

CASE

NUMBER:

99-372

INDEX FOR CASE: 1999-372
NORTH MARSHALL WATER DISTRICT
Contracts
WITH CALVERT CITY POWER I, L.L.C.

IN THE MATTER OF THE AGREEMENT BETWEEN CALVERT CITY POWER I,
L.L.C., A DELAWARE LIMITED LIABILITY COMPANY, AND NORTH
MARSHALL WATER DISTRICT, A KENTUCKY WATER DISTRICT ORGANIZED
PURSUANT TO CHAPTER 74 OF THE KENTUCKY REVISED STATUTES.

SEQ NBR	ENTRY DATE	REMARKS
0001	08/30/1999	Application.
M0001	09/03/1999	BESSIE ELLIOTT-MOTION FOR FULL INTERVENTION
0002	09/13/1999	Acknowledgement letter.
0003	09/15/1999	Order granting motion of Bessie Elliott to intervene.
0004	11/15/1999	Data Request Order, response due 12/6/99.
M0002	12/02/1999	NORTH MARSHALL WD-MOTION FOR EXTENSION OF TIME
0005	12/13/1999	Order granting motion for ext. of time until 2/4/00 to respond to 11/15 Order.
M0003	02/03/2000	JEFFERY EDWARDS NORTH MARSHAL WD-RESPONSE TO ORDER OF NOV 15,99
0006	05/08/2000	Final Order approving Agreement with the modifications in Paragraphs 2 and 3.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 1999-372
NORTH MARSHALL 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 May 8, 2000.

See attached parties of record.

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Mr. Ben Jacoby
Calvert City Power I, L.L.C.
c/o Enron Capital & Trade Resources
1400 Smith Street, EB3116C
Houston, TX. 77002

Legal Department
Calvert City Power I, L.L.C.
c/o Enron Capital & Trade Resources
1400 Smith Street
Houston, TX. 77002

Honorable C. Kent Hatfield
Middleton & Reutlinger
2500 Brown & Williamson Tower
Louisville, KY. 40202

Mr. Bobby Sirls
Water Superintendent
North Marshall Water District
P. O. Box 8510
Benton, KY. 42025

Honorable Jeffrey G. Edwards
Marshall County Attorney
P. O. box 472
Marshall County Courthouse
Benton, KY. 42025

Bessie Elliott
3981 U. S. Highway 68W
Benton, KY. 42025

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NORTH MARSHALL WATER DISTRICT'S SUPPLY) CASE NO. 99-372
AGREEMENT WITH CALVERT CITY POWER I, L.L.C.)

ORDER

North Marshall Water District ("North Marshall") has submitted for Commission review and approval a water supply agreement with Calvert City Power I, LLC ("CCPI"). Having reviewed the proposed agreement and the evidence of record, the Commission finds that:

1. North Marshall, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that produce, transport and distribute water to Marshall and Livingston counties, Kentucky.
2. CCPI is a limited liability company organized under the laws of the state of Delaware.
3. CCPI intends to construct and operate within North Marshall's boundaries a natural gas-fired power plant consisting of several simple cycle combustion turbine units, totaling approximately 500 MW of generating capacity.¹
4. On August 25, 1999, North Marshall and CCPI executed a "Construction, Ownership, Maintenance and Supply Agreement" ("the Agreement").
5. This Agreement provides, inter alia, that:

¹ Case No. 99-058, The Petition of Calvert City Power I, L.L.C., for a Declaratory Order (Ky.P.S.C. July 6, 1999) at 1.

a. North Marshall shall construct a water distribution main from its existing treated water distribution system on U.S. Highway 68 to a point of interconnection with CCPI.

b. North Marshall and CCPI shall agree upon the design and cost for the water distribution main.

c. CCPI shall pay for all reasonable direct out-of-pocket costs of constructing and installing the water distribution main, including any such costs associated with the acquisition of easements, permits and licenses.

d. Upon submission of an invoice for any reasonable direct cost of construction or installation by North Marshall, CCPI shall directly pay the billing party within 30 days.

e. The proposed water distribution main shall deliver at least 700 gallons of water per minute ("gpm") at a reasonably constant pressure of 60 pounds per square inch ("psig").

f. Upon completion of construction, North Marshall shall own the proposed water distribution main.

g. North Marshall shall be responsible for all maintenance upon the proposed water distribution main.

h. North Marshall may connect other customers to the proposed water distribution main so long as such connections do not compromise or otherwise diminish its ability to provide water at the agreed quantity and pressure.

i. North Marshall shall furnish all quantities of water demanded by CCPI not to exceed 1,008,000 gallons per day at 700 gpm. CCPI is not obligated to purchase any minimum amount.

j. North Marshall shall annually calibrate the metering equipment used to measure water service to CCPI. In the event that any water meter is registering inaccurately by more than 2 percent of the test, its previous readings shall be corrected for the 12 months prior to the test in accordance with one-half the percentage of inaccuracy found.

k. CCPI shall pay a bi-monthly metering charge of \$288.00 for each meter installed.

6. North Marshall intends to serve CCPI through its Bel-Air Water Treatment Plant.

7. In addition to the proposed distribution line, North Marshall estimates that to serve CCPI some pumping equipment at the Bel-Air Water Treatment Plant must be upgraded and certain water lines between storage facilities must be upsized. North Marshall and CCPI have not agreed on the allocation of these costs.

8. North Marshall estimates that the total cost of facilities required to serve CCPI is \$2.5 million.

9. As of this date, North Marshall has not prepared any formal plans or specifications for the proposed facilities.

10. CCPI expects to operate its power plant 100 days per year with an expected peak daily demand of 1.08 million gallons.

11. As of December 31, 1999, North Marshall had net utility plant of \$4,681,567.

12. North Marshall has two water treatment plants with a total capacity of 4,608,000 gallons.

13. The average daily demand upon North Marshall's water treatment facilities is 1,353,000 gallons of water.

14. The maximum daily demand upon North Marshall's water treatment facilities was 2,723,000 gallons and occurred on September 2, 1999.

15. North Marshall expects to serve CCPI through a single 6-inch water meter.

16. The Bel-Air Treatment Plant currently has a capacity of 1,728,000 gallons per day.

17. North Marshall currently has adequate capacity to provide the required quantities of water under the proposed contract.

18. The proposed contract will allow North Marshall to reduce its large capacity reserve.

19. Section 4.4 of the Agreement is inconsistent with Administrative Regulation 807 KAR 5:006, Section 10(2), which requires a water utility to readjust a customer's bill for the total amount of any metering inaccuracy exceeding 2 percent. Section 4.4 of the Agreement requires a readjustment of only 50 percent of any metering inaccuracy exceeding 2 percent.

20. Since submitting the Agreement for Commission review and approval, North Marshall revised its filed rate schedules to establish a bi-monthly customer charge

for a 6-inch meter of \$187.76.² The bi-monthly customer charge set forth in Article 4.7(a) of the Agreement differs from this charge.

21. With the exception of Sections 4.4 and 4.7 of the Agreement, the Agreement is reasonable and should be approved. Sections 4.4 and 4.7(a) should be modified to conform to Administrative Regulation 807 KAR 5:006, Section 10(2), and North Marshall's present rate schedules.

22. The construction of the facilities necessary to serve CCPI is not an extension in the ordinary course of business and will require a Certificate of Public Convenience and Necessity.

IT IS THEREFORE ORDERED that:

1. With the modifications set forth in Ordering Paragraphs 2 and 3, the Agreement is approved for service on and after the date of this Order.

2. Section 4.4 of the Agreement is modified as follows to conform to Administrative Regulation 807 KAR 5:006, Section 10(2):

Metering Equipment and Testing. North Marshall agrees to calibrate the metering equipment annually, and to provide at least ten (10) days' prior written notice thereof to CPI, who shall have the right to attend such calibration. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the twelve (12) months previous to such test in accordance with ~~one half (1/2)~~ the percentage of the inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure. An appropriate official of

² Case No. 99-370, North Marshall Water District Tariff Revisions to Establish a Six-Inch Meter Rate (Ky.P.S.C. Nov. 2, 1999).

CPI, at all reasonable times, shall have access to the meter for the purpose of verifying its readings.

3. Section 4.7 of the Agreement is modified as follows:

Rate Schedule. CPI agrees to pay North Marshall for water delivery in accordance with this Agreement at the following rates:

- a) a bi-monthly meter charge of ~~\$288.00~~ \$187.76 for each meter installed under this Agreement; plus
- b) a commodity charge equal to the lesser of (i) the applicable standard tariff rate on file at the Kentucky Public Service Commission ("PSC") for treated water from North Marshall ("Standard Tariff") per 1,000 gallons of treated water delivered monthly hereunder, which currently is \$1.92 per 1,000 gallons plus applicable taxes, or (ii) a special contract rate as may be negotiated with North Marshall and approved by the PSC in the future.

4. Prior to constructing any facilities to comply with the terms of the Agreement, North Marshall shall apply for a Certificate of Public Convenience and Necessity for such facilities.

5. Nothing contained herein shall prevent the Commission from establishing different rates for North Marshall's provision of water service to CCPI.

Done at Frankfort, Kentucky, this 8th day of May, 2000.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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


December 13, 1999

To: All parties of record

RE: Case No. 1999-372

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

Sincerely,


Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Mr. Ben Jacoby
Calvert City Power I, L.L.C.
c/o Enron Capital & Trade Resources
1400 Smith Street, EB3116C
Houston, TX 77002

Legal Department
Calvert City Power I, L.L.C.
c/o Enron Capital & Trade Resources
1400 Smith Street
Houston, TX 77002

Honorable C. Kent Hatfield
Middleton & Reutlinger
2500 Brown & Williamson Tower
Louisville, KY 40202

Mr. Bobby Sirls
Water Superintendent
North Marshall Water District
P. O. Box 8510
Benton, KY 42025

County Attorney
P. O. box 472
Marshall County Courthouse
Benton, KY 42025

Bessie Elliott
3981 U. S. Highway 68W
Benton, KY 42025

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NORTH MARSHALL WATER DISTRICT'S)
SUPPLY AGREEMENT WITH CALVERT) CASE NO. 99-372
CITY POWER I, L.L.C.)


O R D E R

North Marshall Water District ("North Marshall") having moved for a 60-day extension of time in which to respond to the Commission's November 15, 1999 Order and the Commission finding good cause, IT IS HEREBY ORDERED that North Marshall's motion is granted and its response is now due February 4, 2000.

Done at Frankfort, Kentucky, this 13th day of December, 1999.

By the Commission

ATTEST:


Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
DEC 02 1999
PUBLIC SERVICE
COMMISSION

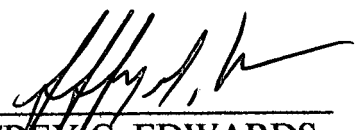
IN THE MATTER OF: NORTH MARSHALL WATER)
CASE NO. 99-372 DISTRICT'S SUPPLY AGREEMENT)
 WITH CALVERT CITY POWER I LLC)

MOTION FOR EXTENSION OF TIME

Comes now the North Marshall Water District ("North Marshall") and respectfully requests an extension of time in complying with the Order dated November 15, 1999. In support of said request, North Marshall states as follows:

1. The Order dated November 15, 1999 sets forth a twenty(20) day period in which North Marshall is to respond.
2. That there are several requests contained wherein requesting information from North Marshall.
3. In order for North Marshall to appropriately respond and additional sixty(60) days is requested in which to properly comply with the Order.

Dated this the 24th day of November, 1999.



JEFFREY G. EDWARDS
MARSHALL COUNTY ATTORNEY
P.O. BOX 472
BENTON, KY 42025
(270) 527-4730

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Motion was mailed by U.S. Mail on this the 24 day of November, 1999 to Ms. Helen Helton, Public Service Commission, 730 Schenkel Lane, P.O. Box 615, Frankfort, Ky 40602.



JEFFREY G. EDWARDS
MARSHALL COUNTY ATTORNEY



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

November 15, 1999

To: All parties of record

RE: Case No. 99-372

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/hv
Enclosure

Mr. Ben Jacoby
Calvert City Power I, L.L.C.
c/o Enron Capital & Trade Resources
1400 Smith Street, EB3116C
Houston, TX 77002

Legal Department
Calvert City Power I, L.L.C.
c/o Enron Capital & Trade Resources
1400 Smith Street
Houston, TX 77002

Honorable C. Kent Hatfield
Middleton & Reutlinger
2500 Brown & Williamson Tower
Louisville, KY 40202

Mr. Bobby Sirls
Water Superintendent
North Marshall Water District
P. O. Box 8510
Benton, KY 42025

County Attorney
P. O. box 472
Marshall County Courthouse
Benton, KY 42025

Bessie Elliott
3981 U. S. Highway 68W
Benton, KY 42025

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NORTH MARSHALL WATER DISTRICT'S SUPPLY) CASE NO. 99-372
AGREEMENT WITH CALVERT CITY POWER I, L.L.C.)

ORDER

IT IS ORDERED that North Marshall Water District ("North Marshall") shall file the original and 8 copies of the following information with the Commission within 20 days 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. a. How many water meters will North Marshall use to provide water service to Calvert City Power I, L.L.C. ("Calvert City Power") under the proposed water service contract?

b. State the size of each water meter that North Marshall will use to provide water service to Calvert City Power under the proposed water service contract.

2. a. Describe the facilities that North Marshall will construct to serve Calvert City Power under the proposed water service contract.

b. Describe the facilities that Calvert City Power will construct and donate to North Marshall to obtain water service under the proposed water service contract.

c. For each facility described in Item 2(a) and Item 2(b), state its estimated cost and service life.

3. a. Does North Marshall intend to apply for a Certificate of Public Convenience and Necessity to construct any of the facilities described in Item 2(a) or Item 2(b)?

b. (1) If yes, identify each facility for which a Certificate of Public Convenience and Necessity will be sought and state when North Marshall intends to apply for such Certificate.

(2) If no, explain why no Certificate is necessary.

4. For each facility described in Item 2(a) and Item 2(b),

a. State whether North Marshall has prepared its plans and specifications.

b. State when North Marshall will apply to the Kentucky Natural Resources and Environmental Protection Cabinet for approval of the facility's plans and specifications.

5. a. State North Marshall's present average daily demand.

b. State North Marshall's peak one day demand and the date upon which this demand occurred.

6. a. State the maximum daily capacity of North Marshall's water treatment plant.

b. Describe any changes in North Marshall's water treatment plant that are planned in the next 5 years that will increase the water district's treatment capacity.

7. Describe how North Marshall determined the bi-monthly metering charge of \$288 for each meter. Show all calculations and state all assumptions used to derive the proposed charge.

8. a. What is Calvert City Power's expected peak daily demand?

b. What is Calvert City Power's expected average daily demand?

9. Paragraph 4.4 of the proposed water service agreement provides: "A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate **shall be corrected for the twelve (12) months previous to such test in accordance with one-half (1/2) the percentage of inaccuracy found by such tests** [bolding added]."

a. Explain the basis for the bolded language.

b. How is the bolded language consistent with Administrative Regulation 807 KAR 5:006, Section 10(2)?

10. If additional customers connect to any water distribution mains that North Marshall constructed to serve Calvert City Power under the proposed water service contract, what refund obligations to Calvert City Power, if any, will North Marshall have?

Done at Frankfort, Kentucky, this 15th day of November, 1999.

By the Commission

ATTEST:


Executive Director



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

September 15, 1999

To: All parties of record

RE: Case No. 99-372

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

Sincerely,

Stephanie D. Bell
Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Mr. Ben Jacoby
Calvert City Power I, L.L.C.
c/o Enron Capital & Trade Resources
1400 Smith Street, EB3116C
Houston, TX 77002

Legal Department
Calvert City Power I, L.L.C.
c/o Enron Capital & Trade Resources
1400 Smith Street
Houston, TX 77002

Honorable C. Kent Hatfield
Middleton & Reutlinger
2500 Brown & Williamson Tower
Louisville, KY 40202

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Water Superintendent
North Marshall Water District
P. O. Box 8510
Benton, KY 42025

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Benton, KY 42025

Bessie Elliott
3981 U. S. Highway 68W
Benton, KY 42025

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NORTH MARSHALL WATER DISTRICT'S)
SUPPLY AGREEMENT WITH CALVERT) CASE NO. 99-372
CITY POWER I, L.L.C.)

O R D E R

This matter arising upon the motion of Bessie Elliott, filed September 3, 1999, for full intervention, and it appearing to the Commission that Ms. Elliott has a special interest which is not otherwise adequately represented, and that such intervention is likely to present issues and develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings, and this Commission being otherwise sufficiently advised,

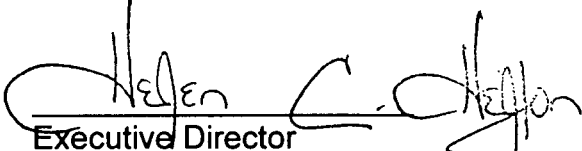
IT IS HEREBY ORDERED that:

1. The motion of Bessie Elliott to intervene is granted.
2. Ms. Elliott shall be entitled to the full rights of a party and shall be served with the Commission's Orders and with filed testimony, exhibits, pleadings, correspondence, and all other documents submitted by parties after the date of this Order.
3. Should Ms. Elliott file documents of any kind with the Commission in the course of these proceedings, she shall also serve a copy of said documents on all other parties of record.

Done at Frankfort, Kentucky, this 15th day of September, 1999.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

September 13, 1999

To: All parties of record

RE: Case No. 99-372
NORTH MARSHALL WATER DISTRICT
(Contracts) WITH CALVERT CITY POWER I, L.L.C.

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received August 30, 1999 and has been assigned Case No. 99-372. 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

Mr. Ben Jacoby
Calvert City Power I, L.L.C.
c/o Enron Capital & Trade Resources
1400 Smith Street, EB3116C
Houston, TX. 77002

Legal Department
Calvert City Power I, L.L.C.
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1400 Smith Street
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Honorable C. Kent Hatfield
Middleton & Reutlinger
2500 Brown & Williamson Tower
Louisville, KY. 40202

Mr. Bobby Siris
Water Superintendent
North Marshall Water District
P. O. Box 8510
Benton, KY. 42025

County Attorney
P. O. box 472
Marshall County Courthouse
Benton, KY. 42025

Dolson

98528
99-372
8-31-99

Miss Helen Hilton
Public Service Commission
730 Schenkle Lane
FRANKFORT Ky 40602

RECEIVED

SEP 03 1999

PUBLIC SERVICE
COMMISSION

Dear Miss Hilton: Full
I am asking for INTERVENTION on the
Agreement made between North Marshall
Rural Water District and "Power, L.L.C.,
of Calvert City" "ENTON" Corp. an Energy
Plant being built here in Marshall Co.
and will buy water from North Marshall.

Agreement signed 8-25-99 by the Board
(8-27-99 mailed to P.S.C.)

My reasons I would like to INTERVENE

1- So the consumers will have a clear
understanding on the decisions P.S.C.
makes on this Agreement.

2- have some questions and concerns I
would like to present to P.S.C.
Hoping to ease our fears that home
owners - don't come out on the short end
of the stick
Sincerely

Ph. 502.527.1232

Miss Bessie Elliott
3981 U.S. Hwy 68W
Benton Ky 42025



COMMONWEALTH OF KENTUCKY
OFFICE OF THE COUNTY ATTORNEY

RECEIVED

AUG 30 1999

PUBLIC SERVICE
COMMISSION

JEFFREY G. EDWARDS, MARSHALL COUNTY ATTORNEY
LISA D. CARTER, ASSISTANT COUNTY ATTORNEY

August 27, 1999

COURTHOUSE, P.O. BOX 472
BENTON, KENTUCKY 42025
(502) 527-4730

Ms. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane
Frankfort, Kentucky 40601

Re: North Marshall Water District and
Calvert City Power *CASE 99-372*

Dear Ms. Helton:

I am writing you this letter to request Public Service Commission review of the attached Agreement. After several weeks of negotiations, the parties have reached the attached Agreement, and now seek Commission approval of the same. If you have any questions or comments, I will be happy to respond immediately. Thank you.

Sincerely,

Jeffrey G. Edwards
Jeffrey G. Edwards

JGE/as
A-13

Enclosure

**CONSTRUCTION, OWNERSHIP, MAINTENANCE
AND SUPPLY AGREEMENT**

THIS AGREEMENT, made and entered into as of the 25th day of August, 1999, by and between CALVERT CITY POWER I, L.L.C., a Delaware limited liability company ("CPI"), and NORTH MARSHALL WATER DISTRICT ("North Marshall"), a Kentucky Water District organized pursuant to Chapter 74 of the Kentucky Revised Statutes. CPI and North Marshall shall be, individually a "Party," and, collectively, the "Parties";

• WITNESSETH:

WHEREAS, North Marshall is operating a water supply and distribution system in Marshall County, Kentucky and the surrounding environs;

WHEREAS, the purpose of this Agreement is to develop further the infrastructure of Marshall County for the critical utility services of electric power supply and water supply so as to facilitate additional economic development, and to permit CPI to fulfill its water supply needs for its tract of land which is more particularly described on Exhibit A attached hereto and made a part hereof for all purposes ("Land").

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, receipt of which is hereby acknowledged, it is agreed as follows:

**SECTION 1
CONSTRUCTION**

1.1 System.

a) Upon its receipt from CPI of a written "Notice to Proceed with the System," which Notice shall be issued or not issued in the sole discretion of CPI, North Marshall:

i) Shall construct and install a "PVC" water line extending from North Marshall's existing treated water distribution system on U.S. Highway 68 to a point of interconnection on the Land selected by CPI in its sole discretion (hereinafter "System") in accordance with a mutually agreed upon design; and North Marshall shall undertake such activities and installations to deliver treated water pursuant to the terms hereunder;

ii) Shall construct the System in accordance with a mutually agreed upon cost ("System Cost"); and

iii) Shall complete the construction of the System within 120 days

from the date of the Notice to Proceed with the System or such other mutually agreeable time frame, subject to the conditions precedent set forth in Section 9:

b) If CPI does not deliver to North Marshall a Notice to Proceed with the System within twelve (12) months of the date of final approval of this Agreement by the Kentucky Public Service Commission (hereinafter "PSC's Approval"), North Marshall's obligation to construct the System shall terminate.

1.2 Easements, Permits & Licenses. The respective obligations of the Parties for easements, permits and licenses, including environmental permits, for any of the construction activities undertaken hereunder shall be as follows: prior to any construction undertaken by North Marshall, North Marshall shall obtain such temporary and permanent easements, licenses and permits as may be required for purposes of construction, operation and maintenance, including any approvals required by the Kentucky Division of Water. The time frame as shown in 1.1(a)(iii) shall not begin until such time as the necessary approvals have been obtained from the Kentucky Division of Water and the Kentucky Public Service Commission.

1.3 Construction Costs. CPI shall pay for all reasonable direct out-of-pocket costs of constructing and installing the System, including any such costs associated with acquiring any required easements, permits and licenses as described in Sections 1.1 and 1.2, respectively, on the following terms and conditions:

a) North Marshall shall document to the satisfaction of CPI such costs by providing invoices, contracts, and canceled checks;

b) CPI shall pay to the billing parties, to the extent required by this Section 1.3, each invoice submitted by North Marshall for direct costs related to any construction within thirty (30) days, provided that

i) In no event shall the amounts paid exceed the System Cost without prior written approval by CPI; and

ii) North Marshall shall provide lien waivers (in form and substance acceptable to CPI) with each request for payment from the appropriate contractors performing the work.

1.4 Completion. As soon as the System has been completed, North Marshall shall provide an Engineer's Certificate ("Engineer's Certificate") to CPI confirming that the System will deliver at least 700 gallons of water per minute ("gpm"), or such lesser amount as specified by CPI in writing in its sole discretion, at a reasonably constant 60 lb. p.s.i.g. to CPI at the Delivery Point (as hereinafter defined). CPI shall have twenty (20) days after receipt of an Engineer's Certificate to confirm that the System has been constructed and completed in accordance with this Agreement. Upon acceptance thereof, CPI shall deliver a written notice confirming such acceptance. If CPI discovers a defect or non-compliance with this Agreement, CPI shall notify North Marshall of such matter in writing within the aforementioned twenty (20) day period and North Marshall shall

immediately commence to correct such defect or matter of non-compliance. This process shall continue until CPI has accepted the work.

SECTION 2 OWNERSHIP

2.1 System. North Marshall shall own the System.

2.2 Connections. North Marshall may connect other customers, whether residential or commercial, to the System, provided that such connections do not compromise, or otherwise diminish in any way, North Marshall's ability to fulfill its obligations under this Agreement.

SECTION 3 MAINTENANCE

3.1 Required Maintenance. North Marshall shall perform all scheduled and unscheduled maintenance of the System constructed hereunder; including, but not limited to, all routine maintenance, inspections, repairs, replacements or extraordinary repairs and replacements, as necessary or appropriate to ensure that CPI's water supply continues uninterrupted. With respect to the aforementioned scheduled and unscheduled maintenance, North Marshall shall indemnify and hold CPI harmless for all claims, liabilities and causes of action which may arise out of or in connection with the maintenance, use or ownership of the System.

3.2 Maintenance Costs. North Marshall's maintenance obligations are as follows:

a) North Marshall shall be solely responsible for the costs of satisfying its obligations under Section 3.1; and

b) North Marshall shall contract for all maintenance work to be furnished by it pursuant to this Agreement in its own name, and will not obligate CPI for any such obligation.

3.3 Access and Supplementary Maintenance. Notwithstanding North Marshall's obligation to maintain the System, North Marshall hereby grants to CPI the right to access the system to provide, expedite or otherwise augment maintenance activities, at CPI's sole and absolute discretion under the supervision of North Marshall, and CPI shall be responsible for its own personnel. This right shall become effective thirty (30) minutes after CPI notifies North Marshall, by telephone, fax, pager or otherwise, of its desire to access the system, unless North Marshall demonstrates to CPI's satisfaction that North Marshall will fully address its maintenance obligations as set forth in this Agreement. This right shall extend to CPI, its affiliates and its agents only to the extent that such persons are properly certified to operate water systems to the extent reasonably required by the Kentucky Division of Water.

3.4 Rights of Ingress and Egress. CPI hereby grants North Marshall such rights of ingress and egress as are necessary, appropriate, or convenient to maintain the System in accordance with Sections 3.1 and 3.2 hereunder.

SECTION 4 **WATER SUPPLY**

4.1 Delivery Point. North Marshall shall deliver water to the Land at the point of interconnection selected by CPI pursuant to Section 1.1(a) (hereinafter "Delivery Point").

4.2 Supply Commencement. North Marshall's obligation to supply treated water hereunder shall commence at such time as the Engineer's Certificate for the System is delivered by North Marshall to CPI, and is received and accepted by CPI.

4.3 Aggregate Supply.

a) CPI may demand and North Marshall shall supply water in the quantities specified below at the Delivery Point; and

b) North Marshall shall deliver and CPI shall purchase the quantities of water demanded by CPI not to exceed 1,008,000 gallons per day at 700 gpm, and in the aggregate not to exceed 31,248,000 gallons per month. For these purposes, "per day" or "daily" shall mean the 24-hour period starting at 12:00 midnight and ending at 11:59 p.m. CPI shall not be obligated to purchase any minimum amount. Water will be furnished at a reasonably constant pressure calculated at 60 p.s.i.g. and shall be considered firm service of equal priority to the highest priority category.

4.4 Metering Equipment and Testing. North Marshall agrees to calibrate the metering equipment annually, and to provide at least ten (10) days' prior written notice thereof to CPI, who shall have the right to attend such calibration. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the twelve (12) months previous to such test in accordance with one-half (½) the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure. An appropriate official of CPI, at all reasonable times, shall have access to the meter for the purpose of verifying its readings.

4.5 Statement of Water Supplied. North Marshall agrees to furnish CPI, once each month, a statement of the quantity of water furnished CPI during the applicable billing period.

4.6 Payment Policy. Payment shall be made in accordance with the normal billing policies of North Marshall.

4.7 Rate Schedule. CPI agrees to pay North Marshall for water delivered in accordance with this Agreement at the following rates:

- a) a bi-monthly metering charge of \$288.00 for each meter installed under this Agreement; plus
- b) a commodity charge equal to the lesser of (i) the applicable standard tariff rate on file at the Kentucky Public Service Commission ("PSC") for treated water from North Marshall ("Standard Tariff") per 1,000 gallons of treated water delivered monthly hereunder, which currently is \$1.92 per 1,000 gallons plus applicable taxes, or (ii) a special contract rate as may be negotiated with North Marshall and approved by PSC in the future.

4.8 Inclusiveness. The rates established hereunder for water delivered shall constitute the only sums which are due and payable to North Marshall in consideration for North Marshall's performance under the Agreement.

SECTION 5 **REPRESENTATIONS AND WARRANTIES OF CPI**

5.1 Organization. CPI is duly organized and validly existing under the laws of the State of Delaware, and is duly authorized to carry on its business in the state where the Land is now owned, leased or operated.

5.2 Authority for Agreement.

a) The member of CPI has approved this Agreement and the transactions contemplated herein and has authorized the execution and delivery hereof; and

b) The consummation of the transactions contemplated by this Agreement and compliance with the provisions hereof will not conflict with or result in a breach of the terms, conditions or provisions of or constitute a breach or default under, any provision of law, any order of any court or other agency of government, the charter, code of regulations or bylaws of CPI or any note, debenture, mortgage, loan or security agreement or other agreement or instrument to which CPI is a party, or by which it is bound, or results in the creation or imposition of any lien, charge or encumbrance of any kind whatsoever on any property or assets to be transferred to North Marshall pursuant to this Agreement. No consent, approval, order, authorization, report, registration or declaration of or filing with any governmental agency or any other person is required in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated thereby, except as expressly provided herein.

5.3 Legal Action. To CPI's actual knowledge, there are no legal, quasi-judicial or administrative actions, suits or proceedings of any kind or nature now pending or threatened before any court or administrative body in any manner involving CPI, or which may adversely affect the power or authority of CPI to carry out the transactions to be performed hereunder, except for the actions currently pending before the PSC and

other governmental agencies related to the issuance of governmentally required licenses or permits.

5.4 Effective Dates of Representations and Warranties. The representations and warranties contained herein shall be true and correct as of the date of this Agreement.

SECTION 6 REPRESENTATIONS AND WARRANTIES OF NORTH MARSHALL

North Marshall represents and warrants to CPI as follows:

6.1 Organization. North Marshall is duly organized and exists under the laws of the Commonwealth of Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes.

6.2 Authority for Agreement.

a) North Marshall has full power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, which have been approved at a duly called meeting of the Board of Commissioners of North Marshall. This Agreement has been duly executed and delivered by North Marshall and constitutes the legal, valid and binding obligation of North Marshall enforceable against it in accordance with its terms;

b) The consummation of the transactions contemplated by this Agreement in compliance with the provisions hereof will not conflict with or result in a breach of the terms, conditions or provision of, or constitute a breach or default under, any provisions of law, any order of any court or any other agency of the government, the charter, code of regulations, or by-laws of North Marshall, or any note, debenture, mortgage, loan or security Agreement or other Agreement or instrument to which North Marshall is a party or by which it is bound. No consent, approval, or authorization, report, registration or declaration of or filing with any governmental agency or any other person is required in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated thereby, except as expressly provided herein; and

c) North Marshall's attorney shall render an opinion that all representations and warranties of North Marshall hereunder have been satisfied and each opinion shall be in a form acceptable to the attorneys selected by CPI.

6.3 Legal Action. There are no legal, quasi-judicial or administrative actions, suits or proceedings of any kind or nature now pending or threatened before any court or administrative body in any manner involving North Marshall which may adversely affect North Marshall's power or authority to carry out the transactions to be performed hereunder, except for actions described in Exhibit 6.3.

6.4 Governmental Authorizations. All permits, concessions, grants, franchises, licenses and other governmental authorizations and approvals necessary for

North Marshall to effect these transactions have been duly obtained are in full force and effect, and there are no proceedings pending or threatened which could have an adverse effect on: (i) this transaction or (ii) North Marshall's ability to operate its system, except as expressly provided herein.

6.5 Veracity of Representations and Warranties. No representation or warranty by North Marshall in this Agreement, nor any statement, certificate or exhibit furnished or to be furnished to CPI on behalf of North Marshall pursuant to this Agreement, nor any document or certificate delivered to CPI pursuant to this Agreement or in connection with the actions contemplated herein, contains or shall contain any untrue statement of a material fact.

6.6 Water Capacity. North Marshall represents and warrants that it has and will have sufficient water capacity to fulfill its obligations hereunder.

6.7 Effective Dates of Representations and Warranties. The representations and warranties contained herein shall be true and correct through the term of this Agreement and shall survive the expiration or termination thereof.

SECTION 7 **EVENTS OF DEFAULT**

7.1 Events of Default. In the event of any default, failure of performance, or other action ("Event of Default") by either Party arising out of this Agreement, the nondefaulting Party shall give the defaulting Party written notice of said Event of Default. Upon the defaulting Party's receipt of the aforementioned written notice, said defaulting Party shall have thirty (30) days within which to cure the Event of Default. In the event that the defaulting Party fails to cure the Event of Default within said thirty (30) day period, the defaulting Party shall be subject to all claims for actual damages (including reasonable attorneys' fees) arising therefrom. The nondefaulting Party hereby waives any and all claim(s) for incidental, consequential, special and/or punitive damages against said Party arising out of an Event of Default. In addition to the aforementioned recovery, the nondefaulting Party also may enforce the terms of this Agreement by injunction and/or specific performance and/or may obtain any other appropriate remedy available at law or in equity. Finally, upon an Event of Default, the nondefaulting Party shall have the right, by providing the defaulting Party written notice, to terminate this Agreement in the event that the defaulting Party fails to cure said Event of Default within the required thirty (30) period.

SECTION 8
TERMINATION

8.1 Termination. This Agreement shall commence on the date hereof and continue for a period of twenty-five (25) years, and shall automatically renew for additional terms of one (1) year on the same terms and conditions, unless written notice is given to the other Party one hundred eighty (180) days before such termination. After the initial twenty-five year term, notwithstanding anything in this Agreement to the contrary, CPI shall have the right to terminate this Agreement upon thirty (30) days' prior written notice to North Marshall. In such event, neither Party shall have any continuing obligation or liability to the other, except as expressly provided herein.

SECTION 9
CONDITIONS PRECEDENT

9.1 Regulatory Approval – Public Service Commission. This Agreement is contingent upon and subject to the approval of the PSC. North Marshall shall give written notice to CPI of the Commission's Order approving this Agreement, including a copy of the Commission's Order. Should this Agreement not be approved in its entirety and without condition by the Commission, either Party shall have the right to immediately declare this Agreement void and of no force or effect. Approval shall include a "Certificate of Public Convenience and Necessity" if required.

9.2 Regulatory Approval - Division of Water. To the extent that the construction plans for the System are subject to the approval of the Kentucky Division of Water ("Division"), North Marshall will submit promptly the plans to the Division for approval. If the plans are not approved in their entirety and without condition by the Division within a reasonable period of time after their submittal, CPI shall have the right to immediately declare this Agreement void and of no force or effect. The Parties may, however, by agreement, at any time, submit modified plans to the Division for approval without voiding any part of this Agreement. Upon receipt of approval from the Division, North Marshall shall give written notice to CPI of the Division's approval and provide a written copy of the Division's approval.

SECTION 10
MISCELLANEOUS

10.1 Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Commonwealth of Kentucky.

10.2 Entire Agreement/Amendments.

a) This Agreement and the Exhibits, certificates and other agreements and documents referred to herein shall constitute the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous

agreements, understandings, negotiations and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof.

b) No amendment, supplement, modification, waiver or termination of this Agreement shall be implied or be binding unless executed in writing by a Party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly therein provided.

10.3 Assignment.

a) CPI may sell, assign, hypothecate, pledge or otherwise transfer or dispose of all or a portion of the Land or its rights under this Agreement without the consent of North Marshall and upon such assignment, CPI shall be released of its obligations hereunder and no further liability or obligation shall thereafter accrue against CPI hereunder. North Marshall may not assign this Agreement or any of its obligations to perform under this Agreement without the express written consent of CPI;

b) In addition to the rights specified under Section 10.3(a), CPI shall have the right to assign all its right, title and interest in and to this Agreement to a lender as collateral security for the financing for the construction of the Land or any refinancing thereof and any such lender shall have the right to assign all of the right, title and interest in and to this Agreement to any lender to it, and North Marshall hereby (i) consents to any such assignment, (ii) agrees that, in the event of such assignment, no amendment or modification of, or cancellation or surrender of, or waiver by or consent of CPI in respect of, any of the provisions of this Agreement shall be effective unless any such lender shall join in such amendment, modification, cancellation, surrender, waiver or consent or shall have given its prior written consent thereto, and (iii) agrees that any such lender shall have the sole right to exercise all rights, privileges and remedies which by the terms of this Agreement or by applicable law are permitted or provided to be exercised by CPI after the occurrence and continuance of a default under such lender's collateral documents;

c) North Marshall agrees to give any such lender notice of any default, or any event which with the lapse of time, or the giving of notice, or both, would constitute a default, of CPI under this Agreement, and such lender shall upon receipt of such notice have the same periods to cure any such default as are provided herein, measured from the date such notice is given to such lender;

d) North Marshall agrees to cooperate with CPI in connection with the financing for the construction of the Land (including any lease financing) and any refinancing thereof, including by delivering such documents, acknowledgments, consents, representations, warranties, and legal opinions as may be reasonably requested in connection therewith; and

e) All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of the Parties, their successors and assigns, subject to regulatory approval as set forth herein

10.4 Headings. Headings used in this Agreement are for convenience only and are in no way to be construed as part of this Agreement or as a limitation of the scope of the particular articles or sections to which they refer.

10.5 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

10.6 Notices. All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be considered to have been duly given when delivered by hand, by facsimile, by overnight mail or sent by first class certified or registered mail, postage prepaid, return receipt requested, in each case to the appropriate addresses (or to such other addresses as a Party may from time to time designate as to itself by notice similarly given to the other Party in accordance with this Section 12):

(a) If to CPI to:

Calvert City Power I, L.L.C.
Attention: Mr. Ben Jacoby
c/o Enron Capital & Trade Resources Corp.
1400 Smith Street, EB3116C
Houston, Texas 77002
Fax: (713) 646-4940

with a copy to:

Calvert City Power I, L.L.C.
Attention: Legal Department
c/o Enron Capital & Trade Resources Corp.
1400 Smith Street
Houston, Texas 77002
Fax: (713) 646-3490

and a copy to:

C. Kent Hatfield, Esq.
Middleton & Reutlinger
2500 Brown & Williamson Tower
Louisville, Kentucky 40202
Fax: (502) 561-0442

(b) If to North Marshall to:

Mr. Bobby Sirls
North Marshall Water District
P. O. Box 8510

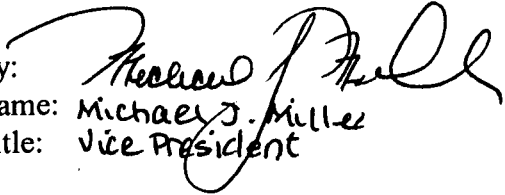
Benton, Kentucky 42025
Fax: (270) 527-3039

with a copy to:


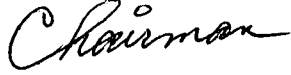
County Attorney
PO Box 472
Marshall County Courthouse
Benton, Kentucky 42025
Fax: (270) 527-4763

This Agreement is made as of the year and day first above written, and shall be effective as of that date without regard to the fact that execution hereof by the Parties shall have been effected at the same time or at other times.

CALVERT CITY POWER I, L.L.C., a
Delaware limited liability company

By: 
Name: Michael J. Miller
Title: Vice President

NORTH MARSHALL WATER DISTRICT


By: 
B.W. Darnell, Board Chairman
North Marshall Water District

ATTEST:

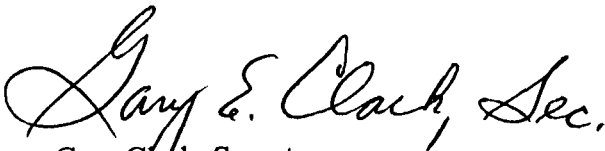

Gary Clark, Secretary
North Marshall Water District

EXHIBIT A

Legal Description of the Property

A tract of land in the County of Marshall, State of Kentucky, being a part of the southwest quarter of section 19, township 6, range 4 east, and being more particularly described as follows, according to a survey by Caldwell Engineering and Surveying, dated September 2, 1998.

From a point in the east ROW of Needmore road, being the northwest corner of the Riley property, as of record in book 200, page 630, R.O.M.C., KY.,

THENCE S 86°35'21" E, 1537.77 feet to an iron pin in the Southerly boundary of Riley, as of record in book 188, page 684, R.O.M.C., KY., being the P.O.B. and the northwest corner of the herein described property,

THENCE S 86°35'21" E, 1099.28 feet to a 30" oak, being the southeast corner of the above mentioned Riley property, and a point in the west boundary of Taylor, Solomon, and Harrington, as of record in book 202, page 578, R.O.M.C., KY.,

THENCE with Taylor, Solomon, and Harrington, S 0°40'18" W., 165.81 feet to a rock being the southwest corner of the above mentioned Taylor, Solomon, and Harrington,

THENCE with Taylor, Solomon, and Harrington S 86°36'48" E, 1709.68 feet to an existing I-beam, being the northeast corner of the herein described property, and a point in the Taylor, Solomon, and Harrington boundary, and the northwest corner of Littlejohn, (unrecorded),

THENCE with Littlejohn S 02°29'39" W, 715.12 feet to an iron pin, being the southeast corner of the herein described property,

THENCE leaving Littlejohn, N 83°46'58" W, 964.18 feet, to an iron pin,

THENCE N 89°53'47" W, 770.39 feet, to an iron pin,

THENCE N 65°36'26" W., 213.06 feet, to an iron pin,

THENCE N 74°21'10" W, 451.71 feet, to a concrete monument,

THENCE N 49°50'56" W, 267.80 feet to a concrete monument in the power line easement, as of record in book 142, page 21,

THENCE N 20°27'55" W, 595.94 feet, to the point of beginning containing 43.44 acres more or less, being a portion of the Riley property as described in book 200, page 630, R.O.M.C., KY.

Unless stated otherwise, any monument referred to herein is a 4"x4"x30" concrete monument, with an aluminum cap stamped 2949. All bearings stated herein are referred to the state plan coordinate system. All iron pins are 1/2" diameter, 18" in length, with an orange cap, stamped RLS 2949.

August 24, 1999 15:18

EXHIBIT 6.3
North Marshall - Legal Action

NONE

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
FEB 03 2000
PUBLIC SERVICE
COMMISSION

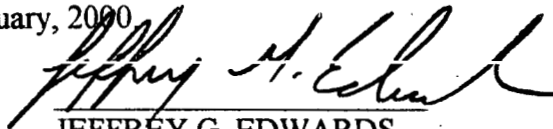
IN THE MATTER OF:

NORTH MARSHALL WATER DISTRICT'S)
SUPPLY AGREEMENT WITH CALVERT) CASE NO. 99-372
CITY POWER I, L.L.C.)

COMPLIANCE WITH ORDER DATED NOVEMBER 15, 1999

Comes now the North Marshall Water District ("North Marshall") and respectfully files its response in compliance with the Order dated November 15, 1999.

Dated this the 1st day of February, 2000



JEFFREY G. EDWARDS
MARSHALL COUNTY ATTORNEY
P.O. BOX 472
BENTON, KY 42025
(270) 527-4730

CERTIFICATE OF SERVICE

This is to certify that the foregoing Compliance with Order of November 15, 1999, was served by mailing first class mail the original and eight(8) true and correct copies of same to Helen C. Helton, Executive Director, Public Service Commission, 730 Schenkel Lane, P.O. Box 615, Frankfort, Ky 40601, and by mailing a true and correct copy by the first class mail to Mr. Ben Jacoby, Calvert City Power I, L.L.C. c/o Enron Capital & Trade Resources, 1400 Smith Street, EB3116C, Houston, TX 77002, Legal Department, Calvert City Power I, L.L.C. c/o Enron Capital & Trade Resources, 1400 Smith Street, Houston, TX 77002, Hon. C. Kent Hatfield, Middleton & Reutlinger, 2500 Brown & Williamson Tower, Louisville, KY 40202, & Bessie Elliott at 3981 U.S. Highway 68 West, Benton, Ky 42025, on this the 1st day of February, 2000.


JEFFREY C. EDWARDS
MARSHALL COUNTY ATTORNEY

ANSWERS TO PSC QUESTIONS ABOUT CALVERT CITY POWER CONTRACT

1a. How many water meters will North Marshall use to provide water service to Calvert City Power I, L.L.C. ("Calvert City Power") under the proposed water service contract?

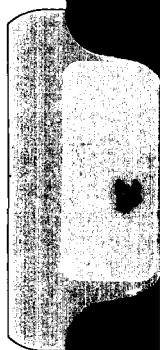
Answer: Most likely Calvert City Power will be serviced by one meter.

1b. State the size of each water meter that North Marshall will use to provide water service to Calvert City Power under the proposed water service contract.

Answer: 6" meter

2a. Describe the facilities that North Marshall will construct to serve Calvert City Power under the proposed water service contract.

Answer: North Marshall is not planning on paying for any facilities that may be constructed with regards to this project.

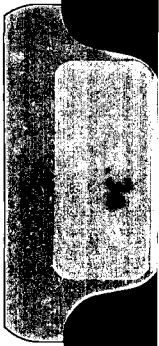


2b. Describe the facilities that Calvert City Power will construct and donate to North Marshall to obtain water service under the proposed water service contract.

Answer: Calvert City Power has already paid for a test well drilled at our Bel-Air plant site. Although this well appears to be an extremely good one, Calvert City Power will be faced with making this test well larger or digging another similar well at the Bel-Air site. In addition, a large distribution line will have to be constructed reach from our Bel-Air site to their plant location. There may also be a need to upgrade some of the pumping equipment at our plants and to increase the size of some distribution lines between storage tanks. The construction required and the costs of it must be agreed to by North Marshall and Calvert City Power and that is assumed will be done outside this particular contract.

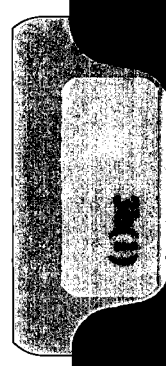
2c. For each facility described in Item 2(a) and Item 2(b), state its estimated cost and service life.

Answer: We only have very preliminary cost estimates at this point but the costs could amount to \$2,500,000 if the engineering recommendations are followed.



3a. Does North Marshall intend to apply for a Certificate of Public Convenience and Necessity to construct any of the facilities described in Item 2(a) or Item 2(b)?

Answer: North Marshall intends to seek instruction from the Public Service Commission on whether or not a Certificate of Convenience and Necessity will be required for any further construction.



3b(1). If yes, identify each facility for which a Certificate of Public Convenience and Necessity will be sought and state when North Marshall intends to apply for such Certificate.

Answer: As stated previously, we intend for the Public Service to determine if we need certification; how soon action should be taken in this regard depends to Calvert City Power's interest in the project.

3b(2). If no, explain why no Certificate is necessary.

Answer: See answer in 3b(1).

4a. For each facility described in Item 2(a) and Item 2(b), state whether North Marshall has prepared its plans and specifications.

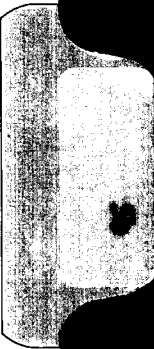
Answer: A preliminary study was performed by a local engineering firm and paid for by Calvert City Power to determine if North Marshall would have the capability to provide water service. This study included modeling our system using the KYPIPE software. The engineering firm made some preliminary construction recommendations and cost estimates. No formal plans or specifications have been prepared at this time.

4b. State when North Marshall will apply to the Kentucky Natural Resources and Environmental Protection Cabinet for approval of the facility's plans and specifications.

Answer: Application to this agency for their various approvals will be made depending upon Calvert City Power's interest and timetable. We do not expect to make application until the contract terms are first approved by the Public Service Commission.

5a. State North Marshall's present average daily demand.

Answer: The average daily demand for 1999 was 1,353,000 gallons.



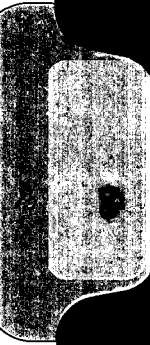
5b. State North Marshall's peak one day demand and the date upon which this demand occurred.

Answer: Over the past 8 years our peak demand was 2,723,000 gallons and occurred on September 2, 1999.

6a. State the maximum daily capacity of North Marshall's water treatment plant.

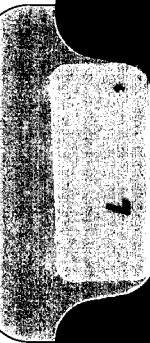
Answer: The Tatumsville Plant has a current capacity 2.880 million gallons per day.

The Bel-air Plant has a current capacity of 1.728 million gallons per day



6b. Describe any changes in North Marshall's water treatment plant that are planned in the next 5 years that will increase the water district's treatment capacity.

Answer: There are no plans to increase the plant capacity over the next 5 years unless a large commercial or industrial customer is acquired. Our two plants are sufficient to handle residential and small commercial customers for quite some years.



7. Describe how North Marshall determined the bimonthly metering charge of \$288 for each meter. Show all calculations and state all assumptions used to derive the proposed change.

Answer: We attempted to calculate the bimonthly meter charge by extrapolating from the other meter size charges. Since the contract was submitted, we have learned there is a formula included in our last rate increase. We sent in a request for the PSC to determine a rate for a 6" meter and that rate was calculated and approved.

8a. What is Calvert City Power expected peak daily demand?

Answer: 700 gallons per minute or 1.008 million gallon per day.

8b. What is Calvert City Power's expected average daily demand?

Answer: We understand this to be a power peaking facility and will operate about 100 days each summer at 700 GPM.

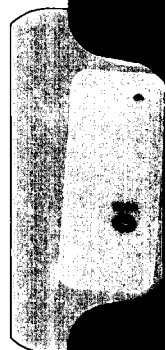
9a. Paragraph 4.4 of the proposed water service contract agreement provides: “A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate **shall be corrected for the twelve (12) months previous to such test in accordance with one-half (1/2) the percentage of inaccuracy found by such tests. [bolding added].**”

Explain the basis for the bolded language.

Answer: This was an attempt by us to develop a way to fairly handle any corrections due to metering errors. We suggest the PSC tell us how this section should be worded in order to comply with the law.

9b. How is the bolded language consistent with Administrative Regulation 807 KAR 5:006,
Section 10(2)?

Answer: We request assistance from the PSC in wording this section.



10. If additional customers connect to any water distribution mains that North Marshall constructed to serve Calvert City Power under the proposed water service contract, what refund obligations to Calvert City Power, if any, will North Marshall have?

Answer: From our discussions with Calvert City Power, we understand they would have no objections to connecting other North Marshall customers to the donated line as long as it does not endanger our ability to service their water requirements. No refund obligations to Calvert City Power were agreed to with respect to this donated line.