

JOHN N. HUGHES
ATTORNEY AT LAW
PROFESSIONAL SERVICE CORPORATION
124 WEST TODD STREET
FRANKFORT, KENTUCKY 40601

TELEPHONE: (502) 227-7270

JNHUGHES@fewpb.net

TELEFAX (502) 875-7059

June 26, 2008

RECEIVED

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PUBLIC SERVICE
COMMISSION

Stephanie Stumbo
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

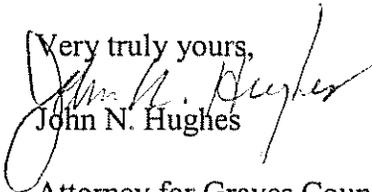
Re: Case No. 2007-00496

Dear Ms. Stumbo:

Pursuant to the Commission's order of May 21, 2008, the Graves County Water District provides this progress report on the efforts to finalize the merger. There have been several meetings of the working group to develop a list of tasks to be completed. Those tasks have been assigned to specific members of the group.

All debtors have been contacted and pay off amounts determined. There have been favorable contacts with the two primary funding agencies, RUS and KIA and it is expected that the transfer of funds from KIA will occur soon. A meeting is scheduled for June 30th with representatives of each of the merging districts to begin forming the executive management committee and to begin the review of the status of existing contracts, employees and other ongoing operations.

If additional information is needed, please contact me.

Very truly yours,

John N. Hughes
Attorney for Graves County
Water District