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December 21, 2010

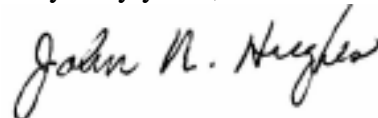
Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Case No. 2010-00094

Dear Mr. Derouen:

Northern Kentucky Water District submits an update to the November 1 letter from Ross Sinclair & Associates related to the status of the Build America Bonds. I certify that the electronically filed documents are a true representation of the original documents.

Very truly yours,



John N. Hughes

Attorney for Northern Kentucky
Water District

CC: Intervenors

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SERVICES

December 21, 2010

VIA ELECTRONIC MAIL

Mr. Jack Bragg
Northern Kentucky Water Service District
P.O. Box 18640
Erlanger, Kentucky 41018-0640
jbragg@nkywater.org

RE: Build America Bonds

Dear Jack:

As a follow up to my letter dated November 1, 2010, I would like to provide you an update on the status of Build America Bonds ("BABs") and its impact to the District's overall cost of capital. As you are aware, BABs were authorized in 2009 under the American Recovery and Reinvestment Act and allowed for the issuance of taxable bonds with a 35% direct subsidy payment from the U.S. Treasury.

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In order for the District to take advantage of this subsidy, bonds needed to be sold and delivered on or before December 31, 2010, the scheduled expiration date for the BABs program. Unfortunately, we were not able to move forward with the issuance (rating agency credit analysis, etc.) without PSC's ruling.

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While there was much speculation about an extension of the program, it was not included in the Tax Act adopted by Congress and signed by President Obama on December 17, 2010. Therefore, the program will expire on December 31, 2010, as scheduled. It would require an act of Congress to extend or change the program, which appears unlikely at this point.

As a result, the District will no longer have the ability to issue BABs.

If you have any questions or need additional information, please let me know.

Yours truly,



Keith Brock

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