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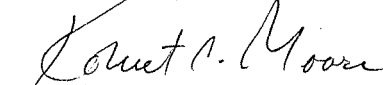
Mr. Gerald Weutcher  
Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, Kentucky 40602-0615

Re: In the Matter of the Application of Farmdale Development Corporation for  
an Adjustment of Rates pursuant to the Alternative Rate Filing Procedure  
for Small Utilities: Case No. 2006-00028

Dear Mr. Weutcher:

Farmdale Development Corporation has initiated the process of applying for and obtaining the loan to finance the cost of the repairs and improvements set forth in Appendix A to the Stipulation and Agreement entered into in the above-referenced case. Once the loan application has been approved and the loan issued, the loan proceeds are to be deposited into the surcharge account. This surcharge account will also receive the surcharge proceeds received from Farmdale's customers. Additionally, any expenditures to implement the repairs and improvements set forth in Appendix A to the Stipulation and Agreement will be paid for out of this surcharge account. Accordingly, the monies loaned to implement the subject repairs and improvements, the surcharge payments made by Farmdale's customers and the payments made to pay for the subject repairs and improvement will be made from the surcharge account rather than Farmdale's operating account. This will insure that there is no co-mingling of operating funds and surcharge funds. Please let me know if the Commission has any objection to the administration of these funds in this manner. Thank you for your attention to this matter.

Yours truly,

  
Robert C. Moore

RCM/neb

cc: Carroll Cogan

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