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July 31, 2012

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PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen, Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RE: Case No. : 2012-00095
Monthly Report from
Joint Applicant's for Merger
for month ending July, 2012

Dear Director Derouen:

Reference is made to the Commission's Order dated July 13, 2012 approving the merger of Black Mountain Utility District (BMUD) and Green Hills Water District (GHWD) subject to condition's to be complied with in 150 days, including monthly reporting of the status of the merger.

The Chairman of the BMUD and GHWD has been furnished with a copy of the Commission's Order. The Boards next meetings will take place on August 14, 2012 at which time I will discuss the Commission's Order with the Boards.

Under the Boards merger agreement BMUD has taken over operation of GHWD. The GHWD office at Bledsoe has been closed and its employees terminated. One of its employees has been hired by BMUD.

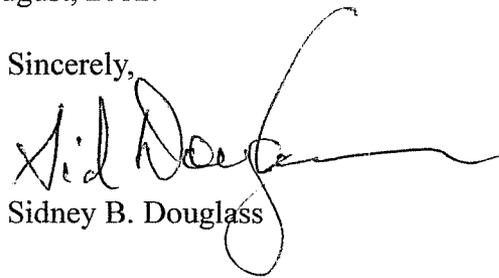
The water line extension projects from Harlan Water Works at Baxter, Kentucky to the crest of Pine Mountain, to Little Shepherd Trail and from the Crest of Pine Mountain down the North side of Pine Mountain to Green Hills is ahead of schedule.

Agreements are being processed between Ky. Infrastructure Authority, Department of Local Government and the Harlan Fiscal Court to draw down funds to pay off GHWD 1998 series USAG Rural Development bond and we anticipate this bond to be paid in full by mid August, 2012.

Leo Miller and Associates, expect to submit plans for Phase 2 of the above Water Extension Project to the Kentucky Division of Water by the end of August for approval to allow all customers of GHWD to be served by gravity feed lines. We expect by mid October the new extension line from Baxter will be able to provide water to all the customers of GHWD.

My next status report to you will be at the end of August, 2012.

Sincerely,



Sidney B. Douglass

CC:

Bob Lee, Chairman BMUD
Black Mountain Utility District
609 Four Mile Road
Baxter, Ky 40806

Mr. Johnny Perkins, Chairman
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806