

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410  
Telephone (502) 569-7525 Telefax (502) 569-7555 www.rubinhays.com

CHARLES S. MUSSON  
W. RANDALL JONES  
CHRISTIAN L. JUCKETT

November 23, 2010

RECEIVED

NOV 24 2010

PUBLIC SERVICE  
COMMISSION

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

Re: Rattlesnake Ridge Water District PSC Application

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to construct, finance and increase rates and charges pursuant to KRS 278.023.

Also enclosed are eleven (11) copies of the exhibits required pursuant to 807 KAR 5.069, with the exception of the **Preliminary and Final Engineering Reports of which 2 copies are filed herewith.**

If you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By   
W. Randall Jones

WRJ:jkm  
Enclosures  
cc: Distribution List

**DISTRIBUTION LIST**

**Account No. 2042.0000**

**Re: Rattlesnake Ridge Water District Waterworks Revenue Bonds, Series 2010, in  
the principal amount of \$1,336,000 - Phase VIII project**

Mr. Thomas G. Fern  
State Director  
USDA, Rural Development  
771 Corporate Drive, Suite 200  
Lexington, Kentucky 40503-5477

Telephone: (859) 224-7336  
Fax: (859) 224-7340

Mr. Elwood Howe  
USDA, Rural Development  
220 West First Street  
Morehead, Kentucky 40351

Telephone: (606) 784-6447  
Fax: (606) 784-2076

Mr. Chris Stamper, Manager  
Rattlesnake Ridge Water District  
P.O. Box 475  
Grayson, Kentucky 41143

Telephone: (606) 474-7570  
Fax: (606) 474-8531

Delores Woods Baker, Esq.  
Attorney at Law  
134 West Third Street  
Maysville, Kentucky 41056

Telephone: (606) 564-7969

Mr. Joseph Sisler  
Sisler-Maggard Engineering, PLLC  
220 East Reynolds Road, Suite A3  
Lexington, Kentucky 40517

Telephone: (859) 271-2978  
Fax: (859) 271-5670

W. Randall Jones, Esq.  
Rubin & Hays  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202

Telephone: (502) 569-7534  
Fax: (502) 569-7555

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

RECEIVED  
10/17/2008  
PUBLIC SERVICE COMMISSION

In the Matter of:

**THE APPLICATION OF RATTLESNAKE RIDGE )**  
**WATER DISTRICT FOR A CERTIFICATE OF PUBLIC )**  
**CONVENIENCE AND NECESSITY TO CONSTRUCT, ) CASE NO. \_\_\_\_\_**  
**FINANCE AND INCREASE RATES PURSUANT )**  
**TO KRS 278.023. )**

**A P P L I C A T I O N**

This Application of the Rattlesnake Ridge Water District ("Applicant") respectfully shows:

1. That Applicant is a water district created and existing under and by virtue of Chapter 74 of the Kentucky Revised Statutes.

2. That the post office address of Applicant is:

Rattlesnake Ridge Water District  
c/o Mr. Bill Gilbert, Chairman  
P.O. Box 475  
Grayson, Kentucky 41143

3. That Applicant, pursuant to the provisions of KRS 278.020 and 278.023, seeks (i) a Certificate of Public Convenience and Necessity permitting Applicant to construct a waterworks construction project as defined below (the "Project"); (ii) an Order approving increased rates and charges; and (iii) approval of the proposed plan of financing said Project.

4. The project consists of the (i) expansion of the water treatment plant from 1.608 MGD to 2.408 MGD; (ii) construction of a 500,000 gallon elevated water storage tank; and (iii) installation of a transmission line that will connect to the main lines at State Route 7 and feed the proposed 500,000 gallon elevated water storage tank.

5. That the District is financing of the construction of the Project through (i) the issuance of \$2,482,000 of its Waterworks Revenue Bonds, consisting of \$1,336,000 of Series A Bonds and \$1,146,000 of Series B Bonds; (ii) a USDA, Rural Development ("RD") grant in the amount of \$1,100,000; (iii) a Community Development Block Grant ("CDBG") in the amount of \$1,000,000; (iv) an Appalachian Regional Commission ("ARC") grant in the amount of \$400,000; (v) an Infrastructure for Economic Development Fund ("IEDF") 2008 grant (Lawrence County) in the amount of \$500,000; (vi) an IDEF 2008 grant (Elliott County) in the amount of \$500,000; and

(vii) an Applicant contribution in the amount of \$14,000. Applicant has a commitment from RD to purchase said \$1,336,000 of Series A Bonds maturing over a 40-year period, at an interest rate of not exceeding 2.625% per annum and said \$1,146,000 of Series B Bonds maturing over a 40-year period, at an interest rate of not exceeding 2.25% per annum, as set out in the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

6. That Applicant does not contemplate having the Project constructed with any deviation from minimum construction standards of this Public Service Commission.

7. That Applicant files herewith the following Exhibits pursuant to 807 KAR 5:069 in support of this Application:

- A. Copy of RD Letter of Conditions, as amended.
- B. Copy of RD Letter of Concurrence in Bid Award.
- C. Certified statement from the Chairman of Applicant, based upon statements of the Engineers for Applicant, concerning the following:
  - (1) The proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10;
  - (2) All other state approvals or permits have already been obtained;
  - (3) The proposed rates of Applicant shall produce the total revenue requirements set out in the engineering reports; and
  - (4) Setting out the dates when it is anticipated that construction will begin and end.
- D. Copies of Preliminary and Final Engineering Reports.

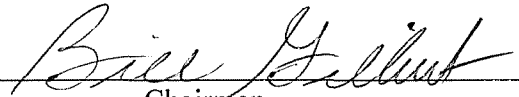
8. That Applicant has arranged for the publication, prior to or at the same time this Application is filed, of a Notice of Proposed Rate Change pursuant to Section 2 of 807 KAR 5:069, in the *Big Sandy News*, the *Grayson Journal-Enquirer*, the *Elliott County News*, and the *Licking Valley Courier* which are the newspapers of general circulation in Applicant's service area. Said Notice sets out the current rates and the proposed rates of Applicant and a short description of the Project. A copy of said Notice is filed herewith as an Exhibit.

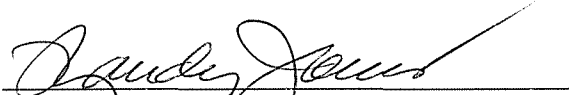
9. That the foregoing constitutes the documents necessary to obtain the approval of the Kentucky Public Service Commission in accordance with Section 278.023 of the Kentucky Revised Statutes and in accordance with the "Filing Requirements" specified in 807 KAR 5:069, Section 1.

**WHEREFORE**, Applicant, the Rattlesnake Ridge Water District, asks that the Public Service Commission of the Commonwealth of Kentucky grant to Applicant the following:

- a. A Certificate of Public Convenience and Necessity permitting Applicant to construct a waterworks project consisting of extensions, additions, and improvements to the existing waterworks system of Applicant.
- b. An Order approving the financing arrangements made by Applicant, viz., the issuance of (i) \$2,482,000 of Rattlesnake Ridge Water District Waterworks Revenue Bonds, consisting of \$1,336,000 of Series A Bonds at an interest rate of not exceeding 2.625% per annum, and \$1,146,000 of Series B Bonds at an interest rate of not exceeding 2.25% per annum; (ii) an RD Grant in the amount of \$1,100,000; (iii) a CDBG grant in the amount of \$1,000,000; (iv) an ARC grant in the amount of \$400,000; (v) an IEDF 2008 grant (Lawrence County) in the amount of \$500,000; (vi) an IDEF 2008 grant (Elliott County) in the amount of \$500,000; and (vii) an Applicant contribution in the amount of \$14,000.
- c. An Order approving the proposed increased rates as set out in Section 28 of the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

RATTLESNAKE RIDGE WATER DISTRICT

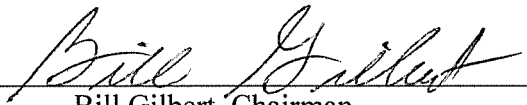
By:   
Chairman  
Board of Water Commissioners

  
W. Randall Jones, Esq.  
Rubin & Hays  
Counsel for Applicant  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
(502) 569-7534

COMMONWEALTH OF KENTUCKY        )  
  ) SS:  
COUNTY OF CARTER                    )

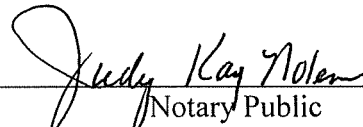
The undersigned, Bill Gilbert, being duly sworn, deposes and states that he is the Chairman of the Board of Commissioners of the Rattlesnake Ridge Water District, Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this November 19, 2010.

  
\_\_\_\_\_  
Bill Gilbert, Chairman  
Rattlesnake Ridge Water District

Subscribed and sworn to before me by Bill Gilbert, Chairman of the Board of Commissioners of the Rattlesnake Ridge Water District, on this November 19, 2010.

My Commission expires: 7-30-2011.

  
\_\_\_\_\_  
Notary Public





**United States Department of Agriculture  
Rural Development**  
Kentucky State Office

July 15, 2009

Mr. Bill Gilbert, Chairman  
Rattlesnake Ridge Water District  
PO Box 475  
Grayson, Kentucky 41143

Dear Mr. Gilbert:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area office staff of USDA Rural Development. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by USDA Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application. It should also be understood that Rural Development is under no obligation to provide additional funds to meet an overrun in construction costs.

This letter is not to be considered as loan and grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,336,000; a RUS grant not to exceed \$600,000; an Appalachian Regional Commission (ARC) grant in the amount of \$400,000; a Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) in the amount of \$1,000,000; an Infrastructure for Economic Development Fund (IEDF) - 2008 Grant (Lawrence County) in the amount of \$500,000; an Infrastructure for Economic Development Fund (IEDF) - 2008 Grant (Elliott County) in the amount of \$500,000; and an applicant cash contribution in the amount of \$14,000.

If Rural Development makes the loan, the interest rate will be the lower of the rate in effect at the time of loan approval or the rate in effect at the time of loan closing, unless the applicant otherwise chooses. The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire that further consideration be given to your application.

The "Letter of Intent to Meet Conditions" must be executed within three weeks from the date of this letter or it becomes invalid unless a time extension is granted by Rural Development.

If the conditions set forth in this letter are not met within 240 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application.

771 Corporate Drive • Suite 200 • Lexington, KY 40503  
Phone: (859) 224-7336 • Fax: (859) 224-7344 • TDD: (859) 224-7422 • Web: <http://www.rurdev.usda.gov/ky>

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1400 Independence Avenue, SW, Washington, DC 20250-9410  
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In signing Form RD 1942-46, "Letter of Intent to Meet Conditions," you are agreeing to complete the following as expeditiously as possible:

1. Number of Users and Their Contribution:

There shall be 4,081 water users, of which all are existing users. The Area Director will review and authenticate the number of users prior to advertising for construction bids.

2. Grant Agreement:

Attached is a copy of RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

3. Drug-Free Work Place:

Prior to grant closing, the District will be required to execute Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative I - For Grantees Other Than Individuals."

4. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed 40 years from the date of the Bond. Principal payment will not be deferred for a period in excess of two years from the date of the Bond. Payments will be in accordance with applicable KRS, which requires interest to be paid semi-annually (January 1<sup>st</sup> and July 1<sup>st</sup>) and principal will be due on or before the first of January. Rural Development may require the District to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the bond is held or insured by RUS. Monthly payments will be approximate amortized installments.

5. Recommended Repayment Method:

Payments on this loan shall be made using the Preauthorized Debit (PAD) payment method. This procedure eliminates the need for paper checks and ensures timely receipt of RD loan payments. To initiate PAD payments, Form RD 3550-28, "Authorization Agreement for Preauthorized Payments," should be signed by the District to authorize the electronic withdrawal of funds from your designated bank account on the exact installment payment due date. The Area Director will furnish the necessary forms and further guidance on the PAD procedure.

6. Reserve Accounts:

Reserves must be properly budgeted to maintain the financial viability of any operation. Reserves are important to fund unanticipated emergency maintenance, pay for repairs, and assist with debt service should the need arise.

The District will be required to deposit \$470 per month into a "Funded Debt Reserve Account" until the account reaches \$56,400. The deposits are to be resumed any time the account falls below the \$56,400.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the District's prior bond resolutions.

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational.

The District also needs to fund an account for short-lived assets by depositing a sum of \$2,555 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District's water system. This short-lived asset reserve amount replaces any previous short-lived assets requirements previously set with any prior RUS loan.

7. Security Requirements:

A pledge of gross water revenue will be provided in the Bond Resolution. Bonds shall rank on a parity with existing bonds, if possible.

If this is not possible, the bond will be subordinate and junior to the existing bonds, in which case the District will be required to abrogate its right to issue additional bonds ranking on a parity with the existing bonds, so long as any unpaid indebtedness remains on this bond issue.

8. Land Rights and Real Property:

The District will be required to furnish satisfactory title, easements, etc., necessary to install, maintain and operate the facility to serve the intended users. The pipelines will be on private rights-of-way where feasible. Easements and options are to be secured prior to advertising for construction bids.

9. Organization:

The District will be legally organized under applicable KRS which will permit them to perform this service, borrow and repay money.

10. Business Operations:

The District will be required to operate the system under a well-established set of resolutions, rules and regulations. A budget must be established annually and adopted by the District after review by Rural Development. At no later than loan pre-closing, the District will be required to furnish a prior approved management plan to include, as a minimum, provisions for management, maintenance, meter reading, miscellaneous services, billing, collecting, delayed payment penalties, disconnect/reconnect fees, bookkeeping, making and delivering required reports and audits.

11. Accounts, Records and Audits:

The District will be required to maintain adequate records and accounts and submit annual budgets and year-end reports (annual audits), in accordance with subsection 1780.47 of RUS Instruction 1780.

The enclosed audit booklet will be used as a guide for preparation of audits. The District shall be required to submit a copy of its audit agreement for review and concurrence by Rural Development prior to pre-closing the loan.

12. Accomplish Audits for Years in Which Federal Financial Assistance is Received:

The District will accomplish audits in accordance with OMB Circular A-133, during the years in which federal funds are received. The District will provide copies of the audits to the Area Office and the appropriate Federal cognizant agency as designated by OMB Circular A-133.

13. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the District. The District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$378,000.
- D. Real Property Insurance - The District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures. The amounts of coverage should be based on recommendations obtained by the District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

14. Planning and Performing Development:

- A. The engineer should not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost shown in paragraph "24" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 210 days from this date, and prepare bid documents. The Area Director is prepared to furnish the necessary guide to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and

enforceable options have been obtained, and total funds are committed or available for the project.

B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:

1. Final plans, specifications and bid documents.
2. Applicant's letter on efforts to encourage small business and minority-owned business participation.
3. Legal Service Agreements.
4. Engineering Agreements.

*send sample*

Revision in these documents will be subject to Rural Development concurrence. Any agreements, contracts, etc. not reviewed and approved by Rural Development will not be eligible for payment from project funds or revenues from facilities financed by this Agency.

Prior to receipt of an authorization to advertise for construction bids, the District will obtain advance clearance from Bond Counsel regarding compliance with KRS 424 pertaining to publishing of the advertisement for construction bids in local newspapers and the period of time the notice is required to be published.

15. Civil Rights & Equal Opportunity:

You should be aware of and will be required to comply with other federal statute requirements including but not limited to:

A. Section 504 of the Rehabilitation Act of 1973:

Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Rural Development financial assistance.

B. Civil Rights Act of 1964:

All borrowers are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and Subpart E of Part 1901 of this Title, particularly as it relates to conducting and reporting of compliance reviews. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by paragraph 1901.202(e) of this Title.

C. The Americans with Disabilities Act (ADA) of 1990:

This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, state and local government services, public transportation, public accommodations, facilities, and telecommunications. Title

II of the Act applies to facilities operated by state and local public entities that provide services, programs, and activities. Title III of the Act applies to facilities owned, leased, or operated by private entities that accommodate the public.

D. Age Discrimination Act of 1975:

This Act (42 U.S.C. 6101 *et seq.*) provides that no person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

Rural Development financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap.

16. Closing Instructions:

The Office of General Counsel, our Regional Attorney, will be required to write closing instructions in connection with this loan. Conditions listed therein must be met by the District.

17. Compliance with Special Laws and Regulations:

The District will be required to conform to any and all state and local laws and regulations affecting this type project.

18. Treatment Plant and System Operator:

The District is reminded that the treatment plant and system operator must have an Operator's Certificate issued by the State.

19. Prior to Pre-Closing the Loan, the District Will Be Required to Adopt:

- A. Form RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."
- B. Form RD 400-1, "Equal Opportunity Agreement."
- C. Form RD 400-4, "Assurance Agreement."
- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."
- G. RUS Bulletin 1780-22, "Eligibility Certification."

20. Refinancing and Graduation Requirements:

The District is reminded that if at any time it shall appear to the Government that the District is able to refinance the amount of the RUS indebtedness then outstanding, in whole or in part, by obtaining a loan from commercial sources at reasonable rates and terms, upon the request of the Government, the District will apply for and accept such loan in sufficient amount to repay the Government.

21. Commercial Interim Financing:

The District will be required to use commercial interim financing for the project during construction for the RUS loan portion of the financing, if available at reasonable rates and terms.

Before the loan is closed, the District will be required to provide Rural Development with statements from the contractor, engineer and attorneys that they have been paid to date in accordance with their contract or other agreements and, in the case of the contractor, that he has paid his suppliers and sub-contractors.

22. Disbursement of Project Funds:

A construction account for the purpose of disbursement of project funds (RUS) will be established by the District prior to start of construction. The position of officials entrusted with the receipt and disbursement of RUS project funds will be covered by a "Fidelity Bond," with USDA Rural Development as Co-Obligee, in the amount of construction funds on hand at any one time during the construction phase.

For each "construction account" as established, if the amount of RUS loan and grant funds plus any applicant contributions or funds from other sources to be deposited into the account are expected to exceed \$100,000 at any time, the financial institution will secure the amount in excess of \$100,000 by pledging collateral with the Federal Reserve Bank in an amount not less than the excess in accordance with 7 CFR, 1902.7(a).

During construction, the District shall disburse project funds in a manner consistent with subsection 1780.76 (e) of RUS Instruction 1780. Form RD 1924-18, "Partial Payment Estimate," or similar form approved by Rural Development, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to Rural Development for review and acceptance. Prior to disbursement of funds by the District, the Board of Directors shall review and approve each payment estimate. All bills and vouchers must be approved by Rural Development prior to payment by the District.

Form RD 440-11, "Estimate of Funds Needed for 30-Day Period Commencing \_\_\_\_\_," will be prepared by the District and submitted to Rural Development in order that a periodic advance of federal cash may be requested.

Borrowers receiving federal loan and/or grant funds by EFT will have funds directly deposited to a specified account at a financial institution with funds being available to the recipient on the date of payment. The borrower should complete Form SF-3881, "Electronic Funds Transfer Payment Enrollment Form," for each account where funds will be electronically received. The

completed form(s) must be received by Rural Development at least thirty (30) days prior to the first advance of funds.

Monthly audits of the District's construction account records shall be made by Rural Development.

23. Disbursement of Grant Funds:

The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of obligations due and payable by the District. Grant funds, upon receipt, must be deposited in an interest bearing account in accordance with 7 CFR part 3016 (as applicable). Interest earned on grant funds in excess of \$100 (as applicable) per year will be submitted to RUS at least quarterly.

24. Cost of Facility:

Breakdown of Costs:

Development	\$ 3,450,000
Land and Rights	15,000
Legal and Administrative	80,000
Engineering	445,000
Interest	30,000
Contingencies	<u>330,000</u>
TOTAL	\$ 4,350,000

Financing:

RUS Loan	\$ 1,336,000
RUS Grant	600,000
ARC Grant	400,000
HUD-CDBG Grant	1,000,000
IEDF- Lawrence County	500,000
IEDF - Elliott County	500,000
Applicant Contribution	<u>14,000</u> ✓
TOTAL	\$ 4,350,000

25. Commitment of Other Project Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the ARC grant in the amount of \$400,000, for the HUD-CDBG grant in the amount of \$1,000,000, for the IEDF - 2008 Lawrence County grant in the amount of \$500,000, for the IEDF - 2008 Elliott County grant in the amount of \$500,000, and for the applicant cash contribution of \$14,000.

26. Use of Remaining Project Funds:

The applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining project funds will be considered to be

RUS/ARC/CDBG/IEDF grant funds and refunded in proportion to participation in the project. If the amount of unused project funds exceeds the grants, that part would be RUS loan funds.

27. Proposed Operating Budget:

You will be required to submit to Rural Development a copy of your proposed annual operating budget that supports the proposed loan repayment prior to this agency giving you written authorization to proceed with the bidding phase. The operating budget should be based on a typical year cash flow, subject to completion of this project in the first full year of operation. Form RD 442-7, "Operating Budget," or similar form may be utilized for this purpose.

28. Rates and Charges:

Rates and charges for facilities and services rendered by the District must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

5/8" x 3/4" Meter

First	1,000	gallons @ \$	14.56. - Minimum Bill.
Next	4,000	gallons @ \$	9.18. - per 1,000 gallons.
Next	5,000	gallons @ \$	7.87. - per 1,000 gallons.
Next	10,000	gallons @ \$	6.72. - per 1,000 gallons.
Next	20,000	gallons @ \$	4.63. - per 1,000 gallons.
All Over	40,000	gallons @ \$	3.59. - per 1,000 gallons.

3/4" Meter

First	5,000	gallons @ \$	51.28. - Minimum Bill.
Next	5,000	gallons @ \$	7.87. - per 1,000 gallons.
Next	10,000	gallons @ \$	6.72. - per 1,000 gallons.
Next	20,000	gallons @ \$	4.63. - per 1,000 gallons.
All Over	40,000	gallons @ \$	3.59. - per 1,000 gallons.

1" Meter

First	10,000	gallons @ \$	90.63. - Minimum Bill.
Next	10,000	gallons @ \$	6.72. - per 1,000 gallons.
Next	20,000	gallons @ \$	4.63. - per 1,000 gallons.
All Over	40,000	gallons @ \$	3.59. - per 1,000 gallons.

1 1/2" Meter

First	30,000	gallons @ \$	204.13. - Minimum Bill.
Next	10,000	gallons @ \$	4.63. - per 1,000 gallons.
All Over	40,000	gallons @ \$	3.59. - per 1,000 gallons.

2" Meter

First	50,000	gallons @ \$	286.02. - Minimum Bill.
All Over	50,000	gallons @ \$	3.59. - per 1,000 gallons.



3" Meter

First 100,000 gallons @ \$ 465.52. - Minimum Bill.  
 All Over 100,000 gallons @ \$ 3.59. - per 1,000 gallons.

4" Meter

First 200,000 gallons @ \$ 824.52. - Minimum Bill.  
 All Over 200,000 gallons @ \$ 3.59. - per 1,000 gallons.

6" Meter

First 500,000 gallons @ \$ 1,901.52. - Minimum Bill.  
 All Over 500,000 gallons @ \$ 3.59. - per 1,000 gallons.

Kentucky Department of Parks (6" Meter) \$3.59 per 1,000 gallons  
 (Golf Course Only)

29. Compliance with the Bioterrorism Act:

Prior to pre-closing the loan , the District will provide a certification they have completed a Vulnerability Assessment (VA) and prepared an emergency response plan (ERP) as required by the Safe Drinking Water Act (SDWA).

30. Floodplain Construction:

The District will be required to pass and adopt a Resolution or amend its By-Laws whereby the District will deny any water service to any future customer wishing to build on or develop property located within a designated floodplain. If a customer or developer requests service for construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the District and Rural Development officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP) and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

31. Water Withdrawal Permit:

The District will be required to obtain satisfactory evidence that a revised water withdrawal permit has been secured from the Division of Water. The permit must be obtained prior to the commencement of construction on the water project.

32. Division of Water (DOW) Health & Sanitary Certification:

The Median Household Income (MHI) for the District's service area qualifies this project for the poverty interest rate. A certification from the Division of Water stating this project will remove a health or sanitary problem will be required. This certification must be obtained prior to loan pre-closing.

33. Mitigation Measures:

A. The project shall be in compliance with all requirements noted in the Governor's

Office for Local Development letter dated November 10, 2008, from Ms. Lee Nalley.

- B. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without effect after construction is complete. The Army Corps of Engineers Nationwide Permit No. 12 applies to all floodplain and wetland utility line construction.
- C. Any excavation by Contractor that uncovers a historical or archaeological artifact shall be immediately reported to Owner and a representative of Agency. Construction shall be temporarily halted pending the notification process and further directions issued by Agency after consultation with the State Historic Preservation Officer (SHPO).
- D. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.
- E. Best Management Practices shall be incorporated into the project design, construction, and maintenance.

34. **American Recovery and Reinvestment Act of 2009 ("Recovery Act")**.

Recovery Act requirements apply to this financing. In addition to the other conditions contained in this Letter of Conditions, you must understand and agree to these following conditions specific to the Recovery Act:

- (A). Certifications. With respect to Recovery Act funds made available to State or local governments for infrastructure investments, Section 1511 of the Recovery Act requires the Governor, mayor or other chief executive, as appropriate, to certify that the infrastructure investment has been properly approved as required by law and that the chief executive accepts responsibility that the infrastructure investment is an appropriate use of taxpayer dollars. RD Water and Waste personnel will provide specific guidance on the information required in the certification.
- (B). Reports on Use of Funds. Section 1512 of the Recovery Act requires each recipient receiving Recovery Act funding to provide specific information to the government on a periodic basis for inclusion in various internal and publicly-available reports. RD Water and Waste Program personnel will provide specific guidance on the type and frequency of information required to assist Recovery Act recipients in complying with this condition.
- (C). Buy American. Section 1605 of the Recovery Act requires that all projects financed with Recovery Act funds be bid and constructed using only iron, steel and manufactured goods produced in the United States in accordance with Section 1605 of the Recovery Act. Specific guidance, including contract provisions to be included in any construction contracts, is being formulated and drafted as of the date of this Letter of Conditions. RD Water and Waste Program personnel will provide specific guidance related to this condition as soon as it is available.

- (D). Wage Rate Requirements. Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors for the project will be paid wages at rates not less than those prevailing on projects of a character similar in the locality where this project will occur. Specific guidance, including contract provisions to be included in any construction or otherwise related contracts, is being formulated and drafted as of the date of this Letter of Conditions. RD Water and Waste Program personnel will provide specific guidance related to this condition as soon as it is available.

**Compliance with the conditions in this section is required for financing under the Recovery Act.** However, these conditions are not substitutes for, or in lieu of, the remaining conditions contained in this Letter of Conditions. Each of the conditions in this Letter of Conditions must also be understood and complied with to receive financing for your project.

35. Final Approval Conditions:

Final approval of this assistance will depend on your willingness, with the assistance of all your co-workers, to meet the conditions of this letter in an orderly and systematic manner. Then too, final approval will depend on funds being available.

If you desire to proceed with your application, the Area Director will allot a reasonable portion of time to provide guidance in application processing.

Sincerely,



VERNON C. BROWN  
Acting State Director

Enclosures

cc: Area Director - Morehead, Kentucky  
FIVCO ADD - Grayson, Kentucky  
Rubin & Hays - Louisville, Kentucky  
Deloris Baker - Maysville, Kentucky  
Sisler and Maggard - Lexington, Kentucky  
PSC - ATTN: Dennis Jones - Frankfort, Kentucky



**United States Department of Agriculture  
Rural Development  
Kentucky State Office**

November 17, 2010

Mr. Bill Gilbert, Chairman  
Rattlesnake Ridge Water District  
PO Box 475  
Grayson, Kentucky 41143

Re: Letter of Conditions Dated July 15, 2009

Dear Mr. Gilbert:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated July 15, 2009. The purpose of this amendment is to revise project cost, project funding proposals and rates after bidding.

The Second Paragraph on Page 1 is revised to read as follows:

“ This letter is not to be considered as loan and/or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$2,482,000, a RUS grant not to exceed \$1,100,000, an Appalachian Regional Commission (ARC) grant of \$400,000, a Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) of \$1,000,000, an Infrastructure for Economic Development Fund (IEDF) – 2008 Grant (Lawrence County) in the amount of \$500,000, an Infrastructure for Economic Development Fund (IEDF) – 2008 Grant (Elliott County) in the amount of \$500,000, and an applicant cash contribution of \$14,000. ”

Paragraph numbered “6” is revised to read as follows:

“ 6. Reserve Accounts:

Reserves must be properly budgeted to maintain the financial viability of any operation. Reserves are important to fund unanticipated emergency maintenance, pay for repairs, and assist with debt service should the need arise.

The District will be required to deposit \$860 per month into a "Funded Debt Reserve Account" until the account reaches \$103,200. The deposits are to be resumed any time the account falls below the \$103,200.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the District’s prior bond ordinances.

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or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational.

The District also needs to fund an account for short-lived assets by depositing a sum of \$2,600 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District’s water system. ”

Paragraph numbered “13” is revised to read as follows:

“ 13. Insurance and Bonding:

The following insurance and bonding will be required:

- C. Fidelity Bond – The District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$423,000. ”

Paragraph numbered “24” is revised to read as follows:

“ 24. Cost of Facility:

Breakdown of Costs:

Development	\$ 5,058,913
Land and Rights	4,000
Legal and Administrative	96,000
Engineering	566,000
Interest	20,000
Contingencies	<u>251,087</u>
TOTAL	\$ 5,996,000

Financing:

RUS Loan	\$ 2,482,000
RUS Grant	1,100,000
ARC Grant	400,000
HUD-CDBG	1,000,000
IEDF - Lawrence County	500,000
IEDF - Elliott County	500,000
Applicant Contribution	<u>14,000</u>
TOTAL	\$ 5,996,000 ”

Paragraph numbered “25” is revised to read as follows:

“ 25. Commitment of Other Project Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the ARC grant in the amount of \$400,000, for the HUD-CDBG grant in the amount of \$1,000,000, for the IEDF Grants in the total amount of \$1,000,000, and for the applicant cash contribution in the amount of \$14,000.”

Paragraph numbered “28” is revised to read as follows:

“ 28. Rates and Charges:

Rates and charges for facilities and services rendered by the District must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

**5/8” x 3/4” Meter:**

First	1,000	gallons @ \$	14.98. - Minimum Bill.
Next	4,000	gallons @ \$	9.18. - per 1,000 gallons.
Next	5,000	gallons @ \$	7.90. - per 1,000 gallons.
Next	10,000	gallons @ \$	6.78. - per 1,000 gallons.
Next	20,000	gallons @ \$	4.75. - per 1,000 gallons.
All Over	40,000	gallons @ \$	3.74. - per 1,000 gallons.

**3/4” Meter:**

First	5,000	gallons @ \$	51.70. - Minimum Bill.
Next	5,000	gallons @ \$	7.90. - per 1,000 gallons.
Next	10,000	gallons @ \$	6.78. - per 1,000 gallons.
Next	20,000	gallons @ \$	4.75. - per 1,000 gallons.
All Over	40,000	gallons @ \$	3.74. - per 1,000 gallons.

**1” Meter:**

First	10,000	gallons @ \$	91.20. - Minimum Bill.
Next	10,000	gallons @ \$	6.78. - per 1,000 gallons.
Next	20,000	gallons @ \$	4.75. - per 1,000 gallons.
All Over	40,000	gallons @ \$	3.74. - per 1,000 gallons.

**1 1/2" Meter:**

First	30,000	gallons @ \$	206.50. - Minimum Bill.
Next	10,000	gallons @ \$	4.75.- per 1,000 gallons.
All Over	40,000	gallons @ \$	3.74. - per 1,000 gallons.

**2" Meter:**

First	50,000	gallons @ \$	291.40. - Minimum Bill.
All Over	50,000	gallons @ \$	3.74. - per 1,000 gallons.

**3" Meter:**

First	100,000	gallons @ \$	478.40. - Minimum Bill.
All Over	100,000	gallons @ \$	3.74. - per 1,000 gallons.

**4" Meter:**

First	200,000	gallons @ \$	852.40. - Minimum Bill.
All Over	200,000	gallons @ \$	3.74. - per 1,000 gallons.


**6" Meter:**

First	500,000	gallons @ \$	1,974.40. - Minimum Bill.
All Over	500,000	gallons @ \$	3.74. - per 1,000 gallons.

Kentucky Department of Parks  
Grayson Lake Golf Course \$3.59 per 1,000 gallons – all usage.”

All other provisions of the referenced Letter of Conditions remain in full force and unchanged.

Sincerely,



THOMAS G. FERN  
State Director

- cc: Area Director - Morehead, Kentucky
- Fivco ADD - Grayson, Kentucky
- Delores Baker - Morehead, Kentucky
- Rubin & Hays - Louisville, Kentucky
- Sisler & Maggard - Lexington, Kentucky
- PSC - ATTN: Dennis Jones - Frankfort, Kentucky







**United States Department of Agriculture  
Rural Development  
Kentucky State Office**

November 22, 2010

**SUBJECT:** Rattlesnake Ridge Water District  
ARRA- 2009 Water System Improvements  
Contract Award Concurrence

**TO:** Area Director  
Morehead, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of subject contract to the low bidder on Contract E-1, Smith Contractors, Inc., in the amount of \$3,909,000.00, the low bidder on contract F-1, Caldwell Tanks, Inc., in the amount of \$963,000.00, and the low bidder on G-1, Bailey Excavating, LLC, in the amount of \$161632.50.

If you have any questions, please contact Julie Anderson, State Engineer, at (859) 224-7348.

  
THOMAS G. FERN  
State Director  
Rural Development

**cc:** SME  
Lexington, Kentucky

Rubin and Hayes  
Louisville, Kentucky

771 Corporate Drive • Suite 200 • Lexington, KY 40503  
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**CERTIFICATE OF CHAIRMAN OF RATTLESNAKE RIDGE WATER DISTRICT  
AS TO STATEMENT REQUIRED BY SECTION 1(5) OF 807 KAR 5:069**

I, Bill Gilbert, hereby certify that I am the duly qualified and acting Chairman of the Rattlesnake Ridge Water District, and that said District is in the process of arranging to finance the construction of extensions, additions and improvements to the existing waterworks system of the District (the "Project"), in cooperation with Sisler-Maggard Engineering, PLLC, Lexington, Kentucky, the Engineers for the District (the "Engineers").

Based on information furnished to me by said Engineers for the District, I hereby certify as follows:

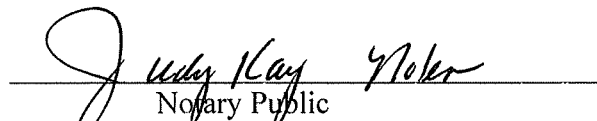
1. That the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.
2. That all other state approvals and/or permits have already been obtained.
3. That the rates proposed by the District in its current Application filed with the Kentucky Public Service Commission are contemplated to produce total revenue requirements set out in the Engineering Reports prepared by such Engineers and filed with the Public Service Commission.
4. That it is now contemplated that construction of the Project will begin on or about January 3, 2011 and will end on or about January 2, 2012.

IN TESTIMONY WHEREOF, witness my signature this November 19, 2010.

  
\_\_\_\_\_  
Chairman  
Rattlesnake Ridge Water District

STATE OF KENTUCKY     )  
   ) SS  
COUNTY OF CARTER     )

Subscribed and sworn to before me by Bill Gilbert, Chairman of the Board of Commissioners of the Rattlesnake Ridge Water District, on this November 19, 2010.

  
\_\_\_\_\_  
Notary Public  
In and For Said State and County

(Seal of Notary)



## NOTICE OF PROPOSED RATE CHANGE

In accordance with the requirements of the Kentucky Public Service Commission as set out in 807 KAR 5:069, Section 2, notice is hereby given to the customers of the Rattlesnake Ridge Water District of a change to the District's rate schedule as set forth herein. The proposed rate change is required by USDA, Rural Development ("RD") in connection with a loan from RD to the District to be evidenced by the issuance by the District of its Waterworks Revenue Bonds in such amount, which RD has agreed to purchase provided the District meets certain conditions of RD, including revising the current water rates as set forth below:

### Current Monthly Water Rates

#### 5/8" x 3/4" Meter:

First 1,000 gallons	\$14.06 minimum bill
Next 4,000 gallons	8.89 per 1,000 gallons
Next 5,000 gallons	7.65 per 1,000 gallons
Next 10,000 gallons	6.53 per 1,000 gallons
Next 20,000 gallons	4.50 per 1,000 gallons
All over 40,000 gallons	3.49 per 1,000 gallons

#### 3/4" Meter:

First 5,000 gallons	\$49.50 minimum bill
Next 5,000 gallons	7.65 per 1,000 gallons
Next 10,000 gallons	6.53 per 1,000 gallons
Next 20,000 gallons	4.50 per 1,000 gallons
All over 40,000 gallons	3.49 per 1,000 gallons

#### 1" Meter:

First 10,000 gallons	\$87.75 minimum bill
Next 10,000 gallons	6.53 per 1,000 gallons
Next 20,000 gallons	4.50 per 1,000 gallons
All over 40,000 gallons	3.49 per 1,000 gallons

#### 1-1/2" Meter:

First 30,000 gallons	\$196.88 minimum bill
Next 10,000 gallons	4.50 per 1,000 gallons
All over 40,000 gallons	3.49 per 1,000 gallons

#### 2" Meter:

First 50,000 gallons	\$285.75 minimum bill
All over 50,000 gallons	3.49 per 1,000 gallons

3" Meter:

First 100,000 gallons	\$460.13 minimum bill
All over 100,000 gallons	3.49 per 1,000 gallons

4" Meter:

First 200,000 gallons	\$808.75 minimum bill
All over 200,000 gallons	3.49 per 1,000 gallons

6" Meter:

First 500,000 gallons	\$1,855.13 minimum bill
All over 500,000 gallons	3.49 per 1,000 gallons

**Current Wholesale Rate**

Kentucky Department of Parks Grayson Lake Golf Course	\$2.10 per 1,000 gallons
--	--------------------------

**Proposed Monthly Water Rates**

5/8" x 3/4" Meter:

First 1,000 gallons	\$14.98 minimum bill
Next 4,000 gallons	9.18 per 1,000 gallons
Next 5,000 gallons	7.90 per 1,000 gallons
Next 10,000 gallons	6.78 per 1,000 gallons
Next 20,000 gallons	4.75 per 1,000 gallons
All over 40,000 gallons	3.74 per 1,000 gallons

3/4" Meter:

First 5,000 gallons	\$51.70 minimum bill
Next 5,000 gallons	7.90 per 1,000 gallons
Next 10,000 gallons	6.78 per 1,000 gallons
Next 20,000 gallons	4.75 per 1,000 gallons
All over 40,000 gallons	3.74 per 1,000 gallons

1" Meter:

First 10,000 gallons	\$91.20 minimum bill
Next 10,000 gallons	6.78 per 1,000 gallons
Next 20,000 gallons	4.75 per 1,000 gallons
All over 40,000 gallons	3.74 per 1,000 gallons

1-1/2" Meter:

First 30,000 gallons	\$206.50 minimum bill
Next 10,000 gallons	4.75 per 1,000 gallons
All over 40,000 gallons	3.74 per 1,000 gallons

2" Meter:

First 50,000 gallons	\$291.40 minimum bill
All over 50,000 gallons	3.74 per 1,000 gallons

3" Meter:

First 100,000 gallons	\$478.40 minimum bill
All over 100,000 gallons	3.74 per 1,000 gallons

4" Meter:

First 200,000 gallons	\$852.40 minimum bill
All over 200,000 gallons	3.74 per 1,000 gallons

6" Meter:

First 500,000 gallons	\$1,974.40 minimum bill
All over 500,000 gallons	3.74 per 1,000 gallons

**Proposed Wholesale Rate:**

Kentucky Department of Parks Grayson Lake Golf Course	\$3.59 per 1,000 gallons
--	--------------------------

The RD loan proceeds will be used in conjunction with various other monies to finance the cost of extensions, additions and improvements to the existing waterworks system of the District, consisting of the (i) expansion of the water treatment plant from 1.608 MGD to 2.408 MGD; (ii) construction of a 500,000 gallon elevated water storage tank; and (iii) installation of a transmission line that will connect to the main lines at State Route 7 and feed the proposed 500,000 gallon elevated water storage tank. Signed: Bill Gilbert, Chairman, Rattlesnake Ridge Water District.