

DAMON R. TALLEY, P.S.C.

112 N. Lincoln Blvd
PO Box 150
Hodgenville, Kentucky 42748

Tel: (270) 358-3187
Fax: (270) 358-9560
E-mail: drtalley@windstream.net

Damon R. Talley

Attorney At Law

September 30, 2014

Mr. Jeff Derouen
Executive Director
Public Service Commission
PO Box 615
Frankfort, KY 40602

RECEIVED

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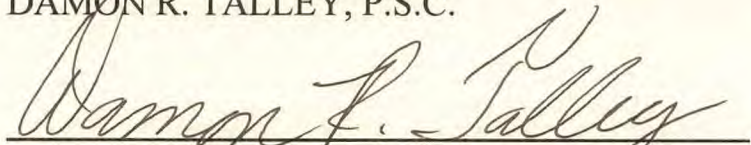
PUBLIC SERVICE
COMMISSION

RE: Case No. 2014-00289
Hardin County Water District No. 2
Financing – Promissory Note for \$8,000,000

Dear Mr. Derouen:

Enclosed for filing on behalf of Hardin County Water District No. 2 are the original and ten (10) copies of the Notice of Filing of a letter from USDA-RD dated September 29, 2014.

Yours truly,
DAMON R. TALLEY, P.S.C.



DAMON R. TALLEY, ATTORNEY FOR
HARDIN COUNTY WATER DISTRICT NO. 2

DRT:ms

Enclosures

cc: Hardin County Water District No. 2

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE HARDIN)	
COUNTY WATER DISTRICT NO. 2 FOR)	
AUTHORITY TO EXECUTE A PROMISSORY)	CASE NO.
NOTE IN THE PRINCIPAL AMOUNT OF)	2014-00289
\$8,000,000 PURSUANT TO THE PROVISIONS)	
OF KRS 278.300 AND 807 KAR 5:001)	

** ** ** ** **

**NOTICE OF FILING
OF
USDA-RD LETTER**

** ** ** **~

1. Hardin County Water District No. 2 (the “Hardin County No. 2”), by counsel, hereby gives notice that it has filed a copy of a letter dated September 29, 2014 from the United States Department of Agricultural, Rural Development (the “USDA-RD”) in the record in this proceeding. A copy of the letter is attached hereto and incorporated herein by reference.

2. As the Commission is aware from the documents filed in PSC Case No. 2013-252, Hardin County No. 2 plans to construct a major infrastructure project during 2015. The project has been identified as the Louisville Water Company Water Supply Interconnection Project (the “LWC Interconnection Project”). Hardin County No. 2 plans to file an application for a CPCN in December, 2014.

3. The LWC Interconnection Project is being funded, in part, with a \$5,000,000 long-term loan from USDA-RD as evidenced by the Letter of Conditions dated May 5, 2014 from USDA-RD. A copy of the USDA-RD Letter of Conditions has already been filed in this proceeding as an attachment to Hardin County No. 2’s Response to Commission Staff’s First Information Request (see response to Question 35).

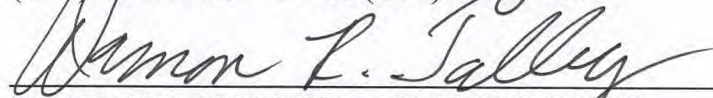
4. The USDA-RD Letter of Conditions sets forth, on page 9 at Paragraph 26, a single Schedule of Rates to be charged by Hardin County No. 2. The USDA-RD Letter of Conditions was issued **before** Hardin County No. 2 executed the Asset Purchase Agreement (the “Agreement”) with the City of Elizabethtown on July 28, 2014.

5. In order to implement the Rate Transition Plan set forth in Paragraph 16 of the Agreement and referenced in Hardin County No. 2's Application at Paragraphs 50-63, it will be necessary for USDA-RD to issue an amended Letter of Conditions for the purpose of authorizing two (2) Schedules of Rates during the transitional rate period ending on July 1, 2017.

6. The attached letter from USDA-RD confirms USDA-RD's intent to issue an amended Letter of Conditions authorizing one (1) rate schedule that will be applicable to customers in the existing Elizabethtown Service Area and a second rate schedule applicable to all other customers of Hardin County No. 2. The amended Letter of Conditions will be issued once the Elizabethtown Water System Assets have been acquired by Hardin County No. 2.

This 30th day of September, 2014.

DAMON R. TALLEY, P.S.C.
P. O. Box 150
Hodgenville, KY 42748-0150
drtalley@windstream.net
(270) 358-3187 FAX (270) 358-9560


DAMON R. TALLEY, ATTORNEY FOR
HARDIN COUNTY WATER DISTRICT NO. 2



Rural Development

September 29, 2014

Kentucky State Office

771 Corporate Drive,
Suite 200
Lexington, KY
40503

Michael L. Bell, Chairman
Hardin County Water District No. 2
P.O. Box 970
Elizabethtown, KY 42702

Voice 859.224.7300
Fax 859.224.7425
TTY 859.224.7422

Dear Chairman Bell,

USDA Rural Development has been advised the Hardin County Water District NO. 2 ("District") and the City of Elizabethtown ("Elizabethtown") have entered into an Asset Purchase Agreement ("Agreement") whereby the District will acquire Elizabethtown's Water System Assets. The closing is scheduled for the fall of 2014, subject to obtaining PSC Approval.

One of the closing requirements is for the District to transition the existing Elizabethtown customers from the lower Elizabethtown water rates to the higher District water rates over a transitional period ending on July 1, 2017. After July 1, 2017, all customers will pay the same water rates.

If the District acquires the Elizabethtown Water System Assets, the USDA Rural Development will issue an Amendment to its May 5, 2014 Letter of Conditions for the purpose of authorizing two (2) rate schedules during the transitional rate period ending on July 1, 2017.

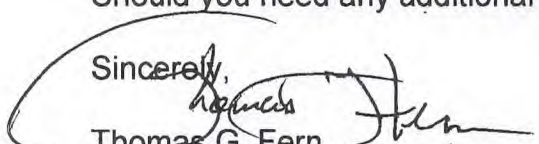
One (1) rate schedule will be applicable to the customers in the existing Elizabethtown Service Area. This rate schedule will be in accordance with the 4-step transitional rate plan set forth in Exhibit 5 to the Agreement.

The other rate schedule will be applicable to all other District customers. It will be the rate schedule set forth in paragraph 26 of the May 5, 2014 Letter of Conditions.

Once the District has acquired the Elizabethtown Water System Assets, please notify this office. USDA Rural Development will issue the Amendment to the May 5, 2014 Letter of Conditions after the alternate water supply project has been bid and final engineering report is provided.

Should you need any additional information, please let us know.

Sincerely,


Thomas G. Fern
State Director

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, 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.

EXHIBIT 5

ELIZABETHTOWN'S WATER RATES

Usage (Gallons)	Effective 11-1-14	Effective 7-1-15	Effective 7-1-16	Effective 7-1-17
First 2,000	\$ 12.80	\$ 14.70	\$ 16.60	\$ 18.50
Next 3,000	\$ 4.85	\$ 4.95	\$ 5.05	\$ 5.15
Next 5,000	\$ 4.65	\$ 4.85	\$ 5.05	\$ 5.15
Next 490,000	\$ 4.40	\$ 4.65	\$ 4.90	\$ 5.15
Over 500,000	\$ 2.60	\$ 2.70	\$ 2.80	\$ 2.90

NOTES:

1. The above rates are for water bills rendered after the dates shown above.

2. The Rate Schedule shown above is contained in City of Elizabethtown Ordinance No. 07-2014 enacted on February 18, 2014.