



2218 Frankfort Avenue
Louisville, Kentucky 40206
Telephone: 502-899-3880
Telefax: 502-899-3882
hankreed@bellsouth.net
david.malone@steptoe-johnson.com

January 12, 2012

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

RECEIVED
JAN 13 2012
PUBLIC SERVICE
COMMISSION

In re: Application of Adair County Water District

Mr. Derouen:

Enclosed herewith please find ten (10) copies of the Petition of the Adair County Water District seeking a Certificate of Public Convenience and necessity with appropriate Exhibits.

The Petition also seeks an increase in the District's water rates.

Monarch Engineering, Inc., Lawrenceburg, Kentucky is the Consulting Engineers employed by the District for this Project. You are respectfully requested to direct any requests of the Commission for additional engineering information directly to Monarch Engineering, Inc.

If this office can supply any additional information please don't hesitate to advise me.

Sincerely yours,

A handwritten signature in black ink, appearing to be 'H. M. Reed III', written over a light blue horizontal line.

HENRY M. REED III

cc: Mr. David M. Bowles, P.E.
Monarch Engineering, Inc.
556 Carlton Dr.
Lawrenceburg, Kentucky 40342

Mr. Lennon Stone, Superintendent
Adair County Water District
109 Grant Lane
Columbia, Kentucky 42728

Mr. Kevin Antle, Area Specialist
US Department of Agriculture, Rural Development
957 Campbellsville Road
Columbia, Kentucky 42728

Damon R. Talley, Esquire
Damon R. Talley, P.S.C.
PO Box 150
Hodgenville, Kentucky 42748

Marshall F. Loy, Esquire
Huddleston & Loy
116 Public Square, Columbia, Kentucky 42728

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF THE APPLICATION)
OF THE ADAIR COUNTY WATER DISTRICT, A)
WATER DISTRICT ORGANIZED PURSUANT TO)
CHAPTER 74 OF THE KENTUCKY REVISED)
STATUTES, IN ADAIR COUNTY, KENTUCKY,)
FOR (1) A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY, AUTHORIZING AND)
PERMITTING SAID WATER DISTRICT)
TO CONSTRUCT WATER DISTRIBUTION)
SYSTEM IMPROVEMENTS, (2) APPROVAL OF THE)
DISTRICT'S PLAN OF FINANCING SAID)
IMPROVEMENTS THROUGH THE ISSUANCE OF THE)
DISTRICT'S WATER REVENUE BONDS AND (3) THE)
APPROVAL OF INCREASES IN THE DISTRICT'S)
RATES AND CHARGES FOR WATER SERVICE.)

CASE NO. _____

RECEIVED

JAN 13 2012

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

Before the Public Service Commission
In the Matter of
the Application of Adair County Water District

Index to Application

1. Petition of Adair County Water District ("District") for Certificate of Public Convenience and Necessity.
2. Affidavit of Publication - *The Adair Progress* - Legal Notice Regarding the District's Intention to File with the Public Service Commission.
3. Letter of Conditions to District from United States of America, acting through the U.S. Department of Agriculture, Rural Development ("USDARD") dated March 1, 2010, Amended by Letter dated November 15, 2011.
4. Debt Service Schedule for \$1,459,000 USDARD Bond Loan.
5. Amending Water Rate Resolution.
6. Affidavit of Chairman of District regarding compliance with Public Service Commission requirements.
7. Concurrence of USDARD in Award of Construction Contracts.
8. Preliminary Engineering Report prepared by Monarch Engineering, Inc., Lawrenceburg, Kentucky.
9. Final Engineering Report and all Engineering Data prepared by Monarch Engineering, Inc., Lawrenceburg, Kentucky.
10. Copy of PSC Order Declining Jurisdiction Regarding District's Assumption of City of Columbia, Kentucky, Utilities Revenue Bonds and Acquisition of City's Water and Sewer System by District.

Prepared by Henry M. Reed III, Steptoe & Johnson, PLLC, Attorneys at Law, Bond Counsel to District
2218 Frankfort Avenue, Louisville, Kentucky 40206
Phone: 502-899-3880, Fax: 502-899-3882
e-mail: hankreed@bellsouth.net
david.malone@steptoe-johnson.com

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

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OF THE ADAIR COUNTY WATER DISTRICT, A)
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IMPROVEMENTS THROUGH THE ISSUANCE OF THE)
DISTRICT'S WATER REVENUE BONDS AND (3) THE)
APPROVAL OF INCREASES IN THE DISTRICT'S)
RATES AND CHARGES FOR WATER SERVICE.)

PETITION

Pursuant to KRS 278.023, this Petition of the Adair County Water District ("District" or "Petitioner"), respectfully states:

1. That Petitioner is a Water District in Adair County, created and existing under and by virtue of Chapter 74 of the Kentucky Revised Statutes, pursuant to an Order of the County Court of said County, following the requisite procedure prescribed in said Chapter 74.

2. That the address of said District is "Adair County Water District, Danny Downey, Chairman, 109 Grant Lane, Columbia, Kentucky 42728".

3. That the formation of the District, its present tariff of rates, and the issuance of its outstanding long term indebtedness have been previously approved by Orders of the Public Service Commission of Kentucky ("PSC").

4. That the District has previously acquired the Water Distribution and Wastewater Collection and Treatment Facilities of the City of Columbia, Kentucky ("City") and the Project hereinafter described will be constructed within the corporate limits of said City.

5. That the District seeks a Certificate of Public Convenience and Necessity approving the construction of additions and improvements to the District's Water System, consisting of downtown Columbia water system replacements and improvements (the "Project" or "Downtown Water System Replacement") as further described in the Preliminary and Final Engineering Reports of Monarch Engineering, Inc., Lawrenceburg, Kentucky ("Engineers").

6. That subject to the approval of the Commission, the District proposes to finance the construction of the improvements identified above pursuant to the terms of a certain Letter of Conditions dated March 1, 2010, Amended by Letter dated November 15, 2011, from the United States Department of Agriculture, Rural Development ("USDARD") to the District, whereunder USDARD proposes to lend to the District at an interest rate of 2.375% per annum through the issuance of the District's Water Revenue Bonds, Series of 2012, the sum of approximately \$1,459,000 supplemented by a USDARD Grant in the amount of approximately \$595,000.

7. That the District is required by USDARD to increase its schedule of rates and charges for water service in accordance with the District's Amended Water Rate Resolution as shown on the Exhibit Addendum attached to this Petition.

8. That the District has observed the appropriate legal procedure in employing Monarch Engineering, Inc., Lawrenceburg, Kentucky, to prepare the plans and specifications for the construction of the proposed Project. The plans and specifications as to said Project have been approved by the appropriate governmental agencies.

9. That the approval of the Public Service Commission is urgently required in order to enable the District to proceed to accept construction bids for the Project and proceed with the construction in order to provide for the needs of the District.

10. That there are attached to this Petition those Exhibits indicated in the Exhibit Addendum to this Petition which the Petitioner believes the Commission will find necessary in ruling on the requests set forth in this Petition pursuant to KRS 278.023 (including Preliminary and Final Engineering Reports).

WHEREFORE, Petitioner prays that the Public Service Commission of Kentucky grant to the Petitioner the following:

A. A Certificate of Public Convenience and Necessity, permitting the Petitioner District to construct the Project as described in the Engineers' Reports filed herewith as Exhibits in order to provide required water service to said District.

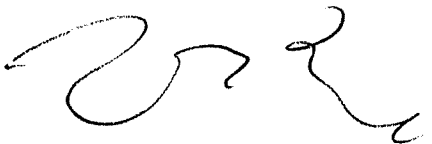
B. An Order approving the financing arrangements made by the District in the issuance of \$1,459,000 of its Water Revenue Bonds, at an interest rate not exceeding 2.375% per annum, to be supplemented by a USDARD Grant in the amount of approximately \$595,000.

C. An Order approving the increase in the rates and charges for water service provided by the District, as set forth in the Amended Water Rate Resolution attached to this Petition in the Exhibit Addendum.

Dated at Columbia, Kentucky as of this 5 day of January, 2012.

ADAIR COUNTY WATER DISTRICT

By 
Chairman

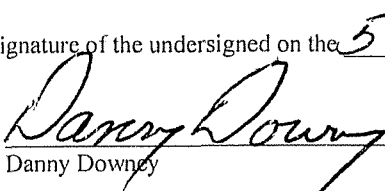


Henry M. Reed III, Bond Counsel
2218 Frankfort Avenue
Louisville, Kentucky 40206

STATE OF KENTUCKY)
) SS
COUNTY OF ADAIR)

The undersigned, Danny Downey, being first duly sworn, deposes and states: That he is the Chairman of Adair County Water District of Adair County, Kentucky, Petitioner in the above Petition; that he has read the foregoing Petition 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 that as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 5 day of January, 2012.


Danny Downey

Acknowledged before me by Danny Downey, Chairman of the Adair County Water District, on this 5 day of January, 2012.

My commission expires 4-24-12.

Signature of Notary Jennifer Carter

Notary Public, Adair County Kentucky

Identification Number: _____, Certificate Number: _____

(Seal of Notary)

AFFIDAVIT OF PUBLICATION

I hereby certify that I am the Bookkeeper of

THE ADAIR PROGRESS

the newspaper published in the County of Adair, Kentucky (hereinafter referred to as the "publication area") which has the largest bona fide circulation in said publication area of any newspaper published therein.

I further certify that there is attached hereto a true copy of

PUBLICATION OF LEGAL NOTICE

which was published in said newspaper in its regular issue for the 29th day of December, 2011.

I further certify that said newspaper maintains its principal office in the publication area for the purpose of gathering news and soliciting advertisements and other general business of newspaper publication and has a second-class mailing permit issued for that office. I further certify that said newspaper is published regularly as frequently as once a week for at least fifty weeks during the calendar year, as prescribed by its mailing permit; and it has been so published in the publication area for the immediately preceding two-year period prior to the date of publication hereinbefore referred to.

I further certify that said newspaper is circulated generally in the publication area, maintains a definite price or consideration not less than fifty percent of its publication price and is paid for by not less than fifty percent of those to whom distribution is made. I further certify that said newspaper bears a title or name, consists of not less than four pages without a cover, is of a type to which the general public resorts for passing events of a political, religious, commercial and social nature for current happenings, announcements, miscellaneous reading matter, advertisements and other notices and that the news content of said newspaper is at least twenty-five percent of the total column space in more than one-half of the issues during any 12-month period.

I further certify that all of the foregoing facts were true on the date of the publication hereinbefore referred to.

Dated this 29th day of December, 2011

Signature of Publication Representative April Burton

Acknowledged before me this 3rd day of Jan., 2012.

My commission expires June 23, 2014

Signature of Notary Melanie Ollery

Notary Public, Adair Co., Columbia Kentucky

Identification Number: 420595, Certificate Number: 168026

(Seal of Notary)

**LEGAL NOTICE REGARDING
THE ADAIR COUNTY WATER DISTRICT**

On or about January 6, 2012, the Adair County Water District (d/b/a) Columbia Adair Utilities District ("District") will file a Petition with the Public Service Commission of Kentucky ("Commission") seeking approval of the following action:

1. The issuance of a Certificate of Public Convenience and Necessity for the construction by the District of additions and improvements to the District's water distribution system (the "Phase II Downtown Columbia Project").
2. Subject to the approval of the Commission, the District proposes to finance the construction of the improvements identified above pursuant to the terms of a certain Amended Letter of Conditions dated November 15, 2011, from the United States Department of Agriculture, Rural Development ("USDARD") to the District whereunder USDARD proposes to lend to the District through the issuance of the District's Water Revenue Bonds, Series of 2012, the sum of approximately \$1,459,000, supplemented by a USDARD Grant in the amount of approximately \$595,000.
3. In accordance with the Letter of Conditions, the District will be required to amend its existing water rates and charges for the use and services of the water distribution system for the District customers currently in effect, as follows:

<u>Gallage Block</u>	<u>Existing Rate per Gallon</u>	<u>New Rates per Gallon</u>
5/8" x 3/4" Meter Size:		
First 2,000 gallons	\$15.35 Minimum Bill	\$19.90 Minimum Bill
Next 3,000 gallons	5.75 per 1,000 gallons	7.00 per 1,000 gallons
Next 5,000 gallons	5.00 per 1,000 gallons	6.25 per 1,000 gallons
Next 15,000 gallons	3.90 per 1,000 gallons	5.20 per 1,000 gallons
All Over 25,000 gallons	3.15 per 1,000 gallons	4.45 per 1,000 gallons
1" Meter Size:		
First 5,000 gallons	\$32.60 Minimum Bill	\$40.90 Minimum Bill
Next 5,000 gallons	5.00 per 1,000 gallons	6.25 per 1,000 gallons
Next 15,000 gallons	3.90 per 1,000 gallons	5.20 per 1,000 gallons
All Over 25,000 gallons	3.15 per 1,000 gallons	4.45 per 1,000 gallons
1 1/2" Meter Size:		
First 10,000 gallons	\$57.60 Minimum Bill	\$72.15 Minimum Bill
Next 15,000 gallons	3.90 per 1,000 gallons	5.20 per 1,000 gallons
All Over 25,000 gallons	3.15 per 1,000 gallons	4.45 per 1,000 gallons
2" Meter Size:		
First 16,000 gallons	\$81.00 Minimum Bill	\$103.35 Minimum Bill
Next 9,000 gallons	3.90 per 1,000 gallons	5.20 per 1,000 gallons
All Over 25,000 gallons	3.15 per 1,000 gallons	4.45 per 1,000 gallons

4. The Petition will be filed pursuant to the provisions of KRS 278.023 and it is anticipated that an Order will be entered by the Public Service Commission approximately 30 days after the actual filing of the Petition.

ADAIR COUNTY WATER DISTRICT
s/ Lennon Stone, Manager



United States Department of Agriculture
Rural Development
Kentucky State Office

March 1, 2010

Danny Downey, Chairman
Adair County Water District
PO Box 567
Columbia, Kentucky 40342

Dear Mr. Downey:

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 \$1,459,000; a RUS grant not to exceed \$595,000. No applicant cash contribution will be required.

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 210 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application.

In signing Form RD 1942-46, "Letter of Intent to Meet Conditions," you are agreeing to complete the following as expeditiously as possible:

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>

Committed to the future of rural communities

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, SW, Washington, DC 20250-9410
or call (800) 795-3272 (voice) or (202) 720-6382 (TDD)

1. Number of Users and Their Contribution:

not less than
There shall be 5,900 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 1st and July 1st) 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 \$475 per month into a "Funded Debt Reserve Account" until the account reaches \$57,000. The deposits are to be resumed any time the account falls below the \$57,000.

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 \$865 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 revenues 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 \$455,000.
- 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 180 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.

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. System Operator:

The District is reminded that the 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	\$ 1,607,000
Land and Rights	25,000
Legal and Administrative	20,000
Engineering	226,000
Interest	15,000
Contingencies	<u>161,000</u>
TOTAL	\$ 2,054,000

Financing:

RUS Loan	\$ 1,459,000
RUS Grant	<u>595,000</u>
TOTAL	\$ 2,054,000

25. Use of Remaining Project Funds:

After providing for all authorized costs, any remaining project funds will be considered to be RUS grant funds and refunded. If the amount of unused project funds exceeds the grants, that part would be RUS loan funds.

26. 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.

27. 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" Meters

First	2,000	gallons @ \$	17.00. - Minimum Bill.
Next	3,000	gallons @ \$	6.80. - per 1,000 gallons.
Next	5,000	gallons @ \$	6.05. - per 1,000 gallons.
Next	15,000	gallons @ \$	5.00. - per 1,000 gallons.
All Over	25,000	gallons @ \$	4.25. - per 1,000 gallons.

1" Meters

First	5,000	gallons @ \$	37.40. - Minimum Bill.
Next	5,000	gallons @ \$	6.05. - per 1,000 gallons.
Next	15,000	gallons @ \$	5.00. - per 1,000 gallons.
All Over	25,000	gallons @ \$	4.25. - per 1,000 gallons.

1 1/2 " Meters

First	10,000	gallons @ \$	67.65. - Minimum Bill.
Next	15,000	gallons @ \$	5.00. - per 1,000 gallons.
All Over	25,000	gallons @ \$	4.25. - per 1,000 gallons.

2" and Larger Meters

First	16,000	gallons @ \$	97.65. - Minimum Bill.
Next	9,000	gallons @ \$	5.00. - per 1,000 gallons.
All Over	25,000	gallons @ \$	4.25. - per 1,000 gallons.

28. Water Purchase Contract:

The District will submit a Water Purchase Contract for approval by Rural Development before advertising for construction bids. If the contract is not on Form RD 442-30, "Water Purchase Contract," the contract will require approval by our Regional Attorney. The contract must meet the requirements of subsection 1780.62 of RUS Instruction 1780.

29. Compliance with the Bioterrorism Act:

Prior to pre-closing, 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. 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.

32. Mitigation Measures:


- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated July 31, 2009, 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.

33. 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,

A handwritten signature in black ink, appearing to read "Thomas G. Fern". The signature is stylized with a large, sweeping initial "T" and "F".

THOMAS G. FERN
State Director

Enclosures

cc: Area Director - Columbia, Kentucky
Lake Cumberland ADD – Russell Springs, Kentucky
Henry M. Reed - Louisville, Kentucky
Marshall Loy - Columbia, Kentucky
Monarch Engineering - Lawrenceburg, Kentucky
PSC - ATTN: Dennis Jones - Frankfort, Kentucky



United States Department of Agriculture
Rural Development
Kentucky State Office

November 15, 2011

Danny Downey, Chairman
Adair County Water District
PO Box 567
Columbia, Kentucky 40342

REC'D NOV 16 2011

Re: Letter of Conditions Dated March 1, 2010

Dear Mr. Downey:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated March 1, 2010. The purpose of this amendment is to revise the following: Total Number of Users, Reserve Account, Fidelity Bond, Cost of Facilities, Rates and Charges and Mitigation Measures

Paragraph numbered "1" is revised to read as follows:

" 1. Number of Users and Their Contribution:

There shall be 7,602 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. "

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 \$490 per month into a "Funded Debt Reserve Account" until the account reaches \$58,800. The deposits are to be resumed any time the account falls below the 58,800.

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.

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.

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

The District also needs to fund an account for short-lived assets by depositing a sum of \$1,750 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 \$486,000. ”

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

“ 24. Cost of Facility:

Breakdown of Costs:

Development	\$ 1,604,000
Legal and Administrative	30,000
Engineering	230,000
Interest	29,000
Contingencies	<u>161,000</u>
TOTAL	\$ 2,054,000

Financing:

RUS Loan	\$ 1,459,000
RUS Grant	<u>595,000</u>
TOTAL	\$ 2,054,000 ”

Paragraph numbered “27” is revised to read as follows:

“ 27. 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" Meters:

First	2,000	gallons @ \$	19.90. - Minimum Bill.
Next	3,000	gallons @ \$	7.00. - per 1,000 gallons.
Next	5,000	gallons @ \$	6.25. - per 1,000 gallons.
Next	15,000	gallons @ \$	5.20. - per 1,000 gallons.
All Over	25,000	gallons @ \$	4.45. - per 1,000 gallons.

1" Meters:

First	5,000	gallons @ \$	40.90. - Minimum Bill.
Next	5,000	gallons @ \$	6.25. - per 1,000 gallons.
Next	15,000	gallons @ \$	5.20. - per 1,000 gallons.
All Over	25,000	gallons @ \$	4.45. - per 1,000 gallons.

1 1/2" Meters:

First	10,000	gallons @ \$	72.15. - Minimum Bill.
Next	15,000	gallons @ \$	5.20. - per 1,000 gallons.
All Over	25,000	gallons @ \$	4.45. - per 1,000 gallons.

2" and Larger Meters:

First	16,000	gallons @ \$	103.35. - Minimum Bill.
Next	9,000	gallons @ \$	5.20. - per 1,000 gallons.
All Over	25,000	gallons @ \$	4.45. - per 1,000 gallons. "

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

Sincerely,



THOMAS G. FERN
State Director

- cc: Area Director - Columbia, Kentucky
- Lake Cumberland ADD -- Russell Springs, Kentucky
- Henry M. Reed - Louisville, Kentucky
- Marshall Loy - Columbia, Kentucky
- Monarch Engineering - Lawrenceburg, Kentucky
- PSC - ATTN: Dennis Jones - Frankfort, Kentucky

REPORT

BOND SCHEDULE, 3/8/2010

Name of Borrower: Adair County Water District			
Amount of Loan	1459000	Annual Interest Rate	0.02375
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	false
Principal Payment Units	500	Interest Payment Units	1

YEAR	PERIOD	NUMBER	PAYMENT	INTEREST	PRINCIPAL	BALANCE
2011	1	1	34652	34652	0	1459000
2012	1	2	34652	34652	0	1459000
2013	1	3	58652	34652	24000	1435000
2014	1	4	58582	34082	24500	1410500
2015	1	5	58500	33500	25000	1385500
2016	1	6	58906	32906	26000	1359500
2017	1	7	58789	32289	26500	1333000
2018	1	8	58659	31659	27000	1306000
2019	1	9	58518	31018	27500	1278500
2020	1	10	58865	30365	28500	1250000
2021	1	11	58688	29688	29000	1221000
2022	1	12	58499	28999	29500	1191500
2023	1	13	58799	28299	30500	1161000
2024	1	14	58574	27574	31000	1130000
2025	1	15	58838	26838	32000	1098000
2026	1	16	58578	26078	32500	1065500
2027	1	17	58806	25306	33500	1032000
2028	1	18	58510	24510	34000	998000
2029	1	19	58703	23703	35000	963000
2030	1	20	58872	22872	36000	927000
2031	1	21	58517	22017	36500	890500
2032	1	22	58650	21150	37500	853000
2033	1	23	58759	20259	38500	814500
2034	1	24	58845	19345	39500	775000
2035	1	25	58907	18407	40500	734500
2036	1	26	58945	17445	41500	693000
2037	1	27	58959	16459	42500	650500
2038	1	28	58950	15450	43500	607000
2039	1	29	58917	14417	44500	562500
2040	1	30	58860	13360	45500	517000
2041	1	31	58779	12279	46500	470500
2042	1	32	58675	11175	47500	423000
2043	1	33	58547	10047	48500	374500
2044	1	34	58895	8895	50000	324500
2045	1	35	58707	7707	51000	273500
2046	1	36	58496	6496	52000	221500
2047	1	37	58761	5261	53500	168000
2048	1	38	58490	3990	54500	113500
2049	1	39	58696	2696	56000	57500
2050	1	40	58866	1366	57500	0
TOTALS			2300863	841863	1459000	

AMENDED WATER RATE RESOLUTION

A RESOLUTION OF THE BOARD OF WATER COMMISSIONERS OF ADAIR COUNTY WATER DISTRICT AMENDING RATES AND CHARGES FOR WATER SERVICE PROVIDED BY THE DISTRICT.

WHEREAS, Adair County Water District (the "District") is required to apply to the Kentucky Public Service Commission ("PSC") for a Certificate of Public Convenience and Necessity authorizing and permitting said District to construct downtown Columbia water system replacements and improvements (the "Project" or "Downtown Water System Replacement"), and,

WHEREAS, the District proposes to finance said Project through the issuance of \$1,459,000 of the District's "Water Revenue Bonds, Series of 2012," (the "Bonds") by the issuance thereof to the United States Department of Agriculture, Rural Development ("USDARD") supplemented by a USDARD Grant in the amount of \$595,000, and,

WHEREAS, the District will apply to the Kentucky Public Service Commission for a Certificate of Public Convenience and Necessity and approval of a Schedule of Rates and Charges for water service in accordance with a certain USDARD Letter of Conditions dated March 1, 2010, Amended by Letter of Conditions dated November 15, 2011, setting forth the conditions for the USDARD Loan:

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF WATER COMMISSIONERS OF THE ADAIR COUNTY WATER DISTRICT AS FOLLOWS:

1. That subject to PSC approval commencing with the billing period corresponding to the month of March, 2012, the District's rates and charges for water service shall be as follows:

<u>Gallonge Block</u>	<u>Existing Rate per Gallon</u>	<u>New Rates per Gallon</u>
5/8" x 3/4" Meter Size:		
First 2,000 gallons	\$15.35 Minimum Bill	\$19.90 Minimum Bill
Next 3,000 gallons	5.75 per 1,000 gallons	7.00 per 1,000 gallons
Next 5,000 gallons	5.00 per 1,000 gallons	6.25 per 1,000 gallons
Next 15,000 gallons	3.90 per 1,000 gallons	5.20 per 1,000 gallons
All Over 25,000 gallons	3.15 per 1,000 gallons	4.45 per 1,000 gallons
1" Meter Size:		
First 5,000 gallons	\$32.60 Minimum Bill	\$40.90 Minimum Bill
Next 5,000 gallons	5.00 per 1,000 gallons	6.25 per 1,000 gallons
Next 15,000 gallons	3.90 per 1,000 gallons	5.20 per 1,000 gallons
All Over 25,000 gallons	3.15 per 1,000 gallons	4.45 per 1,000 gallons
1 1/2" Meter Size:		
First 10,000 gallons	\$57.60 Minimum Bill	\$72.15 Minimum Bill
Next 15,000 gallons	3.90 per 1,000 gallons	5.20 per 1,000 gallons
All Over 25,000 gallons	3.15 per 1,000 gallons	4.45 per 1,000 gallons
2" Meter Size:		
First 16,000 gallons	\$81.00 Minimum Bill	\$103.35 Minimum Bill
Next 9,000 gallons	3.90 per 1,000 gallons	5.20 per 1,000 gallons
All Over 25,000 gallons	3.15 per 1,000 gallons	4.45 per 1,000 gallons

2. That all other rates and charges not specifically mentioned herein shall remain as presently effective.

3. That all resolutions or parts thereof of the District in conflict with the provisions of this Resolution are hereby repealed to the extent of such conflict.

4. That this Resolution shall become effective upon its adoption and the District's receipt of approval of the Public Service Commission.

Passed and adopted this 12th day of January, 2012.

ADAIR COUNTY WATER DISTRICT

Chairman

Attest:

Secretary/Treasurer

CERTIFICATE

I, the undersigned, duly authorized and acting Secretary/Treasurer of the Adair County Water District hereby certify that the foregoing is a true and correct copy of an Amended Water Rate Resolution passed and adopted by the Board of Water Commissioners of the District by 5 voting for and 0 voting against said adoption, at a regular meeting held on the 12th day of January, 2012 at which a quorum was present and voting throughout said meeting.

Dated this 12th day of January, 2012.

ADAIR COUNTY WATER DISTRICT

Secretary/Treasurer

**AFFIDAVIT OF DISTRICT CHAIRMAN REGARDING COMPLIANCE
WITH PUBLIC SERVICE COMMISSION REQUIREMENTS**

The undersigned, Danny Downey, being duly sworn states as follows:

The undersigned certifies that he is the duly authorized and acting Chairman of the Adair County Water District (the "District") which intends to file with the Public Service Commission of Kentucky ("PSC") a Petition seeking a Certificate of Public Convenience and Necessity in connection with the construction of additions and improvements to the District's water distribution system, consisting of (a) a new and enlarged central office facility, (b) construction of a new transmission water main and (c) a new booster pump station (the "Project" or "Downtown Water System Replacement").

The undersigned has executed this Affidavit in reliance upon information and advice of Monarch Engineering, Inc., Lawrenceburg, Kentucky (the "Engineers") which firm has been retained by the District to provide engineering services in connection with the Project as further defined in the Preliminary and Final Engineering Reports of said Engineers.

The undersigned states that the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements established 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.

The undersigned states that all other State approvals or permits have been obtained.

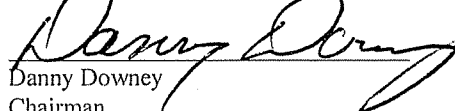
The undersigned further certifies that the Project is to be financed through the issuance of (a) the District's Water Revenue Bonds, Series of 2012, in the principal amount of approximately \$1,459,000 (the "Bonds") which are to be sold to the United States of America, acting through the U.S. Department of Agriculture, Rural Development ("USDARD"), and (b) a USDARD Grant in the amount of approximately \$595,000.

Based upon the information supplied by the Engineers, it is estimated that construction of the Project will commence March 1, 2012 and be completed May 1, 2010.

Based upon the advice of the Engineers and USDARD, the undersigned has been advised that an increase in water rates will be required by the District, as existing rates are estimated to be insufficient to meet the expenses incident to the operation and maintenance of the District's water distribution system and pay and retire all of the District's outstanding Water Revenue Bonds as well as certain of the City of Columbia Utilities Revenue Bonds assumed by the District upon acquisition of the City's Water and Sewer System.

Dated this 5 day of January, 2012.

ADAIR COUNTY WATER DISTRICT


Danny Downey
Chairman

Acknowledged before me by Danny Downey, Chairman of the Board of Water Commissioners of the Adair County Water District, on this 5 day of January, 2012.

My commission expires 4-24-12

Signature of Notary Jennifer Carter

Notary Public, Adair County Kentucky

Identification Number: _____, Certificate Number: _____

(Seal of Notary)



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


December 29, 2011

SUBJECT: Adair County Water District
Downtown Water Improvements- Phase 2- Section 1
Contract Award Concurrence

TO: Area Office
Columbia, 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, Southern Backhoe, Inc., in the amount of \$1,547,276.25.

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


THOMAS G. FERN
for State Director
Rural Development

cc: Monarch Engineering
Lawrenceburg, Kentucky

771 Corporate Drive • Suite 200 • Lexington, KY 40503
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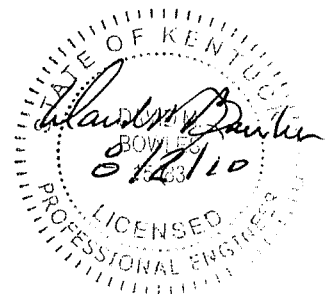
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**PRELIMINARY ENGINEERING REPORT
SPARKSVILLE WATER TRANSMISSION MAIN
DOWNTOWN WATER SYSTEM IMPROVEMENTS
NEW CENTRAL OFFICE CENTER**

**ADAIR COUNTY WATER DISTRICT
ADAIR COUNTY, KENTUCKY**

REVISED AUGUST 2010



**PRELIMINARY ENGINEERING REPORT
SPARKSVILLE WATER TRANSMISSION MAIN
DOWNTOWN WATER SYSTEM REPLACEMENT &
NEW CENTRAL OFFICE CENTER**

**ADAIR COUNTY WATER DISTRICT
ADAIR COUNTY, KENTUCKY**

I. GENERAL

This Preliminary Engineering Report is intended to analyze the proposed three phased water system improvements that are being planned by the Adair County Water District which will improve water system pressure in the southwest portion and downtown portions of the service area, and provide for a new and enlarged central office facility to accommodate the expanded responsibilities of the District as it takes on the operation of the City's water system. A new transmission water main is proposed to be constructed beginning at the intersection of Kentucky Highway 61 and the Cumberland Parkway and extend along Kentucky Highway 61 until the intersection of Kentucky Highway 61 and Kentucky Highway 768. In addition, a new booster pump station will also be constructed near the interchange of Kentucky Highway 61 and Cumberland Parkway to serve the southern portion of Adair County. The downtown areas that are being targeted for new water line replacement are in the areas of Hudson Street / Frazier Street, Highway 61 South, Lindsey Wilson College, and in and around the old Osh Kosh facility. The new water office is planned to be constructed in the vicinity of the new Wal-Mart facility adjacent to the new elevated water storage tank and it will be on property owned by the Water District.

II. PROJECT PLANNING AREA

The area to be affected by the construction will lie adjacent to present transportation routes and the new booster pumping station will be constructed adjacent to existing transportation routes. These areas are delineated on the attached maps. The topography of these areas is relatively flat and varies to gently rolling hills. The land use in this area is mainly agricultural with some light timber harvesting. Within the proposed service area there are no major commercial or industrial businesses expected.

The construction of the project will have a major impact upon the southern portion of the District's service area improving water pressures and volumes throughout the region. This area has experienced growth over the past twenty years since the first water lines were installed and the supply system is quickly approaching its capacity to provide an ample amount of water. Phase 1 of this project will connect with the existing transmission main and new existing 1.0 million gallon water storage tank at the intersection of Kentucky Highway 61 and Cumberland Parkway just behind the newly constructed Walmart facility. The construction will also have a minor impact upon the

entire water system operated by the District by relieving other portions of the water system from having to provide service to this area.

The areas that will be benefited will be the entire Southern portion of Adair County Water District's service area including the communities of Gadberry, Flatwoods, Sparksville, Breeding, and all of the surrounding areas.

The Phase 2 portion will be constructed along existing water line easements and city streets and rights of way and the new water office in the Phase 3 portion will be constructed on disturbed property owned by the Water District.

III. EXISTING FACILITIES

The Adair County Water District owns and operates the water distribution system that serves nearly the entire rural portion of Adair County. In addition, the District is in the process of acquiring the water and sewer systems that are owned and operated by the City of Columbia. The District purchases all of its water from the newly constructed water plant owned and operated by the Columbia/Adair County Water Commission. The District also purchases a small portion of its water for resale from the City of Jamestown. Water Purchase contracts with each supplier have recently been updated and at present the Water District does not exceed the contracted amount. Over 95 percent of the rural portion of Adair County is served with potable water through the Water District's network of water distribution and transmission lines.

The Adair County Water District operates the water system through a Board of Commissioners, Manager, office personnel and field personnel. The Commissioners serve a four year term and they are appointed by the Adair County Fiscal Court.

IV. NEED FOR THE PROJECT

The first phase of this three phased project is intended to eliminate a potentially serious health hazard in the communities in which it will serve. The Water District provides potable water service to all of rural Adair County and in the southern portion of the county, water supply and water pressure has been measured in several locations to be just above the regulatory limits. This situation is due primarily to the growth in this area coupled with the need to provide a safe and ample supply of drinking water to all of the residences of Adair County. In the event water pressure is reduced to a level that is below the regulatory standard, the potential for a health hazard exists which could lead to an area wide illness. These minimum operating pressures are set by federal and state officials and are designed to provide a safe supply of potable water, but when these levels are exceeded the chance for an unsafe condition exists. In addition, violations of these parameters will result in mediation efforts on the part of the Water District to correct the situation.

The Adair County Water District is proposing to construct a 12-inch transmission main that would extend from the intersection of Kentucky Highway 61 and Cumberland Parkway running south along Kentucky Highway 61 until the intersection of Kentucky Highway 61 and Kentucky Highway 768. The project also proposes to construct a new 750,000 gallon elevated water storage tank which will be located adjacent to the old Sparksville School.

The second phase is to address the old and deteriorated water lines that the Water District intends to take over operation of from the City of Columbia. Many of these water lines were constructed as early as the 1930's and investigations have revealed that water loss in the city system have been determined to be as high as 70 percent during some months. The plan is to reduce the water loss to an acceptable level by replacing the old existing water lines which will improve the water quality and pressure in the city system and will reduce the operating costs of the water plant by reducing the amount of water being produced.

V. ALTERNATIVES CONSIDERED

Based on the need for the continuation of the supply of potable water to the residents and small businesses in Adair County, the Adair County Water District is the only logical entity that can provide water service to these areas. The Kentucky Division of Water and the Kentucky Public Service Commission regulate the District and also mandate that the operation of the system be in compliance with the applicable rules and regulations. The Water District is the only utility that has jurisdiction to provide the water service to the new users. Increasing the storage capacity and also the capability of the Water District to adequately transport water to its customers is a necessity and enforced by the regulatory agencies that regulate the operation of the Water District.

Alternatives considered for the 12-inch transmission main consisted of constructing a water transmission main through the City of Columbia in order to increase the volume of water that could be delivered to the District's service area. Other routes were considered for the location of the transmission main but due to the new development of Kentucky Highway 61 the proposed route was chosen.

Alternatives considered for the improvements to the downtown areas were limited based on the fact that it has been well documented that there is a significant amount of old and leaking water lines scattered throughout the city water system. The alternatives that were considered were in the study of changing the size of the four pressure zones that currently are set to serve the city area along with the delivery and service routes in which the water flows in order to provide continuous and safe water service.

VI. PROPOSED PROJECT

Phase 1 of the proposed project consists of the installation of approximately 34,000 linear feet of 12-inch transmission water main and appurtenances and also the construction of a

new water booster pumping station to enhance the District's operation particularly in the southern portion of the service area. The water transmission main will be constructed of ductile iron material and it will extend from the intersection of Kentucky Highway 61 and Cumberland Parkway running parallel in a southern direction along Kentucky Highway 61 until the intersection of Kentucky Highway 768. Also included is the construction of a 750,000 gallon water storage tank at the intersection of Kentucky Highway 61 and Kentucky Highway 768 to provide water storage and increased water pressures in the Sparksville area.

Phase 2 consists of replacing all or a portion of 44,000 feet of various size water lines within the city limits of Columbia. Also planned are the replacement of approximately 380 water meters that are suspected of not accurately measuring the amount of water that is being sold.

Phase 3 consists of constructing a new water office that will be larger than the existing facility and better suited to accommodate the day to day operation of the Water District along with the additional duties in owning and operating the City's old water system.

An itemized cost estimate is included in this report and outlines all of the individual construction items along with their associated estimated unit costs. A summary cost estimate recaps all of the project costs and outlines the funding scheme for the project, which is also included in this report. The construction cost of the expansion and improvements for Phase 1 is estimated to be \$3,392,000 with funding being provided by a grant in the amount of \$1,000,000, a loan in the amount of \$1,054,000 from the USDA Rural Development Agency and the remainder to be from a loan from the Commonwealth of Kentucky through their State Revolving Loan Fund program. For Phase 2 and Phase 3, an allotment of \$1,590,000 and \$300,000 respectively have been earmarked for these two phases and construction is estimated to take place approximately six months after construction bids have been received for the Phase 1 portion. The total amount of funds that will be used for these remaining two phases of work will be dependent upon the cost of Phase 1. Overall, the total project cost for all three phases has been estimated to be \$6,054,000.00.

VII. CONCLUSIONS AND RECOMMENDATIONS

Based on the need for the Water District to maintain the required level of service in providing a potable water supply combined with the responsibility to transport water throughout the Adair County Water System, it is recommended that the Adair County Water District pursue the financial assistance as outlined above in order that these extensions and improvements can be implemented. The Water District is the only major supplier of potable water within the rural areas of Adair County and their system is situated such that these extensions could be made without adversely affecting service to their other customers.

**FINAL COST ESTIMATE
 PROPOSED WATER SYSTEM IMPROVEMENTS
 SPARKSVILLE TRANSMISSION MAIN
 DOWNTOWN WATER SYSTEM IMPROVEMENTS
 NEW CENTRAL OFFICE CENTER
 ADAIR COUNTY WATER DISTRICT
 AUGUST 2010**

PROJECT COSTS

DEVELOPMENT - PHASE 1

WATER TRANSMISSION MAIN	\$2,187,000
WATER STORAGE TANK	1,205,000
CONTINGENCY	340,000
ENGINEERING DESIGN	240,000
CONSTRUCTION INSPECTION	132,000
DEVELOPMENT - PHASE 2 DOWNTOWN WATER LINE REPLACEMENT	1,590,000
DEVELOPMENT - PHASE 3 NEW CENTRAL OFFICE CENTER	300,000
LAND & RIGHTS	25,000
LEGAL & ADMINISTRATIVE	20,000
INTEREST	<u>15,000</u>
TOTAL PROJECT COSTS	\$6,054,000

**FINAL COST ESTIMATE
PROPOSED WATER SYSTEM IMPROVEMENTS
SPARKSVILLE TRANSMISSION MAIN
DOWNTOWN WATER SYSTEM IMPROVEMENTS
NEW CENTRAL OFFICE CENTER
ADAIR COUNTY WATER DISTRICT
AUGUST 2010**

PROJECT FINANCING

STATE REVOLVING FUND LOAN	\$4,000,000
RURAL DEVELOPMENT GRANT	595,000
RURAL DEVELOPMENT LOAN	<u>1,459,000</u>
TOTAL PROJECT COSTS	\$ 6,054,000

**PRELIMINARY COST ESTIMATE
 PROPOSED WATER SYSTEM IMPROVEMENTS
 SPARKSVILLE AREA WATER STORAGE TANK
 ADAIR COUNTY WATER DISTRICT
 JUNE 2009**

750,000 GALLON STORAGE TANK

ITEM NO.	DESCRIPTION	QUANTITY	UNIT COST	TOTAL COST
1	Site Work	1 LS	\$60,000.00	60,000.00
2	Tank Foundation	1 LS	150,000.00	150,000.00
3	Tank Fabrication	1 LS	520,000.00	520,000.00
4	Tank Erection	1 LS	250,000.00	250,000.00
5	Tank Coatings	1 LS	80,000.00	80,000.00
6	Yard Piping	1 LS	50,000.00	50,000.00
7	Valve Vault	1 LS	45,000.00	45,000.00
8	Telemetry Control	1 LS	30,000.00	30,000.00
9	Security Fence	1 LS	20,000.00	20,000.00
Subtotal				\$1,205,000.00
Contingency				120,000.00
Total Construction				\$1,325,000.00

**PRELIMINARY COST ESTIMATE
 PROPOSED WATER SYSTEM IMPROVEMENTS
 SPARKSVILLE WATER TRANSMISSION MAIN
 ADAIR COUNTY WATER DISTRICT
 JUNE 2009**

12-INCH TRANSMISSION MAIN

ITEM NO.	DESCRIPTION	QUANTITY	UNIT COST	TOTAL COST
1	12-Inch Water Transmission Main	34,000 LF	\$36.00	\$1,224,000.00
2	8-Inch Water Transmission Main	18,000 LF	20.00	360,000.00
3	Bore & Case for 12-Inch Water Line	600 LF	140.00	84,000.00
4	Bore & Case for 8-Inch Water Line	200 LF	100.00	20,000.00
5	Creek Crossing for 12-Inch Water Line	300 LF	100.00	30,000.00
6	Creek Crossing for 8-Inch Water Line	200 LF	80.00	16,000.00
7	12-Inch Gate Valve	16 EA	3,000.00	48,000.00
8	8-Inch Gate Valve	8 EA	2,000.00	16,000.00
9	Flush Hydrant	8 EA	3,000.00	24,000.00
10	Air Release Valve	4 EA	2,500.00	10,000.00
11	Connection	8 EA	5,000.00	40,000.00
12	Master Meter	1 EA	15,000.00	15,000.00
13	Booster Pump Station	1 LS	300,000.00	300,000.00
Subtotal				\$2,187,000.00
Contingency				219,000.00
Total Construction				\$2,406,000.00

**PRELIMINARY COST ESTIMATE
DOWNTOWN WATER SYSTEM IMPROVEMENTS
HUDSON STREET / FRAZIER AVENUE AREA
COLUMBIA / ADAIR UTILITIES DISTRICT
SEPTEMBER 2010**

ITEM NO.	DESCRIPTION	QUANTITY	UNIT COST	TOTAL COST
1	6-Inch Water Line	22,000 LF	\$25.00	\$550,000.00
2	Bore & Case for 6-Inch Water Line	100 LF	100.00	10,000.00
3	6-Inch Gate Valve	30 EA	600.00	18,000.00
4	Connection for 6-Inch WL	16 EA	2,500.00	40,000.00
5	Hydrant	50 EA	2,500.00	125,000.00
6	Meter Replacement	220 EA	1,500.00	330,000.00
7	3/4-Inch Service Tubing	11,000 EA	6.00	66,000.00
8	Pavement Replcement	17,000 EA	25.00	425,000.00
9	Sidewalk Replacement	0 LF	10.00	0.00
Subtotal				\$1,564,000.00
Contingency				156,000.00
Total Construction				\$1,720,000.00

**PRELIMINARY COST ESTIMATE
DOWNTOWN WATER SYSTEM IMPROVEMENTS
HIGHWAY 61 SOUTH AREA
COLUMBIA / ADAIR UTILITIES DISTRICT
SEPTEMBER 2010**

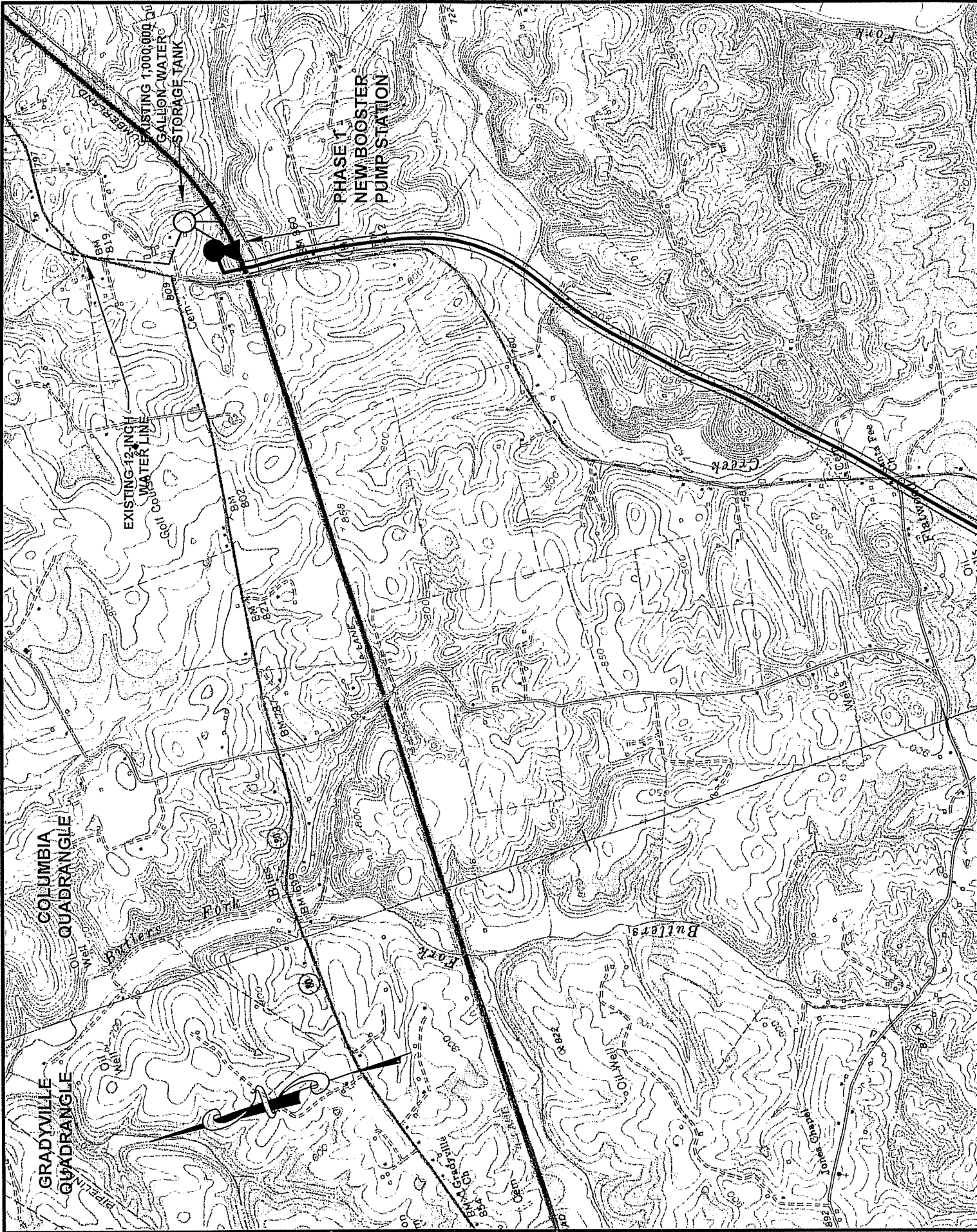
ITEM NO.	DESCRIPTION	QUANTITY	UNIT	COST	TOTAL COST
1	8-Inch Water Line	5,000	LF	\$32.00	\$160,000.00
2	6-Inch Water Line	1,500	LF	25.00	37,500.00
3	8-Inch Gate Valve	8	EA	800.00	6,400.00
4	6-Inch Gate Valve	4	EA	600.00	2,400.00
5	Connection for 8-Inch WL	8	EA	3,500.00	28,000.00
6	Connection for 6-Inch WL	4	EA	2,500.00	10,000.00
7	Hydrant	14	EA	2,500.00	35,000.00
8	Meter Replacement	60	EA	1,500.00	90,000.00
9	3/4-Inch Service Tubing	3,000	EA	6.00	18,000.00
10	Pavement Replacment	1,500	EA	25.00	37,500.00
11	Sidewalk Replacement	5,000	LF	10.00	50,000.00
Subtotal					\$474,800.00
Contingency					47,200.00
Total Construction					\$522,000.00

**PRELIMINARY COST ESTIMATE
DOWNTOWN WATER SYSTEM IMPROVEMENTS
LINDSEY WILSON AREA
COLUMBIA / ADAIR UTILITIES DISTRICT
SEPTEMBER 2010**

ITEM NO.	DESCRIPTION	QUANTITY	UNIT	COST	TOTAL COST
1	12-Inch Water Line	4,000	LF	\$45.00	\$180,000.00
2	6-Inch Water Line	5,400	LF	25.00	135,000.00
3	12-Inch Gate Valve	12	EA	1,200.00	14,400.00
4	6-Inch Gate Valve	16	EA	600.00	9,600.00
5	Connection for 8-Inch WL	10	EA	5,000.00	50,000.00
6	Connection for 6-Inch WL	10	EA	2,500.00	25,000.00
7	Hydrant	30	EA	2,500.00	75,000.00
8	Meter Replacement	90	EA	1,500.00	135,000.00
9	3/4-Inch Service Tubing	4,500	EA	6.00	27,000.00
10	Pavement Replacment	8,000	EA	25.00	200,000.00
11	Sidewalk Replacement	0	LF	10.00	0.00
Subtotal					\$851,000.00
Contingency					85,000.00
Total Construction					\$936,000.00

**PRELIMINARY COST ESTIMATE
DOWNTOWN WATER SYSTEM IMPROVEMENTS
OSH KOSH AREA
COLUMBIA / ADAIR UTILITIES DISTRICT
SEPTEMBER 2010**

ITEM NO.	DESCRIPTION	QUANTITY	UNIT COST	TOTAL COST
1	8-Inch Water Line	5,000 LF	\$32.00	\$160,000.00
2	6-Inch Water Line	1,000 LF	25.00	25,000.00
3	Parkway Bore & Case for 8-Inch Water Line	600 LF	200.00	120,000.00
4	8-Inch Gate Valve	12 EA	800.00	9,600.00
5	6-Inch Gate Valve	4 EA	600.00	2,400.00
6	Connection for 8-Inch WL	12 EA	3,500.00	42,000.00
7	Connection for 6-Inch WL	4 EA	2,500.00	10,000.00
8	Hydrant	10 EA	2,500.00	25,000.00
9	Meter Replacement	10 EA	1,500.00	15,000.00
10	3/4-Inch Service Tubing	500 EA	6.00	3,000.00
11	Pavement Replacment	500 EA	25.00	12,500.00
12	Sidewalk Replacement	0 LF	10.00	0.00
		Subtotal		\$424,500.00
		Contingency		42,500.00
		Total Construction		\$467,000.00



COLUMBIA
QUADRANGLE

GRADYVILLE
QUADRANGLE

PHASE 1
NEW BOOSTER
PUMP STATION

EXISTING 12-INCH
WATER LINE

EXISTING 1,000,000
GALLON WATER
STORAGE TANK

Butlers
Fork

Creek



COLUMBIA QUADRANGLE

CRESTVIEW LOOP
REPLACE APPROXIMATELY
400 LF OF 6-INCH AC WATER LINE AND
700 LF OF 2-INCH WATER LINE WITH NEW
6-INCH WATER LINE

RICE DRIVE
REPLACE APPROXIMATELY 1,200
LF OF 6-INCH AC WATER LINE
WITH NEW 6-INCH WATER LINE

LEE STREET
REPLACE APPROXIMATELY 1,200
LF OF 6-INCH AC WATER LINE
WITH NEW 6-INCH WATER LINE

BLUEGRASS DRIVE
REPLACE APPROXIMATELY
800 LF OF 6-INCH AC WATER LINE
WITH NEW 6-INCH WATER LINE

KY 439/GREENSBURG STREET
REPLACE APPROXIMATELY
2,800 LF OF 6-INCH WATER LINE
WITH NEW 6-INCH WATER LINE

PICKETT STREET
REPLACE APPROXIMATELY
400 LF OF 6-INCH AC WATER
LINE WITH NEW 6-INCH
WATER LINE

MACK STREET
REPLACE APPROXIMATELY 500 LF OF
4-INCH & 500 LF OF 1-INCH WATER
LINE WITH NEW 6-INCH WATER LINE

Sewage
Disposal

WATSON STREET
REPLACE APPROX. 300
LF OF 6-INCH AC WATER
LINE WITH NEW 6-INCH
WATER LINE

Casey Sch
Adair Sch
High Sch

Columbia
(BM 752)

MARSHALL STREET
REPLACE APPROXIMATELY 1,900 LF
OF 4-INCH AC WATER LINE WITH
NEW 6-INCH WATER LINE

PAUL STREET
REPLACE APPROXIMATELY 700 LF
OF 6-INCH WATER LINE WITH NEW
6-INCH WATER LINE

WALKER STREET
REPLACE APPROXIMATELY 1,200 LF
OF 4-INCH AC WATER LINE WITH
NEW 6-INCH WATER LINE

N. FRAZIER AVENUE
REPLACE APPROXIMATELY 2,800 LF
OF 6-INCH AC WATER LINE WITH
NEW 6-INCH WATER LINE

MITCHELL STREET
REPLACE APPROXIMATELY 500 LF OF
6-INCH, 600 LF OF 4-INCH & 500 LF OF 2-INCH
WATER LINE WITH NEW 6-INCH WATER LINE

Radio Tower

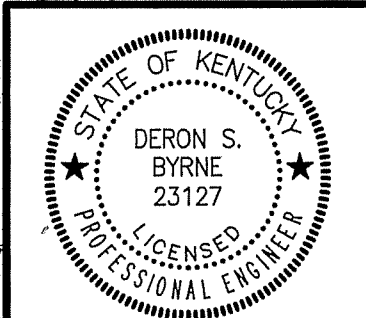
UNKNOWN
REPLACE APPROXIMATELY 500 LF
OF 6-INCH AC WATER LINE WITH
NEW 6-INCH WATER LINE

HWY 61/HUDSON STREET
REPLACE APPROXIMATELY 3,700 LF
OF 6-INCH AC WATER LINE WITH
NEW 6-INCH WATER LINE

BAKER STREET
REPLACE APPROXIMATELY 800 LF
OF 2-INCH WATER LINE WITH NEW
6-INCH WATER LINE

Fork

SCALE 1" = 1,000'



**HUDSON/FRAZIER AREA
ADAIR COUNTY WATER DISTRICT
ADAIR COUNTY, KENTUCKY**

M
Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, KY

COLUMBIA
QUADRANGLE

TAYLOR STREET
REPLACE APPROXIMATELY 800 LF
OF 6-INCH AC WATER LINE & 700 LF
OF 4-INCH WATER LINE WITH NEW
8-INCH WATER LINE

Radio Tower

61 SOUTH/BURKESVILLE ROAD
REPLACE APPROXIMATELY 2,200 LF
OF 6-INCH AC WATER LINE & 2,800 LF
OF 4-INCH WATER LINE WITH NEW
8-INCH WATER LINE

LANCASTER STREET
REPLACE APPROXIMATELY
800 LF OF 4-INCH WATER LINE
WITH NEW 8-INCH WATER LINE

SCALE 1" = 500'



61 SOUTH AREA
ADAIR COUNTY WATER DISTRICT
ADAIR COUNTY, KENTUCKY

M
Monarch Engineering, Inc.

556 Carlton Drive
Lawrenceburg, KY

COLUMBIA
QUADRANGLE

FAIRGROUNDS
REPLACE APPROXIMATELY
800 LF OF 4-INCH WATER LINE
WITH NEW 6-INCH WATER LINE

LINDSEY WILSON STREET
REPLACE APPROXIMATELY
4,800 LF OF 8-INCH, 6-INCH &
4-INCH WATER LINE WITH
NEW 12-INCH WATER LINE

SHORT STREET
REPLACE APPROXIMATELY
500 LF OF 4-INCH WATER LINE
WITH NEW 6-INCH WATER LINE

Lindsey
Wilson
College

YOUNG STREET
REPLACE APPROXIMATELY
1,300 LF OF 4-INCH WATER LINE
WITH NEW 6-INCH WATER LINE

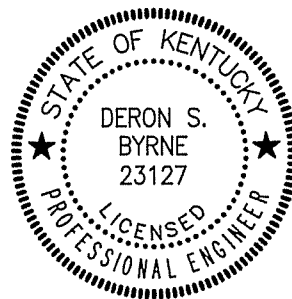
LOWES LANE
REPLACE APPROXIMATELY
200 LF OF 4-INCH WATER LINE
WITH NEW 6-INCH WATER LINE

Filtration
Plant

BLAKE STREET
REPLACE APPROXIMATELY
500 LF OF 2-INCH WATER LINE
WITH NEW 6-INCH WATER LINE

ADAIR AVENUE
REPLACE APPROXIMATELY
900 LF OF 4-INCH WATER LINE
WITH NEW 6-INCH WATER LINE

LINDSEY WILSON AREA
ADAIR COUNTY WATER DISTRICT
ADAIR COUNTY, KENTUCKY



M
Monarch Engineering, Inc.

556 Carlton Drive
Lawrenceburg, KY

SCALE 1" = 500'

COLUMBIA
QUADRANGLE

BM
774

Cem

860

Columb
889

DOC WALKER ROAD
REPLACE APPROXIMATELY
2,500 LF OF 6-INCH WATER LINE
WITH NEW 6-INCH WATER LINE

PARKVIEW DRIVE
REPLACE APPROXIMATELY
5,000 LF OF 8-INCH WATER LINE
WITH NEW 8-INCH WATER LINE

SCALE 1" = 500'



OSHKOSH AREA
ADAIR COUNTY WATER DISTRICT
ADAIR COUNTY, KENTUCKY

M Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, KY

COLUMBIA
QUADRANGLE

Drive-in
Theater

797

BM
819

PROPOSED NEW
CENTRAL OFFICE CENTER

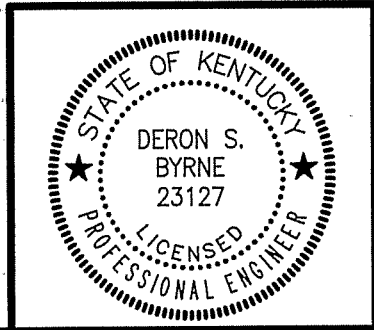
809

CUMBERLAND

RECENTLY CONSTRUCTED
1.0 MILLION GALLON TANK

BM 860

SCALE 1" = 500'



CENTRAL OFFICE CENTER
ADAIR COUNTY WATER DISTRICT
ADAIR COUNTY, KENTUCKY

M
Monarch Engineering, Inc.

556 Carlton Drive
Lawrenceburg, KY

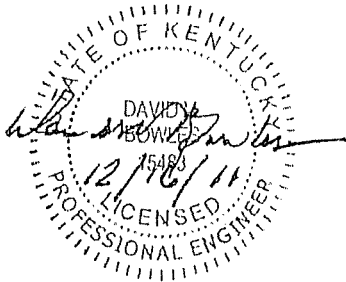
FINAL ENGINEERING REPORT

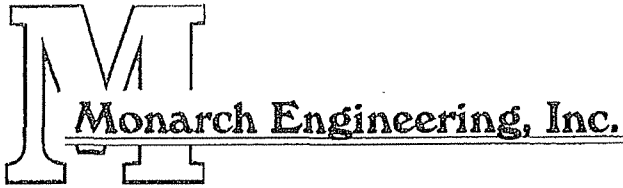
DOWNTOWN WATER SYSTEM IMPROVEMENTS

PHASE 1 – SECTION 2

COLUMBIA / ADAIR UTILITIES DISTRICT
ADAIR COUNTY, KENTUCKY

DECEMBER 2011





December 16, 2011

Mr. Danny Downey, Chairman
Adair County Water District
P.O. Box 567
Columbia, KY 42728

Re: Downtown Water System Improvements, Phase 2 – Section 1

Dear Mr. Downey:

On December 15, 2011, bids were received by the Columbia / Adair Utilities District for the construction of the Downtown Water System Improvements, Phase 2 – Section 1. Seven bids were received with the lowest bid being submitted by Southern Backhoe, Inc. located in Campbellsville, KY, in the amount of \$1,547,276.25. A summarized bid tabulation of all bids received and the Final Project Budget is attached.

Due to the competitive results of the bids and the fact that the lowest bid submitted is of an amount that is within the project budget we recommend that the Utilities District consider awarding a contract to Southern Backhoe, Inc. in the amount of \$1,547,276.25. This recommendation is contingent upon approval from the Rural Development Agency and the Kentucky Public Service Commission. In addition, we urge you to expedite this action so that you can implement the much needed rate increase that is dependent upon approval by both the above mentioned agencies.

Should you need additional information, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read 'David M. Boyles', is written over a horizontal line.

David M. Boyles, P.E.

/dmb

Cc Kevin Antle
Rural Development

Vernon Brown
Rural Development

**FINAL COST ESTIMATE
 PROPOSED WATER SYSTEM IMPROVEMENTS
 DOWNTOWN WATER SYSTEM IMPROVEMENTS PHASE 2 - SECTION 1
 COLUMBIA / ADAIR UTILITIES DISTRICT
 DECEMBER 2011**

PROJECT COSTS

DEVELOPMENT	\$1,547,276.25
CONTINGENCY	266,864.38
ENGINEERING DESIGN (8.19%)	126,721.92
CONSTRUCTION INSPECTION (5.05%)	78,137.45
LEGAL & ADMINISTRATIVE	20,000.00
INTEREST	<u>15,000.00</u>
TOTAL PROJECT COSTS	2,054,000.00

PROJECT FINANCING

RURAL DEVELOPMENT GRANT	\$595,000.00
RURAL DEVELOPMENT LOAN	<u>1,459,000.00</u>
TOTAL PROJECT COSTS	2,054,000.00

BID TABULATIONS
 COLUMBIA/ADAIR UTILITIES DISTRICT
 DOWNTOWN WATER SYSTEM REPLACEMENTS
 PHASE 2 - SECTION 1

ADAIR COUNTY, KENTUCKY

BID DATE: DECEMBER 15, 2011 @ 11:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	Southern Backhoe, Inc. 808 West Main St. Campbellsville, KY 42718		Stotts Construction Co. P.O. Box 1689 Columbia, KY 42728		Walter Martin Excavating, Inc. 698 Highway 1383 Russell Springs, KY 42642	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	BASE BID							
1	12-Inch Ductile Iron CL350 Water Line	4,300 LF	\$42.00	\$180,600.00	\$45.00	\$193,500.00	\$58.50	\$251,550.00
2	8-Inch PVC SDR 21 Water Line	8,105 LF	19.75	160,073.75	24.00	194,520.00	26.50	214,782.50
3	6-Inch PVC SDR 21 Water Line	13,350 LF	15.75	210,262.50	18.00	240,300.00	25.75	343,762.50
4	4-Inch PVC SDR 21 Water Line	1,490 LF	20.00	29,800.00	12.00	17,880.00	19.00	28,310.00
5	3-Inch PVC SDR 21 Water Line	200 LF	25.00	5,000.00	9.00	1,800.00	18.00	3,600.00
6	Bore & Case for 12-Inch Water Line	70 LF	200.00	14,000.00	180.00	12,600.00	225.00	15,750.00
7	Bore & Case for 8-Inch Water Line	310 LF	165.00	51,150.00	125.00	38,750.00	150.00	46,500.00
8	Bore & Case for 6-Inch Water Line	150 LF	150.00	22,500.00	120.00	18,000.00	120.00	18,000.00
9	Bore & Case for 3-Inch Water Line	40 LF	120.00	4,800.00	100.00	4,000.00	100.00	4,000.00
10	Creek Crossing for 6-Inch Water Line	20 LF	200.00	4,000.00	50.00	1,000.00	165.00	3,300.00
11	12-Inch x 12-Inch Connection	1 EA	2,200.00	2,200.00	4,200.00	4,200.00	2,350.00	2,350.00
12	10-Inch x 12-Inch Connection	1 EA	2,000.00	2,000.00	3,800.00	3,800.00	2,480.00	2,480.00
13	8-Inch x 8-Inch Connection	3 EA	1,800.00	5,400.00	3,200.00	9,600.00	3,150.00	9,450.00
14	8-Inch x 6-Inch Connection	3 EA	1,700.00	5,100.00	2,300.00	6,900.00	1,770.00	5,310.00
15	6-Inch x 12-Inch Connection	1 EA	1,680.00	1,680.00	2,300.00	2,300.00	2,000.00	2,000.00
16	6-Inch x 8-Inch Connection	10 EA	1,680.00	16,800.00	2,200.00	22,000.00	2,000.00	20,000.00
17	6-Inch x 6-Inch Connection	5 EA	1,680.00	8,400.00	2,200.00	11,000.00	1,900.00	9,500.00
18	6-Inch x 4-Inch Connection	2 EA	1,650.00	3,300.00	2,500.00	5,000.00	1,900.00	3,800.00
19	4-Inch x 8-Inch Connection	1 EA	1,650.00	1,650.00	2,200.00	2,200.00	2,000.00	2,000.00
20	4-Inch x 6-Inch Connection	3 EA	1,650.00	4,950.00	2,500.00	7,500.00	2,000.00	6,000.00
21	4-Inch x 4-Inch Connection	1 EA	1,650.00	1,650.00	2,500.00	2,500.00	1,750.00	1,750.00
22	3-Inch x 3-Inch Connection	1 EA	1,650.00	1,650.00	2,200.00	2,200.00	1,750.00	1,750.00
23	12-Inch Gate Valve	6 EA	2,200.00	13,200.00	2,500.00	15,000.00	1,950.00	11,700.00

BID TABULATIONS
COLUMBIA/AIR UTILITIES DISTRICT
DOWNTOWN WATER SYSTEM REPLACEMENTS

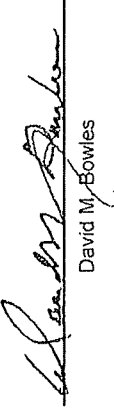
PHASE 2 - SECTION 1

ADAIR COUNTY, KENTUCKY

BID DATE: DECEMBER 15, 2011 @ 11:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	Southern Backhoe, Inc. 808 West Main St. Campbellsville, KY 42718		Stotts Construction Co. P.O. Box 1689 Columbia, KY 42728		Walter Martin Excavating, Inc. 698 Highway 1383 Russell Springs, KY 42642	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	BASE BID (Continued)							
24	10-Inch Gate Valve	1 EA	2,150.00	2,150.00	2,300.00	2,300.00	1,675.00	1,675.00
25	8-Inch Gate Valve	21 EA	1,475.00	30,975.00	1,600.00	33,600.00	1,000.00	21,000.00
26	6-Inch Gate Valve	42 EA	1,000.00	42,000.00	950.00	39,900.00	730.00	30,660.00
27	4-Inch Gate Valve	10 EA	900.00	9,000.00	850.00	8,500.00	570.00	5,700.00
28	3-Inch Gate Valve	3 EA	875.00	2,625.00	700.00	2,100.00	520.00	1,560.00
29	3-Way Flush Hydrant	25 EA	3,500.00	87,500.00	3,100.00	77,500.00	3,000.00	75,000.00
30	2-Way Flush Hydrant	2 EA	3,300.00	6,600.00	2,600.00	5,200.00	2,600.00	5,200.00
31	Blowoff Assembly	1 EA	1,200.00	1,200.00	1,400.00	1,400.00	925.00	925.00
32	Meter Setting	335 EA	750.00	251,250.00	840.00	281,400.00	880.00	294,800.00
33	3/4-Inch Service Tubing	8,770 LF	10.00	87,700.00	5.25	46,042.50	6.00	52,620.00
34	1-Inch Meter Setting	5 EA	4,000.00	20,000.00	3,700.00	18,500.00	4,100.00	20,500.00
35	2-Inch Meter Setting	5 EA	8,000.00	40,000.00	7,500.00	37,500.00	8,400.00	42,000.00
36	Full Width Pavement Replacement	5,115 LF	14.00	71,610.00	29.00	148,335.00	29.00	148,335.00
37	Incidental Pavement Crossings	6,775 LF	20.00	135,500.00	15.00	101,625.00	18.50	125,337.50
38	Exploration	30 HR	300.00	9,000.00	300.00	9,000.00	70.00	2,100.00
	TOTAL BASE BID			\$1,547,276.25		\$1,629,452.50		\$1,835,057.50

THE ABOVE IS A TRUE AND COMPLETE TABULATION OF BIDS RECEIVED AT 11:00A.M. LOCAL TIME, THURSDAY, DECEMBER 15, 2011 AT THE COLUMBIA/AIR UTILITIES DISTRICT.

BY:  12/16/11
 DATE

David M. Bowles

BID TABULATIONS
COLUMBIA/ADAIR UTILITIES DISTRICT
DOWNTOWN WATER SYSTEM REPLACEMENTS
PHASE 2 - SECTION 1

BID DATE: DECEMBER 15, 2011 @ 11:00 A.M. LOCAL TIME
ADAIR COUNTY, KENTUCKY

ITEM NO.	DESCRIPTION	QUANTITY	Cleary Construction, Inc. 2006 Edmonton Rd. Tompkinsville, KY 42167		Garrison Const. Co., Inc. 6960 Greensburg Rd. Greensburg, KY 42743		Twin States Utilities, Inc. P.O. Box 14 Mt Hermon, KY 42157	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	BASE BID							
1	12-Inch Ductile Iron CL350 Water Line	4,300 LF	\$52.00	\$223,600.00	\$53.00	\$227,900.00	\$65.00	\$279,500.00
2	8-Inch PVC SDR 21 Water Line	8,105 LF	29.00	235,045.00	29.00	235,045.00	44.00	356,620.00
3	6-Inch PVC SDR 21 Water Line	13,350 LF	26.00	347,100.00	25.95	346,432.50	41.00	547,350.00
4	4-Inch PVC SDR 21 Water Line	1,490 LF	22.00	32,780.00	24.35	36,281.50	38.00	56,620.00
5	3-Inch PVC SDR 21 Water Line	200 LF	23.00	4,600.00	24.65	4,930.00	35.00	7,000.00
6	Bore & Case for 12-Inch Water Line	70 LF	200.00	14,000.00	195.00	13,650.00	245.00	17,150.00
7	Bore & Case for 8-Inch Water Line	310 LF	153.00	47,430.00	145.00	44,950.00	150.00	46,500.00
8	Bore & Case for 6-Inch Water Line	150 LF	115.00	17,250.00	110.00	16,500.00	145.00	21,750.00
9	Bore & Case for 3-Inch Water Line	40 LF	93.00	3,720.00	90.00	3,600.00	115.00	4,600.00
10	Creek Crossing for 6-Inch Water Line	20 LF	100.00	2,000.00	85.00	1,700.00	85.00	1,700.00
11	12-Inch x 12-Inch Connection	1 EA	2,750.00	2,750.00	2,150.00	2,150.00	4,500.00	4,500.00
12	10-Inch x 12-Inch Connection	1 EA	2,650.00	2,650.00	1,940.00	1,940.00	4,000.00	4,000.00
13	8-Inch x 8-Inch Connection	3 EA	2,100.00	6,300.00	1,545.00	4,635.00	3,700.00	11,100.00
14	8-Inch x 6-Inch Connection	3 EA	1,900.00	5,700.00	1,450.00	4,350.00	3,300.00	9,900.00
15	6-Inch x 12-Inch Connection	1 EA	1,800.00	1,800.00	1,435.00	1,435.00	3,000.00	3,000.00
16	6-Inch x 8-Inch Connection	10 EA	1,600.00	16,000.00	1,325.00	13,250.00	2,500.00	25,000.00
17	6-Inch x 6-Inch Connection	5 EA	1,500.00	7,500.00	1,325.00	6,625.00	2,500.00	12,500.00
18	6-Inch x 4-Inch Connection	2 EA	1,370.00	2,740.00	1,295.00	2,590.00	2,100.00	4,200.00
19	4-Inch x 8-Inch Connection	1 EA	1,350.00	1,350.00	1,275.00	1,275.00	2,100.00	2,100.00
20	4-Inch x 6-Inch Connection	3 EA	1,260.00	3,780.00	1,165.00	3,495.00	2,100.00	6,300.00
21	4-Inch x 4-Inch Connection	1 EA	1,250.00	1,250.00	1,110.00	1,110.00	2,100.00	2,100.00
22	3-Inch x 3-Inch Connection	1 EA	1,160.00	1,160.00	1,115.00	1,115.00	2,100.00	2,100.00
23	12-Inch Gate Valve	6 EA	2,000.00	12,000.00	2,035.00	12,210.00	2,500.00	15,000.00

MONARCH ENGINEERING, INC.
 556 Carleton Drive
 Lawrenceburg, KY 40342
 Phone (502) 839-1310
 Fax (502) 839-1375

BID TABULATIONS
COLUMBIA/AIRAIR UTILITIES DISTRICT
DOWNTOWN WATER SYSTEM REPLACEMENTS
PHASE 2 - SECTION 1

ADAIR COUNTY, KENTUCKY

BID DATE: DECEMBER 15, 2011 @ 11:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	Cleary Construction 2006 Edmonon Rd Tompkinsville, KY 42167		Garrison Const. Co., Inc. 6960 Greensburg Rd. Greensburg, KY 42743		Twin States Utilities, Inc. P.O. Box 14 Mt. Hermon, KY 42157	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	BASE BID (Continued)							
24	10-Inch Gate Valve	1 EA	1,800.00	1,800.00	1,800.00	1,800.00	2,200.00	2,200.00
25	8-Inch Gate Valve	21 EA	1,200.00	25,200.00	1,095.00	22,995.00	1,600.00	33,600.00
26	6-Inch Gate Valve	42 EA	900.00	37,800.00	820.00	34,440.00	1,300.00	54,600.00
27	4-Inch Gate Valve	10 EA	740.00	7,400.00	645.00	6,450.00	1,200.00	12,000.00
28	3-Inch Gate Valve	3 EA	660.00	1,980.00	590.00	1,770.00	1,150.00	3,450.00
29	3-Way Flush Hydrant	25 EA	2,940.00	73,500.00	3,065.00	76,625.00	3,500.00	87,500.00
30	2-Way Flush Hydrant	2 EA	2,520.00	5,040.00	2,715.00	5,430.00	3,000.00	6,000.00
31	Blowoff Assembly	1 EA	1,000.00	1,000.00	1,050.00	1,050.00	1,200.00	1,200.00
32	Meter Setting	335 EA	800.00	268,000.00	1,115.00	373,525.00	1,000.00	335,000.00
33	3/4-inch Service Tubing	8,770 LF	7.00	61,390.00	10.15	89,015.50	20.00	175,400.00
34	1-inch Meter Setting	5 EA	3,470.00	17,350.00	5,200.00	26,000.00	4,000.00	20,000.00
35	2-inch Meter Setting	5 EA	7,550.00	37,750.00	9,960.00	49,800.00	8,000.00	40,000.00
36	Full Width Pavement Replacement	5,115 LF	35.00	179,025.00	33.00	168,795.00	35.00	179,025.00
37	Incidental Pavement Crossings	6,775 LF	26.00	176,150.00	19.80	134,145.00	25.00	169,375.00
38	Exploration	30 HR	175.00	5,250.00	120.00	3,600.00	300.00	9,000.00
	TOTAL BASE BID			\$1,891,140.00		\$1,982,609.50		\$2,568,940.00

MONARCH ENGINEERING, INC.
 556 Carlton Drive
 Lawrenceburg, KY 40342
 Phone (502) 839-1310
 Fax (502) 839-1373

BID TABULATIONS
COLUMBIA/ADAIR UTILITIES DISTRICT
DOWNTOWN WATER SYSTEM REPLACEMENTS
PHASE 2 - SECTION 1

ADAIR COUNTY, KENTUCKY

BID DATE: DECEMBER 15, 2011 @ 11:00 A.M. LOCAL TIME

Hubert Excavating & Contracting
2590 Bondville Rd.
Salvisa, KY 40372

ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST
	BASE BID			
1	12-Inch Ductile Iron CL350 Water Line	4,300 LF	\$56.00	\$240,800.00
2	8-Inch PVC SDR 21 Water Line	8,105 LF	38.00	307,990.00
3	6-Inch PVC SDR 21 Water Line	13,350 LF	42.50	567,375.00
4	4-Inch PVC SDR 21 Water Line	1,490 LF	34.00	50,660.00
5	3-Inch PVC SDR 21 Water Line	200 LF	33.00	6,600.00
6	Bore & Case for 12-Inch Water Line	70 LF	265.00	18,550.00
7	Bore & Case for 8-Inch Water Line	310 LF	245.00	75,950.00
8	Bore & Case for 6-Inch Water Line	150 LF	235.00	35,250.00
9	Bore & Case for 3-Inch Water Line	40 LF	235.00	9,400.00
10	Creek Crossing for 6-Inch Water Line	20 LF	58.00	1,160.00
11	12-Inch x 12-Inch Connection	1 EA	2,000.00	2,000.00
12	10-Inch x 12-Inch Connection	1 EA	1,900.00	1,900.00
13	8-Inch x 8-Inch Connection	3 EA	1,600.00	4,800.00
14	8-Inch x 6-Inch Connection	3 EA	1,500.00	4,500.00
15	6-Inch x 12-Inch Connection	1 EA	1,500.00	1,500.00
16	6-Inch x 8-Inch Connection	10 EA	1,500.00	15,000.00
17	6-Inch x 6-Inch Connection	5 EA	1,500.00	7,500.00
18	6-Inch x 4-Inch Connection	2 EA	1,500.00	3,000.00
19	4-Inch x 8-Inch Connection	1 EA	1,500.00	1,500.00
20	4-Inch x 6-Inch Connection	3 EA	1,500.00	4,500.00
21	4-Inch x 4-Inch Connection	1 EA	1,500.00	1,500.00
22	3-Inch x 3-Inch Connection	1 EA	1,500.00	1,500.00
23	12-Inch Gate Valve	6 EA	2,100.00	12,600.00

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BID TABULATIONS
COLUMBIA/ADAIR UTILITIES DISTRICT
DOWNTOWN WATER SYSTEM REPLACEMENTS
PHASE 2 - SECTION 1

ADAIR COUNTY, KENTUCKY
BID DATE: DECEMBER 15, 2011 @ 11:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST
	BASE BID (Continued)			
24	10-Inch Gate Valve	1 EA	2,000.00	2,000.00
25	8-Inch Gate Valve	21 EA	1,350.00	28,350.00
26	6-Inch Gate Valve	42 EA	1,000.00	42,000.00
27	4-Inch Gate Valve	10 EA	900.00	9,000.00
28	3-Inch Gate Valve	3 EA	850.00	2,550.00
29	3-Way Flush Hydrant	25 EA	3,000.00	75,000.00
30	2-Way Flush Hydrant	2 EA	2,700.00	5,400.00
31	Blowoff Assembly	1 EA	1,189.20	1,189.20
32	Meter Setting	335 EA	968.66	324,501.10
33	3/4-Inch Service Tubing	8,770 LF	10.00	87,700.00
34	1-Inch Meter Setting	5 EA	4,500.00	22,500.00
35	2-Inch Meter Setting	5 EA	8,100.00	40,500.00
36	Full Width Pavement Replacement	5,115 LF	48.73	249,253.95
37	Incidental Pavement Crossings	6,775 LF	48.73	330,145.75
38	Exploration	30 HR	150.00	4,500.00
	TOTAL BASE BID			\$2,600,125.00

Hubert Excavating & Contracting
 2590 Bondville Rd.
 Salvisa, KY 40372

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ADAIR COUNTY WATER)
DISTRICT TO ASSUME CERTAIN SECURITIES IN)
THE OUTSTANDING PRINCIPAL AMOUNT OF) CASE NO. 2010-00361
\$2,236,343 PURSUANT TO THE PROVISIONS OF)
KRS 278.300 AND 807 KAR 5:001)

ORDER

Adair County Water District ("Adair District") has applied for authorization to assume obligations related to the outstanding water and wastewater bonds of the city of Columbia, Kentucky ("Columbia") as part of its acquisition of Columbia's water distribution system and wastewater system. Its application poses the following question: Does KRS 278.300 require Commission authorization of a water district's assumption of obligations related to bonded debt when such assumption is subject to Rural Development's supervision and control? Finding it does not, we declare that Commission authorization of Adair District's assumption of the obligations in question is not required.

Adair District, a water district created pursuant to KRS Chapter 74, owns and operates water distribution facilities that serve approximately 5,919 customers in Adair

County, Kentucky.¹ It is a utility subject to Commission jurisdiction.² Adair purchases its total water requirements from the Columbia/Adair County Water Commission.³

Columbia, a city of the fourth class,⁴ owns and operates a water distribution system that provides retail water service to approximately 1,640 customers.⁵ It also operates a wastewater collection and treatment system that provides wastewater services to approximately 1,460 customers.⁶ Columbia purchases its total water requirements from the Columbia/Adair County Water Commission.

On May 3, 2010, Columbia and Adair District entered into an Asset Purchase Agreement in which Columbia agreed to transfer ownership of its water distribution system and wastewater collection and treatment systems to Adair District. In exchange for Columbia's facilities, Adair District agreed to assume the outstanding debt obligations related to those facilities. These debt obligations consist of eight series of revenue bonds that Columbia issued and that Rural Development has purchased.⁷ As of September 1, 2010, the outstanding principal balance of these bonds was \$2,236,343.⁸

¹ *Annual Report of Adair County Water District to the Public Service Commission of Kentucky for the Year Ended December 31, 2009 at 5 and 27.*

² KRS 278.015.

³ The Columbia/Adair County Water Commission is a water commission created under the provisions of KRS 74.420 to 74.520. This commission is not a utility and is not subject to the Public Service Commission's jurisdiction. See KRS 74.510.

⁴ KRS 81.010(3).

⁵ Application at 3.

⁶ *Id.*

⁷ For a listing of these debt obligations, see Exhibit 2 of the Application.

⁸ Application at 4.

Adair District has applied to Rural Development for permission to assume these obligations. Rural Development, the agency of the U.S. Department of Agriculture that administers rural business, cooperative, housing, utilities and community development programs,⁹ has advised Adair District in writing of the conditions necessary to receive approval for the assumption of these obligations.¹⁰ Once these conditions are satisfied, Adair District will execute an assumption agreement with Rural Development.¹¹

Commission approval of Adair District's acquisition of Columbia's facilities is not required. KRS 278.020(5)¹² and 278.020(6)¹³ require prior Commission approval of the transfer of control or ownership of any "utility." As a city, Columbia is not within the

⁹ See Pub. L. 101-624 §2302(b).

¹⁰ Letter from Thomas G. Fern, State Director, Rural Development, to Danny Downey, Chairman, Adair County Water District (May 10, 2010).

¹¹ See Exhibit 4 of the Application for the form of this assumption agreement.

¹² No person shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission by sale of assets, transfer of stock, or otherwise, or abandon the same, without prior approval by the commission. The commission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service.

¹³ No individual, group, syndicate, general or limited partnership, association, corporation, joint stock company, trust, or other entity (an 'acquirer'), whether or not organized under the laws of this state, shall acquire control, either directly or indirectly, of any utility furnishing utility service in this state, without having first obtained the approval of the commission. Any acquisition of control without prior authorization shall be void and of no effect. As used in this subsection, the term 'control' means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a utility, whether through the ownership of voting securities, by effecting a change in the composition of the board of directors, by contract or otherwise.

statutory definition of "utility."¹⁴ KRS 278.020 therefore does not require Commission approval of the proposed transaction.¹⁵

Generally, Commission approval of a utility's assumption of a liability with respect to an evidence of indebtedness is required. KRS 278.300(1) provides:

No utility shall issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person until it has been authorized so to do by order of the commission.

KRS 278.300(10) provides an exception to this general rule where "the issuance of securities or evidences of indebtedness is subject to the supervision or control of the federal government or any agency thereof."

Based upon the above, the Commission finds that, as Adair District's assumption of Columbia's bonded debt obligations is subject to the control and approval of Rural Development, an agency of the U.S. Government, it falls within the category of transactions that KRS 278.300(10) exempts from the requirement of Commission authorization.¹⁶

The Commission notes that KRS 278.023 requires limited Commission review of the financing of certain construction projects that are financed in whole or in part under

¹⁴ See KRS 278.010(3). See *McClellan v. Louisville Water Co.*, 351 S.W.2d 197 (Ky. 1961).

¹⁵ See Case No. 2008-00074, *Hardin County Water District No. 1* (Ky. PSC Apr. 23, 2008) at 3; Case No. 2004-00157, *Ohio County Water District* (Ky. PSC July 12, 2004) at 2; Case No. 2000-00357, *Northern Kentucky Water District* (Ky. PSC July 20, 2000) at 2; Case No. 89-211, *Kenton County Water District No. 1* (Ky. PSC Nov. 1, 1989) at 3-4.

¹⁶ Our Order does not address whether KRS 278.300 requires Commission authorization of Adair District's assumption of Columbia's water purchase contract with the Columbia/Adair County Water Commission. Adair District has not requested Commission authorization of that transaction nor has it provided a copy of that contract to the Commission to permit such review.

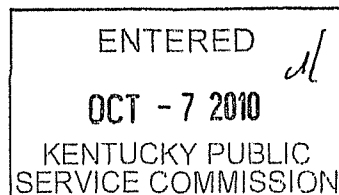
the terms of an agreement between a water district and Rural Development. As the agreement between Adair District and Rural Development in the case at bar does not involve any construction, only the assumption of existing debt obligations, KRS 278.023 is not applicable.

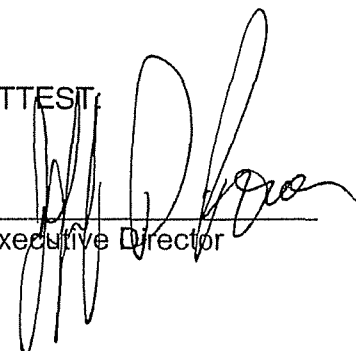
IT IS THEREFORE ORDERED that:

1. Adair District's Application for an Order declaring that its proposed assumption of Columbia's bonded debt obligations related to Columbia's water and wastewater systems does not require Commission approval is granted.

2. Adair District's proposed assumption of Columbia's bonded debt obligations to Rural Development in the principal amount of \$2,236,343 is subject to the supervision of Rural Development, a federal agency within the meaning of KRS 278.300(10), and does not require Commission authorization under KRS 278.300(1).

By the Commission



ATTEST:

Executive Director

Honorable Damon R Talley
Attorney at Law
P.O. Box 150
Hodgenville, KY 42748-0150