

Rubin & Hays

ATTORNEYS AT LAW

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

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

February 11, 2015

RECEIVED

FEB 13 2015

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:

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.**

The Engineers on this Project will file the electronic copy of the Plans and Specifications once a case number has been assigned.

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: McCreary County Water District Water and Sewer Revenue Bonds, Series 2015, in the principal amount of \$1,158,000 (WTP No. 1 and Sewer Phase II 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 Fortress Properties Street, Suite #3
London, Kentucky 40741

Telephone: (606) 864-5168
Fax: 1-(855) 454-4516

Mr. Steve Owens, Manager
McCreary County Water District
P.O. Box 488
Whitley City, Kentucky 42653

Telephone: (606) 376-2540
Fax: (606) 376-5507

Tim Lavender, Esq.
Courthouse Square
P.O. Box 69
Whitley City, Kentucky 42653

Telephone: (606) 376-2233

Deron Byrne, P.E.
Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, Kentucky 40342

Telephone: (502) 839-1310
Fax: (502) 839-1373

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

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

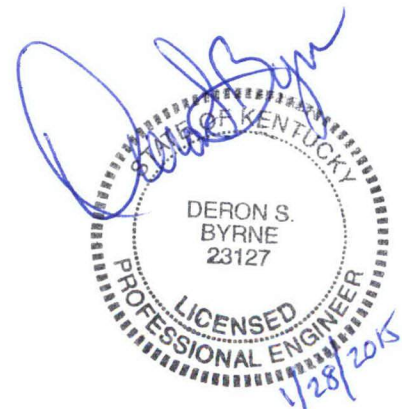
**PRELIMINARY ENGINEERING REPORT
FOR THE
MCCREARY COUNTY WATER DISTRICT
WATER TREATMENT PLANT NO. 1 IMPROVEMENTS
PHASE 2
&
SEWER SYSTEM IMPROVEMENTS**

RECEIVED

FEB 13 2015

**PUBLIC SERVICE
COMMISSION**

**JULY 2012
REVISED MAY 2013
REVISED APRIL 2014**



**PRELIMINARY ENGINEERING REPORT
FOR THE
MCCREARY COUNTY WATER DISTRICT
WATER TREATMENT PLANT NO. 1 IMPROVEMENTS
PHASE 2
&
SEWER SYSTEM IMPROVEMENTS**

**JULY 2012
REVISED MAY 2013
REVISED APRIL 2014**

PRELIMINARY ENGINEERING REPORT

WATER TREATMENT PLANT NO. 1 IMPROVEMENTS PHASE 2

&

SEWER SYSTEM IMPROVEMENTS McCREARY COUNTY WATER DISTRICT McCREARY COUNTY, KENTUCKY

I. GENERAL

This Preliminary Engineering Report is intended to analyze the proposed water and sewer system improvements that are being planned by the McCreary County Water District regarding their Water Treatment Plant No. 1 – Phase 2 project, Wastewater Treatment Plant, and sewage lift stations. The WTP has been in 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 first phase of the planned improvements are complete with construction to two new flocculation and sedimentation trains replacing three existing circular steel clarifier tanks. The planned improvements, being the second phase of a two phased project, the replacement of two deteriorating steel clearwells with a new concrete clearwell and the installation of a new carbon feed system.

The proposed project also consists of installing two influent flow meters at the head of the wastewater treatment plant's oxidation ditches to monitor the amount of flow distributed to each oxidation ditch. Included in the project is the conversion of an existing sludge drying bed structure at the wastewater treatment facility into a chemical feed building to house chemical feed storage and chemical feed equipment. In addition, the project includes the installation of Remote Telemetry Units (RTUs) at seven (7) existing sewage lift stations to monitor each stations activity and flow into the District's sewer system and to the wastewater treatment plant.

Included in this report are maps of the proposed service areas showing the location of WTP No. 1, WWTP, and water and sewer system 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 and sewer system improvements will take place at the McCreary County Water Treatment Plant No. 1 site as well as at the site of the Wastewater Treatment Plant along with the seven sites of the existing sewage lift stations. Both the plants and are all located near the communities of Whitley City and Stearns. The WTP No. 1 itself is located adjacent to KY Highway 1567, between KY Highway 92 and US Highway 27 and the WWTP is located in the Stearns area just off of KY Highway 92.

The existing lift stations are in and around the Whitley City, Stearns, and Pine Knot communities which serve as the main lift stations to transport sewage to the wastewater treatment plant located in Stearns, Kentucky.

It is not anticipated that a significant growth pattern will emerge as a result of the implementation of these water and sewer system improvements but rather that the reliability and quality of the water and sewer services will be greatly improved. The plants have been in service for an excess of forty years and the improvements proposed to the water and sewer system 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 all 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 West Kentucky Highway 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 McCreary County Water District owns and operates the only publicly owned sewer system in McCreary County. The wastewater treatment plant was upgraded in 2003 with a newly constructed treatment plant that has a capacity of 700,000 gallons per day. The initial treatment facility was put on line nineteen years ago and it was intended to serve an industrial customer along with a small number of residential users. Within the past fourteen years the District has extended sewer services in and around the communities of Whitley City, Marshes Siding, and Stearns. Current flows are less than 500,000 gallons per day. The new wastewater treatment plant is a conventional extended aeration type that consists of preliminary screening and grit removal, two oxidation units, two secondary clarifiers, two tertiary clarifiers, two sludge digesters, chlorination and dechlorination, and a sludge press unit.

The sewer collection system consists of individual grinder type pump stations located throughout the service area. These stations pump sewage to larger sewage lift stations that transport the wastewater to the treatment plant. The force mains consist of various sizes ranging from 1 ½ inch to 10-inch diameter.

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 to the WTP No. 1 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.

With the completion of the first phase of the reconstruction of the Old Water Plant No. 1, the second phase is planned to construct a new clearwell, high service pump building, and install a carbon feed system based on a study being performed currently. Once the new clearwell has been completed, the existing steel clearwell units that are being replaced by the new and longer lasting concrete structure will be dismantled and removed from the site. The first phase was financed by a grant from USDA in the amount of \$770,000 and a loan also from USDA in the amount of \$1,935,000. In regard to the impact of the loan for phase 1, a rate increase was required and subsequently an additional rate increase is expected based on the final loan amount for Phase 2.

Once the second phase has been complete, the District will then have the opportunity operate the treatment plant in a manner in which portions of the plant can be taken out of service to perform improvements as required without adversely affecting the output of the water delivered to the distribution system in the form of complying with regulatory required redundancy units. The capacity of the treatment plant will remain at the current level of 1.5 million gallons per day and will continue to withdraw water from the Laurel Creek Reservoir which has an outstanding quality of raw water.

The existing clearwells hold approximately 225,000 gallons of finished water which about 15% of the plant's capacity as required by the state regulatory agency. The clearwells are in desperate need of a great deal of repair or most likely replacement due to corrosion and deterioration. If the clearwells 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.

The regulatory agencies have been for years requiring the need for wastewater facilities to monitor the influent flow of raw sewage. In order for the McCreary County Water District to be in compliance with these requirements, it is necessary to install a flow monitoring system at the head of the wastewater treatment plant and install a means of monitoring sewage flow from each of the major sewage lift stations that transport sewage to the wastewater treatment plant. The installation of two (2) flow meters at the head of each of the oxidation ditches and the installation of Remote Telemetry Units (RTUs) at each of the major sewage lift stations will meet these needs. In addition, the District's need for chemical feed and storage space is limited at the existing chemical feed building. The current chemical feed building does not provide enough space and containment for the additional chemical bulk storage containers that currently sit on the floor designed for a garage area and maintenance. The wastewater treatment plant has two existing sludge drying bed shelters that are abandoned. It is the intent to convert one of these structures

into a chemical feed and storage equipment building which will have the necessary space and containment.

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 District's 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.

Based on the fact that there are no other major sanitary sewer treatment or collection systems or water treatment facilities that exist in the area, the only practical sewer and water system that would consider serving these areas is the McCreary County Water District. Therefore, it was determined that this area would be best served by a sewer collection system and water system built, owned, operated and served by the McCreary County Water District.

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 water portion of the project consists of constructing a new clearwell, high service pump building, and install a carbon feed system based on a study being performed currently at the Water Treatment Plant No. 1 facility. Once the new clearwell has been completed, the existing steel clearwell units that are being replaced by the new and longer lasting concrete structure will be dismantled and removed from the site.

The proposed sewer portion of the project consists of the installation of two (2) flow meters at the head of each of the oxidation ditches and the installation of Remote Telemetry Units (RTUs) at each of the major sewage lift stations. In addition, the District's need for chemical feed and storage space is limited at the existing chemical feed building. The current chemical feed building does not provide enough space and containment for the additional chemical bulk storage containers that currently sit on the floor designed for a garage area and maintenance. The wastewater treatment plant has

two existing sludge drying bed shelters that are abandoned. It is the intent to convert one of these structures into a chemical feed and storage equipment building which will have the necessary space and containment.

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 the WTP No. 1 – Phase 2 and the sewer system improvements is approximately \$2,097,000.00. The District is requesting RUS funds to construct these improvements to the Water Treatment Plant No. 1 – Phase 2 and sewer system improvements in the amount of a \$524,000 U.S.D.A. Rural Development Grant and a \$1,573,000.00 U.S.D.A. Rural Development Loan.

VII. CONCLUSIONS AND RECOMMENDATIONS

Based on the fact that Water Treatment Plant No. 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.

In addition, with the need to maintain compliance with State regulatory requirements of monitoring influent sewage flow to the wastewater treatment plant, and the need for space for the chemical feed equipment, and the need to feed carbon at the WTP No. 1, it is recommended that the McCreary County Water District take the steps necessary to accommodate the needs for the sewer and water system improvements. The McCreary County Water District is the only major sewer and water treatment and sewer collection system in and around this area and their system is situated such that these improvements as proposed can be made without adversely affecting service to their existing customers.

**PRELIMINARY COST ESTIMATE
WATER & SEWER SYSTEM IMPROVEMENTS
McCREARY COUNTY WATER DISTRICT**

MARCH 2014

PROJECT COSTS

DEVELOPMENT	\$1,664,000.00
CONTINGENCY	167,000.00
ENGINEERING DESIGN	134,000.00
CONSTRUCTION INSPECTION	82,000.00
LEGAL & ADMINISTRATION	15,000.00
ADDITIONAL ENGINEERING	15,000.00
INTEREST	10,000.00
ENVIRONMENTAL	<u>10,000.00</u>
TOTAL PROJECT COSTS	\$2,097,000.00

PROJECT FUNDS

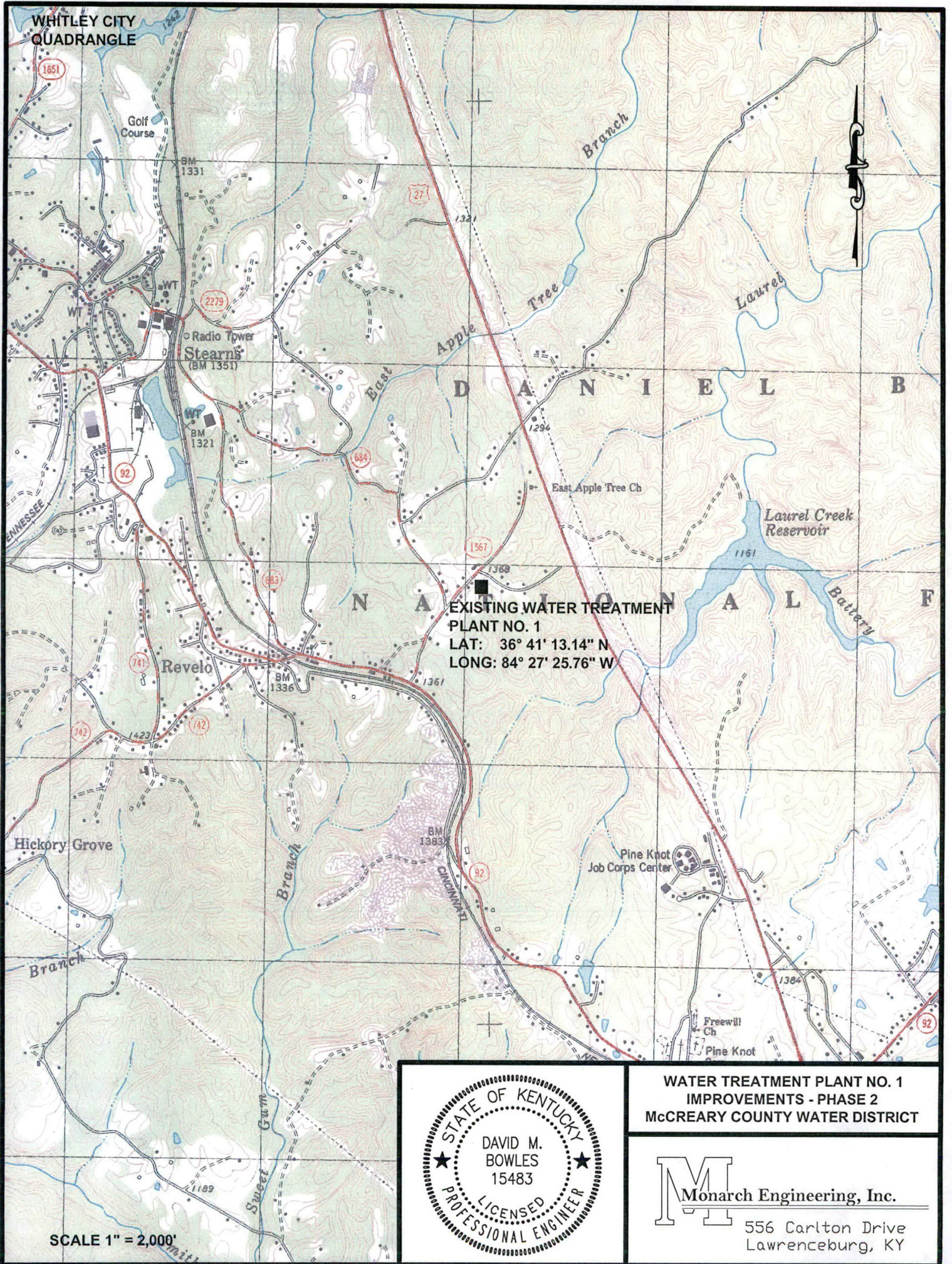
USDA RURAL DEVELOPMENT LOAN (75%)	1,573,000.00
USDA RURAL DEVELOPMENT GRANT (25%)	<u>524,000.00</u>
TOTAL PROJECT FUNDS	\$2,097,000.00

**PRELIMINARY COST ESTIMATE
WATER & SEWER SYSTEM IMPROVEMENTS
McCREARY COUNTY WATER DISTRICT**

MARCH 2014

	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL
1	Site Work			
	1A) Grading/Excavating/Seeding	1 LS	\$50,000.00	\$50,000.00
	1B) Pavement and Roads	1 LS	25,000.00	25,000.00
	1C) Demolition of Existing Clearwell	1 LS	30,000.00	30,000.00
				\$105,000.00
2	Concrete			
	2 A) New Clearwell	300 YD	\$850.00	\$255,000.00
	2 B) New Clearwell Meter Vault	20 YD	750.00	15,000.00
	2 C) Miscellaneous Concrete	20 YD	750.00	15,000.00
				\$285,000.00
3	Process Piping			
	3 A) Exterior	1 LS	\$22,500.00	\$22,500.00
	3 B) Interior	1 LS	25,000.00	25,000.00
				\$47,500.00
4	Valves			
	4 A) Exterior	1 LS	\$20,000.00	\$20,000.00
	4 B) Interior	1 LS	20,000.00	20,000.00
				\$40,000.00
5	Mechanical Equipment			
	5 A) High Service Pumps	1 EA	\$100,000.00	\$100,000.00
	5 B) Instrumentation & Controls	1 LS	25,000.00	25,000.00
				\$125,000.00
6	Chemical Feed System			
	6 A) Activated Carbon Feed System	1 LS	\$150,000.00	\$150,000.00
				\$150,000.00

7	Buildings				
	7 A) High Service Building	1,500	SF	\$100.00	<u>\$150,000.00</u>
					<u>\$150,000.00</u>
8	Coatings and Painting				
	8 A) Cast in Place Concrete	1	LS	\$10,000.00	\$10,000.00
	8 B) Exposed Piping	1	LS	10,000.00	10,000.00
	8 C) Buildings	1	LS	10,000.00	10,000.00
	8 D) Metals and Machinery	1	LS	10,000.00	<u>10,000.00</u>
					<u>\$40,000.00</u>
9	Miscellaneous				
	9 A) WWTP Flow Meters	1	LS	\$52,500.00	\$52,500.00
	9 B) Sludge Bed Conv. @ WWTP	1	LS	48,000.00	48,000.00
	9 C) Marshes Siding Pump Station	1	LS	400,000.00	400,000.00
	9 D) Sewage Lift Station RTU	1	LS	126,000.00	<u>126,000.00</u>
					<u>\$626,500.00</u>
10	Electrical				
	10 A) Yard	1	LS	\$35,000.00	\$35,000.00
	10 B) Building Interior	1	LS	25,000.00	<u>25,000.00</u>
					<u>\$60,000.00</u>
11	Mechanical	1	LS	\$35,000.00	<u>35,000.00</u>
					<u>\$35,000.00</u>
	TOTAL CONSTRUCTION COST				\$1,664,000.00



EXISTING WATER TREATMENT
PLANT NO. 1
• LAT: 36° 41' 13.14" N
• LONG: 84° 27' 25.76" W

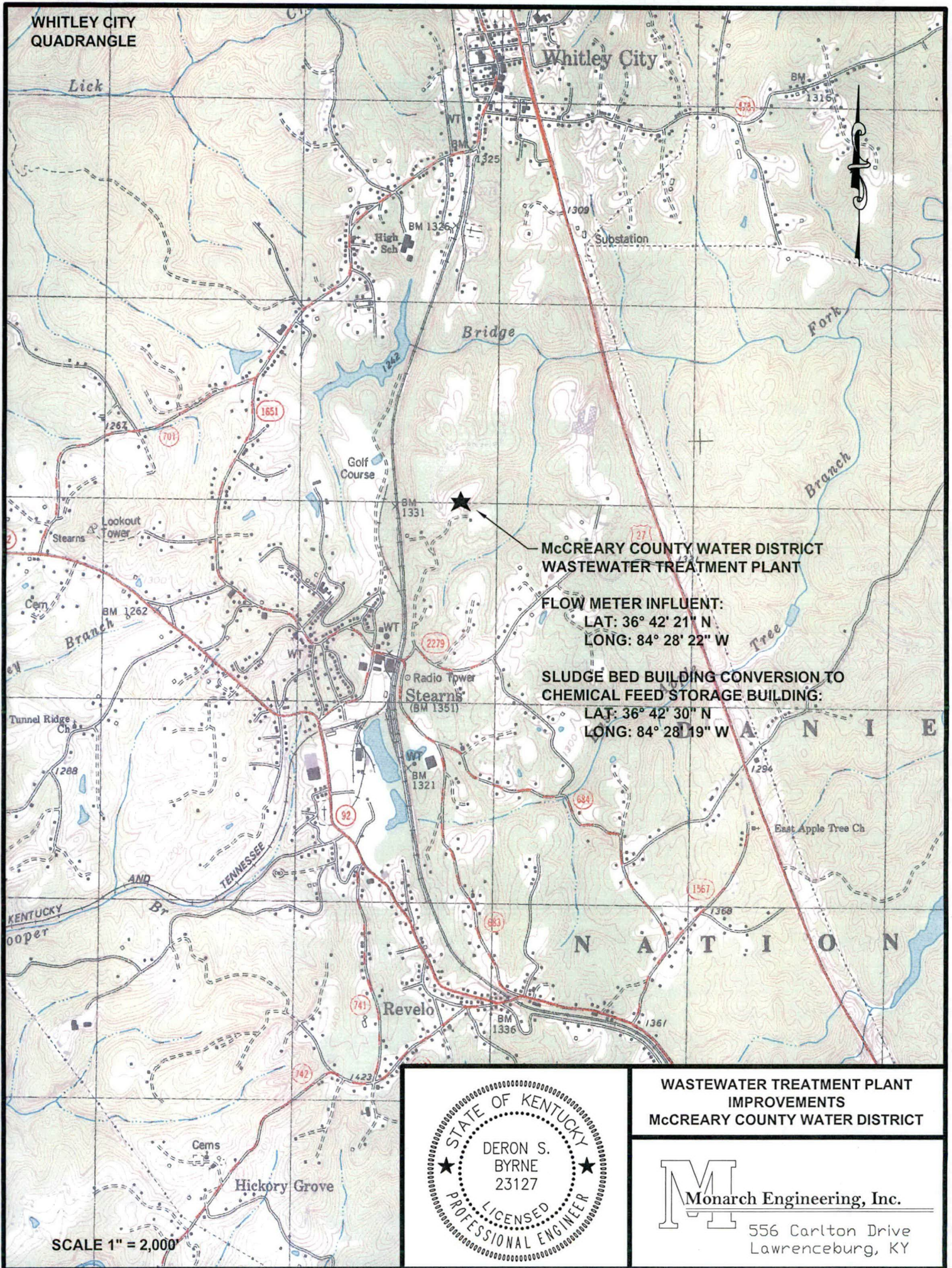
SCALE 1" = 2,000'



WATER TREATMENT PLANT NO. 1
IMPROVEMENTS - PHASE 2
McCREARY COUNTY WATER DISTRICT

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

WHITLEY CITY
QUADRANGLE



★
**McCREARY COUNTY WATER DISTRICT
 WASTEWATER TREATMENT PLANT**

FLOW METER INFLUENT:
 LAT: 36° 42' 21" N
 LONG: 84° 28' 22" W

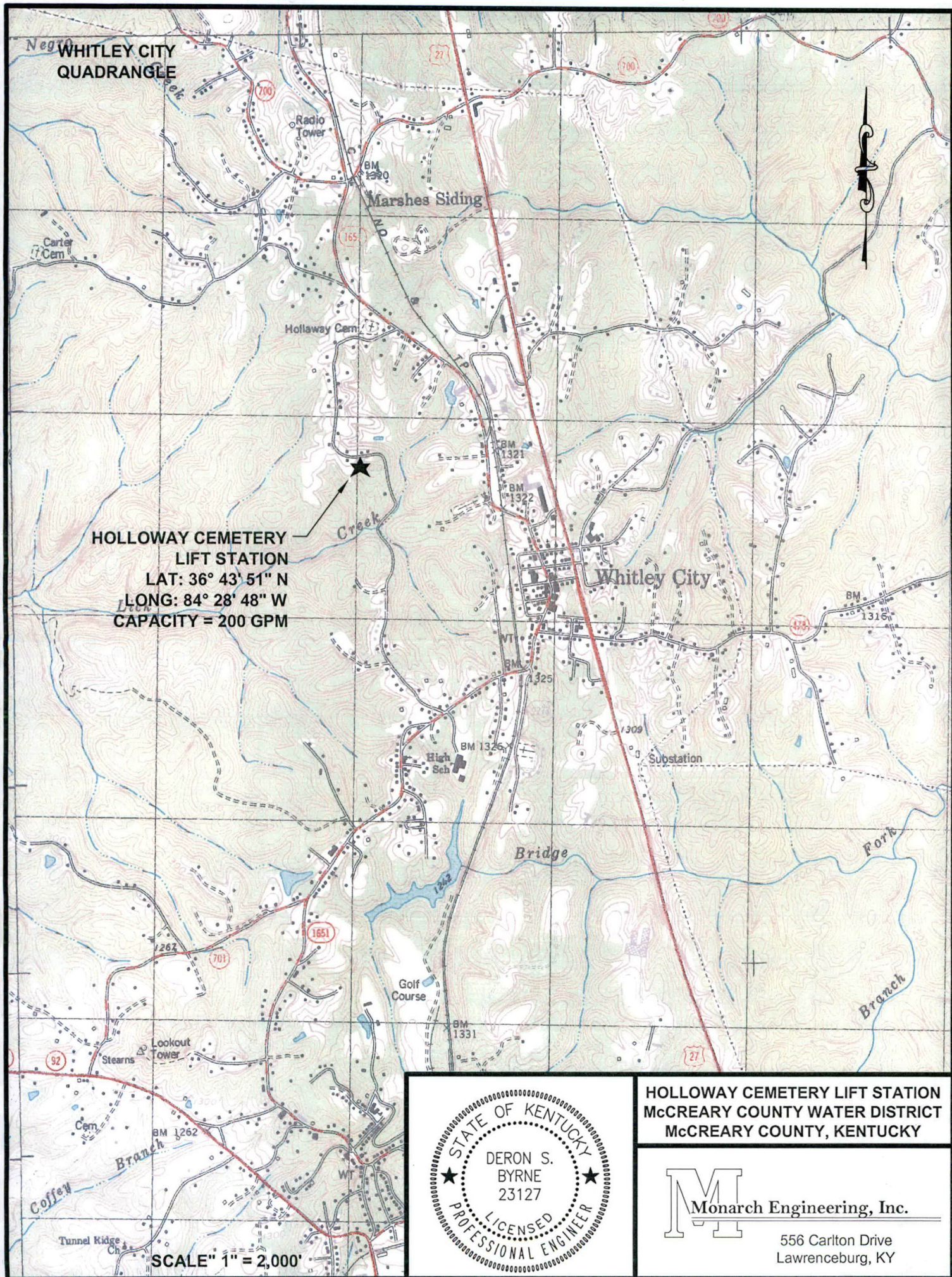
**SLUDGE BED BUILDING CONVERSION TO
 CHEMICAL FEED STORAGE BUILDING:**
 LAT: 36° 42' 30" N
 LONG: 84° 28' 19" W

SCALE 1" = 2,000'



**WASTEWATER TREATMENT PLANT
 IMPROVEMENTS
 McCREARY COUNTY WATER DISTRICT**

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



**HOLLOWAY CEMETERY
 LIFT STATION**
 LAT: 36° 43' 51" N
 LONG: 84° 28' 48" W
 CAPACITY = 200 GPM



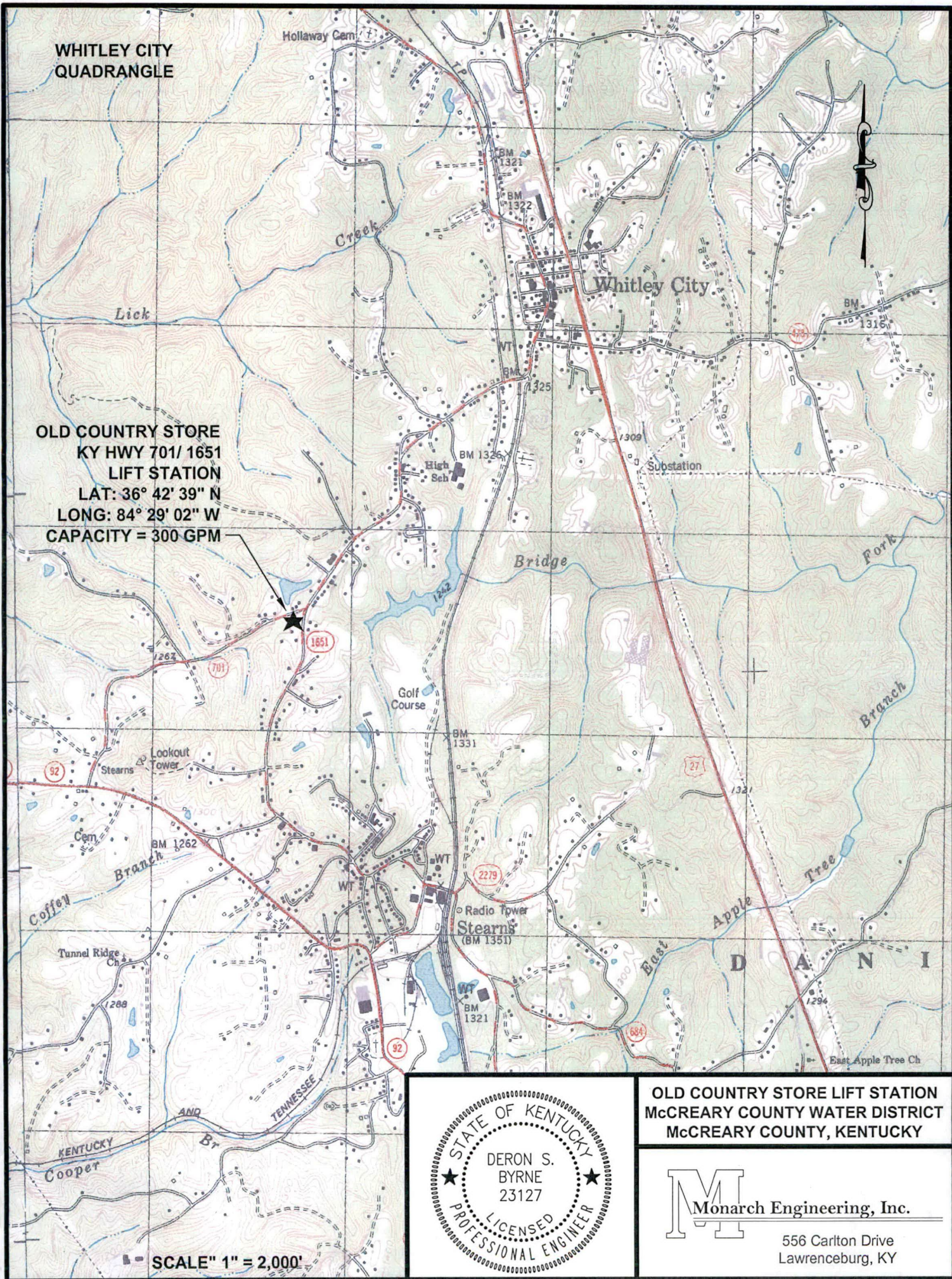
HOLLOWAY CEMETERY LIFT STATION
McCREARY COUNTY WATER DISTRICT
McCREARY COUNTY, KENTUCKY

M
Monarch Engineering, Inc.

556 Carlton Drive
 Lawrenceburg, KY

WHITLEY CITY
QUADRANGLE

OLD COUNTRY STORE
KY HWY 701/ 1651
LIFT STATION
LAT: 36° 42' 39" N
LONG: 84° 29' 02" W
CAPACITY = 300 GPM



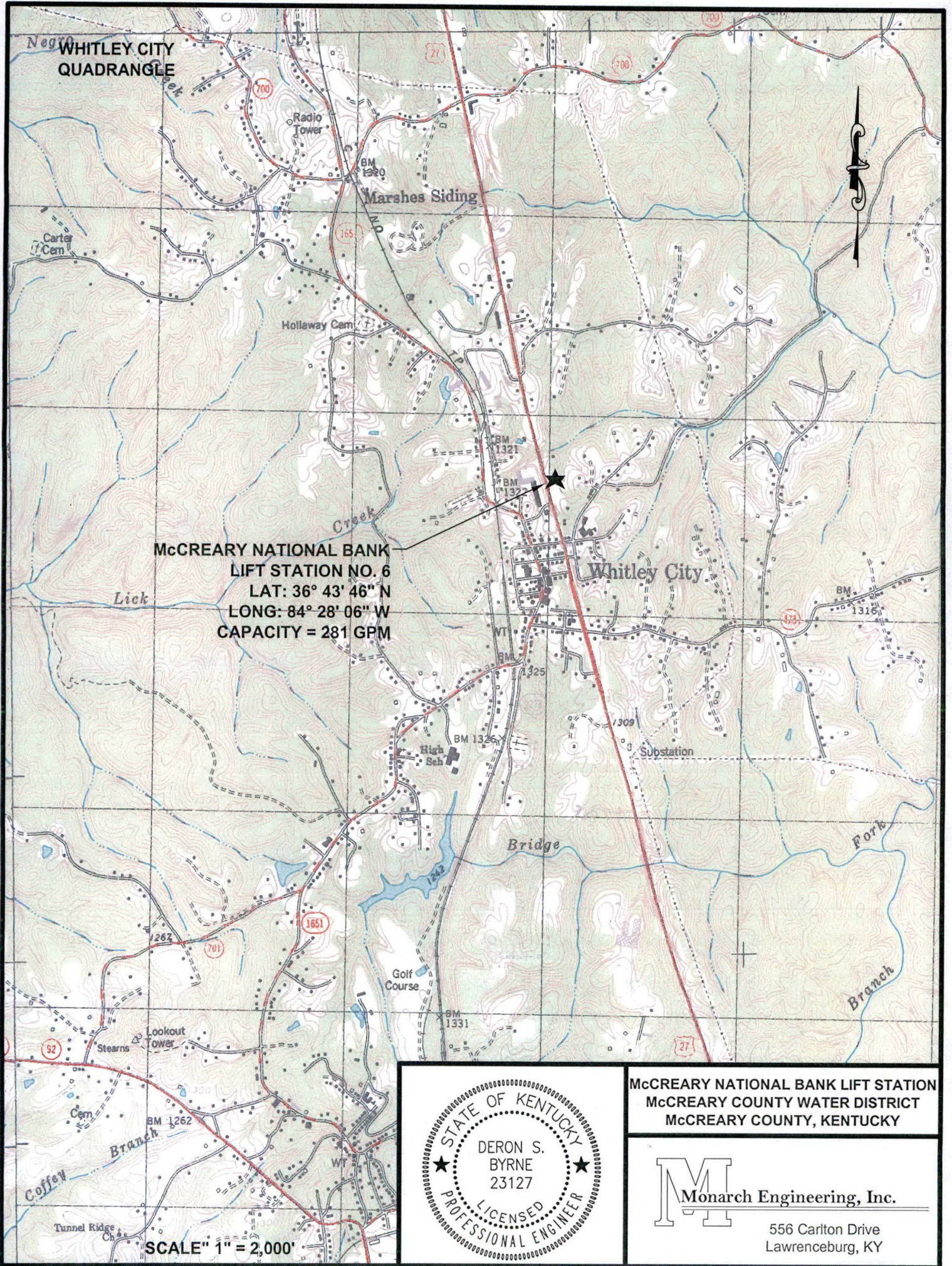
SCALE" 1" = 2,000'



OLD COUNTRY STORE LIFT STATION
McCREARY COUNTY WATER DISTRICT
McCREARY COUNTY, KENTUCKY

M Monarch Engineering, Inc.

556 Carlton Drive
Lawrenceburg, KY



WHITLEY CITY
QUADRANGLE

McCREARY NATIONAL BANK
LIFT STATION NO. 6
LAT: 36° 43' 46" N
LONG: 84° 28' 06" W
CAPACITY = 281 GPM



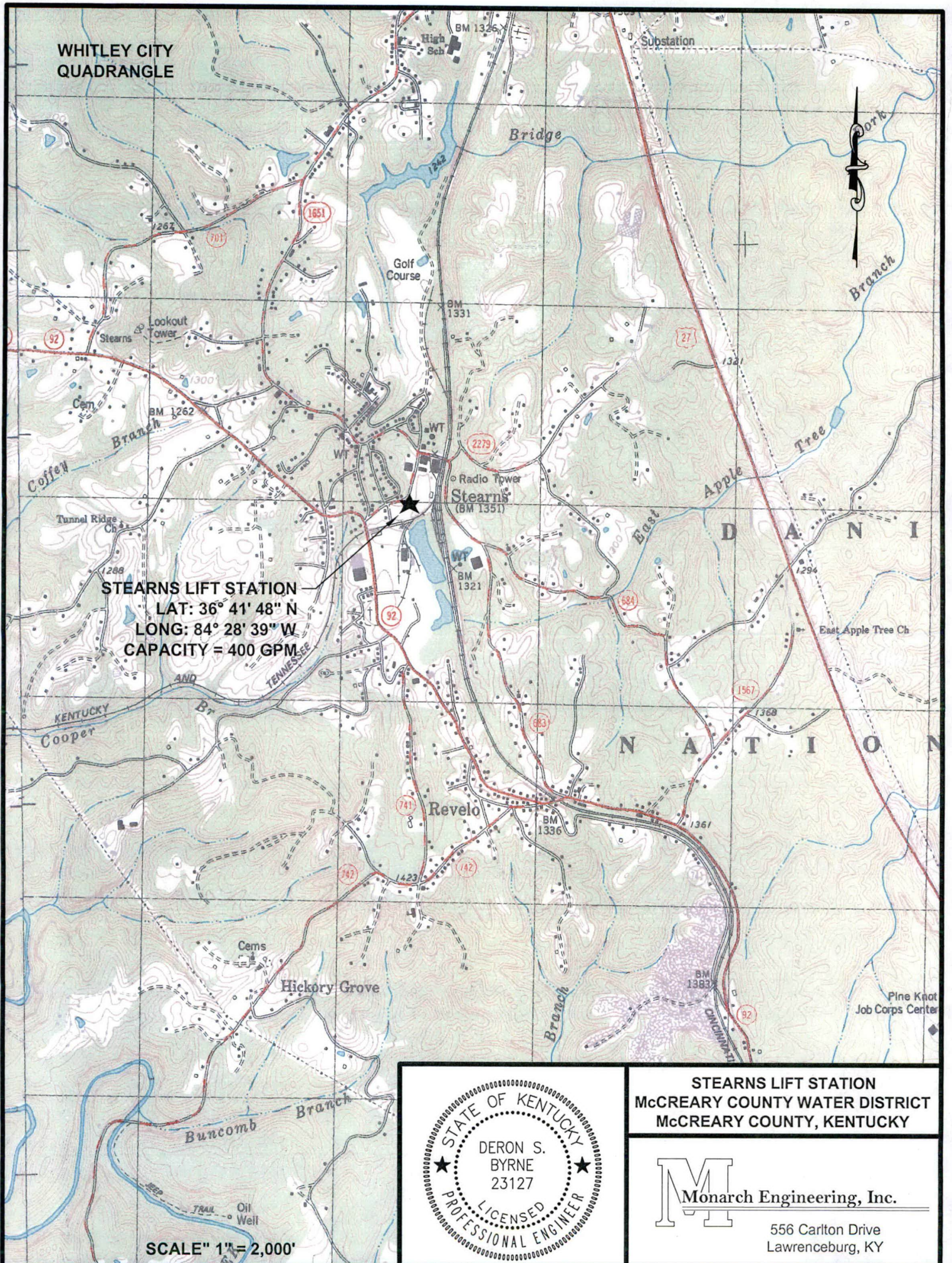
McCREARY NATIONAL BANK LIFT STATION
McCREARY COUNTY WATER DISTRICT
McCREARY COUNTY, KENTUCKY

M Monarch Engineering, Inc.

556 Carlton Drive
Lawrenceburg, KY

SCALE" 1" = 2,000'

WHITLEY CITY
QUADRANGLE

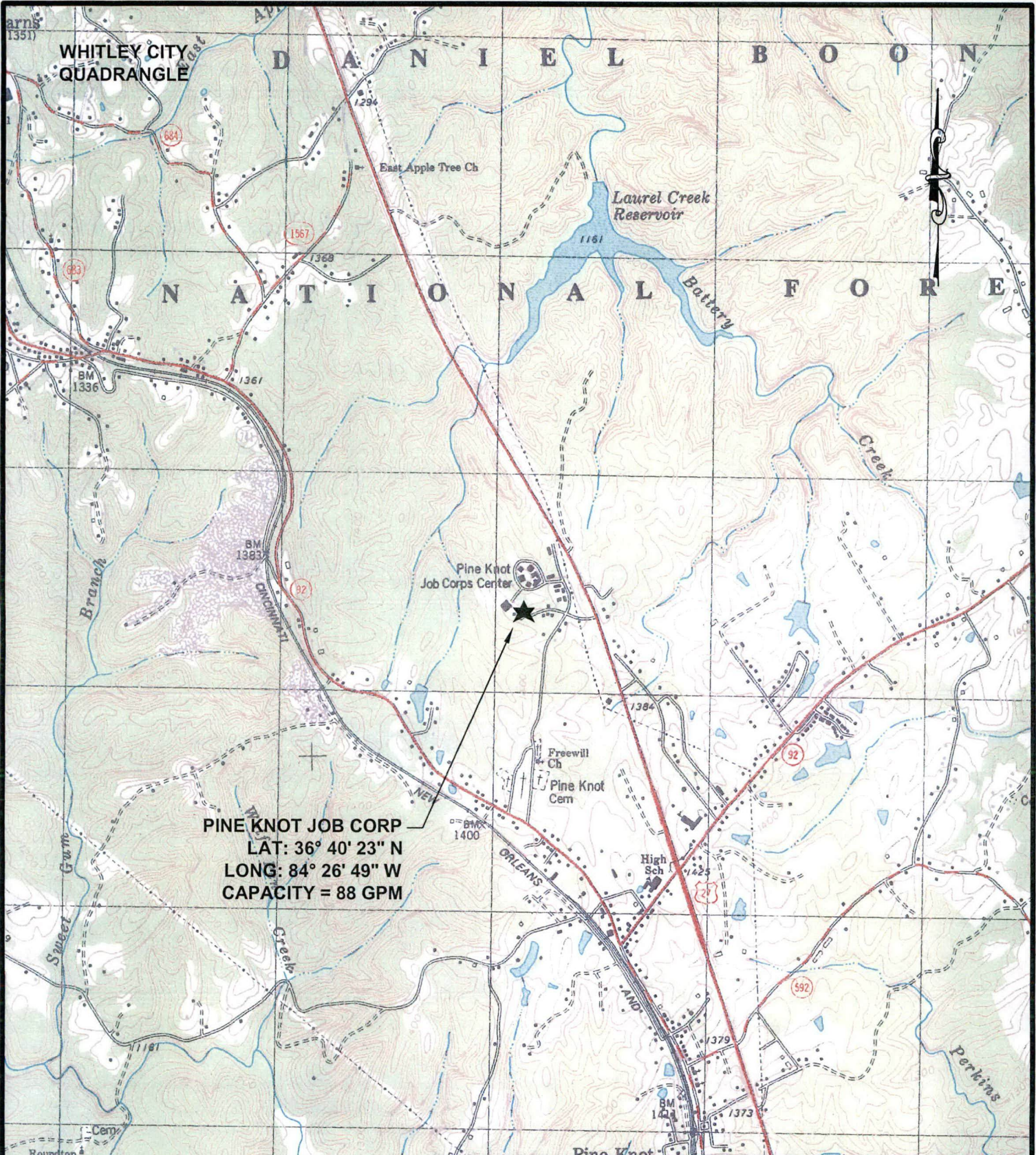


STEARNS LIFT STATION
LAT: 36° 41' 48" N
LONG: 84° 28' 39" W
CAPACITY = 400 GPM



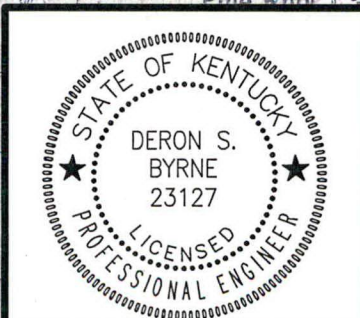
STEARNS LIFT STATION
McCREARY COUNTY WATER DISTRICT
McCREARY COUNTY, KENTUCKY

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



WHITLEY CITY QUADRANGLE

PINE KNOT JOB CORP
 LAT: 36° 40' 23" N
 LONG: 84° 26' 49" W
 CAPACITY = 88 GPM

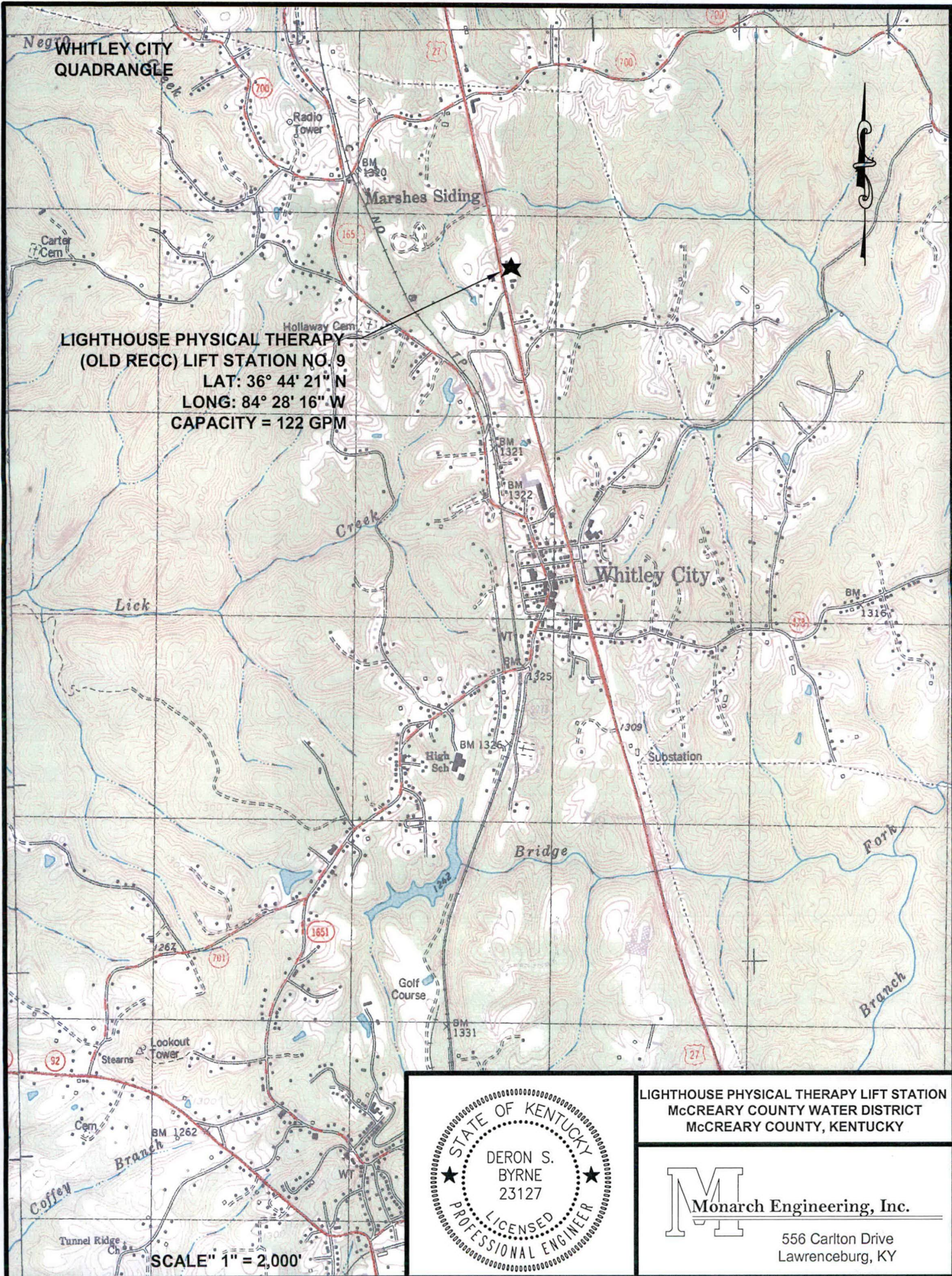


PINE KNOT JOB CORP LIFT STATION
 McCREARY COUNTY WATER DISTRICT
 McCREARY COUNTY, KENTUCKY

M Monarch Engineering, Inc.

556 Carlton Drive
 Lawrenceburg, KY

SCALE" 1" = 2,000'



**LIGHTHOUSE PHYSICAL THERAPY
(OLD RECC) LIFT STATION NO. 9**
 LAT: 36° 44' 21" N
 LONG: 84° 28' 16" W
 CAPACITY = 122 GPM

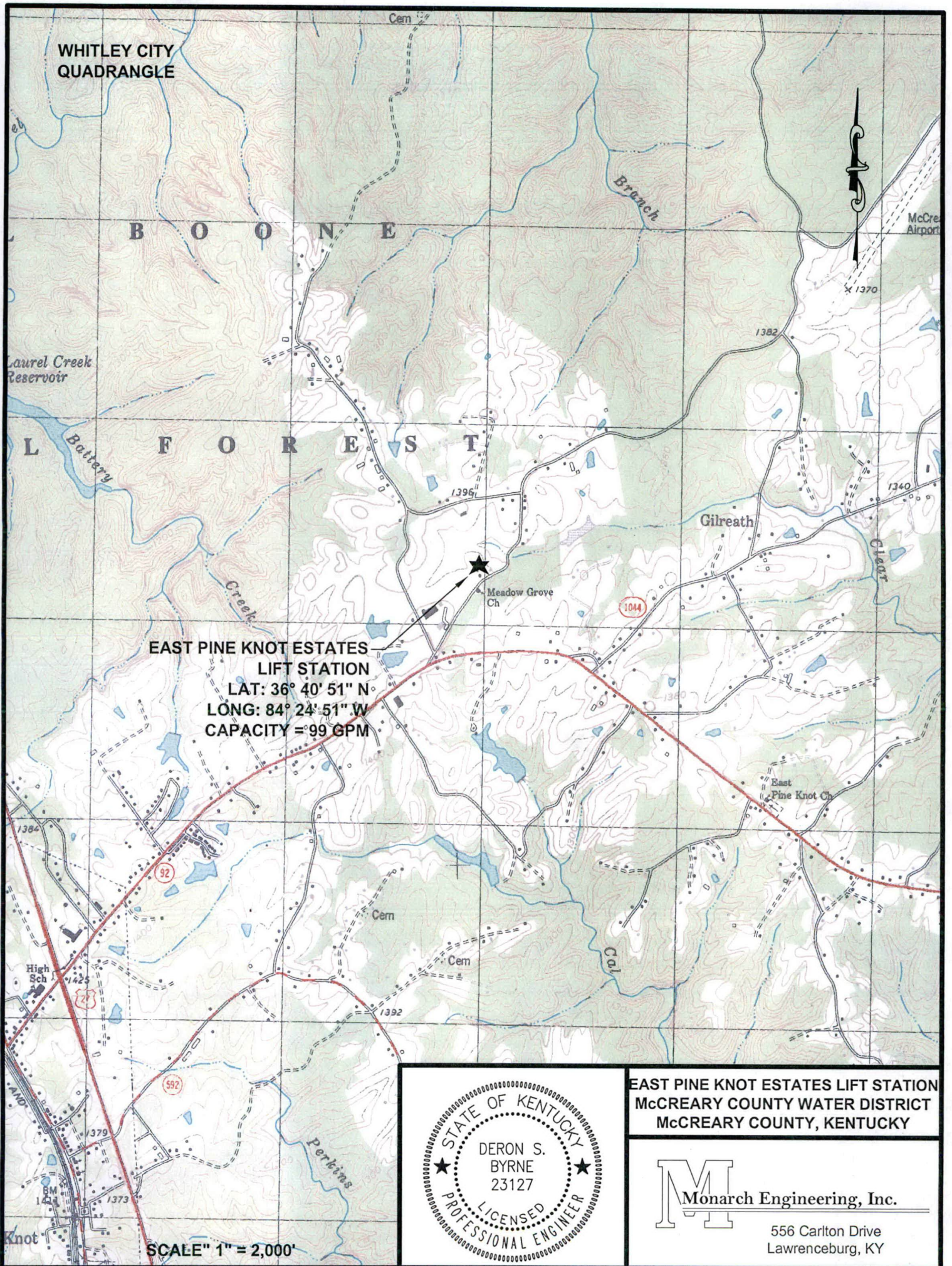


LIGHTHOUSE PHYSICAL THERAPY LIFT STATION
 McCREARY COUNTY WATER DISTRICT
 McCREARY COUNTY, KENTUCKY

M Monarch Engineering, Inc.

556 Carlton Drive
 Lawrenceburg, KY

SCALE" 1" = 2,000'



WHITLEY CITY
QUADRANGLE

B O O N E

L F O R E S T

EAST PINE KNOT ESTATES
LIFT STATION
LAT: 36° 40' 51" N
LONG: 84° 24' 51" W
CAPACITY = 99 GPM

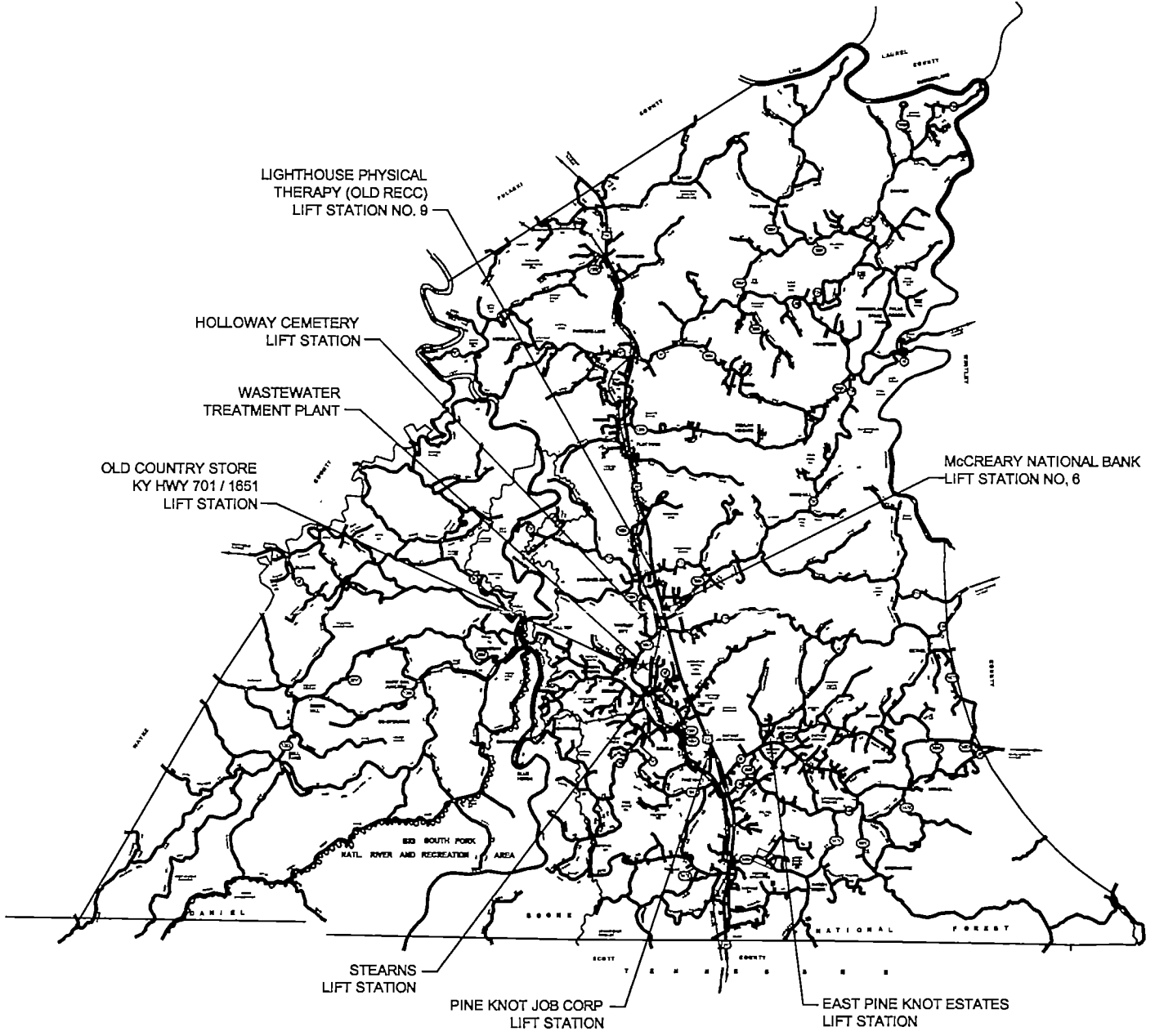


EAST PINE KNOT ESTATES LIFT STATION
McCREARY COUNTY WATER DISTRICT
McCREARY COUNTY, KENTUCKY

M Monarch Engineering, Inc.

556 Carlton Drive
Lawrenceburg, KY

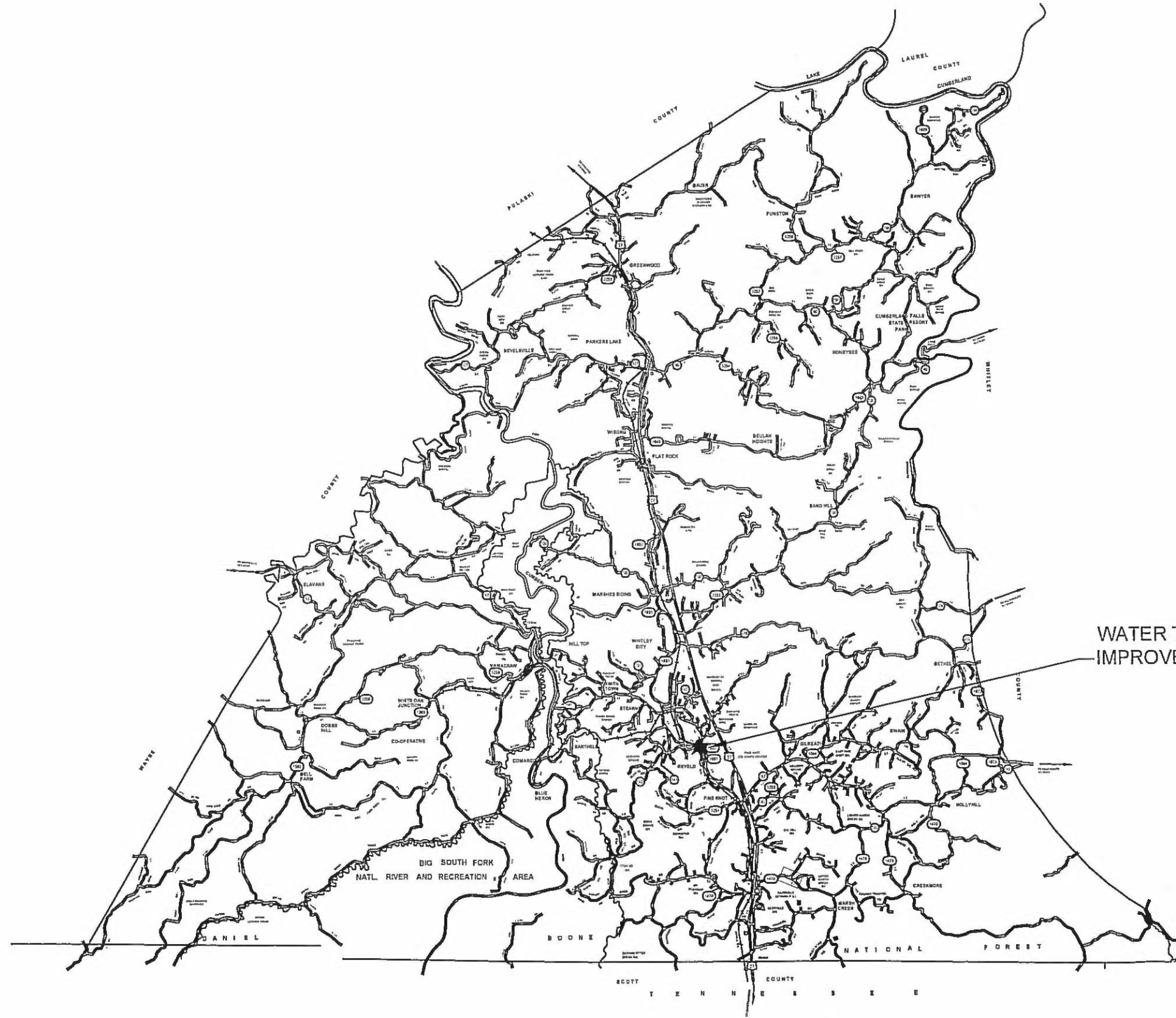
SCALE" 1" = 2,000'



**McCREARY COUNTY WATER DISTRICT
WASTEWATER TREATMENT PLANT
IMPROVEMENTS**

M
Monarch Engineering, Inc.

556 Carlton Drive
Lawrenceburg, KY



WATER TREATMENT PLANT NO. 1
IMPROVEMENTS

WATER TREATMENT PLANT NO. 1
IMPROVEMENTS - PHASE 2
McCREARY COUNTY WATER DISTRICT

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

FINAL ENGINEERING REPORT
WATER TREATMENT PLANT NO. 1
PHASE2 IMPROVEMENTS
MCCREARY COUNTY WATER DISTRICT
MCCREARY COUNTY, KENTUCKY

RECEIVED

FEB 13 2015

PUBLIC SERVICE
COMMISSION

JANUARY 28, 2015

PREPARED BY:

M
Monarch Engineering, Inc.



FINAL ENGINEERING REPORT

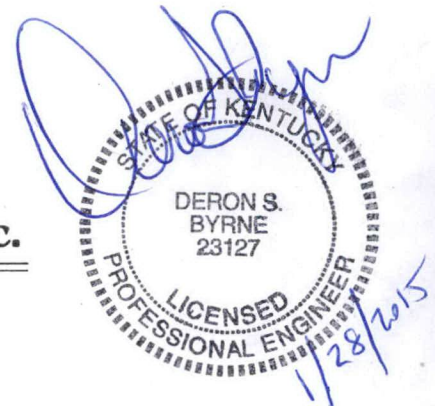
**WATER TREATMENT PLANT NO. 1
PHASE2 IMPROVEMENTS**

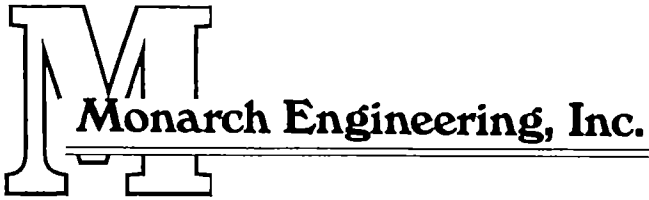
**MCCREARY COUNTY WATER DISTRICT
MCCREARY COUNTY, KENTUCKY**

JANUARY 28, 2015

PREPARED BY:

M
Monarch Engineering, Inc.





January 28, 2015

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

Re: Water Treatment Plant No. 1 – Phase 2 Improvements

Dear Mr. Taylor:

On November 12, 2014, bids were received by the McCreary County Water District for the construction of the Water Treatment Plant No. 1 – Phase 2 Improvements Project. On December 19, 2014 bids were received for the purchase of materials to upgrade the Rattlesnake Ridge Pump Station. For the water treatment plant improvements, one bid was received and that was submitted by Herrick Co., Inc. (Herrick) located in Lawrenceburg, KY, in the amount of \$1,450,000.00. For the pump station upgrade, four bids were received and the lowest bid was submitted by Wascon, Inc. located in Livingston, TN in the amount of \$49,812.00. A summarized bid tabulation of all the bids received is attached.

In developing the Final Project Budget we combined the lowest bids of the two projects as described above which results in a total project cost of \$2,097,000.00, please see attachment. The funds available from the U.S. Department of Agriculture through their Rural Development (RD) program is \$2,097,000.00. Therefore, based on the competitiveness of the bids, and the need for the improvements to be made to the water plant and an upgrade to the Rattlesnake Ridge Pump Station, we recommend that the McCreary County Water District consider awarding a contract to Herrick Company, Inc. in the amount of \$1,450,000.00 and to Wascon, Inc. in the amount of \$49,812.00. This recommendation is contingent upon approval from USDA Rural Development and the Kentucky Public Service Commission.

Should you have any questions or need additional information, please advise.

Sincerely,

A handwritten signature in black ink that reads 'Deron S. Byrne'. The signature is written in a cursive style with a long horizontal line extending to the right.

Deron S. Byrne, P.E.

/dsb

FINAL PROJECT BUDGET
WATER TREATMENT PLANT No. 1 - PHASE 2 IMPROVEMENTS
McCREARY COUNTY WATER DISTRICT

JANUARY 28, 2015

PROJECT COSTS

WTP NO. 1 IMPROVEMENTS (BASE BID)	\$1,450,000.00
RATTLESNAKE RIDGE PUMP STATION UPGRADE	<u>49,812.00</u>

CONSTRUCTION COSTS

	\$1,499,812.00
CONTINGENCY	121,964.98
ENGINEERING DESIGN	123,734.49
CONSTRUCTION INSPECTION	101,488.53
LEGAL & ADMINISTRATION	15,000.00
ADDITIONAL ENGINEERING	15,000.00
INTEREST	10,000.00
ENVIRONMENTAL	10,000.00
CARBON FEED SYSTEM	<u>200,000.00</u>
TOTAL PROJECT COSTS	\$2,097,000.00

PROJECT FUNDS

USDA RURAL DEVELOPMENT LOAN (55%)	\$1,158,000.00
USDA RURAL DEVELOPMENT GRANT (45%)	<u>939,000.00</u>

TOTAL PROJECT FUNDS **\$2,097,000.00**

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

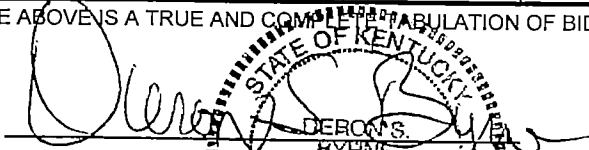
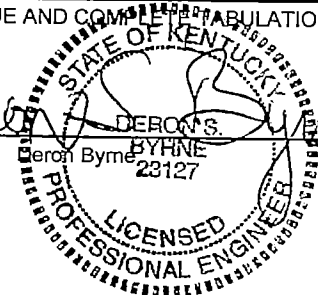
BID TABULATIONS
McCREARY COUNTY WATER DISTRICT
WATER & SEWER SYSTEM IMPROVEMENTS 2014
WATER TREATMENT PLANT NO. 1 - PHASE 2 IMPROVEMENTS
MARSHES SIDING WATER BOOSTER PUMP STATION
WASTEWATER TREATMENT PLANT IMPROVEMENTS
McCREARY COUNTY, KENTUCKY
BID DATE: NOVEMBER 12, 2014 @ 11:00 A.M. LOCAL TIME

Herrick Company, Inc.
 1385 Tracy Road
 Lawrenceburg, KY 40342

ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST
BASE BID CONTRACT - WATER TREATMENT PLANT NO. 1 - PHASE 2 IMPROVEMENTS				
1	Site Work	1 LS	\$140,000.00	\$140,000.00
	1A) Excavation, Grading & Seeding			
	1B) Existing Structure Demolition			
2	Concrete	1 LS	400,000.00	400,000.00
	2A) Clearwell			
	2B) Miscellaneous			
3	Valves and Piping Appurtenances	1 LS	175,000.00	175,000.00
4	Mechanical Equipment	1 LS	250,000.00	250,000.00
	4A) High Service Pumps			
	4B) Backwash Pumps			
	4C) Sample Pump			
5	Buildings	1 LS	150,000.00	150,000.00
6	Coatings and Painting	1 LS	20,000.00	20,000.00
7	Miscellaneous	1 LS	50,000.00	50,000.00
8	Mechanical/HVAC	1 LS	15,000.00	15,000.00
9	Electrical	1 LS	250,000.00	250,000.00
	9A) Yard			
	9B) Building Interior			
TOTAL - BASE BID				\$1,450,000.00

THE ABOVE IS A TRUE AND COMPLETE TABULATION OF BIDS RECEIVED AT 11:00A.M. LOCAL TIME, WEDNESDAY, NOVEMBER 12, 2014 AT THE McCREARY COUNTY WATER DISTRICT.

BY:


 DERON S. BYRNE
 Deron Byme
 23127


11/14/2014
 DATE

Project No. 1314

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

BID TABULATIONS
McCREARY COUNTY WATER DISTRICT
WATER & SEWER SYSTEM IMPROVEMENTS 2014
WATER TREATMENT PLANT NO. 1 - PHASE 2 IMPROVEMENTS
MARSHES SIDING WATER BOOSTER PUMP STATION
WASTEWATER TREATMENT PLANT IMPROVEMENTS
McCREARY COUNTY, KENTUCKY
BID DATE: NOVEMBER 12, 2014 @ 11:00 A.M. LOCAL TIME

Herrick Company, Inc.
1385 Tracy Road
Lawrenceburg, KY 40342

ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST
ALTERNATE NO. 1 - MARSHES SIDINGS WATER BOOSTER PUMP STATION				
1	Marshes Sidings Booster Pump Station	1 LS	\$530,000.00	\$530,000.00
TOTAL - ALTERNATE NO. 1				\$530,000.00

ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST
ALTERNATE NO. 2 - WASTEWATER TREATMENT PLANT IMPROVEMENTS				
1	Site Work	1 LS	\$15,000.00	\$15,000.00
	1A) Excavation, Grading & Seeding			
2	Concrete	1 LS	25,000.00	25,000.00
	2A) Chemical Storage Building			
	2B) Flow Meter Vaults			
3	Valves and Piping Appurtenances	1 LS	20,000.00	20,000.00
4	Mechanical Equipment	1 LS	45,000.00	45,000.00
	4A) Chemical Transfer Pumps			
	4B) Electromagnetic Flow Meters			
5	Buildings	1 LS	55,000.00	55,000.00
6	Coatings and Painting	1 LS	5,000.00	5,000.00
7	Miscellaneous	1 LS	5,000.00	5,000.00
8	Mechanical/HVAC	1 LS	20,000.00	20,000.00
9	Electrical	1 LS	80,000.00	80,000.00
	9A) Yard			
	9B) Building Interior			
TOTAL - ALTERNATE NO. 2				\$270,000.00

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

BID TABULATIONS
McCREARY COUNTY WATER DISTRICT
WATER & SEWER SYSTEM IMPROVEMENTS 2014
WATER TREATMENT PLANT NO. 1 - PHASE 2 IMPROVEMENTS
MARSHES SIDING WATER BOOSTER PUMP STATION
WASTEWATER TREATMENT PLANT IMPROVEMENTS
McCREARY COUNTY, KENTUCKY
BID DATE: NOVEMBER 12, 2014 @ 11:00 A.M. LOCAL TIME

Herrick Company, Inc. 1385 Tracy Road Lawrenceburg, KY 40342
--

ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST
ALTERNATE NO. 3 - RAW WATER BOOSTER P.S. ROOF HATCH INSTALLATION				
1	RW Booster PS Roof Hatch Installation	1 LS	\$32,000.00	\$32,000.00
TOTAL - ALTERNATE NO. 3				\$32,000.00

ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST
ALTERNATE NO. 4 - FEDERAL PRISON MASTER METER INSTALLATION				
1	Prison Master Meter Installation	1 LS	\$106,000.00	\$106,000.00
TOTAL - ALTERNATE NO. 4				\$106,000.00

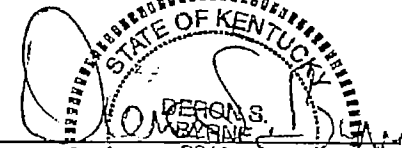
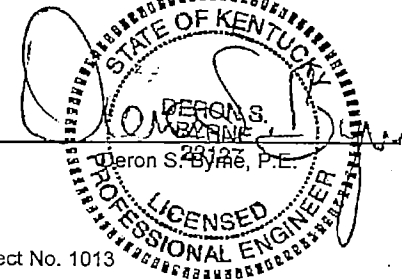
MONARCH ENGINEERING, INC.
 556 Carlton Drive
 Lawrenceburg, KY 40342
 Phone (502) 839-1310
 Fax (502) 839-1373

BID TABULATIONS
McCREARY COUNTY WATER DISTRICT
RATTLESNAKE RIDGE PUMP STATION UPGRADE
McCREARY COUNTY, KENTUCKY
BID DATE: DECEMBER 19, 2014 @ 11:00 A.M.-LOCAL TIME

			Wascon, Inc. 910 East Main St. Livingston, TN 38570		D&F Distributors (A DXP Co.) 800 Canal Street Evansville, IN 47713	
ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	MATERIAL LIST					
1	Skid-Mounted Booster Pump Station Rated at 80 GPM at 575 TDH, piping and valves, automatic central control panel(s) with breakers, variable frequency drives (VFDs), and all internal wiring.	1 LS	\$49,812.00	\$49,812.00	\$49,900.00	\$49,900.00
	TOTAL MATERIAL BID			\$49,812.00		\$49,900.00

			Delaney & Associates, Inc. (EFI, Inc.) 23 Erlanger Rd. Erlanger, KY 41018		Straeffer Pump & Supply, Inc. P.O. Box 99 Chandler, IN 47610	
ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	MATERIAL LIST					
1	Skid-Mounted Booster Pump Station Rated at 80 GPM at 575 TDH, piping and valves, automatic central control panel(s) with breakers, variable frequency drives (VFDs), and all internal wiring.	1 LS	\$57,825.00	\$57,825.00	\$68,500.00	\$68,500.00
	TOTAL MATERIAL BID			\$57,825.00		\$68,500.00

THE ABOVE IS A TRUE AND COMPLETE TABULATION OF BIDS RECEIVED AT 11:00A.M. LOCAL TIME, FRIDAY, DECEMBER 19, 2014 AT THE McCREARY COUNTY WATER DISTRICT.

BY: 
 Deron S. Byrne, P.E.


12/23/2014
 Date

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
FEB 13 2015
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF THE McCREARY COUNTY)
WATER DISTRICT FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND) Case No. 2015-_____
NECESSITY TO CONSTRUCT, 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"), 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:

McCreary County Water District
c/o Mr. Steve Owens, Manager
P.O. Box 488
Whitley City, Kentucky 42653
Phone: (606) 376-2540
Fax: (606) 376-5507
email address: mcwd@highland.net

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

4. That the Project consists of the (i) construction of a new clearwell, high service/backwash pump building and carbon feed system; and (ii) upgrade to the existing Rattlesnake Ridge Pump Station.

5. That Applicant proposes to finance the construction of the Project through (i) the issuance of \$1,158,000 of its Water and Sewer Revenue Bonds; and (ii) a USDA, Rural Development ("RD") grant in the amount of \$939,000. Applicant has a commitment from RD to purchase said \$1,158,000 of bonds maturing over a 40-year period, at an interest rate not to exceed

3.25% per annum as set out in the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

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

7. That Applicant files herewith the following Exhibits pursuant to 807 KAR 5:069, Section 2 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 Engineering Report, Final Engineering Report and certified bid tabulations. The Engineers shall file an electronic copy of the Plans and Specifications after the Commission assigns a case number.
- 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 been obtained;
 - (3) The proposed rates of Applicant shall produce the total revenue requirements recommended in the engineering reports; and
 - (4) Setting out the dates when it is anticipated that construction will begin and end.

8. That Applicant has complied with the "public postings" requirement of 807 KAR 5:069, Section 3(1)(a) and (b) by posting a copy of the Notice of Proposed Rate Change (the "Notice") (i) at its place of business; and (ii) within five (5) business days of the date this Application is submitted to the Commission, on its website (www.mccrearywater.com) along with a hyperlink to the location on the Commission's website where the case documents are available. Applicant has also arranged for the publication, prior to or at the same time this Application is filed, of the Notice pursuant to 807 KAR 5:069, Section 3(2) in the newspaper of general circulation in Applicant's service area. Said Notice sets out the content requirements of 807 KAR 5:069, Section 3(4). A copy of said Notice is filed herewith as **Exhibit "D"**. Applicant shall file with this Commission no later than fifteen (15) days from the date this Application was initially filed, an affidavit and tearsheet from the publisher as required by 807 KAR 5:069 Section 3(3)(b).

9. That the foregoing constitutes the documents necessary to obtain the approval of this 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 2.

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 an improvement project.
- b. An Order approving the financing arrangements made by Applicant, viz., (i) the issuance of \$1,158,000 of McCreary County Water District Water and Sewer Revenue Bonds at an interest rate not to exceed 3.25% per annum; and (ii) an RD grant in the amount of \$939,000.
- c. An Order approving the proposed water and sewer 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
Phone: (502) 569-7525
Fax: (502) 569-7555
wrjones@rubinhays.com



Rural Development

April 9, 2014

Kentucky State Office

771 Corporate Drive,
Suite 200
Lexington, KY
40503

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

COPY

Voice 859.224.7300
Fax 859.224.7425
TTY 859.224.7422

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 \$1,158,000 and a RUS grant not to exceed \$939,000. There is no applicant cash contribution.

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:

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.

1. Number of Users and Their Contribution:

There shall be 1,078 sewer users and 6,206 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 \$450 per month into a "Funded Debt Reserve Account" until the account reaches \$54,000. The deposits are to be resumed any time the account falls below the \$54,000.

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 \$2,803 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 and sewer 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 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 \$201,000.
- 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	\$ 1,664,000
Legal and Administrative	15,000
Engineering	241,000
Interest	10,000
Contingencies	<u>167,000</u>
TOTAL	\$ 2,097,000

Financing:

RUS Loan	\$ 1,158,000
RUS Grant	<u>939,000</u>
TOTAL	\$ 2,097,000

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 @ \$ 20.35. - Minimum Bill.
 All Over 2,000 gallons @ \$ 6.75. - per 1,000 gallons.

Federal Correctional Facility:

First 1,950,000 gallons @ \$13,162.50. - Minimum Bill.
 All Over 1,950,000 gallons @ \$ 6.75. - per 1,000 gallons.

Cumberland Falls State Park

First 600,000 gallons @ \$ 2,600.00. - Minimum Bill.
 All Over 600,000 gallons @ \$ 4.25. - per 1,000 gallons.

Sewer rates will be at least:

Residential and Non-Residential:

First 2,000 gallons @ \$ 19.35. - Minimum Bill.
 Next 18,000 gallons @ \$ 6.75. - per 1,000 gallons.
 All Over 20,000 gallons @ \$ 6.25. - per 1,000 gallons.

Federal Correctional Facility:

First 1,300,000 gallons @ \$ 7,215.00. - Minimum Bill.
 All Over 1,300,000 gallons @ \$ 6.75. - per 1,000 gallons.

Wholesale water rate to Whitley County Water District will be in accordance to existing and amended contracts.

28. Water Purchase Contract:

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

29. Compliance with the Bioterrorism Act:

Prior to pre-closing the 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 utility 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 October 16, 2013, 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 Lavendar - Whitley City, Kentucky
Monarch Engineering - Lawrenceburg, Kentucky
PSC - ATTN: Jeff Derouen - Frankfort, Kentucky



Rural Development

January 30, 2015

Kentucky State Office

771 Corporate Drive,
Suite 200
Lexington, KY
40503

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

Voice 859.224.7300
Fax 859.224.7425
TTY 859.224.7422

Re: Letter of Conditions dated April 9, 2014

Dear Mr. Taylor:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated April 9, 2014. The purpose of this amendment is to revise the rates and charges.

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 and sewer systems 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 @ \$	20.35 - Minimum Bill.
All Over	2,000	gallons @ \$	6.75 - per 1,000 gallons.

Federal Correctional Facility:

First	1,950,000	gallons @ \$	13,162.50 - Minimum Bill.
All Over	1,950,000	gallons @ \$	6.75 - per 1,000 gallons.

Cumberland Falls State Park:

First	600,000	gallons @ \$	2,600.00 - Minimum Bill.
All Over	600,000	gallons @ \$	4.25 - per 1,000 gallons.

Sewer rates will be at least:

Residential and Non-Residential:

First	2,000	gallons @ \$	19.35 - Minimum Bill.
Next	18,000	gallons @ \$	6.75 - per 1,000 gallons.
All Over	20,000	gallons @ \$	6.00 - per 1,000 gallons.

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.

Federal Correctional Facility:

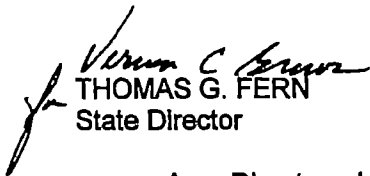
First 1,300,000 gallons @ \$ 7,762.50 - Minimum Bill.

All Over 1,300,000 gallons @ \$ 6.75 - per 1,000 gallons.

The wholesale water rate to Whitley County Water District will be accordance with existing and amended contracts.”

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, Ky.
Lake Cumberland ADD – Russell Springs, Ky.
Rubin & Hays – Louisville, Ky.
Tim Lavendar – Whitley City, Ky.
Monarch Engineering – Lawrenceburg, Ky.
PSC – Attn: Jeff Derouen – Frankfort, Ky.



United States Department of Agriculture

Rural Development

February 11, 2015

Kentucky State Office

771 Corporate Drive,
Suite 200
Lexington, KY
40503

**SUBJECT: McCreary County Water District
WTP No. 1 Improvements
Contract Award Concurrence**

Voice 859.224.7300
Fax 859.224.7425
TTY 859.224.7422

**TO: Area Office
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 on Contract 1, Herrick Co., in the amount of \$1,450,000.00, and the low bidder on Contract 2, Wascon, Inc., in the amount of \$49,812.00.

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


THOMAS G. FERN
State Director
Rural Development

cc: Monarch Engineering
Frankfort, Kentucky

Randy Jones
Louisville, 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, 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.

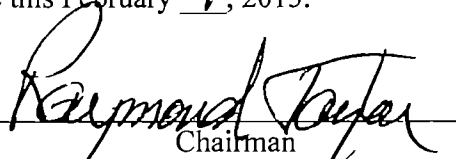
**CERTIFICATE OF CHAIRMAN OF McCREARY COUNTY WATER DISTRICT,
AS TO STATEMENT REQUIRED BY SECTION 2(6) OF 807 KAR 5:069**

I, the undersigned, 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 improvements to the water and sewer system (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, 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 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 recommended 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 April 10, 2015, and will end on or about April 10, 2016.


IN TESTIMONY WHEREOF, witness my signature this February 9, 2015.



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 9, 2015.



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 ("PSC") as set out in 807 KAR 5:069, Section 3, notice is hereby given to the customers of the McCreary County Water District (the "District") of a change in water and sewer rates for users of the District's water and sewer system. The changes in water and sewer rates are required by the U.S. Department of Agriculture, acting through Rural Development ("RD") in connection with a loan by RD to the District in the amount of \$1,158,000 to be evidenced by the issuance by the District of its water and sewer 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 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

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	3.98 per 1,000 gallons

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

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

Current 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

Proposed Monthly Water Rates

<u>Residential and Non-Residential Rates</u>	<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First 2,000 gallons	\$20.35 minimum bill	\$3.00	17.29%
All Over 2,000 gallons	6.75 per 1,000 gallons	0.50	8.00

<u>Federal Correctional Facility Rates</u>	<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First 1,950,000 gallons	\$13,162.50 minimum bill	\$587.50	4.67%
All Over 1,950,000 gallons	6.75 per 1,000 gallons	0.50	8.00

<u>Riverwoods Rates</u>	<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First 450,000 gallons	\$1,860.00 minimum bill	\$0.00	0.00%
All Over 450,000 gallons	3.48 per 1,000 gallons	0.00	0.00

<u>Cumberland Falls State Park Rates</u>	<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First 600,000 gallons	\$2,600.00 minimum bill	\$0.00	0.00%
All Over 600,000 gallons	4.25 per 1,000 gallons	0.27	6.78

<u>Whitley County Water District Rates</u>	<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
All Usage	\$3.48 per 1,000 gallons	\$0.00	0.00%

<u>Oneida, Tennessee Rates</u>	<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
All Usage	\$3.48 per 1,000 gallons	\$0.00	0.00%

Proposed Monthly Sewer Rates

<u>Residential and Non-Residential Rates</u>		<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First	2,000 gallons	\$19.35 minimum bill	\$3.35	20.94 %
Next	18,000 gallons	6.75 per 1,000 gallons	1.00	17.39
All Over	20,000 gallons	6.00 per 1,000 gallons	1.35	29.03

<u>Federal Correctional Facility Rates</u>		<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First	1,300,000 gallons	\$7,762.50 minimum bill	\$547.50	7.59 %
All Over	1,300,000 gallons	6.75 per 1,000 gallons	2.10	45.16

The proposed monthly water and sewer rates shall be effective for water used after the date of the final approving Order of the PSC, which Order is expected to be issued no later than 30 days of the filing of the Application.

The amount of average water usage for all residential customers in the calendar year 2014 was 3,647 gallons per month thus generating an average monthly water billing based on current rates of \$27.64. The proposed monthly water rates will increase the average residential monthly billing to \$31.47 for an impact of \$3.83 or 13.86%. The amount of average water usage for all non-residential customers in the calendar year 2014 was 9,215 gallons per month thus generating an average monthly water billing based on current rates of \$62.44. The proposed monthly water rates will increase the average non-residential monthly billing to \$69.05 for an impact of \$6.61 or 10.59%. The amount of average water usage for the federal corrections facility in the calendar year 2014 was 6,713,750 gallons per month thus generating an average monthly water billing based on current rates of \$42,348.44. The proposed monthly water rates will increase the average monthly billing for the federal corrections facility to \$45,317.81 for an impact of \$2,969.37 or 7.01%. The amount of average water usage for the Cumberland Falls State Park in the calendar year 2014 was 1,285,008 gallons per month thus generating an average monthly water billing based on current rates of \$5,326.33. The proposed monthly water rates will increase the average monthly billing for the Cumberland Falls State Park to \$5,511.28 for an impact of \$184.95 or 3.47%.

The amount of average sewer usage for all residential customers in the calendar year 2014 was 3,865 gallons per month thus generating an average monthly sewer billing based on current rates of \$26.73. The proposed monthly sewer rates will increase the average residential monthly billing to \$33.91 for an impact of \$7.18 or 26.86%. The amount of average sewer usage for all non-residential customers in the calendar year 2014 was 10,273 gallons per month thus generating an average monthly sewer billing based on current rates of \$63.57. The proposed monthly sewer rates will increase the average non-residential monthly billing to \$74.65 for an impact of \$11.08 or 17.43%. The amount of average sewer usage for the federal corrections facility in the calendar year 2014 was 5,706,658 gallons per month thus generating an average monthly sewer billing

based on current rates of \$27,705.96. The proposed monthly sewer rates will increase the average monthly billing for the federal corrections facility to \$37,507.44 for an impact of \$9,801.48 or 35.38%.

The Application for approval of the rate change has been filed with the PSC and may be examined during normal business hours at the following locations: (i) McCreary County Water District office, 19 Crit King Road, Whitley City, Kentucky; (ii) PSC, 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., E.T.; and (iii) via the PSC website at <http://psc.ky.gov>. Comments regarding the Application may be submitted to the PSC via its website or by mail to PSC, P.O. Box 615, Frankfort, Kentucky 40602.

The proposed rates are required under the terms of an agreement between the District and RD and KRS 278.023 does not grant the PSC any discretionary authority to modify or reject any portion of the agreement between the District and RD, or to defer the issuance of all necessary orders to implement the terms of the agreement.

The RD loan proceeds will be used in conjunction with a \$939,000 RD grant to finance the cost of the (i) construction of a new clearwell, high service/backwash pump building and carbon feed system; and (ii) upgrade to the existing Rattlesnake Ridge Pump Station. Signed, Raymond Taylor, Chairman, McCreary County Water District.