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August 2, 2007

Mr. Michael Burford
 Director of Filings Division
 PSC
 P.O. Box 615
 Frankfort, KY 40602

Subject: Farmdale Water District
 Case No. 2003-00497

Dear Mr. Burford:

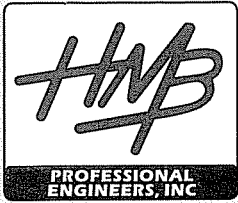
On behalf of the Farmdale Water District (FWD), we are responding to your letter dated 7/27/07 (sent to Mr. Thomas A. Marshall). First, Mr. Berl Robinson, Chairman of FWD, extends his apologies for not responding to your 3/18/07 request. We will work so that this will not happen in the future. To ensure this, would you add to your distribution list for this case:

Mr. Bob Blankenship, P.E.
 HMB Professional Engineers, Inc.
 3 HMB Circle
 Frankfort, KY 40601
 (502) 695-9800

With regard to the District's storage, the FWD has purchased water and relied on storage from the Frankfort Plant Board since it went into operation. The Plant Board continues to provide this service to date. There has been no discussion to discontinue this service in the future. We feel it is a safe assumption to continuing relying on the Frankfort Plant Board.

The Water District does understand the need for providing its own storage, independent of other entities. As a result, they have applied for a KIA grant. The project, as currently planned, would cost \$992,000. We are proposing a 300,000 gallon elevated water tank approximately 120 feet tall. That water project was recently ranked #2 in Franklin County and #44 (out of 200) in the Bluegrass ADD region. When the legislature meets, in January 2008, we hope to receive favorable consideration on our grant request.

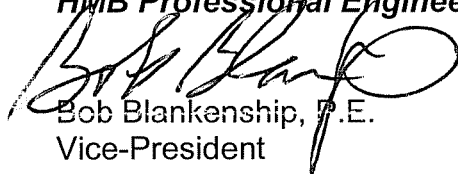
- Highway Engineering
- Structural Engineering
- Water & Wastewater
- Site Development
- Master Planning
- Environmental Planning
- Surveying
- Project Management
- Cost Estimation
- Construction Inspection
- Aviation Services
- Environmental Remediation
- Landscape Architecture



In addition to the KIA request, the District might also apply to USDA-Rural Development for a loan/grant and supplement that with some local funds. This RD application has not been submitted at this time; we are waiting on the KIA grant application.

Mr. Burford, hopefully, this will give you some current information. Do not hesitate to contact us if you have additional questions.

Sincerely,
HMB Professional Engineers, Inc.

A handwritten signature in black ink, appearing to read 'Bob Blankenship', is written over the typed name.

Bob Blankenship, P.E.
Vice-President

cc: Berl Robinson (office)
Farmdale Water District
Tom Marshall, Attorney-At-Law
Chris Stewart, P.E., HMB
Ray Bascom, P.E., HMB