

KNOTT COUNTY WATER AND SEWER DISTRICT

P.O. BOX 884

HINDMAN, KY 41822

PHONE: 606-642-3582 TTY 711

FAX: 606-642-3770

EMAIL: service@kcwsd.com

Alice Ritchie, Chair

RECEIVED

JAN 27 2010

**PUBLIC SERVICE
COMMISSION**

January 25, 2010

Linda Faulkner, Division Director Filings
Public Service Commission
211 Sower Blvd
P.O. Box 615
Frankfort KY 40602-0615

Dear Ms. Faulkner:

Please be advised that every effort has been and will continue to be made to meet the Districts obligation to repay the loan through Kentucky Infrastructure Authority.

I am enclosing a copy of the letter sent to John Covington with Kentucky Infrastructure Authority on January 22, 2010.

Please be advised that Knott County Water and Sewer District is a small and relatively new water district. We struggle to add customers and remain solvent. We have approximately 1,100 customers, but with our new Water Treatment Plant we should add more customers.

Mr. Covington discussed the situation with Reva Campbell, Acting Manager, on January 2, 2010. According to Ms. Campbell, Mr. Covington wasn't opposed to restructuring the loan, but needed a firm date that payments could begin. This issue was put on the agenda for the Board Meeting and the financial situation was discussed at length. As a result, I was directed to request that payments begin in the year 2013. (Please refer to the enclosed letter)

As always, I appreciate the Public Service Commission and look forward to working you in the future.

I am

Sincerely yours,



Alice G. Ritchie, Chair
KNOTT COUNTY WATER AND SEWER DISTRICT

Enclosure (1)

KNOTT COUNTY WATER AND SEWER DISTRICT

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Alice Ritchie, Chair

EMAIL: service@kcwsd.com

January 22, 2010

John Covington
375 versailles Road
Frankfort KY 40601

Dear Mr. Covington:

As you are aware, Knott County Water and Sewer District presently has an outstanding debt with Kentucky Infrastructure Authority. We have made every effort to supplant this loan with grant monies, with no avail.

The Knott County Water and Sewer District Board met on January 13, 2010 and discussed a tentative date that we would be able to start making payments on this loan. After a long discussion of financial issues, a motion was made to request restructuring the loan for payments to start sometime in the year 2013.

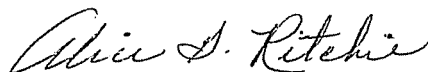
I realize this is asking for a lengthy defrayment. Presently, I can see no possible way to pay on this loan and remain solvent. With additional customers to be added within the next three years, the water district should be able to defray reasonable payments and remain solvent.

I appreciate your patience with the District regarding this loan. Even though we have struggled and continue to struggle, the project the loan monies was used for has allowed us added customers and enabled us to continue moving forward.

On behalf of all the Board Members, I respectfully request an extension of three years before payments commence.

I am

Sincerely yours,



Alice G. Ritchie, Chair
KNOTT COUNTY WATER AND SEWER DISTRICT