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June 6, 2006

Honorable W. Randall Jones
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Kentucky Home Trust Building
450 South Third Street
Louisville, KY 40202

CERTIFICATE OF SERVICE

RE: Case No. 2006-00203
East Pendleton Water District

I, Beth O'Donnell, Executive Director 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 addressee by U.S. Mail on June 6, 2006.

Executive Director

BOD/jc
Enclosure

Honorable W. Randall Jones
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Wayne Lonaker
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P.O. Box 29
Falmouth, KY 41040

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST PENDLETON)	
WATER DISTRICT FOR A CERTIFICATE OF)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO)	2006-00203
CONSTRUCT AND FINANCE PURSUANT TO)	
KRS 278.023)	

ORDER

On May 15, 2006, East Pendleton Water District ("East Pendleton Water") submitted an application for a Certificate of Public Convenience and Necessity to construct a \$758,000 waterworks improvement project and for approval of its plan of financing for this project. This project consists of the installation of approximately 14.5 miles of 6-inch, 4-inch, and 3-inch water transmission mains and related appurtenances to provide service to approximately 51 new customers in rural areas of Pendleton County. Project funding includes the issuance of \$295,000 of its Waterworks Revenue Bonds to the U.S. Department of Agriculture's Rural Development ("RD"), consisting of \$195,000 of Series A Bonds and \$100,000 of Series B Bonds, a \$125,000 grant from RD, a Kentucky Infrastructure Authority 2020 grant in the amount of \$300,000, and an applicant contribution of \$38,000.

East Pendleton Water's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the U.S. Department of Agriculture or the U.S. Department of Housing and Urban Development, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum

filing requirements were met in this case on May 15, 2006, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. East Pendleton Water is granted a Certificate of Public Convenience and Necessity for the proposed construction project.

2. East Pendleton Water's proposed plan of financing with RD is accepted.

3. East Pendleton Water is authorized to issue \$195,000 of its Series A Waterworks Revenue Bonds at an interest rate not to exceed 4.25 percent per annum and \$100,000 of its Series B at an interest rate not to exceed 4.375 percent per annum.

4. The proceeds from the loan agreement with RD shall be used only for the purposes specified in East Pendleton Water's application.

5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, East Pendleton Water may use such surplus to construct additional plant facility if RD approves of the use and the additional construction will not result in a change in East Pendleton Water's rates for service. East Pendleton Water shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. East Pendleton Water shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

7. East Pendleton Water shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), East Pendleton Water shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

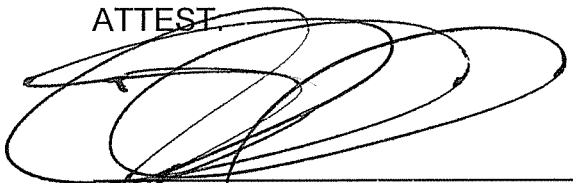
8. East Pendleton Water shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 6th day of June, 2006.

By the Commission

ATTEST

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Executive Director