating Revenue.		X		
29	The analysis of water operating revenue Cols c, d, and e has been completed.		X		
30	The analysis of water utility expense accounts Cols c through k has been completed.		X		
31	Schedule of Pumping and Purchased Water Statistics has been completed.		X		
32	466 Total Gal agrees with 33 Sales for Resale (466)		X		
32	Line 13 agrees with 32 Line 4 Total Produced and Purchased		X		
	Oath page has been completed.		X		

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 1998

1. Amount of Principal Payment during calendar year \$ 10,900
2. Is Principal current? (Yes) X (No) _____
3. Is Interest current? (Yes) X (No) _____
4. Has all long-term debt been approved by the Public Service Commission?
(Yes) _____ (No) _____ PSC Case No. _____

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are the financial statements examined by a Certified Public Accountant? (Yes) _____ (No) X

If yes, which service is performed?

Audit _____

Compilation _____

Review _____

Please enclose a copy of the accountant's report with annual report.

Additional Information Required by Commission Orders

Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments.

Case #	Date of Order	Item/Explanation

Attach additional sheets if more room is needed

MAJOR WATER PROJECTS

Instructions: Provide details about each major water project which is planned but has not yet been submitted for approval to the Public Service Commission. For the limited purpose of this report, a "Major Project" is defined as one which is not in the ordinary course of business, and which will increase your current utility plant by at least 20%.

Brief Project Description (improvement, replacement, building construction, expansion. If expansion, provide the estimated number of new customers):

None

Projected Costs and Funding Sources/Amounts:

Approval Status: (Application for financial assistance filed, but not approved; or application approved, but have not advertised for construction bids)

Location: (community, area or nearby roads)

TABLE OF CONTENTS

FINANCIAL SECTION	Page	WATER OPERATING SECTION	Page
Identification	4-6	Water Utility Plant Accounts	29
Comparative Balance Sheet - Assets and Other Debits	7-8	Water Operating Revenue	30
Comparative Balance Sheet - Equity Capital and Liabilities	9-10	Water Utility Expense Accounts	31
Comparative Operating Statement	11-12	Pumping & Purchased Water Statistics	32
Net Utility Plant	13		
Accumulated Depreciation	13		
Analysis of Accumulated Depreciation by Primary Account	14		
Accumulated Amortization	15		
Utility Plant Acquisition Adjustments	15		
Investments and Special Funds	16		
Accounts and Notes Receivable - Net	17		
Materials and Supplies	18		
Prepayments	18		
Miscellaneous Deferred Debits	18		
Unamortized Debt Discount and Expense and Premium on Debt	19		
Extraordinary Property Losses	19		
Advances for Construction	20		
Long Term Debt	21		
Bonds and Maturities	22		
Statement of Retained Earnings	23		
Notes Payable	24		
Accounts Payable to Associated Co.	24		
Taxes Accrued	25		
Accrued Interest	25		
Misc. Current & Accrued Liabilities	26		
Regulatory Commission Expense - Amortization of Rate Case Expense	26		
Contributions in Aid of Construction	27		
Additions to CIAC Received from Capacity Charges, Main Extension Charges and Customer Connection Charges	27		
Additions to CIAC Received from All Developers or Contractors Agreements	28		

HISTORY

1. Exact name of utility making this report. (Use the words "The", "Company" or "Incorporated" only when a part of the corporate name.)

Mud Creek Water District

2. Give the location including city, street and number, of the executive office.

RT. 979 P.O. Box 051

Grethel, KY 41631

(606) 587-2455

3. Give the location, including street and number, and TELEPHONE NUMBER of the principal office in Kentucky.

Same

4. Name and address of principal officer within Kentucky.

Eula Hall C/O Mud Creek Water District

P.O. Box 051 Grethel, KY 41631

5. Give name, title, address and TELEPHONE NUMBER of the officer to whom correspondence concerning this report should be addressed.

Same

6. Date of organization. March 15, 1971

7. Under the laws of what Government, State or Territory organized? (If more than one, name all. Give reference to each statute and amendments thereof.)

Kentucky

COMPARATIVE BALANCE SHEET - ASSETS AND OTHER DEBITS

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	UTILITY PLANT			
101-106	Utility Plant.....	13	\$ 1,795,255	\$ 1,818,547
108-110	Less: Accumulated Depreciation and Amortization.....	13-15	944,942	1,001,903
	Net Plant.....		\$ 850,313	\$ 816,644
114-115	Utility Plant Acquisition Adjustments (Net).....	15		
116	Other Utility Plant Adjustments.....			
	Total Net Utility Plant.....		\$ 850,313	\$ 816,644
	OTHER PROPERTY AND INVESTMENTS			
121	Nonutility Property.....		\$	\$
122	Less: Accumulated Depreciation and Amortization.....			
	Net Nonutility Property.....		\$	\$
123	Investment in Associated Companies..	16		
124	Utility Investments.....	16		
125	Other Investments.....	16		
126-127	Special Funds.....	16		
	Total Other Property & Investments..		\$	\$
	CURRENT AND ACCRUED ASSETS			
131	Cash.....		\$ 28,685	\$ 35,575
132	Special Deposits.....			
133	Other Special Deposits.....			
134	Working Funds.....			
135	Temporary Cash Investments.....			
141-144	Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts.....	17	30,309	39,047
145	Accounts Receivable from Associated Companies.....			
146	Notes Receivable from Associated Companies.....			
151-153	Materials and Supplies.....	18		
161	Stores Expense.....			
162	Prepayments.....	18	4,794	4,988
171	Accrued Interest and Dividends Receivable.....			
172	Rents Receivable.....			
173	Accrued Utility Revenues.....			
174	Misc. Current and Accrued Assets....			
	Total Current and Accrued Assets....		\$ 63,788	\$ 79,610

COMPARATIVE BALANCE SHEET - ASSETS AND OTHER DEBITS (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	DEFERRED DEBITS			
181	Unamortized Debt Discount & Expense.	19	\$	\$
182	Extraordinary Property Losses.....	19		
183	Preliminary Survey & Investigation Charges.....			
184	Clearing Accounts.....			
185	Temporary Facilities.....			
186	Misc. Deferred Debits.....	18		
187	Research & Development Expenditures.			
	Total Deferred Debits.....		\$	\$
	TOTAL ASSETS AND OTHER DEBITS.....		\$ 914,101	\$ 896,254

NOTES TO THE BALANCE SHEET

The space below is provided for important notes regarding the balance sheet

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
EQUITY CAPITAL				
214-215	Retained Earnings.....	23	\$ (1,256,795)	\$ (1,288,962)
	Total Equity Capital.....		\$ (1,256,795)	\$ (1,288,962)
LONG-TERM DEBT				
221	Bonds.....	22	\$	\$
222	Reacquired Bonds.....			
223	Advances from Associated Companies..			
224	Other Long-Term Debt.....	21		
	Total Long-Term Debt.....		\$	\$
CURRENT AND ACCRUED LIABILITIES				
231	Accounts Payable.....		\$ 271,130	\$ 272,168
232	Notes Payable.....	24	13,905	3,005
233	Accounts Payable to Associated Co...	24		
234	Notes Payable to Associated Co.....	24		
235	Customer Deposits.....		23,163	26,094
236	Accrued Taxes.....	25	1,870	2,005
237	Accrued Interest.....	25		
239	Matured Long-Term Debt.....			
240	Matured Interest.....			
241	Tax Collections Payable.....			
242	Misc. Current & Accrued Liabilities.	26		
	Total Current and Accrued Liabilities.....		\$ 310,068	\$ 303,272
DEFERRED CREDITS				
251	Unamortized Premium on Debt.....	19	\$	\$
252	Advances for Construction.....	20		
253	Other Deferred Credits.....			
	Total Deferred Credits.....		\$	\$
OTHER NON-CURRENT LIABILITIES				
Accumulated Provision For:				
261	Property Insurance		\$	\$
262	Injuries and Damages			
263	Pensions and Benefits			
265	Miscellaneous Operating Reserves ...			
266	Rate Refunds			
	Total Other Non-Current Liabilities.		\$	\$

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	CONTRIBUTIONS IN AID OF CONSTRUCTION			
271	Contributions In Aid of Construction	27-28	\$	\$
	Tap-on Fees - Customers		98,853	114,858
	Federal Grants in Aid of Const. ..		1,751,975	1,757,086
	Other		10,000	10,000
	Total C.I.A.C		\$ 1,860,828	\$ 1,881,944
	TOTAL EQUITY CAPITAL AND LIABILITIES		\$ 914,101	\$ 896,254

COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	UTILITY OPERATING INCOME			
400	Operating Revenues.....	30	\$ 310,744	\$ 325,446
401	Operating Expenses.....	31	\$ 269,757	\$ 291,057
403	Depreciation Expenses.....		55,865	56,961
406	Amortization of Utility Plant Acquisition Adjustment.....			
407	Amortization Expense.....			
408.1	Taxes Other Than Income.....		6,813	7,462
	Utility Operating Expenses.....		\$ 332,435	\$ 355,480
	Utility Operating Income.....		\$ (21,691)	\$ (30,034)
413	Income From Utility Plant Leased to Others.....			
414	Gains (Losses) From Disposition of Utility Property.....			
	Total Utility Operating Income.....		\$ (21,691)	\$ (30,034)
	OTHER INCOME AND DEDUCTIONS			
415	Revenues From Merchandising, Jobbing and Contract Deductions.....		\$	\$
416	Costs and Expenses of Merchandising, Jobbing and Contract Work.....			
419	Interest & Dividend Income.....		492	527
420	Allowance for Funds Used During Construction.....			
421	Nonutility Income.....			
426	Miscellaneous Nonutility Expenses...			
	Total Other Income and Deductions...		\$ 492	\$ 527
	TAXES APPLICABLE TO OTHER INCOME			
408.20	Taxes Other Than Income.....		\$	\$
	Total Taxes Applic. to Other Income.		\$	\$

COMPARATIVE OPERATING STATEMENT (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
INTEREST EXPENSE				
427	Interest Expense.....		\$ 3.801	\$ 2.660
428	Amortization of Debt Discount & Exp.			
429	Amortization of Premium on Debt.....			
	Total Interest Expense.....		\$ 3.801	\$ 2.660
EXTRAORDINARY ITEMS				
433	Extraordinary Income.....		\$	\$
434	Extraordinary Deductions.....			
	Total Extraordinary Items.....		\$	\$
	NET INCOME.....		\$ (25.000)	\$ (32.167)

NET UTILITY PLANT (ACCTS. 101 - 106)

ACCT. NO.	PLANT ACCOUNTS	TOTAL
101	Utility Plant in Service	\$ 1,818.547
102	Utility Plant Leased to Others.....	
103	Property Held for Future Use.....	
104	Utility Plant Purchased of Sold.....	
105	Construction Work in Progress.....	
106	Completed Construction Not Classified.....	
	Total Utility Plant.....	\$ 1,818.547

ACCUMULATED DEPRECIATION (ACCT. 108)

DESCRIPTION	TOTAL
Balance first of year.....	\$ 944.942
Credit during year:	
Accruals Charged to Account 108.1.....	56.961
Accruals Charged to Account 108.2.....	
Accruals Charged to Account 108.3.....	
Accruals Charged to Other Accounts (specify)	

Salvage.....	
Other Credits (specify)	

Total Credits.....	\$ 56.961
Debits during year:	
Book Cost of Plant Retired.....	\$
Cost of Removal.....	
Other Debits (specify)	

Total Debits.....	\$
Balance end of year.....	\$ 1,001.903

ANALYSIS OF ACCUMULATED DEPRECIATION AND AMORTIZATION BY PRIMARY ACCOUNT

ACCT. NO.	ACCOUNT (b)	BALANCE BEGINNING OF YEAR (c)	CREDITS DURING THE YEAR CHARGES TO DEP. EXP. (d)	OTHER CREDITS (e)	CHARGES DURING THE YEAR PLANT RETIREMENTS (f)	OTHER CHARGES (g)	BALANCE END OF YEAR (h)
301	Organization.....	\$	\$	\$	\$	\$	\$
302	Franchises.....						
303	Limited Term Interest in Land and Land Rights.....						
304	Structures & Improvements..						
305	Collecting and Impounding Reservoirs.....						
306	Lake River & Other Intakes.						
307	Wells and Springs.....	3,304					3,304
309	Supply Mains.....						
310	Power Generating Equipment.						
311	Pumping Equipment.....	45,084	3,661				48,745
320	Water Treatment Equipment..						
330	Distribution Reservoirs and Standpipes.....	9,271	1,157				10,428
331	Transmission & Distribution Mains.....	713,204	29,636				742,840
333	Services.....	36,905	2,411				39,316
334	Meters and Meter Installations.....	78,314	5,112				83,426
335	Hydrants.....						
339	Other Plant & Miscellaneous Equipment.....						
340	Office Furniture and Equip.	5,776	1,094				6,870
341	Transportation Equipment...	49,770	13,679				63,449
343	Tools, Shop & Garage Equip.	2,203	211				2,414
345	Power Operated Equipment...						
348	Other Tangible Plant.....	1,111					1,111
	TOTALS	\$ 944,942	\$ 56,961	\$	\$	\$	\$ 1,001,903

ACCUMULATED AMORTIZATION (ACCT. 110)

DESCRIPTION	TOTAL
Balance first of year.....	\$
Credit during year:	
Accruals Charged to Account 110.1.....	
Accruals Charged to Account 110.2.....	
Other Credits (specify)	
.....	
.....	
Total Credits.....	\$
Debits during year:	
Book Cost of Plant Retired.....	\$
Other Debits (specify)	
.....	
.....	
Total Debits.....	\$
Balance end of year.....	\$ N/A

UTILITY PLANT ACQUISITION ADJUSTMENTS (ACCTS. 114 - 115)

Report each acquisition adjustment and related accumulated amortization separately. For any acquisition adjustment approved by the Commission, include the Order Number.

ACCOUNT NAME	TOTAL
Acquisition Adjustments (114)	
.....	\$
.....	
.....	
.....	
Total Plant Acquisition Adjustments.....	\$
Accumulated Amortization (115)	
.....	\$
.....	
.....	
.....	
Total Accumulated Amortization.....	\$
Net Acquisition Adjustments.....	\$ N/A

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	CONTRIBUTIONS IN AID OF CONSTRUCTION			
271	Contributions In Aid of Construction	27-28	\$	\$
	Tap-on Fees - Customers		98,853	114,858
	Federal Grants in Aid of Const. ..		1,751,975	1,757,086
	Other		10,000	10,000
	Total C.I.A.C		\$ 1,860,828	\$ 1,881,944
	TOTAL EQUITY CAPITAL AND LIABILITIES		\$ 914,101	\$ 896,254

INVESTMENTS AND SPECIAL FUNDS (ACCTS. 123 - 127)

Report hereunder all investments and special funds carried in Accounts 123 thru 127.

DESCRIPTION OF SECURITY OR SPECIAL FUND (a)	FACE OR PAR VALUE (b)	YEAR END BOOK COST (c)
INVESTMENT IN ASSOCIATED COMPANIES (ACCT. 123):		
.....	\$	\$ N/A
.....		
.....		
.....		
Total Investment in Associated Companies.....		\$
UTILITY INVESTMENTS (ACCT. 124):		
.....	\$	\$
.....		
.....		
.....		
Total Utility Investments.....		\$
OTHER INVESTMENTS (ACCT. 125):		
.....		
.....		
.....		
.....		
Total Other Investments.....		\$
SPECIAL FUNDS (ACCTS. 126 & 127):		
.....		
.....		
.....		
.....		
Total Special Funds.....		\$

ACCOUNTS AND NOTES RECEIVABLE - NET (ACCOUNTS 141 - 144)

Report hereunder all accounts and notes receivable included in Accounts 141, 142 and 144. Amounts included in Accounts 142 and 144 should be listed individually.

DESCRIPTION	TOTAL
ACCOUNTS & NOTES RECEIVABLE:	
Customer Accounts Receivable (Acct. 141).....	\$ 43,386
Other Accounts Receivable (Acct. 142)	
_____ \$ _____	

Notes Receivable (Acct. 144)	
_____ \$ _____	

Total Accounts and Notes Receivable.....	\$ 43,386
Accumulated Provision for Uncollectible Accounts (Acct. 143):	
Balance first of year.....	\$ 3,368
Add: Provision for uncollectibles for current year.....	\$ 971
Collections of accounts previously written off.....	
Utility accounts.....	
Others.....	
Total Additions.....	\$ 971
Deduct accounts written off during year:	
Utility Accounts.....	
Other.....	
Total accounts written off.....	\$ -
Balance end of year.....	\$ 4,339
Total Accounts and Notes Receivable - Net.....	\$ 39,047

MATERIALS AND SUPPLIES (151 - 153)

ACCOUNT NAME	TOTAL
Plant Materials and Supplies (Account 151).....	\$ N/A
Merchandise (Account 152).....	
Other Materials and Supplies (Account 153).....	
Total Materials and Supplies.....	\$

PREPAYMENTS (ACCT. 162)

DESCRIPTION	TOTAL
Prepaid Insurance.....	\$ 4,988
Prepaid Rents.....	
Prepaid Interest.....	
Prepaid Taxes.....	
Other Prepayments (Specify)	
_____	
_____	
Total Prepayments.....	4,988

MISCELLANEOUS DEFERRED DEBITS (ACCT. 186)

DESCRIPTION	TOTAL
Miscellaneous Deferred Debits (Acct. 186):	
Deferred Rate Case Expense (Acct. 186.1).....	\$ N/A
Other Deferred Debits (Acct. 186.2).....	
Total Miscellaneous Deferred Debits.....	\$

UNAMORTIZED DEBT DISCOUNT AND EXPENSE AND PREMIUM ON DEBT (ACCTS. 181 & 251)

Report the net discount and expense or premium separately for each security issue.

DESCRIPTION	AMOUNT WRITTEN OFF DURING YEAR	YEAR END BALANCE
Unamortized Debt Discount and Expense (Acct. 181):		
.....	\$	\$ N/A
.....		
.....		
.....		
Total Unamortized Debt Discount and Expense.....	\$	\$
Unamortized Premium on Debt (Acct. 251):		
.....	\$	\$
.....		
.....		
.....		
Total Unamortized Premium on Debt.....	\$	\$

EXTRAORDINARY PROPERTY LOSSES (ACCT. 182)

Report each item separately.

DESCRIPTION	TOTAL
Extraordinary Property Losses (Acct. 182):	
.....	\$ N/A
.....	
.....	
.....	
Total Extraordinary Property Losses.....	\$

ADVANCES FOR CONSTRUCTION (ACCT. 252)

DESCRIPTION	TOTAL
Balance first of year.....	N/A
Add credits during year.....	
Deduct charges during year.....	
Balance end of year.....	

ACCOUNT 221, BONDS

Line No.	Par Value of Actual Issue (1)	Cash Realized on Actual Issue (2)	Par Value of Amount Held by or for Respondent (3)	Actually Outstanding At Close of Year (4)	Interest During Year	
					Accrued (5)	Actually Paid (6)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
TOTAL						

SCHEDULE OF BOND MATURITIES

(The total of column 12 must agree with the total of column 4)

Line No.	Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amount (10)	Amounts Paid (11)	Remaining Bonds Outstanding (12)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
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36						
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38						
39						
40						

STATEMENT OF RETAINED EARNINGS

ACCT. NO. (a)	(b)	AMOUNTS (c)
215	Unappropriated Retained Earnings:	
	Balance beginning of year.....	\$ (1,256,795)
	Changes to account:	
439	Adjustments to Retained Earnings (requires Commission approval prior to use):	
	Credits.....	\$
	Total Credits.....	\$
	Debits.....	\$
	Total Debits.....	\$
435	Balance Transferred from Income.....	\$ (32,167)
436	Appropriations of Retained Earnings:	
	\$
	Total Appropriations of Retained Earnings.....	\$
	Balance end of year.....	\$
214	Appropriated Retained Earnings (state balance and purpose of each appropriated amount at year end):	
	\$
	\$
	Total Appropriated Retained Earnings.....	\$
	Total Retained Earnings.....	\$ (1,288,962)

Notes to Statement of Retained Earnings:

NOTES PAYABLE (ACCOUNTS 232 & 234)

(a)	NOMINAL DATE OF ISSUE (b)	DATE OF MATURITY (c)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (f)
			RATE (d)	AMOUNT OF PAYMENT (e)	
Account 232 - Notes Payable:				\$	\$
First Commonwealth Bank	3-21-97	3-21-01	10.95%	2.026	3.005
Total Account 232.....				\$ 2.026	\$ 3.005
Account 234 - Notes Payable To Associated Companies:				\$	\$
Total Account 234.....				\$	\$

ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES (ACCOUNT 233)

SHOW PAYABLE TO EACH ASSOCIATED COMPANY SEPARATELY	AMOUNT
	\$
Total.....	\$

TAXES ACCRUED (ACCOUNT 236)

ACCT. NO. (a)	DESCRIPTION (b)	TOTAL (c)
	Balance first of year.....	\$ 1,870
	Accruals Charged:	
408.10	Utility regulatory assessment fees.....	568
408.11	Property taxes.....	-
408.12	Payroll taxes.....	6,894
408.13	Other taxes and licenses.....	
408.20	Taxes other than income, other income and deductions	
	Total taxes accrued.....	\$ 7,462
	Taxes paid during year:	
408.10	Utility regulatory assessment fees.....	568
408.11	Property taxes.....	
408.12	Payroll taxes.....	6,759
408.13	Other taxes and licenses.....	
408.20	Taxes other than income, other income and deductions	
	Total taxes paid.....	\$ 7,327
	Balance end of year.....	\$ 2,005

ACCRUED INTEREST (ACCOUNT 237)

DESCRIPTION OF DEBT (a)	BALANCE BEGINNING OF YEAR (b)	INTEREST ACCRUED DURING YEAR (c)	INTEREST PAID DURING YEAR (d)	BALANCE END OF YEAR (e)
Account No. 237.1 - Accrued Interest on Long-Term Debt:	\$	\$	\$	\$
Customer Deposits	0	634	634	0
First Commonwealth	0	2,026	2,026	0
Total Acct. No. 237.1	\$ 0	\$ 2,660	\$ 2,660	\$ 0
Account No. 237.2 - Accrued Interest on Other Liabilities:	\$	\$	\$	\$
Total Acct. No. 237.2	\$	\$	\$	\$
Total Acct. No. 237	\$ 0	\$ 2,660	\$ 2,660	\$ 0

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (ACCOUNT 242)

DESCRIPTION (a)	BALANCE END OF YEAR (b)
	\$ N/A
Total Miscellaneous Current and Accrued Liabilities.....	\$

**REGULATORY COMMISSION EXPENSE - AMORTIZATION
OF RATE CASE EXPENSE (ACCOUNTS 665 & 667)**

DESCRIPTION OF CASE (DOCKET NO.) (a)	EXPENSE INCURRED DURING YEAR (b)	AMOUNT TRANSFERRED TO ACCOUNT NO. 186.1 (c)	CHARGED OFF DURING YEAR	
			ACCT. (d)	AMOUNT (e)
	\$	\$		\$
Total.....	\$	\$		\$

CONTRIBUTIONS IN AID OF CONSTRUCTION (ACCOUNT 271)

DESCRIPTION	TOTAL
Balance first of year.....	\$ 1,860,828
Add credits during year.....	\$ 21,116
Deduct charges during year.....	\$
Balance end of year.....	\$ 1,881,944

WATER OPERATING REVENUE

ACCT. NO.		BEGINNING YEAR NO. CUSTOMERS	YEAR END NUMBER CUSTOMERS	AMOUNTS
(a)	(b)	(c)	(d)	(e)
	Operating Revenues:			
460	Unmetered Water Revenue.....			\$
461	Metered Water Revenue:			
461.1	Sales to Residential Customers.....	965	1,004	\$ 308,899
461.2	Sales to Commercial Customers.....	15	16	5,933
461.3	Sales to Industrial Customers.....			
461.4	Sales to Public Authorities.....			
461.5	Sales to Multiple Family Dwellings.....			
461.6	Sales through Bulk Loading Stations....			
	Total Metered Sales.....	980	1,020	\$ 314,832
462	Fire Protection Revenue:			
462.1	Public Fire Protection.....			\$
462.2	Private Fire Protection.....			
	Total Fire Protection Revenue.....			\$
464	Other Sales to Public Authorities.....			\$
465	Sales to Irrigation Customers.....			
466	Sales for Resale.....			
467	Interdepartmental Sales.....			
	Total Sales of Water.....	980	1,020	\$ 314,832
	Other Water Revenues:			
470	Forfeited Discounts.....			\$ 10,614
471	Miscellaneous Service Revenues.....			
472	Rents from Water Property.....			
473	Interdepartmental Rents.....			
474	Other Water Revenues.....			
475	Provision for Rate Refunds.....			
	Total Other Water Revenues.....			\$ 10,614
	Total Water Operating Revenues.....			\$ 325,446

WATER UTILITY EXPENSE ACCOUNTS

ACCT. NO.	ACCOUNT NAME (b)	CURRENT YEAR (c)	WATER EXPENSE ACCOUNT MATRIX								
			.1 SOURCE OF SUPPLY & EXPENSES-OPERATION (d)	.2 SOURCE OF SUPPLY & EXPENSES-MAINTEN. (e)	.3 WATER TREATMENT EXPENSES-OPERATION (f)	.4 WATER TREATMENT EXPENSES-MAINTEN. (g)	.5 TRANS. & DISTRIBUTION EXPENSES-OPERATION (h)	.6 TRANS. & DISTRIBUTION EXPENSES-MAINTEN. (i)	.7 CUSTOMER ACCOUNTS EXPENSE (j)	.8 ADMINISTRATIVE GENERAL EXPENSES (k)	
601	Salaries and Wages-Employees.	\$ 80,602	\$	\$	\$	\$	\$	\$ 62,767	\$	\$ 17,835	\$
603	Salaries and Wages-Officers, Directors and Majority Stockholders.....	2,400									2,400
604	Employee Pensions & Benefits.										
610	Purchased Water.....	132,447	132,447	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
615	Purchased Power.....	7,556		XXXXXX	XXXXXX	XXXXXX	XXXXXX	7,556	XXXXXX	XXXXXX	XXXXXX
616	Fuel for Power Production....			XXXXXX	XXXXXX	XXXXXX	XXXXXX		XXXXXX	XXXXXX	XXXXXX
618	Chemicals.....	457	457								XXXXXX
620	Materials and Supplies.....	24,661						13,799			XXXXXX
631	Contractual Services - Eng....	5,625									5,625
632	Contractual Services - Acct..										
633	Contractual Services - Legal.										
634	Contractual Services - Management Fees.....										
635	Contractual Services - Other.	495						495			
641	Rental of Bldg./Real Property										
642	Rental of Equipment.....	100						100			
650	Transportation Expenses.....	6,688						6,688			
656	Insurance - Vehicle.....										
657	Insurance - General Liability	9,782									9,782
658	Insurance - Worker's Compensation.....	7,455									7,455
659	Insurance - Other.....	10,563									10,563
660	Advertising Expense.....										
666	Regulatory Commission Exp....		XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
	- Amortization of Rate Case Expense.....		XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
667	Regulatory Commission Exp....		XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
	- Other.....		XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
670	Bad Debt Expense.....		XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
675	Miscellaneous Expenses.....	2,226									2,226
	Total Water Utility Expenses.	\$ 291,057	\$ 132,904	\$	\$	\$	\$	\$ 91,405	\$	\$ 28,697	\$ 38,051

PUMPING AND PURCHASED WATER STATISTICS

(a)	WATER PURCHASED FOR RESALE (Omit 000's) (b)	WATER PUMPED FROM WELLS (Omit 000's) (c)	TOTAL WATER PUMPED AND PURCHASED (Omit 000's) (d)	WATER SOLD TO CUSTOMERS (Omit 000's) (e)
January.....	9,193		9,193	5,249
February.....	8,344		8,344	4,742
March.....	8,545		8,545	5,232
April.....	9,085		9,085	4,763
May.....	10,241		10,241	5,262
June.....	9,506		9,506	5,412
July.....	10,261		10,261	5,369
August.....	9,294		9,294	5,662
September.....	9,051		9,051	5,978
October.....	9,759		9,759	4,978
November.....	8,958		8,958	5,095
December.....	10,590		10,590	6,048
Total for year.....	112,827		112,827	63,790

Maximum gallons pumped by all methods in any one day (Omit 000's): _____

Date ____/____/____

Minimum gallons pumped by all methods in any one day (Omit 000's): _____

Date ____/____/____

If water is purchased for resale, indicate the following:

Vendor _____

Point of delivery _____

If water is sold to other water utilities for redistribution, list names of such utilities below:

SALES FOR RESALE (466)

LINE #	COMPANY	GALLONS	AVG. RATE (CENTS)	AMOUNT
1				
2				
3				
4				
5				
6				
7	TOTAL			

WATER PRODUCED, PURCHASED AND DISTRIBUTED

LINE #	ITEM	GALLONS
1	WATER PRODUCED AND PURCHASED:	
2	Water Produced	
3	Water Purchased	112,827,000
4	TOTAL PRODUCED AND PURCHASED	112,827,000
5	DISTRIBUTION OF WATER PRODUCED AND PURCHASED:	
6	Water Sold:	
7	TOTAL SALES OF WATER	63,790,000
8	OTHER WATER USED:	
9	Free Customers (estimate portion not metered)	102,000
10	Water Used by Company (estimate portion not metered)	133,000
11	Line Loss and Other Unaccounted for Water (estimate)	48,802,000
12	TOTAL OTHER WATER USED	49,037,000
13	TOTAL (must agree with line 4 above)	112,827,000

PERCENTATE OF LINE LOSS (line 11 divided by line 4) 43.25%

WATER STATISTICS

CUSTOMER TYPE

NUMBER OF GALLONS SOLD

Residential (460)	
Commercial (460)	
Industrial (460)	
TOTAL (460)	
Residential (461)	62,650,000
Commercial (461)	1,140,000
Industrial (461)	
TOTAL (461)	63,790,000
Private Fire-Protection Service (462)	
Public Fire-Protection Service (463)	
Other Sales to Public Authorities (464)	
Sales to Irrigation Customers (465)	
Sales for Resale (466)	
TOTAL GALLONS OF WATER SOLD	63,790,000

PLANT STATISTICS

Give the following information:

1. Number of fire hydrants, by size
2. Number of private fire hydrants, by size
3. Whether water supply is river, impounded streams, well, springs, artificial lake or collector type well
4. Whether supply is by gravity, pumping, or a combination
5. Type, capacity, and elevation of reservoirs at overflow and ground level
6. Miles of main by size and kind
7. Types of filters: gravity or pressure, number of units, and total rated capacity in gallons per minute
8. Type of chlorinators, number of units and capacity in pounds per 24 hours
9. Station equipment. List each pump separately, giving type and capacity and H.P. of driving unit and character of driving unit (steam, electric, or internal combustion). State whether pump is high or low duty.
10. Quantity of fuel used: coal in pounds, gas in cu. ft., oil in gallons, and electric in KWH.
11. Give a description and total cost of any sizable additions or retirements to plant in service outside the normal system growth for the period covered by this report
12. Capacity of clear well
13. Peak month, in gallons of water sold
14. Peak day, in gallons of water sold

1. 2 - 5½ inch in size

2. None

3. Water supplied by City of Pikeville

4. Combination

5. Tank	Size	Flev	O.F.	Service
Upper Toler	25K	1135	1146	Out
Lower Toler	50K	889	900	Out
Little Mud	50K	872	895	In
Lower Branham	50K	826	847	In
Upper Branham	25K	1125	1136	Out
Lower Mink Br	150K	870	901	In
Upper Mink Br	10K	1168	1179	In
Sterling Hamilton	100K	1301	1316	Out
Tinker Fk	25K	1289	1300	Out
Tackett Fk	25K	1300	1311	In
Ligon	25K	1288	1299	In
Trace Br	1K	Unknown	Unknown	In

6. 52.9 miles Some pipe is out of service

10" a/c 1.0 0.0

8" a/c 20.3 0.0

6" a/c 12.3 4.3

3" pvc 7.2 2.9

1 3/4" pvc 4.9 0.0

PLANT STATISTICS CONT'D.

7. None

8. None

9. All submersible	All-Electric
Branham Creek	10 HP-150 GPM
Mare Branch	20 HP-100 GPM
Mink Branch	7.5 HP- 50 GPM
Trale Branch	3 HP- 33 GPM

10. 150.163 Kilowatts

11. None

12. N/A

13. Not Determinable

14. Not Determinable

OATH

Commonwealth of Kentucky }
County of Floyd } ss:

Eula Hall makes oath and says
(Insert here the name of the affiant)

that he is She is Chairperson of
(Insert here the official title of the affiant)

Mud Creek Water District ;
(Insert here the exact legal title or name of the respondent)

that it is his duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky, effective during the said period; that he has carefully examined the said report and to the best of his knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he believes that all other statements of fact contained in the said report are true; and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including

January 1, 19 98, to and including December 31, 19 98

(Signature of affiant)

Subscribed and sworn to before me, a Notary, in and for the
State and County above named, this _____ day of March, 19 99

(Apply Seal Here)

My commission expires _____

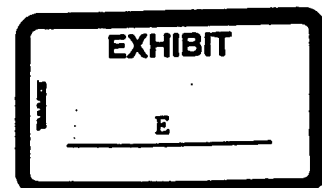
(Signature of officer authorized to administer oaths)

copy

CLASS "A & B"
WATER DISTRICTS & ASSOCIATIONS
ANNUAL REPORT
OF

Beaver-Elkhorn Water District
Exact Legal Name of Respondent

For the
YEAR ENDED DECEMBER 31, 1998



PUBLIC SERVICE COMMISSION OF KENTUCKY
REPORT OF GROSS OPERATING REVENUES DERIVED FROM INTRA-KENTUCKY
BUSINESS FOR THE YEAR ENDING DECEMBER 31, 1998

Beaver-Elkhorn Water District Route 3188, P.O. Box 769 Martin, KY 41649
(Utility Reporting) (Address)

(DO NOT INCLUDE TAXES COLLECTED)

- (1) Gross Revenues of Electric Utility.....\$ _____
- (2) Gross Revenues of Gas Utility.....\$ _____
- (3) Gross Revenues of Radio-Telephone Utility.....\$ _____
- (4) Gross Revenues of Cellular Telephone Utility...\$ _____
- (5) Gross Revenues of Telephone Utility.....\$ _____
- (6) Gross Revenues of Water Utility.....\$ 882,518
- (7) Gross Revenues of Sewer Utility.....\$ _____
- (8) Other Operating Revenues.....\$ _____
- *** TOTAL GROSS REVENUES.....\$ 882,518

State of...Kentucky.....) O A T H
County of...Floyd.....) ss.

Hubert Halbert being duly sworn, states that he/she
(Officer)
is Chairman of the Beaver-Elkhorn Water District
(Official Title) (Utility Reporting)

that the above report of gross revenues is in exact accordance with
the books of accounts of:

Beaver-Elkhorn Water District, and that such books
(Utility Reporting)
accurately show the gross revenues of:

Beaver-Elkhorn Water District, derived from Intra-Kentucky
(Utility Reporting)

business for the year ending December 31, 1998

(Officer) (Title)

This the _____ day of March, 1999

(Notary Public) (County)

My Commission expires _____

**NOTE: ANY DIFFERENCE BETWEEN THE AMOUNT OF THE GROSS REVENUES SHOWN
IN THE ANNUAL REPORT AND THE AMOUNT APPEARING ON THIS STATEMENT
MUST BE RECONCILED ON THE REVERSE SIDE OF THIS REPORT**

CHECKLIST FOR THE ANNUAL REPORT
FOR A AND B WATER DISTRICTS AND WATER ASSOCIATIONS
TO BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT

Page No.	Account No.	Page No.	If NO, Explain Why	Yes	No
4-6	The identification pages have been completed.			X	
7	101-106 agrees with	13	Total 101-106	X	
7	108-110 agrees with	14	Total 301-348 Cols c & h	X	
7	114-115 agrees with	15	Net Balance 114-115	X	
7	123 agrees with	16	Total 123	X	
7	124 agrees with	16	Total 124	X	
7	125 agrees with	16	Total 125	X	
7	126-127 agrees with	16	Total 126-127	X	
7	141-144 agrees with	17	Net Balance 141-144	X	
7	151-153 agrees with	18	Total 151-153	X	
7	162 agrees with	18	Total 162	X	
8	181 agrees with	19	Total 181	X	
8	182 agrees with	20	Total 182	X	
8	186 agrees with	19	Total 186	X	
9	214-215 agrees with	23	Total 214-215	X	
9	221 agrees with	22	Total Line 10 Col 4	X	
9	221 agrees with	22	Total Col 12	X	
9	224 agrees with	21	Total Col d	X	
9	232 agrees with	24	Total 232	X	

CHECKLIST FOR THE ANNUAL REPORT
FOR A AND B WATER DISTRICTS AND WATER ASSOCIATIONS
TO BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT

Page No.	Account No.	Page No.	Yes	No	If No, Explain Why
9	234	24	X		Total 234
9	236	25	X		Beginning & Ending Balance 236
9	237	25	X		Total 237 Cols b & e
9	242	26	X		Total 242
9	251	19	X		Total 251
9	252	20	X		Total 252
10	271	27	X		Beginning & Ending Balance 271
11	400	29	X		Total Water Operating Rev Col e
11	401	30	X		Total 601-675 Col c
11	406	15	X		Total Accumulated Amortization 115
11	408.1	25	X		Total Taxes Accrued 408.10-408.20
12	427	25	X		Total Col c
12	Net Income	23	X		Balance Trans. From Inc Col c
13	101	20	X		Total Water Plant Col f
14	The analysis of accumulated depreciation and amortization by primary account has been completed.				
19	106.1	27	X		Total 186.1 Col c
21	Schedule of Long-Term Debt has been completed.				
22	Schedule of Bond Maturities has been completed.				

**CHECKLIST FOR THE ANNUAL REPORT
FOR A AND B WATER DISTRICTS AND WATER ASSOCIATIONS
TO BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT**

Page No.	Account No.	Page No.	Yes	No	If No, Explain Why
28	The analysis of water utility plant accounts Cols c through k has been completed.		X		
29	Taxes collected (example: school tax, sales tax, franchise tax) have been excluded from Operating Revenue.		X		
29	The analysis of water operating revenue Cols c, d, and e has been completed.		X		
30	The analysis of water utility expense accounts Cols c through k has been completed.		X		
31	Schedule of Pumping and Purchased Water Statistics has been completed.		X		
32	466 Total Gal agrees with 33 Sales for Resale (466)		X		
32	Line 13 agrees with 32 Line 4 Total Produced and Purchased		X		
	Oath page has been completed.		X		

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 1998

1. Amount of Principal Payment during calendar year \$ 187,941
2. Is Principal current? (Yes) X (No) _____
3. Is Interest current? (Yes) X (No) _____
4. Has all long-term debt been approved by the Public Service Commission?
(Yes) X (No) _____ PSC Case No. _____

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are the financial statements examined by a Certified Public Accountant? (Yes) X (No) _____

If yes, which service is performed?

- Audit X _____
Compilation _____
Review _____

Please enclose a copy of the accountant's report with annual report.

Additional Information Required by Commission Orders

Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments.

Case #	Date of Order	Item/Explanation

Attach additional sheets if more room is needed

MAJOR WATER PROJECTS

Instructions: Provide details about each major water project which is planned but has not yet been submitted for approval to the Public Service Commission. For the limited purpose of this report, a "Major Project" is defined as one which is not in the ordinary course of business, and which will increase your current utility plant by at least 20%.

Brief Project Description (improvement, replacement, building construction, expansion. If expansion, provide the estimated number of new customers):

None

Projected Costs and Funding Sources/Amounts:

Approval Status: (Application for financial assistance filed, but not approved; or application approved, but have not advertised for construction bids)

Location: (community, area or nearby roads)

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Comparative Operating Statement	11-12		
Net Utility Plant	13	Pumping & Purchased Water	
Accumulated Depreciation	13	Statistics	32
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Utility Plant Acquisition Adjustments	15		
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HISTORY

1. Exact name of utility making this report. (Use the words "The", "Company" or "Incorporated" only when a part of the corporate name.)

Beaver-Elkhorn Water District

2. Give the location including city, street and number, of the executive office.

Route 3188

Phone (606) 285-3856

P.O. Box 769

Martin, KY 41649

3. Give the location, including street and number, and TELEPHONE NUMBER of the principal office in Kentucky.

Same

4. Name and address of principal officer within Kentucky.

Hubert Halbert, Chairman

Same

5. Give name, title, address and TELEPHONE NUMBER of the officer to whom correspondence concerning this report should be addressed.

Same

6. Date of organization. 1949

7. Under the laws of what Government, State or Territory organized? (If more than one, name all. Give reference to each statute and amendments thereof.)

Chapters 58-74 K.R.S.

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
EQUITY CAPITAL				
214-215	Retained Earnings.....	23	\$ (677,089)	\$ (685,935)
	Total Equity Capital.....		\$ (677,089)	\$ (685,935)
LONG-TERM DEBT				
221	Bonds.....	22	\$	\$
222	Reacquired Bonds.....			
223	Advances from Associated Companies..			
224	Other Long-Term Debt.....	21	4,020,073	3,922,237
	Total Long-Term Debt.....		\$ 4,020,073	\$ 3,922,237
CURRENT AND ACCRUED LIABILITIES				
231	Accounts Payable.....		\$ 103,104	\$ 41,588
232	Notes Payable.....	24	184,270	94,165
233	Accounts Payable to Associated Co...	24		
234	Notes Payable to Associated Co.....	24		
235	Customer Deposits.....		40,360	42,950
236	Accrued Taxes.....	25	6,534	5,334
237	Accrued Interest.....	25	10,495	10,038
239	Matured Long-Term Debt.....			
240	Matured Interest.....			
241	Tax Collections Payable.....			
242	Misc. Current & Accrued Liabilities.	26		16,500
	Total Current and Accrued Liabilities.....		\$ 344,763	\$ 210,575
DEFERRED CREDITS				
251	Unamortized Premium on Debt.....	19	\$	\$
252	Advances for Construction.....	20		
253	Other Deferred Credits.....			
	Total Deferred Credits.....		\$	\$
OTHER NON-CURRENT LIABILITIES				
Accumulated Provision For:				
261	Property Insurance		\$	\$
262	Injuries and Damages			
263	Pensions and Benefits			
265	Miscellaneous Operating Reserves ...		38,350	64,000
266	Rate Refunds			
	Total Other Non-Current Liabilities.		\$ 38,350	\$ 64,000

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	CONTRIBUTIONS IN AID OF CONSTRUCTION			
271	Contributions In Aid of Construction	27-28	\$	\$
	Tap-on Fees - Customers		1,035,347	1,062,481
	Federal Grants in Aid of Const. ..		2,881,866	2,942,179
	Other		3,116,209	3,116,209
	Total C.I.A.C		\$ 7,033,422	\$ 7,120,869
	TOTAL EQUITY CAPITAL AND LIABILITIES		\$ 10,759,519	\$ 10,631,746

COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	UTILITY OPERATING INCOME			
400	Operating Revenues.....	30	\$ 917,529	\$ 882,518
401	Operating Expenses.....	31	\$ 607,196	\$ 626,002
403	Depreciation Expenses.....		180,638	185,167
406	Amortization of Utility Plant Acquisition Adjustment.....			
407	Amortization Expense.....			
408.1	Taxes Other Than Income.....		34,590	23,695
	Utility Operating Expenses.....		\$ 822,424	\$ 834,864
	Utility Operating Income.....		\$ 95,105	\$ 47,654
413	Income From Utility Plant Leased to Others.....			
414	Gains (Losses) From Disposition of Utility Property.....			250
	Total Utility Operating Income.....		\$ 95,105	\$ 47,904
	OTHER INCOME AND DEDUCTIONS			
415	Revenues From Merchandising, Jobbing and Contract Deductions.....		\$	\$
416	Costs and Expenses of Merchandising, Jobbing and Contract Work.....			
419	Interest & Dividend Income.....		9,088	7,055
420	Allowance for Funds Used During Construction.....			
421	Nonutility Income.....			
426	Miscellaneous Nonutility Expenses...			
	Total Other Income and Deductions...		\$ 9,088	\$ 7,055
	TAXES APPLICABLE TO OTHER INCOME			
408.20	Taxes Other Than Income.....		\$	\$
	Total Taxes Applic. to Other Income.		\$	\$

COMPARATIVE OPERATING STATEMENT (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	INTEREST EXPENSE			
427	Interest Expense.....		\$ 50,815	\$ 38,155
428	Amortization of Debt Discount & Exp.			
429	Amortization of Premium on Debt.....			
	Total Interest Expense.....		\$ 50,815	\$ 38,155
	EXTRAORDINARY ITEMS			
433	Extraordinary Income.....		\$	\$
434	Extraordinary Deductions.....			
	Total Extraordinary Items.....		\$	\$
	NET INCOME.....		\$ 53,378	\$ 16,804

NET UTILITY PLANT (ACCTS. 101 - 106)

ACCT. NO.	PLANT ACCOUNTS	TOTAL
101	Utility Plant in Service	\$ 7,786,001
102	Utility Plant Leased to Others.....	
103	Property Held for Future Use.....	
104	Utility Plant Purchased of Sold.....	
105	Construction Work in Progress.....	4,811,298
106	Completed Construction Not Classified.....	
	Total Utility Plant.....	\$ 12,597,299

ACCUMULATED DEPRECIATION (ACCT. 108)

DESCRIPTION	TOTAL
Balance first of year.....	\$ 2,211,972
Credit during year:	
Accruals Charged to Account 108.1.....	185,167
Accruals Charged to Account 108.2.....	
Accruals Charged to Account 108.3.....	
Accruals Charged to Other Accounts (specify)	

Salvage.....	
Other Credits (specify)	

Total Credits.....	\$ 185,167
Debits during year:	
Book Cost of Plant Retired.....	\$
Cost of Removal.....	
Other Debits (specify)	

Total Debits.....	\$
Balance end of year.....	\$ 2,397,139

ANALYSIS OF ACCUMULATED DEPRECIATION AND AMORTIZATION BY PRIMARY ACCOUNT

ACCT. NO. (a)	ACCOUNT (b)	BALANCE BEGINNING OF YEAR (c)	CREDITS DURING THE YEAR CHARGES TO DEP. EXP. (d)	OTHER CREDITS (e)	CHARGES DURING THE YEAR PLANT RETIREMENTS (f)	OTHER CHARGES (g)	BALANCE END OF YEAR (h)
301	Organization.....	\$					\$
302	Franchises.....						
303	Limited Term Interest in Land and Land Rights.....						
304	Structures & Improvements..	373,167	67,639				440,806
305	Collecting and Impounding Reservoirs.....	5,639	239				5,878
306	Lake River & Other Intakes.	68,914	2,949				71,863
307	Wells and Springs.....						
309	Supply Mains.....						
310	Power Generating Equipment.	972	87				1,059
311	Pumping Equipment.....	135,750	12,026				147,776
320	Water Treatment Equipment..	115,250	53				115,303
330	Distribution Reservoirs and Standpipes.....	84,104	3,579				87,683
331	Transmission & Distribution Mains.....	1,081,687	70,841				1,152,528
333	Services.....	57,841	2,830				60,671
334	Meters and Meter Installations.....	108,941	8,359				117,300
335	Hydrants.....	50,031	4,900				54,931
339	Other Plant & Miscellaneous Equipment.....						
340	Office Furniture and Equip.	9,666	616				10,282
341	Transportation Equipment...	75,762	10,710		3,900		82,572
343	Tools, Shop & Garage Equip.	10,728	136				10,864
345	Power Operated Equipment...	7,909					7,909
348	Other Tangible Plant.....	25,611	203				25,814
	TOTALS	\$ 2,211,972	\$ 185,167	\$	\$ 3,900	\$	\$ 2,393,239

ACCUMULATED AMORTIZATION (ACCT. 110)

DESCRIPTION	TOTAL
Balance first of year.....	\$ N/A
Credit during year:	
Accruals Charged to Account 110.1.....	
Accruals Charged to Account 110.2.....	
Other Credits (specify)	

Total Credits.....	\$
Debits during year:	
Book Cost of Plant Retired.....	\$
Other Debits (specify)	

Total Debits.....	\$
Balance end of year.....	\$

UTILITY PLANT ACQUISITION ADJUSTMENTS (ACCTS. 114 - 115)

Report each acquisition adjustment and related accumulated amortization separately. For any acquisition adjustment approved by the Commission, include the Order Number.

ACCOUNT NAME	TOTAL
Acquisition Adjustments (114)	
_____	\$ N/A

Total Plant Acquisition Adjustments.....	\$
Accumulated Amortization (115)	
_____	\$

Total Accumulated Amortization.....	\$
Net Acquisition Adjustments.....	\$

INVESTMENTS AND SPECIAL FUNDS (ACCTS. 123 - 127)

Report hereunder all investments and special funds carried in Accounts 123 thru 127.

DESCRIPTION OF SECURITY OR SPECIAL FUND (a)	FACE OR PAR VALUE (b)	YEAR END BOOK COST (c)
INVESTMENT IN ASSOCIATED COMPANIES (ACCT. 123):		
.....	S	S
.....
.....
.....
.....
.....
Total Investment in Associated Companies.....		S
UTILITY INVESTMENTS (ACCT. 124):		
.....	S	S
.....
.....
.....
.....
.....
Total Utility Investments.....		S
OTHER INVESTMENTS (ACCT. 125):		
.....
.....
.....
.....
.....
.....
Total Other Investments.....		S
SPECIAL FUNDS (ACCTS. 126 & 127):		
Depreciation Reserve Fund.....		20.017
Tap Fee Construction Fund.....		62.459
Escrow - KIA Account.....		29.997
Escrow - KIA Repair and Maintenance.....		27.505
Arkansas Creek Project.....		227
Total Special Funds.....		S 140.205

ACCOUNTS AND NOTES RECEIVABLE - NET (ACCOUNTS 141 - 144)

Report hereunder all accounts and notes receivable included in Accounts 141, 142 and 144. Amounts included in Accounts 142 and 144 should be listed individually.

DESCRIPTION	TOTAL
ACCOUNTS & NOTES RECEIVABLE:	
Customer Accounts Receivable (Acct. 141).....	\$ 152,599
Other Accounts Receivable (Acct. 142)	
_____ \$ _____	

Notes Receivable (Acct. 144)	
_____ \$ _____	

Total Accounts and Notes Receivable.....	\$ 152,599
Accumulated Provision for Uncollectible Accounts (Acct. 143):	
Balance first of year.....	\$ _____
Add: Provision for uncollectibles for current year.....	\$ _____
Collections of accounts previously written off.....	_____
Utility accounts.....	_____
Others.....	_____
Total Additions.....	\$ _____
Deduct accounts written off during year:	
Utility Accounts.....	\$ _____
Other.....	_____
Total accounts written off.....	\$ _____
Balance end of year.....	\$ _____
Total Accounts and Notes Receivable - Net.....	\$ 152,599

MATERIALS AND SUPPLIES (151 - 153)

ACCOUNT NAME	TOTAL
Plant Materials and Supplies (Account 151).....	\$ 24,370
Merchandise (Account 152).....	
Other Materials and Supplies (Account 153).....	
Total Materials and Supplies.....	\$ 24,370

PREPAYMENTS (ACCT. 162)

DESCRIPTION	TOTAL
Prepaid Insurance.....	\$ 2,438
Prepaid Rents.....	
Prepaid Interest.....	
Prepaid Taxes.....	
Other Prepayments (Specify)	

Total Prepayments.....	2,438

MISCELLANEOUS DEFERRED DEBITS (ACCT. 186)

DESCRIPTION	TOTAL
Miscellaneous Deferred Debits (Acct. 186):	
Deferred Rate Case Expense (Acct. 186.1).....	\$
Other Deferred Debits (Acct. 186.2).....	
Total Miscellaneous Deferred Debits.....	\$

UNAMORTIZED DEBT DISCOUNT AND EXPENSE AND PREMIUM ON DEBT (ACCTS. 181 & 251)

Report the net discount and expense or premium separately for each security issue.

DESCRIPTION	AMOUNT WRITTEN OFF DURING YEAR	YEAR END BALANCE
Unamortized Debt Discount and Expense (Acct. 181):		
.....	\$	\$ N/A
.....		
.....		
.....		
Total Unamortized Debt Discount and Expense.....	\$	\$
Unamortized Premium on Debt (Acct. 251):		
.....	\$	\$
.....		
.....		
.....		
Total Unamortized Premium on Debt.....	\$	\$

EXTRAORDINARY PROPERTY LOSSES (ACCT. 182)

Report each item separately.

DESCRIPTION	TOTAL
Extraordinary Property Losses (Acct. 182):	
.....	\$ N/A
.....	
.....	
.....	
Total Extraordinary Property Losses.....	\$

ADVANCES FOR CONSTRUCTION (ACCT. 252)

DESCRIPTION	TOTAL
Balance first of year.....	N/A
Add credits during year.....	
Deduct charges during year.....	
Balance end of year.....	

ACCOUNT 221, BONDS

Line No.	Par Value of Actual Issue (1)	Cash Paid on Actual Issue (2)	Par Value of Amount Paid by or for Respondent (3)	Actually Outstanding At Close of Year (4)	Interest During Year	
					Accrued (5)	Actually Paid (6)
2						
3						
4						
5						
6						
7						
8						
9						
10						
Total						

SCHEDULE OF BOND MATURITIES

(The total of column 12 must agree with the total of column 4)

Line No.	Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amount (10)	Amounts Paid (11)	Remaining Bonds Outstanding (12)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
TOTAL						

STATEMENT OF RETAINED EARNINGS

ACCT. NO. (a)	(b)	AMOUNTS (c)
215	Unappropriated Retained Earnings:	
	Balance beginning of year.....	\$ (677,089)
	Changes to account:	
439	Adjustments to Retained Earnings (requires Commission approval prior to use):	
	Credits.....	\$
	Total Credits.....	\$
	Debits.....	\$
	Total Debits.....	\$
435	Balance Transferred from Income.....	\$ 16,804
436	Appropriations of Retained Earnings:	
	Transfers To Reserves.....	\$ (25,650)
	Total Appropriations of Retained Earnings.....	\$ (25,650)
	Balance end of year.....	\$ (685,935)
214	Appropriated Retained Earnings (state balance and purpose of each appropriated amount at year end):	
	\$
	\$
	Total Appropriated Retained Earnings.....	\$
	Total Retained Earnings.....	\$ (685,935)

Notes to Statement of Retained Earnings:

NOTES PAYABLE (ACCOUNTS 232 & 234)

(a)	NOMINAL DATE OF ISSUE (b)	DATE OF MATURITY (c)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (f)
			RATE (d)	AMOUNT OF PAYMENT (e)	
Account 232 - Notes Payable:					
KIA	12/31/94	2023	3%	\$	\$ 32,152
KIA III	12/19/97	2027	3%		61,089
Transfinancial Bank	1/25/96	1999	7.6%		924
Total Account 232.....				\$	\$ 94,165
Account 234 - Notes Payable To Associated Companies:					
				\$	\$
Total Account 234.....				\$	\$

ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES (ACCOUNT 233)

SHOW PAYABLE TO EACH ASSOCIATED COMPANY SEPARATELY	AMOUNT
N/A	\$
Total.....	\$

TAXES ACCRUED (ACCOUNT 236)

ACCT. NO. (a)	DESCRIPTION (b)	TOTAL (c)
	Balance first of year.....	\$ 6,534
	Accruals Charged:	
408.10	Utility regulatory assessment fees.....	1,677
408.11	Property taxes.....	
408.12	Payroll taxes.....	22,018
408.13	Other taxes and licenses.....	
408.20	Taxes other than income, other income and deductions	
	Total taxes accrued.....	\$ 23,695
	Taxes paid during year:	
408.10	Utility regulatory assessment fees.....	1,677
408.11	Property taxes.....	
408.12	Payroll taxes.....	23,218
408.13	Other taxes and licenses.....	
408.20	Taxes other than income, other income and deductions	
	Total taxes paid.....	\$ 24,895
	Balance end of year.....	\$ 5,334

ACCRUED INTEREST (ACCOUNT 237)

DESCRIPTION OF DEBT (a)	BALANCE BEGINNING OF YEAR (b)	INTEREST ACCRUED DURING YEAR (c)	INTEREST PAID DURING YEAR (d)	BALANCE END OF YEAR (e)
Account No. 237.1 - Accrued Interest on Long-Term Debt:	\$	\$	\$	\$
Meter Deposits/Tap Fee	0	36	36	0
KIA	3,187	37,550	37,629	3,108
KIA III	7,308	0	378	6,930
Transfinancial Bank	0	569	569	0
Total Acct. No. 237.1	\$ 10,495	\$ 38,155	\$ 38,612	\$ 10,038
Account No. 237.2 - Accrued Interest on Other Liabilities:	\$	\$	\$	\$
Total Acct. No. 237.2	\$	\$	\$	\$
Total Acct. No. 237	\$ 10,495	\$ 38,155	\$ 38,612	\$ 10,038

REGULATORY COMMISSION EXPENSE - AMORTIZATION
OF RATE CASE EXPENSE (ACCOUNTS 665 & 667)

DESCRIPTION OF CASE (DOCKET NO.) (a)	EXPENSE INCURRED DURING YEAR (b)	AMOUNT TRANSFERRED TO ACCOUNT NO. 186.1 (c)	CHARGED OFF DURING YEAR	
			ACCT. (d)	AMOUNT (e)
	\$	\$		\$
Case #92 - 129				9,275
Case #95 - 200				3,948
Total.....	\$	\$		\$ 13,223

CONTRIBUTIONS IN AID OF CONSTRUCTION (ACCOUNT 271)

DESCRIPTION	TOTAL
Balance first of year.....	\$ 7,033,422
Add credits during year.....	\$ 87,447
Deduct charges during year.....	\$
Balance end of year.....	\$ 7,120,869

WATER UTILITY PLANT ACCOUNTS

ACC'T. NO.	ACCOUNT NAME (b)	PREVIOUS YEAR (c)	ADDITIONS (d)	RETIREMENTS (e)	CURRENT YEAR (f)	INTANGIBLE PLANT (g)	SOURCE OF SUPPLY & PUMPING PLANT (h)	WATER TREATMENT PLANT (i)	TRANS. & DISTRIBUTION PLANT (j)	GENERAL PLANT (k)
301	Organization.....	\$ 2,450	\$	\$	\$ 2,450	\$ 2,450	\$XXXXXXXXX	\$XXXXXXXXX	\$XXXXXXXXX	\$XXXXXXXXX
302	Franchises.....	1,250			1,250	1,250	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
303	Land and Land Rights.....	78,414			78,414	78,414	23,639	25,600	28,675	21,555
304	Structures and Improvements..	3,279,029	41,875		3,320,904	3,320,904	3,299,345			21,555
305	Collecting and Impounding									
306	Reservoirs.....	11,996			11,996	11,996	11,996	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
307	Lake River and Other Intakes.	147,466			147,466	147,466	147,466	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
308	Wells and Springs.....							XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
309	Infiltration Galleries and Tunnels.....							XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
310	Supply Mains.....							XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
311	Power Generation Equipment...	4,373			4,373	4,373	4,373	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
312	Pumping Equipment.....	316,024			316,024	316,024	316,024	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
313	Water Treatment Equipment....	115,569			115,569	115,569	XXXXXXXXXX	115,569	XXXXXXXXXX	XXXXXXXXXX
314	Distribution Reservoirs and Standpipes.....	178,942			178,942	178,942	XXXXXXXXXX	XXXXXXXXXX	178,942	XXXXXXXXXX
315	Transmission and Distribution Mains.....	2,724,795	11,446		2,736,241	2,736,241	XXXXXXXXXX	XXXXXXXXXX	2,736,241	XXXXXXXXXX
316	Services.....	134,810			134,810	134,810	XXXXXXXXXX	XXXXXXXXXX	134,810	XXXXXXXXXX
317	Meters & Meter Installations.	303,092	16,759		319,851	319,851	XXXXXXXXXX	XXXXXXXXXX	319,851	XXXXXXXXXX
318	Hydrants.....	244,994			244,994	244,994	XXXXXXXXXX	XXXXXXXXXX	244,994	XXXXXXXXXX
319	Other Plant and Miscellaneous Equipment.....									
320	Office Furniture and Equip....	11,988			11,988	11,988	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
321	Transportation Equipment.....	117,911	1,825	3,900	115,836	115,836	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	115,836
322	Stores Equipment.....						XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
323	Tools, Shop and Garage Equip.	11,054			11,054	11,054	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	11,054
324	Laboratory Equipment.....	15,997			15,997	15,997	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	15,997
325	Power Operated Equipment.....	7,909			7,909	7,909	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	7,909
326	Communication Equipment.....	4,041			4,041	4,041	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	4,041
327	Miscellaneous Equipment.....	5,892			5,892	5,892	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	5,892
328	Other Tangible Plant.....						XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
TOTAL	Water Plant.....	\$ 7,717,996	\$ 71,905	\$ 3,900	\$ 7,786,001	\$ 3,700	\$ 3,802,843	\$ 141,169	\$ 3,643,513	\$ 14,777

WATER OPERATING REVENUE

ACCT. NO. (a)	(b)	BEGINNING YEAR NO. CUSTOMERS (c)	YEAR END NUMBER CUSTOMERS (d)	AMOUNTS (e)
	Operating Revenues:			
460	Unmetered Water Revenue.....			\$
461	Metered Water Revenue:			
461.1	Sales to Residential Customers.....	2,369	2,499	\$ 784,156
461.2	Sales to Commercial Customers.....	79	110	49,210
461.3	Sales to Industrial Customers.....			
461.4	Sales to Public Authorities.....			
461.5	Sales to Multiple Family Dwellings.....			
461.6	Sales through Bulk Loading Stations....			
	Total Metered Sales.....	2,448	2,609	\$ 833,366
462	Fire Protection Revenue:			
462.1	Public Fire Protection.....			\$
462.2	Private Fire Protection.....			
	Total Fire Protection Revenue.....			\$
464	Other Sales to Public Authorities.....			\$
465	Sales to Irrigation Customers.....			
466	Sales for Resale.....	2	1	25,204
467	Interdepartmental Sales.....			
	Total Sales of Water.....	2,450	2,610	\$ 858,570
	Other Water Revenues:			
470	Forfeited Discounts.....			\$ 22,836
471	Miscellaneous Service Revenues.....			1,112
472	Rents from Water Property.....			
473	Interdepartmental Rents.....			
474	Other Water Revenues.....			
475	Provision for Rate Refunds.....			
	Total Other Water Revenues.....			\$ 23,948
	Total Water Operating Revenues.....			\$ 882,518

WATER UTILITY EXPENSE ACCOUNTS

		WATER EXPENSE ACCOUNT MATRIX								
ACCT. NO.	ACCOUNT NAME (b)	CURRENT YEAR (c)	.1 SOURCE OF SUPPLY & EXPENSES-OPERATION (d)	.2 SOURCE OF SUPPLY & EXPENSES-MAINTEN. (e)	.3 WATER TREATMENT EXPENSES-OPERATION (f)	.4 WATER TREATMENT EXPENSES-MAINTEN. (g)	.5 TRANS. & DISTRIBU. EXPENSES-OPERATION (h)	.6 TRANS. & DISTRIBU. EXPENSES-MAINTEN. (i)	.7 CUSTOMER ACCOUNTS EXPENSE (j)	.8 ADMINISTRATIVE GENERAL EXPENSES (k)
601	Salaries and Wages-Employees.	\$328,028	\$ 54,560				\$ 224,667			\$ 80
603	Salaries and Wages-Officers, Directors and Majority Stockholders.....	3,420								3,420
604	Employee Pensions & Benefits.	52,384								52,384
610	Purchased Water.....		XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
615	Purchased Power.....		XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
616	Fuel for Power Production....	25,229	25,229	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
618	Chemicals.....	27,200	17,781	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
620	Materials and Supplies.....	106,980					58,993		5,446	20,11
631	Contractual Services - Eng....	34,155								34,15
632	Contractual Services - Acct....									
633	Contractual Services - Legal.									
634	Contractual Services - Management Fees.....									
635	Contractual Services - Other.									
641	Rental of Bldg./Real Property	7,700								
642	Rental of Equipment.....									
650	Transportation Expenses.....	33								
656	Insurance - Vehicle.....									
657	Insurance - General Liability	8,747								8,74
658	Insurance - Worker's									
659	Compensation.....	11,666								11,66
660	Insurance - Other.....									
666	Advertising Expense.....		XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
666	Regulatory Commission Exp....									
666	- Amortization of Rate Case Expense.....	13,223	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	13,22
667	Regulatory Commission Exp....									
667	- Other.....									
670	Bad Debt Expense.....		XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
675	Miscellaneous Expenses.....	7,237								7,23
Total Water Utility Expenses		626,002	67,570							

PUMPING AND PURCHASED WATER STATISTICS

(a)	WATER PURCHASED FOR RESALE (Omit 000's) (b)	WATER PUMPED FROM WELLS (Omit 000's) (c)	TOTAL WATER PUMPED AND PURCHASED (Omit 000's) (d)	WATER SOLD TO CUSTOMERS (Omit 000's) (e)
January.....		27,540	27,540	18,916
February.....		25,580	25,580	15,287
March.....		28,230	28,230	13,934
April.....		28,950	28,950	13,317
May.....		31,320	31,320	13,577
June.....		34,700	34,700	17,681
July.....		33,910	33,910	17,895
August.....		34,710	34,710	20,935
September.....		34,080	34,080	14,593
October.....		34,020	34,020	15,826
November.....		32,330	32,330	15,104
December.....		32,740	32,740	16,522
Total for year.....		378,110	378,110	193,587

Maximum gallons pumped by all methods in any one day (Omit 000's): 1,410

Date 12/17/98

Minimum gallons pumped by all methods in any one day (Omit 000's): 560

Date 01/01/98

If water is purchased for resale, indicate the following:

Vendor _____

Point of delivery _____

If water is sold to other water utilities for redistribution, list names of such utilities below:

City of Hindman

SALES FOR RESALE (466)

LINE #	COMPANY	GALLONS	AVG. RATE (CENTS)	AMOUNT
1	City of Hindman	12,602,000	3.90	49,210
2				
3				
4				
5				
6				
7	TOTAL	12,602,000	3.90	49,210

WATER PRODUCED, PURCHASED AND DISTRIBUTED

LINE #	ITEM	GALLONS
1	WATER PRODUCED AND PURCHASED:	
2	Water Produced	378,110,000
3	Water Purchased	
4	TOTAL PRODUCED AND PURCHASED	378,110,000
5	DISTRIBUTION OF WATER PRODUCED AND PURCHASED:	
6	Water Sold:	
7	TOTAL SALES OF WATER	193,587,000
8	OTHER WATER USED:	
9	Free Customers (estimate portion not metered)	
10	Water Used by Company (estimate portion not metered)	131,858,300
11	Line Loss and Other Unaccounted for Water (estimate)	52,664,700
12	TOTAL OTHER WATER USED	184,523,000
13	TOTAL (must agree with line 4 above)	378,110,000

PERCENTATE OF LINE LOSS (line 11 divided by line 4) 13.93%

WATER STATISTICS

CUSTOMER TYPE

NUMBER OF GALLONS SOLD

Residential (460)	
Commercial (460)	
Industrial (460)	
TOTAL (460)	
Residential (461)	165,275,000
Commercial (461)	15,710,000
Industrial (461)	
TOTAL (461)	180,985,000
Private Fire-Protection Service (462)	
Public Fire-Protection Service (463)	
Other Sales to Public Authorities (464)	
Sales to Irrigation Customers (465)	
Sales for Resale (466)	12,602,000
TOTAL GALLONS OF WATER SOLD	193,587,000

OATH

Commonwealth of Kentucky }
County of Floyd }

ss:

Hubert Halbert makes oath and says
(Insert here the name of the affiant)

that he is Chairman of
(Insert here the official title of the affiant)

Beaver-Elkhorn Water District;
(Insert here the exact legal title or name of the respondent)

that it is his duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky, effective during the said period; that he has carefully examined the said report and to the best of his knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he believes that all other statements of fact contained in the said report are true; and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including

January 1, 19 98, to and including December 31, 19 98

(Signature of affiant)

Subscribed and sworn to before me, a Notary Public, in and for the
State and County above named, this day of March, 19 99

(Apply Seal
Here)

My commission expires _____

(Signature of officer authorized to administer oaths)

WATER UTILITY EXPENSE ACCOUNTS

ACCT. NO.	ACCOUNT NAME (b)	CURRENT YEAR (c)	WATER EXPENSE ACCOUNT MATRIX							ADMITTIVE GENERAL EXPENSES (k)		
			.1 SOURCE OF SUPPLY & EXPENSES-OPERATION (d)	.2 SOURCE OF SUPPLY & EXPENSES-MAINTEN. (e)	.3 WATER TREATMENT EXPENSES-OPERATION (f)	.4 WATER TREATMENT EXPENSES-MAINTEN. (g)	.5 TRANS. & DISTRIBUTION EXPENSES-OPERATION (h)	.6 TRANS. & DISTRIBUTION EXPENSES-MAINTEN. (i)	.7 CUSTOMER ACCOUNTS EXPENSE (j)			
601	Salaries and Wages-Employees.	\$328,028	\$ 54,560					\$ 224,667				
603	Salaries and Wages-Officers, Directors and Majority Stockholders.....	3,420										
604	Employee Pensions & Benefits.	52,384										
610	Purchased Water.....		XXXXXXX									
615	Purchased Power.....		XXXXXXX									
616	Fuel for Power Production....	25,229	XXXXXXX									
618	Chemicals.....	27,200	27,200									
620	Materials and Supplies.....	106,980	4,643					58,993				
631	Contractual Services - Eng....	34,155										
632	Contractual Services - Acct..											
633	Contractual Services - Legal.											
634	Contractual Services - Management Fees.....											
635	Contractual Services - Other.											
641	Rental of Bldg./Real Property	7,700										
642	Rental of Equipment.....											
650	Transportation Expenses.....	33										
656	Insurance - Vehicle.....											
657	Insurance - General Liability	8,747										
658	Insurance - Worker's Compensation.....	11,666										
659	Insurance - Other.....											
660	Advertising Expense.....		XXXXXXX					XXXXXXX				
666	Regulatory Commission Exp....		XXXXXXX					XXXXXXX				
667	- Amortization of Rate Case Expense.....	13,223	XXXXXXX					XXXXXXX				
667	Regulatory Commission Exp....											
670	- Other.....											
670	Bad Debt Expense.....		XXXXXXX					XXXXXXX				
675	Miscellaneous Expenses.....	7,237										
	Totals. Water Utility Expenses	626,002	97,570			31,043						

ADMITTIVE GENERAL EXPENSES (k)

3,420

52,384

XXXXXXX

XXXXXXX

XXXXXXX

XXXXXXX

XXXXXXX

XXXXXXX

XXXXXXX

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION
Frankfort, Kentucky

In the Matter of:)
MUD CREEK WATER DISTRICT) CASE NO. 99-375
And)
BEAVER ELKHORN WATER DISTRICT)

RESPONSE TO ORDER, DATED OCTOBER 21, 1999

Come the Joint Applicants, Mud Creek Water District and Beaver Elkhorn Water District, by and through their respective chairpersons, and for their response to the Commission's Order, dated October 21, 1999, state the following (in sequence corresponding to the numerical paragraphs of the Commission's Order):

1. a. Mud Creek Water District's Board of Commissioners:

- i. Eula Hall, Chairperson – Term Expires: September 2000.
- ii. Emmitt Lawson – Term Expires: September 2000.
- iii. Gary Newman – Term Expires:

b. Beaver Elkhorn Water District's Board of Commissioners:

- i. Hubert Halbert, Chairperson – Term Expires: August 2003.
- ii. Paula Johnson – Term Expires: August 2003.

iii. Tommy Hall – Term Expires: September 2000.

(Witness: Paul H. Thompson, Floyd County Judge/Executive).

2. a. Mud Creek Water District's Current Employees:

- i. Dean Hall – District Manager
- ii. Patty McKinney – Office Manager
- iii. Reece Salyer –Field Employee
- iv. Jamie McKinney – Field Employee

(Witness: Dean Hall, District Manager, Mud Creek Water District).

b. Beaver Elkhorn Water District's Current Employees:

- i. Bob Hackworth – Superintendent
- ii. Maribeth Allen – Office Manager
- iii. MaDonna Murray – Clerk
- iv. Doug Allen – Field Worker
- v. Gary Blankenship – Field Worker
- vi. Tim Ward – Field Worker
- vii. James Patton – Field Worker
- viii. Bryan Adams – Field Worker
- ix. Billy Ray – Field Worker
- x. Brad Tackett – Field Worker
- xi. Shannon Newsome – Field Worker
- xii. Leonard Hall – Field Worker
- xiii. Elbert Marshall – Field Worker

- xiv. Landon Frazier – Field Worker
- xv. Jody Conn – Field Worker
- xvi. Bobby Hackworth, Jr. – Plant Operator
- xvii. Gary Holbrook – Plant Operator
- xviii. Roger Stephens – Plant Operator
- xix. Chris Francis – Plant Operator

(Witness: Hubert Halbert, Chairman, Beaver Elkhorn Water District).

3. a. Southern Water and Sewer District (hereinafter "Southern District") will initially be organized into two (2) divisions, with Division 1 to be comprised of the former Mud Creek Water District and Division 2 to be comprised of the former Beaver Elkhorn Water District. Such organization will better allow for customer service continuity in each division during the transitional period anticipated while the former systems are being merged in fact. Specifically, all components of the respective accounting systems, including all customer accounts, vendor accounts, long and short term debt obligation, and all associated bank accounts will be verified prior to integration into a comprehensive accounting system. Similarly, the approved rates of each original system will be charged to the respective customers during this initial period of transition. [Witnesses: Hubert Halbert, Chairperson, Beaver Elkhorn Water District; Eula Hall, Chairperson, Mud Creek Water District; Dean Hall, District Manager, Mud Creek Water District; & Paul H. Thompson, Floyd County Judge/Executive (hereinafter "Halbert, Hall, Hall & Thompson")].

b. The intentions of the Joint Applicants are to merge the two (2) divisions as soon as practicable. The eventual merger of the two divisions is expected to be fully completed within one (1) calendar year from the date of the Commission's approval of the systems' merger, subject to any additional Commission dictates. (Witnesses: Halbert, Hall, Hall & Thompson).

4. It is the intention of the Joint Applicants to determine and apply for a unified rate for all customers of the merged systems, effective July 1, 2001. The rate change application will be prepared and submitted to the Commission on or before March 1, 2001. (Witnesses: Halbert, Hall, Hall & Thompson).

5. The Joint Applicants prepared and submitted to the Commission, on timely basis, their respective 1998 Annual Reports. (See Exhibits D & E to Joint Petition For Approval of Merger Agreement, filed September 17, 1999). The proposal to merge the respective systems resulted from analyses of these reports and the intent on the part of the respective boards of commissioners to achieve an even higher quality of service and a greater capacity to expand service in their jurisdictions. Additionally, it is the intention of the Joint Applicants, in seeking the respective merger of the two (2) systems, to carry out the recommendations of the Governor as set forth in his Executive Order No. 96-1339, regarding the consolidation of such services, issued October 3, 1996. (Witnesses: Halbert, Hall, Hall & Thompson).

6. a. In addition to and as further explanation of Paragraph 6 of the Joint Petition For Approval Of Merger Agreement, filed September 17, 1999, the identified areas of operation and management where the merger of the Joint Applicants' water distribution systems are expected to produce economies of scale and to lower overall operating costs, and the bases for the same, include:

- i. Personnel: Reduction in use of temporary workers needed to respond to line breaks and other outages through reliance on a larger pool of full time employees to be shared between the former systems.
- ii. Personnel: Utilization of joint personnel for meter reading, thereby expediting this important accounting function to allow more time for meter setting and other system development and improvement activities.
- iii. Equipment: Equipment sharing and the availability of "backup" for such necessary critical equipment as a backhoe and trucks, portable equipment such as sump pumps, and other specialized equipment, such as road-boring equipment.
- iv. Water Purchases: Significant reduction in overall operating costs associated with water purchases consequent upon the fact that the former Mud Creek Water District could be supplied with the bulk of its treated water from the former Beaver Elkhorn Water District rather than the City of Pikeville. (Witnesses: Halbert, Hall, Hall & Thompson).

b. To assign an exact dollar amount to the reduction in overall operating costs resulting from the proposed merger would be speculative at this time. However, the cost of water purchased by the Mud Creek Water District from the City of Pikeville for the year ending December 31, 1998 was \$132,447.00. (See Exhibit D to Joint Petition For Approval Of Merger Agreement, filed September 17, 1999 at p. 30, Account No. 610). Further, the line loss for the year ending December 31, 1998 given by the Joint Applicants in their respective Annual Reports was 43.25% for the Mud Creek Water District and 13.93% for the Beaver Elkhorn Water District. (See Exhibits D & E to Joint Petition For Approval Of Merger Agreement, at p. 32 of each respective exhibit). It is anticipated that substantially lower operating costs will be obtained, if the merger is approved, through a reduction of the water purchase prices due and owing the City of Pikeville and by a systematic approach to line loss reduction by the Joint Applicants' through a pooling of their current work forces. (Halbert, Hall, Hall & Thompson).

7. One person will be in charge of the day-to-day operations of both divisions of the merged district. (Witnesses: Halbert, Hall, Hall & Thompson).

8. a. The Joint Applicants do not currently provide sewer services. (Witnesses: Halbert, Hall, Hall & Thompson).

b. The Joint Applicants do fully intend to develop sewer services throughout their service areas in the future. (Witnesses: Halbert, Hall, Hall & Thompson).

9. The Joint Applicants' long-range plans for system operation of the Southern District include consideration of contract operation, maintenance, and management, with retention of fiscal control by the Southern District's Board of Commissioners, if such a measure is approved by the Commission. The Joint Applicants believe that contract operation, maintenance, and management of the Southern District will greatly reduce the time necessary in providing both treated water and sewage treatment to all of their respective customers. (Witnesses: Halbert, Hall, Hall & Thompson).

10. One immediate improvement or change in operation and management, upon approval and completion of the proposed merger, will be a quest to reduce line loss in both of the former districts. Additionally, the Southern District will explore the prospect of using water produced at the former Beaver Elkhorn Water District's treatment plant as the principal source of water for the former Mud Creek Water District as soon as practicable. (Witnesses: Halbert, Hall, Hall & Thompson).

11. The circumstances that led the Joint Applicants to agree to the proposed

merger evolved from a series of meetings called by the Floyd County Judge/Executive to consider the ways and means to improve and expand water and sewer services throughout the County. All elected and appointed officials involved either directly or indirectly with a water or sewer utility, as well as system personnel and citizens at large, met as an ad hoc committee (named the Floyd County Utilities Service Committee) several times in early 1999 to review information and to consider alternative service approaches.


A majority of this group came to a consensus, on or about May 19, 1999, that two (2) large sectors of the County would best be served by correspondingly large, capable systems. In the northern portion of the County, the Prestonsburg City's Utilities Commission was acknowledged to be the principal "in-place" service provider and the most able to further expand such services in a timely basis. In the southern portion of the County, a joining of the Mud Creek and Beaver Elkhorn Water Districts was considered to be that entity best able to serve this role.

Subsequently, the Judge/Executive met independently with each District's Board of Commissioners to discuss the ideas generated by the ad hoc committee. At their direction, the Commission staff was contacted and queried regarding the proper procedure for a voluntary merger of water districts. The proper meetings, the Joint Petition For Approval Of Merger Agreement, and proper notice to the public and the customers of the respective districts regarding intervention by interested parties followed. (Witnesses: Halbert, Hall, Hall & Thompson). (See also copy of Notice, published in September 17, 1999 edition

of The Floyd County Times, forwarded to the Commission by correspondence,
dated September 21, 1999).

WHEREFORE, the Joint Applicants file their Response to the Commission's
Order, dated October 21, 1999.

Respectfully submitted this ___th day of November, 1999.


EULA HALL, Chairperson
Mud Creek Water District
P.O. 51
Kentucky Route 979
Grethel, Kentucky 41631
(606) 478-2455

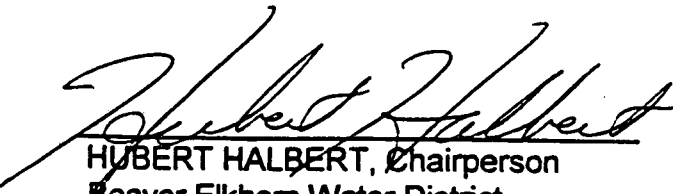

HUBERT HALBERT, Chairperson
Beaver Elkhorn Water District
P.O. 769
Kentucky Route 3188
Martin, Kentucky 41649
(606) 285-3856

Exhibit 5. Minutes from March 13, 2000 Public Hearing regarding Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger

PUBLIC HEARING

MARCH 13, 2000

11:00 A.M.

RE: A Public Hearing regarding the filing by the Mud Creek Water District and the Beaver Elkhorn Water District of a Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries & Joint Petition to Approve Merger with the Office of the Floyd County Judge/Executive.

Meeting Date: March 13, 2000

Time: 11:00 A.M.

Location: Floyd County Fiscal Courtroom
Floyd County Courthouse
149 South Central Avenue Suite #9
Prestonsburg, Kentucky 41653

The Meeting was called to Order by Floyd County Judge/Executive Paul Hunt Thompson at 11:00 A.M. EST.

Those in attendance were:

Paul Hunt Thompson, Floyd County Judge/Executive
Anita Thornsby, Stenographer
Brett D. Davis, Floyd County Deputy Judge/Executive
Gary Blankenship, Resident and Employee of Beaver Elkhorn Water District
Dwayne Hamilton, Resident of Mud Creek Water District and Employee of Professional Services Group
Representatives of the Kentucky American Water Company
Representative of Professional Service Group

THE FOLLOWING STATEMENT WAS READ INTO THE RECORD BY THE COUNTY JUDGE/EXECUTIVE AT THIS HEARING:

“Mud Creek Water District and Beaver Elkhorn Water District have filed a Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries & Joint Petition To Approve Merger with the Office of the Floyd County Judge/Executive, pursuant to KRS 74.110, seeking approval from the County Judge/Executive for the proposed merger of Mud Creek Water District and Beaver Elkhorn Water District to form the Southern Water and Sewer District. To accomplish the proposed merger, the

County Judge/Executive must conduct a hearing to determine whether the combination of the existing boundaries of Mud Creek Water District and Beaver Elkhorn Water District, thereby changing the territorial limits of these districts to form the Southern Water and Sewer District, is reasonably necessary.

The Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger was filed with the Office of the Floyd County Judge/Executive on January 27, 2000. The hearing regarding the Joint Petition To Annex Territory, Joint Petition to Change Territorial Boundaries, & Joint Petition To Approve Merger is being held at 11:00 A.M. on March 13, 2000 at the Floyd County Fiscal Courtroom, located on the Second Floor of the Floyd County Courthouse at 149 South Central Avenue, Suite 9, Prestonsburg, Kentucky. Any corporation, association, body politic, customer or resident of either water district, or any other person may protest the proposed action by filing objections and exception at the Office of the Floyd County Judge/Executive within thirty (30) days from February 9, 2000, the date of the first publication of this Notice.”

Judge Thompson noted that prior to this hearing, no written or verbal objections and/or exceptions had been filed, or lodged with the Office of the Floyd County Judge/Executive regarding the filing by the Mud Creek Water District and the Beaver Elkhorn Water District of a Joint Petition to Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger with the Office of the Floyd County Judge/Executive and the only responses he had personally received were verbal responses of support for the merger of the two (2) water districts.

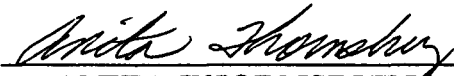
Judge Thompson stated that he had reviewed additional documents from the Kentucky Public Service Commission in relation to the filing by the Mud Creek Water District and the Beaver Elkhorn Water District of a Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Merger that he expected to issue a decision on these matters on March 14, 2000, and that the merger was expected to pass.

With all parties present being in agreement and no objection and/or exceptions to the filing by the Mud Creek Water District and the Beaver Elkhorn Water District of the Joint Petition To Annex Territory, Joint Petition To Change Territorial Boundaries, & Joint Petition To Approve Merger being stated or filed at the hearing, the Public Hearing was adjourned.

CERTIFICATE

I, Anita Thornsby, Notary Public, Commonwealth of Kentucky,
State-At-Large, hereby certify that the foregoing Minutes constitute a true
and accurate record of said Public Hearing conducted on March 13, 2000, as
prepared by me from my notes to the best of my ability.

Given under my hand this 13th day of March, 2000.


ANITA THORNSBURY
Notary Public
State-At-Large

My Commission expires: August 11, 2003



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 1999-375
BEAVER-ELKHORN WATER DISTRICT

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on December 16, 1999.

See attached parties of record.

Stephanie Bell

Secretary of the Commission

SB/hv
Enclosure

Hubert Halbert
Chairman
Beaver-Elkhorn Water District
P. O. Box 769
Martin, KY. 41649

Dean Hall
Manager
Mud Creek Water District
P. O. Box 051
Grethel, KY. 41631

Honorable Paul H. Thompson
Floyd County Judge/Executive
149 South Central Avenue, Room 9
Prestonsburg, KY. 41653 1960

Honorable Brett D. Davis
Attorney for Mud Creek & Beaver
Elkhorn Water Districts
Floyd County Courthouse
149 South Central Avenue
Room 9
Prestonsburg, KY. 41653

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MUD CREEK WATER)
DISTRICT AND BEAVER ELKHORN WATER) CASE NO. 99-375
DISTRICT FOR APPROVAL OF MERGER)
AGREEMENT)

ORDER

Mud Creek Water District ("Mud Creek") and Beaver Elkhorn Water District ("Beaver Elkhorn") (collectively "the Joint Applicants") have applied, pursuant to KRS 74.363 and KRS 278.020, for Commission approval of their proposed merger and the formation of Southern Water and Sewer District ("Southern District").

Having considered the application and the evidence of record, the Commission finds that:

1. Beaver Elkhorn is a water district organized pursuant to KRS Chapter 74.
2. As of December 31, 1998, Beaver Elkhorn provided water service to approximately 2,610 customers in Floyd and Knott counties, Kentucky.
3. As of December 31, 1998, Beaver Elkhorn had total utility plant of \$10,204,060.
4. As of December 31, 1998, Beaver Elkhorn had total assets and other debits of \$10,631,746 and total liabilities of \$4,196,812.
5. For the operating year ended December 31, 1998, Beaver Elkhorn had a net income of \$16,804 based upon total operating revenues and other income of \$889,573.

6. As of December 31, 1998, Beaver Elkhorn had long-term debt of \$3,922,237 and short-term debt of \$94,165.

7. A three-member board of commissioners manages Beaver Elkhorn.

8. Beaver Elkhorn currently employs 19 persons to operate its water production and distribution systems.

9. Beaver Elkhorn operates its own water production facilities that provide Beaver Elkhorn's total water requirements.

10. Beaver Elkhorn does not currently provide any sanitary sewer service; nor does it own or operate any sewage treatment or collection facilities.

11. Mud Creek is a water district organized pursuant to KRS Chapter 74.

12. As of December 31, 1998, Mud Creek provided water service to approximately 1,020 customers in Floyd County, Kentucky.

13. As of December 31, 1998, Mud Creek had total utility plant of \$816,644.

14. As of December 31, 1998, Mud Creek had total assets and other debits of \$896,254 and total liabilities of \$303,272.

15. For the operating year ended December 31, 1998, Mud Creek had a net income of \$(32,167) based upon total operating revenues and other income of \$325,973.

16. As of December 31, 1998, Mud Creek had no long-term debt and short-term debt of \$3,005.

17. A three-member board of commissioners manages Mud Creek.

18. Mud Creek currently employs 4 persons to operate its water distribution system.

19. Mud Creek does not operate any water production facilities, but purchases its total water requirements from the city of Pikeville, Kentucky.

20. Mud Creek does not currently provide any sanitary sewer service nor does it own or operate any sewage treatment or collection facilities.

21. The territories of Beaver Elkhorn and Mud Creek are adjacent to each other.

22. On August 26, 1999, the Joint Applicants executed a Merger Agreement.

23. Under the terms of the Merger Agreement, the Joint Applicants will merge to form Southern District. Southern District will be divided into two divisions. Division 1 will consist of all territory that Beaver Elkhorn currently serves. Division 2 will consist of all territory that Mud Creek currently serves. The Joint Applicants expect that Southern District's two divisions will be merged within one year of the consolidated district's operation.

24. The proposed merger will result in no immediate change in existing rates for water service. Division 1 will charge the rates that Beaver Elkhorn currently charges. Division 2 will charge the rates that Mud Creek currently charges.

25. The Joint Applicants expect Southern District to seek Commission approval of a unified rate for all customers no later than March 1, 2001.

26. Upon beginning operation, Southern District will employ all of the Joint Applicants' current employees.

27. The proposed Southern District will assume all assets and liabilities of the Joint Applicants.

28. The Joint Applicants have identified several areas, including purchased water costs and personnel costs, in which they expect the proposed merger will produce lower operating costs due to greater economies of scale.

29. The current level of service provided by the Joint Applicants will not suffer as a result of the proposed merger and formation of Southern District.

30. Southern District has the financial, technical, and managerial abilities to provide reasonable service.

31. KRS 74.361 provides:

[R]eduction of the number of operating water districts in the Commonwealth will be in the public interest, in that mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public; and that the public policy favors the merger of water districts wherever feasible.

32. The proposed merger is consistent with the objectives set forth in KRS 74.361.

33. The proposed merger is made in accordance with law, is for a proper purpose, and is consistent with the public interest.

IT IS THEREFORE ORDERED that:

1. The proposed merger is approved.
2. Upon completion of the proposed merger, Southern District shall immediately advise the Commission of the merger and shall file an adoption notice, adopting, ratifying and making its own all rates, rules, classifications and administrative regulations of the Joint Applicants in effect at the time of the merger.

3. Within 10 days after the filing of its adoption notice, Southern District shall issue and file in its own name rate schedules and administrative regulations which shall set out the Joint Applicants' rates and administrative regulations then in effect in accordance with Administrative Regulation 807 KAR 5:011.

4. Beaver Elkhorn and Mud Creek shall each file a separate annual report of their operations for calendar year 1999.

5. Southern District shall file with the Commission a copy of all ordinances and resolutions enacted by Floyd County and Knott County Fiscal Courts to effect the proposed merger.

Done at Frankfort, Kentucky, this 16th day of December, 1999.

By the Commission

ATTEST:


Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
Frankfort, Kentucky

RECEIVED

NOV 22 1999

PUBLIC SERVICE
COMMISSION

In the Matter of:)
MUD CREEK WATER DISTRICT) CASE NO. 99-375
And)
BEAVER ELKHORN WATER DISTRICT)

MOTION FOR EXTENSION OF TIME

Come the Joint Applicants, Mud Creek Water District and Beaver Elkhorn Water District, by counsel, and move the Commission for an Order granting them an extension of time of ten (10) days in which to file a response to the Commission's Order, dated October 21, 1999. As grounds, the undersigned counsel states that his other duties as Deputy Judge/Executive of Floyd County, Kentucky have prevented his preparation and filing of this Response within the period of time allotted by the Commission for its filing. Further, the Response has now been prepared, executed and accompanies this Motion and, with the leave of the Commission, may be filed contemporaneously with this Motion.

WHEREFORE, the Joint Applicants, Mud Creek Water District and Beaver Elkhorn Water District move the Commission for an extension of time up to and including November 20, 1999 in which to file their Response to the Commission's Order, dated October 21, 1999.

Respectfully submitted this the 18th day of November, 1999.

Brett D. Davis
Brett D. Davis
Attorney-at-Law
Floyd County Courthouse
149 South Central Avenue, Room 9
Prestonsburg, Kentucky 41653
Telephone: (606) 886-9193

RECEIVED

NOV 22 1999

PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MUD CREEK WATER)
DISTRICT AND BEAVER ELKHORN WATER) CASE NO. 99-375
DISTRICT FOR APPROVAL OF MERGER)
AGREEMENT)

WAIVER AND EXTENSION OF STATUTORY
TIME PERIOD

MUD CREEK WATER DISTRICT AND BEAVER ELKHORN WATER DISTRICT,
by and through its counsel, does hereby agree, pursuant to KRS 278.020(5), to extend
the 60-day statutory period for Public Service Commission review and action on their
Application to merger. This waiver is for the purpose of extending that statutory period
to a total of 90 days. MUD CREEK WATER DISTRICT AND BEAVER ELKHORN
WATER DISTRICT understand and agree that they are waiving their right to have the
transfer approved or denied within the 60 days set forth by statute or to have the
transfer deemed approved if for any reason the Public Service Commission fails to act
within the prescribed period, by extending the period to 90 days.

Respectfully submitted,

Brett D. Davis
(Name of Counsel)

Subscribed and sworn to before me by Brett D. Davis
this 16th day of November, 1999.

Arleta L. Hoensberg
NOTARY PUBLIC
State-at-Large

My Commission expires: August 3, 2003

FAX

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

NOV 1 1999

In the Matter of:

THE APPLICATION OF MUD CREEK WATER)
DISTRICT AND BEAVER ELKHORN WATER) CASE NO. 99-375
DISTRICT FOR APPROVAL OF MERGER)
AGREEMENT)

WAIVER AND EXTENSION OF STATUTORY
TIME PERIOD

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WATER DISTRICT understand and agree that they are waiving their right to have the
transfer approved or denied within the 60 days set forth by statute or to have the
transfer deemed approved if for any reason the Public Service Commission fails to act
within the prescribed period, by extending the period to 90 days.

Respectfully submitted,

Brett D. Davis
(Name of Counsel)

Subscribed and sworn to before me by Brett D. Davis
this 16th day of November, 1999.

Anita L. Shoensberg
NOTARY PUBLIC
State-at-Large

My Commission expires: August 3, 2003



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 21, 1999

Hubert Halbert
Chairman
Beaver-Elkhorn Water District
P. O. Box 769
Martin, KY. 41649

Dean Hall
Manager
Mud Creek Water District
P. O. Box 051
Grethel, KY. 41631

Honorable Paul H. Thompson
Floyd County Judge/Executive
149 South Central Avenue, Room 9
Prestonsburg, KY. 41653 1960

RE: Case No. 99-375

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sh
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MUD CREEK WATER)
DISTRICT AND BEAVER ELKHORN WATER) CASE NO. 99-375
DISTRICT FOR APPROVAL OF MERGER)
AGREEMENT)

ORDER

IT IS ORDERED that Mud Creek Water District and Beaver Elkhorn Water District ("Joint Applicants") shall file the original and 8 copies of the following information with the Commission within 20 days of the date of this Order, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this Order.

1. Identify each member of Joint Applicants' Boards of Commissioners and state when each member's current term of appointment will expire.
2. List the name and state the position of each person who the Joint Applicants currently employ.

3. a. Explain why Southern Water and Sewer District ("Southern District") will be organized into two divisions.

b. State the Joint Applicants' intentions regarding the merger of the 2 divisions. If the eventual merger of these divisions is contemplated, when is such merger expected?

4. State the Joint Applicants' intentions regarding a unified rate for Southern District customers. If Joint Applicants intend Southern District to have a unified rate eventually, when do they expect the merged water district to propose such rate to the Commission?

5. Provide all studies that the Joint Applicants prepared, commissioned, or participated in and that address the proposed merger.

6. a. Identify the areas of operation and management where the merger of the Joint Applicants' water distribution systems will produce economies of scale and lower operating costs.

b. State the expected lower operating costs that will result from the proposed merger.

7. State whether one person will be in charge of the day-to-day operations of both divisions of the merged district.

8. a. Describe the sewer service that each Joint Applicant currently provides.

b. Describe the Joint Applicants' intentions regarding the provision of sewer service.

9. Describe the Joint Applicants' long-range plans, if any, for operating Southern District.

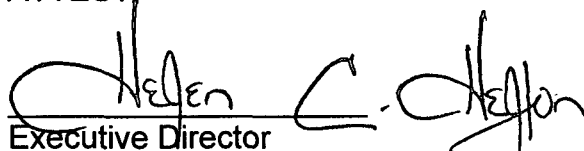
10. Identify any immediate improvements or changes in operation and management that Southern District intends to implement upon completion of the proposed merger.

11. Describe the circumstance that led the Joint Applicants to agree to the proposed merger.

Done at Frankfort, Kentucky, this 21st day of October, 1999.

By the Commission

ATTEST:


Executive Director



PAUL HUNT THOMPSON
JUDGE/EXECUTIVE of FLOYD COUNTY
COMMONWEALTH of KENTUCKY



Telephone (606) 886-9193
Fax (606) 886-1083

Floyd County Fiscal Court
P. O. Box 789
Prestonsburg, Kentucky 41653

RECEIVED
OCT 04 1999
PUBLIC SERVICE
COMMISSION

October 1, 1999

Ms Stephanie Bell
Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

Re: Case No. 99-375
Beaver-Elkhorn Water District & Mud Creek Water District
(Transfer/Sale/Purchase/Merger)

Dear Ms. Bell:

Thank you for your correspondence of September 20, 1999. Based upon a notice received from the U.S. Postal Service, our present letterhead and the letterhead used in my previous correspondence to the Commission was, regrettably, outdated. Please direct future copies of pleadings and correspondence in the above-styled case to the Floyd County Fiscal Court at the following address:

Paul H. Thompson
Floyd County Judge/Executive
149 South Central Avenue, Room 9
Prestonsburg, Kentucky 41653-1960

OK-
HU
10-7-99

Thank you for your assistance in this matter.

Sincerely,

Brett D. Davis
Deputy Judge/Executive



PAUL HUNT THOMPSON
JUDGE/EXECUTIVE of FLOYD COUNTY
COMMONWEALTH of KENTUCKY



Telephone (606) 886-9193
Fax (606) 886-1083

Floyd County Fiscal Court
P. O. Box 789
Prestonsburg, Kentucky 41653

September 21, 1999

Ms. Helen Helton
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

RECEIVED
SEP 23 1999
PUBLIC SERVICE
COMMISSION

RE: In the Matter of Mud Creek Water District and Beaver Elkhorn Water District /
Joint Petition for Approval of Merger Agreement /
Case No. 99-375

Dear Ms. Helton:

Enclosed please find a copy of the Notice regarding intervention by interested parties in the above-styled case. This Notice was published at Section B, page 9 ("Legal Advertisement") in the September 17, 1999 edition of The Floyd County Times, the newspaper of general circulation for Mud Creek Water District, Beaver Elkhorn Water District and their respective customers, as well as for the general public and citizens of Floyd County. Please consider this correspondence and the attached copy of the aforementioned Notice as verification of the Notice's publication in conformity with Paragraph 11 of the Joint Petition for Approval of Merger Agreement.

In the event that the Kentucky Public Service Commission deems it necessary that an additional Notice(s) be published or that any modification to the existing Notice be made for republication, please advise me and I will see that this is accomplished (Please see Paragraph 11 of Joint Petition for Approval of Merger Agreement, filed September 13, 1999). As always, if I can be of any assistance in this merger process, please do not hesitate to contact me.

Sincerely,

Brett D. Davis
Floyd County Deputy Judge/Executive

Enclosures

Brett D. Davis

cc: Ms. Eula Hall

Mr. Hubert Halbert

NOTICE TO CUSTOMERS OF MUD CREEK WATER DISTRICT AND BEAVER
ELKHORN WATER DISTRICT

Notice is hereby given that Mud Creek Water District and Beaver Elkhorn Water District have filed a Joint Petition for Approval of Merger Agreement with the Kentucky Public Service Commission, pursuant to KRS 74.363, seeking the approval of the Public Service Commission for the merger of the two districts to form the Southern Water and Sewer District. The Joint Petition for Approval of Merger Agreement was filed with the Kentucky Public Service Commission on or about September 13, 1999.

Any corporation, association, body politic or person may by motion, within thirty (30) days after publication of this Notice regarding the Joint Petition for Approval of Merger Agreement, request leave to intervene. The motion for leave to intervene shall be submitted to the Public Service Commission, 730 Schenkel Lane, P. O. 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party. Intervenors may obtain copies of the Joint Petition for Approval of Merger Agreement by contacting Mud Creek Water District at P.O. Box 51, Kentucky Route 979, Grethel, Kentucky 41631; Telephone # (606) 587-2455 or Beaver Elkhorn Water District at P.O. Box 769, Kentucky Route 3188, Martin, Kentucky 41649; Telephone # (606) 285-3856. A copy of the Joint Petition for Approval of Merger Agreement is also available for public inspection at the offices of Mud Creek Water District and Beaver Elkhorn Water District at the above addresses.

application; all comments, objections, or requests for a permit conference must be received within fifteen (15) days of today's date.

PUBLIC NOTICE
Pursuant to KRS 231.040, application for a permit to operate a piece of entertainment, has been made by Ellis Brown of 214 N. Front St., Langley, KY 41645, the name of the proposed business of entertainment is N. Front Street Langley, KY. The nature of the business will be Pool Tables.

Pursuant to KRS 231.070, the Floyd County Attorney shall investigate whether the applicant lacks good moral character, or whether the applicant will obey the laws of the Commonwealth in operation of the business, or whether the applicant, within the last two (2) years prior to the date of filing the application has been convicted in Kentucky of maintaining a public nuisance.

Pursuant to KRS 231.090, any person desiring to oppose the permit shall file with the County Clerk no later than October 21, 1999, in writing, allegations that show cause as to why the application shall not be granted. Said written information shall be signed, dated and reflect the current address of said person providing the information.

Pursuant to KRS 231.080, a hearing has been scheduled for October 21, 1999 at the hour of 2:30 p.m., or as soon thereafter as same can be heard before the Floyd County

the sale take priority over ad. Purchaser to pay all taxes and transfer fees. Call Mike Haney for location, 606-886-2321.

NOTICE OF PUBLIC SALE
The following item will be offered at public sale on September 24, 1999, at 11 a.m., to satisfy the unpaid balance of an installment contract signed 10/06/98.

1998 MAZDA PRO-TEGE S/N 6423
All items are sold "as is where is." Seller reserves the right to bid and to reject any or all bids. Items are to be paid following the sale, or satisfactory arrangements are made with the seller.

1995 PONTIAC GRAND AM S/N 8872
All items are sold "as is where is." Seller reserves the right to bid and to reject any or all bids. Items are to be paid following the sale, or satisfactory arrangements are made with the seller.

1995 PONTIAC GRAND PRIX S/N 2605
All items are sold "as is where is." Seller reserves the right to bid and to reject any or all bids. Items are to be paid following

and located 1.08 miles East of Cal Branch. The proposed operation is located on the Lancaster U.S.G.S. 7 1/2 minute quadrangle map. The surface area is owned by Delano May.

The application has been filed for public inspection at the Department of Surface Reclamation and Enforcement's Prestonburg Regional Office, 3140 South Lake Drive, Suite 6, Prestonburg, Kentucky 41653.

requests for a permit conference must be filed with the Director, Division of Permits, #2 Hudson Hollow Complex, U.S. 127 South, Frankfort, KY 40601.

This is the final advertisement of this permit application. All comments, objections, or requests for a permit conference must be received within thirty (30) days of today's date.

X NOTICE TO CUSTOMERS OF MUD CREEK WATER DISTRICT AND BEAVER ELKHORN WATER DISTRICT

Notice is hereby given that Mud Creek Water District and Beaver Elkhorn Water District have filed a Joint Petition for Approval of Merger Agreement with the Kentucky Public Service Commission, pursuant to KRS 74.363, seeking the approval of the Public Service Commission for the merger of the two districts to form the Southern Water and Sewer District.

The Joint Petition for Approval of Merger Agreement was filed with the Kentucky Public Service Commission on or about September 13, 1999.

Any corporation, association, body politic or person may by motion, within thirty (30) days after publication of this Notice regarding the Joint Petition for Approval of Merger Agreement, request leave to inter-

application; all comments, objections, or requests for a permit conference must be received within fifteen (15) days of today's date.

PUBLIC NOTICE
Notice is hereby given that Dale Pack, HC 78, Box 650, McDowell, KY 41647, has filed an application with the Natural Resources and Environmental Protection Cabinet proposing to construct a commercial building that will be located within the limits of the 100 year flood on the Left Fork of Beaver Creek. The site is located approximately 725 feet south of the junction of State Route 122 and 690 at McDowell. Any comments or objections concerning this application shall be directed to: Kentucky Division of Water Resources Branch, 18 Reilly Road, Frankfort, KY 40601. Phone: (502) 564-3410.

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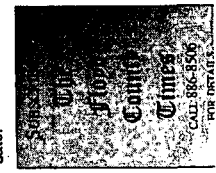
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requests for a permit conference must be filed with the Director, Division of Permits, #2 Hudson Hollow Complex, U.S. 127 South, Frankfort, KY 40601.



NOTICE OF INTENTION TO MINE

Pursuant to Application Number 836-5266, Operator Change

In accordance with 405 KAR 8.010, notice is hereby given that Richardson Fuel, Inc.; 16232 US Route 23; Caltensburg, KY 41129, intends to revise permit number 836-5266 to change the operator. The operator presently approved in the permit is Sure Coal, Inc.; 37 White Rock; Prestonsburg, Kentucky 41653. The new operator will be Tristan J. Coal Company, Inc.; Rt. 550, 419 Bear Fork Road; P.O. Box 72; Mousie, Kentucky 41839.

The operation is located 1.0 miles North of Banner in Floyd County. The operation is approximately 0.5 miles northeast of Old Daniels Creek Road junction with US 23/460 and located 300 feet North of Daniels Creek. The operation is located on the Harold and Lancer U.S.G.S. minute quadrangle map at Latitude 37° 36' 42" and Longitude 82° 41' 59".

The application has been filed for public inspection at the Department of Surface Mining and Reclamation and Enforcement's Regional Office, 3140 South Lake Drive, Suite 6, Prestonsburg, KY 41653. Written comments, objections, or request for a permit conference must be filed with the Director of the Division of Permits; #2 Hudson Hollow Complex, US 127 South, Frankfort, KY 40601.

Judge/Executive at the Floyd County Justice Center, 2nd Floor in Prestonsburg, Kentucky. The Floyd County Judge/Executive shall hear evidence in support of or in opposition to the granting of the permit.

HON. KEITH BARTLEY FLOYD COUNTY ATTORNEY

NOTICE OF PUBLIC SALE

The following item will be offered at public sale on September 24, 1999, at 11 a.m., to satisfy the unpaid balance of an installment contract signed 08/09/96.

1993 PONTIAC GRAND AM S/N 0459 All items are sold "as is where is." Seller reserves the right to bid and to reject any or all bids. Items are to be paid following the sale, or satisfactory arrangements are made with the seller. Announcements at the sale take priority over ad. Purchaser to pay all taxes and transfer fees.

Call Mike Haney for location, 606-886-2321.

First Commonweath Bank 311 N. Arnold Ave. Prestonsburg, KY 41653

NOTICE OF PUBLIC SALE

The following item will be offered at public sale on September 24, 1999, at 11 a.m., to satisfy the unpaid balance of an installment contract signed 06/24/99.

1999 PONTIAC GRAND AM GT S/N 3021 All items are sold "as is where is." Seller reserves the right to bid and to reject any or all bids. Items are to be paid following the sale, or satisfactory arrangements are

to be made with the seller. Announcements at the sale take priority over ad. Purchaser to pay all taxes and transfer fees.

Call Mike Haney for location, 606-886-2321.

First Commonweath Bank 311 N. Arnold Ave. Prestonsburg, KY 41653

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Call Mike Haney for location, 606-886-2321.

First Commonweath Bank 311 N. Arnold Ave. Prestonsburg, KY 41653

NOTICE OF PUBLIC SALE

The following item will be offered at public sale on September 24, 1999, at 11 a.m., to satisfy the unpaid balance of an installment contract signed 12/18/98.

1991 BUICK REGAL S/N 8078 All items are sold "as is where is." Seller reserves the right to bid and to reject any or all bids. Items are to be paid following the sale, or satisfactory arrangements are made with the seller. Announcements at the sale take priority over ad. Purchaser to pay all taxes and transfer fees.

Call Mike Haney for location, 606-886-2321.

First Commonweath Bank 311 N. Arnold Ave. Prestonsburg, KY 41653

NOTICE OF PUBLIC SALE

The following item will be offered at public sale on September 24, 1999, at 11 a.m., to satisfy the unpaid balance of an installment contract signed 03/08/99.

1999 SUZUKI 300 4X4 S/N 3072 All items are sold "as is where is." Seller reserves the right to bid and to reject any or all bids. Items are to be paid following the sale, or satisfactory arrangements are

to be made with the seller. Announcements at the sale take priority over ad. Purchaser to pay all taxes and transfer fees.

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First Commonweath Bank 311 N. Arnold Ave. Prestonsburg, KY 41653

Corporation. The operation will undertake 104.60 acres making a total area of 1,823.55 acres within the revised permit boundary.

The proposed major revision area is approximately 0.25 miles north from KY Route 1428's junction with KY Route 194 and located 0.50 miles north of Cow Creek.

The proposed major revision is located on the Lancer U.S.G.S. 7 1/2 minute quadrangle map. The major revision will not add any surface disturbance acreage to the permit area. The major revision land owned by Ed Leslie Estate.

The major revision proposes the addition of 104.60 acres of underground mining in the Elkhorn No. 3 coal seam.

The major revision application has been filed for public inspection at the Department of Surface Mining and Reclamation and Enforcement's Regional Office, 3140 South Lake Drive, Suite 6, Prestonsburg, KY 41653-1410. Written comments, objections, or requests for a permit conference must be filed with the Director, Division of Permits, #2 Hudson Hollow, Frankfort, KY 40601-4321.

This is the final advertisement of the sale. Announcements at the sale take priority over ad. Purchaser to pay all taxes and transfer fees.

Call Mike Haney for location, 606-886-2321.

First Commonweath Bank 311 N. Arnold Ave. Prestonsburg, KY 41653

NOTICE OF INTENTION TO MINE

Pursuant to Application Number 836-0287

In accordance with the provisions of KRS 350.055, notice is hereby given that Industrial Processing Inc., P.O. Box 29, Prestonsburg, Kentucky 41653, has applied for a permit for a crusher and loading facility coal processing facility affecting 1.81 acres located 1.33 miles North of New Allen, in Floyd County.

The proposed operation is approximately 1.14 miles North from

acres of surface disturbance and will undertake an additional total area of 1,823.55 acres within the revised permit boundary.

The proposed major revision area is approximately 0.25 miles north from KY Route 1428's junction with KY Route 194 and located 0.50 miles north of Cow Creek.

The proposed major revision is located on the Lancer U.S.G.S. 7 1/2 minute quadrangle map. The major revision will not add any surface disturbance acreage to the permit area. The major revision land owned by Ed Leslie Estate.

The major revision proposes the addition of 104.60 acres of underground mining in the Elkhorn No. 3 coal seam.

The major revision application has been filed for public inspection at the Department of Surface Mining and Reclamation and Enforcement's Regional Office, 3140 South Lake Drive, Suite 6, Prestonsburg, KY 41653-1410. Written comments, objections, or requests for a permit conference must be filed with the Director, Division of Permits, #2 Hudson Hollow, Frankfort, KY 40601-4321.

This is the final advertisement of the sale. Announcements at the sale take priority over ad. Purchaser to pay all taxes and transfer fees.

Call Mike Haney for location, 606-886-2321.

First Commonweath Bank 311 N. Arnold Ave. Prestonsburg, KY 41653

ments, objections or requests for a permit conference must be received within 30 days of this date.

NOTICE OF INTENTION TO MINE

Pursuant to Application Number 836-9040 RENEWAL

In accordance with the provisions of KRS 350.055, notice is hereby given that LICK FORK PROCESSING CO., 819 South Federal Highway, Suite 203, Stuart, FL 34994 has applied for RENEWAL of a permit for a Coal Refuse Disposal Facility located approximately 0.05 miles east of David in Floyd County, Kentucky. The existing operation will disturb 41.59 surface acres.

The existing operation is approximately 0.15 miles West from the offices of Mud Creek and Beaver Elkhorn Branch, Kentucky Water District at the Water District at the above addresses.

The application has been filed for public inspection at the Department of Surface Mining and Reclamation and Enforcement's Regional Office, 3140 South Lake Drive, Suite 6, Prestonsburg, KY 41653. Written comments, objections, or requests for a permit conference must be filed with the Director, Division of Permits, #2 Hudson Hollow, Frankfort, KY 40601.

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leave to intervene shall be submitted to the Public Service Commission, 730 Schenkel Lane, P. O. 615, Frankfort, Kentucky 40602, and requests for the public sale at the status and interest of the party. Intervenor may obtain copies of the Joint Petition for Approval of Merger Agreement by contacting Mud Creek Water District at P.O. Water District at P.O. Box 99, Grethel, Kentucky 41631; Telephone # (606) 567-2455 or Beaver Elkhorn Water District at P.O. Box 769, Kentucky Route 3188, Martin, Kentucky 41649; Telephone # (606) 285-3856. A copy of the Joint Petition for Approval of Merger Agreement is also available for public inspection at the offices of Mud Creek and Beaver Elkhorn Branch, Kentucky Water District at the above addresses.

NOTICE OF INTENTION TO MINE

Pursuant to Application Number 836-5312, Renewal

In accordance with the provisions of KRS 350.055, notice is hereby given that Maple Ridge Mining Corporation, P.O. Box 219, Harold, Kentucky 41635 has applied for renewal of a permit for an underground coal mining operation located 1.70 miles northwest of Grethel in Floyd County. The proposed operation will disturb 2.86 surface acres and will allow construction of a new senior citizens center within the permit area, within the permit boundary will be 828.66 acres.

The proposed operation is approximately 0.30 mile south from Morgan Fork Road's junction with Little Mud Creek Road and

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Call Mike Haney for location, 606-886-2321.

First Commonweath Bank 311 N. Arnold Ave. Prestonsburg, KY 41653

Frankfort, KY 40601. Phone (502) 564-3410.

NOTICE OF PUBLIC SALE

The following property will be offered at public sale at Worldwide Equipment, Inc., Hwy. 1428 East, Prestonsburg, KY, on 9/24/99 commencing at 9:30 a.m.: 1986 KENWORTH W900L TRUCK TRACTOR 1XKWDB93XTJ6991 65

The property may be inspected by appointment prior to the sale at Worldwide Equipment, Inc., Hwy. 1428 East, Prestonsburg, KY 41653.

Cash sales only. Inquiries: ASSOCIATED ATEES at 513-677-8700 98-04711-0.

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Pursuant to Application Number 836-5333 Major

In accordance with the provisions of KRS 350.055, notice is hereby given that Industrial Processing Inc., P.O. Box 29, Prestonsburg, Kentucky 41653, has applied for a permit for a crusher and loading facility coal processing facility affecting 1.81 acres located 1.33 miles North of New Allen, in Floyd County.

The proposed operation is approximately 1.14 miles North from

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COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

September 20, 1999

Hubert Halbert
Chairman
Beaver-Elkhorn Water District
P. O. Box 769
Martin, KY. 41649

Dean Hall
Manager
Mud Creek Water District
P. O. Box 051
Grethel, KY. 41631

Honorable Brett D. Davis
Judge/Executive of Floyd County
Paul Hunt Thompson
Floyd County Fiscal Court
P. O. Box 789
Prestonsburg, KY. 41653

RE: Case No. 99-375
BEAVER-ELKHORN WATER DISTRICT
(Transfer/Sale/Purchase/Merger) & MUD CREEK WATER DISTRICT

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received September 17, 1999 and has been assigned Case No. 99-375. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

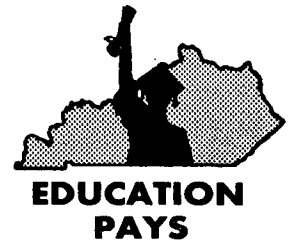
Sincerely,
Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/jc



PAUL HUNT THOMPSON
JUDGE/EXECUTIVE of FLOYD COUNTY
COMMONWEALTH of KENTUCKY



Telephone (606) 886-9193
Fax (606) 886-1083

Floyd County Fiscal Court
P. O. Box 789
Prestonsburg, Kentucky 41653

RECEIVED

September 16, 1999

SEP 17 1999

PUBLIC SERVICE
COMMISSION

Ms. Susan Hutcherson
Kentucky Public Service Commission
730 Schenkel Lane
P.O. 615
Frankfort, Kentucky 40602

RE: In the Matter of Mud Creek Water District and Beaver Elkhorn Water District /
Petition for Approval of Merger Agreement /
Case No. 99-375

Dear Ms. Hutcherson:

Enclosed please find the original and ten (10) copies of the Petition for Approval of Merger Agreement which was received by the Kentucky Public Service Commission on September 13, 1999. Please make these items part of the official record of the Commission in the above-styled matter.

Please note two (2) amendments to the original Petition. At Paragraph 11. of the original Petition, a typographical error as to the date of the publication for the Notice to the water districts' customers has been corrected. The correct date of the Notice's publication is September 17, 1999, and I have corrected that error on the face of the original petition. Also, an additional page of minutes from Beaver Elkhorn Water District was approved and forwarded to our office after the Petition was received by the Commission. This additional page of minutes (for a meeting held on August 11, 1999) would now properly be inserted as the sixth page of Collective Exhibit B. Please file this additional page in the original Petition for Approval of Merger Agreement. I have taken the liberty of including this page in the copies which have been forwarded.

As an additional request, please copy our office in on any future pleadings and correspondence of the Public Service Commission to the parties in the above-styled case. While the Floyd County Fiscal Court is not an actual party to the proposed merger, I provided the two water districts with legal assistance in drafting the Petition and this merger is of vital importance to Judge/Executive Paul H. Thompson, to Floyd County and to the Floyd County Fiscal Court.

Thank you for all of your assistance in regard to this matter.

Sincerely,



Brett D. Davis,
Floyd County Deputy Judge/Executive

Enclosures

cc: Ms. Eula Hall, Mud Creek Water District
Mr. Hubert Halbert, Beaver Elkhorn Water District

and is regulated by Chapter 278 of the Kentucky Revised Statutes. Mud Creek provides water at retail rates to approximately One Thousand One (1001) customers located in Floyd County, Kentucky. Mud Creek purchases treated water for distribution from the City of Pikeville pursuant to a Water Purchase Agreement entered into on January 23, 1987, as amended on June 17, 1991. The mailing address for Mud Creek is P. O. Box 51, Grethel, Kentucky 41631; the physical address is 96 Kentucky Route 979, Grethel, Kentucky.

2. Beaver Elkhorn is a public utility organized and existing under Chapter 74 of the laws of the Commonwealth of Kentucky and is regulated by Chapter 278 of the Kentucky Revised Statutes. Beaver Elkhorn withdraws water from the Levisa Fork of the Big Sandy River, treats water at its 2.0 mgd plant at Allen, Kentucky and distributes water to approximately Two Thousand Four Hundred Twenty-Eight (2428) retail customers located in Floyd County and Knott County, Kentucky. Beaver Elkhorn also sells treated water at an approved wholesale rate to the City of Hindman, in Knott County, pursuant to a Water Purchase Contract, dated May 7, 1976, as well as to the City of Wheelwright, in Floyd County. The mailing address for Beaver Elkhorn is Post Office Box 769, Martin, Kentucky 41649; the physical address is 96 Kentucky Route 3188, Langley, Kentucky.

3. On August 26, 1999, Mud Creek and Beaver Elkhorn entered into and executed a Merger Agreement which seeks to incorporate both districts into a newly created district to be known as Southern Water and Sewer District. A copy of the Merger Agreement is attached as Exhibit A and is adopted and incorporated by reference herein as if fully set out in this Petition.

4. Mud Creek and Beaver Elkhorn are authorized, conditioned on approval of the Commission and upon the execution of an order by the Floyd County Judge Executive, to join together in this manner pursuant to the provisions of the Kentucky Revised Statutes. The new Southern Water and Sewer District will possess, through pooled resources, "the financial, technical, and managerial abilities to provide reasonable service." Pursuant to the Merger Agreement, the existing employees of both Mud Creek and Beaver Elkhorn will become employees of Southern Water and Sewer District. The Southern Water and Sewer District will maintain the utility service currently being rendered by Mud Creek and Beaver Elkhorn. Consequent upon and subsequent to the merger, the Southern Water and Sewer District will be more easily capable of responding to service requests along existing lines as well as installing new service mains in a more timely basis.

5. Excerpts of regular meeting minutes from both the Mud Creek and the Beaver Elkhorn Boards of Commissioners wherein the proposed merger was considered and approved, together with excerpts of a special joint meeting of the Boards approving the proposed action and authorizing the respective chairpersons to execute this Petition, as well as copies of the necessary resolutions, are attached to and made part of this Petition as Collective Exhibit B.

6. The Boards of Commissioners of Mud Creek and Beaver Elkhorn deem the decision to enter into the Merger Agreement to be reasonable, prudent, and in the best interests of their respective water customers. The Boards of Commissioners are prompted to this action by their commitment to good stewardship of public resources and find the merger to be fully warranted for the following reasons:

- a. Periodic financial stress which threatens quality of service and long term fiscal viability as experienced by both districts will be alleviated as a result of the merger;
- b. The utilities are adjacent to each other in Floyd County, Kentucky, and together they serve a major portion of the land mass of the County.

- c. Taking such action will enable the successor Southern Water and Sewer District to better plan and implement large scale water extension projects and to initiate planning and development of sewer services heretofore unavailable in portions of the service area.
- d. The current employees of Mud Creek and Beaver Elkhorn have developed utility expertise over the course of a period of years so that Southern Water and Sewer District will have the necessary expertise and the requisite number of employees with which to successfully operate and maintain the merged system.
- e. Merger will consolidate two of the five regulated water utilities in Floyd County resulting in certain economies of scale relating both to operations and management, thus, directly benefiting the consumers connected to the system; and
- f. The Southern Water and Sewer District will assume all the assets and liabilities of both Mud Creek and Beaver Elkhorn.

7. The principal bond holder of Beaver Elkhorn's long term debt is the Kentucky Infrastructure Authority. The Authority has been notified of the proposed Merger Agreement and the consent of the Authority to the assignment of the bonded indebtedness from Beaver Elkhorn to the Southern Water and Sewer District is anticipated. Such approval will be filed with the Commission upon receipt.

8. The current retail rates of both Mud Creek as well as those of Beaver Elkhorn are not proposed to be changed from those currently being charged by each respective district. A copy of these rates are attached to this Petition as Exhibit C.

9. A general description of Mud Creek's property to be transferred to Southern Water and Sewer District, as contained in the Annual Report of the Mud Creek Water District for the Year Ended December 31, 1998, is attached hereto as Exhibit D and included herein by reference as if fully set out in this Petition.

10. A general description of Beaver Elkhorn's property to be transferred to Southern Water and Sewer District, as contained in the Annual Report of the Beaver-Elkhorn Water District for the Year Ended December 31, 1998, is attached hereto as Exhibit E and included herein by reference as if fully set out in this Petition.

11. Notice to the public and customers of Mud Creek and Beaver Elkhorn will be published once on September 17, 1999 in a newspaper of general circulation in Floyd County, Kentucky (the service area of the two water districts), and will be published twice more after the filing of this Petition for Approval of Merger Agreement, if such notice is deemed necessary by the Commission. Verification of publication will be presented to the Commission in a timely manner.

WHEREFORE, the Joint Petitioners pray for an Order from this Commission:

1. Expediting the Commission's decision regarding this Petition for Approval of Merger Agreement.
2. Approving the Merger Agreement entered into between Mud Creek and Beaver Elkhorn on August 26, 1999.
3. Awarding such other relief as the Commission may believe the Joint Petitioners, or either of them, to be entitled.

Respectfully submitted, this 10th day of September, 1999.

Eula Hall

EULA HALL, Chairperson

**Mud Creek Water District
P.O. 51
Kentucky Route 979
Grethel, Kentucky 41631**

Hubert Halbert

HUBERT HALBERT, Chairperson

**Beaver Elkhorn Water District
P.O. 769
Kentucky Route 3188
Martin, Kentucky 41649**

MERGER AGREEMENT

THIS MERGER AGREEMENT, made and entered into this 26th day of August 1999, by and between the Mud Creek Water District (Mud Creek), P.O. Box 69, 7490 KY Route 979, Grethel, KY 41631 and the Beaver Elkhorn Water District (Beaver Elkhorn), P.O. Box 769, KY Route 3188, Martin, KY 41649;

WITNESSETH:

THAT WHEREAS, the Mud Creek Water District and the Beaver Elkhorn Water District are duly organized water districts pursuant to Chapter 74 of the Kentucky Revised Statutes which operate adjacent to each other in Floyd County, Kentucky, and

WHEREAS, the water districts have determined that merger of the two systems will produce economies of scale, lower operating costs, allow for more timely and more extensive expansions of service, and stabilize retail water rates, and

WHEREAS, merger of the two water districts is deemed to be in the best interests of the customers of the respective districts and in the general public interest:

NOW, THEREFORE, in consideration of the above-stated findings, and the mutual covenants and agreements set forth below, and pursuant to the authority vested in Mud Creek Water District and Beaver Elkhorn Water District by KRS 74.363, the parties agree as follows:

1. **Merger.** Subject to and conditioned upon the approval of the Kentucky Public Service Commission and the order of the Floyd County Judge Executive, the Mud Creek Water District and the Beaver Elkhorn Water District mutually agree to merge into and become the Southern Water and Sewer District. The distribution system and appurtenances thereto formally known as the Mud Creek Water District will be designated as the Southern Water and Sewer District – Division 1, while the water treatment plant, distribution system and appurtenances thereto formally known as the Beaver Elkhorn Water District will be designated as the Southern Water and Sewer District – Division 2

2. **Assets and Liabilities.** All assets and liabilities of the Mud Creek Water District and those of the Beaver Elkhorn Water District presently known or which may be subsequently revealed shall be transferred to and become the assets and liabilities of the Southern Water and Sewer District.

3. **Customers and Retail Rates.** All of Mud Creek's current customers shall be transferred to and become customers of the Southern Water and Sewer District and these customers shall pay those retail rates and tariffs as are established by the Mud Creek Water District and approved by the Public Service Commission. All of Beaver Elkhorn's current customers shall be transferred to and become customers of the Southern Water and Sewer District and shall pay those retail rates and tariffs as are established by the Beaver Elkhorn Water District and approved by the Public Service Commission.

4. **Notice.** Notice of this Merger Agreement shall be given to the public generally and customers of both the Mud Creek Water District and the Beaver Elkhorn Water District on or before September 15, 1999, pursuant to the provisions of Chapter 424 of the Kentucky Revised Statutes and administrative regulation 807 KAR 5:006, Section 8.

EXHIBIT

A

5. Mud Creek Water District's Obligations:

Upon approval by the Kentucky Public Service Commission and upon execution of the order by the Floyd County Judge Executive to create the Southern Water and Sewer District, the Mud Creek Water District agrees within thirty (30) days thereafter:

- a. To pay and satisfy, to the extent possible, all outstanding accounts payable and other short-term debts and/or obligations which are due or which will become due within that 30-day period;
- b. To transfer the employment of its existing employees, who are employed as of the date of this agreement, and their associated benefits, to the Southern Water and Sewer District;
- c. To transfer, deliver and assign to the Southern Water and Sewer District all of Mud Creek's existing real and personal property, motor vehicles, inventories of supplies and repair materials, equipment, tools, system engineering reports and maps, contract and other legal documents and related rights, as well as all bank accounts and related financial information and records;
- d. To execute such documents as may be necessary to effectuate transfer of both the assets and liabilities of the Mud Creek Water District to the Southern Water and Sewer District; and
- e. To operate the Mud Creek Water District in a reasonable, prudent and economic manner from the date of this agreement until the effective date of the creation of the Southern Water and Sewer District as set out in the order of the Floyd County Judge Executive.

6. Beaver Elkhorn Water District's Obligations:

Upon approval by the Kentucky Public Service Commission and upon execution of the order by the Floyd County Judge Executive to create the Southern Water and Sewer District, the Beaver Elkhorn Water District agrees within thirty (30) days thereafter:

- a. To pay and satisfy, to the extent possible, all outstanding accounts payable and other short-term debts and/or obligations which are due or which will become due within that 30-day period;
- b. To transfer the employment of its existing employees, who are employed as of the date of this agreement, and their associated benefits, to the Southern Water and Sewer District;
- c. To transfer, deliver and assign to the Southern Water and Sewer District all of Beaver Elkhorn's existing real and personal property, motor vehicles, inventories of supplies and repair materials, equipment, tools, system engineering reports and maps, contract and other legal documents and related rights, as well as all bank accounts and related financial information and records;
- d. To execute such documents as may be necessary to effectuate transfer of both the assets and liabilities of the Beaver Elkhorn Water District to the Southern Water and Sewer District; and
- e. To operate the Beaver Elkhorn Water District in a reasonable, prudent and economic manner from the date of this agreement until the effective date of the creation of the Southern Water and Sewer District as set out in the order of the Floyd County Judge Executive.

7. Southern Water and Sewer District's Obligations:

Upon approval by the Kentucky Public Service Commission and upon the execution of the order establishing the Southern Water and Sewer District by the Floyd County Judge Executive, the Southern Water and Sewer District agrees within thirty (30) days thereafter:

- a. To establish for accounting purposes a Southern Water and Sewer District – Division 1 and Southern Water and Sewer District – Division 2, affecting Mud Creek and Beaver Elkhorn respectively;
- b. To accept, own, maintain, and manage all of the real and personal existing property, system engineering reports and maps, bank accounts, other assets and the liabilities of the Mud Creek Water District and to accept, own, maintain, and manage all of the real and personal existing property, system engineering reports and maps, bank accounts, other assets and liabilities of the Beaver Elkhorn Water District;
- c. To accept in the employ of Southern Water and Sewer District all of the former employees of the Mud Creek Water District, and to assign to and account for their associated wages and costs to the Southern

Water and Sewer District – Division 1; and, to accept in the employ of Southern Water and Sewer District all of the former employees of the Beaver Elkhorn Water District, and to assign to and account for their associated wages and costs to the Southern Water and Sewer District – Division 2;

d. To accept the financial responsibility for and/or all vendor / short-term indebtedness currently held in the name of the Mud Creek Water District and to pay such indebtedness from revenues generated by the Southern Water and Sewer District – Division 1 and to accept the financial responsibility for and/or all vendor / short-term indebtedness currently held in the name of the Beaver Elkhorn Water District and to pay such indebtedness from revenues generated by the Southern Water and Sewer District – Division 2;

e. To execute such documents as may be necessary to effectuate transfer of both the assets and liabilities of the Mud Creek Water District and the Beaver Elkhorn Water District to the Southern Water and Sewer District.

8. Effective Date. The effective date for the existence of the Southern Water and Sewer District shall be follow approval of the merger by the Kentucky Public Service Commission and the order of the Floyd County Judge Executive, anticipated to be within 30 days from the execution of the order. Upon such creation and the seating of commissioners, the Kentucky Public Service Commission shall be notified and public notification shall be made in the legal newspaper of Floyd County.

9. Retail Water Rates. Under this Merger Agreement, the retail water rates for existing customers of the Mud Creek Water District and the Beaver Elkhorn Water District shall remain the same as existing retail rates and tariffs as are currently established by the respective districts and approved by the Kentucky Public Service Commission. Any refunds for service or other similar action initiated by or for customers of Mud Creek (Division 1) or by or for Beaver Elkhorn (Division 2) occurring during the process of merging the systems shall be processed by Southern Water and Sewer District in a timely manner pursuant to Public Service Commission directive.

10. Representations and Warranties. The Mud Creek Water District and the Beaver Elkhorn Water District represent, warrant, and pledge that to their best current knowledge and full intent:

a. That the existing system records, engineering reports and related mapping are accurate and complete.

b. That all current assets and liabilities of the Mud Creek Water District will be accurately listed and submitted to the Floyd County Judge Executive on or before August 30th and shall become Attachment 1-A to this document and that the current assets and liabilities of the Beaver Elkhorn Water District will be accurately listed and submitted to the Floyd County Judge Executive on or before August 30th and shall become Attachment 1-B to this document.

c. That a majority of the membership of the Board of Commissioners of the Mud Creek Water District has approved this Merger Agreement as shown through excerpts of meeting minutes which shall be submitted to the Floyd County Judge Executive on or before August 30th and shall become Attachment 2-A to this document and that a majority of the membership of the Board of Commissioners of the Beaver Elkhorn Water District has approved this Merger Agreement as shown through excerpts of meeting minutes which shall be submitted to the Floyd County Judge Executive on or before August 30th and shall become Attachment 2-B to this document

11. Termination. Either water district shall have the right to terminate this Merger Agreement if the Kentucky Public Service Commission disapproves the Agreement or materially alters its terms and/or if the Floyd County Judge Executive fails to order such merger.

12. Board of Commissioners. Upon approval of this Merger Agreement, the Southern Water and Sewer District shall be governed by a Board of Commissioners, the composition of which shall comply with the statutes of the Commonwealth of Kentucky.

13. **Merger Expenses.** All of the expenses specifically relating to the merger shall be paid by the parties of this agreement jointly.

Executed this 26th day of August, 1999.

Eula Hall
Eula Hall
Chairperson, Mud Creek Water District

Hubert Halbert
Hubert Halbert
Chairman, Beaver Elkhorn Water District

Attest:

[Signature]
(Name)

Aug 26, 1999
(Date)

**Boards of Commissioners
Mud Creek Water District & Beaver Elkhorn Water District
Floyd County, KY**

August 26, 1999

Whereas, a joint meeting between the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District was held on this date for the purpose of reviewing, discussing, voting and acting upon a Merger Agreement, with the intent and purpose to merge the Mud Creek Water District and the Beaver Elkhorn Water District to form the Southern Water and Sewer District, as previously approved by the independent boards; and

Whereas, as of this date, the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District have independently authorized their chairmen to sign a merger agreement formally authorizing the merger of the Mud Creek Water District with the Beaver Elkhorn Water District to form the Southern Water and Sewer District; and

Whereas, the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District believe it is within the best interests of their respective customers and the public generally;

Now, therefore, on a motion by Hubert Halbert and seconded by Eula Hall, the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District do hereby jointly authorize the development of a Joint Petition for Approval of Merger Agreement and do hereby authorize their chairmen to sign the petition and any and/or all additional documentation related thereto.

Approved: Eula Hall Disapproved: _____
Hubert Halbert _____
Dary A. Newman _____
Erving Hall _____

Absent: Paula Johnson _____
Ernie Lawson _____

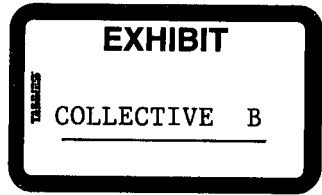
Passed by the Boards of Commissioners of the Mud Creek Water District and the Beaver Elkhorn Water District, this 26th day of August, 1999.

Approved By: Eula Hall
Eula Hall, Chairman
Mud Creek Water District

Approved By: Hubert Halbert
Hubert Halbert, Chairman
Beaver Elkhorn Water District

ATTEST: [Signature]
(Name)

Aug 26, 1999
(Date)



Board of Commissioners
Mud Creek Water District
Floyd County, KY

August 26 1999

Whereas, by previous vote, the Board of Commissioners of the Mud Creek Water District has agreed to merge the Mud Creek Water District with the Beaver Elkhorn Water District to form the Southern Water and Sewer District; and

Whereas, as of this date, the Board of Commissioners of the Mud Creek Water District has authorized its chairman to sign a merger agreement formally authorizing the merger of the Mud Creek Water District with the Beaver Elkhorn Water District to form the Southern Water and Sewer District; and

Whereas, the Board of Commissioners of the Mud Creek Water District believes it is within the best interests of their respective customers and the public generally;

Now, therefore, on a motion by Gary Newman and seconded by Eula Hall, the Board of Commissioners of the Mud Creek Water District does hereby authorize the development of a Joint Petition for Approval of Merger Agreement and does hereby authorize the chairman of the Mud Creek Water District to sign the petition and any and/or all additional documentation related thereto.

Approved: Eula Hall Disapproved: _____
Gary N. Newman _____

Absent: Emmitt Lawson

Passed by the Board of Commissioners of the Mud Creek Water District, this 26th day of August, 1999.

Approved By:

Eula Hall
Eula Hall, Chairman
Mud Creek Water District

ATTEST:

[Signature]
(Name)

Aug 26, 1999
(Date)

Board of Commissioners
Beaver Elkhorn Water District
Floyd County, KY

8 26 1999

Whereas, by previous vote, the Board of Commissioners of the Beaver Elkhorn Water District has agreed to merge the Beaver Elkhorn Water District with the Mud Creek Water District to form the Southern Water and Sewer District; and

Whereas, as of this date, the Board of Commissioners of the Beaver Elkhorn Water District has authorized its chairman to sign a merger agreement formally authorizing the merger of the Beaver Elkhorn Water District with the Mud Creek Water District to form the Southern Water and Sewer District; and

Whereas, the Board of Commissioners of the Beaver Elkhorn Water District believes it is within the best interests of their respective customers and the public generally;

Now, therefore, on a motion by Tommy Hall and seconded by Hubert Halbert, the Board of Commissioners of the Beaver Elkhorn Water District does hereby authorize the development of a Joint Petition for Approval of Merger Agreement and does hereby authorize the chairman of the Beaver Elkhorn Water District to sign the petition and any and/or all additional documentation related thereto.

Approved: Hubert Halbert Disapproved: _____
Tommy Hall _____

Absent: PAULA JOHNSON

Passed by the Board of Commissioners of the Beaver Elkhorn Water District, this 26 day of AUGUST, 1999.

Approved By:

Hubert Halbert
Hubert Halbert, Chairman
Beaver Elkhorn Water District

ATTEST:

Ruth M'Kerny
(Name)

Aug 26, 1999
(Date)

MUD CREEK WATER DISTRICT

P.O. BOX 069
GRETHEL, KENTUCKY 41631
606-587-2455

DATE: AUGUST 26, 1999

MEETING MINUTES:

PRESENT:	PAUL HUNT THOMPSON	FLOYD CO. JUDGE EXT.
	EULA HALL	M.C.W.D. CHAIRMAN
	GARY NEWMAN	M.C.W.D. COMMISSIONER
	HUBERT HALBERT	B.E.W.D. CHAIRMAN
	TOMMY HALL	B.E.W.D. COMMISSIONER
	BRETT DAVIS	ASST. CO JUDGE EXT
	DEAN HALL	M.C.W.D. DISTRICT MANAGER
	PATTY MCKINNEY	M.C.W.D. OFFICE MANAGER

Beaver Elkhorn Water District chairman Hubert Halbert made a motion to call the meeting to order for Beaver Elkhorn Water District and Tommy Hall seconded the motion.

Mud Creek Water District chairman Eula Hall made a motion to call the meeting to order for the Mud Creek Water District and Gary Newman seconded the motion.

This is a special meeting between the Boards of commissioners of the Beaver Elkhorn Water District and the Mud Creek Water District for the purpose of voting and acting upon a Merger Agreement, with the intent and purpose to merge the Beaver Elkhorn Water District and the Mud Creek Water District to form Southern Water and Sewer District, as previously approved by the independent boards.

On a motion made by Tommy Hall and seconded by Hubert Halbert, the Board of Commissioners of the Beaver Elkhorn Water District does hereby authorize the development of a joint Merger, to form the Southern Water and Sewer District.

On a motion made by Gary Newman and seconded by Eula Hall, the Board of Commissioners of the Mud Creek Water District does hereby authorize the development of a joint merger, to form the Southern Water and Sewer District.

The Board of Commissioners of the Beaver Elkhorn Water District and the Mud Creek Water District believe it is

within the best interest of their customers to merge the two districts.

On a motion by Hubert Halbert and seconded by Eula Hall, the Boards of commissioners of the Beaver Elkhorn Water District and the Mud Creek Water District do hereby jointly authorize the development of a joint petition for Approval of a Merger Agreement and do hereby authorize their chairmen to sign the petition and any additional documentation.

Being no further business the meeting was adjourned.

BEAVER ELKHORN WATER DISTRICT
REGULAR MEETING AUG. 11, 1999

PRESENT


Maribeth Allen - Secretary
James Patton - Employee
Billy Ray - Employee
Paula Johnson - Comm.
Gary Blankenship - Employee
Marilyn Tackett - Customer

Donna Murray - Clerk
Shanon Newsome - Employee
Hubert Halbert - Chairman
Bob Hackworth - Supt.
Brad Tackett - Employee
Tommy Hall - Comm.

1. Hubert Halbert called the meeting to order at 5:00.
2. Paula Johnson made the motion to accept the minutes of June and July meetings. Hubert Halbert stepped down and seconded.
3. Paula Johnson made the motion to approve financial statements of April, May and June. Hubert Halbert stepped down and seconded.
4. Paula Johnson made the motion to merge Beaver Elkhorn Water Dist. with Mud Creek Water Dist. Hubert Halbert stepped down and seconded.
5. Paula Johnson made the motion to hire East Ky. Water to dig the water line at Pitts Fork at \$2.00 per foot. Tommy Hall seconded.
6. Paula Johnson made the motion to hire Shannon Newsome and Brad Tackett as full time employees on six months probation period. Tommy Hall seconded.
7. Paula Johnson made the motion to contact BC /BS concerning the waiting period for new employees. Tommy Hall seconded.
8. Paula Johnson made the motion to get uniforms for Brad and Shannon. Tommy Hall seconded.
9. Paula Johnson made the motion to adjourn. Tommy Hall seconded.


Hubert Halbert, Chairman

I certify that the above is a true and accurate recording of the Beaver Elkhorn Water District meeting held Aug. 11, 1999 at the office in Martin, Ky.


Maribeth Allen, Secretary

*Additional page
of minutes to
be inserted as
page 6 of
Collective Exhibit
"B."*

MEETING MINUTES

PRESENT:	EULA HALL	[CHAIRMAN]
	EMMITT LAWSON	[COMMISSIONER]
	GARY NEWMAN	[COMMISSIONER]
	PAUL HUNT THOMPSON	[FLOYD CO. JUDGE EXECUTIVE]
	DEAN HALL	[DISTRICT MANAGER]
	PATTY MCKINNEY	[OFFICE CLERK]
	JAMIE MCKINNEY	[FIELD EMPLOYEE]
	REECE SALYER	[FIELD EMPLOYEE]

Meeting call to order by Mrs. Hall, seconded by Mr. Newman.

Mr. Thompson called this meeting today to discuss the possible merger with Beaver Elkhorn Water District.

Mr. Thompson explained to the commission that he was told that there would be no further grants of any kind for small water districts in the area, and without these funds we would not be able to supply water to customers who are in need of water service, and he felt it would be to the advantage of Mud Creek and Beaver Elkhorn to merge into the Southern Water District. Mrs. Hall ask Mr. Thompson what kind of equipment did their water district have? Also what kind of advantages could they give us? Mr. Thompson explained that they had a backhoe and other equipment like the ones your district have, and your water loss is the same, But they also have a water treatment plant which could serve Mud Creek as well as there district. Mr. Thompson then stated that after the two districts merge their would be grants available to improve both districts and supply water service to many more customers and he felt that the district could be a benefit to each other. Mrs. Hall then explained to Mr. Thompson that Mud Creek Water District has come a long way in the past few years and she gives credit to the staff and its management. Mrs. Hall also stated that she, Mr. Lawson, and Mr. Newman would not want it to be said that they stood in the way of anyone receiving water service, and if this merger would help

the people in this area she would not stand in the way. She then explained that she had heard rumors that our employees would be fired and we would no longer have our board members. Mr. Thompson then stated that those rumors did not come from him, and he assured the board that no one would be fired and we may need to employ more staff in the future and our board members would be working with Beaver Elkhorn's board members to upgrade both systems. Mr. Hall ask what would be the name of the new district and where would the office be located. Mr. Thompson explained that the decision of where the location of the new utility would be up for discussion by the board member's and the name of the new utility would be Southern District. Mr. Newman made the motion to merge with Beaver Elkhorn Water District into the new Southern Water District, and it was seconded by, Mrs. Hall.

BEAVER ELKHORN WATER DISTRICT
REGULAR MONTHLY MEETING
JUNE 16, 1999

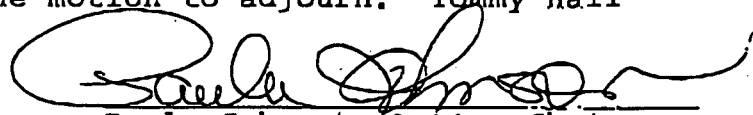
Present	Paula Johnson	Chairman
	Tommy Hall	Commissioner
	Maribeth Allen	Secretary
	Bob Hackworth	Supt.
	Willie Elliott	Floyd Co. Times
	Charles Byers	Summit Eng.
	Eddie Patton	Administrative
		Assistant to Co. Judge
	Paul Thompson	Floyd Co. Judge Exec.

Due to the absence of Hubert Halbert, Paula Johnson will be acting Chairman for this meeting.

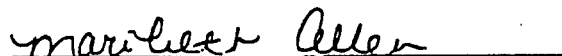
1. Paula Johnson called the meeting to order at 4:30 p.m.
2. Tommy Hall made the motion to accept the minutes for the last meeting as printed. Paula Johnson stepped down and seconded.
3. Tommy Hall made the motion to approve a .70¢ per hour raise for the employees. Paula Johnson stepped down and seconded.
4. Hubert Halbert made the motion for Beaver Elkhorn Water to join the 4 county water system. Paula Johnson stepped down and seconded.
5. Hubert Halbert on the recommendation of the Floyd County Utilities Board and Hal Rogers Office made the motion to offer to merge with Mud Creek Water for mutual benefits for both districts. Paula Johnson stepped down and seconded.

Comm. went into executive session

6. Hubert-Halbert made the motion to change the comp time policy to give the employee who has the pager \$15.00 per day, and to terminate the comp days. Tommy Hall seconded.
7. Hubert Halbert made the motion to hire Brad Tackett and Shannon Newsome as part time workers. Tommy Hall seconded.
8. Hubert Halbert made the motion to put Billy Ray on six month probation period. Tommy Hall seconded.
9. Hubert Halbert made the motion to adjourn. Tommy Hall seconded.


Paula Johnson, Acting Chairman

I certify that the above is a true and accurate recording of the Beaver Elkhorn Water District meeting held 6/16/99 at the office in Martin, Ky.


Maribeth Allen, Secretary

Form for filing Rate Schedules

For Mud Creek Area, Floyd County
Community, Town or City

P.S.C. NO. 3

2nd Revised SHEET NO. 1

CANCELLING P.S.C. NO. 2

1st Revised SHEET NO. 1

Mud Creek Water District
Name of Issuing Corporation

CLASSIFICATION OF SERVICE

	RATE PER UNIT
The following rates are changed:	
First 2,000 gallons (minimum bill)	\$11.54
All over 2,000 gallons (per additional 1,000 gallons)	\$ 4.27
<p>PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE</p> <p>JUL 1 1991</p> <p>PURSUANT TO 807 KAR 5:011, SECTION 9 (1)</p> <p>BY: <u>[Signature]</u> PUBLIC SERVICE COMMISSION MANAGER</p>	

DATE OF ISSUE June 4, 1991

DATE EFFECTIVE July 1, 1991

ISSUED BY [Signature]
Name of Officer

TITLE Chairman

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No. 91-178 dated June 21, 1991

EXHIBIT
COLLECTIVE C

Beaver-Elkhorn Water District
Name of Issuing Corporation

CLASSIFICATION OF SERVICE

RATE
PER UNIT

RATE SCHEDULE: Applicable in all territory served by Company.

AVAILABILITY OF SERVICE: For all residential and commercial purposes.

MONTHLY RATES

First 1,000 gallons	\$14.10 (1)
Next 19,000 gallons per 1,000 gallons	2.94 (1)
Next 80,000 gallons per 1,000 gallons	2.57 (1)
Over 100,000 gallons per 1,000 gallons	2.00 (1)

MINIMUM BILL \$14.10 (1)

WHOLESALE RATE

\$2.00 per 1,000 gallons

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

JAN 07 1996

JAN 01 1996

PURSUANT TO 807 KAR 5011.
SECTION 9 (1)

PURSUANT TO 807 KAR 5011.
SECTION 9 (1)

BY: Jordan C. Neal
FOR THE PUBLIC SERVICE COMMISSION

BY: Jordan C. Neal
FOR THE PUBLIC SERVICE COMMISSION

DATE OF ISSUE January 19, 1996

DATE EFFECTIVE January 1, 1996

ISSUED BY Jordan C. Neal
Name of Officer

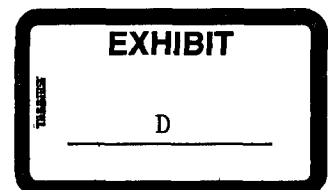
TITLE Chairman

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No. 95-200 dated January 19, 1996

CLASS "A & B"
WATER DISTRICTS & ASSOCIATIONS
ANNUAL REPORT
OF

Mud Creek Water District
Exact Legal Name of Respondent

For the
YEAR ENDED DECEMBER 31, 19 98



WORK COPY

PUBLIC SERVICE COMMISSION OF KENTUCKY
REPORT OF GROSS OPERATING REVENUES DERIVED FROM INTRA-KENTUCKY
BUSINESS FOR THE YEAR ENDING DECEMBER 31, 1998

Mud Creek Water District P.O. Box 051 Grethel, KY 41631
(Utility Reporting) (Address)

(DO NOT INCLUDE TAXES COLLECTED)

- (1) Gross Revenues of Electric Utility.....\$ _____
 - (2) Gross Revenues of Gas Utility.....\$ _____
 - (3) Gross Revenues of Radio-Telephone Utility.....\$ _____
 - (4) Gross Revenues of Cellular Telephone Utility...\$ _____
 - (5) Gross Revenues of Telephone Utility.....\$ _____
 - (6) Gross Revenues of Water Utility.....\$ _____ 325,446
 - (7) Gross Revenues of Sewer Utility.....\$ _____
 - (8) Other Operating Revenues.....\$ _____
- *** TOTAL GROSS REVENUES.....\$ _____ 325,446

State of...Kentucky.....) O A T H
County of...Floyd.....) ss.

Eula Hall being duly sworn, states that he/she
(Officer)
is Chairperson of the Mud Creek Water District
(Official Title) (Utility Reporting)

that the above report of gross revenues is in exact accordance with
the books of accounts of:

Mud Creek Water District, and that such books
(Utility Reporting)
accurately show the gross revenues of:

Mud Creek Water District, derived from Intra-Kentucky
(Utility Reporting)
business for the year ending December 31, 1998

(Officer) (Title)

This the _____ day of March, 1999

(Notary Public) (County)

My Commission expires _____

**NOTE: ANY DIFFERENCE BETWEEN THE AMOUNT OF THE GROSS REVENUES SHOWN
IN THE ANNUAL REPORT AND THE AMOUNT APPEARING ON THIS STATEMENT
MUST BE RECONCILED ON THE REVERSE SIDE OF THIS REPORT**

**CHECKLIST FOR THE ANNUAL REPORT
FOR A AND B WATER DISTRICTS AND WATER ASSOCIATIONS
TO BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT**

Page No. _____ If No, Explain Why

4-6 The Identification pages have been completed.

Page No.	Account No.	Description	Page No.	Yes	No	If No, Explain Why
7	101-106	agrees with	13	Total 101-106	X	
7	108-110	agrees with	14	Total 301-348 Cols c & h	X	
7	114-115	agrees with	15	Net Balance 114-115	X	
7	123	agrees with	16	Total 123	X	
7	124	agrees with	16	Total 124	X	
7	125	agrees with	16	Total 125	X	
7	126-127	agrees with	16	Total 126-127	X	
7	141-144	agrees with	17	Net Balance 141-144	X	
7	151-153	agrees with	18	Total 151-153	X	
7	162	agrees with	18	Total 162	X	
8	181	agrees with	19	Total 181	X	
8	182	agrees with	20	Total 182	X	
8	186	agrees with	19	Total 186	X	
9	214-215	agrees with	23	Total 214-215	X	
9	221	agrees with	22	Total Line 10 Col 4	X	
9	221	agrees with	22	Total Col 12	X	
9	224	agrees with	21	Total Col d	X	
9	232	agrees with	24	Total 232	X	

**CHECKLIST FOR THE ANNUAL REPORT
FOR A AND B WATER DISTRICTS AND WATER ASSOCIATIONS
TO BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT**

Page No.	Account No.	Page No.	Yes	No	If No, Explain Why
9	234	24			Total 234
9	236	25	X		agrees with Beginning & Ending Balance 236
9	237	25	X		agrees with Total 237 Cols b & e
9	242	26	X		agrees with Total 242
9	251	19	X		agrees with Total 251
9	252	20	X		agrees with Total 252
10	271	27	X		agrees with Beginning & Ending Balance 271
11	400	29	X		agrees with Total Water Operating Rev Col e
11	401	30	X		agrees with Total 601-675 Col c
11	406	15	X		agrees with Total Accumulated Amortization 115
11	408.1	25	X		agrees with Total Taxes Accrued 408.10-408.20
12	427	25	X		agrees with Total Col c
12	Net Income	23	X		agrees with Balance Trans. From Inc Col c
13	101	28	X		agrees with Total Water Plant Col f
14	The analysis of accumulated depreciation and amortization by primary account has been completed.				
19	186.1	27	X		agrees with Total 186.1 Col c
21	Schedule of Long-Term Debt has been completed.				
22	Schedule of Bond Maturities has been completed.				

**CHECKLIST FOR THE ANNUAL REPORT
FOR A AND B WATER DISTRICTS AND WATER ASSOCIATIONS
TO BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT**

Page No. Account No. Page No. Yes No If No, Explain Why

28	The analysis of water utility plant accounts Cols c through k has been completed.	X		
29	Taxes collected (example: school tax, sales tax, franchise tax) have been excluded from Operating Revenue.	X		
29	The analysis of water operating revenue Cols c, d, and e has been completed.	X		
30	The analysis of water utility expense accounts Cols c through k has been completed.	X		
31	Schedule of Pumping and Purchased Water Statistics has been completed.	X		
32	466 Total Gal agrees with 33 Sales for Resale (466)	X		
32	Line 13 agrees with 32 Line 4 Total Produced and Purchased	X		
	Oath page has been completed.	X		

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 1998

1. Amount of Principal Payment during calendar year \$ 10,900
2. Is Principal current? (Yes) X (No) _____
3. Is Interest current? (Yes) X (No) _____
4. Has all long-term debt been approved by the Public Service Commission?
(Yes) _____ (No) _____ PSC Case No. _____

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are the financial statements examined by a Certified Public Accountant? (Yes) _____ (No) X

If yes, which service is performed?

Audit _____

Compilation _____

Review _____

Please enclose a copy of the accountant's report with annual report.

Additional Information Required by Commission Orders

Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments.

Case #	Date of Order	Item/Explanation

Attach additional sheets if more room is needed

MAJOR WATER PROJECTS

Instructions: Provide details about each major water project which is planned but has not yet been submitted for approval to the Public Service Commission. For the limited purpose of this report, a "Major Project" is defined as one which is not in the ordinary course of business, and which will increase your current utility plant by at least 20%.

Brief Project Description (improvement, replacement, building construction, expansion. If expansion, provide the estimated number of new customers):

None

Projected Costs and Funding Sources/Amounts:

Approval Status: (Application for financial assistance filed, but not approved; or application approved, but have not advertised for construction bids)

Location: (community, area or nearby roads)

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Comparative Balance Sheet - Assets and Other Debits	7-8	Water Operating Revenue	30
Comparative Balance Sheet - Equity Capital and Liabilities	9-10	Water Utility Expense Accounts	31
Comparative Operating Statement	11-12		
Net Utility Plant	13	Pumping & Purchased Water	
Accumulated Depreciation	13	Statistics	32
Analysis of Accumulated Depreciation by Primary Account	14		
Accumulated Amortization	15		
Utility Plant Acquisition Adjustments	15		
Investments and Special Funds	16		
Accounts and Notes Receivable - Net	17		
Materials and Supplies	18		
Prepayments	18		
Miscellaneous Deferred Debits	18		
Unamortized Debt Discount and Expense and Premium on Debt	19		
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Long Term Debt	21		
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Accounts Payable to Associated Co.	24		
Taxes Accrued	25		
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Misc. Current & Accrued Liabilities	26		
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HISTORY

1. Exact name of utility making this report. (Use the words "The", "Company" or "Incorporated" only when a part of the corporate name.)
Mud Creek Water District

2. Give the location including city, street and number, of the executive office.
RT. 979 P.O. Box 051
Grethel, KY 41631
(606) 587-2455

3. Give the location, including street and number, and TELEPHONE NUMBER of the principal office in Kentucky.
Same

4. Name and address of principal officer within Kentucky.
Eula Hall C/O Mud Creek Water District
P.O. Box 051 Grethel, KY 41631

5. Give name, title, address and TELEPHONE NUMBER of the officer to whom correspondence concerning this report should be addressed.
Same

6. Date of organization. March 15, 1971

7. Under the laws of what Government, State or Territory organized? (If more than one, name all. Give reference to each statute and amendments thereof.)
Kentucky

8. If a consolidated or merger company, name all contingent and all merged companies. Give reference to charters or general laws governing each, and all amendments of same.

N/A

9. Date and authority for each consolidation and each merger.

N/A

10. State whether respondent is a corporation, a joint stock association, a firm or partnership, or an individual.

Special District

11. If a reorganized company, give name of original corporation, refer to laws under which it was organized and the occasion for the reorganization.

N/A

12. Name all other operating departments.

N/A

13. Name of counties in which you furnish water service.

Floyd

REPORT OF
Mud Creek Water District

For Year Ended December 31, 1998

Location where books and records are located: Mud Creek Water District

Contacts:

Name	Title	Address	Salary Charged Utility	Current Term Expires
Send correspondence to: Eula Hall	Chairperson	P.O. Box 051 Grethel, KY 41631	\$ 0	/ /
Report prepared by: Michael R. Spears	CPA	P.O. Box 1270 Prestonsburg, KY 41653	\$ 0	/ /
Officers and Managers				
Eula Hall	Chairperson	Box 51, Grethel, KY	\$ 0	/ /
	Treasurer		\$	/ /
	Secretary		\$	/ /
Emmitt Lawson	Commissioner	Box 96, Harold, KY	\$ 1,200	/ /
Gary Newman	Commissioner	KY, RT. 979, Grethel	\$ 1,200	/ /
	Commissioner		\$	/ /
	Commissioner		\$	/ /
	Commissioner		\$	/ /
	Commissioner		\$	/ /
	Commissioner		\$	/ /
	Manager		\$	/ /
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			\$	/ /

COMPARATIVE BALANCE SHEET - ASSETS AND OTHER DEBITS

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	UTILITY PLANT			
101-106	Utility Plant.....	13	\$ 1,795,255	\$ 1,818,547
108-110	Less: Accumulated Depreciation and Amortization.....	13-15	944,942	1,001,903
	Net Plant.....		\$ 850,313	\$ 816,644
114-115	Utility Plant Acquisition Adjustments (Net).....	15		
116	Other Utility Plant Adjustments.....			
	Total Net Utility Plant.....		\$ 850,313	\$ 816,644
	OTHER PROPERTY AND INVESTMENTS			
121	Nonutility Property.....		\$	\$
122	Less: Accumulated Depreciation and Amortization.....			
	Net Nonutility Property.....		\$	\$
123	Investment in Associated Companies..	16		
124	Utility Investments.....	16		
125	Other Investments.....	16		
126-127	Special Funds.....	16		
	Total Other Property & Investments..		\$	\$
	CURRENT AND ACCRUED ASSETS			
131	Cash.....		\$ 28,685	\$ 35,575
132	Special Deposits.....			
133	Other Special Deposits.....			
134	Working Funds.....			
135	Temporary Cash Investments.....			
141-144	Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts.....	17	30,309	39,047
145	Accounts Receivable from Associated Companies.....			
146	Notes Receivable from Associated Companies.....			
151-153	Materials and Supplies.....	18		
161	Stores Expense.....			
162	Prepayments.....	18	4,794	4,988
171	Accrued Interest and Dividends Receivable.....			
172	Rents Receivable.....			
173	Accrued Utility Revenues.....			
174	Misc. Current and Accrued Assets....			
	Total Current and Accrued Assets....		\$ 63,788	\$ 79,610

COMPARATIVE BALANCE SHEET - ASSETS AND OTHER DEBITS (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	DEFERRED DEBITS			
181	Unamortized Debt Discount & Expense.	19	\$	\$
182	Extraordinary Property Losses.....	19		
183	Preliminary Survey & Investigation Charges.....			
184	Clearing Accounts.....			
185	Temporary Facilities.....			
186	Misc. Deferred Debits.....	18		
187	Research & Development Expenditures.			
	Total Deferred Debits.....		\$	\$
	TOTAL ASSETS AND OTHER DEBITS.....		\$ 914,101	\$ 896,254

NOTES TO THE BALANCE SHEET

The space below is provided for important notes regarding the balance sheet

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
EQUITY CAPITAL				
214-215	Retained Earnings.....	23	\$ (1,256,795)	\$ (1,288,962)
	Total Equity Capital.....		\$ (1,256,795)	\$ (1,288,962)
LONG-TERM DEBT				
221	Bonds.....	22	\$	\$
222	Reacquired Bonds.....			
223	Advances from Associated Companies..			
224	Other Long-Term Debt.....	21		
	Total Long-Term Debt.....		\$	\$
CURRENT AND ACCRUED LIABILITIES				
231	Accounts Payable.....		\$ 271,130	\$ 272,168
232	Notes Payable.....	24	13,905	3,005
233	Accounts Payable to Associated Co...	24		
234	Notes Payable to Associated Co.....	24		
235	Customer Deposits.....		23,163	26,094
236	Accrued Taxes.....	25	1,870	2,005
237	Accrued Interest.....	25		
239	Matured Long-Term Debt.....			
240	Matured Interest.....			
241	Tax Collections Payable.....			
242	Misc. Current & Accrued Liabilities.	26		
	Total Current and Accrued Liabilities.....		\$ 310,068	\$ 303,272
DEFERRED CREDITS				
251	Unamortized Premium on Debt.....	19	\$	\$
252	Advances for Construction.....	20		
253	Other Deferred Credits.....			
	Total Deferred Credits.....		\$	\$
OTHER NON-CURRENT LIABILITIES				
Accumulated Provision For:				
261	Property Insurance		\$	\$
262	Injuries and Damages			
263	Pensions and Benefits			
265	Miscellaneous Operating Reserves ...			
266	Rate Refunds			
	Total Other Non-Current Liabilities.		\$	\$

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	CONTRIBUTIONS IN AID OF CONSTRUCTION			
271	Contributions In Aid of Construction	27-28	\$	\$
	Tap-on Fees - Customers		98,853	114,858
	Federal Grants in Aid of Const. ..		1,751,975	1,757,086
	Other		10,000	10,000
	Total C.I.A.C		\$ 1,860,828	\$ 1,881,944
	TOTAL EQUITY CAPITAL AND LIABILITIES		\$ 914,101	\$ 896,254

COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	UTILITY OPERATING INCOME			
400	Operating Revenues.....	30	\$ 310,744	\$ 325,446
401	Operating Expenses.....	31	\$ 269,757	\$ 291,057
403	Depreciation Expenses.....		55,865	56,961
406	Amortization of Utility Plant Acquisition Adjustment.....			
407	Amortization Expense.....			
408.1	Taxes Other Than Income.....		6,813	7,462
	Utility Operating Expenses.....		\$ 332,435	\$ 355,480
	Utility Operating Income.....		\$ (21,691)	\$ (30,034)
413	Income From Utility Plant Leased to Others.....			
414	Gains (Losses) From Disposition of Utility Property.....			
	Total Utility Operating Income.....		\$ (21,691)	\$ (30,034)
	OTHER INCOME AND DEDUCTIONS			
415	Revenues From Merchandising, Jobbing and Contract Deductions.....		\$	\$
416	Costs and Expenses of Merchandising, Jobbing and Contract Work.....			
419	Interest & Dividend Income.....		492	527
420	Allowance for Funds Used During Construction.....			
421	Nonutility Income.....			
426	Miscellaneous Nonutility Expenses...			
	Total Other Income and Deductions...		\$ 492	\$ 527
	TAXES APPLICABLE TO OTHER INCOME			
408.20	Taxes Other Than Income.....		\$	\$
	Total Taxes Applic. to Other Income.		\$	\$

COMPARATIVE OPERATING STATEMENT (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	INTEREST EXPENSE			
427	Interest Expense.....		\$ 3.801	\$ 2.660
428	Amortization of Debt Discount & Exp.			
429	Amortization of Premium on Debt.....			
	Total Interest Expense.....		\$ 3.801	\$ 2.660
	EXTRAORDINARY ITEMS			
433	Extraordinary Income.....		\$	\$
434	Extraordinary Deductions.....			
	Total Extraordinary Items.....		\$	\$
	NET INCOME.....		\$ (25.000)	\$ (32.167)

NET UTILITY PLANT (ACCTS. 101 - 106)

ACCT. NO.	PLANT ACCOUNTS	TOTAL
101	Utility Plant in Service	\$ 1,818,547
102	Utility Plant Leased to Others.....	
103	Property Held for Future Use.....	
104	Utility Plant Purchased of Sold.....	
105	Construction Work in Progress.....	
106	Completed Construction Not Classified.....	
	Total Utility Plant.....	\$ 1,818,547

ACCUMULATED DEPRECIATION (ACCT. 108)

DESCRIPTION	TOTAL
Balance first of year.....	\$ 944,942
Credit during year:	
Accruals Charged to Account 108.1.....	56,961
Accruals Charged to Account 108.2.....	
Accruals Charged to Account 108.3.....	
Accruals Charged to Other Accounts (specify)	

Salvage.....	
Other Credits (specify)	

Total Credits.....	\$ 56,961
Debits during year:	
Book Cost of Plant Retired.....	\$
Cost of Removal.....	
Other Debits (specify)	

Total Debits.....	\$
Balance end of year.....	\$ 1,001,903

ANALYSIS OF ACCUMULATED DEPRECIATION AND AMORTIZATION BY PRIMARY ACCOUNT

ACCT. NO. (a)	ACCOUNT (b)	BALANCE BEGINNING OF YEAR (c)	CREDITS DURING THE YEAR CHARGES TO DEP. EXP. (d)	OTHER CREDITS (e)	CHARGES DURING THE YEAR PLANT RETIREMENTS (f)	OTHER CHARGES (g)	BALANCE END OF YEAR (h)
301	Organization.....	\$	\$	\$	\$	\$	\$
302	Franchises.....						
303	Limited Term Interest in Land and Land Rights.....						
304	Structures & Improvements..						
305	Collecting and Impounding Reservoirs.....						
306	Lake River & Other Intakes.						
307	Wells and Springs.....	3,304					3,304
309	Supply Mains.....						
310	Power Generating Equipment.						
311	Pumping Equipment.....	45,084	3,661				48,745
320	Water Treatment Equipment..						
330	Distribution Reservoirs and Standpipes.....	9,271	1,157				10,428
331	Transmission & Distribution Mains.....	713,204	29,636				742,840
333	Services.....	36,905	2,411				39,316
334	Meters and Meter Installations.....	78,314	5,112				83,426
335	Hydrants.....						
339	Other Plant & Miscellaneous Equipment.....	5,776	1,094				6,870
340	Office Furniture and Equip.	49,770	13,679				63,449
341	Transportation Equipment...	2,203	211				2,414
343	Tools, Shop & Garage Equip.						
345	Power Operated Equipment...	1,111					1,111
348	Other Tangible Plant.....						
	TOTALS	\$ 944,942	\$ 56,961	\$	\$	\$	\$ 1,001,903

ACCUMULATED AMORTIZATION (ACCT. 110)

DESCRIPTION	TOTAL
Balance first of year.....	\$
Credit during year:	
Accruals Charged to Account 110.1.....	
Accruals Charged to Account 110.2.....	
Other Credits (specify)	

Total Credits.....	\$
Debits during year:	
Book Cost of Plant Retired.....	\$
Other Debits (specify)	

Total Debits.....	\$
Balance end of year.....	\$ N/A

UTILITY PLANT ACQUISITION ADJUSTMENTS (ACCTS. 114 - 115)

Report each acquisition adjustment and related accumulated amortization separately. For any acquisition adjustment approved by the Commission, include the Order Number.

ACCOUNT NAME	TOTAL
Acquisition Adjustments (114)	
_____	\$

Total Plant Acquisition Adjustments.....	\$
Accumulated Amortization (115)	
_____	\$

Total Accumulated Amortization.....	\$
Net Acquisition Adjustments.....	\$ N/A

INVESTMENTS AND SPECIAL FUNDS (ACCTS. 123 - 127)

Report hereunder all investments and special funds carried in Accounts 123 thru 127.

DESCRIPTION OF SECURITY OR SPECIAL FUND (a)	FACE OR PAR VALUE (b)	YEAR END BOOK COST (c)
INVESTMENT IN ASSOCIATED COMPANIES (ACCT. 123):		
.....	\$	\$ N/A
.....		
.....		
.....		
.....		
Total Investment in Associated Companies.....		\$
UTILITY INVESTMENTS (ACCT. 124):		
.....	\$	\$
.....		
.....		
.....		
.....		
Total Utility Investments.....		\$
OTHER INVESTMENTS (ACCT. 125):		
.....		
.....		
.....		
.....		
.....		
Total Other Investments.....		\$
SPECIAL FUNDS (ACCTS. 126 & 127):		
.....		
.....		
.....		
.....		
.....		
Total Special Funds.....		\$

ACCOUNTS AND NOTES RECEIVABLE - NET (ACCOUNTS 141 - 144)

Report hereunder all accounts and notes receivable included in Accounts 141, 142 and 144. Amounts included in Accounts 142 and 144 should be listed individually.

DESCRIPTION	TOTAL
ACCOUNTS & NOTES RECEIVABLE:	
Customer Accounts Receivable (Acct. 141).....	\$ 43,386
Other Accounts Receivable (Acct. 142)	
_____ \$ _____	

Notes Receivable (Acct. 144)	
_____ \$ _____	

Total Accounts and Notes Receivable.....	\$ 43,386
Accumulated Provision for Uncollectible Accounts (Acct. 143):	
Balance first of year.....	\$ 3,368
Add: Provision for uncollectibles for current year.....	\$ 971
Collections of accounts previously written off.....	
Utility accounts.....	
Others.....	
Total Additions.....	\$ 971
Deduct accounts written off during year:	
Utility Accounts.....	
Other.....	
Total accounts written off.....	\$ _____
Balance end of year.....	\$ 4,339
Total Accounts and Notes Receivable - Net.....	\$ 39,047

MATERIALS AND SUPPLIES (151 - 153)

ACCOUNT NAME	TOTAL
Plant Materials and Supplies (Account 151).....	\$ N/A
Merchandise (Account 152).....	
Other Materials and Supplies (Account 153).....	
Total Materials and Supplies.....	\$

PREPAYMENTS (ACCT. 162)

DESCRIPTION	TOTAL
Prepaid Insurance.....	\$ 4,988
Prepaid Rents.....	
Prepaid Interest.....	
Prepaid Taxes.....	
Other Prepayments (Specify)	

Total Prepayments.....	4,988

MISCELLANEOUS DEFERRED DEBITS (ACCT. 186)

DESCRIPTION	TOTAL
Miscellaneous Deferred Debits (Acct. 186):	
Deferred Rate Case Expense (Acct. 186.1).....	\$ N/A
Other Deferred Debits (Acct. 186.2).....	
Total Miscellaneous Deferred Debits.....	\$

UNAMORTIZED DEBT DISCOUNT AND EXPENSE AND PREMIUM ON DEBT (ACCTS. 181 & 251)

Report the net discount and expense or premium separately for each security issue.

DESCRIPTION	AMOUNT WRITTEN OFF DURING YEAR	YEAR END BALANCE
Unamortized Debt Discount and Expense (Acct. 181):		
.....	\$	\$ N/A
.....		
.....		
.....		
Total Unamortized Debt Discount and Expense.....	\$	\$
Unamortized Premium on Debt (Acct. 251):		
.....	\$	\$
.....		
.....		
.....		
Total Unamortized Premium on Debt.....	\$	\$

EXTRAORDINARY PROPERTY LOSSES (ACCT. 182)

Report each item separately.

DESCRIPTION	TOTAL
Extraordinary Property Losses (Acct. 182):	
..... .. \$	N/A
..... ..	
..... ..	
..... ..	
Total Extraordinary Property Losses..... ..	\$

ADVANCES FOR CONSTRUCTION (ACCT. 252)

DESCRIPTION	TOTAL
Balance first of year..... ..	N/A
Add credits during year..... ..	
Deduct charges during year..... ..	
Balance end of year..... ..	

ACCOUNT 221, BONDS

Line No.	Par Value of Actual Issue (1)	Cash Realized on Actual Issue (2)	Par Value of Amount Sold by or for Respondent (3)	Actually Outstanding At Close of Year (4)	Interest During Year	
					Accrued (5)	Actually Paid (6)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
Total						

SCHEDULE OF BOND MATURITIES

(The total of column 12 must agree with the total of column 4)

Line No.	Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amount (10)	Amounts Paid (11)	Remaining Bonds Outstanding (12)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
TOTAL						

STATEMENT OF RETAINED EARNINGS

ACCT. NO. (a)	(b)	AMOUNTS (c)
215	Unappropriated Retained Earnings:	
	Balance beginning of year.....	\$ (1,256,795)
439	Changes to account: Adjustments to Retained Earnings (requires Commission approval prior to use):	
	Credits.....	\$
	Total Credits.....	\$
	Debits.....	\$
	Total Debits.....	\$
435	Balance Transferred from Income.....	\$ (32,167)
436	Appropriations of Retained Earnings:	
	\$
	Total Appropriations of Retained Earnings.....	\$
	Balance end of year.....	\$
214	Appropriated Retained Earnings (state balance and purpose of each appropriated amount at year end):	
	\$
	\$
	Total Appropriated Retained Earnings.....	\$
	Total Retained Earnings.....	\$ (1,288,962)

Notes to Statement of Retained Earnings:

NOTES PAYABLE (ACCOUNTS 232 & 234)

(a)	NOMINAL DATE OF ISSUE (b)	DATE OF MATURITY (c)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (f)
			RATE (d)	AMOUNT OF PAYMENT (e)	
Account 232 - Notes Payable:				\$	\$
First Commonwealth Bank	3-21-97	3-21-01	10.95%	2.026	3.005
Total Account 232.....				\$ 2.026	\$ 3.005
Account 234 - Notes Payable To Associated Companies:				\$	\$
Total Account 234.....				\$	\$

ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES (ACCOUNT 233)

SHOW PAYABLE TO EACH ASSOCIATED COMPANY SEPARATELY	AMOUNT
	\$
Total.....	\$

TAXES ACCRUED (ACCOUNT 236)

ACCT. NO. (a)	DESCRIPTION (b)	TOTAL (c)
	Balance first of year.....	\$ 1,870
	Accruals Charged:	
408.10	Utility regulatory assessment fees.....	568
408.11	Property taxes.....	
408.12	Payroll taxes.....	6,894
408.13	Other taxes and licenses.....	
408.20	Taxes other than income, other income and deductions	
	Total taxes accrued.....	\$ 7,462
	Taxes paid during year:	
408.10	Utility regulatory assessment fees.....	568
408.11	Property taxes.....	
408.12	Payroll taxes.....	6,759
408.13	Other taxes and licenses.....	
408.20	Taxes other than income, other income and deductions	
	Total taxes paid.....	\$ 7,327
	Balance end of year.....	\$ 2,005

ACCRUED INTEREST (ACCOUNT 237)

DESCRIPTION OF DEBT (a)	BALANCE BEGINNING OF YEAR (b)	INTEREST ACCRUED DURING YEAR (c)	INTEREST PAID DURING YEAR (d)	BALANCE END OF YEAR (e)
Account No. 237.1 - Accrued Interest on Long-Term Debt:				
Customer Deposits	\$ 0	\$ 634	\$ 634	\$ 0
First Commonwealth	0	2,026	2,026	0
Total Acct. No. 237.1	\$ 0	\$ 2,660	\$ 2,660	\$ 0
Account No. 237.2 - Accrued Interest on Other Liabilities:				
Total Acct. No. 237.2	\$	\$	\$	\$
Total Acct. No. 237	\$ 0	\$ 2,660	\$ 2,660	\$ 0

WATER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	PREVIOUS YEAR (c)	ADDITIONS (d)	RETIREMENTS (e)	CURRENT YEAR (f)	INTANGIBLE PLANT (g)	SOURCE OF SUPPLY & PUMPING PLANT (h)	WATER TREATMENT PLANT (i)	TRANS. & DISTRIBUTION PLANT (j)	GENERAL PLANT (k)
301	Organization.....	\$	\$	\$			\$XXXXXXXX	\$XXXXXXXX	\$XXXXXXXX	\$XXXXXXXX
302	Franchises.....					XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX
303	Land and Land Rights.....	5,173			5,173	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	5,173
304	Structures and Improvements..					XXXXXXXX				
305	Collecting and Impounding Reservoirs.....					XXXXXXXX		XXXXXXXX	XXXXXXXX	XXXXXXXX
306	Lake River and Other Intakes.					XXXXXXXX		XXXXXXXX	XXXXXXXX	XXXXXXXX
307	Wells and Springs.....	3,304			3,304	XXXXXXXX	3,304	XXXXXXXX	XXXXXXXX	XXXXXXXX
308	Infiltration Galleries and Tunnels.....					XXXXXXXX		XXXXXXXX	XXXXXXXX	XXXXXXXX
309	Supply Mains.....					XXXXXXXX		XXXXXXXX	XXXXXXXX	XXXXXXXX
310	Power Generation Equipment...					XXXXXXXX		XXXXXXXX	XXXXXXXX	XXXXXXXX
311	Pumping Equipment.....	128,962			128,962	XXXXXXXX	128,962	XXXXXXXX	XXXXXXXX	XXXXXXXX
320	Water Treatment Equipment.....					XXXXXXXX		XXXXXXXX	XXXXXXXX	XXXXXXXX
330	Distribution Reservoirs and Standpipes.....	50,946			50,946	XXXXXXXX	XXXXXXXX	XXXXXXXX	50,946	XXXXXXXX
331	Transmission and Distribution Mains.....	1,179,474	11,730		1,191,204	XXXXXXXX	XXXXXXXX	XXXXXXXX	1,191,204	XXXXXXXX
333	Services.....	120,550			120,550	XXXXXXXX	XXXXXXXX	XXXXXXXX	120,550	XXXXXXXX
334	Meters & Meter Installations.	194,473	8,613		203,086	XXXXXXXX	XXXXXXXX	XXXXXXXX	203,086	XXXXXXXX
335	Hydrants.....					XXXXXXXX		XXXXXXXX	XXXXXXXX	XXXXXXXX
339	Other Plant and Miscellaneous Equipment.....					XXXXXXXX		XXXXXXXX	XXXXXXXX	XXXXXXXX
340	Office Furniture and Equip....	8,364			8,364	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX
341	Transportation Equipment.....	99,607	2,420		102,027	XXXXXXXX	XXXXXXXX	XXXXXXXX	102,027	8,364
342	Stores Equipment.....					XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	102,027
343	Tools, Shop and Garage Equip.	3,291	529		3,820	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	3,820
344	Laboratory Equipment.....					XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	
345	Power Operated Equipment.....					XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	
346	Communication Equipment.....					XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	
347	Miscellaneous Equipment.....					XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	
348	Other Tangible Plant.....	1,111	23,292		1,111	XXXXXXXX	XXXXXXXX	XXXXXXXX	1,565,786	1,111
	Total Water Plant.....	\$ 1,795,255	\$ 23,292	\$	\$ 1,818,547	\$	\$ 132,266	\$	\$ 1,565,786	\$ 120,495

WATER OPERATING REVENUE

ACCT. NO.		BEGINNING YEAR NO. CUSTOMERS	YEAR END NUMBER CUSTOMERS	AMOUNTS
(a)	(b)	(c)	(d)	(e)
	Operating Revenues:			
460	Unmetered Water Revenue.....			\$
461	Metered Water Revenue:			
461.1	Sales to Residential Customers.....	965	1,004	\$ 308,899
461.2	Sales to Commercial Customers.....	15	16	5,933
461.3	Sales to Industrial Customers.....			
461.4	Sales to Public Authorities.....			
461.5	Sales to Multiple Family Dwellings.....			
461.6	Sales through Bulk Loading Stations....			
	Total Metered Sales.....	980	1,020	\$ 314,832
462	Fire Protection Revenue:			
462.1	Public Fire Protection.....			\$
462.2	Private Fire Protection.....			
	Total Fire Protection Revenue.....			\$
464	Other Sales to Public Authorities.....			\$
465	Sales to Irrigation Customers.....			
466	Sales for Resale.....			
467	Interdepartmental Sales.....			
	Total Sales of Water.....	980	1,020	\$ 314,832
	Other Water Revenues:			
470	Forfeited Discounts.....			\$ 10,614
471	Miscellaneous Service Revenues.....			
472	Rents from Water Property.....			
473	Interdepartmental Rents.....			
474	Other Water Revenues.....			
475	Provision for Rate Refunds.....			
	Total Other Water Revenues.....			\$ 10,614
	Total Water Operating Revenues.....			\$ 325,446

WATER UTILITY EXPENSE ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	CURRENT YEAR (c)	WATER EXPENSE ACCOUNT MATRIX								
			.1 SOURCE OF SUPPLY & EXPENSES-OPERATION (d)	.2 SOURCE OF SUPPLY & EXPENSES-MAINTEN. (e)	.3 WATER TREATMENT EXPENSES-OPERATION (f)	.4 WATER TREATMENT EXPENSES-MAINTEN. (g)	.5 TRANS. & DISTRIBU. EXPENSES-OPERATION (h)	.6 TRANS. & DISTRIBU. EXPENSES-MAINTEN. (i)	.7 CUSTOMER ACCOUNTS EXPENSE (j)	.8 ADMINISTRATIVE & GENERAL EXPENSES (k)	
601	Salaries and Wages-Employees.	\$ 80,602		\$			\$ 62,767			\$ 17,835	
603	Salaries and Wages-Officers, Directors and Majority Stockholders.....	2,400									2,400
604	Employee Pensions & Benefits.										
610	Purchased Water.....	132,447	132,447	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
615	Purchased Power.....	7,556		XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	7,556	XXXXXXX	XXXXXXX	XXXXXXX
616	Fuel for Power Production....										
618	Chemicals.....	457	457	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX		XXXXXXX	XXXXXXX	XXXXXXX
620	Materials and Supplies.....	24,661									
631	Contractual Services - Eng....										
632	Contractual Services - Acct..	5,625						13,799		10,862	5,625
633	Contractual Services - Legal.										
634	Contractual Services - Management Fees.....										
635	Contractual Services - Other.	495						495			
641	Rental of Bldg./Real Property										
642	Rental of Equipment.....	100						100			
650	Transportation Expenses.....	6,688						6,688			
656	Insurance - Vehicle.....										
657	Insurance - General Liability	9,782									9,782
658	Insurance - Worker's Compensation.....	7,455									7,455
659	Insurance - Other.....	10,563									10,563
660	Advertising Expense.....										
666	Regulatory Commission Exp.....										
	- Amortization of Rate Case Expense.....										
667	Regulatory Commission Exp.....										
	- Other.....										
670	Bad Debt Expense.....										
675	Miscellaneous Expenses.....	2,226									2,226
	Total	291,057	132,904	\$	\$	\$	\$	91,405	\$	28,697	38,051

PUMPING AND PURCHASED WATER STATISTICS

(a)	WATER PURCHASED FOR RESALE (Omit 000's) (b)	WATER PUMPED FROM WELLS (Omit 000's) (c)	TOTAL WATER PUMPED AND PURCHASED (Omit 000's) (d)	WATER SOLD TO CUSTOMERS (Omit 000's) (e)
January.....	9,193		9,193	5,249
February.....	8,344		8,344	4,742
March.....	8,545		8,545	5,232
April.....	9,085		9,085	4,763
May.....	10,241		10,241	5,262
June.....	9,506		9,506	5,412
July.....	10,261		10,261	5,369
August.....	9,294		9,294	5,662
September.....	9,051		9,051	5,978
October.....	9,759		9,759	4,978
November.....	8,958		8,958	5,095
December.....	10,590		10,590	6,048
Total for year.....	112,827		112,827	63,790

Maximum gallons pumped by all methods in any one day (Omit 000's): _____

Date ____/____/____

Minimum gallons pumped by all methods in any one day (Omit 000's): _____

Date ____/____/____

If water is purchased for resale, indicate the following:

Vendor _____

Point of delivery _____

If water is sold to other water utilities for redistribution, list names of such utilities below:

SALES FOR RESALE (466)

LINE #	COMPANY	GALLONS	AVG. RATE (CENTS)	AMOUNT
1				
2				
3				
4				
5				
6				
7	TOTAL			

WATER PRODUCED, PURCHASED AND DISTRIBUTED

LINE #	ITEM	GALLONS
1	WATER PRODUCED AND PURCHASED:	
2	Water Produced	
3	Water Purchased	112,827,000
4	TOTAL PRODUCED AND PURCHASED	112,827,000
5	DISTRIBUTION OF WATER PRODUCED AND PURCHASED:	
6	Water Sold:	
7	TOTAL SALES OF WATER	63,790,000
8	OTHER WATER USED:	
9	Free Customers (estimate portion not metered)	102,000
10	Water Used by Company (estimate portion not metered)	133,000
11	Line Loss and Other Unaccounted for Water (estimate)	48,802,000
12	TOTAL OTHER WATER USED	49,037,000
13	TOTAL (must agree with line 4 above)	112,827,000

PERCENTATE OF LINE LOSS (line 11 divided by line 4) 43.25%

WATER STATISTICS

CUSTOMER TYPE

NUMBER OF GALLONS SOLD

Residential (460)	
Commercial (460)	
Industrial (460)	
TOTAL (460)	
Residential (461)	62,650,000
Commercial (461)	1,140,000
Industrial (461)	
TOTAL (461)	63,790,000
Private Fire-Protection Service (462)	
Public Fire-Protection Service (463)	
Other Sales to Public Authorities (464)	
Sales to Irrigation Customers (465)	
Sales for Resale (466)	
TOTAL GALLONS OF WATER SOLD	63,790,000

PLANT STATISTICS

Give the following information:

1. Number of fire hydrants, by size
2. Number of private fire hydrants, by size
3. Whether water supply is river, impounded streams, well, springs, artificial lake or collector type well
4. Whether supply is by gravity, pumping, or a combination
5. Type, capacity, and elevation of reservoirs at overflow and ground level
6. Miles of main by size and kind
7. Types of filters: gravity or pressure, number of units, and total rated capacity in gallons per minute
8. Type of chlorinators, number of units and capacity in pounds per 24 hours
9. Station equipment. List each pump separately, giving type and capacity and H.P. of driving unit and character of driving unit (steam, electric, or internal combustion). State whether pump is high or low duty.
10. Quantity of fuel used: coal in pounds, gas in cu. ft., oil in gallons, and electric in KWH.
11. Give a description and total cost of any sizable additions or retirements to plant in service outside the normal system growth for the period covered by this report
12. Capacity of clear well
13. Peak month, in gallons of water sold
14. Peak day, in gallons of water sold

1. 2 - 5½ inch in size

2. None

3. Water supplied by City of Pikeville

4. Combination

5.	Tank	Size	Flev	O.F.	Service
	Upper Toler	25K	1135	1146	Out
	Lower Toler	50K	889	900	Out
	Little Mud	50K	872	895	In
	Lower Branham	50K	826	847	In
	Upper Branham	25K	1125	1136	Out
	Lower Mink Br	150K	870	901	In
	Upper Mink Br	10K	1168	1179	In
	Sterling Hamilton	100K	1301	1316	Out
	Tinker Fk	25K	1289	1300	Out
	Tackett Fk	25K	1300	1311	In
	Ligon	25K	1288	1299	In
	Trace Br	1K	Unknown	Unknown	In

6. 52.9 miles Some pipe is out of service

10" a/c 1.0 0.0

8" a/c 20.3 0.0

6" a/c 12.3 4.3

3" pvc 7.2 2.9

1 3/4" pvc 4.9 0.0

PLANT STATISTICS CONT'D.

7. None

8. None

9. All submersible	All-Electric
Branham Creek	10 HP-150 GPM
Mare Branch	20 HP-100 GPM
Mink Branch	7.5 HP- 50 GPM
Trale Branch	3 HP- 33 GPM

10. 150.163 Kilowatts

11. None

12. N/A

13. Not Determinable

14. Not Determinable

OATH

Commonwealth of Kentucky }
County of Floyd } ss:

Eula Hall makes oath and says
(Insert here the name of the affiant)

that he is She is Chairperson of
(Insert here the official title of the affiant)

Mud Creek Water District ;
(Insert here the exact legal title or name of the respondent)

that it is his duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky, effective during the said period; that he has carefully examined the said report and to the best of his knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he believes that all other statements of fact contained in the said report are true; and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including

January 1, 1998, to and including December 31, 1998

(Signature of affiant)

Subscribed and sworn to before me, a Notary, in and for the
State and County above named, this _____ day of March, 1999

(Apply Seal Here)

My commission expires _____

(Signature of officer authorized to administer oaths)

work
copy

CLASS "A & B"
WATER DISTRICTS & ASSOCIATIONS
ANNUAL REPORT
OF

Beaver-Elkhorn Water District
Exact Legal Name of Respondent

For the
YEAR ENDED DECEMBER 31, 1998

EXHIBIT
E

PUBLIC SERVICE COMMISSION OF KENTUCKY
REPORT OF GROSS OPERATING REVENUES DERIVED FROM INTRA-KENTUCKY
BUSINESS FOR THE YEAR ENDING DECEMBER 31, 1998

Beaver-Elkhorn Water District Route 3188, P.O. Box 769 Martin, KY 41649
(Utility Reporting) (Address)

(DO NOT INCLUDE TAXES COLLECTED)

- (1) Gross Revenues of Electric Utility.....\$ _____
- (2) Gross Revenues of Gas Utility.....\$ _____
- (3) Gross Revenues of Radio-Telephone Utility.....\$ _____
- (4) Gross Revenues of Cellular Telephone Utility...\$ _____
- (5) Gross Revenues of Telephone Utility.....\$ _____
- (6) Gross Revenues of Water Utility.....\$ 882,518
- (7) Gross Revenues of Sewer Utility.....\$ _____
- (8) Other Operating Revenues.....\$ _____
- *** TOTAL GROSS REVENUES.....\$ 882,518

O A T H

State of...Kentucky.....)
County of...Floyd.....) ss.

Hubert Halbert being duly sworn, states that he/she
(Officer)
is Chairman of the Beaver-Elkhorn Water District
(Official Title) (Utility Reporting)

that the above report of gross revenues is in exact accordance with
the books of accounts of:

Beaver-Elkhorn Water District, and that such books
(Utility Reporting)
accurately show the gross revenues of:

Beaver-Elkhorn Water District, derived from Intra-Kentucky
(Utility Reporting)

business for the year ending December 31, 1998

(Officer) (Title)

This the _____ day of March, 1999

(Notary Public) (County)

My Commission expires _____

NOTE: ANY DIFFERENCE BETWEEN THE AMOUNT OF THE GROSS REVENUES SHOWN
IN THE ANNUAL REPORT AND THE AMOUNT APPEARING ON THIS STATEMENT
MUST BE RECONCILED ON THE REVERSE SIDE OF THIS REPORT

CHECKLIST FOR THE ANNUAL REPORT
FOR A AND B WATER DISTRICTS AND WATER ASSOCIATIONS
TO BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT

Page No.	Account No.	Page No.	Yes	No	If No, Explain Why
4-6	The identification pages have been completed.		X		
7	101-106 agrees with	13 Total 101-106	X		
7	108-110 agrees with	14 Total 301-348 Cols c & h	X		
7	114-115 agrees with	15 Net Balance 114-115	X		
7	123 agrees with	16 Total 123	X		
7	124 agrees with	16 Total 124	X		
7	125 agrees with	16 Total 125	X		
7	126-127 agrees with	16 Total 126-127	X		
7	141-144 agrees with	17 Net Balance 141-144	X		
7	151-153 agrees with	18 Total 151-153	X		
7	162 agrees with	18 Total 162	X		
8	181 agrees with	19 Total 181	X		
8	182 agrees with	20 Total 182	X		
8	186 agrees with	19 Total 186	X		
9	214-215 agrees with	23 Total 214-215	X		
9	221 agrees with	22 Total Line 10 Col 4	X		
9	221 agrees with	22 Total Col 12	X		
9	224 agrees with	21 Total Col d	X		
9	232 agrees with	24 Total 232	X		

CHECKLIST FOR THE ANNUAL REPORT
FOR A AND B WATER DISTRICTS AND WATER ASSOCIATIONS
TO BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT

Page No.	Account No.	Page No.	If No, Explain Why
9	234 agrees with 24 Total 234	X	
9	236 agrees with 25 Beginning & Ending Balance 236	X	
9	237 agrees with 25 Total 237 Cols b & e	X	
9	242 agrees with 26 Total 242	X	
9	251 agrees with 19 Total 251	X	
9	252 agrees with 20 Total 252	X	
10	271 agrees with 27 Beginning & Ending Balance 271	X	
11	400 agrees with 29 Total Water Operating Rev Col e	X	
11	401 agrees with 30 Total 601-675 Col c	X	
11	406 agrees with 15 Total Accumulated Amortization 115	X	
11	408.1 agrees with 25 Total Taxes Accrued 408.10-408.20	X	
12	427 agrees with 25 Total Col c	X	
12	Net Income agrees with 23 Balance Trans. From Inc Col c	X	
13	101 agrees with 28 Total Water Plant Col f	X	
14	The analysis of accumulated depreciation and amortization by primary account has been completed.	X	
19	186.1 agrees with 27 Total 186.1 Col c	X	
21	Schedule of Long-Term Debt has been completed.	X	
22	Schedule of Bond Maturities has been completed.	X	

CHECKLIST FOR THE ANNUAL REPORT
FOR A AND B WATER DISTRICTS AND WATER ASSOCIATIONS
TO BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT

Page No.	Account No.	Yes	No	If No, Explain Why
28	The analysis of water utility plant accounts Cols c through k has been completed.	X		
29	Taxes collected (example: school tax, sales tax, franchise tax) have been excluded from Operating Revenue.	X		
29	The analysis of water operating revenue Cols c, d, and e has been completed.	X		
30	The analysis of water utility expense accounts Cols c through k has been completed.	X		
31	Schedule of Pumping and Purchased Water Statistics has been completed.	X		
32	466 Total Gal agrees with 33 Sales for Resale (466)	X		
32	Line 13 agrees with 32 Line 4 Total Produced and Purchased	X		
	Oath page has been completed.	X		

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 1998

1. Amount of Principal Payment during calendar year \$ 187,941
2. Is Principal current? (Yes) X (No) _____
3. Is Interest current? (Yes) X (No) _____
4. Has all long-term debt been approved by the Public Service Commission?
(Yes) X (No) _____ PSC Case No. _____

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are the financial statements examined by a Certified Public Accountant? (Yes) X (No) _____

If yes, which service is performed?

Audit X _____

Compilation _____

Review _____

Please enclose a copy of the accountant's report with annual report.

Additional Information Required by Commission Orders

Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments.

Case #	Date of Order	Item/Explanation

Attach additional sheets if more room is needed

MAJOR WATER PROJECTS

Instructions: Provide details about each major water project which is planned but has not yet been submitted for approval to the Public Service Commission. For the limited purpose of this report, a "Major Project" is defined as one which is not in the ordinary course of business, and which will increase your current utility plant by at least 20%.

Brief Project Description (improvement, replacement, building construction, expansion. If expansion, provide the estimated number of new customers):

None

Projected Costs and Funding Sources/Amounts:

Approval Status: (Application for financial assistance filed, but not approved; or application approved, but have not advertised for construction bids)

Location: (community, area or nearby roads)

TABLE OF CONTENTS

FINANCIAL SECTION	Page	WATER OPERATING SECTION	Page
Identification	4-6	Water Utility Plant Accounts	29
Comparative Balance Sheet - Assets and Other Debits	7-8	Water Operating Revenue	30
Comparative Balance Sheet - Equity Capital and Liabilities	9-10	Water Utility Expense Accounts	31
Comparative Operating Statement	11-12		
Net Utility Plant	13	Pumping & Purchased Water Statistics	32
Accumulated Depreciation	13		
Analysis of Accumulated Depreciation by Primary Account	14		
Accumulated Amortization	15		
Utility Plant Acquisition Adjustments	15		
Investments and Special Funds	16		
Accounts and Notes Receivable - Net	17		
Materials and Supplies	18		
Prepayments	18		
Miscellaneous Deferred Debits	18		
Unamortized Debt Discount and Expense and Premium on Debt	19		
Extraordinary Property Losses	19		
Advances for Construction	20		
Long Term Debt	21		
Bonds and Maturities	22		
Statement of Retained Earnings	23		
Notes Payable	24		
Accounts Payable to Associated Co.	24		
Taxes Accrued	25		
Accrued Interest	25		
Misc. Current & Accrued Liabilities	26		
Regulatory Commission Expense - Amortization of Rate Case Expense	26		
Contributions in Aid of Construction	27		
Additions to CIAC Received from Capacity Charges, Main Extension Charges and Customer Connection Charges	27		
Additions to CIAC Received from All Developers or Contractors Agreements	28		

HISTORY

1. Exact name of utility making this report. (Use the words "The", "Company" or "Incorporated" only when a part of the corporate name.)

Beaver-Elkhorn Water District

2. Give the location including city, street and number, of the executive office.

Route 3188

Phone (606) 285-3856

P.O. Box 769

Martin, KY 41649

3. Give the location, including street and number, and TELEPHONE NUMBER of the principal office in Kentucky.

Same

4. Name and address of principal officer within Kentucky.

Hubert Halbert, Chairman

Same

5. Give name, title, address and TELEPHONE NUMBER of the officer to whom correspondence concerning this report should be addressed.

Same

6. Date of organization. 1949

7. Under the laws of what Government, State or Territory organized? (If more than one, name all. Give reference to each statute and amendments thereof.)

Chapters 58-74 K.R.S.

8. If a consolidated or merger company, name all contingent and all merged companies. Give reference to charters or general laws governing each, and all amendments of same.

N/A

9. Date and authority for each consolidation and each merger.

N/A

10. State whether respondent is a corporation, a joint stock association, a firm or partnership, or an individual.

Water District

11. If a reorganized company, give name of original corporation, refer to laws under which it was organized and the occasion for the reorganization.

N/A

12. Name all other operating departments.

N/A

13. Name of counties in which you furnish water service.

Floyd and Knott

REPORT OF
Beaver-Elkhorn Water District

For Year Ended December 31, 1998

Location where books and records are located: Martin, KY

Contacts:

Name	Title	Address	Salary Charged Utility	Current Term Expires
Send correspondence to: Hubert Halbert	Chairman	P.O. Box 769 Martin, KY 41649	\$	/ /
Report prepared by: Michael R. Spears	CPA	P.O. Box 1270 Prestonsburg, KY	\$	/ /
Officers and Managers 41653				
Hubert Halbert	Chairperson	Langley, KY	\$ 1,260	10 /20/99
	Treasurer		\$	/ /
Maribeth Allen	Secretary	Garrett, KY	\$ 28,874	/ /
Paula G. Johnson	Commissioner	Bypro, KY	\$ 1,080	5 /30/99
Tommy Hall	Commissioner	Martin, KY	\$ 1,080	9 /18/00
	Commissioner		\$	/ /
	Commissioner		\$	/ /
	Commissioner		\$	/ /
	Commissioner		\$	/ /
	Commissioner		\$	/ /
Bob Hackworth	Manager	Martin, KY	\$ 45,168	/ /
			\$	/ /
			\$	/ /
			\$	/ /
			\$	/ /
			\$	/ /
			\$	/ /
			\$	/ /
			\$	/ /
			\$	/ /
			\$	/ /
			\$	/ /
			\$	/ /
			\$	/ /

COMPARATIVE BALANCE SHEET - ASSETS AND OTHER DEBITS

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
UTILITY PLANT				
101-106	Utility Plant.....	13	\$ 12,334,032	\$ 12,597,299
108-110	Less: Accumulated Depreciation and Amortization.....	13-15	2,211,972	2,393,239
	Net Plant.....		\$ 10,122,060	\$ 10,204,060
114-115	Utility Plant Acquisition Adjustments (Net).....	15		
116	Other Utility Plant Adjustments.....			
	Total Net Utility Plant.....		\$ 10,122,060	\$ 10,204,060
OTHER PROPERTY AND INVESTMENTS				
121	Nonutility Property.....		\$	\$
122	Less: Accumulated Depreciation and Amortization.....			
	Net Nonutility Property.....		\$	\$
123	Investment in Associated Companies..	16		
124	Utility Investments.....	16		
125	Other Investments.....	16		
126-127	Special Funds.....	16	175,878	140,205
	Total Other Property & Investments..		\$ 175,878	\$ 140,205
CURRENT AND ACCRUED ASSETS				
131	Cash.....		\$ 283,523	\$ 108,074
132	Special Deposits.....			
133	Other Special Deposits.....			
134	Working Funds.....			
135	Temporary Cash Investments.....			
141-144	Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts.....	17	140,668	152,599
145	Accounts Receivable from Associated Companies.....			
146	Notes Receivable from Associated Companies.....			
151-153	Materials and Supplies.....	18	18,139	24,370
161	Stores Expense.....			
162	Prepayments.....	18	6,028	2,438
171	Accrued Interest and Dividends Receivable.....			
172	Rents Receivable.....			
173	Accrued Utility Revenues.....			
174	Misc. Current and Accrued Assets....			
	Total Current and Accrued Assets....		\$ 448,358	\$ 287,481

COMPARATIVE BALANCE SHEET - ASSETS AND OTHER DEBITS (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	DEFERRED DEBITS			
181	Unamortized Debt Discount & Expense.	19	\$	\$
182	Extraordinary Property Losses.....	19		
183	Preliminary Survey & Investigation Charges.....			
184	Clearing Accounts.....			
185	Temporary Facilities.....			
186	Misc. Deferred Debits.....	18	13,223	
187	Research & Development Expenditures.			
	Total Deferred Debits.....		\$ 13,223	\$
	TOTAL ASSETS AND OTHER DEBITS.....		\$ 10,759,519	\$ 10,631,746

NOTES TO THE BALANCE SHEET

The space below is provided for important notes regarding the balance sheet

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	EQUITY CAPITAL			
214-215	Retained Earnings.....	23	\$ (677,089)	\$ (685,935)
	Total Equity Capital.....		\$ (677,089)	\$ (685,935)
	LONG-TERM DEBT			
221	Bonds.....	22	\$	\$
222	Reacquired Bonds.....			
223	Advances from Associated Companies..			
224	Other Long-Term Debt.....	21	4,020,073	3,922,237
	Total Long-Term Debt.....		\$ 4,020,073	\$ 3,922,237
	CURRENT AND ACCRUED LIABILITIES			
231	Accounts Payable.....		\$ 103,104	\$ 41,588
232	Notes Payable.....	24	184,270	94,165
233	Accounts Payable to Associated Co...	24		
234	Notes Payable to Associated Co.....	24		
235	Customer Deposits.....		40,360	42,950
236	Accrued Taxes.....	25	6,534	5,334
237	Accrued Interest.....	25	10,495	10,038
239	Matured Long-Term Debt.....			
240	Matured Interest.....			
241	Tax Collections Payable.....			
242	Misc. Current & Accrued Liabilities.	26		16,500
	Total Current and Accrued Liabilities.....		\$ 344,763	\$ 210,575
	DEFERRED CREDITS			
251	Unamortized Premium on Debt.....	19	\$	\$
252	Advances for Construction.....	20		
253	Other Deferred Credits.....			
	Total Deferred Credits.....		\$	\$
	OTHER NON-CURRENT LIABILITIES			
	Accumulated Provision For:			
261	Property Insurance		\$	\$
262	Injuries and Damages			
263	Pensions and Benefits			
265	Miscellaneous Operating Reserves ...		38,350	64,000
266	Rate Refunds			
	Total Other Non-Current Liabilities.		\$ 38,350	\$ 64,000

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	CONTRIBUTIONS IN AID OF CONSTRUCTION			
271	Contributions In Aid of Construction	27-28	\$	\$
	Tap-on Fees - Customers		1,035,347	1,062,481
	Federal Grants in Aid of Const. ..		2,881,866	2,942,179
	Other		3,116,209	3,116,209
	Total C.I.A.C		\$ 7,033,422	\$ 7,120,869
	TOTAL EQUITY CAPITAL AND LIABILITIES		\$ 10,759,519	\$ 10,631,746

COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	UTILITY OPERATING INCOME			
400	Operating Revenues.....	30	\$ 917,529	\$ 882,518
401	Operating Expenses.....	31	\$ 607,196	\$ 626,002
403	Depreciation Expenses.....		180,638	185,167
406	Amortization of Utility Plant Acquisition Adjustment.....			
407	Amortization Expense.....			
408.1	Taxes Other Than Income.....		34,590	23,695
	Utility Operating Expenses.....		\$ 822,424	\$ 834,864
	Utility Operating Income.....		\$ 95,105	\$ 47,654
413	Income From Utility Plant Leased to Others.....			
414	Gains (Losses) From Disposition of Utility Property.....			250
	Total Utility Operating Income.....		\$ 95,105	\$ 47,904
	OTHER INCOME AND DEDUCTIONS			
415	Revenues From Merchandising, Jobbing and Contract Deductions.....		\$	\$
416	Costs and Expenses of Merchandising, Jobbing and Contract Work.....			
419	Interest & Dividend Income.....		9,088	7,055
420	Allowance for Funds Used During Construction.....			
421	Nonutility Income.....			
426	Miscellaneous Nonutility Expenses...			
	Total Other Income and Deductions...		\$ 9,088	\$ 7,055
	TAXES APPLICABLE TO OTHER INCOME			
408.20	Taxes Other Than Income.....		\$	\$
	Total Taxes Applic. to Other Income.		\$	\$

COMPARATIVE OPERATING STATEMENT (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	INTEREST EXPENSE			
427	Interest Expense.....		\$ 50,815	\$ 38,155
428	Amortization of Debt Discount & Exp.		_____	_____
429	Amortization of Premium on Debt.....		_____	_____
	Total Interest Expense.....		\$ 50,815	\$ 38,155
	EXTRAORDINARY ITEMS			
433	Extraordinary Income.....		\$ _____	\$ _____
434	Extraordinary Deductions.....		_____	_____
	Total Extraordinary Items.....		\$ _____	\$ _____
	NET INCOME.....		\$ 53,378	\$ 16,804

NET UTILITY PLANT (ACCTS. 101 - 106)

ACCT. NO.	PLANT ACCOUNTS	TOTAL
101	Utility Plant in Service	\$ 7,786,001
102	Utility Plant Leased to Others.....	
103	Property Held for Future Use.....	
104	Utility Plant Purchased or Sold.....	
105	Construction Work in Progress.....	4,811,298
106	Completed Construction Not Classified.....	
	Total Utility Plant.....	\$ 12,597,299

ACCUMULATED DEPRECIATION (ACCT. 108)

DESCRIPTION	TOTAL
Balance first of year.....	\$ 2,211,972
Credit during year:	
Accruals Charged to Account 108.1.....	185,167
Accruals Charged to Account 108.2.....	
Accruals Charged to Account 108.3.....	
Accruals Charged to Other Accounts (specify)	
.....	
.....	
Salvage.....	
Other Credits (specify)	
.....	
.....	
Total Credits.....	\$ 185,167
Debits during year:	
Book Cost of Plant Retired.....	\$
Cost of Removal.....	
Other Debits (specify)	
.....	
.....	
Total Debits.....	\$
Balance end of year.....	\$ 2,397,139

ANALYSIS OF ACCUMULATED DEPRECIATION AND AMORTIZATION BY PRIMARY ACCOUNT

ACCT. NO. (a)	ACCOUNT (b)	BALANCE BEGINNING OF YEAR (c)	CREDITS DURING THE YEAR			CHARGES DURING THE YEAR		BALANCE END OF YEAR (h)
			CHARGES TO DEP. EXP. (d)	OTHER CREDITS (e)	PLANT RETIREMENTS (f)	OTHER CHARGES (g)		
301	Organization.....	\$	\$	\$	\$	\$	\$	
302	Franchises.....							
303	Limited Term Interest in Land and Land Rights.....							
304	Structures & Improvements..	373,167	67,639				440,806	
305	Collecting and Impounding Reservoirs.....	5,639	239				5,878	
306	Lake River & Other Intakes.	68,914	2,949				71,863	
307	Wells and Springs.....							
309	Supply Mains.....							
310	Power Generating Equipment.	972	87				1,059	
311	Pumping Equipment.....	135,750	12,026				147,776	
320	Water Treatment Equipment..	115,250	53				115,303	
330	Distribution Reservoirs and Standpipes.....	84,104	3,579				87,683	
331	Transmission & Distribution Mains.....	1,081,687	70,841				1,152,528	
333	Services.....	57,841	2,830				60,671	
334	Meters and Meter Installations.....	108,941	8,359				117,300	
335	Hydrants.....	50,031	4,900				54,931	
339	Other Plant & Miscellaneous Equipment.....							
340	Office Furniture and Equip.	9,666	616				10,282	
341	Transportation Equipment...	75,762	10,710		3,900		82,572	
343	Tools, Shop & Garage Equip.	10,728	136				10,864	
345	Power Operated Equipment...	7,909					7,909	
348	Other Tangible Plant.....	25,611	203				25,814	
	TOTALS	\$ 2,211,972	\$ 185,167	\$	\$ 3,900	\$	\$ 2,393,239	

ACCUMULATED AMORTIZATION (ACCT. 110)

DESCRIPTION	TOTAL
Balance first of year.....	\$ N/A
Credit during year:	
Accruals Charged to Account 110.1.....	
Accruals Charged to Account 110.2.....	
Other Credits (specify)	
.....	
.....	
Total Credits.....	\$
Debits during year:	
Book Cost of Plant Retired.....	\$
Other Debits (specify)	
.....	
.....	
Total Debits.....	\$
Balance end of year.....	\$

UTILITY PLANT ACQUISITION ADJUSTMENTS (ACCTS. 114 - 115)

Report each acquisition adjustment and related accumulated amortization separately. For any acquisition adjustment approved by the Commission, include the Order Number.

ACCOUNT NAME	TOTAL
Acquisition Adjustments (114)	
.....	\$ N/A
.....	
.....	
.....	
.....	
Total Plant Acquisition Adjustments.....	\$
Accumulated Amortization (115)	
.....	\$
.....	
.....	
.....	
Total Accumulated Amortization.....	\$
Net Acquisition Adjustments.....	\$

INVESTMENTS AND SPECIAL FUNDS (ACCTS. 123 - 127)

Report hereunder all investments and special funds carried in Accounts 123 thru 127.

DESCRIPTION OF SECURITY OR SPECIAL FUND (a)	FACE OR PAR VALUE (b)	YEAR END BOOK COST (c)
INVESTMENT IN ASSOCIATED COMPANIES (ACCT. 123):		
.....	\$	\$
.....		
.....		
.....		
Total Investment in Associated Companies.....		\$
UTILITY INVESTMENTS (ACCT. 124):		
.....	\$	\$
.....		
.....		
.....		
Total Utility Investments.....		\$
OTHER INVESTMENTS (ACCT. 125):		
.....		
.....		
.....		
Total Other Investments.....		\$
SPECIAL FUNDS (ACCTS. 126 & 127):		
Depreciation Reserve Fund		20,017
Tap Fee Construction Fund		62,459
Escrow - KIA Account		29,997
Escrow - KIA Repair and Maintenance		27,505
Arkansas Creek Project		227
Total Special Funds.....		\$ 140,205

ACCOUNTS AND NOTES RECEIVABLE - NET (ACCOUNTS 141 - 144)

Report hereunder all accounts and notes receivable included in Accounts 141, 142 and 144. Amounts included in Accounts 142 and 144 should be listed individually.

DESCRIPTION	TOTAL
ACCOUNTS & NOTES RECEIVABLE:	
Customer Accounts Receivable (Acct. 141).....	\$ 152,599
Other Accounts Receivable (Acct. 142)	
_____ \$ _____	
_____ \$ _____	
_____ \$ _____	
Notes Receivable (Acct. 144)	
_____ \$ _____	
_____ \$ _____	
_____ \$ _____	
_____ \$ _____	
Total Accounts and Notes Receivable.....	\$ 152,599
Accumulated Provision for Uncollectible Accounts (Acct. 143):	
Balance first of year.....	\$ _____
Add: Provision for uncollectibles for current year.....	\$ _____
Collections of accounts previously written off.....	_____
Utility accounts.....	_____
Others.....	_____
Total Additions.....	\$ _____
Deduct accounts written off during year:	
Utility Accounts.....	\$ _____
Other.....	_____
Total accounts written off.....	\$ _____
Balance end of year.....	\$ _____
Total Accounts and Notes Receivable - Net.....	\$ 152,599

MATERIALS AND SUPPLIES (151 - 153)

ACCOUNT NAME	TOTAL
Plant Materials and Supplies (Account 151).....	\$ 24,370
Merchandise (Account 152).....	
Other Materials and Supplies (Account 153).....	
Total Materials and Supplies.....	\$ 24,370

PREPAYMENTS (ACCT. 162)

DESCRIPTION	TOTAL
Prepaid Insurance.....	\$ 2,438
Prepaid Rents.....	
Prepaid Interest.....	
Prepaid Taxes.....	
Other Prepayments (Specify)	
_____	
_____	
Total Prepayments.....	2,438

MISCELLANEOUS DEFERRED DEBITS (ACCT. 186)

DESCRIPTION	TOTAL
Miscellaneous Deferred Debits (Acct. 186):	
Deferred Rate Case Expense (Acct. 186.1).....	\$
Other Deferred Debits (Acct. 186.2).....	
Total Miscellaneous Deferred Debits.....	\$

UNAMORTIZED DEBT DISCOUNT AND EXPENSE AND PREMIUM ON DEBT (ACCTS. 181 & 251)

Report the net discount and expense or premium separately for each security issue.

DESCRIPTION	AMOUNT WRITTEN OFF DURING YEAR	YEAR END BALANCE
Unamortized Debt Discount and Expense (Acct. 181):		
.....	\$	\$ N/A
.....		
.....		
.....		
Total Unamortized Debt Discount and Expense.....	\$	\$
Unamortized Premium on Debt (Acct. 251):		
.....	\$	\$
.....		
.....		
.....		
Total Unamortized Premium on Debt.....	\$	\$

EXTRAORDINARY PROPERTY LOSSES (ACCT. 182)

Report each item separately.

DESCRIPTION	TOTAL
Extraordinary Property Losses (Acct. 182):	
.....	\$ N/A
.....	
.....	
.....	
Total Extraordinary Property Losses.....	\$

ADVANCES FOR CONSTRUCTION (ACCT. 252)

DESCRIPTION	TOTAL
Balance first of year.....	N/A
Add credits during year.....	
Deduct charges during year.....	
Balance end of year.....	

ACCOUNT 221, BONDS

Line No.	Par Value of Actual Issue (1)	Cash Realized on Actual Issue (2)	Par Value of Amount Held by or for Respondent (3)	Actually Outstanding At Close of Year (4)	Interest During Year	
					Accrued (5)	Actually Paid (6)
2						
3						
4						
5						
6						
7						
8						
9						
10						
Total						

SCHEDULE OF BOND MATURITIES

(The total of column 12 must agree with the total of column 4)

Line No.	Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amount (10)	Amounts Paid (11)	Remaining Bonds Outstanding (12)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
TOTAL						

STATEMENT OF RETAINED EARNINGS

ACCT. NO. (a)	(b)	AMOUNTS (c)
215	Unappropriated Retained Earnings:	
	Balance beginning of year.....	\$ (677,089)
	Changes to account:	
439	Adjustments to Retained Earnings (requires Commission approval prior to use):	
	Credits.....	\$
	Total Credits.....	\$
	Debits.....	\$
	Total Debits.....	\$
435	Balance Transferred from Income.....	\$ 16,804
436	Appropriations of Retained Earnings:	
	<u>Transfers To Reserves</u>	\$ (25,650)
	Total Appropriations of Retained Earnings.....	\$ (25,650)
	Balance end of year.....	\$ (685,935)
214	Appropriated Retained Earnings (state balance and purpose of each appropriated amount at year end):	
	\$
	\$
	Total Appropriated Retained Earnings.....	\$
	Total Retained Earnings.....	\$ (685,935)

Notes to Statement of Retained Earnings:

NOTES PAYABLE (ACCOUNTS 232 & 234)

(a)	NOMINAL DATE OF ISSUE (b)	DATE OF MATURITY (c)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (f)
			RATE (d)	AMOUNT OF PAYMENT (e)	
Account 232 - Notes Payable:					
KIA	12/31/94	2023	3%	\$	\$ 32,152
KIA III	12/19/97	2027	3%		61,089
Transfinancial Bank	1/25/96	1999	7.6%		924
Total Account 232.....				\$	\$ 94,165
Account 234 - Notes Payable To Associated Companies:					
				\$	\$
Total Account 234.....				\$	\$

ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES (ACCOUNT 233)

SHOW PAYABLE TO EACH ASSOCIATED COMPANY SEPARATELY	AMOUNT
N/A	\$
Total.....	\$

TAXES ACCRUED (ACCOUNT 236)

ACCT. NO. (a)	DESCRIPTION (b)	TOTAL (c)
	Balance first of year.....	\$ 6,534
	Accruals Charged:	
408.10	Utility regulatory assessment fees.....	1,677
408.11	Property taxes.....	
408.12	Payroll taxes.....	22,018
408.13	Other taxes and licenses.....	
408.20	Taxes other than income, other income and deductions	
	Total taxes accrued.....	\$ 23,695
	Taxes paid during year:	
408.10	Utility regulatory assessment fees.....	1,677
408.11	Property taxes.....	
408.12	Payroll taxes.....	23,218
408.13	Other taxes and licenses.....	
408.20	Taxes other than income, other income and deductions	
	Total taxes paid.....	\$ 24,895
	Balance end of year.....	\$ 5,334

ACCRUED INTEREST (ACCOUNT 237)

DESCRIPTION OF DEBT (a)	BALANCE BEGINNING OF YEAR (b)	INTEREST ACCRUED DURING YEAR (c)	INTEREST PAID DURING YEAR (d)	BALANCE END OF YEAR (e)
Account No. 237.1 - Accrued Interest on Long-Term Debt:	\$	\$	\$	\$
Meter Deposits/Tap Fee	0	36	36	0
KIA	3,187	37,550	37,629	3,108
KIA III	7,308	0	378	6,930
Transfinancial Bank	0	569	569	0
Total Acct. No. 237.1	\$ 10,495	\$ 38,155	\$ 38,612	\$ 10,038
Account No. 237.2 - Accrued Interest on Other Liabilities:	\$	\$	\$	\$
Total Acct. No. 237.2	\$	\$	\$	\$
Total Acct. No. 237	\$ 10,495	\$ 38,155	\$ 38,612	\$ 10,038

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (ACCOUNT 242)

DESCRIPTION (a)	BALANCE END OF YEAR (b)
Settlement Payable	\$ 16,500
Total Miscellaneous Current and Accrued Liabilities.....	\$ 16,500

WATER UTILITY PLANT ACCOUNTS

ACCT. NO.	ACCOUNT NAME (b)	PREVIOUS YEAR (c)	ADDITIONS (d)	RETIREMENTS (e)	CURRENT YEAR (f)	INTAN-GIBLE PLANT (g)	SOURCE OF SUPPLY & PUMPING PLANT (h)	WATER TREATMENT PLANT (i)	TRANS. & DISTRIBUTION PLANT (j)	GENERAL PLANT (k)
301	Organization.....	\$ 2,450	\$	\$	\$ 2,450	\$ 2,450	\$XXXXXXX	\$XXXXXXX	\$XXXXXXX	\$XXXXXXX
302	Franchises.....	1,250			1,250	1,250	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
303	Land and Land Rights.....	78,414			78,414	XXXXXXX	23,639	25,600	28,675	XXXXXXX
304	Structures and Improvements..	3,279,029	41,875		3,320,904	XXXXXXX	3,299,345			21,559
305	Collecting and Impounding									
306	Reservoirs.....	11,996			11,996	XXXXXXX	11,996	XXXXXXX	XXXXXXX	XXXXXXX
307	Lake River and Other Intakes.	147,466			147,466	XXXXXXX	147,466	XXXXXXX	XXXXXXX	XXXXXXX
308	Wells and Springs.....					XXXXXXX		XXXXXXX	XXXXXXX	XXXXXXX
309	Infiltration Galleries and Tunnels.....					XXXXXXX		XXXXXXX	XXXXXXX	XXXXXXX
310	Supply Mains.....					XXXXXXX		XXXXXXX	XXXXXXX	XXXXXXX
311	Power Generation Equipment...	4,373			4,373	XXXXXXX	4,373	XXXXXXX	XXXXXXX	XXXXXXX
312	Pumping Equipment.....	316,024			316,024	XXXXXXX	316,024	XXXXXXX	XXXXXXX	XXXXXXX
313	Water Treatment Equipment....	115,569			115,569	XXXXXXX	XXXXXXX	115,569	XXXXXXX	XXXXXXX
314	Distribution Reservoirs and Standpipes.....	178,942			178,942	XXXXXXX	XXXXXXX	XXXXXXX	178,942	XXXXXXX
315	Transmission and Distribution									
316	Mains.....	2,724,795	11,446		2,736,241	XXXXXXX	XXXXXXX	XXXXXXX	2,736,241	XXXXXXX
317	Services.....	134,810			134,810	XXXXXXX	XXXXXXX	XXXXXXX	134,810	XXXXXXX
318	Meters & Meter Installations.	303,092	16,759		319,851	XXXXXXX	XXXXXXX	XXXXXXX	319,851	XXXXXXX
319	Hydrants.....	244,994			244,994	XXXXXXX	XXXXXXX	XXXXXXX	244,994	XXXXXXX
320	Other Plant and Miscellaneous									
321	Equipment.....									
322	Office Furniture and Equip...	11,988			11,988	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
323	Transportation Equipment.....	117,911	1,825	3,900	115,836	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	11,988
324	Stores Equipment.....					XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
325	Tools, Shop and Garage Equip.	11,054			11,054	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
326	Laboratory Equipment.....	15,997			15,997	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
327	Power Operated Equipment.....	7,909			7,909	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
328	Communication Equipment.....	4,041			4,041	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
329	Miscellaneous Equipment.....	5,892			5,892	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
330	Other Tangible Plant.....					XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
331	Water Plant.....	7,717,996	\$ 71,905	\$ 3,900	\$ 7,786,001	\$ 3,700	\$ 3,802,843	\$ 141,169	\$	\$ 194,776

WATER OPERATING REVENUE

ACCT. NO. (a)	(b)	BEGINNING YEAR NO. CUSTOMERS (c)	YEAR END NUMBER CUSTOMERS (d)	AMOUNTS (e)
	Operating Revenues:			
460	Unmetered Water Revenue.....			\$
461	Metered Water Revenue:			
461.1	Sales to Residential Customers.....	2,369	2,499	\$ 784,156
461.2	Sales to Commercial Customers.....	79	110	49,210
461.3	Sales to Industrial Customers.....			
461.4	Sales to Public Authorities.....			
461.5	Sales to Multiple Family Dwellings....			
461.6	Sales through Bulk Loading Stations....			
	Total Metered Sales.....	2,448	2,609	\$ 833,366
462	Fire Protection Revenue:			
462.1	Public Fire Protection.....			\$
462.2	Private Fire Protection.....			
	Total Fire Protection Revenue.....			\$
464	Other Sales to Public Authorities.....			\$
465	Sales to Irrigation Customers.....			
466	Sales for Resale.....	2	1	25,204
467	Interdepartmental Sales.....			
	Total Sales of Water.....	2,450	2,610	\$ 858,570
	Other Water Revenues:			
470	Forfeited Discounts.....			\$ 22,836
471	Miscellaneous Service Revenues.....			1,112
472	Rents from Water Property.....			
473	Interdepartmental Rents.....			
474	Other Water Revenues.....			
475	Provision for Rate Refunds.....			
	Total Other Water Revenues.....			\$ 23,948
	Total Water Operating Revenues.....			\$ 882,518

WATER UTILITY EXPENSE ACCOUNTS

ACCT. NO.	ACCOUNT NAME	CURRENT YEAR	WATER EXPENSE ACCOUNT MATRIX							
			1 SOURCE OF SUPPLY & EXPENSES-OPERATION	2 SOURCE OF SUPPLY & EXPENSES-MAINTEN.	3 WATER TREATMENT EXPENSES-OPERATION	4 WATER TREATMENT EXPENSES-MAINTEN.	5 TRANS. & EXPENSES-OPERATION	6 TRANS. & EXPENSES-MAINTEN.	7 CUSTOMER ACCOUNTS EXPENSE	8 ADMINIS-TRATIVE & GENERAL EXPENSES
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
601	Salaries and Wages-Employees, Salaries and Wages-Officers, Directors and Majority Stockholders.....	\$328,028	\$ 54,560	\$	\$	\$	\$ 224,667	\$	\$	\$ 48,801
604	Employee Pensions & Benefits.	3,420								3,420
610	Purchased Water.....	52,384		XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	52,384
615	Purchased Power.....			XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
616	Fuel for Power Production....	25,229	25,229	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
618	Chemicals.....	27,200				27,200				XXXXXXXXXX
620	Materials and Supplies.....	106,980	17,781			4,643		58,993		20,117
631	Contractual Services - Eng...									
632	Contractual Services - Acct..	34,155								34,155
633	Contractual Services - Legal.									
634	Contractual Services - Management Fees.....									
635	Contractual Services - Other.									
641	Rental of Bldg./Real Property	7,700								7,700
650	Rental of Equipment.....									
656	Transportation Expenses.....	33								33
656	Insurance - Vehicle.....									
657	Insurance - General Liability	8,747								8,747
658	Insurance - Worker's Compensation.....	11,666								11,666
659	Insurance - Other.....									
660	Advertising Expense.....		XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	
666	Regulatory Commission Exp....									
	- Amortization of Rate Case Expense.....	13,223	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	13,223
667	Regulatory Commission Exp....									
	- Other.....									
670	Bad Debt Expense.....		XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	
675	Miscellaneous Expenses.....	7,237								7,237
	Total Water Utility Expenses.	\$ 626,002	\$ 97,570	\$	\$ 31,843	\$	\$ 283,660	\$	\$ 5,446	\$ 207,483

PUMPING AND PURCHASED WATER STATISTICS

(a)	WATER PURCHASED FOR RESALE (Omit 000's) (b)	WATER PUMPED FROM WELLS (Omit 000's) (c)	TOTAL WATER PUMPED AND PURCHASED (Omit 000's) (d)	WATER SOLD TO CUSTOMERS (Omit 000's) (e)
January.....		27,540	27,540	18,916
February.....		25,580	25,580	15,287
March.....		28,230	28,230	13,934
April.....		28,950	28,950	13,317
May.....		31,320	31,320	13,577
June.....		34,700	34,700	17,681
July.....		33,910	33,910	17,895
August.....		34,710	34,710	20,935
September.....		34,080	34,080	14,593
October.....		34,020	34,020	15,826
November.....		32,330	32,330	15,104
December.....		32,740	32,740	16,522
Total for year.....		378,110	378,110	193,587

Maximum gallons pumped by all methods in any one day (Omit 000's): 1,410

Date 12/17/98

Minimum gallons pumped by all methods in any one day (Omit 000's): 560

Date 01/01/98

If water is purchased for resale, indicate the following:

Vendor _____

Point of delivery _____

If water is sold to other water utilities for redistribution, list names of such utilities below:

City of Hindman

SALES FOR RESALE (466)

LINE #	COMPANY	GALLONS	AVG. RATE (CENTS)	AMOUNT
1	City of Hindman	12,602,000	3.90	49,210
2				
3				
4				
5				
6				
7	TOTAL	12,602,000	3.90	49,210

WATER PRODUCED, PURCHASED AND DISTRIBUTED

LINE #	ITEM	GALLONS
1	WATER PRODUCED AND PURCHASED:	
2	Water Produced	378,110,000
3	Water Purchased	
4	TOTAL PRODUCED AND PURCHASED	378,110,000
5	DISTRIBUTION OF WATER PRODUCED AND PURCHASED:	
6	Water Sold:	
7	TOTAL SALES OF WATER	193,587,000
8	OTHER WATER USED:	
9	Free Customers (estimate portion not metered)	
10	Water Used by Company (estimate portion not metered)	131,858,300
11	Line Loss and Other Unaccounted for Water (estimate)	52,664,700
12	TOTAL OTHER WATER USED	184,523,000
13	TOTAL (must agree with line 4 above)	378,110,000

PERCENTATE OF LINE LOSS (line 11 divided by line 4) 13.93 %

WATER STATISTICS

CUSTOMER TYPE

NUMBER OF GALLONS SOLD

Residential (460)	
Commercial (460)	
Industrial (460)	
TOTAL (460)	
Residential (461)	165,275,000
Commercial (461)	15,710,000
Industrial (461)	
TOTAL (461)	180,985,000
Private Fire-Protection Service (462)	
Public Fire-Protection Service (463)	
Other Sales to Public Authorities (464)	
Sales to Irrigation Customers (465)	
Sales for Resale (466)	12,602,000
TOTAL GALLONS OF WATER SOLD	193,587,000

PLANT STATISTICS

Give the following information:

1. Number of fire hydrants, by size
2. Number of private fire hydrants, by size
3. Whether water supply is river, impounded streams, well, springs, artificial lake or collector type well
4. Whether supply is by gravity, pumping, or a combination
5. Type, capacity, and elevation of reservoirs at overflow and ground level
6. Miles of main by size and kind
7. Types of filters: gravity or pressure, number of units, and total rated capacity in gallons per minute
8. Type of chlorinators, number of units and capacity in pounds per 24 hours
9. Station equipment. List each pump separately, giving type and capacity and H.P. of driving unit and character of driving unit (steam, electric, or internal combustion). State whether pump is high or low duty.
10. Quantity of fuel used: coal in pounds, gas in cu. ft., oil in gallons, and electric in KWH.
11. Give a description and total cost of any sizable additions or retirements to plant in service outside the normal system growth for the period covered by this report
12. Capacity of clear well
13. Peak month, in gallons of water sold
14. Peak day, in gallons of water sold

(1) Eighty-One (81) six inch (6") fire hydrants			
(2) None			
(3) River (Big Sandy)			
(4) Combination			
(5)	Type	Ground Level	Overflow Capacity
	Standpipe	831.7	866 400,000
	Standpipe	890	920 200,000
	Standpipe	827	857 100,000
(6)	Miles	Size	Type
	6.6	12"	Abestos-Cement
	17.2	10"	Abestos-Cement
	19.2	8"	Abestos-Cement
	5.2	6"	Abestos-Cement
	4.6	3"	P.V.C.
	.3	2"	P.V.C.
	.4	12"	Cast Iron
	.4	12",10",8", & 6"	Ball Joint River Pipe
(7) Gravity Filters - Two Units - 600 gpm total			
(8) Two (2) V-notch Gas Chlorinators			
5.0 to 100 pounds per day			
(9) Raw Water Pumps			
Vertical Turbine - 600 gpm-30 hp-electric			
Vertical Turbine - 600 gpm-30 hp-electric			
2 - Vertical Turbine - 750 gpm-40 hp-electric			

PLANT STATISTICS CONT'D.

Continued

Finished Water Pumps

Vertical Turbine - 600-gpm-40 hp-electric

Vertical Turbine - 600-gpm-40 hp-electric

Filter Back - Wash Pump

Vertical Turbine - 2.250 gpm-25 hp-electric

Booster Pumps

Centrifugal - 200 gpm-10 hp-electric

Centrifugal - 200 gpm-20 hp-electric

Centrifugal - 200 gpm-20 hp-electric

Centrifugal - 200 gpm-20 hp-electric

Centrifugal - 75 gpm-5 hp-electric

Centrifugal - 75 gpm-5 hp-electric

(10) KWH

(11) None

(12) Clear Well Capacity - 93,000 gallons

OATH

Commonwealth of Kentucky }
County of Floyd } ss:

Hubert Halbert makes oath and says
(Insert here the name of the affiant)

that he is Chairman of
(Insert here the official title of the affiant)

Beaver-Elkhorn Water District ;
(Insert here the exact legal title or name of the respondent)

that it is his duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky, effective during the said period; that he has carefully examined the said report and to the best of his knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he believes that all other statements of fact contained in the said report are true; and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including January 1, 19 98, to and including December 31, 19 98.

(Signature of affiant)

Subscribed and sworn to before me, a Notary Public, in and for the State and County above named, this day of March, 19 99.

(Apply Seal Here)

My commission expires

(Signature of officer authorized to administer oaths)

Corporation. The operation will underlie land owned by Grover Sammons, Sam Eversole, John B. Newsome, Earl Evans, the Stumbo Heirs, David Akers, and Premium Elkhorn Coal Corporation. The operation will affect an area within 100 feet of KY Route 680. The operation will not involve relocation of the public road.

The application has been filed for public inspection at the Department for Surface Mining Reclamation and Enforcement's Prestonsburg Regional Office, 3140 South Lake Drive, Suite 6, Prestonsburg, KY 41653-1410. Written comments, objections, or requests for a permit conference must be filed with the Director, Division of Permits, 2 Hudson Hollow, Frankfort, KY 40601-4321.

This is the final advertisement of the application. All comments, objections, or requests for a permit conference must be received within thirty (30) days of today's date.

NOTICE OF INTENTION TO MINE

Pursuant to Application Number 836-0287

In accordance with the provisions of KRS 350.055, notice is hereby given that Industrial Processing Inc., P.O. Box 29, Prestonsburg, Kentucky, 41653, has applied for a permit for a crusher and loading facility coal processing facility affecting 1.81 acres located 1.33 miles North of New Allen, in Floyd County.

acres of surface disturbance and will underlie an additional 104.60 acres making a total area of 1,823.55 acres within the revised permit boundary.

The proposed major revision area is approximately 0.25 miles north from KY Route 1428's junction with KY Route 194 and located 0.50 miles north of Cow Creek.

The proposed major revision is located on the Lancer U.S.G.S. 7 1/2 minute quadrangle map. The major revision will not add any surface disturbance acreage to the permit area. The major revision will underlie land owned by Ed Leslie Estate.

The major revision proposes the addition of 104.60 acres of underground mining in the Elkhorn No. 3 coal seam.

The major revision application has been filed for public inspection at the Department for Surface Mining Reclamation and Enforcement's Prestonsburg Regional Office, 3140 South Lake Drive, Prestonsburg, Kentucky 41653. Written comments, objections, or requests for a permit conference must be filed with the Director, Division of Permits, #2 Hudson Hollow, U.S. 127 South, Frankfort, Kentucky 40601.

This is the final advertisement of this application; all comments, objections or requests for a permit conference must be received within 30 days of this date.

NOTICE OF INTENTION TO MINE

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NOTICE OF INTENTION TO MINE

Pursuant to Application Number 836-8040 RENEWAL

In accordance with the provisions of KRS 350.055, notice is hereby given that LICK FORK PROCESSING CO., 819 South Federal Highway, Suite 203, Stuart, FL 34994, has applied for RENEWAL of a permit for a Coal Processing and Refuse Disposal Facility located approximately 0.05 miles east of David in Floyd County, Kentucky. The existing operation will disturb 41.59 surface acres.

The existing operation is approximately 0.15 miles West from Rough & Tough Branch Creek's junction with KY Route 404 and is located on Lick Fork of Middle Creek. The latitude is 37 degrees 36 minutes 5.7 seconds. The longitude is 82 degrees 53 minutes 6.2 seconds.

The existing operation is located on the David U.S.G.S. 7 1/2 minute quadrangle maps. The surface area disturbed is owned by Lick Fork Processing Co. and The David L. Francis Testamentary Trust. The operation affects an area within 100 feet of public road KY Route 404. The operation will not involve relocation of the public road.

The application has been filed for public inspection at the Department for Surface Mininn

vene. The motion for leave to intervene shall be submitted to the Public Service Commission, 730 Schenkel Lane, P. O. 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party. Intervenors may obtain copies of the Joint Petition for Approval of Merger Agreement by contacting Mud Creek Water District at P.O. Box 51, Kentucky Route 979, Grethel, Kentucky 41631; Telephone # (606) 587-2455 or Beaver Elkhorn Water District at P.O. Box 769, Kentucky Route 3188, Martin, Kentucky 41649; Telephone # (606) 285-3856. A copy of the Joint Petition for Approval of Merger Agreement is also available for public inspection at the offices of Mud Creek Water District and Beaver Elkhorn Water District at the above addresses.

PUBLIC NOTICE

Notice is hereby given that the City of Prestonsburg has filed an application with the Natural Resources and Environmental Protection Cabinet to place a dirt fill at the corner of Rt. 1428 and Rt. 302. The property is located on the North East corner of the intersection. The purpose of the fill is to allow construction of a new senior citizens building in compliance with flood plain regulations. Any comments or objections concerning this application shall be directed to: Kentucky Division of Water, Water Resources Branch, 18 Reilly

Frankfort, KY 40601. Phone (502) 564-3410.

NOTICE OF PUBLIC SALE

The following property will be offered at public sale at Worldwide Equipment, Inc., Hwy. 1428 East, Prestonsburg, KY, on 9/24/99 commencing at 9:30 a.m.:

1996 KENWORTH W900L TRUCK TRACTOR 1XKWDB9XJTJ6991 65

The property may be inspected by appointment prior to the sale at Worldwide Equipment, Inc., Hwy. 1428 East, Prestonsburg, KY 41653.

Cash sales only. Inquiries: ASSOCIATES at 513-677-8700 99-04717-0.

NOTICE OF INTENTION TO MINE

Pursuant to Application Number 836-5312, Renewal

In accordance with the provisions of KRS 350.055, notice is hereby given that Maple Ridge Mining Corporation, P.O. Box 219, Harold, Kentucky 41635 has applied for renewal of a permit for an underground coal mining operation located 1.70 miles northwest of Grethel in Floyd County. The proposed operation will disturb 2.66 surface acres and will underlie 824.00 acres, and the total area within the permit boundary will be 826.66 acres.

The proposed operation is approximately 0.30 mile south from Morgan Fork Road's junction with Little Mud Creek Road and

The proposed operation is approximately 1.14 miles North from KY Route 1428's junction with US Route 23 and located 1.08 miles East of Calf Branch.

The proposed operation is located on the Lancer U.S.G.S. 7 1/2 minute quadrangle map. The surface area is owned by Delano May.

The application has been filed for public inspection at the Department for Surface Mining Reclamation and Enforcement's Prestonsburg Regional Office, 3140 South Lake Drive, Suite 6, Prestonsburg, Kentucky 41653. Written comments, objections, or requests for a permit conference must be filed with the Director, Division of Permits, #2 Hudson Hollow, U.S. 127 South, Frankfort, Kentucky 40601.

This is the final advertisement of this application; all comments, objections or requests for a permit conference must be received within 30 days of this date.

NOTICE OF INTENTION TO MINE

Pursuant to Application Number 836-5306 Major Revision No. 8

In accordance with the provisions of KRS 350.070, notice is hereby given that Matt/Co. Inc., 432 Meadows Branch, Prestonsburg, Kentucky 41653, has applied for a major revision to an existing underground coal mining and reclamation operation located 0.5 miles north of Emma in Floyd County. The major revision will add 0.00

Pursuant to Application Number 836-5333 Major Revision No. 2

In accordance with the provisions of KRS 350.070, notice is hereby given that Matt/Co. Inc., 432 Meadows Branch, Prestonsburg, Kentucky 41653, has applied for a major revision to an existing underground coal mining and reclamation operation located 0.5 miles north of Emma in Floyd County. The major revision will add 0.00 acres of surface disturbance and will underlie an additional 146.90 acres making a total area of 320.20 acres within the revised permit boundary.

The proposed amendment area is approximately 1.0 mile east from KY Route 1428's junction with Sugarloaf Branch Road and located in Dial Branch.

The proposed major revision is located on the Lancer U.S.G.S. 7 1/2 minute quadrangle map. The major revision will underlie land owned by Ed and Bertha Cline, William Jarrell, and Clyde Burchett.

The major revision application has been filed for public inspection at the Department for Surface Mining Reclamation and Enforcement's Prestonsburg Regional Office, 3140 South Lake Drive, Prestonsburg, Kentucky 41653. Written comments, objections, or requests for a permit conference must be filed with the Director, Division of Permits, #2 Hudson Hollow, U.S. 127 South, Frankfort, Kentucky 40601.

This is the final advertisement of this application: all com-

Reclamation and Enforcement's Prestonsburg Regional Office, 3140 South Lake Drive, Suite 6, Prestonsburg, Kentucky 41653. Written comments, objections, or requests for a permit conference must be filed with the Director, Division of Permits, #2 Hudson Hollow Complex, U.S. 127 South, Frankfort, KY 40601.

This is the final advertisement of this permit application. All comments, objections, or requests for a permit conference must be received within thirty (30) days of today's date.

NOTICE TO CUSTOMERS OF MUD CREEK WATER DISTRICT AND BEAVER ELKHORN WATER DISTRICT

Notice is hereby given that Mud Creek Water District and Beaver Elkhorn Water District have filed a Joint Petition for Approval of Merger Agreement with the Kentucky Public Service Commission, pursuant to KRS 74.363, seeking the approval of the Public Service Commission for the merger of the two districts to form the Southern Water and Sewer District. The Joint Petition for Approval of Merger Agreement was filed with the Kentucky Public Service Commission on or about September 13, 1999.

Any corporation, association, body politic or person may by motion, within thirty (30) days after publication of this Notice regarding the Joint Petition for Approval of Merger Agreement, request leave to inter-

located on Ottazander Road, Frankfort Office Park, Frankfort, Kentucky 40601, or call 502-564-3410.

Larry Adams
City of Prestonsburg

PUBLIC NOTICE

Notice is hereby given that Dale Pack, HC 78, Box 650, McDowell, KY 41647, has filed an application with the Natural Resources and Environmental Protection Cabinet proposing to construct a commercial building that will be located within the limits of the 100 year flood on the Left Fork of Beaver Creek. The site is located approximately 725 feet south of the junction of State Route 122 and 680 at McDowell. Any comments or objections concerning this application shall be directed to: Kentucky Division of Water, Water Resources Branch, 18 Reilly Road, Frankfort Office Park, Frankfort, KY 40601. Phone: (502) 564-3410.

PUBLIC NOTICE

Notice is hereby given that Worldwide Equipment, Inc., P.O. Box 71, Prestonsburg, KY 41653, has filed an application with the Natural Resources and Environmental Protection Cabinet proposing to reroute the drainage from Sugarloaf Branch through a channel change and place fill in an adjacent area. The property is located approximately 1.9 miles southwest of the community of Lancer. Any comments or objections concerning this application shall be directed to: Kentucky Division of Water, Water Resources Branch, 18 Reilly Road, Frankfort Office Park,

located on Ottazander Branch of Little Mud Creek. The latitude is 37°29'15". The longitude is 82°41'00"

The proposed operation is located on the McDowell and Harold U.S.G.S. 7 1/2 minute quadrangle maps. The surface area to be disturbed is owned by The Elk Horn Coal Corporation. The operation will underlie land owned by the Elk Horn Coal Corporation, William Clark Heirs, Anna Meade, E.J. Clark, Jr., R. B. Clark, Leonard Hall, Gracie Hall Heirs, Eddie Akers, Curt Tackett, John Mature Heirs, Sarah Bevins, Flora Akers, Wendell Stratton, Mae Akers and Liza Jane Kidd.

The application has been filed for public inspection at the Department for Surface Mining Reclamation and Enforcement's Prestonsburg Regional Office, 3140 South Lake Drive, Suite 6, Prestonsburg, Kentucky 41653. Written comments, objections, or requests for a permit conference must be filed with the Director, Division of Permits, #2 Hudson Hollow, US 127 South, Frankfort, Kentucky 40601.

This is the final advertisement of the application. All comments, objections, or requests for a permit conference must be received within thirty (30) days of today's date.

