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March 2, 2006

Mr. William Duncan  
Center Ridge Water District, Inc.  
281 Morris Road  
Dexter, KY 42036

Re: Center Ridge Water District - Case No. 2006-00042

Dear Mr. Duncan:

On March 1, 2006, I contacted you regarding the above case. This letter is my recollection of our conversation.

I asked whether LHM Water Supply ("LHM") had distributed water to the public for compensation. You stated that it had not and that it had only supplied water to the particular property owner's association that previously owned it. We discussed the area served, which is near Land Between the Lakes, consisting of about 45 homes, of which about fifty percent are generally unoccupied and used for vacation or resort purposes.

I asked if Center Ridge Water District, Inc. ("Center Ridge") had acquired any debt or assumed any financial liability in the takeover of LHM. You advised that Center Ridge had not incurred any debt or other financial liability in the takeover.

You stated that the property owner's association contacted you and that they were very anxious for Center Ridge to acquire their system. You stated that some of the homes were without water service for 2-3 months, but that, when Center Ridge actually acquired the system in August 2005, water service was restored to all of the homes within around 24 hours.

I advised you that, since LHM did not provide water service to the public for compensation and since Center Ridge had not incurred any financial liability, Commission approval would not be required. At my request, you agreed to file tariff sheets for this acquisition ("Center Ridge #4"). You indicated this tariff would be the same as those for the other three Center Ridge entities. I also requested that you contact Brent Kirtley at the Commission sometime in the near future at 502-564-3940, extension 269, to discuss Center Ridge's tariffs.

Feel free to contact me if you have any questions or if you do not agree with the contents of this letter.

Sincerely,

J. Robert Cowan  
Staff Attorney