

Rubin & Hays

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

February 9, 2012

RECEIVED

FEB 14 2012

PUBLIC SERVICE
COMMISSION

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

Re: McCreary County Water District PSC Application - KRS 278.023

Dear Mr. Derouen:

2012-00053

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

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

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

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jkm
Enclosures

cc: Distribution List

DISTRIBUTION LIST

Account No. 156.0000

**Re: McCreary County Water District Water System Revenue Bonds, Series 2012,
in the principal amount of \$1,300,000 (Water Treatment Plant No. 1 Project)**

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

Telephone: (859) 224-7336
Fax: (859) 224-7425

Mr. Tom Partin
USDA, Rural Development
100 Nami Plaza, Suite #3
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Mr. Steve Owens, Manager
McCreary County Water District
P.O. Box 488
Whitley City, Kentucky 42653

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Louisville, Kentucky 40202

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
FEB 14 2012
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF MCCREARY)
COUNTY WATER DISTRICT FOR A)
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO CONSTRUCT,) Case No. 2012 - 00053
FINANCE AND INCREASE RATES)
PURSUANT TO KRS 278.023.)

A P P L I C A T I O N

This Application of the McCreary County Water District ("Applicant") of McCreary County, Kentucky, respectfully shows:

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

2. That the post office address of Applicant is:

McCreary County Water District
c/o Mr. Raymond Taylor, Chairman
P.O. Box 488
Whitley City, Kentucky 42653

3. That Applicant, pursuant to the provisions of KRS 278.020 and 278.023, seeks (i) a Certificate of Public Convenience and Necessity, permitting Applicant to construct a waterworks construction project, consisting of extensions, additions, and improvements (the "Project") to the existing waterworks system of Applicant; (ii) an Order approving the proposed financing; and (iii) an Order approving increased rates.

4. That the Project consists of the construction and installation of improvements to water treatment plant no. 1 and a pump station upgrade.

5. That Applicant proposes to finance the construction of the Project through (i) the issuance of \$1,935,000 of its Waterworks Revenue Bonds, consisting of \$1,300,000 of Series A Bonds and \$635,000 of Series B Bonds; and (ii) a USDA, Rural Development ("RD") grant in the amount of \$770,000. Applicant has a commitment from RD to purchase said \$1,935,000 of bonds

maturing over a 40-year period, at an interest rate of not exceeding 2.50% per annum as to the Series A Bonds and 2.25% per annum as to the Series B Bonds, as set out in the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

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

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

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

8. That Applicant has arranged for the publication, prior to or at the same time this Application is filed, of a Notice of Proposed Rates pursuant to Section 2 of 807 KAR 5:069, in the McCreary County Voice, which is the newspaper of general circulation in Applicant's service area and in McCreary County, Kentucky. Said Notice sets out the current rates and the proposed rates of Applicant and a short description of the Project. A copy of said Notice is filed herewith as an Exhibit.

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

WHEREFORE, Applicant, the McCreary County Water District, asks that the Public Service Commission of the Commonwealth of Kentucky grant to Applicant the following:


- a. A Certificate of Public Convenience and Necessity permitting Applicant to construct a waterworks project consisting of extensions, additions, and improvements to the waterworks system of Applicant.
- b. An Order approving the financing arrangements made by Applicant, viz., the issuance of (i) \$1,935,000 of McCreary County Water District Waterworks Revenue Bonds, consisting of \$1,300,000 of Series A Bonds and \$635,000 of Series B Bonds, at an interest rate of not exceeding 2.50% per annum as to the Series A Bonds and 2.25% per annum as to the Series B Bonds; and (ii) a USDA, Rural Development grant in the amount of \$770,000.
- c. An Order approving the increased rates as set out in Section 27 of the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

McCreary County Water District

By: 

Chairman

Board of Water Commissioners



W. Randall Jones, Esq.

Rubin & Hays

Counsel for Applicant

Kentucky Home Trust Building

450 South Third Street

Louisville, Kentucky 40202

(502) 569-7525

JUL 25 2011



United States Department of Agriculture
Rural Development
Kentucky State Office

July 22, 2011

Mr. Raymond Taylor, Chairman
McCreary County Water District
PO Box 488
Whitley City, Kentucky 42653

Dear Mr. Taylor:

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 \$1,300,000 and a RUS grant not to exceed \$560,000.

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

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

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

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

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) 224-7444 • 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:

There shall be 973 sewer users, all of which are existing users and 6,161 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 (April 1st and October 1st) and principal will be due on or before the first of April. 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 \$2,577 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 combined pledge of gross water and sewer revenue will be provided in the Bond Resolution. Bonds shall rank on a parity with existing bonds, if possible.

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

8. Land Rights and Real Property:

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

9. Organization:

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

10. Business Operations:

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

11. Accounts, Records and Audits:

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

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

The District will be required to establish and maintain separate accounts for each system. Annual audits, budgets, and reports will be submitted to Rural Development showing separate accounts.

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 \$440,000.
- D. Real Property Insurance - The District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures. The amounts of coverage should be based on recommendations obtained by the District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

14. Planning and Performing Development:

- A. The engineer should not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost shown in paragraph "24" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 210 days from this date, and prepare bid documents. The

Area Director is prepared to furnish the necessary guide to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.

- B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:
1. Final plans, specifications and bid documents.
 2. Applicant's letter on efforts to encourage small business and minority-owned business participation.
 3. Legal Service Agreements.
 4. Engineering Agreements.

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

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

15. Civil Rights & Equal Opportunity:

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

A. Section 504 of the Rehabilitation Act of 1973:

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

B. Civil Rights Act of 1964:

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

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

This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, state and local government services, public transportation, public accommodations, facilities, and telecommunications. Title II of the Act applies to facilities operated by state and local public entities that provide services, programs, and activities. Title III of the Act applies to facilities owned, leased, or operated by private entities that accommodate the public.

D. Age Discrimination Act of 1975:

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

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

16. Closing Instructions:

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

17. Compliance with Special Laws and Regulations:

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

18. Treatment Plant and System Operator:

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

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

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

F. RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."

G. RUS Bulletin 1780-22, "Eligibility Certification."

20. Refinancing and Graduation Requirements:

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

21. Commercial Interim Financing:

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

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

22. Disbursement of Project Funds:

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

For each "construction account" as established, if the amount of RUS loan and grant funds plus any applicant contributions or funds from other sources to be deposited into the account are expected to exceed \$250,000 at any time, the financial institution will secure the amount in excess of \$250,000 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	\$ 1,429,000
Legal and Administrative	20,000
Engineering	258,000
Interest	17,000
Contingencies	<u>136,000</u>
TOTAL	\$ 1,860,000

Financing:

RUS Loan	\$ 1,300,000
RUS Grant	<u>560,000</u>
TOTAL	\$ 1,860,000

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 in proportion to participation in the project. 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 and sewer 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:

Residential and Non-Residential:

First	2,000	gallons @ \$	17.00. - Minimum Bill.
All Over	2,000	gallons @ \$	6.25. - per 1,000 gallons.

Federal Correctional Facility:

First	1,950,000	gallons @ \$	12,192.00. - Minimum Bill.
All Over	1,950,000	gallons @ \$	6.25. - per 1,000 gallons.

Cumberland Falls State Park:

First	600,000	gallons @ \$	2,600.00. - Minimum Bill.
All Over	600,000	gallons @ \$	3.98. - per 1,000 gallons.

Sewer rates will be at least:

Residential and Non-Residential:

First	2,000	gallons @ \$	13.25. - Minimum Bill.
Next	8,000	gallons @ \$	5.75. - per 1,000 gallons.
Next	10,000	gallons @ \$	4.85. - per 1,000 gallons.
All Over	20,000	gallons @ \$	4.65. - per 1,000 gallons.

Federal Correctional Facility:

First	1,300,000	gallons @ \$	6,059.75. - Minimum Bill.
All Over	1,300,000	gallons @ \$	4.65. - per 1,000 gallons.

28. Compliance with the Bioterrorism Act:

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

29. 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 or sewer 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.

30. Water Withdrawal Permit:

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

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:

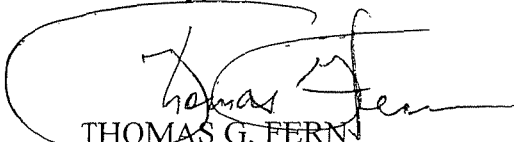
- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated May 6, 2010, from Ms. Lee Nalley.
- B. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without effect after construction 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,



THOMAS G. FERN
State Director

Enclosures

cc: Area Director - London, Kentucky
Lake Cumberland ADD – Russell Springs, Kentucky
Rubin & Hays - Louisville, Kentucky
Tim Lavender – Whitley City, Kentucky
Monarch Engineering - Lawrenceburg, Kentucky
PSC - ATTN: Dennis Jones - Frankfort, Kentucky



United States Department of Agriculture
Rural Development
Kentucky State Office

January 11, 2012

Mr. Raymond Taylor, Chairman
McCreary County Water District
PO Box 488
Whitley City, Kentucky 42653

Re: Letter of Conditions Dated July 22, 2011

Dear Mr. Taylor:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated July 22, 2011. The purpose of this amendment is to revise the 1) Total cost of proposed project, 2) Project Funding, 3) Funded Depreciation Reserve Account, 4) Fidelity Bond, 5) Revise Rates and Charges, 6) Make other editorial changes in accordance with the current Rural Utility Service (RUS) Instruction.

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

“ This letter is not to be considered as loan and/or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,935,000 (\$1,300,000 original)(\$635,000 subsequent) and a RUS grant not to exceed \$770,000 (\$560,000 original)(\$210,000 subsequent). ”

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 \$660 (\$450 original and \$210 subsequent) per month into a "Funded Debt Reserve Account" until the account reaches \$79,200 (\$54,000 original and \$25,200 subsequent). The deposits are to be resumed any time the account falls below the 79,200.

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

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

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1400 Independence Avenue, SW, Washington, DC 20250-9410
or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

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

The District also needs to fund an account for short-lived assets by depositing a sum of \$2,577 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 asset requirement previously set with any prior RUS loan"

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 \$466,000. "

Paragraph numbered "24" is revised to read as follows:

" 24. Cost of Facility:

Breakdown of Costs:

Development	\$ 2,125,500
Legal and Administrative	20,000
Engineering	294,870
Interest	17,000
Contingencies	<u>247,630</u>
TOTAL	\$ 2,705,000

Financing:

RUS Loan	\$ 1,935,000
RUS Grant	<u>770,000</u>
TOTAL	\$ 2,705,000 "

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:

Residential and Non-Residential:

First	2,000	gallons @ \$	17.35. - Minimum Bill.
All Over	2,000	gallons @ \$	6.25. - per 1,000 gallons.

Federal Correctional Facility:

First	1,950,000	gallons @ \$	12,575.00. - Minimum Bill.
All Over	1,950,000	gallons @ \$	6.25. - per 1,000 gallons.

Cumberland Falls State Park:

First	600,000	gallons @ \$	2,6000.00. - Minimum Bill.
All Over	600,000	gallons @ \$	3.98. - per 1,000 gallons.

The wholesale rate to the Whitley County Water District will be in accordance with the existing Water Purchase Contract and Amendments thereto.

Sewer rates will be at least:

Residential and Non-Residential:

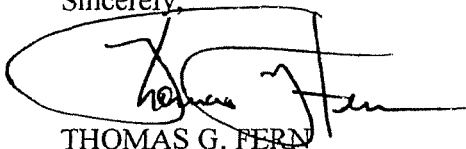
First	2,000	gallons @ \$	16.00. - Minimum Bill.
Next	8,000	gallons @ \$	5.75. - per 1,000 gallons.
Next	10,000	gallons @ \$	4.85. - per 1,000 gallons.
All Over	20,000	gallons @ \$	4.65. - per 1,000 gallons.

Federal Correctional Facility:

First	1,300,000	gallons @ \$	7,215.00. - Minimum Bill.
All Over	1,300,000	gallons @ \$	4.65. - 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 - London, Kentucky
- Lake Cumberland ADD – Russell Springs, Kentucky
- Rubin & Hays - Louisville, Kentucky
- Tim Lavender – Whitley City, Kentucky
- Monarch Engineering - Lawrenceburg, Kentucky
- PSC - ATTN: Dennis Jones - Frankfort, Kentucky



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

January 18, 2012

SUBJECT: McCreary County Water District
Water Treatment Plant Improvements
Contract Award Concurrence

TO: Area Director
London, 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, Herrick Company, Inc., in the amount of \$2,280,500.00.

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

A handwritten signature in cursive script that reads "Julie Anderson".

for
THOMAS G. FERN
State Director
Rural Development

cc: Monarch Engineering
Lawrenceburg, Kentucky

771 Corporate Drive • Suite 200 • Lexington, KY 40503
Phone: (859) 224-7300 • Fax: (859) 224-7425 • 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, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).

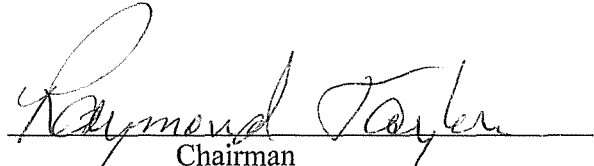
**CERTIFICATE OF CHAIRMAN OF THE MCCREARY COUNTY WATER DISTRICT,
AS TO STATEMENT REQUIRED BY SECTION 1(5) OF 807 KAR 5:069**

I, Raymond Taylor, hereby certify that I am the duly qualified and acting Chairman of the McCreary County Water District and that said District is in the process of arranging to finance the construction of extensions, additions and improvements to the waterworks system of the District (the "Project"), in cooperation with Monarch Engineering, Inc., Lawrenceburg, Kentucky, the Engineers for the District (the "Engineers").

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

1. That the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.
2. That all other state approvals and/or permits have already been obtained.
3. That the rates proposed by the District in its current Application filed with the Kentucky Public Service Commission are contemplated to produce total revenue requirements set out in the Engineering Reports prepared by such Engineers and filed with the Public Service Commission.
4. That it is now contemplated that construction of the Project will begin on or about March 16, 2012, and will end on or about November 16, 2012.


IN TESTIMONY WHEREOF, witness my signature this February 7, 2012.



Chairman
McCreary County Water District

STATE OF KENTUCKY)
) SS
COUNTY OF MCCREARY)

Subscribed and sworn to before me by Raymond Taylor, Chairman of the Board of Commissioners of the McCreary County Water District, on this February 7, 2012.



Notary Public
In and For Said State and County

NOTICE OF PROPOSED RATE CHANGE

In accordance with the requirements of the Kentucky Public Service Commission as set out in 807 KAR 5:069, Section 2, notice is hereby given to the customers of the McCreary County Water District of a change in rates as set forth herein. The proposed rate change is required by USDA, Rural Development in connection with a loan by RD to the District in the amount of \$1,935,000 to be evidenced by the issuance by the District of its Waterworks Revenue Bonds in such amount, which RD has agreed to purchase provided the District meets certain conditions of RD, including revising the rates as set forth below:

Current Monthly Water Rates

Residential and Non-Residential Rates:

First 2,000 gallons	\$15.55 minimum bill
All Over 2,000 gallons	5.75 per 1,000 gallons

Federal Correctional Facility Rates:

First 1,950,000 gallons	\$11,212.50 minimum bill
All Over 1,950,000 gallons	5.75 per 1,000 gallons

Riverwoods Rates:

First 450,000 gallons	\$1,860.00 minimum bill
All Over 450,000 gallons	3.48 per 1,000 gallons

Cumberland Falls State Park Rates:

First 600,000 gallons	\$2,600.00 minimum bill
All Over 600,000 gallons	3.48 per 1,000 gallons

Whitley County Water District Rate:	\$3.48 per 1,000 gallons
-------------------------------------	--------------------------

Oneida, Tennessee Rate:	\$3.48 per 1,000 gallons
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Current Monthly Sewer Rates

Residential and Non-Residential Rates:

First 2,000 gallons	\$12.25 minimum bill
Next 8,000 gallons	5.65 per 1,000 gallons
Next 10,000 gallons	4.85 per 1,000 gallons
All Over 20,000 gallons	4.25 per 1,000 gallons

Federal Correctional Facility Rates:

First 1,300,000 gallons	\$5,525.00 minimum bill
All Over 1,300,000 gallons	4.25 per 1,000 gallons

Proposed Monthly Water Rates

Residential and Non-Residential Rates:

First 2,000 gallons	\$17.35 minimum bill
All Over 2,000 gallons	6.25 per 1,000 gallons

Federal Correctional Facility Rates:

First 1,950,000 gallons	\$12,575.00 minimum bill
All Over 1,950,000 gallons	6.25 per 1,000 gallons

Cumberland Falls State Park Rates:

First 600,000 gallons	\$2,600.00 minimum bill
All Over 600,000 gallons	3.98 per 1,000 gallons

Whitley County Water District Rate: \$3.48 per 1,000 gallons

Oneida, Tennessee Rate: \$3.48 per 1,000 gallons

Proposed Monthly Sewer Rates

Residential and Non-Residential Rates:

First 2,000 gallons	\$16.00 minimum bill
Next 8,000 gallons	5.75 per 1,000 gallons
Next 10,000 gallons	4.85 per 1,000 gallons
All Over 20,000 gallons	4.65 per 1,000 gallons

Federal Correctional Facility Rates:

First 1,300,000 gallons	\$7,215.00 minimum bill
All Over 1,300,000 gallons	4.65 per 1,000 gallons

The Project consists of the construction and installation of improvements to water treatment plant no. 1 and a pump station upgrade. Signed: Raymond Taylor, Chairman McCreary County Water District.

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FEB 14 2012

PUBLIC SERVICE
COMMISSION

FINAL ENGINEERING REPORT

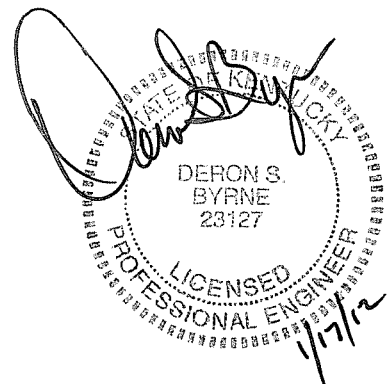
WATER TREATMENT PLANT NO. 1 IMPROVEMENTS

**MCCREARY COUNTY WATER DISTRICT
MCCREARY COUNTY, KENTUCKY**

DECEMBER 5, 2011

PREPARED BY:

M
Monarch Engineering, Inc.



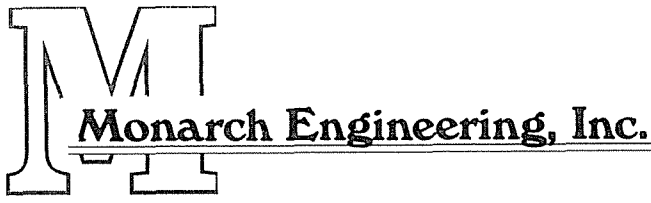
FINAL ENGINEERING REPORT

WATER TREATMENT PLANT NO. 1 IMPROVEMENTS

**MCCREARY COUNTY WATER DISTRICT
MCCREARY COUNTY, KENTUCKY**

DECEMBER 5, 2011

PREPARED BY:



December 5, 2011

Mr. Raymond Taylor, Chairman
McCreary County Water District
19 Crit King Road US 27
P.O. Box 488
Whitley City, Kentucky 42653

Re: McCreary County Water District
Water Treatment Plant No. 1 Improvements &
Rattlesnake Ridge Pump Station Upgrade

Dear Mr. Taylor:

On November 29, 2011, bids were received for the construction of improvements to Water Treatment Plant No. 1. Three bids were submitted and the lowest was by Herrick Company, Inc. in the amount of \$2,280,500.00. A summarized bid tabulation of all bids received and the Final Project Budget is attached.

Based on the bid submitted by Herrick Company, Inc. the total project budget has been determined to be \$2,705,000.00 which includes removing the Rattlesnake Ridge Pump Station Upgrade from the contract. The total project budget includes a ten percent contingency for construction, engineering fees as per the US Department of Agriculture's fee schedule, and other expected costs as indicated on the attached Final Engineering Report. The amount of funds available for the project is \$1,860,000.00 resulting in a shortfall of \$845,000.00. Therefore, based on the competitiveness of the bids, and the need for the improvements to be made to the water plant, we recommend that the McCreary County Water District consider acquiring the additional funds needed to undertake these improvements and award a contract to Herrick Company, Inc. in the amount of \$2,125,500.00. This recommendation is contingent upon approval from USDA Rural Development and the Kentucky Public Service Commission.


In regard to the additional funds needed, officials with Rural Development have unconditionally suggested that the District apply to them for these funds and to request that the breakdown be in the form of a grant in the amount of \$210,000 and the remaining balance in the amount of \$635,000 in a low interest loan.

Should you need additional information, please advise.

M

December 5, 2011
Page Two

Sincerely,



David M. Bowles, P.E.

/dmb

cc Tom Partin
USDA Rural Development

BID TABULATIONS
McCREARY COUNTY WATER DISTRICT
WATER TREATMENT PLANT NO. 1 IMPROVEMENTS
& RATTLESNAKE RIDGE PUMP STATION UPGRADE
McCREARY COUNTY, KENTUCKY

BID DATE: NOVEMBER 29, 2011 @ 11:00 A.M. LOCAL TIME


ITEM NO.	DESCRIPTION	QUANTITY	Herrick Company, Inc. 1385 Tracy Road Lawrenceburg, KY 40342		Smith Contractors, Inc. P.O. Box 480 Lawrenceburg, KY 40342		W. Rogers Company 649 Bizzell Drive Lexington, KY 40510	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	BASE BID CONTRACT							
1	Site Work	1 LS	\$260,000.00	\$260,000.00	\$76,500.00	\$76,500.00	\$475,000.00	\$475,000.00
	1A) Excavation, Grade & Seeding		250,000.00		60,000.00		450,000.00	
	1B) Gravel Pavement		10,000.00		16,500.00		25,000.00	
2	Concrete	1 LS	\$881,000.00	\$881,000.00	\$623,000.00	\$623,000.00	\$799,000.00	\$799,000.00
	2A) Flash Mix		35,000.00		12,000.00		18,750.00	
	2B) Flocculators/Sedimentation Basin		766,000.00		550,000.00		718,750.00	
	2C) Concrete Block Baffles		35,000.00		50,000.00		45,000.00	
	2D) Flow Meter Vault		30,000.00		6,000.00		11,500.00	
	2E) Miscellaneous		15,000.00		5,000.00		5,000.00	
3	Process Piping & Appurtenances	1 LS	\$210,000.00	\$210,000.00	\$50,000.00	\$50,000.00	\$250,000.00	\$250,000.00
4	Valves	1 LS	\$90,000.00	\$90,000.00	\$130,000.00	\$130,000.00	\$95,000.00	\$95,000.00
5	Mechanical Equipment	1 LS	\$313,500.00	\$313,500.00	\$286,000.00	\$286,000.00	\$273,000.00	\$273,000.00
	5A) Rapid Mixer		14,000.00		14,000.00		15,000.00	
	5B) Flocculator Mixers		155,500.00		140,000.00		110,000.00	
	5C) Tube Settlers		54,000.00		45,000.00		33,000.00	
	5D) Effluent Troughs		28,000.00		25,000.00		25,000.00	
	5E) FRP Baffle Walls		40,000.00		40,000.00		35,000.00	
	5F) Field Instrumentation		20,000.00		20,000.00		20,000.00	
	5G) Miscellaneous Pumps		2,000.00		2,000.00		35,000.00	
6	Buildings	1 LS	\$45,000.00	\$45,000.00	\$43,000.00	\$43,000.00	\$190,000.00	\$190,000.00
	6A) Existing Control Room Modifications		20,000.00		10,000.00		125,000.00	
	6B) Flash Mix Building		15,000.00		30,000.00		50,000.00	
	6C) Laboratory		10,000.00		3,000.00		15,000.00	

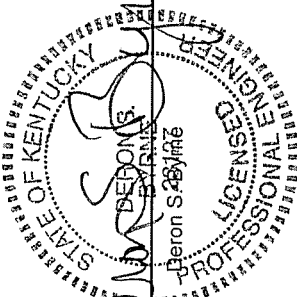
BID TABULATIONS
McCREARY COUNTY WATER DISTRICT
WATER TREATMENT PLANT NO. 1 IMPROVEMENTS
& RATTLESNAKE RIDGE PUMP STATION UPGRADE
McCREARY COUNTY, KENTUCKY

BID DATE: NOVEMBER 29, 2011 @ 11:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	Herrick Company, Inc. 1385 Tracy Road Lawrenceburg, KY 40342		Smith Contractors, Inc. P.O. Box 480 Lawrenceburg, KY 40342		W. Rogers Company 649 Bizzell Drive Lexington, KY 40510	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
7	Coatings and Painting	1 LS	\$28,000.00	\$28,000.00	\$102,000.00	\$102,000.00	\$58,300.00	\$58,300.00
	7A) Cast-in Place Concrete		1,000.00		80,000.00		2,300.00	
	7B) Exposed Piping		12,000.00		6,000.00		13,500.00	
	7C) Flash Mix Building		5,000.00		4,000.00		8,000.00	
	7D) Pipe Gallery		5,000.00		10,000.00		13,000.00	
	7E) Laboratory		3,000.00		1,000.00		14,000.00	
	7F) Metals and Machinery		2,000.00		1,000.00		7,500.00	
8	Miscellaneous	1 LS	\$105,000.00	\$105,000.00	\$837,500.00	\$837,500.00	\$9,400.00	\$9,400.00
9	Rattlesnake Ridge Pump Station Upgrade	1 LS	\$155,000.00	\$155,000.00	\$64,000.00	\$64,000.00	\$126,300.00	\$126,300.00
10	Mechanical	1 LS	\$13,000.00	\$13,000.00	\$10,000.00	\$10,000.00	\$12,000.00	\$12,000.00
11	Electrical	1 LS	\$180,000.00	\$180,000.00	\$250,000.00	\$250,000.00	\$197,000.00	\$197,000.00
	11A) Yard		20,000.00		180,000.00		12,000.00	
	11B) Building Interior		160,000.00		70,000.00		185,000.00	
TOTAL BASE BID CONTRACT				\$2,280,500.00	\$2,472,000.00	\$2,485,000.00		

THE ABOVE IS A TRUE AND COMPLETE TABULATION OF BIDS RECEIVED AT 11:00A.M. LOCAL TIME, TUESDAY, NOVEMBER 29, 2011 AT THE McCREARY COUNTY WATER DISTRICT.

BY:  11/30/2011
 DATE



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

BID TABULATIONS

**McCREARY COUNTY WATER DISTRICT
 WATER TREATMENT PLANT NO. 1 IMPROVEMENTS
 & RATTLESNAKE RIDGE PUMP STATION UPGRADE**

McCREARY COUNTY, KENTUCKY

BID DATE: NOVEMBER 29, 2011 @ 11:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	Herrick Company, Inc.		Smith Contractors, Inc.		W. Rogers Company	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	ALTERNATE NO.1							
1	Raw Water Intake Pump	1 LS	\$150,000.00	\$150,000.00	\$160,000.00	\$160,000.00	\$146,857.00	\$146,857.00
	TOTAL ALTERNATE NO. 1			\$150,000.00		\$160,000.00		\$146,857.00

**FINAL PROJECT BUDGET
WATER TREATMENT PLANT NO. 1 IMPROVEMENTS
McCREEARY COUNTY WATER DISTRICT
NOVEMBER 30, 2011**

PROJECT COSTS

DEVELOPMENT

WATER TREATMENT PLANT NO. 1 IMPROVEMENTS	\$2,280,500.00
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RATTLESNAKE RIDGE PUMP STATION UPGRADE	<u>(155,000.00)</u>
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SUBTOTAL	\$2,125,500.00
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CONTINGENCY	212,634.40
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ENGINEERING DESIGN	161,538.00
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CONSTRUCTION INSPECTION	127,327.60
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ADDITIONAL ENGINEERING	35,000.00
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ENVIRONMENTAL	6,000.00
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LEGAL & ADMINISTRATION	20,000.00
------------------------	-----------

INTEREST	<u>17,000.00</u>
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TOTAL PROJECT COSTS	\$2,705,000.00
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PROJECT FINANCING

USDA LOAN	\$1,300,000.00
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USDA GRANT	560,000.00
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ADDITIONAL USDA LOAN	635,000.00
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ADDITIONAL USDA GRANT	<u>210,000.00</u>
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TOTAL PROJECT FINANCING	\$2,705,000.00
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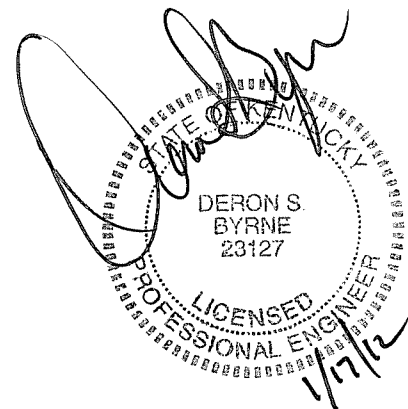
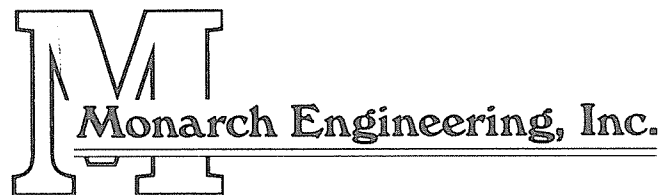
FEB 14 2012

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PRELIMINARY ENGINEERING REPORT
FOR THE
MCCREARY COUNTY WATER DISTRICT

WATER TREATMENT PLANT NO. 1 IMPROVEMENTS

MAY 2010



**PRELIMINARY ENGINEERING REPORT
FOR THE
MCCREARY COUNTY WATER DISTRICT
WATER TREATMENT PLANT NO. 1 IMPROVEMENTS**

MAY 2010

PRELIMINARY ENGINEERING REPORT

WATER TREATMENT PLANT NO. 1 IMPROVEMENTS McCREARY COUNTY WATER DISTRICT McCREARY COUNTY, KENTUCKY

I. GENERAL

This Preliminary Engineering Report is intended to analyze the proposed water system improvements that are being planned by the McCreary County Water District regarding their Water Treatment Plant No. 1. The plant has been operation for over forty five years, with only minor upgrades, improvements and renovations taking place during that period. The many years of service have taken their toll on the various components of the plant works and significant improvements and renovations are essential for the treatment plants continued operation. The planned improvements being in the form of a two phased project will include a replacement of an existing raw water pump and controls; renovation of an existing block building to a new chemical feed building; and lastly the replacement of the three existing circular steel clarifier tanks with two trains of flocculators and sedimentation basins. Included in this report are maps of the proposed service areas showing the location of WTP and raw water intake improvements. In addition, project cost estimates are included which outline the entire project costs along with the proposed financing scheme. To be submitted at a later date will be the Rural Development "Kentucky Guide 7A" which serves as the Summary Addendum to the Preliminary Engineering Report. This report analyzes the capability of the McCreary County Water District to execute this project by evaluating its financial status along with a review of the operation of the utility system.

II. PROJECT PLANNING AREA

The proposed water system improvement will take place at the McCreary County Water Treatment Plant No. 1 site as well as at the site of the raw water intake. Both the plant and the intake are located near the communities of Whitley City and Revelo. The plant works itself are located adjacent to KY Highway 1567, between KY Highway 92 and US Highway 27. Whereas the raw water intake itself is located on the nearby Laurel Creek Reservoir.

It is not anticipated that a significant growth pattern will emerge as a result of the implementation of these treatment plant improvements but rather that the reliability and quality of the water produced at the plant will be greatly improved. The plant has been in service for an excess of forty years and the improvements proposed will allow its continued undisturbed operation for several more decades.

Attached as a part of this report are location and topographic maps which depict the location of both sites.

III. EXISTING FACILITIES

The McCreary County Water District owns and operates two water treatment plants, Water Treatment Plant No.1 (Whitley City) has been in operation since the 1964 and the other, Water Treatment Plant No. 2 since the fall of 2002. The distribution system serves well over 6,000 residential, commercial, and industrial customers. The service area of the District includes all of McCreary County, as they are the only major supplier of potable water in the county.

The District's older water treatment plant is located near the community of Whitley City and it has a rated capacity of 1.5 million gallons per day. The newer water treatment plant has a rated capacity of 1.0 million gallons per day and operates in conjunction with the older facility and is located near the community of Wiborg. The source for raw water for the Whitley City plant is the Laurel Creek Reservoir and it has a yield potential of about 2.5 million gallons per day. The South Fork of the Cumberland River provides raw water to the Wiborg treatment facility and has a yield potential of about 4.0 million gallons per day. Both treatment plants are conventional type, each consisting of a flash mix, settling basins, multi media filters, chemical disinfection facility, clearwell storage, and pumping facilities which deliver finished water to the distribution system.

The distribution system itself consists of over 200 miles of various sizes of water transmission and distribution lines that serve about 90% of McCreary County's residences. Included in the service area are thirteen water storage tanks which contain 4,200,000 gallons of storage. Of these tanks three are rated at 150,000 gallons and are identified as the Parkers Lake, Pine Knot, and Marshes Siding tanks, and the centrally located tank at Stearns which has a capacity of 200,000. Also included is the 250,000 gallon tank at the Towad Industrial site, the 100,000 gallon tank located in the Sawyer area, the 50,000 gallon tank at Rattlesnake Ridge, another 50,000 gallon tank in the Pine Knot area, the 100,000 gallon tank that serves the Wolf Ridge area, the 500,000 gallon tank that serves the Flat Rock area, the 1,000,000 gallon W 92 tank, the 1,000,000 gallon tank to serve the federal prison, and the 500,000 gallon tank at the water treatment plant in the Wiborg area.

The District operates two booster pumping stations which serve the north section of the county and also the Rattlesnake Ridge area respectively. Also, the District operates booster pumping stations which serve the Industrial Park tank, the Wolf Ridge tank and the Prison tank.

The District owns a central office and administration facility which serves as the base for the day to day operation. The board of commissioners meets at the central office on a monthly basis or more frequently as needed.

IV. NEED FOR THE PROJECT

The various improvements involved in the proposed project have been planned in an attempt to upgrade and replace various plant components that have been in service since the early 1960's. Given the age and state of repair of all components in question it is absolutely necessary for them to be rehabilitated or replaced as soon as possible.

The first phase consists of replacing one of the two raw water pumps which is located on Laurel Creek Reservoir. The other raw water pump was replaced in 2009 through an emergency action and the remaining pump is in need of replacement as well. At the plant site the major improvements consists of building a new up to date chemical feed building along with two trains of flocculators and sedimentation basins. The improved chemical feed building will house a new flash mix along with new chemical feed systems that will replace the outdated systems currently in use.

The existing chemical feed building is dramatically undersized and only allows for limited chemical storage. Furthermore, the existing storage tanks, flash mixer, transfer/feed pumps, chemical piping, and controls are all beginning to deteriorate due to the many years of heavy use. The risk of chemical leakage and equipment malfunction will continue to increase in the coming years if replacements are not incorporated. As mentioned before the building itself, as well as the bulk chemical storage tanks, are grossly undersized and therefore chemical deliveries must occur all too frequently.

Currently there are three circular steel clarifier tanks incorporated into the plant's treatment operation. Each of the clarifiers has experienced a great deal of corrosion and is in desperate need of a great deal of repair or most likely replacement. If the clarifiers continue to experience normal use without major repairs or replacement they will eventually begin to leak, which will likely have a dramatic effect on the plants ability to produce the required supply of water. Also the various appurtenances to the clarifiers including piping, controls, equipment, etc. are aging and in need of replacement. Although improvements to the filtering operation are considered to be of great necessity, they are less urgent than the other improvements being considered for this project. Therefore they will be considered only as alternates, phase two, only to be completed at this time if funds allow.

V. ALTERNATIVES CONSIDERED

In the interest of developing the best overall water treatment scenario for the operators of the McCreary County Water District, an alternative to the planned Water Treatment Plant #1 Improvements was considered. One such consideration was the possibility of expanding the capacity of Water Treatment Plant #2 to supply the entire Districts service area. This would be a very desirable alternative given that it would condense all water

production to one location, dramatically reducing the strain on an assortment of District resources. Although this was a great option for the District to consider, its cost would be substantially larger than that of the planned project. Aside from the costly improvements that would be required at the plant itself, a lengthy section of large transmission main would also need to be constructed to transport the additional water from the plant. Unfortunately the combined cost of such an alternative is out of the District's current project budget and the alternative was therefore dispelled.

Upon substantial thought and consideration no other practical alternatives were developed that could accomplish the benefits of the chosen alternative within the same budget.

VI. PROPOSED PROJECT

The proposed project consists of a replacement of an existing raw water pump and controls; renovation of an existing block building to a new chemical feed building; and finally the replacement of the existing circular steel clarifier tanks with new flocculation and sedimentation basins.

As previously discussed the one of the current raw water pumps is in dire need of replacement. The planned improvements will replace one pump with new pump of similar capacity. Aside from the replacement of the pump, the controls will also be replaced with newer, more efficient technology. This will include Variable Frequency Motor Drives, which will serve to reduce the strain of constant motor startup and shutdown, while also allowing for a reduction in pump speed and subsequent power usage when the plant demand is lower than the designed maximum. All of which will be improvements that will not only make certain of the pumps continued operation but also ensure their peak energy efficiency and lengthened service life .

A larger chemical feed building has been planned to replace the current significantly aged and undersized feed area of the plant. These improvements will consist of the renovation of an old 40' x 60' block building garage for housing a new larger bulk chemical storage tanks and chemical day tanks to be equipped with two transfer pumps enabling transport between the bulk and day units. All new piping and four feed pumps will be installed to inject chemicals into a new flash mix area outfitted with a new flash mixer. Included with installation of the equipment will be a control system that will be incorporated into the plants existing controls. All existing chemical storage and feed equipment will be removed from its current location and the area will be converted to general storage.

Aside from the improvements described above the District has also made proactive decision to include improvements to the plants filtering operation as an alternate or phase two. The improvements will only be included if additional funding can be secured or if there is an excess of funds remaining from the other planned improvements. The potential filter improvements would totally replace the four existing steel tank filters with two similar 13 foot diameter steel tanks. The new filter tanks will be equipped with all new appurtenances including filters under the drain block, filter media (gravel, sand, and

anthracite), filter troughs, and a surface wash system. Along with the installation of the new filters, a complete renovation of the existing filter gallery is also being proposed. This will include a complete replacement of all process piping, fittings, control valves, flow meters, turbidimeters, loss of head transmitters, and entryway ladders. The existing plant controls will be connected to the new equipment with the exception of the filter console which will be upgraded.

An itemized cost estimate is included in this report and it outlines all of the individual construction items along with their associated unit costs. A summary cost estimate summarizes the complete project costs and outlines a proposed funding scheme for the project and is also included in this report.

Total construction cost for phase one consisting of the raw water pump replacement and new chemical feed building is approximately \$1,860,000.00. The District is requesting a RUS funds to construct these improvements to the Water Treatment Plant No. 1 in the amount of \$860,000.00 U.S.D.A. Rural Development Grant and a \$1,000,000.00 U.S.D.A. Rural Development Loan.

VII. CONCLUSIONS AND RECOMMENDATIONS

Based on the fact that Water Treatment Plant #1 makes up approximately sixty percent of the overall water production capacity supplying McCreary County its continued successful operation is of the greatest importance. In order to do such, the planned improvements need to be implemented as soon as practically possible. Therefore it is recommended that the McCreary County Water District pursue the financial assistance as outlined above in order to fund and construct the project.

**PRELIMINARY COST ESTIMATE
WATER TREATMENT PLANT NO. 1
IMPROVEMENTS & UPGRADES
McCREARY COUNTY WATER DISTRICT**

MARCH 2010

PROJECT COSTS

DEVELOPMENT	\$1,429,000
CONTINGENCY	143,000
ENGINEERING DESIGN	129,000
CONSTRUCTION INSPECTION	104,000
ADDITIONAL ENGINEERING	25,000
LEGAL	20,000
INTEREST	<u>10,000</u>
TOTAL PROJECT COSTS	\$1,860,000

PROJECT FINANCING

USDA GRANT	\$860,000
USDA LOAN	<u>1,000,000</u>
TOTAL PROJECT FINANCING	\$1,860,000

**PRELIMINARY COST ESTIMATE
WATER TREATMENT PLANT NO. 1
IMPROVEMENTS & UPGRADES
McCREARY COUNTY WATER DISTRICT**

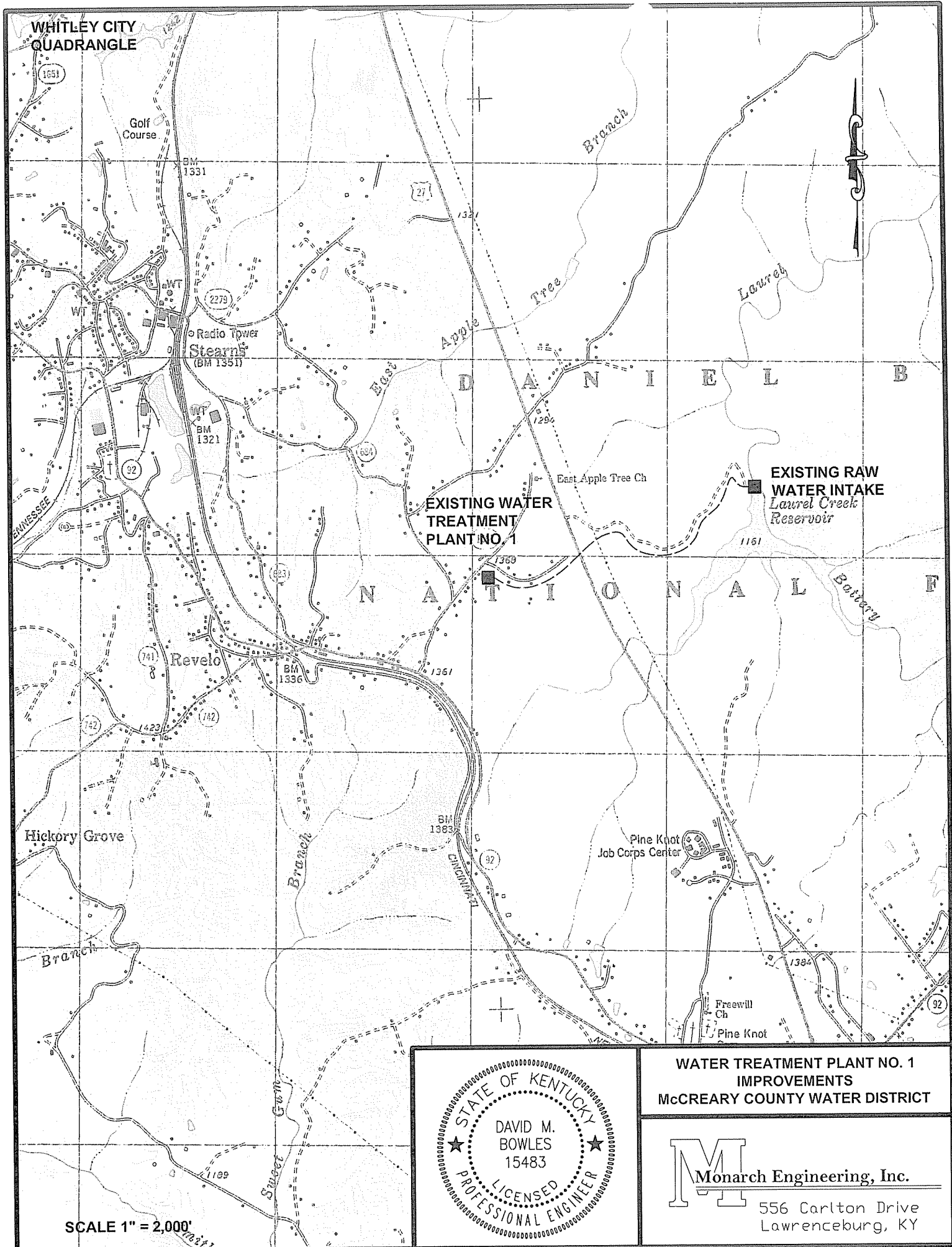
MARCH 2010

	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL
1	Site Work			
	1A) Grading/Excavating	1 LS	\$20,000.00	\$20,000.00
	1B) Pavement and Roads	1 LS	15,000.00	15,000.00
				<u>\$35,000.00</u>
2	Concrete			
	2 A) Chemical Feed Building	250 YD	\$700.00	\$175,000.00
	2 B) Flocculators/Clarifier	420 YD	700.00	294,000.00
				<u>\$469,000.00</u>
3	Process Piping			
	3 A) Exterior	600 LF	\$100.00	\$60,000.00
	3 B) Chemical Feed Building	1 LS	50,000.00	50,000.00
				<u>\$110,000.00</u>
4	Valves			
	4 A) 30-Inch Butterfly Valve	2 EA	\$8,000.00	\$16,000.00
	4 B) 24-Inch Butterfly Valve	2 EA	5,000.00	10,000.00
	4 C) 18-Inch Butterfly Valve	2 EA	4,000.00	8,000.00
				<u>\$34,000.00</u>
5	Mechanical Equipment			
	5 A) Raw Water Pump	1 EA	\$50,000.00	\$50,000.00
	5 B) Flash Mixer	1 EA	5,000.00	5,000.00
	5 C) Flocculator	2 EA	20,000.00	40,000.00
	5 D) Tube Settlers	1 LS	30,000.00	30,000.00
	5 E) Laboratory Equipment	1 LS	30,000.00	30,000.00
				<u>\$155,000.00</u>
6	Chemical Feed System			
	6 A) Poly Aluminum Feed System	1 LS	\$40,000.00	40,000.00
	6 B) Caustic Feed System	1 LS	40,000.00	40,000.00
	6 C) Activated Carbon Feed System	1 LS	35,000.00	35,000.00
	6 D) Sodium Permanganate Feed	1 LS	30,000.00	30,000.00
	6 E) Fluoride Feed System	1 LS	20,000.00	20,000.00
	6 F) Chlorination Feed System	1 LS	50,000.00	50,000.00
				<u>\$215,000.00</u>

**PRELIMINARY COST ESTIMATE
WATER TREATMENT PLANT NO. 1
IMPROVEMENTS & UPGRADES
McCREARY COUNTY WATER DISTRICT**

MARCH 2010

	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL
7	Buildings			
	7 A) Chemical Feed Building	5,020 SF	\$50.00	<u>\$251,000.00</u>
				<u>\$251,000.00</u>
8	Coatings and Painting			
	8 A) Cast in Place Concrete	1 LS	10,000.00	\$10,000.00
	8 B) Buildings	1 LS	25,000.00	25,000.00
	8 C) Metals and Machinery	1 LS	15,000.00	<u>15,000.00</u>
				<u>\$50,000.00</u>
9	Electrical			
	9 A) Yard	1 LS	30,000.00	\$30,000.00
	9 B) Building Interior	1 LS	20,000.00	20,000.00
	9 C) Raw Water Intake	1 LS	30,000.00	<u>30,000.00</u>
				<u>\$80,000.00</u>
10	Mechanical	1 LS	30,000.00	<u>30,000.00</u>
				<u>\$30,000.00</u>
	TOTAL CONSTRUCTION COST			\$1,429,000.00



WHITLEY CITY
QUADRANGLE

Golf Course

BM 1331

Radio Tower
Stearns
(BM 1351)

BM 1321

EXISTING WATER
TREATMENT
PLANT NO. 1

EXISTING RAW
WATER INTAKE
Laurel Creek
Reservoir

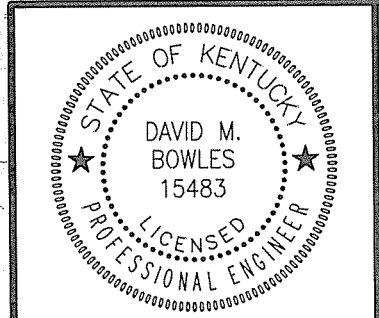
Revelo

Hickory Grove

Pine Knot
Job Corps Center

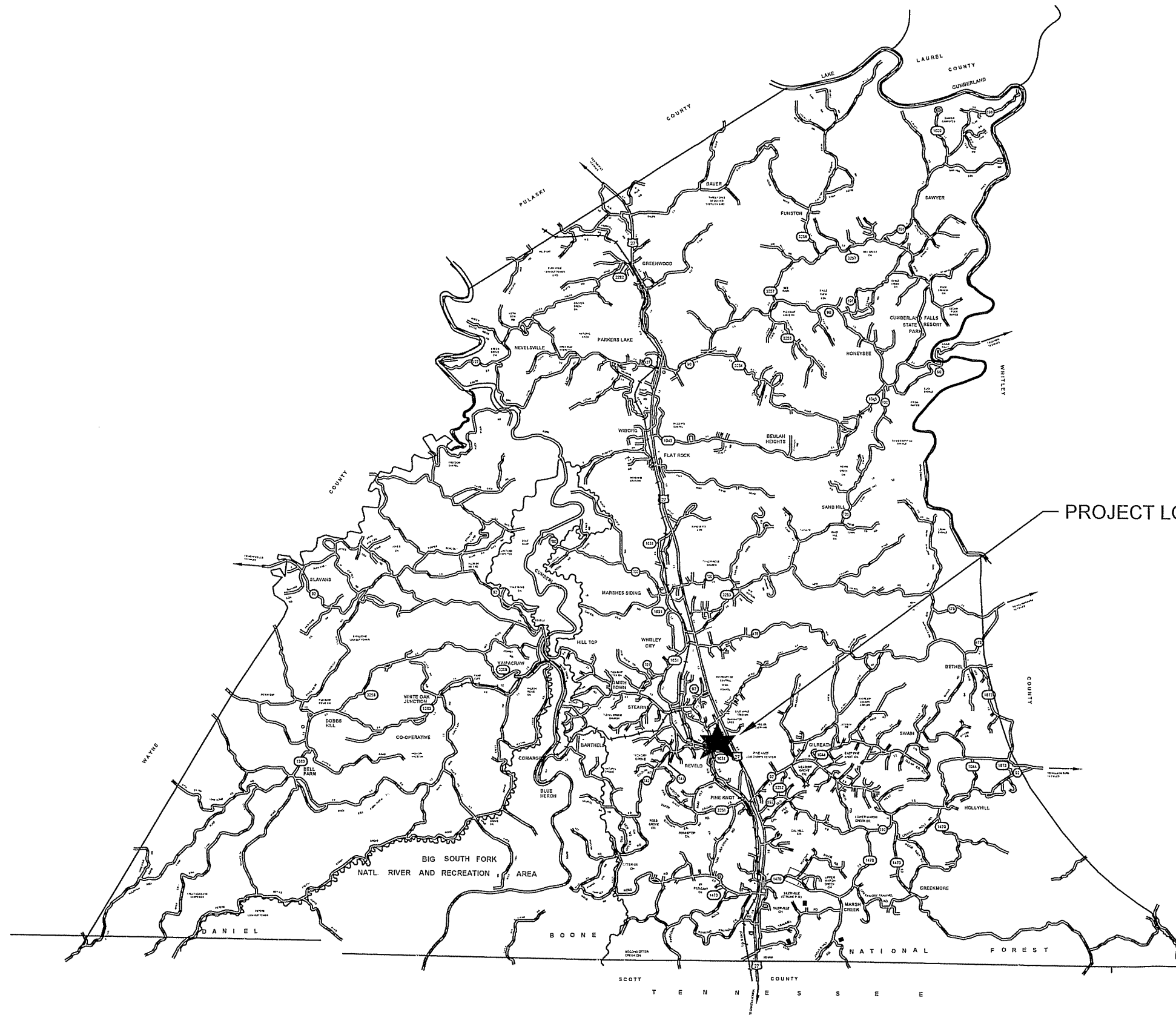
Freewill
Ch
Pine Knot

SCALE 1" = 2,000'



WATER TREATMENT PLANT NO. 1
IMPROVEMENTS
McCREARY COUNTY WATER DISTRICT

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



PROJECT LOCATION



WATER TREATMENT PLANT NO. 1
IMPROVEMENTS
McCREARY COUNTY WATER DISTRICT

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

