

# Rubin & Hays

ATTORNEYS AT LAW

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

RECEIVED

OCT 25 2013

PUBLIC SERVICE  
COMMISSION

October 23, 2013

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

Re: Sandy Hook Water District PSC Application - KRS 278.023

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the Sandy Hook 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:jl  
Enclosures  
cc: Distribution List

**DISTRIBUTION LIST**

**Re: Sandy Hook Water District Waterworks Revenue Bonds, Series 2014, in the principal amount of \$504,000.**

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

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

Mr. Douglas Hoff  
USDA, Rural Development  
220 West First Street  
Morehead, Kentucky 40351

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

Ms. Bridgette Howard  
Sandy Hook Water District  
P.O. Box 726  
Sandy Hook, Kentucky 41171

Telephone: (606) 738-6282  
Fax: (606) 738-6292

Paul R. Stokes, Esq.  
Attorney at Law  
129 East Main Street  
Morehead, Kentucky 40351

Telephone: (606) 784-6477

Mr. Riley Sumner  
Kentucky Engineering Group, PLLC  
P.O. Box 1034  
Versailles, Kentucky 40383

Telephone: (859) 251-4127  
Fax: (859) 251-4137

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

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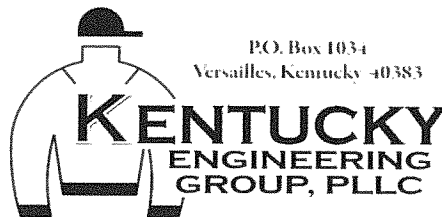
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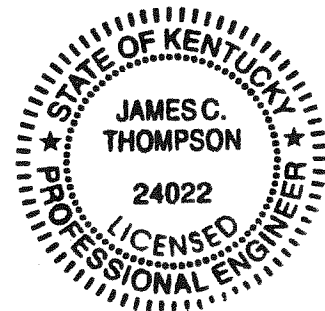
**Preliminary Engineering Report  
Sandy Hook Water District  
Water System Improvements  
November, 2011  
(revised)**

**prepared by:**



**Submitted By:**

  
**James C. Thompson, P.E.**  
**Project Engineer**



# SANDY HOOK WATER DISTRICT

## Preliminary Engineering Report Water System Improvements

### Purpose

The Sandy Hook Water District (SHWD) is proposing a number of activities that will improve its water system. The activities are:

1. Water Line Extensions
2. Water Line Replacements
3. GIS collection, software, and training
4. Telemetry System & software
5. Generators
6. Well modifications
7. Chlorine booster station
8. Dump Truck and Trailer
9. Well & Tank Inspections

Project mapping showing the proposed locations of the improvements is attached to this Preliminary Engineering Report as Appendix A.

### Project Planning Area

The project areas are located throughout the District's territory.

The 2010 Census shows the population in Elliott County to be 7,852. The Kentucky State Data Center projects the County's population to increase over the next forty years. Projections are:

YEAR	POPULATION PROJECTION
2015	8,742
2020	9,076
2025	9,399
2030	8,680
2035	9,887
2040	10,015
2045	10,065
2050	10,041

The majority of customers, 1,146 are residential with the balance of 71 being commercial customers.

## **Existing Facilities**

The Sandy Hook Water District is comprised of a water treatment plant and water distribution system.

The source of water is seven groundwater wells. The water treatment plant consists of three pressure filters and chlorinators.

The distribution system has four storage tanks with a total volume of 511,000 gallons. The piping consists of:

- 3 miles, 2 inch PVC
- 34 miles, 3 inch PVC
- 27 miles, 4 inch PVC
- 38 miles, 6 inch PVC
- 2.2 miles, 8 inch PVC
- 2.5 miles, 6 inch Ductile Iron
- 3 miles, 8 inch Ductile Iron

## **Need for Project**

The District only uses 2 of the seven wells. Three wells are low volume producing and another well has natural gas in the well.

A small section of the water mains on Main Street and Crestview Street are AC pipe and have numerous breaks. These sections need to be replaced. It is proposed to loop two dead end lines on Simmons Road – this will improve water quality. Water lines are proposed to be extended along two roads to provide clean water for the families that live on these roads.

The other items proposed are needed to help the District personnel to better operate the system. The District has had turn over in staff and having the system put in a geographical information system will enable future staff to accurately locate the District's facilities in the distribution system. The telemetry system will allow more control over the operations of the plant and the distribution system. The District's distribution system is wide spread throughout the county and when there are breaks or other problems in the system, currently a lot of time may pass before the District personnel is made aware of the problems.

The Dehart tank is located farthest from the water treatment plant. The chlorine residual often drops by the time the water reaches this tank or after it has sat in the tank for a few days.

## Alternatives Considered

### Wells:

Consideration was given to working on existing wells 2 (42.7 GPM) and 3 (66.7 GPM) as opposed to drilling two new ones. Existing wells 2 and 3 combined were producing 180 GPM, but today they only produce 109 GPM (a drop of 40 percent in production). Well inspections by National Water Services, LLC suggested a deep well revitalization process might improve the production temporarily, but there is little confidence that this process would have a lasting impact. Fracking the wells were also considered, but it is a costly method that does not come with any guarantees of increased production.

Well No.7 currently produces (82 GPM) individually more than Wells 2 and 3, but it contains a seepage of natural gas and can't be used. However, instead of not using this well at all, it has been determined that by drilling deeper into the white sandstone layer the gas will no longer be a factor and this known well production will be a significant increase to the District's water supply.

Therefore, Wells 2 and 3 will be replaced and Well No. 7 will be modified.

### Chlorine Booster Station:

Consideration was given to installing a mixer to help with low chlorine residuals in the service area served by the Dehart tank which is located on KY 32, and is the furthest distance from the plant. However, it has been determined that a mixer might help with the residuals, but it is not known how much of an increase it would be. The chlorine booster station will be cost efficient, and it is known that it will increase the residuals to the amount determined by the operator.

### New Telemetry System:

Consideration was given to trying to update individual RTU's in an outdated system, but new systems can be installed as a whole at a lower cost per unit than trying to cobble a system together one or two units at a time. The system upgrade will allow the District to save on hiring additional employees to monitor and track problems that the technology can provide.

### Water Line Replacements:

Main Street and Crestview Street currently are problematic asbestos cement lines that serve numerous customers and have been deleted from former projects in recent years. This replacement is overdue and can reduce maintenance costs significantly to the District.

## Proposed Project

The proposed project consists of a number of activities. These activities are:

- Distribution line replacement, looping, and extensions
- Geographical Information System collection, software, and training
- Telemetry System and software
- Generators – two
- Well Inspections and modifications
- Tank Inspections
- Booster Chlorinator
- Equipment purchase – dump truck and trailer

The preliminary estimated cost for this project is as follows:

### Construction Cost

Water Line Replacement & Extension	\$120,000
GIS	35,000
Telemetry	212,020
Generators	55,000
Well Modifications	197,000
Chlorine Booster Station	10,000
Dump Truck & Trailer	125,000
Well and Tank Inspections	<u>\$11,420</u>
<b>Construction Sub-total</b>	<b>\$765,440</b>
Construction Contingency -10%	\$76,500
Engineering	
Design Fees	\$71,060
Other Engineering Fees	\$20,000
Inspection Fees	\$47,000
Legal Fees	<u>\$10,000</u>
<b>Total Project Costs</b>	<b>\$ 990,000</b>

## Current and Proposed Water Rates

The current approved rates for SHWD are shown in Table I.

**Table 2**

	Existing Rates
<b><u>5/8 inch</u></b>	
first 2000	\$17.60
next 8000	\$6.62
next 40000	\$5.88
over 50000	\$4.40
<b><u>1 inch</u></b>	
first 5000	\$37.46
next 5000	\$6.62
next 40000	\$5.88
over 50000	\$4.40
<b><u>1.5 inch</u></b>	
first 10000	\$70.56
next 40000	\$5.88
over 50000	\$4.40
<b><u>2 inch</u></b>	
first 20000	\$129.36
next 30000	\$5.88
over 50000	\$4.40
<b><u>3 Inch</u></b>	
first 30000	\$188.16
Next 20000	\$5.88
Over 50000	\$4.40

It is expected that the District will institute a rate increase with this project. The proposed rates and additional financial data will be presented in the Summary Addendum to the Preliminary Engineering Report that will be submitted separately and at a later date.



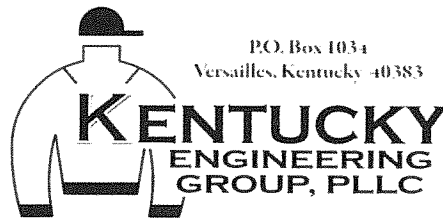
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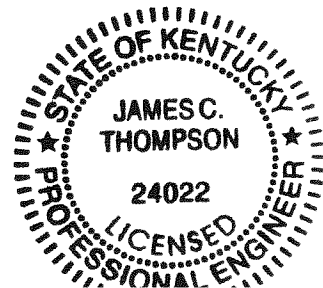
**Final Engineering Report  
Sandy Hook Water District  
Water System Improvements  
September 2013**

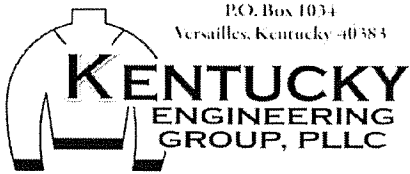
**prepared by:**



**Submitted By:**

  
**James C. Thompson, P.E.**  
**Project Engineer**





**FINAL ENGINEERING REPORT  
SANDY HOOK WATER DISTRICT  
WATER SYSTEM IMPROVEMENTS  
SEPTEMBER 2013**

*PROJECT PLANNING AREA AND PROJECT DESCRIPTION*

The project areas are located throughout the District's territory; the District's territory is the entire county. The proposed project consists of a number of activities that will improve the operation of the system. These activities are:

- Distribution line replacement, looping, and extensions
- Upgrade of Telemetry System and software
- New Groundwater Well and Appurtenances
- Tank Inspections
- Automatic Flushing Device
- Equipment purchase – truck and trailer
- Replacement Meters

*EXISTING FACILITIES*

The Sandy Hook Water District is comprised of a water treatment plant and water distribution system. The source of water is seven groundwater wells. The water treatment plant consists of three pressure filters and chlorinators. The distribution system has four storage tanks with a total volume of 511,000 gallons and approximately 110 miles of water lines ranging in size from two inch to eight inch.

*NEED FOR PROJECT*

The District only uses 2 of the seven wells. Three wells are low volume producing and another well has natural gas in the well.

A small section of the water mains on Main Street and Crestview Street are AC pipe and have numerous breaks. These sections need to be replaced. Water lines are proposed to be extended along four roads to provide clean water for the families that live on these roads.

The other items proposed are needed to help the District personnel to better operate the system. The telemetry system will allow more control over the operations of the plant and the distribution system. The District's distribution system is wide spread throughout the county and when there are breaks or other problems in the system, currently a lot of time may pass before the District personnel is made aware of the problems.

The Dehart tank is located farthest from the water treatment plant. The chlorine residual often drops in the summer months by the time the water reaches this tank or after it has sat in the tank for a few days.

*PROJECT BUDGET AND FINANCING*

The project was advertised for construction bids with bids opened September 9, 2013. There are two construction contracts; Contract 10 – Water System Improvements and Contract 11 – New Groundwater Well. There were five bidders on Contract 10 and two bidders on Contract 11. The bid tabulations are attached to this report.

The low bidder of Contract 10 is DS Underground Utilities and the low bidder of Contract 2 is Lewis Drilling.

Kentucky Engineering Group, PLLC has not worked with Lewis Drilling previously. However the District has worked with Lewis Drilling on numerous occasions involving the District’s existing wells and they are most knowledgeable of the groundwater in this area. Kentucky Engineering Group has not worked with DS Underground Utilities previously. Based on background checks we have no reason to not award the contracts to DS Underground Utilities and Lewis Drilling. Therefore we have written letters of recommendation to the District. These letters have been sent to the Sandy Hook Water District. Copies are attached to this report.

The two construction contract bids were \$467,500 for Contract 10 and \$223,876 for Contract 11. Contract 10 will be reduced by a \$54,500 change order at the time of the contract signing. The new contract amount will be \$413,000. The deletions are due to the District deciding not to purchase a generator and construct Simmons Road Loop. With the aforementioned revisions, these contracts are within the budget available for the project. The funding available for the project consists of the following sources:

Rural Development Loan	\$504,000
Rural Development Grant	\$336,000
Coal Severance Grant	<u>\$75,000</u>
	\$915,000

Originally the District had \$150,000 in coal severance funds committed to the project - \$75,000 in FY 2013 and \$75,000 in FY 2014. But due to the down turn in coal production and transportation, Elliott County, as with all other Kentucky coal counties, is experiencing a dramatic drop in coal severance taxes. The state agency overseeing the coal severance funds for the counties has told the District to not expect the second \$75,000 in coal severance dollars. Should the District receive the second \$75,000 the District will purchase additional equipment.

The revised budget for the project is as follows:

Legal	10,000
Preliminary Engineering	12,000
Design	48,800
Construction Services	12,200
Inspection	42,000
Other Engineering Services	8,000

Construction	636,876
Equipment	23,000
Miscellaneous (Interest, Reimbursements)	67,000
Contingencies	<u>55,124</u>
	\$915,000

Due to increased operating costs, the rates presented to Rural Development in the Summary Addendum to the Preliminary Engineering Report – October 2011, will need to be increased. The new proposed rates are attached to this report.

In 2012 the District had to replace approximately 200+ meters in its system. These meters were approximately eight years old. It was not clear whether the problem was due to water quality issues or if the meters were defective from the manufacturer. During Fiscal Year 2013, the District will be replacing 300 additional meters.

We believe that this project can proceed to construction after submittal of Rural Development post-bid documents, approval by the KY Public Service Commission and the Pre-closing and Pre-construction conference held.

KENTUCKY ENGINEERING GROUP, PLLC

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James C. Thompson, PE

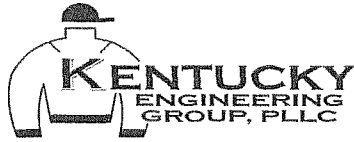
Attachments:

Bid Tabulations

Letter of Recommendations

New Proposed Rates for Water Service

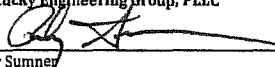


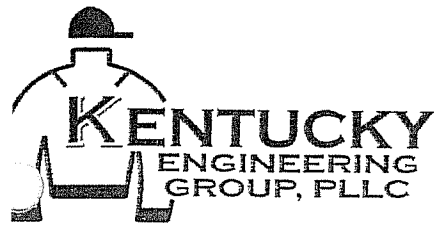


**BID TABULATION**  
**CONTRACT NO. 11**  
**NEW GROUNDWATER WELL AND APPURTENANCES**  
**SANDY HOOK WATER DISTRICT**  
**KEG PROJECT NO. 11001**  
**BID OPENING: MONDAY, SEPTEMBER 9, 2013 11:00 AM**

				Lewis Drilling West Liberty, KY		National Water Service Paoli, IN					
Item No.	Description	Quantity	Unit	\$/unit	Bid Amount	\$/unit	Bid Amount				
1	New Groundwater Well No. 8 - Drilling with 10" Steel Casing Pipe.	250	VF	\$ 275.25	\$ 68,812.50	\$ 514.94	\$ 128,735.00				
2	Submersible Well Pump, Electric and All Appurtenances	1	LS	\$ 57,982.00	\$ 57,982.00	\$ 15,018.00	\$ 15,018.00				
3	Well Station Valve Vault and All Appurtenances	1	LS	\$ 37,937.50	\$ 37,937.50	\$ 49,707.00	\$ 49,707.00				
4	New Groundwater Well No. 8 - Testing and Data Collection	1	LS	\$ 18,260.00	\$ 18,260.00	\$ 40,747.00	\$ 40,747.00				
5	Site Work - Including Fencing, Crushed Stone, and Access Road	1	LS	\$ 32,326.48	\$ 32,326.48	\$ 49,879.00	\$ 49,879.00				
6	Transfer RTU Telemetry From Existing Groundwell NO.7 to New Groundwater Well.	1	LS	\$ 8,558.00	\$ 8,558.00	\$ 8,818.00	\$ 8,818.00				
<b>TOTAL AMOUNT (ITEMS 1-6)-Contract No. 11 - New Groundwater Well and Appurtenances</b>					<b>\$ 223,876.48</b>		<b>\$ 292,904.00</b>				
<b>TOTAL BID CALCULATED BID AMOUNT</b>					<b>\$ 223,876.48</b>		<b>\$ 292,904.00</b>	<b>\$</b>	<b>-</b>		

The above is a true and complete tabulation of the bids received on Monday, September 9th, 2013 at 11:00 pm  
I certify that this is true and accurate tabulation of the bids.

Kentucky Engineering Group, PLLC  
By:   
Riley Summey  
Project Manager



September 12, 2013

Mr. Bernal Atkins  
Sandy Hook Water District  
P.O. Box 726  
Sandy Hook, Kentucky 41171

RE: Recommendation of Award  
Contract 10 – Water System Improvements

Dear Mr. Atkins:

Bids for the above referenced project were opened Monday, September 9, 2013 at 11:00 am local time. Five (5) bidders submitted on the above referenced project. The apparent low bidder was Flo-Line Contracting, Monticello, Kentucky with a bid of \$472,235. However, upon development of the bid tabs it was noted that DS Underground Utilities, Salyersville, Kentucky had made a mathematical error, and the corrected bid of \$467,500 made DS Underground Utilities the low bidder.

DS Underground has accepted the corrected number as their bid.

Upon review of the bid documents and after checking references, Kentucky Engineering Group, PLLC would recommend to Sandy Hook Water District that Contract 10 be awarded to the low bidder, DS Underground Utilities.

Enclosed is the bid tabulation worksheet for the above referenced project.

If you have any questions or need additional information please contact me at your convenience.

Sincerely,

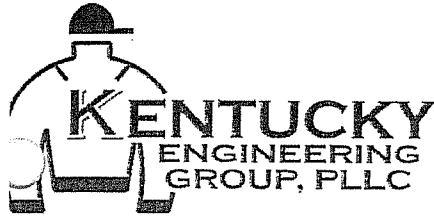
KENTUCKY ENGINEERING GROUP, PLLC

A handwritten signature in black ink, appearing to read "Riley Sumner", is written over a horizontal line.

Riley Sumner  
Project Manager

c: Mr. Danny Smith, DSUU  
Mr. Douglas Hoff, RD  
File w/enclosures

P.O. Box 1034  
Versailles, Kentucky 40383  
Phone: (859) 251.4127  
Fax: (859) 251.4137  
Email: info @ kyengr.com  
www.kyengr.com



September 12, 2013

Mr. Bernal Atkins  
Sandy Hook Water District  
P.O. Box 726  
Sandy Hook, Kentucky 41171

RE: Recommendation of Award  
Contract 11 - New Groundwater Well and Appurtenances

Dear Mr. Atkins:

Bids for the above referenced project were opened Monday, September 9, 2013 at 11:00 am local time. Two (2) bidders submitted on the above referenced project, Lewis Drilling and National Water Service. The low bidder was Lewis Drilling, Pikeville, Kentucky with a bid of \$223,876.48.

Upon review of the bid documents and knowing that Lewis Drilling has successfully completed other well projects for the Sandy Hook Water District, Kentucky Engineering Group, PLLC would recommend to Sandy Hook Water District that Lewis Drilling be awarded Contract 11.

Enclosed is the bid tabulation worksheet for the above referenced project.

If you have any questions or need additional information please contact me at your convenience.

Sincerely,

KENTUCKY ENGINEERING GROUP, PLLC

Riley Sumner  
Project Manager

c: Mr. Billy Lewis, Lewis Drilling  
Mr. Douglas Hoff, RD  
File w/enclosures

P.O. Box 1034  
Versailles, Kentucky 40383  
Phone: (859) 251.4127  
Fax: (859) 251.4137  
Email: info@kyengr.com  
www.kyengr.com



Proposed Rates

<u>5/8 inch</u>	
first 2000	\$ 24.00 minimum
next 8000	\$ 9.40 per 1000 gallons
next 40000	\$ 8.40 per 1000 gallons
over 50000	\$ 7.40 per 1000 gallons
<u>1 inch</u>	
first 5000	\$ 52.20 minimum
next 5000	\$ 9.40 per 1000 gallons
next 40000	\$ 8.40 per 1000 gallons
over 50000	\$ 7.40 per 1000 gallons
<u>1.5 inch</u>	
first 10000	\$ 99.20 minimum
next 40000	\$ 8.40 per 1000 gallons
over 50000	\$ 7.40 per 1000 gallons
<u>2 inch</u>	
first 20000	\$ 183.20 minimum
next 30000	\$ 8.40 per 1000 gallons
over 50000	\$ 7.40 per 1000 gallons
<u>3 inch</u>	
first 30000	\$ 267.20 minimum
next 20000	\$ 8.40 per 1000 gallons
over 50000	\$ 7.40 per 1000 gallons

EXISTING RATES

5/8 inch

first 2000	\$ 17.60	minimum
next 8000	\$ 6.62	per 1000 gallons
next 40000	\$ 5.88	per 1000 gallons
over 50000	\$ 4.40	per 1000 gallons

1 inch

first 5000	\$ 37.46	minimum
next 5000	\$ 6.62	per 1000 gallons
next 40000	\$ 5.88	per 1000 gallons
over 50000	\$ 4.40	per 1000 gallons

1.5 inch

first 10000	\$ 70.56	minimum
next 40000	\$ 5.88	per 1000 gallons
over 50000	\$ 4.40	per 1000 gallons

2 inch

first 20000	\$ 129.36	minimum
next 30000	\$ 5.88	per 1000 gallons
over 50000	\$ 4.40	per 1000 gallons

3 inch

first 30000	\$ 188.16	minimum
next 20000	\$ 5.88	per 1000 gallons
over 50000	\$ 4.40	per 1000 gallons

RECEIVED

OCT 25 2013

PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE SANDY )  
 HOOK WATER DISTRICT FOR A )  
 CERTIFICATE OF PUBLIC CONVENIENCE ) Case No. 2013- \_\_\_\_\_  
 AND NECESSITY TO CONSTRUCT, FINANCE AND )  
 INCREASE RATES PURSUANT TO KRS 278.023 )

APPLICATION

This Application of the Sandy Hook Water District ("Applicant"), respectfully shows:

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

2. That the post office address of Applicant is:

Sandy Hook Water District  
 c/o Mr. Bernal Atkins, Chairman  
 P.O. Box 726  
 Sandy Hook, Kentucky 41171  
 email address: [sandyhookwater@yahoo.com](mailto:sandyhookwater@yahoo.com)

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

4. That the Project consists of the construction and/or installation of (i) approximately 13,355 linear feet of 2,3,4 and 6 inch waterline and appurtenances; (ii) a new well; (iii) upgrades to the telemetry system; (iv) a water tank flushing device; and (v) approximately 200 water meters.

5. That Applicant proposes to finance the construction of the Project through (i) the issuance of \$504,000 of its Waterworks Revenue Bonds; (ii) a USDA, Rural Development ("RD") grant in the amount of \$336,000; and (iii) a Kentucky Coal Severance grant in the amount of \$75,000. Applicant has a commitment from RD to purchase said \$504,000 of bonds maturing over a 40-year period, at an interest rate not to exceed 2.75% per annum, as set out in the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

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

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

- A. Copy of RD Letter of Conditions, as amended (**Exhibit "A"**).
- B. Copy of RD Letter of Concurrence in Contract Award (**Exhibit "B"**).
- C. Copy of Preliminary and Final Engineering Reports.
- D. Certified statement from the Chairman of Applicant (**Exhibit "C"**), 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 Rate Change pursuant to Section 2 of 807 KAR 5:069, in the newspapers of general circulation in Applicant's service area. Said Notice sets out the current rates and the proposed rates of Applicant and a description of the construction Project. A copy of said Notice is filed herewith as **Exhibit "D"**.

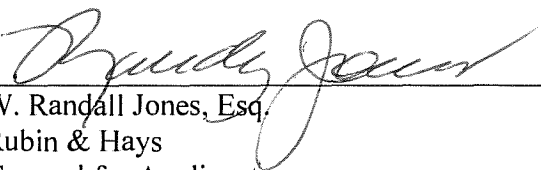
9. That the foregoing constitutes the documents necessary to obtain the approval of the Kentucky Public Service Commission in accordance with Section 278.023 of the Kentucky Revised Statutes and in accordance with the "Filing Requirements" specified in 807 KAR 5:069, Section 1.

WHEREFORE, Applicant, the Cumberland 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 water system improvement project.
- b. An Order approving the financing arrangements made by Applicant, viz., (i) the issuance of \$504,000 of Sandy Hook Water District Waterworks Revenue Bonds at an interest rate not to exceed 2.75% per annum; (ii) an RD grant in the amount of \$336,000; and (iii) a Kentucky Coal Severance grant in the amount of \$75,000.
- c. An Order approving the proposed water rates as set out in Section 28 of the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

Sandy Hook 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  
[wrjones@rubinhays.com](mailto:wrjones@rubinhays.com)







3/25

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

August 30, 2012

Joseph Montgomery, Chairman  
Sandy Hook Water District  
100 Howards Creek  
Sandy Hook, Kentucky 41171

Dear Mr. Montgomery:

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 \$504,000; a RUS grant not to exceed \$336,000; and a Kentucky Coal Severance grant in the amount of \$150,000. No applicant cash contribution is needed.

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 1,200 water users, of which all are existing users. The Area Director will review and authenticate the number of users prior to advertising for construction bids.

2. Grant Agreement:

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

3. Drug-Free Work Place:

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

4. Repayment Period:

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

5. Recommended Repayment Method:

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

6. Reserve Accounts:

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

The District will be required to deposit \$180 per month into a "Funded Debt Reserve Account" until the account reaches \$21,600. The deposits are to be resumed any time the account falls below the \$21,600.

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 \$1,050 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District's water system. This short-lived asset reserve amount replaces any previous short-lived assets requirements previously set with any prior RUS loan.

7. Security Requirements:

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

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

8. Land Rights and Real Property:

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

9. Organization:

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

10. Business Operations:

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

11. Accounts, Records and Audits:

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

The 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 \$101,000.
- 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	\$ 762,140
Legal and Administrative	10,000
Engineering	138,060
Interest	3,300
Contingencies	<u>76,500</u>
TOTAL	\$ 990,000

Financing:

RUS Loan	\$ 504,000
RUS Grant	336,000
Kentucky Coal Severance	<u>150,000</u>
TOTAL	\$ 990,000

25. Commitment of Other Project Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the Kentucky State Coal Severance grant in the amount of \$150,000.

26. Use of Remaining Project Funds:

After providing for all authorized costs, any remaining project funds will be considered to be RUS/Kentucky State Coal Severance grant funds and refunded in proportion to participation in the project. If the amount of unused project funds exceeds the grants, that part would be RUS loan funds.

27. Proposed Operating Budget:

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

28. Rates and Charges:

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

Water rates will be at least:

5/8 Inch

First	2,000	gallons @ \$	23.00. - Minimum Bill.
Next	8,000	gallons @ \$	8.90. - per 1,000 gallons.
Next	40,000	gallons @ \$	7.90. - per 1,000 gallons.
All Over	50,000	gallons @ \$	6.90. - per 1,000 gallons.

1 Inch

First	5,000	gallons @ \$	49.70. - Minimum Bill.
Next	5,000	gallons @ \$	8.90. - per 1,000 gallons.
Next	40,000	gallons @ \$	7.90. - per 1,000 gallons.
All Over	50,000	gallons @ \$	6.90. - per 1,000 gallons.

1 1/2 Inch

First	10,000	gallons @ \$	94.20. - Minimum Bill.
Next	40,000	gallons @ \$	7.90. - per 1,000 gallons.
All Over	50,000	gallons @ \$	6.90. - per 1,000 gallons.

2 Inch

First	20,000	gallons @ \$	173.20. - Minimum Bill.
Next	30,000	gallons @ \$	7.90. - per 1,000 gallons.
All Over	50,000	gallons @ \$	6.90. - per 1,000 gallons.

3 Inch

First	30,000	gallons @ \$	252.20. - Minimum Bill.
Next	20,000	gallons @ \$	7.90. - per 1,000 gallons.
All Over	50,000	gallons @ \$	6.90. - per 1,000 gallons.

29. Compliance with the Bioterrorism Act:

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

30. Floodplain Construction:

The District will be required to pass and adopt a Resolution or amend its By-Laws whereby the District will deny any water service to any future customer wishing to build on or develop property located within a designated floodplain. If a customer or developer requests service for



construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the District and Rural Development officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP) and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

31. Water Withdrawal Permit:

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

32. Mitigation Measures:

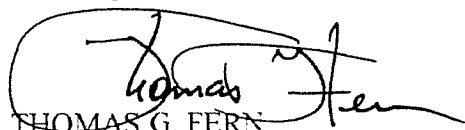
- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated December 16, 2011, from Ms. Lee Nalley.
- B. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without effect after construction 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 Fern". The signature is written in a cursive style with a large initial "T" and "F".

THOMAS G. FERN  
State Director

Enclosures

cc: Area Director - Morehead, Kentucky  
FIVCO ADD - Grayson, Kentucky  
Rubin & Hays - Louisville, Kentucky  
Paul R Stokes - Morehead, Kentucky  
Kentucky Engineering Group - Versailles, Kentucky  
PSC - ATTN: Dennis Jones - Frankfort, Kentucky



Rural Development

October 17, 2013

Kentucky State Office

771 Corporate Drive,  
Suite 200  
Lexington, KY  
40503

Bernal P. Atkins, Chairman  
Sandy Hook Water District  
100 Howard Creek  
Sandy Hook, Kentucky 41171

Voice 859.224.7300  
Fax 859.224.7425  
TTY 859.224.7422

Re: Letter of Conditions Dated August 30,2012

Dear Mr. Atkins:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated August 30, 2012. The purpose of this amendment is to revise rates and charges, project funding, and total cost of project.

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

" 24. Cost of Facility:

Breakdown of Costs:

Development	\$ 637,000
Equipment	23,000
Legal and Administrative	10,000
Engineering	123,000
Interest & Misc.	67,000
Contingencies	<u>55,000</u>
TOTAL	\$ 915,000

Financing:

RUS Loan	\$ 504,000
RUS Grant	336,000
KY Coal Severance	<u>75,000</u>
TOTAL	\$ 915,000

Paragraph numbered "28" is revised to read as follows:

" 28. Rates and Charges:

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

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html), or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov).

Water rates will be at least:

5/8 Inch

First	2,000	gallons @ \$	24.00. - Minimum Bill.
Next	8,000	gallons @ \$	9.40. - per 1,000 gallons.
Next	40,000	gallons @ \$	8.40. - per 1,000 gallons.
All Over	50,000	gallons @ \$	7.40. - per 1,000 gallons.

1 Inch

First	5,000	gallons @ \$	52.20. - Minimum Bill.
Next	5,000	gallons @ \$	9.40. - per 1,000 gallons.
Next	40,000	gallons @ \$	8.40. - per 1,000 gallons.
All Over	50,000	gallons @ \$	7.40. - per 1,000 gallons.

1 1/2 Inch

First	10,000	gallons @ \$	99.20. - Minimum Bill.
Next	40,000	gallons @ \$	8.40. - per 1,000 gallons.
All Over	50,000	gallons @ \$	7.40. - per 1,000 gallons.

2 Inch


First	20,000	gallons @ \$	183.20. - Minimum Bill.
Next	30,000	gallons @ \$	8.40. - per 1,000 gallons.
All Over	50,000	gallons @ \$	7.40. - per 1,000 gallons.

3 Inch

First	30,000	gallons @ \$	267.20. - Minimum Bill.
Next	20,000	gallons @ \$	8.40. - per 1,000 gallons.
All Over	50,000	gallons @ \$	7.40. - per 1,000 gallons."

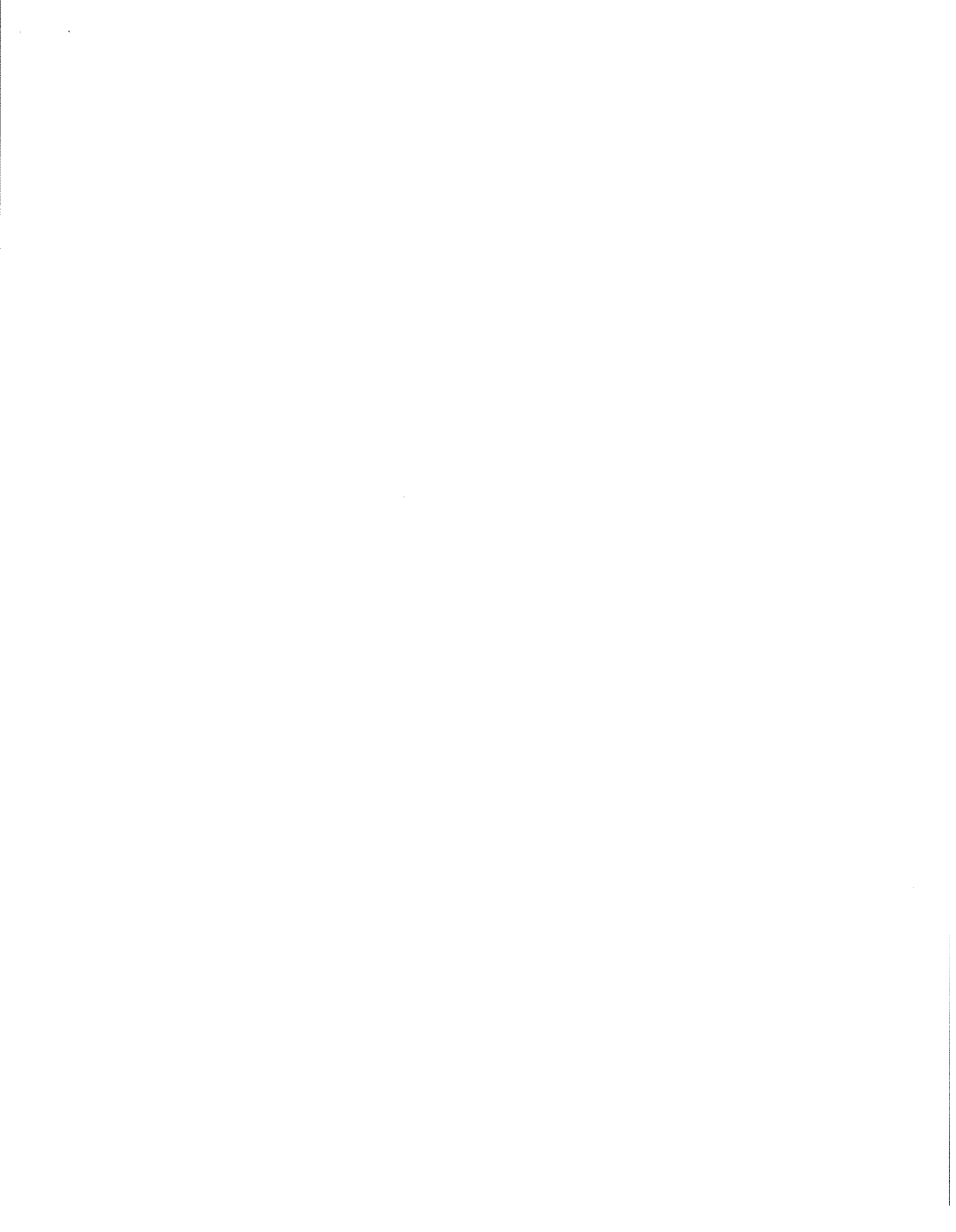
All other provisions of the referenced Letter of Conditions remain in full force and unchanged.

Sincerely,



THOMAS G. FERN  
State Director

cc: Area Director - Morehead, Kentucky  
FIVCO ADD - Grayson, Kentucky  
Rubin & Hays - Louisville, Kentucky  
Paul R. Stokes - Morehead, Kentucky  
Kentucky Engineering Group - Versailles, Kentucky  
PSC - ATTN: Jeff Derouen - Frankfort, Kentucky





Rural Development

October 17, 2013

Kentucky State Office

771 Corporate Drive,  
Suite 200  
Lexington, KY  
40503

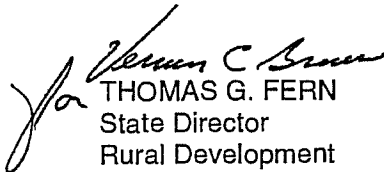
**SUBJECT:** Sandy Hook Water District  
Water System Improvements  
Contract Award Concurrence

Voice 859.224.7300  
Fax 859.224.7425  
TTY 859.224.7422

**TO:** Area Director  
Morehead, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of contract 10 to the low bidder, DS Underground Utilities in the amount of \$467,500 contingent upon a contract change order being executed simultaneously in the amount of \$54,500, to bring the contract within project budget with an actual construction amount of \$413,000.00. Rural Development concurs in the award of Contract 11 to the low bidder, Lewis Drilling, in the amount of \$223,876.00.

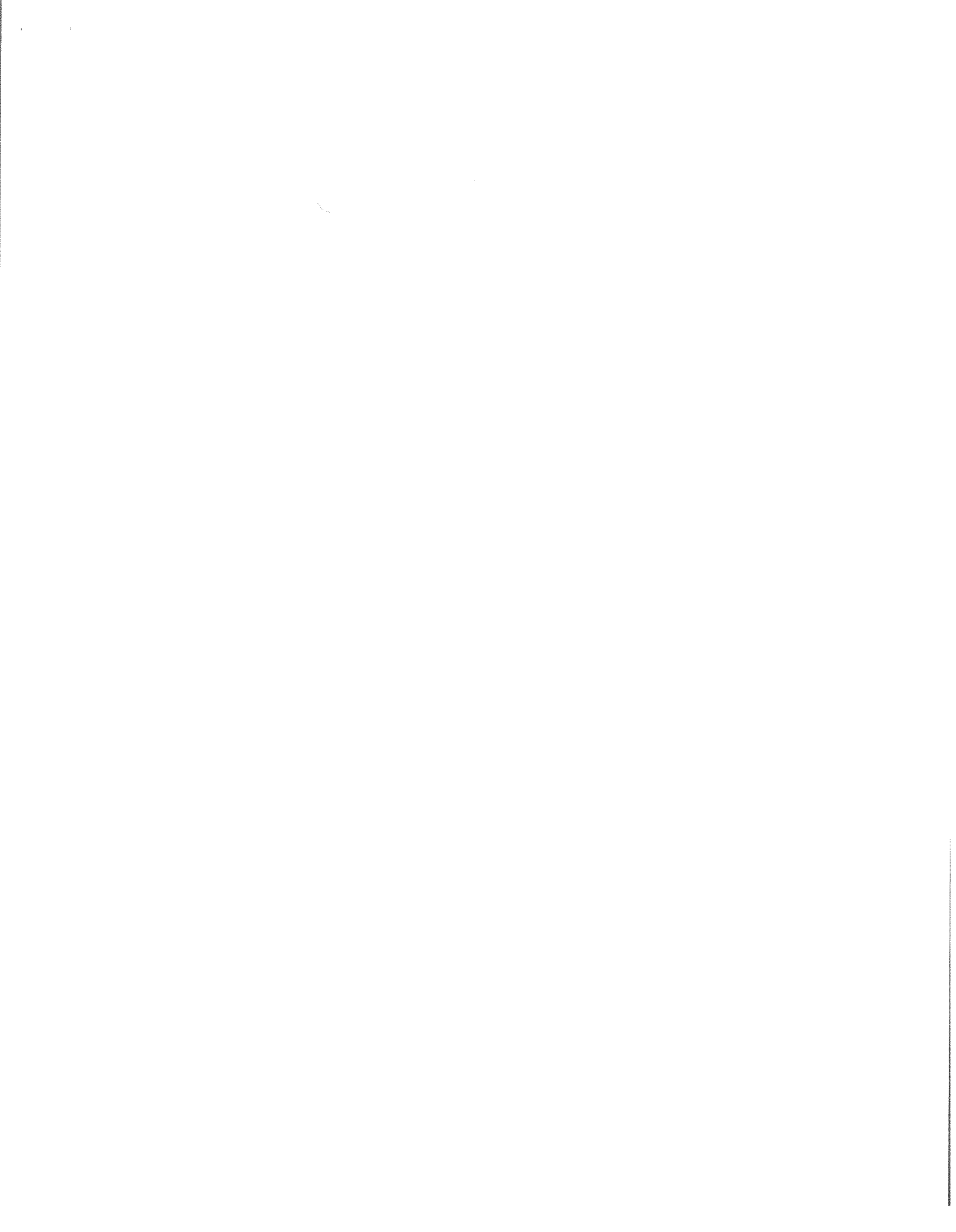
If you have any questions, please contact Julie Anderson, State Engineer, at (859) 224-7348.

  
THOMAS G. FERN  
State Director  
Rural Development

cc: Kentucky Engineering Group  
Versailles, Kentucky

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html), or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov).




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

I, the undersigned, hereby certify that I am the duly qualified and acting Chairman of the Sandy Hook Water District, and that said District is in the process of arranging to finance the construction of improvements to the water system (the "Project"), in cooperation with Kentucky Engineering Group, PLLC, Versailles, 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:

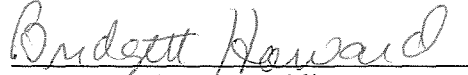
1. That the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.
2. That all other state approvals and/or permits have already been obtained.
3. That the rates proposed by the District in its current Application filed with the Public Service Commission of Kentucky 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 November 30, 2013, and will end on or about March 31, 2014.

IN TESTIMONY WHEREOF, witness my signature this October 21, 2013.

  
Chairman  
Sandy Hook Water District

STATE OF KENTUCKY            )  
  ) SS  
COUNTY OF ELLIOTT         )

Subscribed and sworn to before me by Bernal Atkins, Chairman of the Board of Commissioners of the Sandy Hook Water District, on this October 21, 2013.

  
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 Sandy Hook Water District of a change in water rates for users of the District's water system. The changes in water rates are required by the U.S. Department of Agriculture, acting through Rural Development in connection with a loan by RD to the District in the amount of \$504,000 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 water rates as set forth below:

### Current Monthly Rates

#### 5/8" x 3/4" Meters

First 2,000 gallons	\$17.60 minimum bill
Next 8,000 gallons	6.62 per 1,000 gallons
Next 40,000 gallons	5.88 per 1,000 gallons
All over 50,000 gallons	4.40 per 1,000 gallons

#### 1" Meters

First 5,000 gallons	\$37.46 minimum bill
Next 5,000 gallons	6.62 per 1,000 gallons
Next 40,000 gallons	5.88 per 1,000 gallons
All over 50,000 gallons	4.40 per 1,000 gallons

#### 1-1/2" Meters

First 10,000 gallons	\$70.56 minimum bill
Next 40,000 gallons	5.88 per 1,000 gallons
All over 50,000 gallons	4.40 per 1,000 gallons

#### 2" Meters

First 20,000 gallons	\$129.36 minimum bill
Next 30,000 gallons	5.88 per 1,000 gallons
All over 50,000 gallons	4.40 per 1,000 gallons

#### 3" Meters

First 30,000 gallons	\$188.16 minimum bill
Next 20,000 gallons	5.88 per 1,000 gallons
All over 50,000 gallons	4.40 per 1,000 gallons

## Proposed Monthly Water Rates

### 5/8" x 3/4" Meters

First 2,000 gallons	\$24.00 minimum bill
Next 8,000 gallons	9.40 per 1,000 gallons
Next 40,000 gallons	8.40 per 1,000 gallons
All over 50,000 gallons	7.40 per 1,000 gallons

### 1" Meters

First 5,000 gallons	\$52.50 minimum bill
Next 5,000 gallons	9.40 per 1,000 gallons
Next 40,000 gallons	8.40 per 1,000 gallons
All over 50,000 gallons	7.40 per 1,000 gallons

### 1-1/2" Meters

First 10,000 gallons	\$99.20 minimum bill
Next 40,000 gallons	8.40 per 1,000 gallons
All over 50,000 gallons	7.40 per 1,000 gallons

### 2" Meters

First 20,000 gallons	\$183.20 minimum bill
Next 30,000 gallons	8.40 per 1,000 gallons
All over 50,000 gallons	7.40 per 1,000 gallons

### 3" Meters

First 30,000 gallons	\$267.20 minimum bill
Next 20,000 gallons	8.40 per 1,000 gallons
All over 50,000 gallons	7.40 per 1,000 gallons

The RD loan proceeds will be used in conjunction with a \$336,000 RD grant and a \$75,000 Coal Severance grant to finance the cost of the construction and/or installation of (i) approximately 13,355 linear feet of 2,3,4 and 6 inch waterline and appurtenances; (ii) a new well; (iii) upgrades to the telemetry system; (iv) a water tank flushing device; and (v) approximately 200 water meters. Signed, Bernal Atkins, Chairman, Sandy Hook Water District.