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December 1, 2009

Mr. Vernon Brown
Rural Development
Suite 200
771 Corporate Drive
Lexington, Kentucky 40503-5438

Re: Oldham County Water District
Case No. 2009-00436

VIA FACSIMILE AND E-MAIL

Dear Mr. Brown:

Oldham County Water District ("Oldham District") has recently applied to the Public Service Commission for a Certificate of Public Convenience and Necessity to construct new infrastructure, for authority to issue approximately \$13.2 million in revenue bonds, and for an adjustment in its existing rates. The proposed facilities will be financed in part under the terms of an agreement between Oldham District and Rural Development. Accordingly, KRS 278.023 limits the Commission's review of Oldham District's application.

In the course of the Commission's limited review, questions have arisen regarding the information that Oldham District provided Rural Development when making application for funding. The Commission respectfully requests that Rural Development provide a written response to the enclosed questions within 5 days of the date of this letter.

Any questions regarding this letter should be directed to Gerald Wuetcher, Executive Advisor/Attorney, at (502) 564-3940, Extension 259, or gerald.wuetcher@ky.gov.

Sincerely,

Jeff Derouen
Executive Director

QUESTIONS FOR RURAL DEVELOPMENT

1. Did Oldham County Water District, when applying to Rural Development for financing of its proposed infrastructure projects, provide the studies and analyses that Louisville Water Company prepared comparing the cost of OCWD constructing and operating the proposed facilities against the alternative of OCWD purchasing water from LWC under a long-term water purchase contract?
2. Did any of the studies and analyses that OCWD presented in support of its application to Rural Development discuss the option of purchasing water from LWC under a long-term contract?
3. What review did Rural Development undertake to determine whether the alternative of constructing the proposed infrastructure improvements was the least-cost option?
4. What review did Rural Development undertake to compare the OCWD's cost of purchasing water from LWC under a long-term contract with OCWD's cost to construct and operate the proposed infrastructure improvements?