

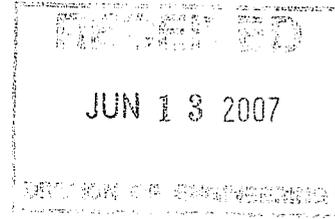


2007-00197

United States Department of Agriculture
Rural Development
Kentucky State Office

June 7, 2007

Mr. John Thomas, Jr., Chairman
Western Lewis-Rectorville Water & Gas District
8000 Day Pike
Maysville, Kentucky 41056



Re: Letter of Conditions Dated January 17, 2006

Dear Mr. Thomas:

This letter shall serve as Amendment No. 2 to the Letter of Conditions dated January 17, 2006. The purpose of this amendment is to revise the natural gas rate charges and to revise the number of required natural gas customers.

Paragraph numbered "1" is revised to read as follows:

“ 1. Number of Users and Their Contribution:

There shall be 626 gas users and 2,042 water users, of which 1,870 are existing users and 172 are new users contributing \$90,300 in connection fees toward the cost of the project. The connection fees will be collected prior to advertising for construction bids and will be placed in the construction account at loan pre-closing, unless spent for authorized purposes prior to loan pre-closing. The Area Director will review and authenticate the number of users and amount of connection fees prior to advertising for construction bids. ”

Paragraph numbered "28" is revised to read as follows:

“ 28. Rates and Charges:

Rates and charges for facilities and services rendered by the District must be at least adequate to meet cost of maintaining, repairing and operating the water and gas systems and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

First	1,000	gallons @ \$ 14.50 - Minimum Bill.
Next	4,000	gallons @ \$ 5.00 - per 1,000 gallons.
All Over	5,000	gallons @ \$ 3.75 - per 1,000 gallons.

Gas rates will be at least:

First	1,000	cu ft	@ \$	11.1525	- Minimum Bill.
Next	4,000	cu ft	@ \$	8.6207	- per 1,000 cu ft.
Next	5,000	cu ft	@ \$	8.5612	- per 1,000 cu ft.
All Over	10,000	cu ft	@ \$	8.3870	- per 1,000 cu ft.

Other than the quarterly fluctuations caused by the price of the gas, there are no other changes contemplated or required in the gas rates for this project. ”

All other provisions of the referenced Letter of Conditions remain in full force and unchanged.

Sincerely,


for KENNETH SLONE
State Director

cc: Area Director - Morehead, Kentucky
Rural Development Manager - Flemingsburg, Kentucky
Buffalo Trace ADD - Maysville, Kentucky
Andrew W. Wood - Maysville, Kentucky
Stoll Keenon Ogden - Louisville, Kentucky
HMB, Inc. - Frankfort, Kentucky
✓PSC - ATTN: Bob Amato - Frankfort, Kentucky