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February 11, 2011

Mr. James W. Hoskins  
Magoffin County Water District  
749 Parkway Drive  
Salyersville, KY 41465

Re: Case No. 2008-00443

Dear Mr. Hoskins:

This letter is a follow-up to Magoffin County Water District's ("Magoffin District") January 10, 2011 Response to the Commission's Order of November 30, 2010. The Commission staff would like to thank everyone involved for their efforts and the timely response to the Commission's Order. Even though there are many challenges providing potable water to residents in the community, it is apparent that Magoffin District and others are committed to doing so.

After reviewing the District's Response, the Commission notes that all of the concerns have been addressed and the majority of Magoffin District's actions comply with the conditions of the Order. However, in addition to these accomplishments, there are continuing obligations that must be met. Also, the Commission requests additional information and clarification with regard to several responses submitted by Magoffin District.

According to Magoffin District's Response, the following requirements have been met. Magoffin District has obtained releases from Salyersville which grant permission for it to enter into water purchase contracts with the Morgan County Water District ("Morgan District"), the Paintsville Utilities Commission ("Paintsville"), and the Prestonsburg City's Utilities Commission ("Prestonsburg") for the purchase of water during emergency situations. It has developed a Drought Mitigation Plan which specifies an objective standard that will activate the purchase of emergency water from the current interconnections with Morgan District, Paintsville and Prestonsburg. Also on December 10, 2010, Magoffin District's Board members received a copy of the District's Water Shortage Response Plan which was read and discussed at a Special Board Meeting on January 6, 2010. The minutes of that meeting reflect that the District's Drought Mitigation Plan was also approved at that time and a copy filed as part of the Response to the Commission's Order of November 30, 2010.

Magoffin District has taken efforts to make the Paintsville interconnection project functional, including constructing the water main in October 2008, installing the meter on December 22, 2010 and conducting tests on the water main between December 29, 2010 and January 3, 2011. However, because of the inability of Paintsville to provide an adequate volume of water to completely fill the main, the District's engineer has refused to certify that the water line has been tested. In order to facilitate Magoffin District's efforts to make the interconnection functional, the Commission will contact Paintsville in order to better understand why Paintsville's water supply during this time frame was insufficient. Because the volume of water was insufficient, testing of the waterline could not be completed. In addition, the Commission will seek clarification from Paintsville regarding its ability to supply water to Magoffin District in the event of a water emergency.

The Commission requests Magoffin District provide written clarification by February 28, 2011 for the following:

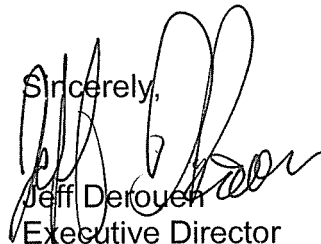
- Magoffin District's Drought Mitigation Plan provides that "[a]n emergency would be declared as soon as the river flow falls to 3.0 mgd [million gallons per day]." Explain how the river flow will be determined. At what location will the measurement of the Licking River's flow be made? Who will be making the measurements? Is a discharge of 5.0 cubic feet per second the approximate equivalent of the proposed standard of 3.0 million gallons per day?
- In its Response, Magoffin District provided a chronology of actions taken between December 29, 2010 and January 3, 2011 to complete the interconnection with Paintsville Utilities. List all actions taken by Magoffin District between February 10, 2009 and December 28, 2010 to complete the interconnection.
- Provide the written guidelines or protocols that Magoffin District will use to make purchases from its other suppliers once an emergency is declared. If no written protocols have been developed, describe how Magoffin District will determine from which supplier(s) to purchase water and the amounts of such purchases.

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As a reminder, Magoffin District has the following continuing obligations:

- Magoffin District is to provide adequate service to its customers, as defined in KRS 278.010(14).
- Should Magoffin District obtain an agreement to purchase water from other suppliers in an emergency situation, a written release from Salyersville should be obtained.
- Whenever the need for additional water is triggered, the district has an obligation to purchase it.
- Magoffin District should continue working with Paintsville to make certain that the Paintsville interconnection project is completed, tested and functional.

Please feel free to contact the Commission about the above issues or any other concerns. The Commission and its staff are willing and available to assist you in this effort.

Sincerely,  
  
Jeff Derouen  
Executive Director

cc: Randall Hardin