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Damon R. Talley

September 19, 2014

Attorney At Law

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

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

RECEIVED

SEP 19 2014

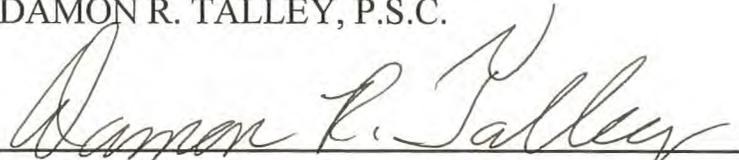
PUBLIC SERVICE
COMMISSION

Dear Mr. Derouen:

Enclosed for filing on behalf of Hardin County Water District No. 2 are the original and ten (10) copies of the Applicant's Response to Commission Staff's First Information Request.

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

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


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

DRT:ms

Enclosure

cc: Hardin County Water District No. 2

14/HCWD2/Derouen Letter – 9-19-14

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

RECEIVED

SEP 19 2014

PUBLIC SERVICE
COMMISSION

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

CASE NO.
2014-00289

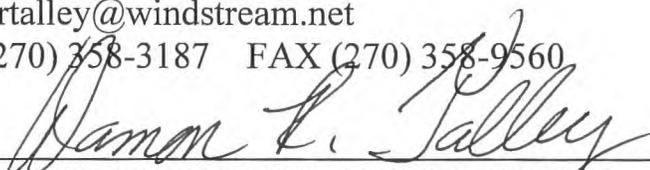
** ** ** ** **

RESPONSE OF APPLICANT TO
COMMISSION STAFF'S FIRST INFORMATION REQUEST

** ** ** ** **

Comes the Applicant, Hardin County Water District No. 2, for its Response to the Commission Staff's First Information Request, and states as shown on the following pages.

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DAMON R. TALLEY, ATTORNEY FOR
Hardin County Water District No. 2



Hardin County Water District No. 2

P.O. Box 970/360 Ring Road
Elizabethtown, KY 42701
24-Hour Phone No. 270.737.1056
www.hardincountywater2.org

"Your Water Professionals"

Welcome City of Elizabethtown Customers

Professional Services

EASY PAY

Do you need one less thing to think about? Easy Pay is offered as a free service that allows your water bill to be drafted from your checking or savings account. It's Fast, Easy, and Free! City customers, that would like automatic payment withdrawal, must complete a new authorization form with the District. See the reverse side for the sign-up form.

Web Pay

Do you like making payments online? Web Pay is just for you. With our enhanced web pay you can track your billing and payment history, pay your bill or set-up recurring payments in just a matter of clicks.

Pay by Phone

Do you like to make payments by phone? We have that covered. Reach us 24 hours a day to use our fast automated payment system by calling (270) 737-1056.

e-Billing

Do you want to make less trips to the mailbox and do your part for the environment at the same time? We are pleased to offer paperless billing (e-bills) to our customers. With today's busy schedule and on-the-go lifestyle, finding the time to pay bills can be difficult. E-billing, along with EASY PAY, can shorten your to-do list. Besides, who wants to sit around opening and paying bills when you can spend that time doing something you enjoy? See the reverse side for the sign-up form.

WELCOME

On behalf of the employees of Hardin County Water District No. 2, I would like to welcome you to our customer base. It is our pleasure to serve the water needs of our county and we are proud to add the citizens of Elizabethtown to this service.

The acquisition of the Elizabethtown Water Works by the District has been over a year in the making. Our objective is to facilitate a painless transition for the customer while upgrading the systems and infrastructure that delivers your water service.

These upgrades will include pressure equalization projects, redundancy projects, and customer connection improvements. Our capital improvement plan for the Elizabethtown service area consists of over \$6 million and a 5 year implementation schedule. We want to serve you to the highest standards of our industry.

As part of the purchase agreement, the District agreed to adopt a transition schedule of water rates approved by the City Council. The schedule of rates are shown in the chart below. This schedule will step the current water rates on your bill to the standard District rates over a 4 year period. The District is committed to keeping water rates as low as possible. Since 1993, we have only raised retail water rates once. Additionally, we have no plans to move residential rates for the foreseeable future.

We look forward to serving you. Our staff is working to make this transition a pleasure for you and your family. Welcome to the Hardin County Water District No.2.

James Jeffries
General Manager

Water Rates

The District operates on "cost based" rates and our rates must be approved by the Kentucky Public Service Commission. The following transitional rate structure is for City customers only. A complete rate schedule is available on our website or at our office.

As of 11-1-14	Minimum bill, 2000 gallons is \$12.80	After 2000 gallons \$4.85 per 1000
As of 07-1-15	Minimum bill, 2000 gallons is \$14.70	After 2000 gallons \$4.95 per 1000
As of 07-1-16	Minimum bill, 2000 gallons is \$16.60	After 2000 gallons \$5.05 per 1000
As of 07-1-17	Minimum bill, 2000 gallons is \$18.50	After 2000 gallons \$5.15 per 1000

For a complete copy of our rates you can visit our website and click on the FAQ page.



For more information about the District and the services we offer visit us at: www.hardincountywater2.org

Reminder: If you are City of Elizabethtown customer that is enrolled in budget billing or pay their water bill at a local bank, the District does not offer those services. The District has several other billing options to meet your needs. For more information, just check out our website.

Hardin County Water District No. 2

Your Water Professionals

Customer Information

OFFICE HOURS.

Our regular business hours are 8:30 a.m. to 4:30 p.m., Monday through Friday, except for holidays. The District has a serviceperson on call at all times. If you have any problems or questions about your service, please call our 24-hour telephone number at (270) 737-1056 or e-mail us at mailbox@hardincountywater2.org.

BILLING PROCEDURES.

Water bills can be paid by mail, at our office, drive-up window, after-hours box, EASY PAY (bank draft), Web Pay, or by phone using your credit/debit card or eCheck. All bills not paid on or before the due date will be deemed delinquent and a 10% penalty fee will be added to the account. If the due date falls on the weekend or a holiday, payment must be in our office or after-hours box by 8:00 am the following business day to avoid any penalty or disconnection of service. All delinquent customers are sent a late notice. If payment has not been received by the due date on the late notice, service is subject to be disconnected without further notice. During normal business hours, a \$50.00 charge is assessed to the customer whenever a serviceperson turns the water off for a delinquent bill. Should a customer pay their delinquent bill after 4:00 p.m. and request the water to be turned on that same day, an additional after-hours fee of \$15.00 must be paid. All charges, including water bill and additional service charges.....

must be paid in full, to have the water service restored.

NEW SERVICE.

A \$60.00 deposit is required of all new customers requesting service or transfer of ownership unless the customer has a satisfactory credit history, as determined by the District. The deposit will be applied to the final bill or it will be refunded after 2-years of satisfactory payment history. There is a \$25.00 service fee for a service technician to visit the meter and obtain a reading, insure no damage liabilities and for activating the account. This is separate from your deposit and is a one-time, non-refundable fee. Transferring City customers will not be required to make an initial deposit. If a City customer moves from their current address, then the standard deposit policy is followed.

PAYMENT EXTENSIONS.

The District grants our customers the courtesy of two payment extensions per calendar year. Customers may extend the payments past their usual ten day grace period up to two times per year without service interruption. However, the use of an extension is not an exemption from any late charges that may occur. When available, extensions are granted automatically in lieu of disconnection of service. A complete copy of our Tariffs and Procedures is available at our office for review during normal business hours.

Hardin County Water District No. 2
let's talk value

High Quality
dependable supply of
Water
to your home for

96¢
per day

Your Water Professionals
Proudly Serving Hardin, LaRue, and Hart Counties.

Authorization Form

Sign me up! EASY PAY (bank draft): e-Bill:

I (we) hereby authorize Hardin County Water District No. 2 to initiate debit entries to my (our) account indicated below at the depository named below to debit the same to such account.

Name _____

Hardin County Water District No. 2 Account No.(if applicable) _____

City of Elizabethtown Water Account No. _____

email address: _____

_____ Service

City Address _____

State _____ Zip _____ Telephone _____

Financial Institution _____

Checking/Savings Account No. _____

Routing _____

Signature _____ Date _____

Note: Please enclose a voided check or copy of a check for our records.

Upgrades

Meters

The District plans to retrofit and upgrade your current meter setting. Part of this upgrade will be the installation of new meter technology to include a radio transmitter located inside your meter box. What is radio-read? Radio-read means just that; your meter is read through radio waves, instead of actually visiting each meter box to obtain the reading. Early versions of this transmitter have been on the market for decades and have been approved by the FCC. This transmitter will not interfere with any electronic devices like cordless phones, garage door openers or televisions. This transmitter uses a 3.6 volt battery and is perfectly safe to work around, even in water.

We will continue to read your meter by visiting the box until the transmitter has been installed. Our customer service representatives will then drive through your area and collect the meter readings without visiting each meter box. This technology offers efficient customer service and a safer work environment for our employees. Should you have any further questions or concerns, just email us at: customer@hardincountywater2.org.

1. Refer to Application, pages 16 and 17 and Exhibit 21. State whether public notice containing the rate transition plan as stated in the Elizabethtown ("Elizabethtown") Ordinance No. 07-2014 ("Ordinance No. 07-2014") has been provided to the customers of the Elizabethtown Water System ("Elizabethtown WS").

RESPONSE: Yes. Public Notice has been provided to the customers of the Elizabethtown WS.

a. If notice has been provided, explain how it was provided. Provide a copy of the notice.

RESPONSE: Hardin County No. 2 has provided notice to the customers of the Elizabethtown WS by way of direct mailing. The attached Newsletter was included in all Elizabethtown customer bills during September 2014. The Newsletter includes the rate transition schedule.

In addition, a summary of Ordinance No. 07-2014 was published in the local newspaper (*The News-Enterprise*) shortly after its enactment.

Furthermore, there was extensive news coverage of the City Council proceedings (Work Session held on January 13, 2014, First Reading of Ordinance conducted on February 3, 2014, and Second Reading and Approval conducted on February 18, 2014) in which the rate transition plan was introduced, discussed, and approved. Copies of some of the Newspaper articles are attached.

Also, the rate transition plan was prominently featured in the news articles which reported on the discussion, consideration, and approval of the Asset Purchase Agreement by the Elizabethtown City Council during its July 14, 2014

Work Session and Council meetings held on July 21, 2014, and July 28, 2014. See attached newspaper articles.

b. If notice has not been provided, will Elizabethtown provide notice to the customers of the Elizabethtown WS before the rates in the transition plan are to go into effect? If not, explain why.

RESPONSE: Elizabethtown does **not** plan to provide any additional notice to its customers before the rates go into effect on November 1, 2014. Ordinance No. 07-2014 was enacted on February 18, 2014. The Elizabethtown customers have already known about the new rates for more than seven (7) months.

c. If notice has not been provided, will Hardin County No. 2 provide notice to the customers of the Elizabethtown WS before the rates in the transition plan are to go into effect? If not, explain why.

RESPONSE: Although it does not believe it is legally obligated to do so, Hardin County No. 2 plans to provide notice to the customers of the Elizabethtown WS in the manner set forth in 807 KAR 5:001, Section 17 prior to the Closing of the Elizabethtown WS acquisition. The content of the Customer Notice will comply with subsection (4) of 807 KAR 5:001, Section 17.

Elizabethtown has already enacted a 4-step transitional rate schedule. The first step will become effective on November 1, 2014. Legally speaking, Hardin County No. 2 is not proposing nor seeking a rate increase for the Elizabethtown customers. Hardin County No. 2 is simply adopting the Elizabethtown transitional rate schedule which is already in place.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

Plan would stagger water rate increases

Water district wants to raise rates over four years for city customers

By Marty Finley

Tuesday, January 14, 2014 at 5:30 am (Updated: January 14, 5:30 am)

With Hardin County Water District No. 2 declaring its intentions to purchase Elizabethtown's water system, the water district's legal counsel outlined a plan Monday to stagger water rate increases for city customers over several years.

Damon Talley, attorney for the water district, proposed the city consider adopting a plan that would stretch out rate increases across four years to bring Elizabethtown's rates in line with the district.

The minimum monthly bill for zero to 2,000 gallons is \$10 for Elizabethtown customers and \$18.50 for water district customers.

Under the plan, the minimum bill would go from \$10 to \$12.80 on Nov. 1 and be raised \$1.90 annually for three consecutive years starting July 1, 2015.

The rate is \$4.70 per 1,000 gallons for 2,001 to 5,000 gallons in Elizabethtown and \$5.15 per 1,000 gallons for the water district. It would increase to \$4.85 in November and 10 cents annually after that until it falls in line with the district in 2017.

Rates for 5,001 gallons to more than 500,000 gallons would increase incrementally in a similar fashion, according to the plan.

The rate per 1,000 gallons decreases as the level of usage increases under both systems. For example, those users of more than 500,000 gallons pay \$2.90 per \$1,000 gallons with the water district.

Talley said he thinks four years is the longest the water district could stagger the increases under the Public Service Commission. A plan of five or 10 years, he said, would surely be rejected.

However, Talley said he thinks the discrepancy between rates is too much to scale in a shorter time period, such as two years. He also said the city's customers could suffer if a rate agreement is not approved because the district could be forced to immediately raise the rates.

"The rate shock for those customers," Talley said. "Nobody wants that."

Talley believes the step increases will have merit in front of the PSC because it will take time to integrate the city's water system and get a handle on operations. At the same time, the water system is undergoing an extensive project to hook its system to Louisville Water Co. to pull supplemental water from the Ohio River.

"I think we're confident we can make a good case," Talley said.

Councilman Kenny Lewis asked what recourse they would have if the PSC rejected the plan and asked them to increase the rates sooner.

If the city and water district decide to continue with the merger, he said, they would have to comply by the PSC but could draft language allowing either side to pull out if the rate adjustments are not satisfactory, Talley said.

Other council members asked if the water district could raise its rates during this time period or if the rate adjustment would lock those rates into place. James Jeffries, general manager of the water district, said the district is undergoing "rate stress" now because it has to finance the project with Louisville Water District but the district's board is committed to finding efficiencies and holding those rates stable. The rates, he said, have not been raised in more than five years.

While one study indicated the district should raise rates by 15 percent now, assuming ownership of Elizabethtown's water system will expand its customer base and hopefully eliminate the need for a rate increase for a several more years, Jeffries said.

"That's our objective and, personally, that's my objective," he said.

The purchase has not been finalized, but Executive Assistant Charlie Bryant presented terms in September based on negotiation with the district, which would include an \$8 million payment for the system spread equally over 20 years.

The city will retain all real estate tied to the system, which will be deeded to the district, according to the proposed terms. This transfer will include the City Springs water plant, water rights and production equipment.

The water district also receives authority for water withdrawal and all tanks, pumps, pipes, meters and other water production and distribution facilities operated by the city excluding public works, according to those initial terms.

The water district is converting its system from free chlorine to chloramine so it can hook up to an alternative source of water from the Ohio River furnished by Louisville Water Co., which treats its water with chloramine. The two treatment methods legally are prohibited from mixing.

The city had the option of completing its own automatic metering and converting to chloramine, but Finance Director Steve Park said it would have cost millions and required a rate increase of more than 20 percent on monthly bills to recoup costs.

Jeffries said the water district is completing its due diligence on the purchase, commissioning a feasibility analysis and study to determine how much it will cost to convert the city's system to chloramine and how long it could take.

Marty Finley can be reached at 270-505-1762 or mfinley@thenewsenterprise.com.

E'town to take up water rate ordinance

Plan would stagger increases once system is acquired by Hardin County Water District No.2

Tuesday, January 28, 2014 at 2:19 am *(Updated: January 28, 2:30 am)*

Elizabethtown City Council is expected to hear first reading of an ordinance next week that would divide rate increases for its customers across several years once the system is assumed by Hardin County Water District No. 2.

A majority of the council backed a plan to stagger the increases, although Councilman Bill Bennett asked the city to consider negotiating with the district to lower its rates considering it is gaining thousands of new customers through the merger.

Finance Director Steve Park said the Public Service Commission reviews the district's rates and determines if they are reasonable. Other council members pointed out the district essentially has agreed to lock in its rates during a four-year period city customers would be assimilated in, even though increases have been recommended.

Park said the city has been reluctant to raise its rates as quickly in the past as it should to give the system more solvency.

Bennett said he simply wants to ensure the city is "pinching as many pennies" as it can in dealing the system to the water district.

Damon Talley, attorney for the water district, earlier this month proposed the city consider adopting a plan to incrementally raise the rate in order to bring Elizabethtown's rates in line with the district, saying it would create less "shock" for customers.

The minimum monthly bill for zero to 2,000 gallons is \$10 for Elizabethtown customers and \$18.50 for water district customers.

Under the plan, the minimum bill would increase from \$10 to \$12.80 on Nov. 1 and be raised \$1.90 annually for three consecutive years starting July 1, 2015.

The rate is \$4.70 per 1,000 gallons for 2,001 to 5,000 gallons in Elizabethtown and \$5.15 per 1,000 gallons for the water district. That rate would increase to \$4.85 in November and 10 cents annually until it falls in line with the district's rates in 2017.

Rates for 5,001 gallons to more than 500,000 gallons would increase incrementally in a similar fashion, according to the plan.

Executive Assistant Charlie Bryant said the November start date is based on a belief the acquisition could be closed by fall, but if that does not happen the city could approve an amendment delaying increases until purchase is final.

Talley said he thinks four years is the longest the water district could delay the increases through the Public Service Commission. A plan of five or 10 years, he said, surely would be rejected.

"I think Damon was telling the truth in saying this is the best deal" available, Park said.

Talley said it is likely the PSC would authorize a pre-approved rate plan between the two parties.

If the PSC were to reject it, the city and water district could draft language allowing either side to pull out if the rate adjustments are not satisfactory, Talley said.

The district agreed through preliminary terms to offer an \$8 million payment for the system spread equally over 20 years, which comes out to \$400,000 annually.

At Monday's meeting, Councilman Marty Fulkerson suggested the city should not finance the agreement and instead ask the district to issue bonds and pay the city upfront. He also said he's not sure the city is receiving the proper value for its system under the deal.

Park said the city will gain revenue from the system each year without retaining the costs, saying the deal should benefit both agencies long term.

Marty Finley can be reached at 270-505-1762

begin_of_the_skype_highlighting 270-505-1762 FREE end_of_the_skype_highlighting or mfinley@

thenewsenterprise.com.

City OKs water rate increases

Hikes would be staggered over multiple years

By Marty Finley

Tuesday, February 18, 2014 at 6:28 pm (Updated: February 19, 12:36 am)

Customers of Elizabethtown's water system should expect to see rate increases later this year.

The city approved a plan with Hardin County Water District No. 2 Tuesday afternoon that would stagger rate increases over the next four years to gradually pull them in line with the water district's current rates.

The increase is required as the water district leverages to purchase the city's water system and bring its customer's into its service line. The first rate increase is expected in November.

The district has offered an \$8 million payment for the system spread equally over 20 years, which is \$400,000 annually

Damon Talley, attorney for the water district, asked the city to adopt the plan and incrementally raise rates because it would create less "shock" for customers.

The minimum monthly bill for zero to 2,000 gallons is \$10 for Elizabethtown customers and \$18.50 for water district customers.

Under the plan, the minimum bill would increase from \$10 to \$12.80 on Nov. 1 and be raised \$1.90 annually for three consecutive years starting July 1, 2015.

The rate is \$4.70 per 1,000 gallons for 2,001 to 5,000 gallons in Elizabethtown and \$5.15 per 1,000 gallons for the water district. That rate would increase to \$4.85 in November and 10 cents annually until it falls in line with the district's rates in 2017.

Rates for 5,001 gallons to more than 500,000 gallons would increase incrementally in a similar fashion, according to the plan.

Councilman Bill Bennett voted against the measure.

"(It's) not a hesitant no," Bennett told the council. "It's an absolute no."

He has been critical of the sale, saying the city should maintain its autonomy in treating and producing its own water. The city entertained the notion of selling the system after debating the need to convert its water treatment system from a free chlorine to a chloramine solution, a mixture of ammonia and chlorine. The conversion is needed for compatibility with Louisville Water Co., which the water district is partnering with to increase its water supply.

"I still believe that Elizabethtown should treat its own water," Bennett said. "It's one of the most important things we do."

While the district has agreed to pay millions over time for the system, he said residents are essentially paying for the water system's sale because their rates are increasing so much.

Elizabethtown Executive Assistant Charlie Bryant said the November start date is based on a belief the acquisition could be closed by fall. But if it fails to meet that deadline, the city could approve an amendment delaying increases until purchase is final, he said.

Talley said he thinks four years is the longest the water district could delay the increases through the Public Service Commission. A plan of five or 10 years, he said, surely would be rejected.

Without an agreement between the two cities, Talley believes the PSC could require a large increase to immediately bring the new customers up to the water district's rate.

Officials with the water district have indicated no plans to raise its rates further during this fixed period of adjustment.

Marty Finley can be reached at 270-505-1762 or mfinley@thenewsenterprise.com

E'town reviews water purchase agreement

Could close on deal to sell water system by November

By Marty Finley

Tuesday, July 15, 2014 at 1:02 am (Updated: July 15, 1:30 am)

Elizabethtown officials could set in motion next week the final steps to closing an offer made by Hardin County Water District No. 2 to purchase the city's water system.

City Council reviewed finalized terms of the water purchase agreement Monday and is expected to hear a first reading of an ordinance next Monday to authorize the agreement. City Attorney D. Dee Shaw said the council could call a special meeting later this month to adopt the ordinance.

Damon Talley, the water district's attorney, said approving the agreement this month would allow the district to start working on regulatory approvals, primarily from the Public Service Commission, which has a 60-day review period.

The water district hopes to close on the sale by November ahead of a planned conversion from free chlorine treatment to chloramine, a mixture of chlorine and ammonia, in January 2015. The conversion is required to hook onto the Louisville Water Co. system and tap its ample supply from the Ohio River. Chlorine and chloramine cannot mix and the water district's system will not be compatible with Louisville Water without the conversion.

In exchange for the water system, the district agrees to pay the city \$8 million, doled out in annual increments of \$400,000 for the next 20 years. The purchase price covers the water system only and would not impact other city utilities, such as gas and sewer.

Most of the hard assets from the system, such as water treatment plants and tanks, would remain in the ownership of the city and be leased to the water district on a perpetual basis. The only exception would be five of the city's water storage tanks, which Talley said removes city liability if something goes wrong on those properties.

The water district also asked for a five-year lease for the Freeman Lake Water Treatment Plant as it adjusts to the Louisville Water connection. The agreement would allow for a lease renewal if needed.

Assets excluded from the agreement include the Oaklawn water storage tank; the Hawkins Drive water storage tank; the Oaklawn booster pump station; one of the city's water wells; all motor vehicles, ATVs and mowers; and all revenue from the leases of cellphone towers on water storage tanks. In its analysis of the city system, the water district found it has no need for those particular assets, said General Manager James Jeffries.

As the city worked toward an agreement with the district, one requirement was a plan to stagger rates so Elizabethtown water users would not see massive rate increases. The city approved those rate changes in February which are included as part of the agreement.

Under the plan, the minimum bill would increase from \$10 to \$12.80 on Nov. 1 and be raised \$1.90 annually for three consecutive years starting July 1, 2015.

The rate is \$4.70 per 1,000 gallons for 2,001 to 5,000 gallons in Elizabethtown and \$5.15 per 1,000 gallons for the water district. That rate would increase to \$4.85 in November and 10 cents annually until it falls in line with the district's rates in 2017.

Rates for 5,001 gallons to more than 500,000 gallons would increase incrementally in a similar fashion, according to the plan.

The water district is leading all regulatory agency approvals for the transfer of the system. Talley said the city can back out of the agreement if the PSC does not agree to staggered rate increases.

The water district also agrees to follow all fire protection standards the city requires and work with the city on needed improvements to bolster those standards.

In addition to the purchase price, Jeffries said the water district will invest another \$9 million to update meters, make improvements to wells and automate systems in the city's water treatment plants. The water district also intends to add around 18 more staff members, some of whom have been hired, he said.

Marty Finley can be reached at 270-505-1762 or mfinley@thenewsenterprise.com.

E'town council hears first reading of water purchase agreement Sale of system could close by November

By Marty Finley

Tuesday, July 22, 2014 at 4:30 am (Updated: July 22, 4:30 am)

Elizabethtown soon will transfer ownership of its water system to Hardin County Water District No. 2.

City council heard the first reading Monday of an asset purchase agreement with the water district, which outlines the terms of a deal that could be closed on by November.

Damon Talley, the water district's attorney, said last week approving the agreement this month allows the water district to pursue regulatory approvals in earnest, primarily from the Public Service Commission, which has a 60-day review period. A special meeting has been called for 4:30 p.m. Monday at City Hall to adopt the agreement.

The water district has agreed to pay the city \$8 million, parsed out in annual increments of \$400,000 during the next 20 years. The sale does not impact other city utilities.

Most of the assets from the system, such as water treatment plants and tanks, remain in the ownership of the city and will be leased to the water district on a perpetual basis. The only exception is five of the city's water storage tanks, which removes city liability if something goes wrong on those properties, Talley said.

The water district, furthermore, asked for a five-year lease of the Freeman Lake Water Treatment Plant as it adjusts to the Louisville Water connection. The agreement would allow for a lease renewal if needed.

Assets excluded from the agreement include the Oaklawn water storage tank; the Hawkins Drive water storage tank; the Oaklawn booster pump station; one of the city's water wells; all motor vehicles, ATVs and mowers; and all revenue from the leases of cell phone towers on water storage tanks. In its analysis of the city system, the water district found it has no need for those assets, said General Manager James Jeffries.

Councilman Bill Bennett was the only member to oppose the first reading because he is a proponent of the city maintaining ownership of its water system as a show of autonomy.

Bennett also has questioned the usage of chloramine — a mixture of ammonia and chlorine — as a treatment solution, which will impact city customers once Hardin County Water District No. 2 converts from a free chlorine treatment to chloramine early next year. The water district commissioned the conversion so as to be compatible with Louisville Water Company's system, which has used chloramine for decades, to draw additional water supply from the Ohio River.

Bennett in the past has pointed to investigations into corrosion in copper pipes linked to chloramine and other toxicity data in his argument against the treatment method.

He also pushed for the city to search for alternative water resources as a means to keep control of its system, but the council rejected his pleas.

Bennett made no further arguments against the water system's sale Monday beyond his vote.

One contingency the sale hinges on is staggering rates so city customers do not see massive rate increases. The city approved those incremental increases in February.

Under the plan, the minimum bill would increase from \$10 to \$12.80 on Nov. 1 and be raised \$1.90 annually for three consecutive years starting July 1, 2015.

The rate is \$4.70 per 1,000 gallons for 2,001 to 5,000 gallons in Elizabethtown and \$5.15 per 1,000 gallons for the water district. That rate would increase to \$4.85 in November and 10 cents annually until it falls in line with the district's rates in 2017.

Rates for 5,001 gallons to more than 500,000 gallons would increase incrementally in a similar fashion, according to the plan.

The water district is leading all regulatory agency approvals for the transfer of the system, and Talley said the city can back out of the agreement if the PSC does not agree to protracted rate increases.

In addition to the purchase price, Jeffries said the water district will invest another \$9 million to update meters, make improvements to wells and automate systems in the city's water treatment plants.

Marty Finley can be reached at 270-505-1762 or mfinley@thenewsenterprise.com.

Sale of E'town water system finalized

Water District No. 2 aiming to close on sale by November

By Marty Finley

Tuesday, July 29, 2014 at 4:00 am (Updated: July 29, 4:00 am)

Elizabethtown City Council adopted an agreement with Hardin County Water District No. 2 during a special meeting Monday, authorizing the sale of its municipal water system to commence toward closing.

Monday's approval keeps the water district's timeline intact to pursue regulatory approvals and permits in time to close on the system by November. The water district intends to transition its water system from a free chloramine-based treatment to a treatment solution using chloramine, an ammonia chlorine mixture, by January.

The council started discussing the sale of the municipal system after the water district approached the city about the costs involved in converting the city's treatment system to chloramine. Councilman Bill Bennett, who has consistently opposed the sale, was the only no vote.

As part of the agreement, the water district will pay the city \$8 million, divided up into \$400,000 annual payments over a 20-year period.

The bulks of the assets from the system, such as water treatment plants and tanks, remain in the ownership of the city and will be leased to the water district on a perpetual basis. The only exception is five of the city's water storage tanks, which removes city liability if something goes wrong on those properties, said Damon Talley, attorney for the water district.

Assets excluded from the agreement include the Oaklawn water storage tank; the Hawkins Drive water storage tank; the Oaklawn booster pump station; one of the city's water wells; all motor vehicles, ATVs and mowers; and all revenue from the leases of cellphone towers on water storage tanks.

The water district asked for a five-year lease of the Freeman Lake Water Treatment Plant as it adjusts to the Louisville Water connection. The agreement would allow for a lease renewal if needed.

The sale hinges on phasing in rate increases from late this year to 2017 so as to avoid creating a shock with city customers. The PSC requires all customers to have the same rates, but Talley said the commission may be open to gradual increases, which have already been approved by the city.

Under those delayed increases, the minimum bill would increase from \$10 to \$12.80 on Nov. 1 and be raised \$1.90 annually for three consecutive years starting July 1, 2015.

The rate is \$4.70 per 1,000 gallons for 2,001 to 5,000 gallons in Elizabethtown and \$5.15 per 1,000 gallons for the water district. That rate would increase to \$4.85 in November and 10 cents annually until it falls in line with the district's rates in 2017.

Rates for 5,001 gallons to more than 500,000 gallons would increase incrementally in a similar fashion, according to the plan.

If the PSC rules against the rate increases and expects one large increase, Talley said the city can kill the agreement and keep its system.

Marty Finley can be reached at 270-505-1762 or mfinley@thenewsenterprise.com.

2. Refer to Application, pages 15 to 19. State how the rate transition plan for the Elizabethtown WS service area as stated in Ordinance No. 07-2014 was developed.

RESPONSE: Finding a way to bridge the gap for the first 2,000 gallons of usage (minimum bill) rate tier was the guiding principle in developing the rate transition plan. Elizabethtown customers pay \$10.00 while Hardin County No. 2 customers pay \$18.50, which is a difference of \$8.50.

In 2012, HDR Engineering, Inc. (“HDR”) performed a water rate study for Elizabethtown (“HDR Rate Study”). HDR presented its findings at a City Council Work Session on April 23, 2012. HDR recommended that Elizabethtown increase its minimum bill rate tier from \$8.00 to **\$12.80**. (Attached are Table 6 “Proposed Water Rate Schedule” excerpted from the preliminary HDR Rate Study and an article from the April 25, 2012 edition of *The News-Enterprise*).

Apparently, this was a “bridge too far” for the elected City Council members. Instead of raising rates from \$8.00 to \$12.80, the City Council voted to raise the minimum bill to \$10.00, effective July 1, 2012. There was much discussion about raising the minimum bill from \$10.00 to \$12.50, effective July 1, 2013, but this was never done.

Nevertheless, Hardin County No. 2 officials, the City Council members, and informed citizens were well aware that HDR had recommended the \$12.80

rate. Thus, this amount (\$12.80) was a logical starting point for transitioning the minimum bill from \$10.00 to \$18.50.

Once the first step (\$12.50) was agreed upon, then the difference between \$18.50 and \$12.80 (\$5.70) was divided by three (3) to obtain the amount (\$1.90) for each of the next three (3) rate transition steps ($\$18.50 \text{ less } \$12.80 = \$5.70 \div 3 = \1.90). Attached is the Suggested Step Rate Increase for Elizabethtown Customers (“Step Rate Schedule”) which was presented to the Elizabethtown City Council and the public at the January 13, 2014 City Council Work Session. The existing rates for Elizabethtown’s four (4) other rate tiers were much closer to Hardin County No. 2’s rates. Also, Elizabethtown had three (3) rate tiers between the minimum bill tier and the “Over 500,000 gallons” tier while Hardin County No. 2 only had one (1) intervening tier. Thus, two (2) of Elizabethtown’s rate tiers had to be gradually eliminated.

The Step Rate Schedule was developed by placing Elizabethtown’s existing rates in the left column, Hardin County No. 2’s rates in the last column and then incrementally increasing each rate block in an orderly fashion to bridge the difference. A quick analysis of the Step Rate Schedule confirms the simple and logical manner in which this was done. The amounts shown in the Step Rate Schedule were then incorporated into Ordinance 07-2014.

a. Refer to Numbered Paragraph 55, page 16. In reaching the compromise, explain how each factor listed was taken into consideration in developing the rate transition plan.

RESPONSE: Both parties realized that the sale of assets would **not** occur unless the parties could agree upon an acceptable rate transition plan. Both parties wanted to minimize the “rate shock.” As explained in Paragraphs 53 and 54 of the Application, the Elizabethtown City Council members wanted to transition the rates over seven (7) years. Hardin County No. 2 wanted Elizabethtown to immediately increase its minimum bill amount to \$12.80 and then transition the rates over a much shorter period. Hardin County No. 2’s attorney, Damon Talley, opined that a rate transition plan longer than three (3) years would probably **not** be approved by the Kentucky Public Service Commission (“Commission”) and could seriously jeopardize the proposed transaction.

Hardin County No. 2 was also concerned with the actual and perceived unfairness to its existing customers if the Elizabethtown customers were charged a lower rate over an extended period of years. Basically, the “fear” that the Commission would not approve a rate transition plan longer than three (3) years was the determinative factor in reaching the compromise.

Both parties believe that the spirit of cooperation and goodwill among all customers will be enhanced by the short transition plan. Following the Closing, Hardin County No. 2 plans to commence integrating the Elizabethtown WS into

its system. Thereafter, Hardin County No. 2 plans to operate the combined facilities as a combined and consolidated utility system. The shorter the rate transition period, the less time for ill will to develop.

Avoiding undue hardship on Elizabethtown's existing customers was an important factor as well. The 4-step rate transition plan over three (3) years helps minimize the undue hardship and, at the same time, promotes the principle of gradualism.

Both parties believe that the proposed 4-step rate transition plan over three (3) years is fair, just, and reasonable under the facts and circumstances of this case.

b. Identify any additional factors not listed in Numbered Paragraph 55 that were taken into consideration and explain how each additional factor was taken into consideration in developing the rate transition plan.

RESPONSE: The knowledge that a minimum bill amount of \$12.80 would produce a positive net operating margin for the Elizabethtown Division from the outset made it easier for Hardin County No. 2's Commissioners to agree to a three (3) year rate transition plan. This positive cash flow meant that Hardin County No. 2's existing customers would **not** be subsidizing the existing Elizabethtown customers for even a single day.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

Based on expenditure projections for FY 2016/2017 of \$5,021,000, an increase in water rates should be approximately 60 percent, and therefore, the water rates should be increased as shown in Table 6. The revenue generated the first four years above the anticipated expenditures will be used to replace funds used to cover the current shortfall and for depreciation and replacement.

Table 6
Proposed Water Rate Schedule
Elizabethtown, Kentucky

<i>Monthly Water Usage</i>	<i>Cost</i>
First 2,000 Gallons (min. bill)	\$12.80
Next 3,000 Gallons	\$4.70/1,000 gallons
Next 5,000 Gallons	\$4.40/1,000 gallons
Next 5,000 Gallons	\$4.10/1,000 gallons
Over 15,000 Gallons	\$3.78/1,000 gallons

The anticipated revenue generated by the proposed increase is calculated as below:

- 3,745 average number of customers with minimum bills per month
 $3,745 \times \$12.80 = \$47,936$
Subtotal = \$47,936

- 3,762 average number of customers with 3,405 gallon usage per month
 $3,762 \times \$12.80 = \$48,154$
 $3,762 (3,405 - 2,000) \times \$4.70/1,000 = \$24,842$
Subtotal = \$72,996

- 1,858 average number of customers with 6,757 gallon usage per month
 $1,858 \times \$12.80 = \$23,782$
 $1,858 (3,000) \times \$4.70/1,000 = \$26,198$
 $1,858 (6,757 - 2,000 - 3,000) \times \$4.40/1,000 = \$14,364$
Subtotal = \$64,344

- 295 average number of customers with 11,964 gallon usage per month
 $295 \times \$12.80 = \$3,776$
 $295 (3,000) \times \$4.70/1,000 = \$4,160$
 $295 (5,000) \times \$4.40/1,000 = \$6,490$
 $295 (11,964 - 2,000 - 3,000 - 5,000) \times \$4.10/1,000 = \$2,375$
Subtotal = \$16,801

- 427 average number of customers with 121,200 gallon usage per month
 $427 \times \$12.80 = \$5,466$
 $427 (3,000) \times \$4.70/1,000 = \$6,021$
 $427 (5,000) \times \$4.40/1,000 = \$9,394$
 $427 (5,000) \times \$4.10/1,000 = \$8,754$
 $427 (121,200 - 2,000 - 3,000 - 5,000 - 5,000) \times \$3.78/1,000 = \$171,413$
Subtotal = \$201,048

Total = \$403,125 per month or \$4,837,500 per year billing revenue

Total Billing Plus Other Revenue = \$4,837,500 + \$202,000 = \$5,039,500 > \$5,021,000 (FY 2016/2017)

A comparison of the proposed water rates for Elizabethtown to current rates of other utility providers is shown in Table 7. The rates are compared based on typical residential monthly water usage of 4,000 and 5,000 gallons respectively.

Table 7
Water Bill Comparison
Elizabethtown, Kentucky

<i>City</i>	<i>Water Usage Per Month</i>	
	4,000 Gallons	5,000 Gallons
Elizabethtown (Current Rates)	\$13.88	\$16.82
Cynthiana	\$16.05	\$19.55
Richmond	\$16.57	\$20.39
Georgetown	\$18.14	\$22.94
Winchester	\$19.97	\$24.82
Frankfort	\$20.24	\$24.72
Nicholasville	\$20.45	\$24.50
Elizabethtown (Proposed Rates)	\$22.20	\$26.90
Hardin County Water District #1	\$22.70	\$27.12
Hardin county Water District #2	\$29.36	\$34.51
Kentucky American Water Company (Lexington)	\$30.44	\$35.83
Average (excluding Elizabethtown)	\$21.55	\$26.04

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E'town mulling sewer, water rate increases

Engineering firm recommends large increases as reserves dwindle

By Marty Finley

Wednesday, April 25, 2012 at 3:55 am (Updated: April 25, 4:01 am)

With new wastewater projects on tap and water and sewer cash reserves dwindling, Elizabethtown City Council will be forced to consider sizeable rate increases this year.

HDR Engineers presented water and sewer rate studies Monday during the council's work session. The firm recommended a 60 percent increase in water rates and a roughly 83 percent increase in sewer rates.

For years, Elizabethtown has held rates lower than most cities in the state. Council members have not voted on a sewer rate increase in 20 years. Water rates have been increased twice — once in 2003 and again in 2007 — in the past 30 years, according to Finance Director Steve Park.

Previous rates allowed the city to build up a "war chest" of reserve money, Park said, but those reserves rapidly are depleting. He said Tuesday the city had about \$1 million in sewer and water reserve funds for day-to-day expenses and another \$2.7 million in depreciation money used to cover construction expenses on capital projects.

"None of it has been subsidized by tax dollars," Park said. "We don't do that."

The proposed increases in rates would take a minimum monthly bill of 2,000 gallons of water from \$8 to \$12.80 while the minimum bill for sewer would rise from \$6 to \$10 on the first 2,000 gallons used, according to HDR.

Sewer rates for anything more than 2,000 gallons would increase from \$2.40 per 1,000 gallons to \$4.40 per 1,000 gallons under the proposal. Water rates are tiered after the first 2,000 gallons of monthly use.

Councilman Larry Ashlock said he would not vote for such large increases and instead recommended the city establish a defined rate structure in which smaller rate increases would kick in annually.

Ashlock said the ordinance would not bind future councils and could be designed to halt the increase if revenues exceeded expenditures in a particular year.

Rates determined by HDR were based on a five-year outlook stretching to the 2016-17 fiscal year, when the company estimates the city will have about \$5 million of annual water expenses and \$6 million or more in annual sewer expenses.

The firm looked at water and sewer revenues and expenses, debt service and annual water use as factors in making its determination.

The company said the city's annual water usage has declined, which is in line with other cities statewide because of the recession.

"Everyone is just being more frugal," said Charles R. Scroggin, senior vice president of HDR Engineers.

P. Benton Hanson, project manager of HDR, said some businesses and homes also have installed fixtures that use less water since the recession hit.

In 2008, the city had about \$6.4 million in billed sales for water and sewer with an income of more than \$200,000, but in 2009 the number of sales had declined to \$5.9 million with a deficit of more than \$650,000, Park said.

The decline continued in 2010 at \$5.8 million in billed sales while the deficit for the year surged past \$700,000, he said.

In 2011, Park said, the city's billed sales for water and sewer were \$6.4 million, but the deficit exceeded \$1 million.

Ashlock criticized the studies and said HDR was trying to use a "crystal ball" to predict the future. He said he would rather see hard numbers to determine how "in the red" the city's sewer and water utilities are.

"I don't like these studies because they're a waste of money," he said.

But Park said the study is a conservative estimate of what likely will happen based on recent trends and indicates what he has been warning the city about.

Park said he has recommended increases for years but the city has failed to act on those suggestions — an assertion the council confirmed as they said they had ignored Park's concerns.

"I've been screaming for water rate increases for the last five years, so I can't answer that question," Park said.

Mayor Tim Walker said the sewer study was required as part of the city's loan through the Kentucky Infrastructure

Authority. Money from that loan will pay for several wastewater projects, including improvements on Poplar Drive and Hawkins Drive. The city pursued the loan to expand its wastewater treatment plant, but a state grant for the Base Realignment and Closure Initiative at Fort Knox covered most of the expansion's costs.

The new debt service accrued from the loan, which totals more than \$20 million, is another reason rate increases are needed, Park told the council. If the council wants to complete projects, he said, it has to be willing to pay for them.

Walker said the city is in an unenviable position but must act.

"We've kicked the can down the road until we've kicked it against the wall," he said.

Marty Finley can be reached at (270) 505-1762 or mfinley@thenewsenterprise.com.

WATER

Current rates

First 2,000 gallons (minimum bill)- \$8
Next 3,000 gallons- \$2.94 per 1,000 gallons
Next 5,000 gallons- \$2.75 per 1,000 gallons
Next 5,000 gallons- \$2.56 per 1,000 gallons
Over 15,000 gallons- \$2.36 per 1,000 gallons

Proposed rates

First 2,000 gallons (minimum bill)- \$12.80
Next 3,000 gallons- \$4.70 per 1,000 gallons
Next 5,000 gallons- \$4.40 per 1,000 gallons
Next 5,000 gallons- \$4.10 per 1,000 gallons
Over 15,000 gallons- \$3.78 per 1,000 gallons

SEWER

Current rates

First 2,000 gallons (minimum bill) - \$6
Over 2,000 gallons- \$2.40 per 1,000 gallons

Proposed rates

First 2,000 gallons (minimum bill) - \$10
Over 2,000 gallons- \$4.40 per 1,000 gallons

Elizabethtown City Council mulls sizeable price increases

**SUGGESTED STEP RATE INCREASE FOR
ELIZABETHTOWN CUSTOMERS**

Current Rate	11-1-14	7-1-15	7-1-16	7-1-17
\$ 10.00	\$ 12.80	\$ 14.70	\$ 16.60	\$ 18.50
\$ 4.70	\$ 4.85	\$ 4.95	\$ 5.05	\$ 5.15
\$ 4.40	\$ 4.65	\$ 4.85	\$ 5.05	\$ 5.15
\$ 4.10	\$ 4.40	\$ 4.65	\$ 4.90	\$ 5.15
\$ 2.50	\$ 2.60	\$ 2.70	\$ 2.80	\$ 2.90

Notes: 1. Effective 11-1-14, the Minimum Bill will increase by \$2.80 as recommended by HDR Rate Study.

2. Commencing on 7-1-15, the Minimum Bill will increase by \$1.90 per year for 3 years until E-Town customers will be paying the same rate as HCWD2 Customers.

3. Other rates will increase as shown above.

3. Refer to Application, Exhibit 20, Ordinance No. 07-2014, Section 4, Tapping or Connection Fees (Water). The fee as stated in Ordinance No. 07-2014 is \$150 for the 3/4-inch through the 2-inch meters, and the fee is \$300 for the 3-inch through the 8-inch meters. State whether Hardin County No. 2 will adopt these charges.

RESPONSE: The only provisions (pertaining to water service) of Ordinance No. 07-2014 that will be applicable after the Closing of the proposed transaction will be Section 2, "Monthly Water and Sewer Rates." This section contains the rate transition plan which Hardin County No. 2 plans to adopt. See the Adoption Notice filed as Exhibit 21 to the Application. Hardin County No. 2 has **not** adopted, and will not be adopting, Elizabethtown's tapping or connection fees. Following the Closing, **all** applicants for service and **all** customers will be subject to Hardin County No. 2's tap fee and other schedule of Non-Recurring Charges (Special Charges) set forth in its Tariff.

a. If so, explain why.

RESPONSE: N/A

b. If so, state whether public notice containing the tapping or connection fees as stated in Ordinance No. 07-2014 has been provided to the customers of the Elizabethtown WS. If notice has been provided, identify how it was provided. Provide a copy of the notice.

RESPONSE: N/A

c. Does Hardin County No. 2 plan to charge tapping or connection fees in the Elizabethtown WS service area following the acquisition?

RESPONSE: Yes.

(1) If not, explain why.

RESPONSE: N/A

(2) If so:

i. Identify the tapping or connection fees that Hardin County No. 2 will charge.

RESPONSE: The fee will be \$600 for a $5/8 \times 3/4$ meter as shown in Hardin County No. 2's Tariff, Sheet 2 (Tap Fee). The tapping or connection fees for all other meter sizes will be the amounts shown in Hardin County No. 2's Tariff, Sheet 2.

ii. State whether the tapping or connection fees that Hardin County No. 2 plans to charge in the Elizabethtown WS service area will be different from the tapping or connection fees in Hardin County No. 2's current service territory. Explain any difference in fees.

RESPONSE: No difference. All applicants for service, regardless of geographic location, will pay the same fee.

iii. State whether public notice containing the tapping or connection fees that Hardin County No. 2 plans to charge in the Elizabethtown WS service area has been provided to the customers of the Elizabethtown WS. If so, explain how and provide a copy of the notice. If not, explain why.

RESPONSE: No public notice has been provided. Hardin County No. 2 does **not** plan to provide public notice. Hardin County No. 2 has an approved Tariff which sets forth the tapping and connection fees. The Tariff applies to **all** customers and **all** applicants for service for all areas within Hardin County No. 2's service area.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

4. Refer to Application, Exhibit 20, Ordinance No. 07-2014, Section 6, Standby Fire Protection Taps, and Section 19.0, Fire Protection, in Hardin County No. 2's Tariff. The fee as stated in Ordinance No. 07-2014 is \$250 for the 4-inch tap; \$500 for the 6-inch tap; \$1,000 for the 8-inch tap; and \$1,500 for the 12-inch tap. State whether Hardin County No. 2 will be adopting these charges.

RESPONSE: Hardin County No. 2 will **not** adopt Elizabethtown's Standby Fire Protection Taps as set forth in Section 6 of Ordinance No. 07-2014.

This fee has very limited application. According to Elizabethtown officials, only three (3) customers pay this Standby Fire Protection Fee. In a few isolated areas of Elizabethtown, Hardin County No. 2 provides domestic water service, but Elizabethtown also has water lines adjacent to the customer's property. If a customer desired Standby Fire Protection, Elizabethtown would provide it for the fee shown in the Ordinance.

Elizabethtown will no longer be able to provide Standby Fire Protection service once it sells its Water System Assets to Hardin County No. 2. Therefore, Section 6 of the Ordinance will become null and void. It will have **no** application.

- a. If so, explain why.

RESPONSE: N/A

- b. If so, state whether public notice containing the standby fire protection tap fees as stated in Ordinance No. 07-2014 has been provided to the customers of the Elizabethtown WS. If notice has been provided, identify how it was provided. Provide a copy of the notice.

RESPONSE: N/A

c. Does Hardin County No. 2 plan to charge standby fire protection tap fees in the Elizabethtown WS service area following the acquisition.

RESPONSE: No. Hardin County No. 2 will **not** charge standby fire protection “tap” fees as provided in Section 6 of Ordinance No. 07-2014.

(1) If not, explain why.

RESPONSE: Hardin County No. 2 **will**, however, offer Standby Fire Protection Services in those areas which are capable of providing the required fire flow of 250 gpm on a sustained basis. Section 19.0 of Hardin County No. 2’s Tariff sets forth the conditions of service.

(2) If so:

i. Identify the standby fire protection tap fees that Hardin County No. 2 will charge.

RESPONSE: N/A

ii. State whether the standby fire protection tap fees that Hardin County No. 2 plans to charge in the Elizabethtown WS service area will be different from the standby fire protection tap fees charged in Hardin County No. 2’s current service territory. Explain any difference in fees.

RESPONSE: N/A

iii. State whether public notice containing the standby fire protection tap fees that Hardin County No. 2 plans to charge in the Elizabethtown WS service area has been provided to the customers of the Elizabethtown WS. If so, explain how and provide a copy of the notice. If not, explain why.

RESPONSE: N/A

d. Section 19.0, Fire Protection, in Hardin County No. 2's Tariff states: "Although the District is not a fire protection district, certain portions of the District's water distribution system have the capability of providing some level of fire protection. In those areas where a professional engineer with a Kentucky registration has certified that the system can provide the required fire flow, the District will provide fire protection for customers on a negotiated fee basis. The District and the customer shall enter into a special contract before any connection is made to the District's system."

(1) State whether Hardin County No. 2 has conducted a review or otherwise analyzed the ability of Hardin County No. 2 to provide fire flow in the Elizabethtown WS service area. If so, provide the review or analysis. If not, explain why.

RESPONSE: Hardin County No. 2 has **not** conducted a review of the Elizabethtown WS fire flow. Hardin County No. 2 acknowledges that the fire flow standards of Elizabethtown far exceed the current Kentucky state standards. For example, Hardin County No. 2 requires a fire flow of 250 gpm at each fire hydrant in order to support fire flow. The Elizabethtown standard is 1,000 gpm. Since Hardin County No. 2 is acquiring Elizabethtown's water distribution system, there will **not** be any change in the fire flow capabilities of the distribution system.

(2) State whether there are customers in the Elizabethtown WS service area that will be required to enter into a special contract with Hardin County No. 2 in order to continue to receive the level of service that each customer is currently receiving from Elizabethtown WS.

RESPONSE: Unknown.

(3) If there are customers in the Elizabethtown WS service area that will be required to enter into a special contract with Hardin County No. 2 in order to continue to receive the level of service that each customer is currently receiving from Elizabethtown WS, state whether Hardin County No. 2 has provided each customer with notice. If so, explain how notice was given and provide a copy of the notice. If not, explain why notice has not been given.

RESPONSE: The existing Elizabethtown fire service customers will continue to receive the same level of service as they currently receive without paying any additional fee or executing a Special Contract for the foreseeable future. Over the next three (3) to five (5) years, Hardin County No. 2 intends: (i) to inspect each fire service connection; (ii) to meet individually with each of these fire service customers; (iii) to evaluate the needs of each fire service customer; (iv) to upgrade, if necessary, the fire service connection to Hardin County No. 2 standards; and (v) to enter into a Special Contract according to the terms of Hardin County No. 2's Tariff, Section 19.0 and the provisions of 807 KAR 5:095. At the time a Special Contract is executed, it will be submitted to the Commission for review and approval.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

5. Refer to Application, Exhibit 20, Ordinance No. 07-2017, Section 8, Deposit Required. The deposit as stated in Ordinance No. 07-2014 is \$30.00 for residential customers and \$60.00 for commercial and industrial customers. State whether Hardin County No. 2 will be adopting these amounts.

RESPONSE: Hardin County No. 2 will **not** be adopting Elizabethtown's deposit rates for new customers located within Elizabethtown's current service area.

a. If so, explain why.

RESPONSE: N/A

b. If so, state whether public notice containing the deposit amounts as stated in Ordinance No. 07-2014 has been provided to the customers of the Elizabethtown WS. If notice has been provided, identify how it was provided. Provide a copy of the notice.

RESPONSE: N/A

c. If not, state whether Hardin County No. 2 will require deposits in the Elizabethtown WS service area following the acquisition. If not, explain why.

RESPONSE: All customers currently receiving water service from Elizabethtown will be "grandfathered" into Hardin County No. 2's system **without** paying a deposit. If service to any of these customers is later disconnected for non-payment, the service will be restored, upon payment of the unpaid bill and a Reconnect Charge, **without** the payment of a deposit.

All “new” applicants applying for service within the Elizabethtown Service Area will be subject to the **same** Tariff provisions regarding Deposits that are applicable to all Hardin County No. 2 customers.

If so:

(1) Identify the deposit amounts that Hardin County No. 2 will require.

RESPONSE: Hardin County No. 2 will require a \$60 deposit from all new residential customers.

(2) State whether the deposit amounts that Hardin County No. 2 plans to require in the Elizabethtown WS service area will be different from the deposit requirement in Hardin County No. 2's current service territory. Explain any differences in deposit amounts.

RESPONSE: No difference.

(3) State whether public notice containing the deposit amounts that Hardin County No. 2 plans to require in the Elizabethtown WS service area has been provided to the customers of the Elizabethtown WS. If so, explain how and provide a copy of the notice. If not, explain why.

RESPONSE: No public notice has been provided. Hardin County No. 2 does **not** plan to provide public notice. Hardin County No. 2 has an approved Tariff which sets forth the deposit amounts. The Tariff applies to **all** customers and **all** applicants for service for all areas within Hardin County No. 2's service area.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

6. State whether Hardin County No. 2's current schedules containing its approved rates and conditions for service will apply to the customers in the Elizabethtown WS service area following the acquisition. For the purposes of this question, Hardin County No. 2 may exclude from the response discussion of the rates for water service in the rate transition plan.

RESPONSE: Yes.

a. If so, state whether public notice has been provided to the customers of the Elizabethtown WS.

RESPONSE: No public notice has been provided.

b. If notice has been provided, identify how it was provided. Provide a copy of the notice.

RESPONSE: N/A

c. If not, explain why.

RESPONSE: No public notice has been provided. Hardin County No. 2 does **not** plan to provide public notice. Hardin County No. 2 has an approved Tariff which sets forth all rates and conditions for service. The Tariff applies to **all** customers and **all** applicants for service for all areas within Hardin County No. 2's service area.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

7. Refer to Application, Numbered Paragraph 26, page 7. Hardin County No. 2 states it will acquire 2 million gallons of additional storage capacity.

a. The GRW Engineers, Inc.'s ("GRW") Hydraulic Modeling Report, Application, Exhibit 9, page 11, states that the average daily demand for the Elizabethtown WS is approximately 3.85 million gallons per day ("MGD"). Does Hardin County No. 2 anticipate constructing additional storage in Elizabethtown WS pressure zones to be in compliance with the Commission's regulation 807 KAR 5:066 Section 4(4)?

RESPONSE: No. Hardin County No. 2 does not intend to construct additional water storage capacity as a result of this acquisition.

b. If the answer to 7.a. is yes:

(1) How much additional storage will be added?

(2) Will Hardin County No. 2 seek a Certificate of Convenience and Necessity ("CPCN") for these projects?

(3) When does Hardin County No. 2 expect to begin construction?

(4) What is the estimated total project cost to be in compliance?

RESPONSE: N/A for all subsections of Question 7b.

c. If the answer to 7.a. is no, please explain.

RESPONSE: Elizabethtown currently has a water storage deficit while Hardin County No. 2 has excess water storage capacity. The combined storage capacity of Hardin County No. 2's existing storage, plus the 2 million gallons additional storage capacity being acquired from Elizabethtown, exceeds the average daily demand of the combined water systems.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

8. Refer to Application, Numbered Paragraph 28, page 7. Does Hardin County No. 2 anticipate a physical disconnection from the existing distribution system of those assets listed as being excluded from the proposed transaction?

RESPONSE: Yes. Hardin County No. 2 intends to physically disconnect from these excluded assets.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

9. Refer to Application, Numbered Paragraph 32, page 8. Provide the total cost to have GRW "evaluate the physical assets of the Elizabethtown Water System, to prepare a hydraulic model of the combined water distribution system, and to identify assets which might not be needed by the District for operation of the combined system."

RESPONSE: Hardin County No. 2 solicited Statements of Qualifications (SOQ) from the engineering community, received numerous SOQs, narrowed the field to four (4) firms, and then interviewed those firms. GRW Engineers, Inc. ("GRW") was selected as the best qualified firm. Hardin County No. 2 then negotiated a lump sum fee with GRW.

The fee agreed upon for all the services performed by GRW, including preparation of the Asset Evaluation Report and the Hydraulic Modeling Report, was **\$54,790.00**. This amount was paid to GRW.

WITNESS: Amber D. Pike, Accounting Manager, Hardin County Water District No. 2.

10. Refer to Application, Numbered Paragraph 56, page 16. Hardin County No. 2 states that the Elizabethtown WS's water rates will equalize on July 1, 2017, when the transition period ends.

a. Hardin County No. 2 has not increased its rates to its customers since 2007. Does Hardin County No. 2 anticipate any rate increases to its existing customers prior to the end of the rate transition plan on July 1, 2017?

RESPONSE: Hardin County No. 2 had a Debt Service Coverage Ratio of **1.30** for calendar year 2013 if depreciation is included as an operating expense. If depreciation is **excluded** from operating expenses, the Debt Service Coverage Ratio is **2.36**. A copy of the 2013 Debt Service Coverage Calculation is attached.

Except for high volume users, Hardin County No. 2 does not foresee any circumstances that would require or justify a general adjustment of rates until **after** the rate transition plan ends on July 1, 2017. Hardin County No. 2 will immediately benefit from the favorable net operating margins that will result from the Elizabethtown Division (See the Financial Forecast, also referred to as the "Stiles Carter Study," included as Exhibit 10 to the Application). Hardin County No. 2's current strong financial standing will be enhanced by the Elizabethtown WS acquisition.

Based upon this knowledge, Hardin County No. 2 officials made oral assurances to Elizabethtown (and the general public) that it did **not** foresee any general rate increases, except for high volume users, until after July 1, 2017.

During negotiations to establish the rate transition plan, it was crucial that the \$18.50 minimum bill amount be a “**fixed**” target and not a “**moving**” target.

Rate Adjustment for High Volume Users. Currently, Hardin County No. 2’s volumetric rate for all water used in excess of 500,000 gallons per month is \$2.10 per 1,000 gallons. Elizabethtown’s rate for the same usage block is \$2.50. Under Elizabethtown’s Ordinance 07-2014, this rate tier for existing Elizabethtown customers will increase by ten (10) cents to \$2.60 on November 1, 2014 and will continue to increase by ten (10) cent increments on July 1, 2015, July 1, 2016, and July 1, 2017. At that time, the Elizabethtown rate will be \$2.90.

Later this year, Hardin County No. 2 will seek authorization from the Commission to increase the “Over 500,000 gallons” usage block for its current customers (all customers except those in the Elizabethtown service area) to \$2.90 per 1,000 gallons. As shown on page 9 at Paragraph 26 of the May 5, 2014 Letter of Conditions from USDA, Rural Development, Rural Development will require Hardin County No. 2 to increase the rate for this usage block to \$2.90. (A copy of the Rural Development Letter of Conditions is attached to the Question 35 Response).

Rural Development will be providing a long term, low interest loan (40 year at 4.125%) in the principal amount of \$5,000,000 to fund a portion of the costs of constructing the Louisville Water Supply Interconnection Project. Increasing the

rate for high volume users is the only rate adjustment that Rural Development will require. The rates for all other usage blocks will remain unchanged.

b. If the answer to 10.a. is yes, what effect will it have on the proposed gradual four-step transition?

RESPONSE: N/A

c. If the answer to 10.a. is no, explain why an increase to Hardin County No. 2's existing customers would not be required.

RESPONSE: See Response to Question 10a.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

2013 DEBT SERVICE COVERAGE CALCULATION¹

Net Income Before Capital Contributions \$ 1,450,248

ADD BACK:

Amortization 70,469

Depreciation 1,682,949

Interest Expense 550,960

Total Revenues Available to Cover Debt Service \$3,754,626

Annual Debt Service Amount \$1,590,960

Debt Service Coverage Ratio 2.36

Total Revenues Available to Cover Debt Service
if Depreciation is Not Added Back \$2,071,677

**Debt Service Coverage Ratio
if Depreciation is Not Added Back 1.30**

¹ Source of Information: Hardin County Water District No. 2's Independent Auditor's Report for 2013 Calendar Year.

11. Refer to the GRW Asset Management Program and Capital Improvement Planning Report ("GRW Report"), Application, Exhibit 8.

a. When does Hardin County No. 2 anticipate constructing the facilities to connect to the Louisville Water Company ("LWC")?

RESPONSE: Hardin County No. 2 plans to advertise for construction bids to be opened in November, 2014. It will file an application for a CPCN for the Project in December, 2014. Construction should start in January, 2015 with completion in December, 2015.

b. What is the estimated construction cost for this connection?

RESPONSE: The Opinion of Probable Cost from Kenvirons Engineering, Inc. is \$15,000,000.00. All funding for the Project has been secured and is in place.

c. What is the plan for the Freeman WTP after the connection to LWC is complete?

RESPONSE: The Freeman Lake WTP will remain the property of Elizabethtown under the terms of the Asset Purchase Agreement. Once the LWC connection is in place, the lease for use of the Freeman Lake WTP facilities by Hardin County No. 2 will be terminated by Hardin County No. 2. Hardin County No. 2 will then vacate the property.

d. If the Freeman WTP is abandoned, how much of the 10 MGD from LWC will be needed to offset the supply lost from the Freeman WTP?

RESPONSE: Zero. The Freeman Lake WTP is used for peak summer-time demand and as back up in case of other supply failures (See Response to Question 21 for a more detailed discussion).

e. Refer to Chapter 3, page 18, of the GRW Report. The three projects identified as essential to complete the successful merger of the two distribution systems have a total approximate cost of \$560,000.

(1) When does Hardin County No. 2 anticipate beginning construction of these recommended projects?

RESPONSE: The two (2) distribution systems are already connected in four (4) locations and operate without these projects. The projects will be addressed after Hardin County No. 2's Board of Commissioners prioritizes the various projects. This prioritization process may or may not result in the funding of individual capital projects. GRW was tasked with providing suggested projects that would make the systems operate more efficiently. However, none of these recommended projects are essential to the merger of the distribution systems.

(2) Does Hardin County No. 2 plan to seek a CPCN for the recommended projects?

RESPONSE: Hardin County No. 2 will comply with KRS 278.020 and seek a CPCN on a project by project basis unless a specific project is deemed to be an "Extension in the Ordinary Course of Business" pursuant to 807 KAR 5:001, Section 15(3).

f. Refer to Chapter 4, page 23 of the GRW Report. The nine asset projects recommended to be part of the renewal and replacement plan have a total cost of \$1,680,000.

(1) Does Hardin County No. 2 plan to seek a CPCN for any of the projects listed under Phase 2?

RESPONSE: It is unknown at this time whether Hardin County No. 2's Board of Commissioners will authorize any of these "Renewal and Replacement" Projects (See Response to Question 23 for a more detailed discussion). Based upon Hardin County No. 2's Staff review and evaluation of the GRW Report, however, it appears that Renewal of the South End Tank is a project that might be viewed favorably by Hardin County No. 2's Board of Commissioners. If Hardin County No. 2 plans to construct a particular project, it will comply with KRS 278.020 and seek a CPCN on a project by project basis unless a specific project is deemed to be an "Extension in the Ordinary Course of Business" pursuant to 807 KAR 5:001, Section 15(3).

(2) Does Hardin County No. 2 plan to seek a CPCN for any of the projects listed under Phase 3?

RESPONSE: It is unknown at this time whether Hardin County No. 2's Board of Commissioners will authorize any of these Phase 3 "Renewal and Replacement" Projects (See Response to Question 23 for a more detailed discussion). If Hardin County No. 2 plans to construct a particular project, it will comply with KRS 278.020 and seek a CPCN on a project by project basis unless a specific project is deemed to be an "Extension in the Ordinary Course of Business" pursuant to 807 KAR 5:001, Section 15(3).

(3) Does Hardin County No. 2 plan to seek a CPCN for any of the projects listed under Phase 4?

RESPONSE: It is unknown at this time whether Hardin County No. 2's Board of Commissioners will authorize any of these Phase 4 "Renewal and Replacement" Projects (See Response to Question 23 for a more detailed discussion). If Hardin County No. 2 plans to construct a particular project, it will comply with KRS 278.020 and seek a CPCN on a project by project basis unless a specific project is deemed to be an "Extension in the Ordinary Course of Business" pursuant to 807 KAR 5:001, Section 15(3).

g. Refer to Chapter 5, page 29, of the GRW Report. The nine capital improvement projects identified by the GRW Report to account for assets that were beyond repair, did not meet industry standards, or were not compliant with current codes have a total cost of \$2,870,000.

(1) When does Hardin County No. 2 anticipate beginning construction of these projects?

RESPONSE: It is unknown at this time whether Hardin County No. 2's Board of Commissioners will authorize any of these additional capital projects (See Response to Question 23 for a more detailed discussion). The likelihood of any of these additional capital projects being constructed in the near term makes it too speculative to prepare a project schedule.

(2) Does Hardin County No. 2 plan to seek a CPCN for any of these projects? If so, which ones.

RESPONSE: If Hardin County No. 2 plans to construct a particular project, it will comply with KRS 278.020 and seek a CPCN on a project by project basis unless a specific project is deemed to be an “Extension in the Ordinary Course of Business” pursuant to 807 KAR 5:001, Section 15(3).

(3) When does Hardin County No. 2 anticipate starting the construction necessary to convert the Springs WTP to a chloramines disinfection system?

RESPONSE: Hardin County No. 2 plans to immediately begin the project of converting the City Springs WTP to a chloramines disinfection system. The Preliminary Engineering Report from Kenvirons has already been submitted to the Division of Water.

i. What is the estimated total project cost to complete this conversion?

RESPONSE: The Opinion of Probable Cost for the City Springs WTP conversion is \$405,000.

ii. Does the answer to the above question include the new chemical storage building? If not, what is the estimated total project cost for the new chemical storage building?

RESPONSE: The project does **not** include a new chemical storage building. There is enough existing floor space in the City Springs WTP to house the aqua ammonia feed system that will be installed as part of the Chloramine Conversion Project. Therefore, **no** new building nor any additions or expansions to existing buildings will be necessary.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

12. Refer to Application, Numbered Paragraph 14, page 4. The Application states that "[t]he District's existing service area completely surrounds Elizabethtown's service area."

a. State whether the entirety of the Elizabethtown WS service area is included within the boundaries of Hardin County No. 2.

RESPONSE: None of the Elizabethtown WS service area is included within the territorial boundaries of Hardin County No. 2. Hardin County No. 2's territorial boundaries completely surround, but exclude, the Elizabethtown WS service area. Therefore, it will be necessary for Hardin County No. 2 to petition the Hardin County Judge/Executive, pursuant to KRS 74.110, and seek an Order enlarging Hardin County No. 2's territorial boundaries so that all the land encompassed within the current water service area of Elizabethtown will be included within the new territorial limits of Hardin County No. 2.

See the Response to Questions 12e for the actions already taken, and to be taken, by Hardin County No. 2 to enable it to lawfully provide water service throughout the Elizabethtown WS service area.

b. If the entirety of the Elizabethtown WS service area is wholly within the boundaries of Hardin County No. 2, state the date upon which Elizabethtown WS service area was included within the boundaries. Provide all supporting documentation.

RESPONSE: N/A

12. Refer to Application, Numbered Paragraph 14, page 4. The Application states that "[t]he District's existing service area completely surrounds Elizabethtown's service area."

a. State whether the entirety of the Elizabethtown WS service area is included within the boundaries of Hardin County No. 2.

RESPONSE: None of the Elizabethtown WS service area is included within the territorial boundaries of Hardin County No. 2. Hardin County No. 2's territorial boundaries completely surround, but exclude, the Elizabethtown WS service area. Therefore, it will be necessary for Hardin County No. 2 to petition the Hardin County Judge/Executive, pursuant to KRS 74.110, and seek an Order enlarging Hardin County No. 2's territorial boundaries so that all the land encompassed within the current water service area of Elizabethtown will be included within the new territorial limits of Hardin County No. 2.

See the Response to Question 12e for the actions already taken, and to be taken, by Hardin County No. 2 to enable it to lawfully provide water service throughout the Elizabethtown WS service area.

b. If the entirety of the Elizabethtown WS service area is wholly within the boundaries of Hardin County No. 2, state the date upon which Elizabethtown WS service area was included within the boundaries. Provide all supporting documentation.

RESPONSE: N/A

c. If Elizabethtown WS service area is partially within the boundaries of Hardin County No. 2, state the date(s) upon which the portion(s) of Elizabethtown WS service area was (were) included within the boundaries. Provide all supporting documentation.

RESPONSE: N/A

d. If the Elizabethtown WS service area is partially within the boundaries of Hardin County No. 2, identify the portion of Elizabethtown WS service area that is within the boundaries and the portion of Elizabethtown WS service area that is outside of the boundaries. Provide a map of Elizabethtown WS service area that depicts the areas within the boundaries and outside of the boundaries.

RESPONSE: N/A

e. If any portion of Elizabethtown WS service area is not within the boundaries of Hardin County No. 2, state all actions that are necessary in order for Hardin County No. 2 to lawfully provide water service throughout the Elizabethtown WS service area.

RESPONSE: The following actions have been taken, or will need to be taken, in order for Hardin County No. 2 to lawfully provide water service throughout the Elizabethtown WS service area:

- (1) Petition the Hardin County Judge/Executive, pursuant to KRS 74.110, for an Order enlarging Hardin County No. 2's territorial boundaries so that all the land encompassed within the current water service area of Elizabethtown will be included within the new territorial limits of Hardin County No. 2. The Petition (see attached copy) was executed by Hardin County No. 2's Chairman on August 26, 2014 and filed with the County Judge/Executive. Note the map which is attached to the Petition and depicts the Elizabethtown water service area;

**BEFORE THE COUNTY JUDGE/EXECUTIVE
OF HARDIN COUNTY, KENTUCKY**

IN THE MATTER OF:

**PETITION OF HARDIN COUNTY WATER DISTRICT
NO. 2 TO ANNEX CERTAIN TERRITORY IN
HARDIN COUNTY, KENTUCKY PURSUANT TO
KRS 74.110**

Comes Hardin County Water District No. 2, pursuant to the provisions of KRS 74.110, and petitions the Hardin County Judge/Executive as follows:

1. The Hardin County Water District (the "District") was properly created and established by Order entered by the Hardin County Court on June 23, 1965.

2. The District seeks to enlarge its territorial limits so that all the land encompassed within the current water service area of the City of Elizabethtown, Kentucky (the "Elizabethtown Service Area"), will be included within the new territorial limits of the District. A map depicting the Elizabethtown Service Area, the District's current territorial boundaries, Hardin County Water District No. 1's territorial boundaries, and the City of Vine Grove service area is attached hereto and incorporated herein by reference as **Exhibit A**.

3. Currently, the City of Elizabethtown is the only utility providing potable water service to the area sought to be annexed by the District.

4. On July 28, 2014, the City of Elizabethtown and the District executed an Asset Purchase Agreement (the "Agreement") whereby the City of Elizabethtown will transfer its water treatment facilities and its water distribution system (the "Elizabethtown Water System") to the District.

5. One of the closing requirements set forth in paragraph 24E of the Agreement is that the DISTRICT must obtain an Order from the Hardin County Judge/Executive expanding the territorial boundaries of the DISTRICT to include all territory within the Elizabethtown Service Area.

6. The District cannot acquire the Elizabethtown Water System, nor can the District provide water service to the inhabitants of the Elizabethtown Service Area, unless this annexation is granted.

7. The District states that it will be in the best interests of the public health, safety, and general welfare of the inhabitants of the territory sought to be annexed if this annexation is granted.

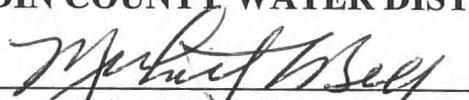
WHEREFORE, the District respectfully requests that notice of this Petition be given in the manner provided in KRS 74.110 (2) and KRS Chapter 424; that this matter be set for a Hearing as provided in KRS 74.110 (3); that the Hardin County Judge/Executive, after such proceedings, consider whether addition of the area sought to be annexed by the District is reasonably necessary; and that the Hardin County Judge/Executive enter an Order annexing the proposed territory to the District.

This August 26th, 2014.

Respectfully submitted,

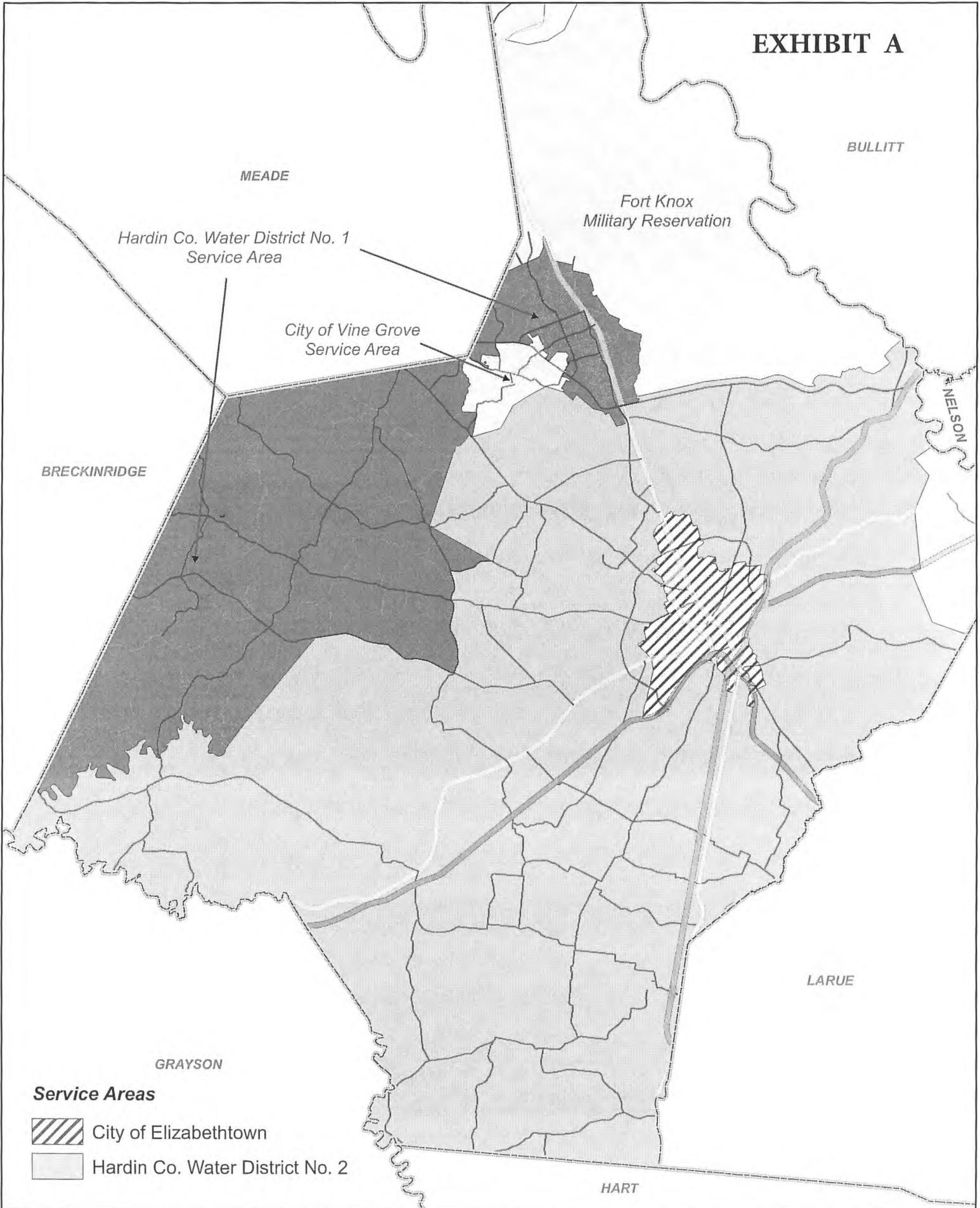
HARDIN COUNTY WATER DISTRICT NO. 2

BY:


Michael L. Bell, Chairman

Hardin County Water Service Areas

EXHIBIT A



**HARDIN COUNTY
COMMONWEALTH OF KENTUCKY**

EXECUTIVE ORDER No. 2014-003

IN THE MATTER OF:

**PETITION OF HARDIN COUNTY WATER DISTRICT
NO. 2 TO ANNEX CERTAIN TERRITORY IN HARDIN
COUNTY, KENTUCKY PURSUANT TO KRS 74.110**

ORDER SETTING DATE FOR PUBLIC HEARING

WHEREAS, as provided in KRS 74.110, a petition seeking to enlarge the territorial limits of Hardin County Water District No. 2 was filed with the Hardin County Judge/Executive on August 27, 2014; and

WHEREAS, KRS 74.110(3) requires the Hardin County Judge/Executive to schedule a public hearing concerning the petition and to give reasonable notice of the public hearing in the manner provided by KRS Chapter 424.

NOW, THEREFORE, it is hereby ORDERED as follows:

1. That this matter be set for a public hearing on the question of whether to enlarge the territorial limits of the Hardin County Water District No. 2 so that all the land encompassed within the current water service area of the City of Elizabethtown will be included within the new territorial limits of Hardin County Water District No. 2. The public hearing shall be held on October 14, 2014, at 3:30 p.m. E.D.T. in the Fiscal Court Room located on the Third Floor of the H. B. Fife Courthouse, 100 Public Square, Elizabethtown, Kentucky.

2. That legal notice of the public hearing shall be given by publishing a Notice of Public Hearing in *The News-Enterprise* as required by KRS 74.110(2) and KRS Chapter 424.

3. That any resident of the City of Elizabethtown, any resident of the area presently included within the territorial limits of Hardin County Water District No. 2, or any resident of the territory proposed to be annexed may file written objections, exceptions, or comments with the Hardin County Judge/Executive prior to the Public Hearing or appear and be heard at the Public Hearing.

This 29th day of August 2014



Harry L. Berry
Hardin County Judge/Executive

Attested by:



Kenneth L. Tabb
Hardin County Clerk

NOTICE OF PUBLIC HEARING
PETITION OF HARDIN COUNTY WATER DISTRICT NO. 2
TO ANNEX CERTAIN TERRITORY IN
HARDIN COUNTY, KENTUCKY

Notice is hereby given by Harry L. Berry, Hardin County Judge/Executive, that a Public Hearing will be held on October 14, 2014 at 3:30 p.m. E.D.T. in the Fiscal Court Room located on the Third Floor of the H. B. Fife Courthouse, 100 Public Square, Elizabethtown, Kentucky, pursuant to KRS 74.110, for the purpose of receiving comments regarding the proposed enlargement of the territorial limits of Hardin County Water District No. 2.

The Public Hearing has been scheduled in response to the Petition filed by Hardin County Water District No. 2 to enlarge its territorial limits so that all the land encompassed within the current water service area of the City of Elizabethtown will be included within the new territorial limits of Hardin County Water District No. 2.

Any resident of the City of Elizabethtown, any resident of the area presently included within the territorial limits of Hardin County Water District No. 2, or any resident of the territory proposed to be annexed may file written objections, exceptions or comments with the Hardin County Judge/Executive prior to the Public Hearing or appear and be heard at the Public Hearing.

Harry L. Berry
Hardin County Judge/Executive
H. B. Fife Courthouse, 3rd Floor
100 Public Square, PO Box 568
Elizabethtown, Kentucky 42702

13. Refer to Application, Numbered Paragraphs 50 through 63, pages 15-19.

a. Numbered Paragraph 55, page 16, states, "the District agreed, subject to Commission approval, to transition the existing Elizabethtown customers from Elizabethtown's rates to the District's rates over a three (3) year period." In a scenario in which the rate transition plan is approved, state whether, during the period after approval through July 1, 2017, each presently existing metered connection of the Elizabethtown WS will continue to receive service pursuant to the rates contained in the rate transition plan regardless of whether there is a change in the party responsible for the account. If not, explain why.

RESPONSE: Yes.

b. Numbered Paragraph 55, page 16. State the definition of "existing Elizabethtown customers."

RESPONSE: The intent of the parties (Elizabethtown and Hardin County No. 2) is for all persons who receive, at any time during the rate transition plan period, metered water service within the **geographic area** currently served by Elizabethtown ("Elizabethtown Service Area") to benefit from the lower rates contained in the rate transition plan. This intent is reflected by the intentional use of the term "Elizabethtown Service Area" in the Adoption Notice filed as Exhibit 21 to the Application.

The term "existing Elizabethtown customers" is broadly defined and means all persons who receive metered water service from a physical location within the Elizabethtown Service Area (**geographic area** currently served by

Elizabethtown). The term includes any customer: (i) who is now receiving metered water service within the Elizabethtown Service Area; (ii) who commences receiving metered water service within the Elizabethtown Service Area; (iii) a customer who experiences any change or break in service consequent to events such as disconnection for non-payment or change in location within the Elizabethtown Service Area; (iv) a customer who applies for and receives water service through the extension of service through a new meter located within the Elizabethtown Service Area; and (v) who receives water service within the Elizabethtown Service Area through any other possible circumstances.

c. Indicate whether an Elizabethtown WS customer receiving service as of the date of an approval of the rate transition plan rate structure will remain an "existing" customer for the duration of the transitional rate plan period regardless of whether the customer experiences any change or break in service consequent to events such as disconnection for nonpayment or change in location consequent to moving from one residence within the Elizabethtown WS existing service area to another residence within the Elizabethtown WS existing service area. Identify each event that will terminate a customer's status as an "existing Elizabethtown customer during the rate transition plan period.

RESPONSE: Yes. Hardin County No. 2 cannot identify any event that will terminate a customer's status as an "existing" Elizabethtown customer during the rate transition plan period.

d. In a scenario in which the rate transition plan is approved, state whether, during the period after approval through July 1, 2017, a customer who applies for and receives water service through the extension of service through a new meter within the limits of Elizabethtown WS current service area will be billed for service pursuant to the rates contained in the rate transition plan schedule in Numbered Paragraph 56, page 17. If no, explain why not.

RESPONSE: Yes.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

14. Provide copies of all minutes of Hardin County No. 2's Board of Commissioner's meetings in which the purchase of Elizabethtown WS assets was discussed.

RESPONSE: Copies of the Minutes of the applicable Hardin County No. 2 Board of Commissioners meetings are attached.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

September 17, 2013

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on September 17, 2013 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis (via video conference), John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Carlos Miller, Mark Sneve, Vaughn Williams, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the August 20, 2013 meeting were reviewed. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of August was reviewed. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. **Engineering Reports.** Carlos Miller and Vaughn Williams presented the engineering report for water. Mark Sneve presented the engineering report for wastewater.

A. Engineering Report - Water.

- (1) **LWC Connection.** Commissioner Davis reported on his recent meeting with a property owner for use of his land as a staging area and pipe storage area for the LWC Connection Project (see **Old Business, Item 1 for Board action**).
- (2) **Colesburg Pump Station Site.** General Manager Jeffries reported that his discussions with the property owner were successful. The Closing for the purchase of the Colesburg Pump Station will take place in late September 2013.
- (3) **Springfield Tank.** Carlos Miller reported that the contractor is making satisfactory progress toward the completion of the Springfield Tank. The anticipated completion date is mid November 2013.
- (4) **Case Loop Pump Station.** Carlos Miller reported that work on the Case Loop Pump Station is progressing satisfactorily. The anticipated completion date is mid November 2013.
- (5) **Chloramine Conversion.** Vaughn Williams reported that Kenvirons is revising and finalizing the plans for converting the White Mills WTP from chlorine disinfection to chloramines disinfection. The plans will be submitted to the DOW by October 15, 2013.

B. Engineering Reports – Wastewater.

- (1) **Rineyville.** No report.
- (2) **Nolin River Watershed.** The Commissioners reviewed the progress of easement acquisitions. Mark Sneve reviewed three (3) options for extending wastewater collection service north along New Glendale Road. (see **Old Business, Item 2 for Board action**)

2. Departmental Reports. General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **Staging Area.** Motion was made by Commissioner Tabb and seconded by Commissioner Miller to authorize Chairman Bell and General Manager Jeffries to negotiate, within defined limits, with the property owner to obtain a staging area for pipe unloading and storage, equipment storage, etc. for the LWC Connection Project. Motion carried unanimously.

2. **New Glendale Road Wastewater Collection Line.** Motion was made by Commissioner Effinger and seconded by Commissioner Miller to extend wastewater collection service north along New Glendale Road (Ky. Hwy. 1136) approximately one (1) mile from the Sego Pump Station and to authorize Strand Associates, Inc. to design a force main for the entire length. Motion carried unanimously.

3. **Office Renovation.** Scott Clark reported that the Office Renovation Project is nearing completion. A punch list of items for the contractor to complete has been prepared. The biggest concern is the floor in the Day Room. District staff plan to have a recommendation by the October Board Meeting.

4. **Burton & Barbara Langley Family Foundation Scholarships.** Chairman Bell announced that 21 Burton & Barbara Langley Family Foundation Scholarships have been awarded for the 2013-2014 academic year. A formal announcement and press release with photographs of the recipients will be forthcoming. The Langley Foundation desires for the 2014-2015 scholarships to be awarded in April 2014.

5. **WTP Roof Repair - Emergency.** Shaun Youravich informed the Board of the urgent need to replace the roof on the White Mills WTP and make structural repairs. Recent inspections revealed severe metal loss in the steel purlins supporting the roof sheeting which has resulted in a loss of integrity. Therefore, the condition of the supporting structure is more severe than originally anticipated. Also, the rate of steel deterioration is more aggressive now than it was a few months ago. In Mr. Youravich's opinion, it is no longer safe to allow any personnel on the roof for fear of collapse (see his September 16, 2013 letter to Chairman Bell). Attorney Talley recommended utilizing the "emergency" provisions of KRS 424.260 to expedite the repairs. Based upon District staff's verification of the weakness in the roof structure, including the life safety issues, and the recommendation of Attorney Talley, Chairman Bell declared that an emergency exists with respect to the need to replace the WTP roof and make structural repairs at the WTP (see Certificate of Emergency executed by Chairman

Bell). Therefore, pursuant to the provisions of KRS 424.260(4), it will not be necessary for the District to hire an architect or engineer to prepare design specifications nor to advertise for bids in the newspaper.

The Commissioners reviewed the two (2) proposals which District staff had previously solicited from interested contractors. Motion was made by Commissioner Effinger and seconded by Commissioner Miller to take the following actions: (a) to declare the proposal from Abel Construction Company, Inc. (Abel) to be the lowest and best proposal; (b) to award the WTP roof replacement and repair project to Abel; (c) to require Abel to obtain the standard Performance and Payment Bonds (which will be added to the amount of Abel's proposal); (d) to authorize District staff to execute the necessary documents with Abel; and (e) to authorize District staff to take all necessary actions to expedite the project. Motion carried unanimously.

6. Health Insurance. Commissioner Davis, Chairman of the Insurance Committee, discussed the need to give the District employees advance notice of whether the employees will be required to pay a portion of the cost of their Health Insurance premiums during 2014. The Insurance Committee recommended that the District absorb the 10% Health Insurance premium increase rather than requiring the District employees to pay a portion of the premium and for the Board to decide by Spring 2014 whether the employees will be required to pay a portion of the Health Insurance premium in 2015. Motion was made by Commissioner Effinger and seconded by Commissioner Miller to accept the recommendations of the Insurance Committee. Motion carried unanimously.

NEW BUSINESS

1. Surplus Office Furniture. The Commissioners reviewed the September 11, 2013 list of furniture and other items recommended by District staff to be declared surplus. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to accept District staff's recommendation and declare the furniture and other items listed in the September 11, 2013 memo as surplus. Motion carried unanimously.

2. Surplus Property Auction. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to schedule an absolute public auction for the sale of the two (2) trucks declared surplus at the August 20, 2013 Board Meeting and the office furniture and other items declared surplus at this Board Meeting. Motion carried unanimously.

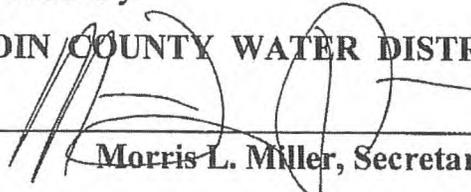
3. **E-Town Water System.** Chairman Bell reported that the Elizabethtown City Council voted at its September 16, 2013 Council meeting to express its intent to transfer and convey its Water System to the District for the sum of \$8,000,000 to be paid at the rate of \$400,000 per year for 20 years. Chairman Bell, Commissioner Miller, and General Manager Jeffries attended the historic City Council Meeting. A discussion ensued concerning various proposed details of the proposed transfer. Motion was made by Commissioner Tabb and seconded by Commissioner Miller to express the District's intent to acquire Elizabethtown's Water System at the offered price and to authorize Chairman Bell to execute the Letter of Intent. Motion carried unanimously.

4. **Hydraulic Analysis.** General Manager Jeffries informed the Commissioners of the need to engage the services of an engineering firm to perform a hydraulic analysis of the Elizabethtown Water System. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to authorize District staff to prepare and issue a Request for Statement of Qualifications from engineering firms interested in conducting the hydraulic analysis and evaluation of the Elizabethtown Water System. Motion carried unanimously.

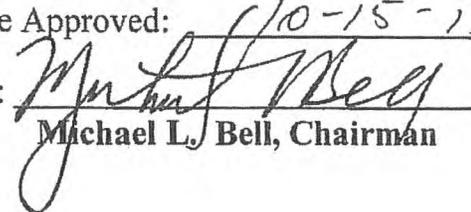
ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Tabb and seconded by Commissioner Effinger to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

BY: 
Morris L. Miller, Secretary

Date Approved: 10-15-13

BY: 
Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

October 15, 2013

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on October 15, 2013 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Carlos Miller, Mark Sneve, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the September 17, 2013 meeting were reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Davis to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of September was reviewed. Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Carlos Miller presented the engineering report for water. Mark Sneve presented the engineering report for wastewater.

A. Engineering Report - Water.

- (1) **LWC Connection.** Commissioner Davis reported on his recent conversations with a property owner for use of his land as a staging area and pipe storage area for the LWC Connection Project.
- (2) **Colesburg Pump Station Site.** General Manager Jeffries reported that the Closing for the purchase of the Colesburg Pump Station took place as scheduled on September 26, 2013.
- (3) **Springfield Tank.** Carlos Miller reported that the contractor is scheduled to complete the Springfield Tank by mid November 2013.
- (4) **Case Loop Pump Station.** Carlos Miller reported that work on the Case Loop Pump Station is still proceeding according to schedule. The anticipated completion date is mid November 2013.
- (5) **Chloramine Conversion.** Carlos Miller reported that Kenvirons has revised the plans for converting the White Mills WTP from chlorine disinfection to chloramines disinfection. The revised plans were delivered to District Staff on October 15, 2013. Following review by the District Staff, the plans will be submitted to the DOW.

B. Engineering Reports – Wastewater.

- (1) **Rineyville.** No report.
- (2) **Nolin River Watershed.** The Commissioners reviewed the progress of easement acquisitions. Attorney Talley, once again, reviewed the required steps which must be taken to ensure that the District has engaged in good faith negotiations prior to filing any condemnation actions. At the request of some of the Commissioners, Mark Sneve revisited the options for extending wastewater collection service north along New Glendale Road. **(see Old Business, Item 1 for Board action)**

2. Departmental Reports. General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **New Glendale Road Wastewater Collection Line.** Motion was made by Commissioner Miller and seconded by Commissioner Davis to take the following actions: (a) to rescind the action taken by the Board at the September 17, 2013 Board meeting pertaining to the Board's authorization for Strand Associates, Inc. to design a force main for the entire length of the proposed wastewater collection service line north along New Glendale Road (Ky. Hwy. 1136) (see **Old Business, Item 2** of the Minutes of the September 17, 2013 Board meeting); (b) to reaffirm the District's intent to extend wastewater collection service north along New Glendale Road approximately one (1) mile from the Segoe Pump Station; and (c) to authorize Strand Associates, Inc. to design a gravity collection line for the entire length of the proposed extension. Motion carried unanimously.

2. **Office Renovation.** Scott Clark reported that the contractor has completed most of the punch list items. The District is still awaiting a proposal from the contractor for resolving the issues with the floor in the Day Room. Hopefully, District staff will have a recommendation by the November Board Meeting.

3. **WTP Roof Repair – Inspection Services.** The Commissioners reviewed the three (3) Inspection Services proposals concerning the WTP Roof Replacement and Repair Project. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to take the following actions: (a) to declare the proposal from ICON Engineering & Inspection Services, PLLC (ICON) to be the lowest and best proposal; (b) to accept the proposal from ICON in the amount of \$35,500.00; and (c) to authorize District Staff to execute the necessary documents with ICON. Motion carried unanimously.

4. **E-Town Water System.** Chairman Bell announced that the Letter of Intent whereby the District will purchase the Elizabethtown Water System has been executed by both the Elizabethtown Mayor and by him.

5. **Engineering SOQs – E-Town Water Works.** General Manager Jeffries informed the Commissioners that the District received Statements of Qualifications (SOQs) from eight (8) engineering firms in response to the District's solicitation of SOQs for the Elizabethtown Water Works Project. Chairman Bell appointed a committee consisting of Commissioner Miller, Commissioner Effinger, General Manager Jeffries, Shaun Youravich, and Scott Clark to review and rank the SOQs according to the criteria set forth in the solicitation document and to recommend a "short list" of 3-5 firms to be interviewed by the Board.

NEW BUSINESS

1. **Glendale Industrial Park Wastewater Pump Stations.** General Manager Jeffries presented the proposed plats for the sites of the Wastewater Pump Stations in the Glendale Industrial Megasite. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to proceed with the acquisition of the two (2) sites from the Elizabethtown/Hardin County Industrial Foundation, Inc. and to authorize General Manager Jeffries to take the necessary actions to complete the acquisition of these parcels of real estate. Motion carried unanimously.

2. **Appraiser.** Attorney Talley informed the Commissioners of the need to engage the services of a qualified Real Estate Appraiser for both the Nolin River Watershed and the Louisville Water Connection Projects. Motion was made by Commissioner Davis and seconded by Commissioner Miller to authorize Attorney Talley to request a proposal from Rick O. Baumgardner for performing the necessary appraisals. Motion carried unanimously.

3. **Blacktop Sealing.** Motion was made by Commissioner Miller and seconded by Commissioner Tabb to accept the quotation from A-1 Paving in the amount of \$9,400.00 for sealing and striping all the blacktop areas at the Customer Service Center and Warehouse facility. Motion carried unanimously.

4. **2014 Budget.** By consensus, the Commissioners deferred taking action on the proposed 2014 Budget until the November Board meeting.

5. **Executive Session.** Motion was made by Commissioner Davis and seconded by Commissioner Miller to go into Executive Session to discuss real property acquisition and potential litigation. Motion carried unanimously.

* * * EXECUTIVE SESSION DISCUSSION * * *

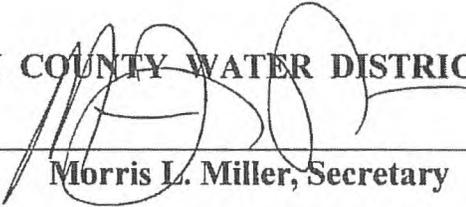
Motion was made by Commissioner Davis and seconded by Commissioner Miller to return to open session. Motion carried unanimously. Chairman Bell announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

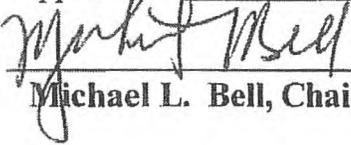
BY: _____


Morris L. Miller, Secretary

Date Approved: _____

11-19-13

BY: _____



Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

November 19, 2013

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on November 19, 2013 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Carlos Miller, Mark Sneve, Vaughn Williams, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the October 15, 2013 meeting were reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Davis to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of October was reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Davis to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Carlos Miller and Vaughn Williams presented the engineering report for water. Mark Sneve presented the engineering report for wastewater.

A. Engineering Report - Water.

- (1) **LWC Connection.** Commissioner Davis reported on his ongoing discussions with a property owner for use of his land as a staging area and pipe storage area for the LWC Connection Project.
- (2) **Colesburg Pump Station Site.** Carlos Miller presented an overview of the operation of the proposed Colesburg Pump Station. This pump station has been designed to pump up to 5 MGD. Once the District exceeds this daily demand from LWC, then the District will need to construct another pump station at a location with an elevation of approximately 750 feet above sea level.
- (3) **Springfield Tank.** Carlos Miller reported that the Springfield Tank is essentially complete. It cannot be placed into service, however, until the Case Loop Pump Station is completed.
- (4) **Case Loop Pump Station.** Carlos Miller reported that the anticipated completion date for the Case Loop Pump Station is mid to late December 2013.
- (5) **Chloramine Conversion.** Vaughn Williams reported that the plans for converting the White Mills WTP from chlorine disinfection to chloramines disinfection have been submitted to the DOW.

B. Engineering Reports – Wastewater.

- (1) **Northern Hardin County.** General Manager Jeffries presented a status report on the Northern Hardin County Sewer Project.
- (2) **Nolin River Watershed.** The Commissioners reviewed the progress of easement acquisitions. Mark Sneve reported that detailed design work for the proposed wastewater collection line along New Glendale Road is proceeding. General Manager Jeffries discussed the likelihood that condemnation action may be necessary in order to acquire a few of the necessary easements. (see New Business, Item 2 for Board action)

2. **Departmental Reports.** General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **Appraiser.** Motion was made by Commissioner Davis and seconded by Commissioner Effinger to accept the November 5, 2013 proposal from Baumgardner & Associates, PSC for performing appraisal services. Motion carried unanimously.

2. **Office Renovation.** Scott Clark presented the proposal from the contractor for resolving the issues with the floor in the Day Room and Hall. Upon recommendation by District Staff, motion was made by Commissioner Tabb and seconded by Commissioner Effinger to accept the contractor's proposal. Motion carried unanimously.

3. **E-Town Water System.** General Manager Jeffries and Attorney Talley summarized their recent meeting with the E-town City Attorney and key Staff members concerning the conveyance of the E-Town Water System to the District.

4. **Engineering SOQs – E-Town Water Works.** The Commissioners ranked the four (4) engineering firms that were interviewed by the District on October 30 & 31, 2013. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to declare the engineering firm of GRW Engineers, Inc. to be the best qualified firm for the E-Town Water Works Project. Motion carried unanimously. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to authorize General Manager Jeffries to negotiate the terms of an Engineering Agreement with GRW Engineers, Inc. within the parameters set by the Board, and to authorize Chairman Bell to execute the Engineering Agreement if the negotiations are successful. Motion carried unanimously.

NEW BUSINESS

1. **Cost Analysis – E-Town Water Works Project.** General Manager Jeffries and Attorney Talley discussed the need to obtain the services of an independent accounting firm to perform a Cost Analysis for the E-Town Water Works Project. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to authorize General Manager Jeffries to request a proposal from Stiles, Carter & Associates, P.S.C. to perform the necessary Cost Analysis. Motion carried unanimously.

2. **Legal Services.** Attorney Talley presented the proposed Engagement Letter from Stoll Keenon Ogden PLLC (SKO Firm) for performing requested legal services and representing the District in any condemnation actions that might be necessary to acquire easements for the Nolin River Watershed Project and the LWC Connection Project. Motion was made by Commissioner Davis and seconded by Commissioner Effinger to accept the Engagement Letter from the SKO Firm and to authorize Chairman Bell to execute the Engagement Letter. Motion carried unanimously.

3. **2014 Budget.** General Manager Jeffries presented the proposed 2014 Operating and Capital Budgets. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to adopt the proposed 2014 Operating Budget and the proposed 2014 Capital Budget as presented. Motion carried unanimously.

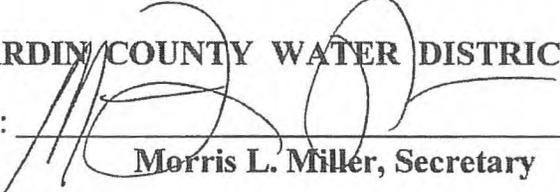
4. **Executive Session.** Motion was made by Commissioner Miller and seconded by Commissioner Davis to go into Executive Session to discuss real property acquisition and potential litigation. Motion carried unanimously.

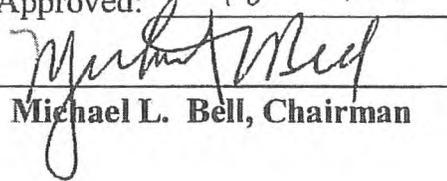
* * * EXECUTIVE SESSION DISCUSSION * * *

Motion was made by Commissioner Effinger and seconded by Commissioner Davis to return to open session. Motion carried unanimously. Chairman Bell announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Davis and seconded by Commissioner Miller to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2
BY: 
Morris L. Miller, Secretary

Date Approved: 12-17-13
BY: 
Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

December 17, 2013

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on December 17, 2013 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Carlos Miller, Mark Sneve, Vaughn Williams, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the November 19, 2013 meeting were reviewed. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of November was reviewed. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Carlos Miller and Vaughn Williams presented the engineering report for water. Mark Sneve presented the engineering report for wastewater.

A. Engineering Report - Water.

- (1) **LWC Connection.** The Commissioners reviewed the list of property owners who have not yet signed an easement for the LWC Connection Project.
- (2) **Colesburg Pump Station.** Carlos Miller highlighted certain portions of his November 27, 2013 letter to Chairman Bell concerning emergency power at the pump station. He plans to design a concrete slab, which will support a mobile generator, at the pump station site. The pump station will include the necessary electrical connection for a mobile generator.
- (3) **Springfield Tank.** Carlos Miller reported that the Springfield Tank is essentially complete. It cannot be placed into service, however, until the Case Loop Pump Station is completed.
- (4) **Case Loop Pump Station.** Carlos Miller reported that the anticipated completion date for the Case Loop Pump Station is late December 2013. The contractor has requested a Change Order for having to remove brush, trees, and other debris at the Pump Station site. Mr. Miller will review the Change Order request and make a recommendation at the January 2014 Board meeting.
- (5) **Chloramine Conversion.** Vaughn Williams reported that the DOW has approved the proposed plans for converting the White Mills WTP from chlorine disinfection to chloramines disinfection. He plans to complete the detailed plans, specifications, and contract documents within the next few weeks. (see Old Business Item 1 for Board Action)

B. Engineering Reports – Wastewater.

- (1) **Northern Hardin County.** General Manager Jeffries presented a status report on the Northern Hardin County Sewer Project.

- (2) **Nolin River Watershed.** The Commissioners reviewed the progress of easement acquisitions. Mark Sneve reported that his firm has completed the survey work along New Glendale Road. He can now complete the detailed design work for the proposed wastewater collection line along New Glendale Road.

2. **Departmental Reports.** General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **Chloramine Conversion.** Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to authorize District Staff to advertise for bids for the WTP Chloramine Conversion Project as soon as Kenvirons, Inc. completes the detailed plans, specifications, and contract documents. Motion carried unanimously.

2. **RD Loan.** General Manager Jeffries and Commissioner Miller discussed the need to lower the RD loan request for the LWC Connection Project from \$9,500,000 to \$5,000,000 to expedite the loan approval process. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to take the following actions: (a) to lower the District's RD loan request from \$9,500,000 to \$5,000,000; (b) to authorize General Manager Jeffries to inform RD of the reduced loan request; and (c) to authorize Chairman Bell to execute the necessary documents. Motion carried unanimously.

3. **Rate Study.** The Commissioners reviewed the revised Rate Study prepared by Kenvirons, Inc. (the revised Rate Study is based upon an RD loan of \$5,000,000). The revised Rate Study recommends that all rate blocks remain the same except that the rate for water usage over 500,000 gallons per month be increased to \$2.90 per 1,000 gallons. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to accept the revised Rate Study and to authorize Carlos Miller to submit it to RD. Motion carried unanimously.

4. **Office Renovation.** Scott Clark stated that the contractor has completed resurfacing the floor in the Day Room and Back Hall.

5. **E-Town Water System.** General Manager Jeffries announced that Attorney Talley and he will be attending the E-town City Council Work Session on January 13, 2014 concerning the conveyance of the E-Town Water System to the District. Attorney Talley highlighted certain portions of his December 16, 2013 Memorandum to the Board concerning various legal issues.

6. **Financial Analysis Proposal.** Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to accept the proposal of Stiles Carter & Associates, PSC dated December 10, 2013 to perform the necessary financial analysis for the proposed E-Town Water System Project. Motion carried unanimously.

7. **Northern Hardin County Wastewater Project.** Upon recommendation by General Manager Jeffries, motion was made by Commissioner Miller and seconded by Commissioner Tabb to authorize General Manager Jeffries to revise the Project Profile for the Northern Hardin County Wastewater Project. Motion carried unanimously.

NEW BUSINESS

1. **Warehouse Material Bid Authorization.** Upon recommendation of Scott Clark, motion was made by Commissioner Davis and seconded by Commissioner Effinger to authorize the District Staff to advertise for bids for materials to be used by the District in 2014. Motion carried unanimously.

2. **Cecilia Tank Repair Project.** Upon recommendation by Shaun Youravich, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to engage the services of Wet or Dry Inspection Services to prepare bid specifications for Interior Rehabilitation of the Cecilia Tank. Motion carried unanimously.

3. **WTP Roof Project.** Shaun Youravich reported that the contractor has ordered the materials and plans to start the WTP Roof Replacement and Repair Project in mid-January 2014, barring inclement weather. The Project should take approximately three (3) months, depending upon weather conditions.

4. Property and Casualty Insurance. The Commissioners reviewed the insurance bid tabulations for General Liability, Automobile, Property, Casualty, Directors & Officers Liability, and miscellaneous insurance coverages. Motion was made by Commissioner Davis and seconded by Commissioner Miller to declare the bid submitted by Arch Insurance through the firm of Curneal & Hignite, Inc. in the amount of \$64,352.32 to be the best bid and to accept the bid. Motion carried unanimously. The new policy will become effective on January 1, 2014 and will expire on December 31, 2014.

5. Workers' Comp. Insurance. The Commissioners reviewed the insurance bid tabulations for Workers' Compensation Insurance. Motion was made by Commissioner Davis and seconded by Commissioner Miller to declare the bid submitted by Kentucky Employers Mutual Insurance in the amount of \$19,675.00 to be the best bid and to accept the bid. Motion carried unanimously. The new policy will become effective on January 1, 2014 and will expire on December 31, 2014.

6. City Springs WTP Chloramine Conversion. Motion was made by Commissioner Miller and seconded by Commissioner Davis to accept the proposal of Kenvirons, Inc. dated December 10, 2013 to prepare a Preliminary Engineering Report for converting the City Springs WTP from chlorine to chloramine. Motion carried unanimously.

7. Strand Engineering Fee. Motion was made by Commissioner Miller and seconded by Commissioner Davis to authorize payment of the invoice from Strand Associates, Inc. in the amount of \$39,489.00 for engineering services performed on the Northern Hardin Wastewater Project. Motion carried unanimously.

8. Election of Officers. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to elect, for a term ending on December 31, 2014, the persons shown below to the office shown opposite each person's name:

Chairman	-	Michael L. Bell
Secretary	-	Morris L. Miller
Treasurer	-	Morris L. Miller

Motion carried unanimously.

9. **Executive Session.** Motion was made by Commissioner Davis and seconded by Commissioner Effinger to go into Executive Session to discuss real property acquisition and potential litigation. Motion carried unanimously.

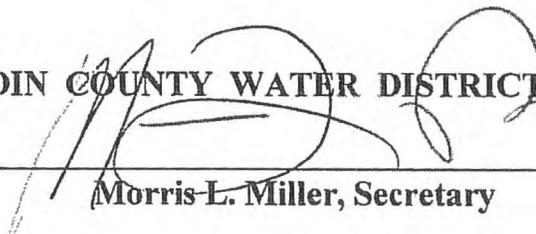
*** * * EXECUTIVE SESSION DISCUSSION * * ***

Motion was made by Commissioner Effinger and seconded by Commissioner Davis to return to open session. Motion carried unanimously. Chairman Bell announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

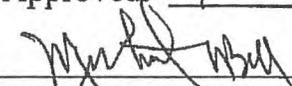
ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

BY: 
Morris L. Miller, Secretary

Date Approved: 1-21-14

BY: 
Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

January 21, 2014

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on January 21, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Alan Bryan and Lindsey Bironas, of GRW Engineers, and Damon Talley. Commissioner Miller, who presided in the absence of Chairman Bell, declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the December 17, 2013 meeting were reviewed. Motion was made by Commissioner Davis and seconded by Commissioner Effinger to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of December was reviewed. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. General Manager Jeffries presented the engineering report for both water and wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** The Commissioners reviewed the list of property owners who have not yet signed an easement for the LWC Connection Project. General Manager Jeffries reported that RD is awaiting receipt of the Environmental Review before taking action on the District's loan request.
- (2) **Colesburg Pump Station.** No report.
- (3) **Springfield Tank.** No report.
- (4) **Case Loop Pump Station.** General Manager Jeffries reported that the Case Loop Pump Station is operational. The contractor is completing the punch list items.
- (5) **Chloramine Conversion.** No report.
- (6) **E-Town System Evaluation.** Alan Bryan of GRW Engineers presented a progress report on the E-Town System Evaluation.

B. Engineering Reports – Wastewater.

- (1) **Northern Hardin County.** No report.
- (2) **Nolin River Watershed.** The Commissioners reviewed the progress of easement acquisitions.

2. Departmental Reports. General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **E-Town Water System.** General Manager Jeffries reported that Attorney Talley and he attended the E-town City Council Work Session on January 13, 2014 concerning the conveyance of the E-Town Water System to the District. Attorney Talley reported that the E-town City Council plans to have a First Reading of the proposed Water Rate Ordinance at its February 4, 2014 City Council Meeting.

2. **WTP Roof Project.** Shaun Youravich reported that the materials for the WTP Roof Replacement and Repair Project are scheduled to be delivered on February 4, 2014, barring inclement weather. The Pre-Construction Meeting took place on January 17, 2014.

3. **Warehouse Material Bid Award.** Motion was made by Commissioner Davis and seconded by Commissioner Effinger to take the following actions:

- a) To declare the best evaluated bid submitted on each bid item to be the lowest and best evaluated bid for that particular item of material;
- b) To award the bid for each particular item to the vendor submitting the lowest and best evaluated bid for that item; and
- c) To authorize General Manager Jeffries or other appropriate personnel to execute the necessary documents with the vendors which submitted the winning bids.

Motion carried unanimously.

NEW BUSINESS

1. **WTP Chemical Bid Authorization.** Motion was made by Commissioner Tabb and seconded by Commissioner Davis to authorize District Staff to advertise for bids for Water Treatment Plant chemicals to be used by the District during 2014. Motion carried unanimously.

2. **Vehicle Purchases.** The Commissioners reviewed the request of District Staff to replace unit number 2 (2005 Ford F-550 Crew Cab with utility bed) and unit number 13 (2006 Dodge Dakota with Extended Cab). Motion was made by Commissioner Tabb and seconded by Commissioner Davis to accept the

recommendation of District Staff and to authorize the purchase of two (2) new vehicles: (a) 2014 Dodge Ram 4500 with Crew Cab by utilizing the State Master Bid Contract (MA-758-1400000589) held by Freedom Dodge at a cost of \$43,803.00; and (b) 2014 Toyota Tacoma by utilizing the State Master Bid Contract (MA-758-1300000604) held by Toyota of Louisville at a cost of \$24,478.00; and to authorize the purchase of a utility bed for the 2014 Dodge Ram 4500 from Owens, Inc. at a cost of \$10,386.00. Motion carried unanimously. Upon delivery of the new vehicles, the Commissioners will take appropriate action to declare units 2 and 13 surplus property and authorize their sale.

3. Pasture Lease. Upon recommendation by Shaun Youravich, motion was made by Commissioner Tabb and seconded by Commissioner Effinger to renew the lease of a portion of the District's property at the Water Treatment Plant to Steve Meredith for the purpose of pasturing livestock for a 5-year term at an annual lease payment of \$650.00. Motion carried unanimously.

4. Uniform Bid Authorization. Motion was made by Commissioner Davis and seconded by Commissioner Effinger to authorize District Staff to prepare the bid specifications and advertise for bids for providing uniforms for District employees. Motion carried unanimously.

5. 2013 Annual Review. General Manager Jeffries presented the 2013 Operations Review. He has been invited to present the 2013 Operations Review at the January 28, 2014 Hardin Fiscal Court meeting.

6. Executive Session. Motion was made by Commissioner Davis and seconded by Commissioner Effinger to go into Executive Session to discuss real property acquisition and potential litigation. Motion carried unanimously.

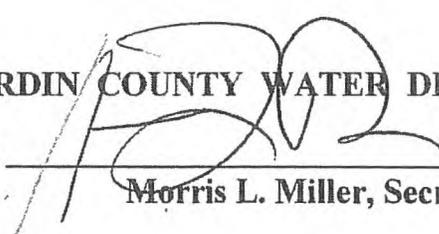
*** * * EXECUTIVE SESSION DISCUSSION * * ***

Motion was made by Commissioner Effinger and seconded by Commissioner Davis to return to open session. Motion carried unanimously. Commissioner Miller announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

ADJOURNMENT

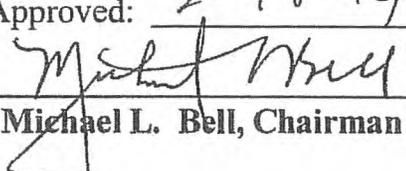
There being no further business to come before the meeting, motion was made by Commissioner Tabb and seconded by Commissioner Davis to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

BY: 

Morris L. Miller, Secretary

Date Approved: 2-18-14

BY: 

Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING
February 18, 2014**

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on February 18, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Carlos Miller, Vaughn Williams, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the January 21, 2014 meeting were reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of January was reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

- 1. Engineering Reports.** Carlos Miller and Vaughn Williams presented the engineering report for water. General Manager Jeffries presented the engineering report for wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** The Commissioners reviewed the list of property owners who have not yet signed an easement for the LWC Connection Project. General Manager Jeffries reported that the District would be conducting a Public Hearing on February 27, 2014 to inform the public about the LWC Connection Project.
- (2) **Springfield Tank.** Carlos Miller reported that the Springfield Tank is complete, but it has a leaking seal. The contractor will correct this issue.
- (3) **Case Loop Pump Station.** Carlos Miller reported that SCADA equipment has been installed and the Case Loop Pump Station is operating on "auto pilot" as designed. The contractor still needs to install the fence and pave the parking area once weather permits.
- (4) **Chloramine Conversion.** Vaughn Williams reported that the White Mills WTP Chloramine Conversion Project would be advertised for bids. The bid opening date is March 14, 2014.
- (5) **E-Town System Evaluation.** The Commissioners reviewed the written progress report prepared by GRW Engineers concerning the E-Town System Evaluation.

B. Engineering Reports – Wastewater.

- (1) **Northern Hardin County.** No report.
- (2) **Nolin River Watershed.** The Commissioners reviewed the progress of easement acquisitions. General Manager Jeffries outlined the proposed realignment of a wastewater line in downtown Glendale.

2. Departmental Reports. General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **E-Town Water System.** General Manager Jeffries reported that the E-town City Council adopted the proposed Water Rate Ordinance at its February 18, 2014 City Council Meeting.

2. **WTP Roof Project.** Shaun Youravich reported that the materials for the WTP Roof Replacement and Repair Project were delivered on February 4, 2014 as scheduled. Workers are on site doing preparatory work.

3. **WTP Chemical Bid Award.** The Commissioners reviewed the Water Treatment Plant (WTP) Chemical Bid Tabulation. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to take the following actions:

- a) To reject the bid of American International for Item #1 (Potassium Permanganate) because it did not meet the bid specifications;
- b) To declare the lowest bid submitted on each bid item to be the lowest and best bid for that particular chemical;
- c) To award the bid for each particular chemical to the vendor submitting the lowest bid for that chemical; and
- d) To authorize General Manager Jeffries or other appropriate personnel to execute the necessary documents with the vendors which submitted the winning bids.

Motion carried unanimously.

4. **Uniform Bid Award.** The Commissioners reviewed the Uniform Services Bid Tabulation. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to declare the bid submitted by E-Town Laundry to be the best evaluated bid and to award the contract for providing uniforms for District employees to E-Town Laundry. The initial contract will have a two-year term. Motion carried unanimously.

NEW BUSINESS

1. **ID Theft Prevention Program Review.** Scott Clark reported that there were no known identity theft incidents or any sensitive data breaches during 2013. District staff has conducted its annual review of the District's Identity Theft Prevention Program and recommends that no changes be made to the Program. District staff also noted that having the Identity Theft Prevention Program in place has assisted the District in collecting debts owed from prior accounts and has deterred the use of falsified lease documents by applicants for service. By consensus, the Commissioners accepted staff's recommendation and the Program will not be revised at this time.

2. **Technology Purchases.** Scott Clark presented District Staff's request for upgrading computer hardware and meter reading equipment. Motion was made by Commissioner Miller and seconded by Commissioner Davis to approve District Staff's request and authorize purchase of the computer hardware and meter reading equipment. Motion carried unanimously.

3. **Quarry Road Line Extension Request.** General Manager Jeffries presented the request by the Hart County Judge/Executive for the District to extend a water line approximately 1.5 miles along Quarry Road just south of Upton in Hart County. By consensus, the Board instructed Chairman Bell and General Manager Jeffries to schedule a meeting with Rural Development, the Hart County Judge/Executive, and District representatives.

4. **Employee Relations Committee.** The Commissioners reviewed the request of the Employee Relations Committee for the District to purchase a treadmill and stationary bicycle for use by employees during lunch. By consensus, the Board instructed District Staff to investigate this matter in the broader context of an Employee Wellness Program.

5. **Langley Family Foundation Scholarship.** Chairman Bell presented a progress report for the Burton and Barbara Langley Family Foundation Scholarship Program. The District plans to award the Scholarships at the Awards Ceremonies held by the local high schools.

6. **Perimeter Plan.** Commissioner Miller provided an update on the proposed Perimeter Plan for providing wastewater service in certain areas outside the current city limits of E-Town. He distributed a copy of the latest draft MOU. No action is necessary at this time.

7. **E-Town Water Staffing Plan.** General Manager Jeffries presented, for discussion only, a preliminary draft plan for staffing the E-Town Water Division once the E-Town Water System Acquisition is complete.

8. **Leak Adjustment Policy.** General Manager Jeffries presented a preliminary summary of the customers who have experienced line breaks or extremely high water usage during the extremely cold weather. He summarized the District's Leak Adjustment Policy contained in the District's Tariff. No action was necessary.

9. **Legal Invoices.** Attorney Talley presented itemized invoices for legal services rendered on behalf of the District for the Rineyville Wastewater Project, the Nolin Wastewater Project, and the LWC Interconnect Project. The Commissioners took this matter under advisement pending review of the invoices.

10. **Executive Session.** Motion was made by Commissioner Tabb and seconded by Commissioner Miller to go into Executive Session to discuss real property acquisition and potential litigation. Motion carried unanimously.

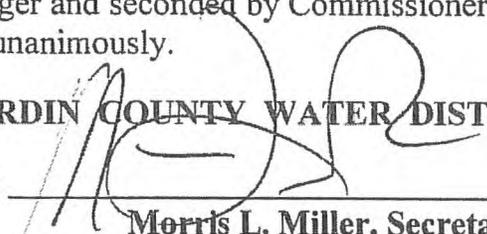
*** * * EXECUTIVE SESSION DISCUSSION * * ***

Motion was made by Commissioner Tabb and seconded by Commissioner Miller to return to open session. Motion carried unanimously. Chairman Bell announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

ADJOURNMENT

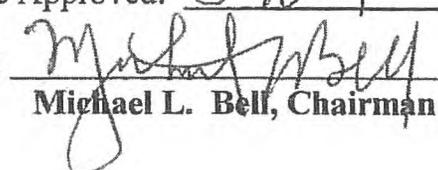
There being no further business to come before the meeting, motion was made by Commissioner Effinger and seconded by Commissioner Miller to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

BY: 

Morris L. Miller, Secretary

Date Approved: 3-18-14

BY: 

Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

March 18, 2014

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on March 18, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, Morris L. Miller, and Cordell Tabb. Commissioner John Effinger was absent because he underwent surgery on March 17, 2014. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Alan Bryan and Jason Hindenach of GRW Engineers, Carlos Miller, Mark Sneve, Vaughn Williams, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

Brian Woosley of Stiles, Carter & Associates, PSC and Kyle Guthrie of HDR Engineering were present.

MINUTES & FINANCIAL REPORT

The Minutes of the February 18, 2014 meeting were reviewed. Motion was made by Commissioner Davis and seconded by Commissioner Miller to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of February was reviewed. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. **Engineering Reports.** Carlos Miller and Vaughn Williams presented the engineering report for water. General Manager Jeffries and Mark Sneve presented the engineering report for wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** General Manager Jeffries reported that the District conducted a Public Hearing on February 27, 2014 concerning the LWC Connection Project. The District has now completed all the RD Checklist requirements prior to receiving a Letter of Conditions from RD.
- (2) **Springfield Tank.** Carlos Miller reported that the leaking seal at the Springfield Tank has been replaced. The contractor plans to present a Final Adjusting Change Order for consideration by the District.
- (3) **Case Loop Pump Station.** Carlos Miller reported that the contractor still needs to install the fence and pave the parking area once weather permits.
- (4) **Chloramine Conversion.** Vaughn Williams reported that the bids for the White Mills WTP Chloramine Conversion Project were opened on March 14, 2014 (**See Old Business Item 1 for Board action**).
- (5) **E-Town System Evaluation.** Alan Bryan presented a progress report on the E-Town System Evaluation.

B. Engineering Reports – Wastewater.

- (1) **Northern Hardin County.** General Manager Jeffries presented a conceptual map of the proposed area that could potentially be served as part of the Northern Hardin County Wastewater Project. Kyle Guthrie of HDR Engineering, who has performed engineering services for District No. 1 (HCWD 1), is familiar with HCWD 1's wastewater infrastructure. He answered questions concerning interfacing this Project with HCWD 1's wastewater system. General Manager Jeffries was instructed to continue discussions with HCWD 1 and to make a recommendation concerning whether this Project should be pursued as a joint project by both Districts.

- (2) **Nolin River Watershed.** Mark Sneve presented a progress report including the proposed realignment of some of the wastewater lines. The Commissioners reviewed the progress of easement acquisitions.

2. **Departmental Reports.** General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **WTP Chloramine Conversion Project.** The Commissioners reviewed the Bid Tabulation and Kenvirons, Inc.'s March 18, 2014 Recommendation of Award letter concerning the WTP Chloramine Conversion Project. The low bid was submitted by Herrick Company, Inc. in the amount of \$1,197,626. The engineer's original estimate was \$749,000. The engineer's estimate increased to \$1,032,000 because of design modifications. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to take the following actions: (a) to declare the bid of by Herrick Company, Inc. in the amount of \$1,197,626 to be the lowest and best bid; (b) to award the contract to Herrick Company, Inc.; (c) to authorize the Chairman to execute the Notice of Award; and (d) to authorize the Chairman to execute all other necessary contract documents to facilitate the construction of this Project. Motion carried unanimously.

The Commissioners expressed concern and alarm about the huge disparity between the engineer's original estimate and the actual bid amount. By consensus, the Commissioners instructed General Manager Jeffries to inform Kenvirons, Inc. that the engineering design fee for this Project will be based upon the RD Fee Schedule for the amount of the original estimate rather than the amount of the low bid.

2. **Cecilia Tank Rehab Project.** The Commissioners reviewed the Bid Tabulation prepared by Jay Hoffman with Wet or Dry Tank Inspection Services. All five (5) bids exceeded the Project Budget. Based upon the recommendation of General Manager Jeffries, motion was made by Commissioner Miller and seconded by Commissioner Tabb to take the following actions: (a) to reject all bids because they exceed the Project Budget; (b) to direct District Staff to reduce the Project scope; (c) to revise the Bid Specifications with input from Attorney Talley; and (d) to authorize District Staff to rebid the Project. Motion carried unanimously.

3. **WTP Roof Project.** Shaun Youravich reported that the contractor has made excellent progress on the WTP Roof Replacement and Repair Project considering the inclement weather.

4. **Legal Invoices.** Motion was made by Commissioner Davis and seconded by Commissioner Miller to authorize payment of the invoices submitted by Attorney Talley for the Rineyville Wastewater Project, the Nolin Wastewater Project, and the LWC Interconnect Project for legal services rendered through December 31, 2013. Motion carried unanimously.

5. **E-Town Water Staffing Plan.** General Manager Jeffries presented a draft plan for staffing the E-Town Water Division once the E-Town Water acquisition is complete. By consensus, the Board authorized General Manager Jeffries to hire four (4) additional employees. The Board will consider authorizing the employment of additional personnel as the acquisition process progresses.

NEW BUSINESS

1. **2013 Audit.** Brian Woosley of Stiles, Carter & Associates, PSC, the accounting firm which prepared the District's Audit, presented the Audit Report for the 2013 calendar year. The Audit Report contains an unmodified ("clean") opinion. Motion was made by Commissioner Miller and seconded by Commissioner Tabb to accept the 2013 Audit Report. Motion carried unanimously.

2. **E-Town Financial Analysis.** Brian Woosley presented a preliminary draft of the E-Town Financial Analysis with forecasted revenues and expenses. He will update and finalize the Financial Analysis once additional information is available.

3. **E-Town Acquisition Equipment Needs.** General Manager Jeffries presented an itemized list of trucks, equipment, computers, workstations, and other equipment that will be needed once the E-Town Water System Acquisition is complete. Because of the long "lead-time" needed for delivery once an order is placed, some of the trucks and equipment should be ordered several months in advance. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to authorize District Staff to advertise for bids for a 2014 International Durastar Dump Truck (4400 Cab Chassis) and an Edinger 10' dump body for the Dump Truck. Motion carried unanimously.



4. **Executive Session.** Motion was made by Commissioner Tabb and seconded by Commissioner Miller to go into Executive Session to discuss real property and easement acquisitions and potential litigation. Motion carried unanimously.

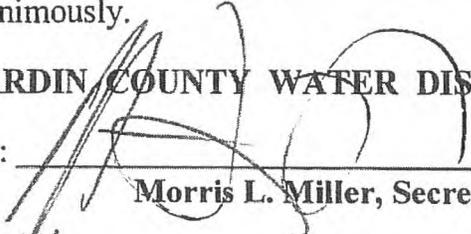
*** * * EXECUTIVE SESSION DISCUSSION * * ***

Motion was made by Commissioner Davis and seconded by Commissioner Miller to return to open session. Motion carried unanimously. Chairman Bell announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

ADJOURNMENT

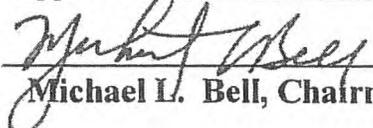
There being no further business to come before the meeting, motion was made by Commissioner Tabb and seconded by Commissioner Miller to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

BY: 

Morris L. Miller, Secretary

Date Approved: 4-15-14

BY: 

Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

April 15, 2014

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on April 15, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Carlos Miller, Vaughn Williams, Alan Bryan and Jason Hindenah. Chairman Bell declared that a quorum was present and called the meeting to order.

Chairman Bell informed the Board that neither Commissioner Effinger nor Damon Talley would be present. Commissioner Effinger was called out of town because of a family matter. Damon Talley is ill. We need to keep them in our thoughts. Chairman Bell noted that Terri Davis is doing better, and we rejoice in her recovery.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the March 18, 2014 meeting were reviewed. Motion was made by Commissioner Davis and seconded by Commissioner Miller to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of March was reviewed. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. **Engineering Reports.** Carlos Miller and Vaughn Williams presented the engineering report for water. General Manager Jeffries presented the engineering report for wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** Carlos Miller reported on the progress of the Project and updated the Board on the funding.
- (2) **Springfield Tank.** Carlos Miller reported that the Springfield Tank is complete, but the contractor still needs to finish some yard restoration.
- (3) **Case Loop Pump Station.** Carlos Miller reported that the Project has been completed.
- (4) **Chloramine Conversion.** Vaughn Williams reported that the Notice to Proceed and the contract documents for the White Mills WTP Chloramine Conversion Project will be executed within the next few days. Vaughn Williams also stated that the report for the City Springs WTP Chloramine Conversion Project will be completed by the next Board Meeting.
- (5) **E-Town System Evaluation.** Alan Bryan from GRW Engineers presented a project progress report. The District should receive the draft final report by May 2, 2014.

B. Engineering Reports – Wastewater.

- (1) **Northern Hardin County.** General Manager Jeffries outlined the proposed amendment to the Brushy Fork Extension Project and presented Joint Resolution No: JI-2014 for Board consideration. (See Old Business, Item 1 for Board action.)
- (2) **Nolin River Watershed.** No report

2. **Departmental Reports.** General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **Brushy Fork Extension Project.** General Manager Jeffries outlined the proposed Brushy Fork Extension Project and presented Joint Resolution No: JI-2014 for Board approval. Hardin County Water District No. 1 (HCWD 1) has already adopted the Joint Resolution. Motion was made by Commissioner Davis and seconded by Commissioner Miller to adopt the Joint Resolution and to authorize Chairman Bell to meet with HCWD 1's Chairman to expedite the Project. Motion carried unanimously.

2. **E-Town Water Staffing Plan.** General Manager Jeffries updated the Board on the staffing plan and recommended authorization for the next hiring phase. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to authorize General Manager Jeffries to hire four (4) additional employees as outlined in the staffing plan. Motion carried unanimously.

3. **WTP Roof Replacement Project.** Shaun Youravich reported that inclement weather has slowed the WTP Roof Replacement and Repair Project. The contractor is expected to add additional crews to complete the Project on-time.

4. **E-town Equipment Acquisition Plan.** The Commissioners reviewed the Equipment Acquisition Plan. Motion was made by Commissioner Miller and seconded by Commissioner Davis to purchase Item #1 (workstations & chairs) and Item #2 (computers) as shown on the Customer Service Department equipment list. Motion carried unanimously.

5. **Cecilia Tank Rehab.** General Manager Jeffries reported on the progress of the Project.

6. **Engineering Fees.** Motion was made by Commissioner Miller and seconded by Commissioner Davis to authorize Chairman Bell to negotiate, within the parameters outlined by the Board, a resolution of the Engineering Design Fee and Inspection Fee issue for the White Mills WTP Chloramine Conversion Project. Motion carried unanimously.

NEW BUSINESS

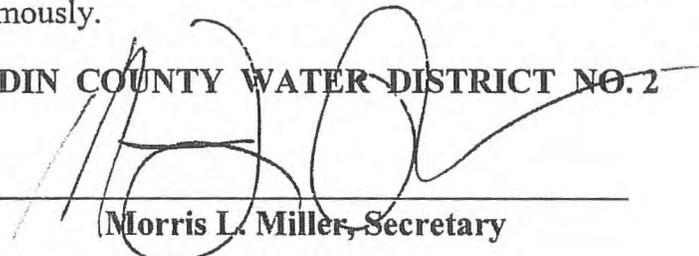
None

ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Miller and seconded by Commissioner Tabb to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

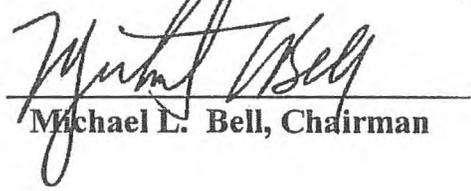
BY: _____


Morris L. Miller, Secretary

Date Approved: _____

5-20-14

BY: _____


Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

May 20, 2014

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on May 20, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Mark Sneve, Carlos Miller, Vaughn Williams, Alan Bryan, Brad Montgomery, Jay Hoffman, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the April 15, 2014 meeting were reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Davis to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of April was reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Tabb to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Carlos Miller and Vaughn Williams presented the engineering report for water. Mark Sneve presented the engineering report for wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** Carlos Miller reported on the progress of the Project. Chairman Bell reported that Rural Development has agreed to provide the funding requested by the District (**See New Business, Item 1 for Board action**).
- (2) **Springfield Tank.** Carlos Miller reported that the Springfield Tank is complete and has been placed into service. The one-year warranty period commenced on May 1, 2014. He presented a proposed Change Order for consideration by the Board (**See Old Business, Item 1 for Board action**).
- (3) **Case Loop Pump Station.** Carlos Miller reported that the Project has been completed. The one-year warranty period commenced on May 1, 2014. He presented a proposed Change Order for consideration by the Board (**See Old Business, Item 2 for Board action**).
- (4) **Chloramine Conversion – White Mills WTP.** Vaughn Williams reported that the contract documents for the White Mills WTP Chloramine Conversion Project will be executed on May 29, 2014 (**See Old Business, Item 3 for Board action**).
- (5) **Chloramine Conversion – City Springs WTP.** Vaughn Williams presented a draft Preliminary Engineering Report for the proposed City Springs WTP Chloramine Conversion Project. The Commissioners will review the draft Report.
- (6) **E-Town System Evaluation.** Alan Bryan from GRW Engineers presented the draft final E-Town Water System Asset Evaluation Report and Hydraulic Modeling Report for review and consideration by the District.

B. Engineering Reports – Wastewater.

- (1) **Brushy Fork Extension Project.** Chairman Bell reported on his recent meeting with District No. 1's Chairman to implement Joint Resolution No: J1-2014 and to expedite the Project. (**See Old Business, Item 4 for Board action.**)

- (2) **Nolin River Watershed.** Mark Sneve presented a progress report on the Nolin River Watershed Project. He discussed the need for the District to engage the services of professionals to perform additional archaeological surveys, biological surveys, and geotechnical explorations in the Project area. (See **Old Business, Item 5 for Board action.**)

2. Departmental Reports. General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. Springfield Tank. The Commissioners reviewed the proposed Change Order No. 2 (Final Adjusting Change Order) which reduces the amount to be paid the contractor by the sum of \$35,078. This deduction reflects the additional engineering and construction inspection expenses incurred by the District as a result of the contractor's delay. Motion was made by Commissioner Davis and seconded by Commissioner Miller to approve the proposed Change Order No. 2 and to authorize the Chairman and the General Manager to execute Change Order No. 2. Motion carried unanimously.

The Commissioners reviewed the Application for Payment No. 16 (Final) submitted by Phoenix Fabricators & Erectors, Inc. in the amount of \$71,326.20 and the Invoice dated May 12, 2014 from Kenvirons, Inc. in the amount of \$42,913.79. Motion was made by Commissioner Davis and seconded by Commissioner Miller to approve and authorize payment of Payment No. 16 to Phoenix and the Kenvirons' Invoice. Motion carried unanimously.

2. Case Loop Pump Station. The Commissioners reviewed the proposed Change Order No. 2 (Final Adjusting Change Order) which increases the contract price because of additional work performed by the contractor and then reduces the contract amount because of the contractor's delay. The net result is a deduction of \$2,472.39 in the contract price. Motion was made by Commissioner Miller and seconded by Commissioner Davis to approve the proposed Change Order No. 2 and to authorize the Chairman and the General Manager to execute Change Order No. 2. Motion carried unanimously.

3. **Chloramine Conversion – White Mills WTP.** To facilitate the White Mills WTP Chloramine Conversion Project, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to authorize the Chairman and, in the Chairman's absence, General Manager Jeffries to execute the Notice to Proceed, Agreement, Pay Requests, and other contract documents concerning the Project (only one signature required). Motion carried unanimously.

4. **Brushy Fork Extension Project.** Chairman Bell and General Manager Jeffries emphasized the need to expedite the proposed Brushy Fork Extension Project. Consistent with Joint Resolution No: J1-2014, motion was made by Commissioner Davis and seconded by Commissioner Effinger to authorize General Manager Jeffries to negotiate an Engineering Services Agreement and Scope of Work with HDR Engineering, Inc. for the Brushy Fork Extension Project, subject to final review and approval by the Board. Motion carried unanimously.

5. **Nolin River Watershed.** Upon recommendation by Strand Associates, motion was made by Commissioner Miller and seconded by Commissioner Effinger to take the following actions: (a) to accept the proposal of Great Rivers Archaeological Services to perform additional Phase I Archaeological surveys for the sum of \$9,989.00; (b) to accept the proposal from Third Rock Consultants to perform additional Biological surveys for the sum of \$6,250.00; (c) to accept the proposal from American Engineers, Inc. to perform additional Geotechnical services for the sum of \$9,910.00; and (d) to authorize District Staff to execute the necessary documents with each firm to facilitate the performance of the proposed services. Motion carried unanimously.

6. **E-Town Water Staffing Plan.** General Manager Jeffries updated the Board on the staffing plan and recommended authorization for the next hiring phase, including posting the positions internally. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to authorize General Manager Jeffries to proceed with the next hiring phase. Motion carried by a vote of 3 to 1 (Commissioner Effinger voting no).

7. **E-town Equipment Acquisition Plan.** The Commissioners reviewed the updated Equipment Acquisition Plan. Motion was made by Commissioner Miller and seconded by Commissioner Tabb to authorize the purchase of the trucks, construction equipment, office equipment, and computer hardware as outlined in the E-Town Equipment Acquisition Plan. Motion carried by a vote of 3 to 1 (Commissioner Effinger voting no).

8. WTP Roof Replacement Project. Shaun Youravich reported that the contractor has brought in a second crew to expedite the completion of the WTP Roof Replacement and Repair Project. The Commissioners reviewed the proposed Change Order No. 1 to increase the contract price because of additional work to be performed by the contractor (removal, disposal, and replacement of existing insulation) by \$1.38 per square foot (estimated square footage of 5,300). Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to approve the proposed Change Order No. 1 and to authorize District Staff to execute Change Order No. 1. Motion carried unanimously.

9. Cecilia Tank Rehab. The Commissioners reviewed the Bid Tabulations for the Cecilia Tank Rehab Project. Upon recommendation by Jay Hoffman and District Staff, motion was made by Commissioner Tabb and seconded by Commissioner Effinger to take the following actions: (a) to declare the bid submitted by Horizon Brothers in the amount of \$249,800.00 to be the lowest and best bid; (b) to award the contract to Horizon Brothers; and (c) to authorize the Chairman and, in the Chairman's absence, General Manager Jeffries to execute the Notice to Proceed, Agreement, Pay Requests, and other contract documents concerning the Project (only one signature required). Motion carried unanimously.

NEW BUSINESS

1. RD Loan. Chairman Bell announced that Rural Development (RD) recently delivered a Letter of Conditions dated May 5, 2014 which sets forth the terms and conditions whereby RD will loan the District \$5,000,000 to pay a portion of the costs for the LWC Connection Project. The interest rate will not exceed 4.125%. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to approve the standard RD Loan Forms, Resolutions, Agreements, and documents (RD Loan Documents) set forth below and to authorize the Chairman to execute the RD Loan Documents:

- A. RD 1942-46 Letter of Intent to meet Conditions
- B. RD 1940-1 Request for Obligation of Funds
- C. 442-7 Operating Budget
- D. 1480-27 Loan Resolution
- E. RD-400-4 Assurance Agreement
- F. RD-400-1 Equal Opportunity Agreement

- G. RD-1910-11 Applicant Certification Federal Collection Policies
- H. RD Instruction 1040-Q Exhibit A-1
- I. AD-1047 Certification Regarding Debarment
- J. AD-1049 Drug Free Workplace
- K. 1780-22 Certification for Commercial Credit (Water/Waste Eligibility Certificate)
- L. RD KY 1780-11A Legal Service Agreement – Local Counsel & Attachment with Damon R. Talley, PSC
- M. RD KY 1780-11B Legal Service Agreement – Bond Counsel & Attachment with Stoll Keenon Ogden, PLLC

Motion carried unanimously.

2. SCADA Upgrade. Upon recommendation of District Staff, motion was made by Commissioner Davis and seconded by Commissioner Miller to declare the bid proposal submitted by Microcomm for providing the SCADA upgrades to be the lowest and best bid and to award the SCADA contract to Microcomm in an amount not to exceed \$116,474. Motion carried unanimously.

3. Shepherdsville Road Extension Project. General Manager Jeffries explained the need to proceed with the Shepherdsville Road Waterline Extension Project. Motion was made by Commissioner Davis and seconded by Commissioner Miller to authorize Kenvirons, Inc. to submit the Plans and Specifications to DOW. Motion carried unanimously.

Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to authorize District Staff to advertise for the materials necessary to construct the Shepherdsville Road Waterline Extension Project (approximately 4,000 feet of 24-inch diameter ductile iron Class 350 pipe and fittings). Motion carried unanimously.

4. Valley Creek Water Tank. Motion was made by Commissioner Miller and seconded by Commissioner Davis to declare the 300,000 gallon Valley Creek Water Tank (standpipe) as obsolete and surplus and to accept the proposal from Iseler Demolition, Inc. to dismantle and dispose of the Valley Creek Water Tank for a sum not to exceed \$4,700.00. Motion carried unanimously.

5. **Accounting Department Computer.** Motion was made by Commissioner Miller and seconded by Commissioner Davis to authorize the purchase of an additional computer and user license for the Accounting Department as requested in Scott Clark's May 13, 2014 Memo. Motion carried unanimously.

6. **Bulldozer.** Upon recommendation of District Staff, motion was made by Commissioner Davis and seconded by Commissioner Miller to declare the bid proposal submitted by Wayne Supply for providing a used, 2011 Caterpillar Model D5K Track Bulldozer to be the lowest and best bid and to authorize the purchase of the Bulldozer for the sum of \$93,580. Motion carried unanimously.

7. **Executive Session.** Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to go into Executive Session to discuss real property and easement acquisitions and potential litigation. Motion carried unanimously.

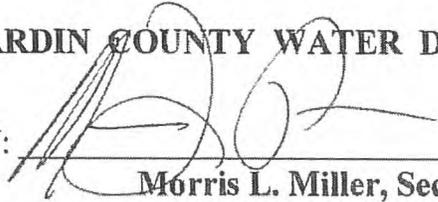
*** * * EXECUTIVE SESSION DISCUSSION * * ***

Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to return to open session. Motion carried unanimously. Chairman Bell announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

ADJOURNMENT

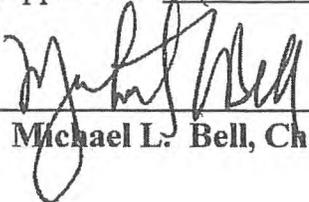
There being no further business to come before the meeting, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

BY: 

Morris L. Miller, Secretary

Date Approved: 6-17-14

BY: 

Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

June 17, 2014

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on June 17, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Mark Sneve, Brent Tippey, Vaughn Williams, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the May 20, 2014 meeting were reviewed. Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of May was reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Davis to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Vaughn Williams presented the engineering report for water. Mark Sneve presented the engineering report for wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** Vaughn Williams reported on the progress of the Project.
- (2) **Case Loop Pump Station.** Vaughn Williams reported that the contractor would probably accept the proposed Change Order that was approved by the Board at its May 20, 2014 meeting.
- (3) **Chloramine Conversion – White Mills WTP.** Vaughn Williams reported that the contractor has commenced work on the White Mills WTP Chloramine Conversion Project.
- (4) **Chloramine Conversion – City Springs WTP.** Vaughn Williams answered questions concerning the draft Preliminary Engineering Report he presented at the May Board meeting. **(See Old Business, Item 1 for Board action).**

B. Engineering Reports – Wastewater.

- (1) **Brushy Fork Extension Project.** General Manager Jeffries reported that he has successfully negotiated an Engineering Services Agreement and a Scope of Work with HDR Engineering, Inc., subject to Board approval, pursuant to the action taken by the Board at its May 20, 2014 meeting. **(See Old Business, Item 2 for Board action.)**
- (2) **Nolin River Watershed.** Mark Sneve presented a progress report on the Nolin River Watershed Project. He summarized the activities of the firms which are conducting the additional archaeological surveys, biological surveys, and geotechnical explorations in the Project area. The CSX Railroad has acknowledged receipt of the District's Application for permission to bore under the CSX Railroad tracks as required for the Project.

2. Departmental Reports. General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. Chloramine Conversion – City Springs WTP. The Commissioners discussed various scenarios, including some of the work being performed by District personnel, for installing the recommended Chloramination Facilities at the City Springs WTP. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to take the following actions: (a) to authorize Kenvirons, Inc. to submit the Preliminary Engineering Report to DOW; (b) to authorize Kenvirons, Inc. to complete the engineering design work and prepare the plans and specifications for submittal to DOW; and (c) to accept Kenvirons, Inc.'s fee proposal of \$31,990.00 (\$45,700. x 70%) for performing these services. Motion carried unanimously.

2. Brushy Fork Extension Project. General Manager Jeffries presented the proposed Master Services Agreement (Agreement) and the specific Work Order Agreement (Task Order No. 2014-01) with HDR Engineering, Inc. for professional services for the Brushy Fork Extension Project. Motion was made by Commissioner Davis and seconded by Commissioner Effinger to take the following actions: (a) to approve the Agreement and Task Order No. 2014-01 with HDR Engineering, Inc. for the Brushy Fork Extension Project; (b) to authorize Chairman Bell to execute the Agreement; and (c) to authorize General Manager Jeffries to execute Task Order No. 2014-01. Motion carried unanimously.

3. Shepherdsville Road Extension Project. The Commissioners reviewed the Bid Tabulations for the materials for the Shepherdsville Road Waterline Extension Project. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to take the following actions: (a) to declare the bid submitted by Consolidated Pipe & Supply, Inc. in the amount of \$266,221.00 to be the lowest and best bid; (b) to award the materials contract to Consolidated Pipe & Supply, Inc.; and (c) to authorize District Staff to execute the necessary Purchase Order and other documents concerning the purchase of the materials. Motion carried unanimously.

4. E-Town Water Staffing Plan. General Manager Jeffries updated the Board on the E-Town Water Staffing Plan.

5. E-town Capital Projects. General Manager Jeffries presented, for informational purposes only, a summary of the Capital Projects recommended by GRW Engineers after acquisition of the E-Town Water System. Some of the Capital Projects can be performed by District Staff. No action was taken.

6. **WTP Roof Replacement Project.** Shaun Youravich reported that the contractor has completed the WTP Roof Replacement and Repair Project, except for punch list items. The contractor plans to return on June 23, 2014 to complete the punch list items.

7. **iCIS License Upgrade.** Upon recommendation of Scott Clark, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to accept the bid proposal submitted by Harris Computer Systems to upgrade the District's iCIS End User License as specified in the June 16, 2014 bid for the sum of \$11,800.00. Motion carried unanimously.

8. **Harris Data Conversion.** Upon recommendation of Scott Clark, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to accept the bid proposal submitted by Harris Computer Systems for conversion of customer data for approximately 10,000 E-Town customers and the performance of other services as specified in the June 16, 2014 bid for the sum of \$9,600.00. Motion carried unanimously.

NEW BUSINESS

1. **Contract Meter Reading Services RFP.** Motion was made by Commissioner Miller and seconded by Commissioner Effinger to authorize District Staff to solicit proposals for Contract Meter Reading Services (RFP) for approximately 10,000 customers currently served by E-Town. Motion carried unanimously.

2. **Executive Session.** Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to go into Executive Session to discuss real property and easement acquisitions, potential litigation, and personnel matters involving one or more specific employees. Motion carried unanimously.

*** * * EXECUTIVE SESSION DISCUSSION * * ***

Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to return to open session. Motion carried unanimously. Chairman Bell announced that it would be necessary to take action at this time concerning some of the matters discussed during the Executive Session.

3. **Wage Adjustments.** Upon joint motion duly made, seconded and unanimously adopted, the Commissioners decided to take the following actions: (1) to make a COLA adjustment of \$0.37 per hour for all hourly employees; (2) to make a 3% merit matrix adjustment for hourly employees; (3) to increase the salaries of the two (2) departmental managers as recommended by General Manager Jeffries; (4) to increase the salary of General Manager Jeffries as noted in his personnel file; and (5) to make all adjustments effective with the first pay period in July. Motion carried unanimously.

4. **Board Policy – Managerial & Other Positions.** Motion was made by Commissioner Davis and seconded by Commissioner Tabb to ratify and reconfirm the District’s long standing Board policy concerning the following:

- A. That sole authority for creating new positions and setting the salary range for that position is vested in the Board; and
- B. That sole authority for filling managerial (salaried) positions and setting the salary for that person is vested in the Board.

Motion carried unanimously.

5. **WTP Manager.** Motion was made by Commissioner Miller and seconded by Commissioner Effinger to take the following actions: (a) to re-establish the position of Water Treatment Plant (WTP) Manager which has remained vacant since Shaun Youravich was promoted to Operations Manager several years ago; (b) to expand the job duties of WTP Manager to include all WTPs operated by the District; (c) to fill the WTP Manager position; and (d) to promote, upon the recommendation of General Manager Jeffries, Stuart Erhardt to the position of WTP Manager at the salary recommended by General Manager Jeffries. Motion carried unanimously.

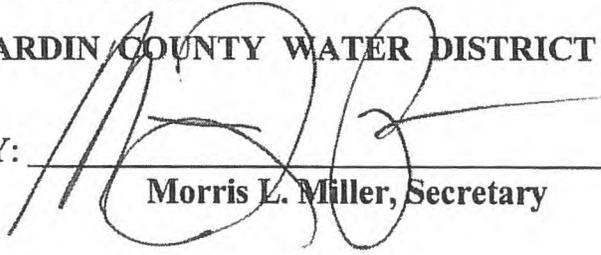
6. **Crain Easement.** The Commissioners reviewed the June 15, 2014 letter from Norman Crain to Damon Talley concerning the easement rights being sought from Mr. Crain by the District for construction of wastewater lines for the Nolin River Watershed Project. Motion was made by Commissioner Effinger and seconded by Commissioner Davis to take the following actions: (a) to address the concerns expressed by Mr. Crain; (b) to authorize attorney Talley to make another offer to Mr. Crain, subject to the parameters set by the Board; and (c) to give Mr. Crain a deadline of July 1, 2014 for responding to the District’s offer. Motion carried unanimously.

ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

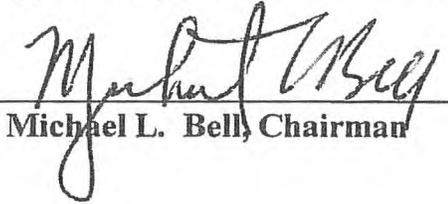
BY: _____



Morris L. Miller, Secretary

Date Approved: _____

BY: _____



Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

July 15, 2014

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on July 15, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Kyle Guthrie, Carlos Miller, Damon Talley, and Brian Woosley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

ACKNOWLEDGEMENT OF THANKS

Chairman Bell read a card from the District's Front Office Team expressing their thanks and gratitude for the wage adjustments made by the Commissioners at the June 17, 2014 Board Meeting.

MINUTES & FINANCIAL REPORT

The Minutes of the June 17, 2014 meeting were reviewed. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of June was reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Davis to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. **Engineering Reports.** Carlos Miller presented the engineering report for water. General Manager Jeffries and Kyle Guthrie presented the engineering report for wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** Carlos Miller announced that the District has received approval from DOW for the Project (both the water line installation and the pump station). Representatives of LWC plan to meet with representatives of the District in late August to discuss the Project.
- (2) **Case Loop Pump Station.** Carlos Miller reported that the contractor accepted the proposed Change Order that was approved by the Board at its May 20, 2014 meeting.
- (3) **Chloramine Conversion – White Mills WTP.** Carlos Miller reported that the contractor has commenced work on the White Mills WTP Chloramine Conversion Project.
- (4) **Chloramine Conversion – City Springs WTP.** Carlos Miller reported that the engineering design work and the plans and specifications for the City Springs WTP Chloramine Conversion Project have been completed. The documents are ready to submit to the DOW, subject to review by Elizabethtown officials. The DOW is probably going to require the District and Elizabethtown to submit a joint Application for approval of the Project.
- (5) **Shepherdsville Road Extension Project.** Shaun Youravich presented a Project progress report.

B. Engineering Reports – Wastewater.

- (1) **Brushy Fork Extension Project.** Kyle Guthrie reported that he conducted a joint meeting with representatives of both Districts No.1 & 2 to discuss the Project. His firm has prepared a preliminary lay-out of the First Phase of the Project.

(2) **Nolin River Watershed.** General Manager Jeffries presented a progress report on the Nolin River Watershed Project. The Commissioners reviewed the July 10, 2014 letter from Strand Associates, Inc. concerning additional engineering fees for realignment of the pipeline route, deletion of certain portions of the wastewater collection lines that were already designed, etc. By consensus, the Commissioners instructed General Manager Jeffries to discuss the possibility of a “flat fee” with Strand and to make a recommendation at the August Board Meeting.

2. **Departmental Reports.** General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **E-Town Water Staffing Plan.** General Manager Jeffries updated the Board on the E-Town Water Staffing Plan.

2. **Temporary Saturday Hours.** General Manager Jeffries requested permission to staff the District’s Drive-up Window and to have a T & D crew on duty for approximately one-half (1/2) day on Saturdays for the months of October, November, and December 2014, except for Thanksgiving and Christmas weekends. The extended schedule will be temporary to facilitate a smooth transition for the Elizabethtown customers. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to accept the recommendation of General Manager Jeffries and approve the extended schedule on a temporary basis. Motion carried unanimously.

3. **WTP Roof Replacement Project.** The Commissioners reviewed the July 10, 2014 letter from Abel Construction Company, Inc. requesting additional compensation for the WTP Roof Replacement Project. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to increase the contract amount by \$9,060.87, but to reject the other amounts requested by Abel. Motion carried by a vote of 3 to 1 (Commissioner Davis voting No).

4. **E-Town Financial Analysis.** Brian Woosley presented a draft Forecasted Statements of Revenues and Expenses for the Elizabethtown Division (Financial Analysis) for review by the Commissioners. No action was taken.

5. E-Town Water Acquisition. Attorney Talley reviewed the provisions of proposed Resolution 2014-07-01, which authorizes the acquisition of the Elizabethtown Water System, approves the Asset Purchase Agreement between Elizabethtown and the District, and authorizes the District Chairman to take certain actions to implement the proposed acquisition. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to adopt Resolution 2014-07-01. A copy of the Resolution is attached hereto and incorporated herein by reference. Motion carried unanimously.

6. Contract Meter Reading Services. The Commissioners reviewed the proposals submitted by the various firms for performing Contract Meter Reading Services for the approximately 10,000 customers currently being served by Elizabethtown. Motion was made by Commissioner Tabb and seconded by Commissioner Miller to take the following actions: (1) to declare the Contract Meter Reading Services proposal submitted by Tru-Check, Inc. to be the lowest and best proposal; (2) to accept Tru-Check, Inc.'s Option C, contingent upon approval of the Agreement by Elizabethtown; and (3) to authorize District Staff to execute the necessary contract with Tru-Check, Inc. Motion carried unanimously.

NEW BUSINESS

1. Authorization to Bid Valve Insertion Equipment. Upon recommendation by Shaun Youravich, motion was made by Commissioner Davis and seconded by Commissioner Effinger to authorize District Staff to advertise for bids for valve insertion equipment. Motion carried unanimously.

2. KRWA Voting Delegate. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to designate Commissioner Bell as the District's voting delegate and Commissioner Miller as the alternate voting delegate to the KRWA Annual Business Meeting to be held in Louisville on August 19, 2014. Motion carried unanimously.

3. Hydrant Meter Policy. Upon recommendation of District Staff, motion was made by Commissioner Davis and seconded by Commissioner Tabb to adopt the proposed Hydrant Meter Policy and approve the proposed Fire Hydrant Meter User Agreement. Motion carried unanimously.

4. **Kentucky High School Basketball Hall of Fame.** General Manager Jeffries presented a request from the Kentucky High School Basketball Hall of Fame for a donation. Attorney Talley explained the legal reasons why the PSC and the Attorney General's office prohibit such donations. Upon advice of counsel, the Commissioners declined to make a donation.

5. **Langley Family Foundation Scholarship.** Chairman Bell discussed the proposed donation from the Burton and Barbara Langley Family Foundation (Langley Foundation) to the District for awarding scholarships. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to take the following actions: (1) to accept the donation subject to the conditions previously agreed upon; (2) to designate the Cecilia Bank as the official depository for the Langley Foundation Scholarship funds; (3) to authorize Commissioners Bell and Miller to withdraw funds from the account; and (4) to require only one (1) signature on a check. Motion carried unanimously.

Chairman Bell reiterated that the Langley Foundation Scholarship funds will **not** be co-mingled with District funds. Also, all expenses associated with administering and awarding the Langley Foundation Scholarships will be paid from this special account funded by donations from the Langley Foundation.

6. **Executive Session.** Motion was made by Commissioner Miller and seconded by Commissioner Effinger to go into Executive Session to discuss real property and easement acquisitions and potential litigation. Motion carried unanimously.

*** * * EXECUTIVE SESSION DISCUSSION * * ***

Motion was made by Commissioner Miller and seconded by Commissioner Effinger to return to open session. Motion carried unanimously. Chairman Bell announced that it would be necessary to take action at this time concerning some of the matters discussed during the Executive Session.

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

August 19, 2014

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on August 19, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Shaun Youravich, Carlos Miller, Mark Sneve, Vaughn Williams and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the July 15, 2014 meeting were reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Davis to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of July was reviewed. Motion was made by Commissioner Effinger and seconded by Commissioner Miller to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. **Engineering Reports.** Carlos Miller and Vaughn Williams presented the engineering report for water. Mark Sneve presented the engineering report for wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** Carlos Miller presented a status report concerning LWC's timetable for constructing the infrastructure necessary to supply water to the District. Representatives of LWC plan to meet with representatives of the District on August 21, 2014 to discuss the Project.
- (2) **Chloramine Conversion – White Mills WTP.** Vaughn Williams presented a status report on the construction and installation of the White Mills WTP Chloramine Conversion Project.
- (3) **Chloramine Conversion – City Springs WTP.** Vaughn Williams reported that the Preliminary Engineering Report and other necessary documents for the City Springs WTP Chloramine Conversion Project have been submitted to the DOW. Elizabethtown and the District submitted a joint Application for approval of the Project as required by DOW.

B. Engineering Reports – Wastewater.

- (1) **Brushy Fork Extension Project.** No report.
- (2) **Nolin River Watershed.** Mark Sneve presented a progress report on the Nolin River Watershed Project. The Kentucky Heritage Council (KHC) is still reviewing the Phase I Archaeological Survey Report. It may be necessary to have a face-to-face meeting with KHC Staff to expedite the approval process.

2. **Departmental Reports.** General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. Engineering Fees. The Commissioners reviewed the July 10, 2014 letter from Strand Associates, Inc. and the additional documentation provided by Strand concerning its request for additional engineering fees caused by the realignment of the pipeline route, deletion of certain portions of the wastewater collection lines that were already designed, etc. Motion was made by Commissioner Miller and seconded by Commissioner Tabb to compensate Strand an additional sum of \$268,691, as itemized and documented by Strand, contingent upon attorney Talley's legal review of the Engineering Agreement with Strand. Motion carried by a vote of 3 – 0 with Commissioner Davis abstaining.

By consensus, the Board instructed Mark Sneve to determine whether Strand is interested in converting its fee schedule from a "Cost of Construction" to a "Fixed Fee" for the Nolin Wastewater Project. If so, Strand should present a proposal to the Board at the September meeting.

2. E-Town Water Acquisition. General Manager Jeffries and attorney Talley reported on the status of the Elizabethtown Water System Acquisition. On July 28, 2014, the Elizabethtown City Council enacted an Ordinance authorizing the sale of its Water System Assets to the District and approving the Asset Purchase Agreement. Attorney Talley stated that the PSC Application seeking authorization for the District to execute the \$8,000,000. Promissory Note in favor of Elizabethtown for the purpose of acquiring Elizabethtown's Water System Assets and approving the proposed Elizabethtown Rate Transition Plan set forth in the Agreement was filed with the PSC on August 15, 2014. He anticipates PSC Approval by mid-October, 2014.

3. E-Town Water Staffing Plan. General Manager Jeffries updated the Board on the E-Town Water Staffing Plan. By consensus, the Board authorized the General Manager to proceed with implementing the proposed E-Town Staffing Plan.

2. Valve Insertion Equipment. The Commissioners reviewed the Bid Tabulation for the Valve Insertion Equipment. Motion was made by Commissioner Tabb and seconded by Commissioner Miller to take the following actions:

- a) To reject the bid of Hydra Stop because it did not meet the bid specifications;
- b) To declare the bid submitted by AVT in the amount of \$111,453.33 to be the lowest and best bid;
- c) To award the contract to AVT; and
- d) To authorize General Manager Jeffries to execute the necessary documents with AVT.

Motion carried unanimously.

4. Langley Family Foundation Scholarship. Chairman Bell announced that the District has awarded 21 scholarships for \$1,000 each with funds made available by the generous donation from the Burton and Barbara Langley Family Foundation to the District. To comply with IRS regulations, the checks for the scholarships were mailed directly to the institutions of higher learning where the scholarship recipients are enrolled. Chairman Bell ordered that a list of the Langley Scholarship Recipients be attached to and made a part of the Minutes.

NEW BUSINESS

1. Sprint Cell Lease. General Manager Jeffries reviewed the request submitted by the engineering firm for Sprint to install additional cellular antennas on the Cecilia Water Tank. By consensus, the Board authorized General Manager Jeffries to seek additional compensation from Sprint and if possible, to reach a tentative agreement with Sprint, subject to final approval by the Board.

2. Employee Benefits Policy Review. Motion was made by Commissioner Tabb and seconded by Commissioner Miller to approve the proposed changes to Policy 003 Employee Benefits. Motion carried unanimously. A copy of the revised Policy 003 is attached hereto and incorporated herein by reference.

3. **Annexation of E-Town Water Service Area.** Attorney Talley reminded the Commissioners that it will be necessary for the District to file a Petition with the Hardin County Judge/Executive seeking an Order annexing the Elizabethtown Water Service Area to the District's Territorial Boundaries. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to authorize Chairman Bell to file the necessary Petition. Motion carried unanimously.

4. **Executive Session.** Motion was made by Commissioner Effinger and seconded by Commissioner Miller to go into Executive Session to discuss real property and easement acquisitions, pending litigation, and potential litigation. Motion carried unanimously.

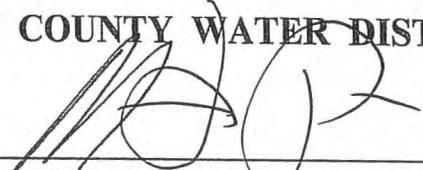
*** * * EXECUTIVE SESSION DISCUSSION * * ***

Motion was made by Commissioner Miller and seconded by Commissioner Effinger to return to open session. Motion carried unanimously. Chairman Bell announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

ADJOURNMENT

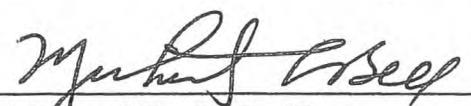
There being no further business to come before the meeting, motion was made by Commissioner Davis and seconded by Commissioner Effinger to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

BY: 

Morris L. Miller, Secretary

Date Approved: 9-16-14

BY: 

Michael L. Bell, Chairman

15. Provide copies all correspondence, memoranda, electronic mail messages, and any other documents in which Hardin County No. 2 or its agents discuss the purchase of Elizabethtown WS assets.

RESPONSE: Copies of all relevant correspondence, memoranda, emails, and other documents of Hardin County No. 2 are attached. Hardin County No. 2 officials will continue to diligently search its business records for other relevant documents. If any additional documents are discovered, they will be provided to the Commission.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

COUNCIL
WILLIAM R. BENNETT
EDNA B. BERGER
TONY BISHOP
MARTY E. FULKERSON
KENNY LEWIS
RONALD B. THOMAS



200 West Dixie Avenue
P. O. Box 550
Elizabethtown, KY 42702
(270) 765-6121
Fax: (270) 737-5362
Web Site: www.etownky.org

CITY OF ELIZABETHTOWN

TIM C. WALKER, MAYOR

ELIZABETHTOWN CITY COUNCIL WORK SESSION AGENDA MARCH 25, 2013

- I. Invocation - Council Member Marty Fulkerson
- II. Pledge to the Flag
- III. Water System Operation - Chloramines - Scott Fiepke, Brent Tippey, HDR
- IV. Waiver Construction Fees - Clarity Solutions for Women
- V. City Council Meeting - April 1st - Cancelled

Please turn off all cell phones.



**ELIZABETHTOWN CITY COUNCIL
WORK SESSION MINUTES
MARCH 25, 2013**

PRESENT: Mayor Tim Walker, Bill Bennett, Edna Berger, Tony Bishop, Marty Fulkerson, Kenny Lewis and Ron Thomas

- I. **INVOCATION:** Invocation was given by Council Member Marty Fulkerson.
- II. **PLEDGE TO THE FLAG:** Mayor Walker led in the pledge to the flag.
- III. **WATER SYSTEM OPERATION - CHLORAMINES:** Scott Fiepke, Water/Wastewater Engineer; Brent Tippey, HDR; Matt Kusnir, HDR; James Jeffries, Water District #2 discussed possible water system operational changes. Hardin County Water District #2 is in the process of changing to chloramine. They discussed the advantages, disadvantages, and alternatives.
- IV. **WAIVE CONSTRUCTION FEES:** Mayor Walker stated that the City received a letter from Clarity Solutions for Women requested that the construction fees for the remodel of 105 E. Memorial Drive. The Council indicated to waive the fees. This item will be considered at the next regular meeting.
- V. **CITY COUNCIL MEETING:** Mayor Walker announced that the City Council Meeting scheduled for April 1st is cancelled.

Meeting adjourned at 5:15 p.m.

Water System Operational Changes
Discussion

Introductions (Scott Fiepke)

- HDR
- Water District 2

Chloramine Chemistry

- HDR Technical Memorandum

Chloramine Disinfection

Advantages

- Reduced chlorinated disinfection by-products (DBPs)
- Stable disinfectant residual
- Improved taste and odor
- Available source of treated water – Hardin County Water District #2

Disadvantages

- Weak disinfectant
- Nitrification
- Difficult to remove from water
- Complex blending
- Increased disinfection complexity
- Lack of staff experience

Water Treatment Plant Capacity And Customer Water Use

- City Plants have a combined rated capacity of 6.0 MGD
- Daily average water purchased from District #2 is 1.1 MG. (Maximum was 1.9 MG)
- Average water demand in 2012 was 4.6 MGD
- Maximum daily demand was 5.9 MG

District 2 Information

Decision Process

- Supply studies
- Chloramine studies
- Louisville Water Contract
- Elizabethtown Contract

Proposed Schedule

- Spring 2015, complete WTP chloramine conversion
- Summer 2015, begin chloramine treated water production
- January 1, 2016, date certain beginning of LWC Contract
- Summer 2016, LWC flows to meet peak demands
- City decision needed by July 2013

City Water Rates

- Recent increases
- Capital improvements needed depends upon alternative chosen for operation
- Automated meter reading

Alternatives

1. Convert the City Plants to chloramines
 - Capital Cost (est. \$506,000)
 - Increased disinfection O&M costs
 - Operational complexity
 - Staff has no operational experience
 - Increased distribution system O & M costs
 - Health effects of Chloramine DBPs unknown
2. Convert purchased water from chloramines to free chlorine
 - DBPs (disinfection by-products)
 - Safety (of interconnect sites)
 - Capital Cost (\$125,000 per interconnect site)
 - Increased disinfection O&M costs
3. Discontinue water purchases from District #2
 - Develop additional raw water source(s)
 - Add additional treatment capacity
 - Add elevated water storage
 - Address certified operator situation
4. Certain sections of the system could be isolated to be supplied by District #2 but operated by the City
 - Contract cost for water unknown from District #2 for that quantity
 - Contract guarantee for District #2 to supply water in those areas needed
 - Blending of water containing different disinfectants may cause water quality issues
 - Will require work on system (lines, valves, possibly water tanks)
 - Reduced Operational Flexibilities
5. Get out of the water business
 - Sale, lease, contract for operation

March 25, 2013 Elizabethtown City Council Working Session

Hardin County Water District No. 2 Supplemental Water Supply Timeline

July 2001 – Quest Engineers Completes Regional Water Feasibility Study

- Expansion of existing WTP's
- Acquisition of Ft. Knox water treatment assets
- Connection to Louisville Water Company

September 10, 2007 – Ft. Knox Report to Lincoln Trail Regional Water Commission Meeting

- Ft. Knox assets would not be transferred to the Commission; Privatization was preferred
- Ft. Knox assets had a reliable capacity that was much lower than the design capacity
- Ft. Knox preferred not to invest in the existing assets to correct reliability issues
- Preliminary conversations were being held with Louisville Water Company for supplemental water demands

April 3, 2008 – Hardin County Water District No. 2 signs Letter of Intent with Louisville Water Company

- LWC agrees to continue infrastructure improvements that will complement their ability to serve Hardin County at Lebanon Junction
- District No. 2 will procure a project to construct a 24" transmission main to the county line to meet LWC
- District No. 2 and LWC will negotiate in good faith toward a Wholesale Water Purchase Agreement

March 30, 2009 – Kenvirons Delivers Preliminary Engineering Report for Supplemental Water Supply

- The Division of Water would not allow additional significant withdrawal from the Nolin River
- A Louisville Water Connection is the best option for meeting future demand
- Hardin County Water District No. 2 should convert to a chloramine system
- The probable cost of the project was \$10.5M.

December 6, 2011 – HDR Engineering Delivers Final Report on Disinfectant Conversion Study

- The joint efforts of LWC, District No. 1, and District No. 2 were impartial and technically sound
- Louisville water converted to free chlorine had very poor performance in the area of disinfectant by-product production
- District No. 1 water treated with a chloramine process had favorable results in the area of disinfectant by-product production
- District No. 2 water treated with a chloramine process had very favorable results in the area of disinfectant by-product production

December 18, 2012 – Board Resolution Approving the Water Purchase Agreement with Louisville Water

Current Status

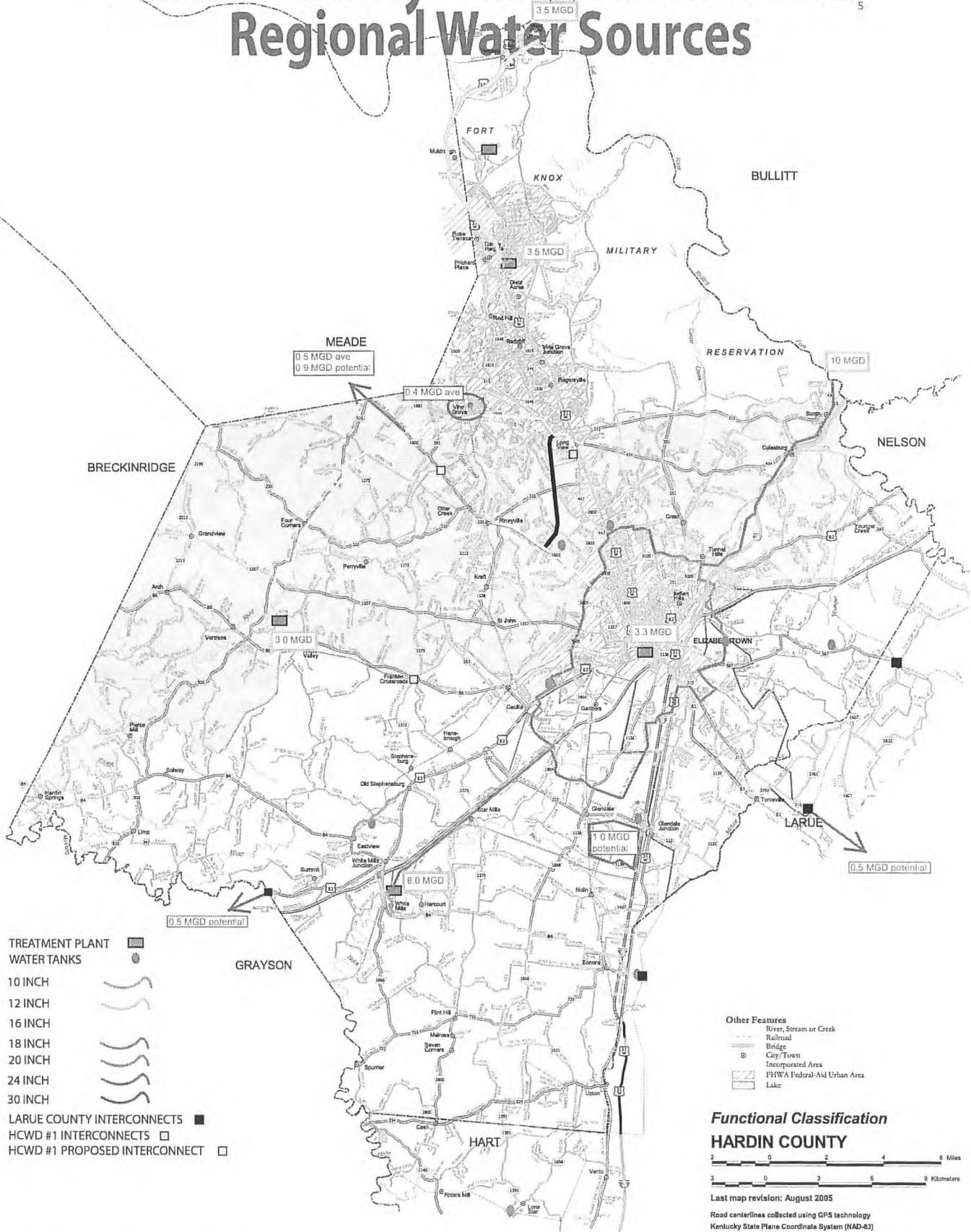
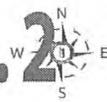
- Transmission line design is complete
- Easement and right-of-way acquisition is complete
- Water Treatment Plant conversion is being designed
- State grants in the amount of \$6.5M have been secured
- LWC Pump station property is being sought
- Springfield Tank is 80% complete
- Elizabethtown Loop construction is complete
- Contract awarded for Case Loop Pump Station

Future Events Tentative Schedule

- Fall 2013 – Complete Springfield Tank
- Fall 2013 – Complete Case Loop Pump Station
- Fall 2013 – Bid pipeline construction
- Spring 2014 – Bid LWC Pump Station construction
- Fall 2014 – Bid WTP Chloramine conversion
- Spring 2015 – Complete construction of pipeline and pump station
- Spring 2015 – Complete WTP Chloramine conversion
- Summer 2015 – Begin Chloramine Treatment
- January 1, 2016 – Date Certain for LWC Contract
- Summer 2016 – Louisville Water flows to meet peak demand

Hardin County Water District No. 2

Regional Water Sources



- TREATMENT PLANT**
- WATER TANKS**
- 10 INCH
 - 12 INCH
 - 16 INCH
 - 18 INCH
 - 20 INCH
 - 24 INCH
 - 30 INCH
- LARUE COUNTY INTERCONNECTS**
- HCWD #1 INTERCONNECTS**
- HCWD #1 PROPOSED INTERCONNECT**

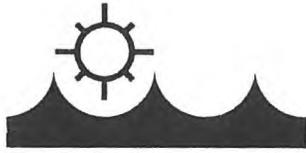
- Other Features**
- River, Stream or Creek
 - Railroad
 - Bridge
 - City/Town
 - Incorporated Area
 - FHWA Federal-Aid Urban Area
 - Lake

Functional Classification
HARDIN COUNTY



Last map revision: August 2005
 Road centerlines collected using GPS technology
 Kentucky State Plane Coordinate System (NAD-83)
www.transportation.ky.gov/planning/index2.asp

18 INCH AND 30 INCH ARE AT TREATMENT PLANT
 THERE ARE ALSO TWO CLEAR WELLS AT THE TREATMENT PLANT
 THIS MAP IS FOR GENERAL PLANNING ONLY. LINES ARE NOT EXACT



Hardin County Water District No. 2

360 Ring Road • P.O. Box 970 • Elizabethtown, KY 42702

Telephone (270) 737-1056 • Fax (270) 737-2301 • www.hardincountywater2.org

Board of Commissioners: Mike Bell, Cordell Tabb, John Effinger, Morris Miller, Tim Davis

General Manager: James Jeffries

May 24, 2013

Honorable Tim Walker, Mayor
City of Elizabethtown
PO Box 550
200 West Dixie Avenue
Elizabethtown, KY 42701

RE: Continued Water Purchase Agreement Offer

Dear Mayor Walker,

The current water purchase agreement between the District and the City will conclude its second renewal term on September 30 of this year. In advance of this date, we would like to offer our continued services to provide wholesale water to Elizabethtown and provide some information to aid in your decision making process.

Renewal Rate:

The volumetric price for water is calculated by a formula that is approved by the Public Service Commission. It takes into consideration the infrastructure used by the District to deliver the water, the day-to-day expenses the District experiences to produce and pump the water, the minimum daily volume used by the City, the maximum production capacity reserved for the City, and the reserved storage space in our Cecilia and Pear Orchard tanks for the City.

We have four connections under the terms of this formula and the City currently commits to a minimum volume of 1.1 million gallons per day. Also, the District reserves 0.5 million gallons of space in our tanks and 1.5 million gallons per day of our production capacity for the City.

In the event that the City maintains their reserve and minimum commitments, the formula will produce a volumetric price of \$2.2935 per 1000 gallons based on our 2012 financial audit. This price will become effective on October 1, 2013. In the event that the City would like to vary the reserve and minimum levels, we can calculate the new rate accordingly.

Your Water Professionals

An Equal Opportunity Provider and Employer

Contract Term:

As you are aware, the District has elected to convert our secondary disinfectant method from a free chlorine process to a chloramine process. While the blending of these two methods in the distribution system does not create any concerns for public health, extended contact time between the two waters create other problems including taste and odor issues. As such, it is our understanding that the Kentucky Division of Water will not allow the continued blending of these two disinfectant methods on a day-to-day basis.

The time frame in which the District intends to make this change is during the winter beginning December, 2014. The District is contractually obligated to purchase water from Louisville Water Company in the summer of 2016.

Under these restrictions, the District can offer a 15 month commitment for a water purchase agreement renewal. Given that the City will make a decision on the disinfectant issue in the best interest of the citizens of Elizabethtown, the District will defer to these decisions and make arrangements for a different water purchase agreement, if any, beginning January 1, 2015.

It has been a pleasure to serve the citizens of Elizabethtown for these past 12 years. We offer our continued support for any services in the future that will mutually benefit our common customer bases. Please do not hesitate to contact any staff member to assist you in any way and we look forward to your consideration of this offer.

Sincerely,



Michael L. Bell
Chairman

Cc: Charlie Bryant
D. Dee Shaw
Damon R. Talley
James R. Jeffries

Attachments: Rate Calculation

Methodology of Calculating Wholesale Water Rate to Elizabethtown

I. General Philosophy

- A. Elizabethtown shall share a pro-rated portion of the Districts' Operation and Maintenance Costs as follows:
 - 1. Water Treatment Plant Costs shall be shared on a pro-rated basis with adjustments for Line Loss
 - 2. Transmission and Distribution Costs shall be shared on a pro-rated usage basis with adjustment based on inch-miles proportion, i.e. inch miles of pipe line utilized by E-town versus total inch-miles of District system.
 - 3. Administrative General Costs shall be shared on a pro-rated usage basis with a 33.33% multiplier.
 - 4. Electrical pumping Costs at Cecilia Pump Station based on pro-rated usage basis.
- B. Elizabethtown shall share a pro-rated portion of the Districts' Debt Service (including coverage) and Depreciation based on portion of system reserved for Elizabethtown as compared to total capacity.
- C. Elizabethtown does not share any of the Districts' customer service costs such as meter reading, billing, and customer service representatives.
- D. Elizabethtown does not share any of the Districts Debt Service (plus coverage) or Depreciation for Capital projects not utilized by Elizabethtown.

II. Definitions, Factors, Ratios, and Techniques

- A. The District Annual Report submitted to the Public Service Commission delineates (or shall be modified to delineate) the following:
 - 1. Water Treatment Expenses - Includes payroll and benefit costs of staff working only on water treatment plus chemicals, electricity, and various expenses at water treatment plant (T&P).
 - 2. Transmission and Distribution Expenses - Includes cost of staff and various expenses specifically related to T&D.
 - 3. Administrative and General Expenses - Includes staff and miscellaneous expenses specifically related to overall management, accounting, purchasing, personnel, and computer services and excludes customer service.
 - 4. Total Water Produced and Purchased.
 - 5. Total Water Sold
 - 6. Percent of Line Loss relative to water produced and purchased. Typically \pm 14%.

B. Debt Service and Depreciation Costs are as follows:

1. Debt Service (including 20% Coverage)

Water Treatment Plant (existing).....	\$	331,058	per year
24" Pipe	\$	556,148	per year
Cecilia and Pear Orchard Tanks (including Telemetry)	\$	200,152	per year
Cecilia Pump Station (original)	\$	18,968	per year
Water Treatment Plant (expansion)	\$	625,886	per year
Cecilia Pump Station (upgrade)	\$	2,685	per year
Pear Orchard Loop to Loctust Grove	\$	294,585	per year

2. Depreciation

Water Treatment Plant (existing)	\$	75,291
24" Pipe	\$	108,849
Cecilia and Pear Orchard Tanks (includes Telemetry)	\$	36,314
Cecilia Pump Station (original)	\$	7,846
Water Treatment Plant (expansion)	\$	107,550
Cecilia Pump Station (upgrade)	\$	665
Pear Orchard Loop to Loctust Grove	\$	58,917

Exhibit 1

C. Pro-rata Usage Factor = $\frac{\text{Amount of Water Sold to E-town}}{\text{Total Water Sold (Includes E-town)}}$ = 0.2557
(PRUF)

D. Water Treatment Capacity Factor = $\frac{\text{Capacity reserved for E-town}}{\text{Total Capacity of Treatment Plant}}$ = 0.1852
(WTPCF)
Note: 8.1 mgd equals capacity of plant

E. Tank/Telemetry Capacity Factor = $\frac{\text{Tank Capacity Reserved - E-Town}}{\text{Total Capacity of Cecilia/Pear Orchard Tanks}}$ = 0.25
(T&T CF)

Note: 2.0 mg equals capacity of Cecilia and Pear Orchard Tanks; 0.5 is reserved for E-town

F. 24" Line Capacity Factor = $\frac{\text{Capacity reserved for E-town}}{\text{Total Line Capacity}}$ = 0.1852
(24" LCF)

Note: Assume 24" capacity equals 8.1 mgd

G. Cecilia Pump Station Factor = $\frac{\text{Capacity reserved for E-town}}{\text{Total Capacity of Pump Station}}$ = 0.1852
(PSCF)
Note: Total capacity of station is 8.1 mgd

H. Inch Mile Ratio - The inch mile ratio is used to adjust E-town's T&D costs and to adjust for Line Loss.

Inch Mile Ratio = $\frac{\text{Inch mile of pipeline jointly used by E-town}}{\text{Total inch miles of system}}$ = 0.1293
(IMR)

Exhibit 2

I. Adjustment for Line Loss and Plant Use - This procedure provides a Water Production Multiplier (WPM) for the District and E-town which in effect calculates the amount of water produced to sell a given amount. Included in the adjustment is water used in the plant. The Multiplier is determined by adding Line Loss and Plant Use and on a mathematically calculating multiplier. For E-town, Line Loss is allocated based on the Inch Mile Ratio.

Line Loss = LL (expressed as decimal)		Exhibit 1
Plant Use = PU (expressed as decimal)		Exhibit 1
Inch Mile ratio = IMR		
District WPM =	$\frac{1}{1 - (LL+PU)}$	= 1.3893
E-town WPM =	$\frac{1}{1 - (LL \times IMR + PU)}$	= 1.1596

J. Treatment Cost Allocation Factor (TCAF) is determined as follows:

TCAF = PRUF x	$\frac{\text{E-town WPM}}{\text{District WPM}}$	= 0.2135
---------------	---	----------

K. Transmission and Distribution Cost Allocation Factor (TDCAF) is determined as follows:

TDCAF = PRUF x IMR		= 0.0331
--------------------	--	----------

L. Administrative and General Cost Allocation Factor (AGCAF) is determined as follows:

AGCAF = PRUF x 0.3333		= 0.0852
-----------------------	--	----------

M. Cecilia Pump Station Cost Allocation Factor (PSCAF) is determined as follows:

PSCAF =	$\frac{\text{Amount of Water Sold to E-town}}{\text{Total Water Pumped as Pump Station}}$	= 0.4242
---------	---	----------

Note: The PSCAF is to allocate electrical costs at Cecilia pump station. No multipliers are used since they would be the same.

III. Rate Calculation Technique

Elizabethtown Cost of Service is the summation of the following:

a.	Water Treatment Plant Cost x TCAF	<u>\$ 279,254</u>
	\$ 1,308,205 x 0.2135	
b.	Transmission and Distribution Cost x TDCAF	<u>\$ 55,619</u>
	\$ 1,682,673 x 0.0331	
c.	Administrative and General Cost x AGCAF	<u>\$ 57,769</u>
	\$ 677,757 x 0.0852	
d.	Electrical Cost Cecilia Pump Station x PSCAF	<u>\$ 63,805</u>
	\$ 150,410 x 0.4242	
e.	Total WTP Debt Service x WTPCF	<u>\$ 177,212</u>
	\$ 956,944 x 0.1852	
f.	Tank and Telemetry Debt Service x T&T CF	<u>\$ 50,038</u>
	\$ 200,152 x 0.2500	
g.	24" Line Debt Service x 24" LCF	<u>\$ 157,543</u>
	\$ 850,733 x 0.1852	
h.	Cecilia Pump Station Debt Service x PSCF	<u>\$ 4,010</u>
	\$ 21,653 x 0.1852	
i.	Total WTP Funded Depreciation x WTPCF	<u>\$ 33,859</u>
	\$ 182,841 x 0.1852	
j.	Tank and Telemetry Funded Depreciation x T&T CF	<u>\$ 9,079</u>
	\$ 36,314 x 0.2500	
k.	24" Line Funded Depreciation x 24" LCF	<u>\$ 31,068</u>
	\$ 167,766 x 0.1852	
l.	Cecilia Pump Station Funded Depreciation x PSCAF	<u>\$ 1,576</u>
	\$ 8,511 x 0.1852	
	Total Elizabethtown Cost of Service	<u>\$ 920,831</u>

The Elizabthtown Rate is:

Elizabethtown Cost of Service
Elizabethtown Purchase Amount

The Elizabthtown Rate is:

\$ 920,831 = \$ 2.2935
401,500,000

Exhibit 1 Total Water Sold and Used and Lost

Per PSC Report dated December 31, 2012, pg 58 of 71

2012 Retail water sold to District customers	1,140,062,000	
2012 Fire Department Usage	1,848,000	
2012 Other Uses (Shop Use, Plant Use, Testing)	26,582,000	
Total HCWD#2 Water	<u>1,168,492,000</u>	gal

Elizabethtown Water

Daily Usage: 1.10 million gallons per day minimum

Daily Usage Reserve: 1.50 million gallons per day capacity reserved

Yearly: 401,500,000 gal

Total Water Sold 1,569,992,000 gal

$$\text{PRUF} = \frac{401,500,000}{1,569,992,000} = 0.2557$$

Per PSC Report dated December 31, 2012, pg 58 of 71

2012 Plant Use	215,312,748
2012 Raw Water Treated	1,848,272,000

$$\text{PU} = \frac{215,312,748}{1,848,272,000} = 0.1165$$

Per PSC Report dated December 31, 2012, pg 58 of 71

2012 Water Flushed and New Mains	28,430,000
2012 Unaccounted Leaks	274,124,000
Total Losses	<u>302,554,000</u>

$$\text{LL} = \frac{302,554,000}{1,848,272,000} = 0.1637$$

Exhibit 2 Inch Mile Ratio

Ring Road Interconnect

Size	Linear Feet	Miles	IMR
12	11157.34	2.113	25.358
24	68626.79	12.997	311.940
		Total	337.298

Pear Orchard Interconnect

Size	Linear Feet	Miles	IMR
8	2369.65	0.449	3.590
10	16.15	0.003	0.031
12	28.82	0.005	0.066
24	23463.92	4.444	106.654
		Total	110.341

Buffalo Creek Interconnect

Size	Linear Feet	Miles	IMR
8	85.75	0.016	0.130
20	7891.12	1.495	29.891
24	19807.16	3.751	90.033
		Total	120.053

Loctust Grove Road Interconnect

Size	Linear Feet	Miles	IMR
10	85.35	0.016	0.162
20	13735.27	2.601	52.028
24	13991.08	2.650	63.596
		Total	115.785

Total E-town Inch Miles: 683.476

Total HCWD#2 Inch Miles: 5288.0

$$\text{IMR} = \frac{683.476}{5288.0} = 0.1293$$

Exhibit 3 Cecilia Pump Station Electrical Cost

Average Monthly Electrical Cost:	\$	12,534.17
Yearly Cost:	\$	150,410.00
2012 Cecilia Pump Station Gallons Pumped		1,271,693,520
2012 Etown Water Sold		406,571,000
2012 Etown Percentage		31.97%
2012 Etown Cost	\$	48,087.33
2012 Etown Cost/1000 gal	\$	0.1183

Exhibit 4 Plant Treatment Costs

Per PSC Report dated December 31, 2012, pg 50 of 71

Salaries	\$	449,330.00
Benefits	\$	180,775.00
Purchased Water	\$	2,497.00
Purchased Power	\$	272,102.00
Chemicals	\$	289,501.00
Materials and Supplies	\$	66,811.00
Contract Services	\$	33,706.00
Ins. Workers Comp.	\$	2,494.00
Miscellaneous Expenses	\$	10,989.00
Treatment Cost for Water	\$	1,308,205.00

Exhibit 5 Transmission and Distribution Costs

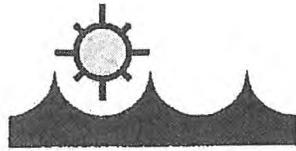
Per PSC Report dated December 31, 2012, pg 50 of 71

Salaries	\$	737,437.00
Benefits	\$	334,971.00
Purchased Power	\$	150,410.00
Chemicals	\$	-
Materials and Supplies	\$	82,033.00
Contract Services	\$	131,198.00
Transportation Expenses	\$	197,721.00
Ins. Workers Comp.	\$	5,311.00
Miscellaneous Expenses	\$	43,592.00
Transmission Cost for Water	\$	1,682,673.00

Exhibit 6 2012 Administration and General Costs

Per PSC Report dated December 31, 2012, pg 50 of 71

Salaries - Administration	\$	292,734.00
Salaries - Commissioners	\$	30,250.00
Benefits - Administration	\$	88,653.73
Benefits - Commissioners	\$	55,275.27
Ins. Workers Comp. - Admin.	\$	1,517.18
Ins. Workers Comp. - Comm.	\$	1,354.82
Contractual Services - Legal	\$	6,000.00
Contractual Services - Acct	\$	12,500.00
Contractual Services - Admin.	\$	21,522.00
Rental of Equipment	\$	636.00
Insurance - Vehicle	\$	14,832.00
Insurance - General Liability	\$	47,853.00
Materials & Supplies - Admin.	\$	31,606.00
Advertising Expense	\$	1,590.00
Miscellaneous Expense - Admin	\$	71,433.00
Total Costs:	\$	677,757.00



Hardin County Water District No. 2

360 Ring Road • P.O. Box 970 • Elizabethtown, KY 42702

Telephone (270) 737-1056 • Fax (270) 737-2301 • www.hardincountywater2.org

Board of Commissioners: Mike Bell, Cordell Tabb, John Effinger, Morris Miller, Tim Davis

General Manager: James Jeffries

June 3, 2013

Honorable Tim Walker, Mayor
City of Elizabethtown
PO Box 550
200 West Dixie Avenue
Elizabethtown, KY 42701

RE: Purchase of Water Works Offer

Dear Mayor Walker,

Our District has made the decision to change our secondary disinfectant method to a chloramine process in order to be compatible with future water purchased from Louisville Water Company. We understand that this action has placed the City of Elizabethtown in a position in which changes must take place in your system. We sincerely regret this position and will do all we can to assist the City moving forward.

Hardin County Water District No. 2 would like to propose an arrangement to purchase the public drinking water system of the City of Elizabethtown. While the terms of this arrangement would be negotiable and fully detailed in a purchase contract, we would like to offer the following as a general framework for the agreement:

- **Consideration:** The District will make payments to the City in the amount of four hundred thousand dollars (\$400,000.00) annually for a period of twenty (20) years totaling eight million dollars (\$8,000,000.00).
- **Assets:** The District would acquire all the real estate, infrastructure, and inventory assets of the water system, except for the Freeman Lake Water Treatment Plant.
- **Customers:** The District would acquire the City drinking water customer base.

Your Water Professionals

An Equal Opportunity Provider and Employer

- **Investments:** The District will pledge to invest approximately three million dollars (\$3,000,000.00) in improvements to the water system for water treatment plant chloramine conversion and customer metering upgrades.
- **Water Rates:** The District will petition the Public Service Commission for a 5 year transition period that would gradually move the current City water rates to the PSC approved District water rates for affected customers.
- **Employees:** The District will offer employment to the City Springs Water Treatment Plant employees who voluntarily accept a transfer to District employment.

We propose that a focus group be formed with representatives from the City Council, District Board of Commissioners, legal counsel, and other staff members to thoroughly discuss the general terms of this proposal.

It remains our pleasure to serve and assist the City of Elizabethtown in the public drinking water arena. Please do not hesitate to contact me or any member of the District staff for any reason.

Sincerely,



Michael L. Bell
Chairman

Cc: Charlie Bryant
D. Dee Shaw
Damon R. Talley
James R. Jeffries

Your Water Professionals
An Equal Opportunity Provider and Employer

From: [James](#)
To: [Mike Bell \(mikebell@glendalechristianchurch.org\)](mailto:mikebell@glendalechristianchurch.org); [Mo Miller \(momiller@iname.com\)](mailto:momiller@iname.com)
Subject: Draft Email to Charlie
Date: Thursday, September 05, 2013 12:07:00 PM
Attachments: [image001.png](#)

Gentlemen,

I have drafted the following email to Charlie:

Charlie,

We have received the list of topics that Mary emailed last Friday. I have reviewed this list with Mike and Mo. We are happy to assist the City through this transition regardless of which direction the Council chooses. Please assure the Council that we are ready to work with them in good faith.

The staff and I are taking a preliminary look at the items and adding a few of our own. Once we have a clear direction from both the City Council and our Board of Commissioners, I think we will have a head start on working through the details. Our next board meeting will be September 17th.

Please let me know if you have any questions.

I plan to CC the mayor. I have found the emails for all the city council members. If you so advise, I can copy each of them and our board as well. My basic premise is: We received your email and list of topics; and we are eager to move upon the mutual agreement of the direction.

Please revise as required.

Thanks,



Kentucky's 2012 AWOP Champion Recipient

James Jeffries, BSME, MBA

General Manager

Hardin County Water District No. 2

360 Ring Road

PO Box 970

Elizabethtown, KY 42702

From: [James](#)
To: ["Damon Talley"; "mikebell@glendalechristianchurch.org"; "momiller@iname.com"](#)
Subject: RE: Purchase of E-Town Water System
Date: Wednesday, September 18, 2013 2:51:00 PM

Damon,

I would like to comment on the list of items that Mo and I covered with Charlie Bryant and Steve Park during our meeting on Wednesday, September 11, 2013.

- Title to real estate or facilities: we agreed to a model in which the city would retain the deed to the property and we would have a perpetual lease for the use of the property to operate our assets on the property.
- Successor to easements and agreement: we would acquire with a hold harmless clause in the purchase agreement.
- Cell antenna leases: city would retain until the end of the current terms. Renewals would need to be done with the District.
- Well sites: Charlie was to provide a site map that defined the arrangement at each location. District is to acquire all rights to withdrawals from the wells.
- Ground maintenance: City to maintain in all areas where they currently maintain. Whole sites that transfer would become duty of the District.
- Specific property to be transferred: This item is contingent on a hydraulic analysis that would specify critical assets. City and District to share the costs for analysis.
- City wants their computers and electronic equipment: OK.
- City wants their trucks, mowers, and tools: OK.
- City wants to retain their customer deposits: OK. Their customers pay a lumped water/sewer deposit. The City can retain this and customers would return to the city for a return of said deposit.
- Regulatory Issues: City wants to transfer all regulatory responsibility. OK.
- Joint use at towers for network equipment: OK.
- Well #5: City will retain ownership for public works building.
- Access points for operations: District is proposing a few access points on City property of their discretion for use by mobile City units. These points will be metered.
- Fire Department usage: District Tariff applies. EFD has a need to 'flush' all hydrants on a routine basis. This activity is inconsistent with our tariff. This is a small issue but one the board should use discretion on.
- Fire protection standards: joint enforcement exists today and can continue.
- Fire protection improvements to existing system: Projects will be reviewed by the board on a case by case basis. The City will offer to supply materials and engineering and request the District to supply labor and equipment. We have done this a hand full of times in the past.
- Service improvements requests: District will accept general service improvement requests and complete as time and resources allow. Typically, we like this activity and address our own issues in a timely manner.
- Restoration of property: District does currently.
- Relocation as a result of public projects: Projects will be reviewed by the board on a case by

case basis. The City will offer to supply materials and engineering and request the District to supply labor and equipment. We have done this a hand full of times in the past. However, all state highway projects have required that we be reimbursed for the full cost of our relocation efforts.

- Conversion of unmetered city facilities to metered: District to bear costs of meter installation.
- Flushing to city sewer: City is offering to allow our flushing activities to use city sewer at not costs.
- Grouping of city usage to a single bill at wholesale rate: We stated that we would request this option if PSC allowed and board agreed. Current wholesale formula does not apply so we would need adopt a method for calculating the wholesale rate. I vote for 81% of current retail.
- Guaranteed rate for sewer billing information: the District sells meter readings to the City currently. Steve Parks wants a lower rate. We did not discuss because no one in the room knew the exact rate. The rate is \$0.75 per bill. This is an additional revenue stream of \$7,800 per month. We could, in good faith, offer a lower rate in exchange for the additional 10,400 new bills.
- Employee transfer: initial request for by the end of the year. I think this is too aggressive. The concern was over the CERS retirement changes taking effect January 1. These concerns were laid to rest. There should be no target date at this point.
- Employee transfer of benefits: the concern is for sick leave and vacation leave. We can honor these requests with board approval. Seniority should start back at zero. I think we are only talking about 4-5 employees at the WTP anyway.
- Industrial recruitment: no change from current status. District participates on a case by case basis only with board approval.
- Pressure zones: District will take full responsibility and exercise own discretion regarding the operation of the pressure zones in the future. [...having been warned that sections of the city will not hold up to current District pressure levels.]
- Financial review: City and District agree to independent financial audit of the agreement to ensure the mutual benefit of the financial arrangements to both parties. Cost of audit to be shared equally between the City and District.

Mo, please add comments that I may have omitted.

Best Regards,

JJ

From: Damon Talley [mailto:drtalley@windstream.net]
Sent: Wednesday, September 18, 2013 11:19 AM
To: mikebell@glendalechristianchurch.org; momiller@iname.com; Jeffries, James
Subject: Purchase of E-Town Water System

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Subject: Purchase of E-Town Water System

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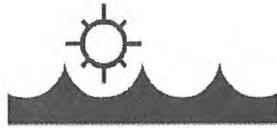
I had a very productive telephone conference with D. Dee Shaw earlier this morning. She agrees that the first step is to prepare a Letter of Intent which sets forth the broad parameters of the proposed transfer of the City's water system assets to HCWD 2. I will prepare the initial draft of the Letter of Intent.

She agreed to provide me a copy of the Memo prepared by the City Staff (Charlie & Steve Park?) which sets forth the "terms of the deal" as the City understands it. When I get it, I will forward it to you.

JJ & Mo, please send me any outlines, memos, etc. which summarizes your understanding of the terms. I will not share it with the City without clearing it with you first.

I am excited that I will have a front row seat as this historic project progresses and comes to fruition.

Damon R. Talley
Damon R. Talley, P.S.C.
P O Box 150
Hodgenville, KY 42748
PH: (270) 358-3187
Fax: (270) 358-9560
drtalley@windstream.net



Hardin County Water District No. 2

REQUEST FOR STATEMENT OF QUALIFICATIONS

I. INTRODUCTION

Hardin County Water District No. 2 (the “District”) requests a Statement of Qualifications (SOQ) from consulting engineering firms interested in being selected to perform certain engineering pre-design, design, and construction engineering services for the District’s acquisition of The Elizabethtown Water Works.

II. DISTRICT BACKGROUND

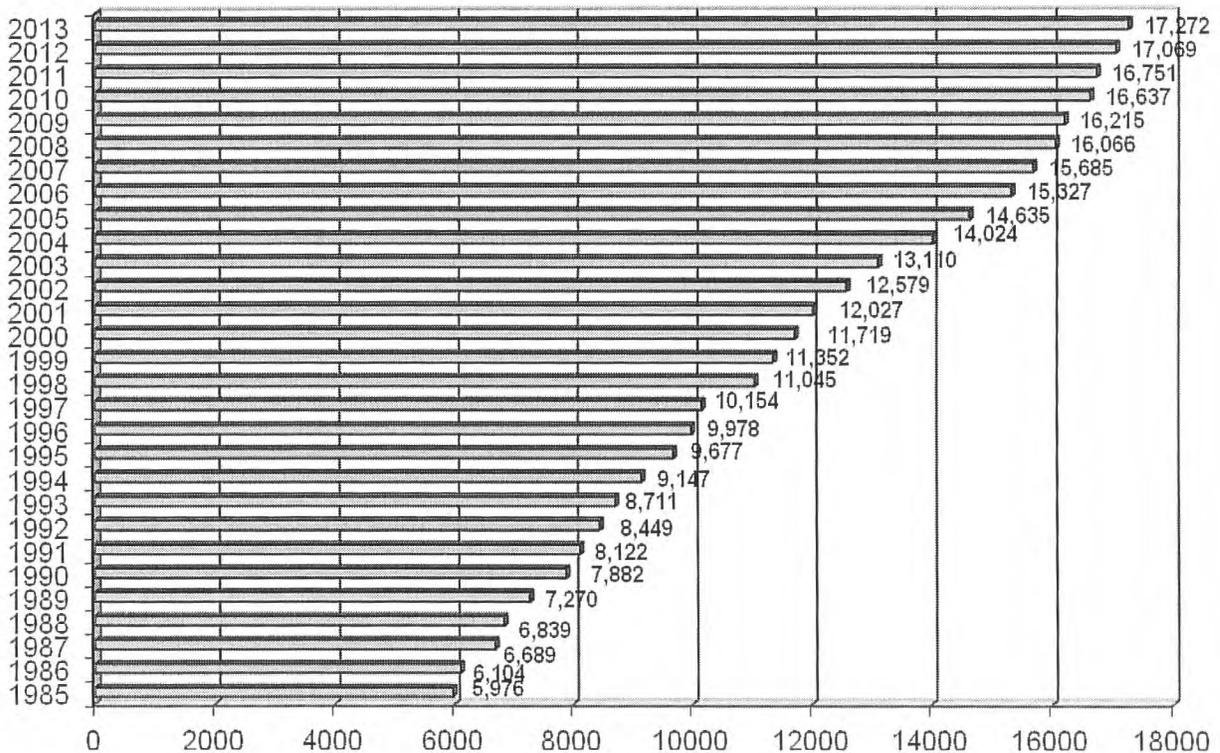
In 1968 the District began pumping water to its first customers. The District began with approximately 900 customers and 90 miles of water mains. The District had one full-time employee and one part-time employee. The District worked out of a borrowed office (one room). More times than not, volunteers were called upon in times of emergency for help. The District struggled along for several years. As the county grew so did the District. There was a tremendous need for an adequate, safe and dependable supply of potable water in the county. Through the next three decades, hundreds of miles of water mains were built, water tanks, pump stations, treatment plant and maintenance facilities were constructed, and thousands upon thousands of water customers were added.

Today the District operates and maintains in excess of 800 miles of water mains throughout portions of Hardin, Larue, and Hart counties. The District has ten water storage tanks with a total storage capacity of over 6.5 million gallons. On an annual basis, the District produces over one billion gallons of water for its customers. The District has its own maintenance crews, repair crews, construction crews, water quality

department, meter reading crews, customer service personnel, treatment plant personnel, and office and managerial staff. Currently, to provide quality water and responsive customer service requires a staff of 48 full-time employees.

The District has been growing at a rate of approximately 2% per year for the past four years. As of August 31st of 2013, the District had a customer base just over 17,000 customers. This number continues to grow as the District adds an average of 25 new customers every month.

Hardin County Water District No. 2 Customer Count



At the same time the District is pursuing additional infrastructure reinforcements that will help ensure the reliability of existing water mains and facilities. The District's maintenance efforts have doubled as

it continues to service and maintain the ever growing number of new water mains, fire hydrants, valves, and pump stations.

Among other major projects in the next 3 to 5 years, the District will continue the construction of a 24 inch ductile iron water main that will extend to Colesburg to connect with the Louisville Water Company. A 10MGD pump station will be constructed to supply Hardin County with water from Louisville for the next generation's water demand. Also under construction is a 1 MG tank on Springfield road and a 4 MGD pump station in Glendale.

The District will continue to improve its water system infrastructure to help ensure that Hardin County and the region will continue to have a safe, reliable water supply far into the 21st century. In order to accomplish this, the District must focus on this additional water source for the region. This effort has risen to the top of the priority list.

III. PROJECT NAME

The name of the project is the Hardin County Water District No. 2 – Acquisition of the Elizabethtown Water Works (the “Project”).

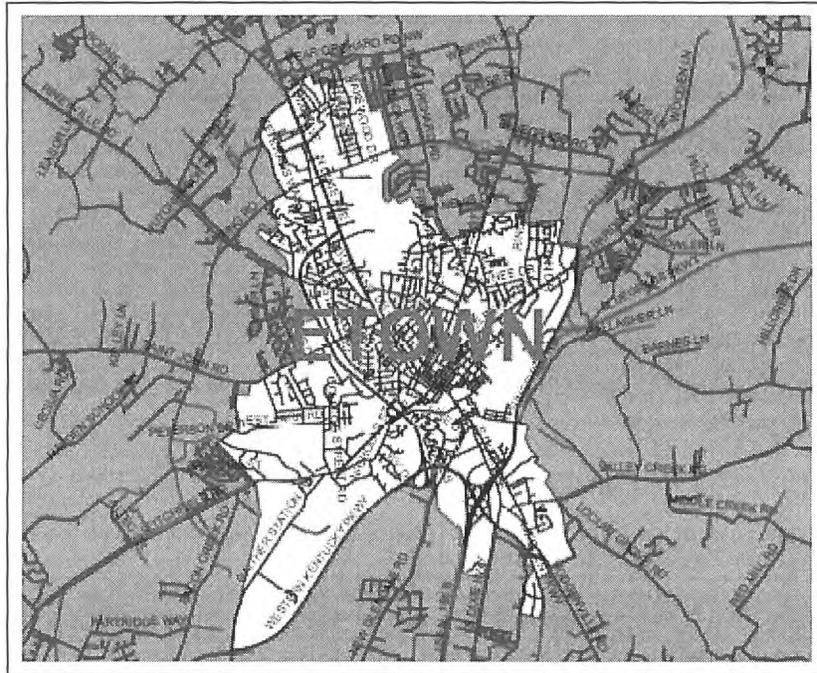
IV. PROJECT SCOPE

The City of Elizabethtown and HCWD2 are in the process of transferring ownership of the Elizabethtown Water Works to HCWD2. All water works assets will transfer to the District along with the customer base of approximately 10,400 customers.

A complete listing of District and City assets will be provided to the engineering firm. This will include pump stations, tanks, pressure zones, water main locations, water main sizes, valve locations, customers' service locations, and other pertinent information.

The District has the following expectations as deliverables:

1. A hydraulic model of the merged City and District systems.
2. A recommendation for the optimal pressure zone implementation.
3. A recommendation of City or District assets that might become redundant in a merged system and not required for future operation of the system.
4. A detailed review of all City assets that includes an opinion of the current mechanical status, projected significant maintenance needed, and expected life remaining for each asset.
5. An opinion of probable cost for maintenance issues identified in Item 4.
6. Facilitation of the Division of Water approval for the merger of the distribution systems.



Elizabethtown Service Area

V. EVALUATION CRITERIA

The evaluation of the Statements of Qualifications (SOQs) by the Board of Commissioners and staff will be based upon the following criteria:

1. Organization (10 points maximum)

The overall organization of the firm.

2. Personnel (25 points maximum)

The qualification of the firm's project team to include Project Manager, engineers, design technicians, inspectors, and support staff.

3. Capabilities (25 points maximum)

The firm's administrative and technical capabilities to handle this project in the allotted time frame, funding requirements and scope.

4. Similar Projects (30 points maximum)

The firm's experience designing and managing projects that closely match the proposed Project.

5. Familiarity (10 points maximum)

The firm's familiarity with the District's operation, staff, and the geographic area the Project encompasses.

VI. SELECTION PROCESS

1. The Review Panel, comprised of Commissioners and staff of the District, will review the SOQs and rank the firms based upon the written information submitted. Interviews will not be conducted unless otherwise determined by the District.

2. Firms will be ranked for each of the five (5) categories based upon the following:

	EVALUATION CRITERIA	MAXIMUM NUMBER OF POINTS
1	Organization	10
2	Personnel	25
3	Capabilities	25
4	Similar Projects	30
5	Familiarity	<u>10</u>
	Total Possible Points	100

3. The District’s Board of Commissioners will then review the tentative ranking made by the Review Panel and will make the final determination.
4. The District will then negotiate an engineering services agreement with the highest ranked firm. If the negotiations are unsuccessful, the District will negotiate with the second ranked firm. If necessary, this procedure will be repeated with the other firms in ranked order until the District successfully negotiates an engineering services agreement.

VII. SUBMITTAL INSTRUCTIONS

Firms desiring to respond to this request are asked to submit **ten (10)** copies of the Statement of Qualifications to:

Mailing Address: Hardin County Water District No. 2
 Attn: James Jeffries
 P.O. Box 970
 Elizabethtown, KY 42702

Shipping Address: Hardin County Water District No. 2
Attn: James Jeffries
360 Ring Road
Elizabethtown, KY 42701

SOQs are due by **Monday, October 14, 2013 at 10:00 a.m. EDT**. Any SOQs received after this date and time will not be considered.

VIII. OTHER INFORMATION

General questions regarding this request for Statement of Qualifications should be directed to James Jeffries, General Manager at (270) 737-1056 ext. 303 during normal business hours.

Sources of funding may include, but are not limited to, USDA Rural Development, Tobacco Settlement and other state grants, and issuance of tax exempt revenue bonds. The formal solicitation of consulting engineering firms is being conducted to fulfill the requirements of RUS Instruction 1780. The District reserves the right to reject any and all responses, to waive any technicalities, and to negotiate with the respondent who most nearly meets the Project requirements. The District is not responsible or liable for any cost incurred by consultants replying to this request and is an equal opportunity employer encouraging responses from all qualified firms. Attention is particularly called to the requirements as to conditions of employment to be observed under the contract, Section 3, Segregated Facilities, Section 109, Title VI of the Civil Rights Act of 1964, E.O. 11246, the Anti-Kickback Act and Section 504 requirements.

This Request for SOQ was authorized by action of the District's Board of Commissioners on September 17, 2013.

From: [James](#)
To: [Charlie Bryant \(charlie.bryant@elizabethtownky.gov\)](#); ["Cordell Tabb"](#); ["John Effinger"](#); ["Mike Bell"](#); ["Mo Miller"](#); ["Tim Davis"](#)
Cc: [Joy Ozment \(execassist@hardincountywater2.org\)](#)
Subject: Engineering SOQ Interviews
Date: Wednesday, October 23, 2013 4:37:00 PM
Attachments: [image001.png](#)

Gentlemen,

We have narrowed our field of engineering applicants for the Merged District/City Distribution Hydraulic Analysis. There are four interviews schedule for full board/city consideration:

Wednesday, October 30, 1:30 pm	Stantec Engineering
Wednesday, October 30, 3:00 pm	EDG Engineering
Thursday, October 31, 1:30 pm	GRW Engineering
Thursday, October 31, 3:00 pm	Kenvirons/Strand

Each interview is scheduled for one hour. Please join us for these interviews here at the office.

Best Regards,



Kentucky's 2012 AWOP Champion Recipient

James Jeffries, BSME, MBA

General Manager

Hardin County Water District No. 2

360 Ring Road

PO Box 970

Elizabethtown, KY 42702

(270) 737-1056 Ext. 303

jjeffries@hardincountywater2.org

This message may contain confidential and/or proprietary information and is intended for the person/entity to whom it was originally addressed. Any use by others is strictly prohibited.

**SUGGESTED STEP RATE INCREASE FOR
ELIZABETHTOWN CUSTOMERS**

Current Rate	11-1-14	7-1-15	7-1-16	7-1-17
\$ 10.00	\$ 12.80	\$ 14.70	\$ 16.60	\$ 18.50
\$ 4.70	\$ 4.85	\$ 4.95	\$ 5.05	\$ 5.15
\$ 4.40	\$ 4.65	\$ 4.85	\$ 5.05	\$ 5.15
\$ 4.10	\$ 4.40	\$ 4.65	\$ 4.90	\$ 5.15
\$ 2.50	\$ 2.60	\$ 2.70	\$ 2.80	\$ 2.90

Notes: 1. Effective 11-1-14, the Minimum Bill will increase by \$2.80 as recommended by HDR Rate Study.

2. Commencing on 7-1-15, the Minimum Bill will increase by \$1.90 per year for 3 years until E-Town customers will be paying the same rate as HCWD2 Customers.

3. Other rates will increase as shown above.

OVERVIEW

PROPOSED TRANSFER OF ELIZABETHTOWN WATER SYSTEM TO HARDIN COUNTY WATER DISTRICT NO. 2

1. Transitional Rates (See Paragraph 16 of Agreement)
2. Consideration:
 - A. \$8,000,000.00
 - B. City Keeps Revenue From Cell Tower Leases (See Paragraph 5)
3. Water System Only (See Paragraph 2 and Exhibits 1, 2, & 3)
4. Excluded Assets (See Paragraph 4):
 - A. Oaklawn Water Storage Tank
 - B. Hawkins Drive Water Storage Tank
 - C. Oaklawn Booster Pump Station
 - D. Water Well No. 5
 - E. Motor Vehicles, ATVs, and Mowers
 - F. Revenue From Cell Tower Leases
5. Fire Protection Standards (See Paragraph 12)
6. Regulatory Agency Approvals – District Taking the Lead (See Paragraph 13)
7. Joint Projects (See Paragraph 14)
8. Perpetual Lease (See Paragraph 7)
9. Freeman Lake Water Treatment Plant – Short Term Lease (See Paragraph 8)
10. City Communication Antennas and Network Facilities (See Paragraph 6)
11. Ordinance
12. Water Liaison

Schedule for Approval of Asset Purchase Agreement

Date	Event
Monday, 7-14-14	Elizabethtown City Council Work Session – Discussion of Asset Purchase Agreement
Tuesday, 7-15-14	Hardin County Water District No. 2 Board Meeting – Adopt Resolution Approving Agreement
Monday, 7-21-14	Elizabethtown City Council Meeting – First Reading of Ordinance Approving Agreement
Monday, 7-28-14	Elizabethtown City Council Work Session & Special Meeting – Second Reading and Adoption of Ordinance Approving Agreement
Monday, 7-28-14	Execute Agreement
To be determined	Ceremonial Signing of Agreement

16. Provide copies of all correspondence, memoranda, electronic mail messages, and any other documents in which Hardin County No. 2 or its agents discuss the physical condition of Elizabethtown WS assets.

RESPONSE: See the GRW Asset Evaluation Report which has previously been filed as Exhibit 8 to the Application. All of GRW's findings are included in the GRW Asset Evaluation Report. After a diligent search, Hardin County No. 2 officials have been unable to locate any additional relevant documents. Hardin County No. 2 officials will continue to search its business records for other relevant documents. If any additional documents are discovered, they will be provided to the Commission.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

17. Provide copies of all minutes of the Elizabethtown city council meetings, and any other meetings held by an Elizabethtown official for which minutes were recorded, in which the sale of Elizabethtown WS assets to Hardin County No. 2 was discussed.

RESPONSE: Copies of the Minutes of all applicable Elizabethtown City Council meetings and all other applicable meetings for which Minutes were recorded are attached hereto.

WITNESS: Mary Chaudoin, City Clerk, City of Elizabethtown

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

September 17, 2013

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on September 17, 2013 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis (via video conference), John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Carlos Miller, Mark Sneve, Vaughn Williams, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the August 20, 2013 meeting were reviewed. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of August was reviewed. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Carlos Miller and Vaughn Williams presented the engineering report for water. Mark Sneve presented the engineering report for wastewater.

A. Engineering Report - Water.

- (1) **LWC Connection.** Commissioner Davis reported on his recent meeting with a property owner for use of his land as a staging area and pipe storage area for the LWC Connection Project (**see Old Business, Item 1 for Board action**).
- (2) **Colesburg Pump Station Site.** General Manager Jeffries reported that his discussions with the property owner were successful. The Closing for the purchase of the Colesburg Pump Station will take place in late September 2013.
- (3) **Springfield Tank.** Carlos Miller reported that the contractor is making satisfactory progress toward the completion of the Springfield Tank. The anticipated completion date is mid November 2013.
- (4) **Case Loop Pump Station.** Carlos Miller reported that work on the Case Loop Pump Station is progressing satisfactorily. The anticipated completion date is mid November 2013.
- (5) **Chloramine Conversion.** Vaughn Williams reported that Kenvirons is revising and finalizing the plans for converting the White Mills WTP from chlorine disinfection to chloramines disinfection. The plans will be submitted to the DOW by October 15, 2013.

B. Engineering Reports – Wastewater.

- (1) **Rineyville.** No report.
- (2) **Nolin River Watershed.** The Commissioners reviewed the progress of easement acquisitions. Mark Sneve reviewed three (3) options for extending wastewater collection service north along New Glendale Road. (**see Old Business, Item 2 for Board action**)

2. Departmental Reports. General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. Staging Area. Motion was made by Commissioner Tabb and seconded by Commissioner Miller to authorize Chairman Bell and General Manager Jeffries to negotiate, within defined limits, with the property owner to obtain a staging area for pipe unloading and storage, equipment storage, etc. for the LWC Connection Project. Motion carried unanimously.

2. New Glendale Road Wastewater Collection Line. Motion was made by Commissioner Effinger and seconded by Commissioner Miller to extend wastewater collection service north along New Glendale Road (Ky. Hwy. 1136) approximately one (1) mile from the Segoe Pump Station and to authorize Strand Associates, Inc. to design a force main for the entire length. Motion carried unanimously.

3. Office Renovation. Scott Clark reported that the Office Renovation Project is nearing completion. A punch list of items for the contractor to complete has been prepared. The biggest concern is the floor in the Day Room. District staff plan to have a recommendation by the October Board Meeting.

4. Burton & Barbara Langley Family Foundation Scholarships. Chairman Bell announced that 21 Burton & Barbara Langley Family Foundation Scholarships have been awarded for the 2013-2014 academic year. A formal announcement and press release with photographs of the recipients will be forthcoming. The Langley Foundation desires for the 2014-2015 scholarships to be awarded in April 2014.

5. WTP Roof Repair - Emergency. Shaun Youravich informed the Board of the urgent need to replace the roof on the White Mills WTP and make structural repairs. Recent inspections revealed severe metal loss in the steel purlins supporting the roof sheeting which has resulted in a loss of integrity. Therefore, the condition of the supporting structure is more severe than originally anticipated. Also, the rate of steel deterioration is more aggressive now than it was a few months ago. In Mr. Youravich's opinion, it is no longer safe to allow any personnel on the roof for fear of collapse (see his September 16, 2013 letter to Chairman Bell). Attorney Talley recommended utilizing the "emergency" provisions of KRS 424.260 to expedite the repairs. Based upon District staff's verification of the weakness in the roof structure, including the life safety issues, and the recommendation of Attorney Talley, Chairman Bell declared that an emergency exists with respect to the need to replace the WTP roof and make structural repairs at the WTP (see Certificate of Emergency executed by Chairman

Bell). Therefore, pursuant to the provisions of KRS 424.260(4), it will not be necessary for the District to hire an architect or engineer to prepare design specifications nor to advertise for bids in the newspaper.

The Commissioners reviewed the two (2) proposals which District staff had previously solicited from interested contractors. Motion was made by Commissioner Effinger and seconded by Commissioner Miller to take the following actions: (a) to declare the proposal from Abel Construction Company, Inc. (Abel) to be the lowest and best proposal; (b) to award the WTP roof replacement and repair project to Abel; (c) to require Abel to obtain the standard Performance and Payment Bonds (which will be added to the amount of Abel's proposal); (d) to authorize District staff to execute the necessary documents with Abel; and (e) to authorize District staff to take all necessary actions to expedite the project. Motion carried unanimously.

6. Health Insurance. Commissioner Davis, Chairman of the Insurance Committee, discussed the need to give the District employees advance notice of whether the employees will be required to pay a portion of the cost of their Health Insurance premiums during 2014. The Insurance Committee recommended that the District absorb the 10% Health Insurance premium increase rather than requiring the District employees to pay a portion of the premium and for the Board to decide by Spring 2014 whether the employees will be required to pay a portion of the Health Insurance premium in 2015. Motion was made by Commissioner Effinger and seconded by Commissioner Miller to accept the recommendations of the Insurance Committee. Motion carried unanimously.

NEW BUSINESS

1. Surplus Office Furniture. The Commissioners reviewed the September 11, 2013 list of furniture and other items recommended by District staff to be declared surplus. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to accept District staff's recommendation and declare the furniture and other items listed in the September 11, 2013 memo as surplus. Motion carried unanimously.

2. Surplus Property Auction. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to schedule an absolute public auction for the sale of the two (2) trucks declared surplus at the August 20, 2013 Board Meeting and the office furniture and other items declared surplus at this Board Meeting. Motion carried unanimously.

3. **E-Town Water System.** Chairman Bell reported that the Elizabethtown City Council voted at its September 16, 2013 Council meeting to express its intent to transfer and convey its Water System to the District for the sum of \$8,000,000 to be paid at the rate of \$400,000 per year for 20 years. Chairman Bell, Commissioner Miller, and General Manager Jeffries attended the historic City Council Meeting. A discussion ensued concerning various proposed details of the proposed transfer. Motion was made by Commissioner Tabb and seconded by Commissioner Miller to express the District's intent to acquire Elizabethtown's Water System at the offered price and to authorize Chairman Bell to execute the Letter of Intent. Motion carried unanimously.

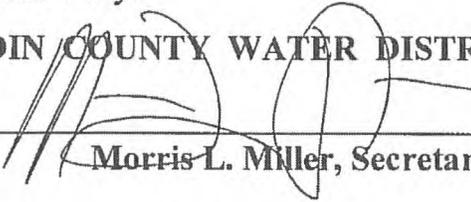
4. **Hydraulic Analysis.** General Manager Jeffries informed the Commissioners of the need to engage the services of an engineering firm to perform a hydraulic analysis of the Elizabethtown Water System. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to authorize District staff to prepare and issue a Request for Statement of Qualifications from engineering firms interested in conducting the hydraulic analysis and evaluation of the Elizabethtown Water System. Motion carried unanimously.

ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Tabb and seconded by Commissioner Effinger to adjourn the meeting. Motion carried unanimously.

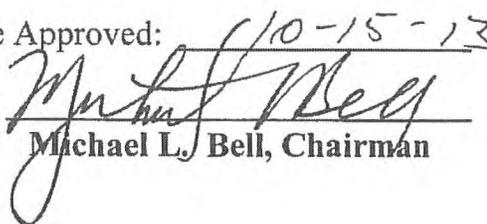
HARDIN COUNTY WATER DISTRICT NO. 2

BY: _____


Morris L. Miller, Secretary

Date Approved: _____

BY: _____


Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

October 15, 2013

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on October 15, 2013 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Carlos Miller, Mark Sneve, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the September 17, 2013 meeting were reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Davis to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of September was reviewed. Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Carlos Miller presented the engineering report for water. Mark Sneve presented the engineering report for wastewater.

A. Engineering Report - Water.

- (1) **LWC Connection.** Commissioner Davis reported on his recent conversations with a property owner for use of his land as a staging area and pipe storage area for the LWC Connection Project.
- (2) **Colesburg Pump Station Site.** General Manager Jeffries reported that the Closing for the purchase of the Colesburg Pump Station took place as scheduled on September 26, 2013.
- (3) **Springfield Tank.** Carlos Miller reported that the contractor is scheduled to complete the Springfield Tank by mid November 2013.
- (4) **Case Loop Pump Station.** Carlos Miller reported that work on the Case Loop Pump Station is still proceeding according to schedule. The anticipated completion date is mid November 2013.
- (5) **Chloramine Conversion.** Carlos Miller reported that Kenviron has revised the plans for converting the White Mills WTP from chlorine disinfection to chloramines disinfection. The revised plans were delivered to District Staff on October 15, 2013. Following review by the District Staff, the plans will be submitted to the DOW.

B. Engineering Reports – Wastewater.

- (1) **Rineyville.** No report.
- (2) **Nolin River Watershed.** The Commissioners reviewed the progress of easement acquisitions. Attorney Talley, once again, reviewed the required steps which must be taken to ensure that the District has engaged in good faith negotiations prior to filing any condemnation actions. At the request of some of the Commissioners, Mark Sneve revisited the options for extending wastewater collection service north along New Glendale Road. **(see Old Business, Item 1 for Board action)**

2. Departmental Reports. General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. New Glendale Road Wastewater Collection Line. Motion was made by Commissioner Miller and seconded by Commissioner Davis to take the following actions: (a) to rescind the action taken by the Board at the September 17, 2013 Board meeting pertaining to the Board's authorization for Strand Associates, Inc. to design a force main for the entire length of the proposed wastewater collection service line north along New Glendale Road (Ky. Hwy. 1136) (see **Old Business, Item 2** of the Minutes of the September 17, 2013 Board meeting); (b) to reaffirm the District's intent to extend wastewater collection service north along New Glendale Road approximately one (1) mile from the Sego Pump Station; and (c) to authorize Strand Associates, Inc. to design a gravity collection line for the entire length of the proposed extension. Motion carried unanimously.

2. Office Renovation. Scott Clark reported that the contractor has completed most of the punch list items. The District is still awaiting a proposal from the contractor for resolving the issues with the floor in the Day Room. Hopefully, District staff will have a recommendation by the November Board Meeting.

3. WTP Roof Repair – Inspection Services. The Commissioners reviewed the three (3) Inspection Services proposals concerning the WTP Roof Replacement and Repair Project. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to take the following actions: (a) to declare the proposal from ICON Engineering & Inspection Services, PLLC (ICON) to be the lowest and best proposal; (b) to accept the proposal from ICON in the amount of \$35,500.00; and (c) to authorize District Staff to execute the necessary documents with ICON. Motion carried unanimously.

4. E-Town Water System. Chairman Bell announced that the Letter of Intent whereby the District will purchase the Elizabethtown Water System has been executed by both the Elizabethtown Mayor and by him.

5. Engineering SOQs – E-Town Water Works. General Manager Jeffries informed the Commissioners that the District received Statements of Qualifications (SOQs) from eight (8) engineering firms in response to the District's solicitation of SOQs for the Elizabethtown Water Works Project. Chairman Bell appointed a committee consisting of Commissioner Miller, Commissioner Effinger, General Manager Jeffries, Shaun Youravich, and Scott Clark to review and rank the SOQs according to the criteria set forth in the solicitation document and to recommend a "short list" of 3-5 firms to be interviewed by the Board.

NEW BUSINESS

1. **Glendale Industrial Park Wastewater Pump Stations.** General Manager Jeffries presented the proposed plats for the sites of the Wastewater Pump Stations in the Glendale Industrial Megaproject. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to proceed with the acquisition of the two (2) sites from the Elizabethtown/Hardin County Industrial Foundation, Inc. and to authorize General Manager Jeffries to take the necessary actions to complete the acquisition of these parcels of real estate. Motion carried unanimously.

2. **Appraiser.** Attorney Talley informed the Commissioners of the need to engage the services of a qualified Real Estate Appraiser for both the Nolin River Watershed and the Louisville Water Connection Projects. Motion was made by Commissioner Davis and seconded by Commissioner Miller to authorize Attorney Talley to request a proposal from Rick O. Baumgardner for performing the necessary appraisals. Motion carried unanimously.

3. **Blacktop Sealing.** Motion was made by Commissioner Miller and seconded by Commissioner Tabb to accept the quotation from A-1 Paving in the amount of \$9,400.00 for sealing and striping all the blacktop areas at the Customer Service Center and Warehouse facility. Motion carried unanimously.

4. **2014 Budget.** By consensus, the Commissioners deferred taking action on the proposed 2014 Budget until the November Board meeting.

5. **Executive Session.** Motion was made by Commissioner Davis and seconded by Commissioner Miller to go into Executive Session to discuss real property acquisition and potential litigation. Motion carried unanimously.

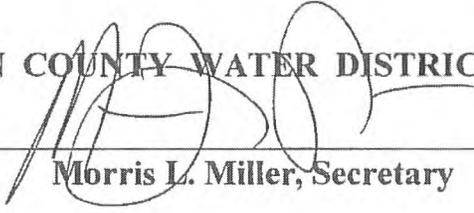
* * * EXECUTIVE SESSION DISCUSSION * * *

Motion was made by Commissioner Davis and seconded by Commissioner Miller to return to open session. Motion carried unanimously. Chairman Bell announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

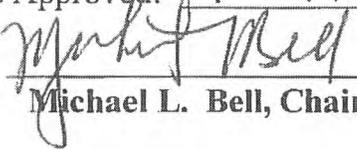
ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

BY: 

Morris L. Miller, Secretary

Date Approved: 11-19-13
BY: 

Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING
November 19, 2013**

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on November 19, 2013 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Carlos Miller, Mark Sneve, Vaughn Williams, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the October 15, 2013 meeting were reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Davis to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of October was reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Davis to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Carlos Miller and Vaughn Williams presented the engineering report for water. Mark Sneve presented the engineering report for wastewater.

A. Engineering Report - Water.

- (1) **LWC Connection.** Commissioner Davis reported on his ongoing discussions with a property owner for use of his land as a staging area and pipe storage area for the LWC Connection Project.
- (2) **Colesburg Pump Station Site.** Carlos Miller presented an overview of the operation of the proposed Colesburg Pump Station. This pump station has been designed to pump up to 5 MGD. Once the District exceeds this daily demand from LWC, then the District will need to construct another pump station at a location with an elevation of approximately 750 feet above sea level.
- (3) **Springfield Tank.** Carlos Miller reported that the Springfield Tank is essentially complete. It cannot be placed into service, however, until the Case Loop Pump Station is completed.
- (4) **Case Loop Pump Station.** Carlos Miller reported that the anticipated completion date for the Case Loop Pump Station is mid to late December 2013.
- (5) **Chloramine Conversion.** Vaughn Williams reported that the plans for converting the White Mills WTP from chlorine disinfection to chloramines disinfection have been submitted to the DOW.

B. Engineering Reports – Wastewater.

- (1) **Northern Hardin County.** General Manager Jeffries presented a status report on the Northern Hardin County Sewer Project.
- (2) **Nolin River Watershed.** The Commissioners reviewed the progress of easement acquisitions. Mark Sneve reported that detailed design work for the proposed wastewater collection line along New Glendale Road is proceeding. General Manager Jeffries discussed the likelihood that condemnation action may be necessary in order to acquire a few of the necessary easements. (see **New Business, Item 2 for Board action**)

2. **Departmental Reports.** General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **Appraiser.** Motion was made by Commissioner Davis and seconded by Commissioner Effinger to accept the November 5, 2013 proposal from Baumgardner & Associates, PSC for performing appraisal services. Motion carried unanimously.

2. **Office Renovation.** Scott Clark presented the proposal from the contractor for resolving the issues with the floor in the Day Room and Hall. Upon recommendation by District Staff, motion was made by Commissioner Tabb and seconded by Commissioner Effinger to accept the contractor's proposal. Motion carried unanimously.

3. **E-Town Water System.** General Manager Jeffries and Attorney Talley summarized their recent meeting with the E-town City Attorney and key Staff members concerning the conveyance of the E-Town Water System to the District.

4. **Engineering SOQs – E-Town Water Works.** The Commissioners ranked the four (4) engineering firms that were interviewed by the District on October 30 & 31, 2013. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to declare the engineering firm of GRW Engineers, Inc. to be the best qualified firm for the E-Town Water Works Project. Motion carried unanimously. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to authorize General Manager Jeffries to negotiate the terms of an Engineering Agreement with GRW Engineers, Inc. within the parameters set by the Board, and to authorize Chairman Bell to execute the Engineering Agreement if the negotiations are successful. Motion carried unanimously.

NEW BUSINESS

1. **Cost Analysis – E-Town Water Works Project.** General Manager Jeffries and Attorney Talley discussed the need to obtain the services of an independent accounting firm to perform a Cost Analysis for the E-Town Water Works Project. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to authorize General Manager Jeffries to request a proposal from Stiles, Carter & Associates, P.S.C. to perform the necessary Cost Analysis. Motion carried unanimously.

2. **Legal Services.** Attorney Talley presented the proposed Engagement Letter from Stoll Keenon Ogden PLLC (SKO Firm) for performing requested legal services and representing the District in any condemnation actions that might be necessary to acquire easements for the Nolin River Watershed Project and the LWC Connection Project. Motion was made by Commissioner Davis and seconded by Commissioner Effinger to accept the Engagement Letter from the SKO Firm and to authorize Chairman Bell to execute the Engagement Letter. Motion carried unanimously.

3. **2014 Budget.** General Manager Jeffries presented the proposed 2014 Operating and Capital Budgets. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to adopt the proposed 2014 Operating Budget and the proposed 2014 Capital Budget as presented. Motion carried unanimously.

4. **Executive Session.** Motion was made by Commissioner Miller and seconded by Commissioner Davis to go into Executive Session to discuss real property acquisition and potential litigation. Motion carried unanimously.

* * * EXECUTIVE SESSION DISCUSSION * * *

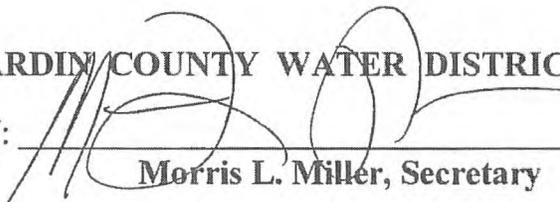
Motion was made by Commissioner Effinger and seconded by Commissioner Davis to return to open session. Motion carried unanimously. Chairman Bell announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Davis and seconded by Commissioner Miller to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

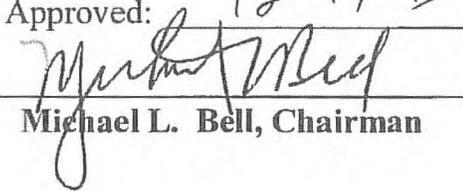
BY: _____


Morris L. Miller, Secretary

Date Approved: _____

12-17-13

BY: _____


Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

December 17, 2013

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on December 17, 2013 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Carlos Miller, Mark Sneve, Vaughn Williams, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the November 19, 2013 meeting were reviewed. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of November was reviewed. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Carlos Miller and Vaughn Williams presented the engineering report for water. Mark Sneve presented the engineering report for wastewater.

A. Engineering Report - Water.

- (1) **LWC Connection.** The Commissioners reviewed the list of property owners who have not yet signed an easement for the LWC Connection Project.
- (2) **Colesburg Pump Station.** Carlos Miller highlighted certain portions of his November 27, 2013 letter to Chairman Bell concerning emergency power at the pump station. He plans to design a concrete slab, which will support a mobile generator, at the pump station site. The pump station will include the necessary electrical connection for a mobile generator.
- (3) **Springfield Tank.** Carlos Miller reported that the Springfield Tank is essentially complete. It cannot be placed into service, however, until the Case Loop Pump Station is completed.
- (4) **Case Loop Pump Station.** Carlos Miller reported that the anticipated completion date for the Case Loop Pump Station is late December 2013. The contractor has requested a Change Order for having to remove brush, trees, and other debris at the Pump Station site. Mr. Miller will review the Change Order request and make a recommendation at the January 2014 Board meeting.
- (5) **Chloramine Conversion.** Vaughn Williams reported that the DOW has approved the proposed plans for converting the White Mills WTP from chlorine disinfection to chloramines disinfection. He plans to complete the detailed plans, specifications, and contract documents within the next few weeks. (see **Old Business Item 1 for Board Action**)

B. Engineering Reports – Wastewater.

- (1) **Northern Hardin County.** General Manager Jeffries presented a status report on the Northern Hardin County Sewer Project.

- (2) **Nolin River Watershed.** The Commissioners reviewed the progress of easement acquisitions. Mark Sneve reported that his firm has completed the survey work along New Glendale Road. He can now complete the detailed design work for the proposed wastewater collection line along New Glendale Road.

2. **Departmental Reports.** General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **Chloramine Conversion.** Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to authorize District Staff to advertise for bids for the WTP Chloramine Conversion Project as soon as Kenvirons, Inc. completes the detailed plans, specifications, and contract documents. Motion carried unanimously.

2. **RD Loan.** General Manager Jeffries and Commissioner Miller discussed the need to lower the RD loan request for the LWC Connection Project from \$9,500,000 to \$5,000,000 to expedite the loan approval process. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to take the following actions: (a) to lower the District's RD loan request from \$9,500,000 to \$5,000,000; (b) to authorize General Manager Jeffries to inform RD of the reduced loan request; and (c) to authorize Chairman Bell to execute the necessary documents. Motion carried unanimously.

3. **Rate Study.** The Commissioners reviewed the revised Rate Study prepared by Kenvirons, Inc. (the revised Rate Study is based upon an RD loan of \$5,000,000). The revised Rate Study recommends that all rate blocks remain the same except that the rate for water usage over 500,000 gallons per month be increased to \$2.90 per 1,000 gallons. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to accept the revised Rate Study and to authorize Carlos Miller to submit it to RD. Motion carried unanimously.

4. **Office Renovation.** Scott Clark stated that the contractor has completed resurfacing the floor in the Day Room and Back Hall.

5. E-Town Water System. General Manager Jeffries announced that Attorney Talley and he will be attending the E-town City Council Work Session on January 13, 2014 concerning the conveyance of the E-Town Water System to the District. Attorney Talley highlighted certain portions of his December 16, 2013 Memorandum to the Board concerning various legal issues.

6. Financial Analysis Proposal. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to accept the proposal of Stiles Carter & Associates, PSC dated December 10, 2013 to perform the necessary financial analysis for the proposed E-Town Water System Project. Motion carried unanimously.

7. Northern Hardin County Wastewater Project. Upon recommendation by General Manager Jeffries, motion was made by Commissioner Miller and seconded by Commissioner Tabb to authorize General Manager Jeffries to revise the Project Profile for the Northern Hardin County Wastewater Project. Motion carried unanimously.

NEW BUSINESS

1. Warehouse Material Bid Authorization. Upon recommendation of Scott Clark, motion was made by Commissioner Davis and seconded by Commissioner Effinger to authorize the District Staff to advertise for bids for materials to be used by the District in 2014. Motion carried unanimously.

2. Cecilia Tank Repair Project. Upon recommendation by Shaun Youravich, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to engage the services of Wet or Dry Inspection Services to prepare bid specifications for Interior Rehabilitation of the Cecilia Tank. Motion carried unanimously.

3. WTP Roof Project. Shaun Youravich reported that the contractor has ordered the materials and plans to start the WTP Roof Replacement and Repair Project in mid-January 2014, barring inclement weather. The Project should take approximately three (3) months, depending upon weather conditions.

4. Property and Casualty Insurance. The Commissioners reviewed the insurance bid tabulations for General Liability, Automobile, Property, Casualty, Directors & Officers Liability, and miscellaneous insurance coverages. Motion was made by Commissioner Davis and seconded by Commissioner Miller to declare the bid submitted by Arch Insurance through the firm of Curneal & Hignite, Inc. in the amount of \$64,352.32 to be the best bid and to accept the bid. Motion carried unanimously. The new policy will become effective on January 1, 2014 and will expire on December 31, 2014.

5. Workers' Comp. Insurance. The Commissioners reviewed the insurance bid tabulations for Workers' Compensation Insurance. Motion was made by Commissioner Davis and seconded by Commissioner Miller to declare the bid submitted by Kentucky Employers Mutual Insurance in the amount of \$19,675.00 to be the best bid and to accept the bid. Motion carried unanimously. The new policy will become effective on January 1, 2014 and will expire on December 31, 2014.

6. City Springs WTP Chloramine Conversion. Motion was made by Commissioner Miller and seconded by Commissioner Davis to accept the proposal of Kenvirons, Inc. dated December 10, 2013 to prepare a Preliminary Engineering Report for converting the City Springs WTP from chlorine to chloramine. Motion carried unanimously.

7. Strand Engineering Fee. Motion was made by Commissioner Miller and seconded by Commissioner Davis to authorize payment of the invoice from Strand Associates, Inc. in the amount of \$39,489.00 for engineering services performed on the Northern Hardin Wastewater Project. Motion carried unanimously.

8. Election of Officers. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to elect, for a term ending on December 31, 2014, the persons shown below to the office shown opposite each person's name:

Chairman	-	Michael L. Bell
Secretary	-	Morris L. Miller
Treasurer	-	Morris L. Miller

Motion carried unanimously.

9. **Executive Session.** Motion was made by Commissioner Davis and seconded by Commissioner Effinger to go into Executive Session to discuss real property acquisition and potential litigation. Motion carried unanimously.

*** * * EXECUTIVE SESSION DISCUSSION * * ***

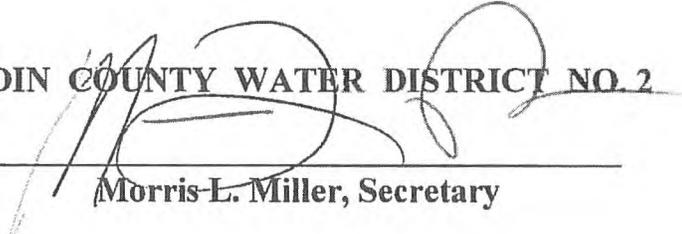
Motion was made by Commissioner Effinger and seconded by Commissioner Davis to return to open session. Motion carried unanimously. Chairman Bell announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

ADJOURNMENT

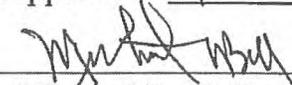
There being no further business to come before the meeting, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

BY: _____


Morris L. Miller, Secretary

Date Approved: 1-21-14

BY:  _____

Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

January 21, 2014

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on January 21, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Alan Bryan and Lindsey Bironas, of GRW Engineers, and Damon Talley. Commissioner Miller, who presided in the absence of Chairman Bell, declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the December 17, 2013 meeting were reviewed. Motion was made by Commissioner Davis and seconded by Commissioner Effinger to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of December was reviewed. Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. General Manager Jeffries presented the engineering report for both water and wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** The Commissioners reviewed the list of property owners who have not yet signed an easement for the LWC Connection Project. General Manager Jeffries reported that RD is awaiting receipt of the Environmental Review before taking action on the District's loan request.
- (2) **Colesburg Pump Station.** No report.
- (3) **Springfield Tank.** No report.
- (4) **Case Loop Pump Station.** General Manager Jeffries reported that the Case Loop Pump Station is operational. The contractor is completing the punch list items.
- (5) **Chloramine Conversion.** No report.
- (6) **E-Town System Evaluation.** Alan Bryan of GRW Engineers presented a progress report on the E-Town System Evaluation.

B. Engineering Reports – Wastewater.

- (1) **Northern Hardin County.** No report.
- (2) **Nolin River Watershed.** The Commissioners reviewed the progress of easement acquisitions.

2. Departmental Reports. General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **E-Town Water System.** General Manager Jeffries reported that Attorney Talley and he attended the E-town City Council Work Session on January 13, 2014 concerning the conveyance of the E-Town Water System to the District. Attorney Talley reported that the E-town City Council plans to have a First Reading of the proposed Water Rate Ordinance at its February 4, 2014 City Council Meeting.

2. **WTP Roof Project.** Shaun Youravich reported that the materials for the WTP Roof Replacement and Repair Project are scheduled to be delivered on February 4, 2014, barring inclement weather. The Pre-Construction Meeting took place on January 17, 2014.

3. **Warehouse Material Bid Award.** Motion was made by Commissioner Davis and seconded by Commissioner Effinger to take the following actions:

- a) To declare the best evaluated bid submitted on each bid item to be the lowest and best evaluated bid for that particular item of material;
- b) To award the bid for each particular item to the vendor submitting the lowest and best evaluated bid for that item; and
- c) To authorize General Manager Jeffries or other appropriate personnel to execute the necessary documents with the vendors which submitted the winning bids.

Motion carried unanimously.

NEW BUSINESS

1. **WTP Chemical Bid Authorization.** Motion was made by Commissioner Tabb and seconded by Commissioner Davis to authorize District Staff to advertise for bids for Water Treatment Plant chemicals to be used by the District during 2014. Motion carried unanimously.

2. **Vehicle Purchases.** The Commissioners reviewed the request of District Staff to replace unit number 2 (2005 Ford F-550 Crew Cab with utility bed) and unit number 13 (2006 Dodge Dakota with Extended Cab). Motion was made by Commissioner Tabb and seconded by Commissioner Davis to accept the

recommendation of District Staff and to authorize the purchase of two (2) new vehicles: (a) 2014 Dodge Ram 4500 with Crew Cab by utilizing the State Master Bid Contract (MA-758-1400000589) held by Freedom Dodge at a cost of \$43,803.00; and (b) 2014 Toyota Tacoma by utilizing the State Master Bid Contract (MA-758-1300000604) held by Toyota of Louisville at a cost of \$24,478.00; and to authorize the purchase of a utility bed for the 2014 Dodge Ram 4500 from Owens, Inc. at a cost of \$10,386.00. Motion carried unanimously. Upon delivery of the new vehicles, the Commissioners will take appropriate action to declare units 2 and 13 surplus property and authorize their sale.

3. Pasture Lease. Upon recommendation by Shaun Youravich, motion was made by Commissioner Tabb and seconded by Commissioner Effinger to renew the lease of a portion of the District's property at the Water Treatment Plant to Steve Meredith for the purpose of pasturing livestock for a 5-year term at an annual lease payment of \$650.00. Motion carried unanimously.

4. Uniform Bid Authorization. Motion was made by Commissioner Davis and seconded by Commissioner Effinger to authorize District Staff to prepare the bid specifications and advertise for bids for providing uniforms for District employees. Motion carried unanimously.

5. 2013 Annual Review. General Manager Jeffries presented the 2013 Operations Review. He has been invited to present the 2013 Operations Review at the January 28, 2014 Hardin Fiscal Court meeting.

6. Executive Session. Motion was made by Commissioner Davis and seconded by Commissioner Effinger to go into Executive Session to discuss real property acquisition and potential litigation. Motion carried unanimously.

*** * * EXECUTIVE SESSION DISCUSSION * * ***

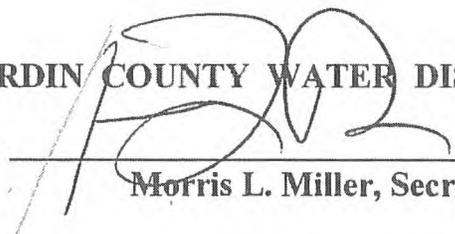
Motion was made by Commissioner Effinger and seconded by Commissioner Davis to return to open session. Motion carried unanimously. Commissioner Miller announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Tabb and seconded by Commissioner Davis to adjourn the meeting. Motion carried unanimously.

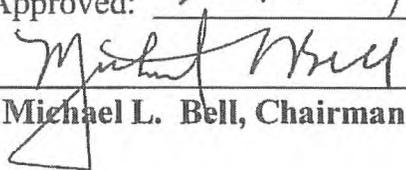
HARDIN COUNTY WATER DISTRICT NO. 2

BY: _____


Morris L. Miller, Secretary

Date Approved: 2-18-14

BY: _____


Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

February 18, 2014

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on February 18, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Carlos Miller, Vaughn Williams, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the January 21, 2014 meeting were reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of January was reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

- 1. Engineering Reports.** Carlos Miller and Vaughn Williams presented the engineering report for water. General Manager Jeffries presented the engineering report for wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** The Commissioners reviewed the list of property owners who have not yet signed an easement for the LWC Connection Project. General Manager Jeffries reported that the District would be conducting a Public Hearing on February 27, 2014 to inform the public about the LWC Connection Project.
- (2) **Springfield Tank.** Carlos Miller reported that the Springfield Tank is complete, but it has a leaking seal. The contractor will correct this issue.
- (3) **Case Loop Pump Station.** Carlos Miller reported that SCADA equipment has been installed and the Case Loop Pump Station is operating on “auto pilot” as designed. The contractor still needs to install the fence and pave the parking area once weather permits.
- (4) **Chloramine Conversion.** Vaughn Williams reported that the White Mills WTP Chloramine Conversion Project would be advertised for bids. The bid opening date is March 14, 2014.
- (5) **E-Town System Evaluation.** The Commissioners reviewed the written progress report prepared by GRW Engineers concerning the E-Town System Evaluation.

B. Engineering Reports – Wastewater.

- (1) **Northern Hardin County.** No report.
- (2) **Nolin River Watershed.** The Commissioners reviewed the progress of easement acquisitions. General Manager Jeffries outlined the proposed realignment of a wastewater line in downtown Glendale.

2. Departmental Reports. General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **E-Town Water System.** General Manager Jeffries reported that the E-town City Council adopted the proposed Water Rate Ordinance at its February 18, 2014 City Council Meeting.

2. **WTP Roof Project.** Shaun Youravich reported that the materials for the WTP Roof Replacement and Repair Project were delivered on February 4, 2014 as scheduled. Workers are on site doing preparatory work.

3. **WTP Chemical Bid Award.** The Commissioners reviewed the Water Treatment Plant (WTP) Chemical Bid Tabulation. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to take the following actions:

- a) To reject the bid of American International for Item #1 (Potassium Permanganate) because it did not meet the bid specifications;
- b) To declare the lowest bid submitted on each bid item to be the lowest and best bid for that particular chemical;
- c) To award the bid for each particular chemical to the vendor submitting the lowest bid for that chemical; and
- d) To authorize General Manager Jeffries or other appropriate personnel to execute the necessary documents with the vendors which submitted the winning bids.

Motion carried unanimously.

4. **Uniform Bid Award.** The Commissioners reviewed the Uniform Services Bid Tabulation. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to declare the bid submitted by E-Town Laundry to be the best evaluated bid and to award the contract for providing uniforms for District employees to E-Town Laundry. The initial contract will have a two-year term. Motion carried unanimously.

NEW BUSINESS

1. ID Theft Prevention Program Review. Scott Clark reported that there were no known identity theft incidents or any sensitive data breaches during 2013. District staff has conducted its annual review of the District's Identity Theft Prevention Program and recommends that no changes be made to the Program. District staff also noted that having the Identity Theft Prevention Program in place has assisted the District in collecting debts owed from prior accounts and has deterred the use of falsified lease documents by applicants for service. By consensus, the Commissioners accepted staff's recommendation and the Program will not be revised at this time.

2. Technology Purchases. Scott Clark presented District Staff's request for upgrading computer hardware and meter reading equipment. Motion was made by Commissioner Miller and seconded by Commissioner Davis to approve District Staff's request and authorize purchase of the computer hardware and meter reading equipment. Motion carried unanimously.

3. Quarry Road Line Extension Request. General Manager Jeffries presented the request by the Hart County Judge/Executive for the District to extend a water line approximately 1.5 miles along Quarry Road just south of Upton in Hart County. By consensus, the Board instructed Chairman Bell and General Manager Jeffries to schedule a meeting with Rural Development, the Hart County Judge/Executive, and District representatives.

4. Employee Relations Committee. The Commissioners reviewed the request of the Employee Relations Committee for the District to purchase a treadmill and stationary bicycle for use by employees during lunch. By consensus, the Board instructed District Staff to investigate this matter in the broader context of an Employee Wellness Program.

5. Langley Family Foundation Scholarship. Chairman Bell presented a progress report for the Burton and Barbara Langley Family Foundation Scholarship Program. The District plans to award the Scholarships at the Awards Ceremonies held by the local high schools.

6. Perimeter Plan. Commissioner Miller provided an update on the proposed Perimeter Plan for providing wastewater service in certain areas outside the current city limits of E-Town. He distributed a copy of the latest draft MOU. No action is necessary at this time.

7. **E-Town Water Staffing Plan.** General Manager Jeffries presented, for discussion only, a preliminary draft plan for staffing the E-Town Water Division once the E-Town Water System Acquisition is complete.

8. **Leak Adjustment Policy.** General Manager Jeffries presented a preliminary summary of the customers who have experienced line breaks or extremely high water usage during the extremely cold weather. He summarized the District's Leak Adjustment Policy contained in the District's Tariff. No action was necessary.

9. **Legal Invoices.** Attorney Talley presented itemized invoices for legal services rendered on behalf of the District for the Rineyville Wastewater Project, the Nolin Wastewater Project, and the LWC Interconnect Project. The Commissioners took this matter under advisement pending review of the invoices.

10. **Executive Session.** Motion was made by Commissioner Tabb and seconded by Commissioner Miller to go into Executive Session to discuss real property acquisition and potential litigation. Motion carried unanimously.

*** * * EXECUTIVE SESSION DISCUSSION * * ***

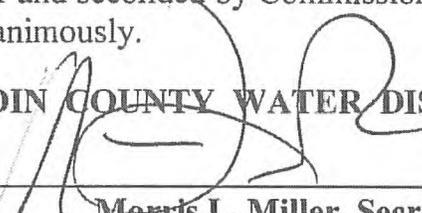
Motion was made by Commissioner Tabb and seconded by Commissioner Miller to return to open session. Motion carried unanimously. Chairman Bell announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Effinger and seconded by Commissioner Miller to adjourn the meeting. Motion carried unanimously.

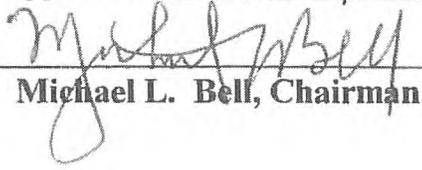
HARDIN COUNTY WATER DISTRICT NO. 2

BY: _____


Morris L. Miller, Secretary

Date Approved: 3-18-14

BY: _____


Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING
March 18, 2014**

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on March 18, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, Morris L. Miller, and Cordell Tabb. Commissioner John Effinger was absent because he underwent surgery on March 17, 2014. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Alan Bryan and Jason Hindenach of GRW Engineers, Carlos Miller, Mark Sneve, Vaughn Williams, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

Brian Woosley of Stiles, Carter & Associates, PSC and Kyle Guthrie of HDR Engineering were present.

MINUTES & FINANCIAL REPORT

The Minutes of the February 18, 2014 meeting were reviewed. Motion was made by Commissioner Davis and seconded by Commissioner Miller to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of February was reviewed. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Carlos Miller and Vaughn Williams presented the engineering report for water. General Manager Jeffries and Mark Sneve presented the engineering report for wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** General Manager Jeffries reported that the District conducted a Public Hearing on February 27, 2014 concerning the LWC Connection Project. The District has now completed all the RD Checklist requirements prior to receiving a Letter of Conditions from RD.
- (2) **Springfield Tank.** Carlos Miller reported that the leaking seal at the Springfield Tank has been replaced. The contractor plans to present a Final Adjusting Change Order for consideration by the District.
- (3) **Case Loop Pump Station.** Carlos Miller reported that the contractor still needs to install the fence and pave the parking area once weather permits.
- (4) **Chloramine Conversion.** Vaughn Williams reported that the bids for the White Mills WTP Chloramine Conversion Project were opened on March 14, 2014 (**See Old Business Item 1 for Board action**).
- (5) **E-Town System Evaluation.** Alan Bryan presented a progress report on the E-Town System Evaluation.

B. Engineering Reports – Wastewater.

- (1) **Northern Hardin County.** General Manager Jeffries presented a conceptual map of the proposed area that could potentially be served as part of the Northern Hardin County Wastewater Project. Kyle Guthrie of HDR Engineering, who has performed engineering services for District No. 1 (HCWD 1), is familiar with HCWD 1's wastewater infrastructure. He answered questions concerning interfacing this Project with HCWD 1's wastewater system. General Manager Jeffries was instructed to continue discussions with HCWD 1 and to make a recommendation concerning whether this Project should be pursued as a joint project by both Districts.

- (2) **Nolin River Watershed.** Mark Sneve presented a progress report including the proposed realignment of some of the wastewater lines. The Commissioners reviewed the progress of easement acquisitions.

2. Departmental Reports. General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. WTP Chloramine Conversion Project. The Commissioners reviewed the Bid Tabulation and Kenvirons, Inc.'s March 18, 2014 Recommendation of Award letter concerning the WTP Chloramine Conversion Project. The low bid was submitted by Herrick Company, Inc. in the amount of \$1,197,626. The engineer's original estimate was \$749,000. The engineer's estimate increased to \$1,032,000 because of design modifications. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to take the following actions: (a) to declare the bid of by Herrick Company, Inc. in the amount of \$1,197,626 to be the lowest and best bid; (b) to award the contract to Herrick Company, Inc.; (c) to authorize the Chairman to execute the Notice of Award; and (d) to authorize the Chairman to execute all other necessary contract documents to facilitate the construction of this Project. Motion carried unanimously.

The Commissioners expressed concern and alarm about the huge disparity between the engineer's original estimate and the actual bid amount. By consensus, the Commissioners instructed General Manager Jeffries to inform Kenvirons, Inc. that the engineering design fee for this Project will be based upon the RD Fee Schedule for the amount of the original estimate rather than the amount of the low bid.

2. Cecilia Tank Rehab Project. The Commissioners reviewed the Bid Tabulation prepared by Jay Hoffman with Wet or Dry Tank Inspection Services. All five (5) bids exceeded the Project Budget. Based upon the recommendation of General Manager Jeffries, motion was made by Commissioner Miller and seconded by Commissioner Tabb to take the following actions: (a) to reject all bids because they exceed the Project Budget; (b) to direct District Staff to reduce the Project scope; (c) to revise the Bid Specifications with input from Attorney Talley; and (d) to authorize District Staff to rebid the Project. Motion carried unanimously.

3. WTP Roof Project. Shaun Youravich reported that the contractor has made excellent progress on the WTP Roof Replacement and Repair Project considering the inclement weather.

4. Legal Invoices. Motion was made by Commissioner Davis and seconded by Commissioner Miller to authorize payment of the invoices submitted by Attorney Talley for the Rineyville Wastewater Project, the Nolin Wastewater Project, and the LWC Interconnect Project for legal services rendered through December 31, 2013. Motion carried unanimously.

5. E-Town Water Staffing Plan. General Manager Jeffries presented a draft plan for staffing the E-Town Water Division once the E-Town Water acquisition is complete. By consensus, the Board authorized General Manager Jeffries to hire four (4) additional employees. The Board will consider authorizing the employment of additional personnel as the acquisition process progresses.

NEW BUSINESS

1. 2013 Audit. Brian Woosley of Stiles, Carter & Associates, PSC, the accounting firm which prepared the District's Audit, presented the Audit Report for the 2013 calendar year. The Audit Report contains an unmodified ("clean") opinion. Motion was made by Commissioner Miller and seconded by Commissioner Tabb to accept the 2013 Audit Report. Motion carried unanimously.

2. E-Town Financial Analysis. Brian Woosley presented a preliminary draft of the E-Town Financial Analysis with forecasted revenues and expenses. He will update and finalize the Financial Analysis once additional information is available.

3. E-Town Acquisition Equipment Needs. General Manager Jeffries presented an itemized list of trucks, equipment, computers, workstations, and other equipment that will be needed once the E-Town Water System Acquisition is complete. Because of the long "lead-time" needed for delivery once an order is placed, some of the trucks and equipment should be ordered several months in advance. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to authorize District Staff to advertise for bids for a 2014 International Durastar Dump Truck (4400 Cab Chassis) and an Edinger 10' dump body for the Dump Truck. Motion carried unanimously.

4. **Executive Session.** Motion was made by Commissioner Tabb and seconded by Commissioner Miller to go into Executive Session to discuss real property and easement acquisitions and potential litigation. Motion carried unanimously.

***** EXECUTIVE SESSION DISCUSSION *****

Motion was made by Commissioner Davis and seconded by Commissioner Miller to return to open session. Motion carried unanimously. Chairman Bell announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Tabb and seconded by Commissioner Miller to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

BY: _____

Morris L. Miller, Secretary

Date Approved: _____

4-15-14

BY: _____

Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

April 15, 2014

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on April 15, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Carlos Miller, Vaughn Williams, Alan Bryan and Jason Hindenah. Chairman Bell declared that a quorum was present and called the meeting to order.

Chairman Bell informed the Board that neither Commissioner Effinger nor Damon Talley would be present. Commissioner Effinger was called out of town because of a family matter. Damon Talley is ill. We need to keep them in our thoughts. Chairman Bell noted that Terri Davis is doing better, and we rejoice in her recovery.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the March 18, 2014 meeting were reviewed. Motion was made by Commissioner Davis and seconded by Commissioner Miller to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of March was reviewed. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Carlos Miller and Vaughn Williams presented the engineering report for water. General Manager Jeffries presented the engineering report for wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** Carlos Miller reported on the progress of the Project and updated the Board on the funding.
- (2) **Springfield Tank.** Carlos Miller reported that the Springfield Tank is complete, but the contractor still needs to finish some yard restoration.
- (3) **Case Loop Pump Station.** Carlos Miller reported that the Project has been completed.
- (4) **Chloramine Conversion.** Vaughn Williams reported that the Notice to Proceed and the contract documents for the White Mills WTP Chloramine Conversion Project will be executed within the next few days. Vaughn Williams also stated that the report for the City Springs WTP Chloramine Conversion Project will be completed by the next Board Meeting.
- (5) **E-Town System Evaluation.** Alan Bryan from GRW Engineers presented a project progress report. The District should receive the draft final report by May 2, 2014.

B. Engineering Reports – Wastewater.

- (1) **Northern Hardin County.** General Manager Jeffries outlined the proposed amendment to the Brushy Fork Extension Project and presented Joint Resolution No: JI-2014 for Board consideration. (See Old Business, Item 1 for Board action.)
- (2) **Nolin River Watershed.** No report

2. Departmental Reports. General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **Brushy Fork Extension Project.** General Manager Jeffries outlined the proposed Brushy Fork Extension Project and presented Joint Resolution No: JI-2014 for Board approval. Hardin County Water District No. 1 (HCWD 1) has already adopted the Joint Resolution. Motion was made by Commissioner Davis and seconded by Commissioner Miller to adopt the Joint Resolution and to authorize Chairman Bell to meet with HCWD 1's Chairman to expedite the Project. Motion carried unanimously.

2. **E-Town Water Staffing Plan.** General Manager Jeffries updated the Board on the staffing plan and recommended authorization for the next hiring phase. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to authorize General Manager Jeffries to hire four (4) additional employees as outlined in the staffing plan. Motion carried unanimously.

3. **WTP Roof Replacement Project.** Shaun Youravich reported that inclement weather has slowed the WTP Roof Replacement and Repair Project. The contractor is expected to add additional crews to complete the Project on-time.

4. **E-town Equipment Acquisition Plan.** The Commissioners reviewed the Equipment Acquisition Plan. Motion was made by Commissioner Miller and seconded by Commissioner Davis to purchase Item #1 (workstations & chairs) and Item #2 (computers) as shown on the Customer Service Department equipment list. Motion carried unanimously.

5. **Cecilia Tank Rehab.** General Manager Jeffries reported on the progress of the Project.

6. **Engineering Fees.** Motion was made by Commissioner Miller and seconded by Commissioner Davis to authorize Chairman Bell to negotiate, within the parameters outlined by the Board, a resolution of the Engineering Design Fee and Inspection Fee issue for the White Mills WTP Chloramine Conversion Project. Motion carried unanimously.

NEW BUSINESS

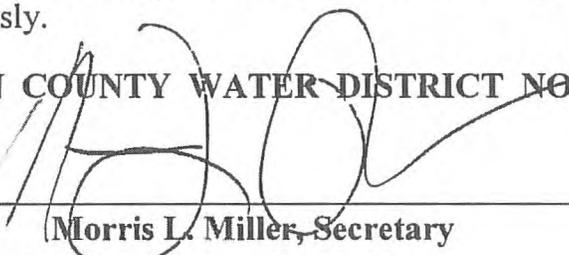
None

ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Miller and seconded by Commissioner Tabb to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

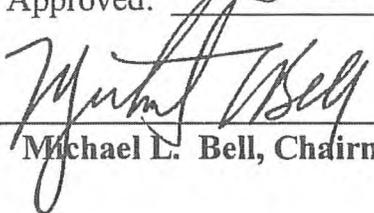
BY: _____


Morris L. Miller, Secretary

Date Approved: _____

5-20-14

BY: _____


Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

May 20, 2014

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on May 20, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Mark Sneve, Carlos Miller, Vaughn Williams, Alan Bryan, Brad Montgomery, Jay Hoffman, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the April 15, 2014 meeting were reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Davis to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of April was reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Tabb to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Carlos Miller and Vaughn Williams presented the engineering report for water. Mark Sneve presented the engineering report for wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** Carlos Miller reported on the progress of the Project. Chairman Bell reported that Rural Development has agreed to provide the funding requested by the District (**See New Business, Item 1 for Board action**).
- (2) **Springfield Tank.** Carlos Miller reported that the Springfield Tank is complete and has been placed into service. The one-year warranty period commenced on May 1, 2014. He presented a proposed Change Order for consideration by the Board (**See Old Business, Item 1 for Board action**).
- (3) **Case Loop Pump Station.** Carlos Miller reported that the Project has been completed. The one-year warranty period commenced on May 1, 2014. He presented a proposed Change Order for consideration by the Board (**See Old Business, Item 2 for Board action**).
- (4) **Chloramine Conversion – White Mills WTP.** Vaughn Williams reported that the contract documents for the White Mills WTP Chloramine Conversion Project will be executed on May 29, 2014 (**See Old Business, Item 3 for Board action**).
- (5) **Chloramine Conversion – City Springs WTP.** Vaughn Williams presented a draft Preliminary Engineering Report for the proposed City Springs WTP Chloramine Conversion Project. The Commissioners will review the draft Report.
- (6) **E-Town System Evaluation.** Alan Bryan from GRW Engineers presented the draft final E-Town Water System Asset Evaluation Report and Hydraulic Modeling Report for review and consideration by the District.

B. Engineering Reports – Wastewater.

- (1) **Brushy Fork Extension Project.** Chairman Bell reported on his recent meeting with District No. 1's Chairman to implement Joint Resolution No: J1-2014 and to expedite the Project. (**See Old Business, Item 4 for Board action.**)

- (2) **Nolin River Watershed.** Mark Sneve presented a progress report on the Nolin River Watershed Project. He discussed the need for the District to engage the services of professionals to perform additional archaeological surveys, biological surveys, and geotechnical explorations in the Project area. (See **Old Business, Item 5 for Board action.**)

2. **Departmental Reports.** General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **Springfield Tank.** The Commissioners reviewed the proposed Change Order No. 2 (Final Adjusting Change Order) which reduces the amount to be paid the contractor by the sum of \$35,078. This deduction reflects the additional engineering and construction inspection expenses incurred by the District as a result of the contractor's delay. Motion was made by Commissioner Davis and seconded by Commissioner Miller to approve the proposed Change Order No. 2 and to authorize the Chairman and the General Manager to execute Change Order No. 2. Motion carried unanimously.

The Commissioners reviewed the Application for Payment No. 16 (Final) submitted by Phoenix Fabricators & Erectors, Inc. in the amount of \$71,326.20 and the Invoice dated May 12, 2014 from Kenvirons, Inc. in the amount of \$42,913.79. Motion was made by Commissioner Davis and seconded by Commissioner Miller to approve and authorize payment of Payment No. 16 to Phoenix and the Kenvirons' Invoice. Motion carried unanimously.

2. **Case Loop Pump Station.** The Commissioners reviewed the proposed Change Order No. 2 (Final Adjusting Change Order) which increases the contract price because of additional work performed by the contractor and then reduces the contract amount because of the contractor's delay. The net result is a deduction of \$2,472.39 in the contract price. Motion was made by Commissioner Miller and seconded by Commissioner Davis to approve the proposed Change Order No. 2 and to authorize the Chairman and the General Manager to execute Change Order No. 2. Motion carried unanimously.

3. Chloramine Conversion – White Mills WTP. To facilitate the White Mills WTP Chloramine Conversion Project, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to authorize the Chairman and, in the Chairman's absence, General Manager Jeffries to execute the Notice to Proceed, Agreement, Pay Requests, and other contract documents concerning the Project (only one signature required). Motion carried unanimously.

4. Brushy Fork Extension Project. Chairman Bell and General Manager Jeffries emphasized the need to expedite the proposed Brushy Fork Extension Project. Consistent with Joint Resolution No: J1-2014, motion was made by Commissioner Davis and seconded by Commissioner Effinger to authorize General Manager Jeffries to negotiate an Engineering Services Agreement and Scope of Work with HDR Engineering, Inc. for the Brushy Fork Extension Project, subject to final review and approval by the Board. Motion carried unanimously.

5. Nolin River Watershed. Upon recommendation by Strand Associates, motion was made by Commissioner Miller and seconded by Commissioner Effinger to take the following actions: (a) to accept the proposal of Great Rivers Archaeological Services to perform additional Phase I Archaeological surveys for the sum of \$9,989.00; (b) to accept the proposal from Third Rock Consultants to perform additional Biological surveys for the sum of \$6,250.00; (c) to accept the proposal from American Engineers, Inc. to perform additional Geotechnical services for the sum of \$9,910.00; and (d) to authorize District Staff to execute the necessary documents with each firm to facilitate the performance of the proposed services. Motion carried unanimously.

6. E-Town Water Staffing Plan. General Manager Jeffries updated the Board on the staffing plan and recommended authorization for the next hiring phase, including posting the positions internally. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to authorize General Manager Jeffries to proceed with the next hiring phase. Motion carried by a vote of 3 to 1 (Commissioner Effinger voting no).

7. E-town Equipment Acquisition Plan. The Commissioners reviewed the updated Equipment Acquisition Plan. Motion was made by Commissioner Miller and seconded by Commissioner Tabb to authorize the purchase of the trucks, construction equipment, office equipment, and computer hardware as outlined in the E-Town Equipment Acquisition Plan. Motion carried by a vote of 3 to 1 (Commissioner Effinger voting no).

8. WTP Roof Replacement Project. Shaun Youravich reported that the contractor has brought in a second crew to expedite the completion of the WTP Roof Replacement and Repair Project. The Commissioners reviewed the proposed Change Order No. 1 to increase the contract price because of additional work to be performed by the contractor (removal, disposal, and replacement of existing insulation) by \$1.38 per square foot (estimated square footage of 5,300). Motion was made by Commissioner Tabb and seconded by Commissioner Effinger to approve the proposed Change Order No. 1 and to authorize District Staff to execute Change Order No. 1. Motion carried unanimously.

9. Cecilia Tank Rehab. The Commissioners reviewed the Bid Tabulations for the Cecilia Tank Rehab Project. Upon recommendation by Jay Hoffman and District Staff, motion was made by Commissioner Tabb and seconded by Commissioner Effinger to take the following actions: (a) to declare the bid submitted by Horizon Brothers in the amount of \$249,800.00 to be the lowest and best bid; (b) to award the contract to Horizon Brothers; and (c) to authorize the Chairman and, in the Chairman's absence, General Manager Jeffries to execute the Notice to Proceed, Agreement, Pay Requests, and other contract documents concerning the Project (only one signature required). Motion carried unanimously.

NEW BUSINESS

1. RD Loan. Chairman Bell announced that Rural Development (RD) recently delivered a Letter of Conditions dated May 5, 2014 which sets forth the terms and conditions whereby RD will loan the District \$5,000,000 to pay a portion of the costs for the LWC Connection Project. The interest rate will not exceed 4.125%. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to approve the standard RD Loan Forms, Resolutions, Agreements, and documents (RD Loan Documents) set forth below and to authorize the Chairman to execute the RD Loan Documents:

- A. RD 1942-46 Letter of Intent to meet Conditions
- B. RD 1940-1 Request for Obligation of Funds
- C. 442-7 Operating Budget
- D. 1480-27 Loan Resolution
- E. RD-400-4 Assurance Agreement
- F. RD-400-1 Equal Opportunity Agreement

- G. RD-1910-11 Applicant Certification Federal Collection Policies
- H. RD Instruction 1040-Q Exhibit A-1
- I. AD-1047 Certification Regarding Debarment
- J. AD-1049 Drug Free Workplace
- K. 1780-22 Certification for Commercial Credit (Water/Waste Eligibility Certificate)
- L. RD KY 1780-11A Legal Service Agreement – Local Counsel & Attachment with Damon R. Talley, PSC
- M. RD KY 1780-11B Legal Service Agreement – Bond Counsel & Attachment with Stoll Keenon Ogden, PLLC

Motion carried unanimously.

2. SCADA Upgrade. Upon recommendation of District Staff, motion was made by Commissioner Davis and seconded by Commissioner Miller to declare the bid proposal submitted by Microcomm for providing the SCADA upgrades to be the lowest and best bid and to award the SCADA contract to Microcomm in an amount not to exceed \$116,474. Motion carried unanimously.

3. Shepherdsville Road Extension Project. General Manager Jeffries explained the need to proceed with the Shepherdsville Road Waterline Extension Project. Motion was made by Commissioner Davis and seconded by Commissioner Miller to authorize Kenvirons, Inc. to submit the Plans and Specifications to DOW. Motion carried unanimously.

Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to authorize District Staff to advertise for the materials necessary to construct the Shepherdsville Road Waterline Extension Project (approximately 4,000 feet of 24-inch diameter ductile iron Class 350 pipe and fittings). Motion carried unanimously.

4. Valley Creek Water Tank. Motion was made by Commissioner Miller and seconded by Commissioner Davis to declare the 300,000 gallon Valley Creek Water Tank (standpipe) as obsolete and surplus and to accept the proposal from Iseler Demolition, Inc. to dismantle and dispose of the Valley Creek Water Tank for a sum not to exceed \$4,700.00. Motion carried unanimously.

5. **Accounting Department Computer.** Motion was made by Commissioner Miller and seconded by Commissioner Davis to authorize the purchase of an additional computer and user license for the Accounting Department as requested in Scott Clark's May 13, 2014 Memo. Motion carried unanimously.

6. **Bulldozer.** Upon recommendation of District Staff, motion was made by Commissioner Davis and seconded by Commissioner Miller to declare the bid proposal submitted by Wayne Supply for providing a used, 2011 Caterpillar Model D5K Track Bulldozer to be the lowest and best bid and to authorize the purchase of the Bulldozer for the sum of \$93,580. Motion carried unanimously.

7. **Executive Session.** Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to go into Executive Session to discuss real property and easement acquisitions and potential litigation. Motion carried unanimously.

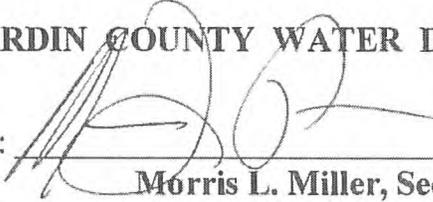
***** EXECUTIVE SESSION DISCUSSION *****

Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to return to open session. Motion carried unanimously. Chairman Bell announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

ADJOURNMENT

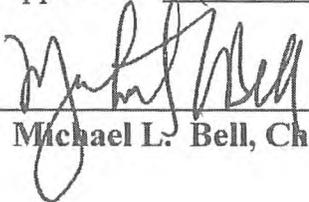
There being no further business to come before the meeting, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

BY: 

Morris L. Miller, Secretary

Date Approved: 6-17-14

BY: 

Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

June 17, 2014

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on June 17, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Mark Sneve, Brent Tippey, Vaughn Williams, and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the May 20, 2014 meeting were reviewed. Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of May was reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Davis to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Vaughn Williams presented the engineering report for water. Mark Sneve presented the engineering report for wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** Vaughn Williams reported on the progress of the Project.
- (2) **Case Loop Pump Station.** Vaughn Williams reported that the contractor would probably accept the proposed Change Order that was approved by the Board at its May 20, 2014 meeting.
- (3) **Chloramine Conversion – White Mills WTP.** Vaughn Williams reported that the contractor has commenced work on the White Mills WTP Chloramine Conversion Project.
- (4) **Chloramine Conversion – City Springs WTP.** Vaughn Williams answered questions concerning the draft Preliminary Engineering Report he presented at the May Board meeting. **(See Old Business, Item 1 for Board action).**

B. Engineering Reports – Wastewater.

- (1) **Brushy Fork Extension Project.** General Manager Jeffries reported that he has successfully negotiated an Engineering Services Agreement and a Scope of Work with HDR Engineering, Inc., subject to Board approval, pursuant to the action taken by the Board at its May 20, 2014 meeting. **(See Old Business, Item 2 for Board action.)**
- (2) **Nolin River Watershed.** Mark Sneve presented a progress report on the Nolin River Watershed Project. He summarized the activities of the firms which are conducting the additional archaeological surveys, biological surveys, and geotechnical explorations in the Project area. The CSX Railroad has acknowledged receipt of the District's Application for permission to bore under the CSX Railroad tracks as required for the Project.

2. Departmental Reports. General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. Chloramine Conversion – City Springs WTP. The Commissioners discussed various scenarios, including some of the work being performed by District personnel, for installing the recommended Chloramination Facilities at the City Springs WTP. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to take the following actions: (a) to authorize Kenvirons, Inc. to submit the Preliminary Engineering Report to DOW; (b) to authorize Kenvirons, Inc. to complete the engineering design work and prepare the plans and specifications for submittal to DOW; and (c) to accept Kenvirons, Inc.'s fee proposal of \$31,990.00 (\$45,700. x 70%) for performing these services. Motion carried unanimously.

2. Brushy Fork Extension Project. General Manager Jeffries presented the proposed Master Services Agreement (Agreement) and the specific Work Order Agreement (Task Order No. 2014-01) with HDR Engineering, Inc. for professional services for the Brushy Fork Extension Project. Motion was made by Commissioner Davis and seconded by Commissioner Effinger to take the following actions: (a) to approve the Agreement and Task Order No. 2014-01 with HDR Engineering, Inc. for the Brushy Fork Extension Project; (b) to authorize Chairman Bell to execute the Agreement; and (c) to authorize General Manager Jeffries to execute Task Order No. 2014-01. Motion carried unanimously.

3. Shepherdsville Road Extension Project. The Commissioners reviewed the Bid Tabulations for the materials for the Shepherdsville Road Waterline Extension Project. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to take the following actions: (a) to declare the bid submitted by Consolidated Pipe & Supply, Inc. in the amount of \$266,221.00 to be the lowest and best bid; (b) to award the materials contract to Consolidated Pipe & Supply, Inc.; and (c) to authorize District Staff to execute the necessary Purchase Order and other documents concerning the purchase of the materials. Motion carried unanimously.

4. E-Town Water Staffing Plan. General Manager Jeffries updated the Board on the E-Town Water Staffing Plan.

5. E-town Capital Projects. General Manager Jeffries presented, for informational purposes only, a summary of the Capital Projects recommended by GRW Engineers after acquisition of the E-Town Water System. Some of the Capital Projects can be performed by District Staff. No action was taken.

6. **WTP Roof Replacement Project.** Shaun Youravich reported that the contractor has completed the WTP Roof Replacement and Repair Project, except for punch list items. The contractor plans to return on June 23, 2014 to complete the punch list items.

7. **iCIS License Upgrade.** Upon recommendation of Scott Clark, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to accept the bid proposal submitted by Harris Computer Systems to upgrade the District's iCIS End User License as specified in the June 16, 2014 bid for the sum of \$11,800.00. Motion carried unanimously.

8. **Harris Data Conversion.** Upon recommendation of Scott Clark, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to accept the bid proposal submitted by Harris Computer Systems for conversion of customer data for approximately 10,000 E-Town customers and the performance of other services as specified in the June 16, 2014 bid for the sum of \$9,600.00. Motion carried unanimously.

NEW BUSINESS

1. **Contract Meter Reading Services RFP.** Motion was made by Commissioner Miller and seconded by Commissioner Effinger to authorize District Staff to solicit proposals for Contract Meter Reading Services (RFP) for approximately 10,000 customers currently served by E-Town. Motion carried unanimously.

2. **Executive Session.** Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to go into Executive Session to discuss real property and easement acquisitions, potential litigation, and personnel matters involving one or more specific employees. Motion carried unanimously.

* * * EXECUTIVE SESSION DISCUSSION * * *

Motion was made by Commissioner Effinger and seconded by Commissioner Tabb to return to open session. Motion carried unanimously. Chairman Bell announced that it would be necessary to take action at this time concerning some of the matters discussed during the Executive Session.

3. Wage Adjustments. Upon joint motion duly made, seconded and unanimously adopted, the Commissioners decided to take the following actions: (1) to make a COLA adjustment of \$0.37 per hour for all hourly employees; (2) to make a 3% merit matrix adjustment for hourly employees; (3) to increase the salaries of the two (2) departmental managers as recommended by General Manager Jeffries; (4) to increase the salary of General Manager Jeffries as noted in his personnel file; and (5) to make all adjustments effective with the first pay period in July. Motion carried unanimously.

4. Board Policy – Managerial & Other Positions. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to ratify and reconfirm the District’s long standing Board policy concerning the following:

- A. That sole authority for creating new positions and setting the salary range for that position is vested in the Board; and
- B. That sole authority for filling managerial (salaried) positions and setting the salary for that person is vested in the Board.

Motion carried unanimously.

5. WTP Manager. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to take the following actions: (a) to re-establish the position of Water Treatment Plant (WTP) Manager which has remained vacant since Shaun Youravich was promoted to Operations Manager several years ago; (b) to expand the job duties of WTP Manager to include all WTPs operated by the District; (c) to fill the WTP Manager position; and (d) to promote, upon the recommendation of General Manager Jeffries, Stuart Erhardt to the position of WTP Manager at the salary recommended by General Manager Jeffries. Motion carried unanimously.

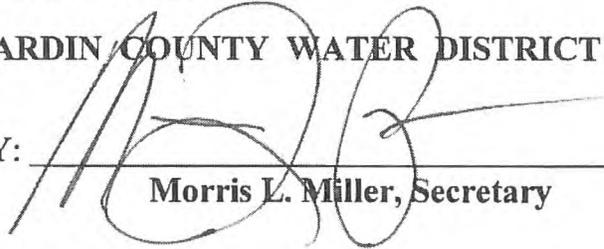
6. Crain Easement. The Commissioners reviewed the June 15, 2014 letter from Norman Crain to Damon Talley concerning the easement rights being sought from Mr. Crain by the District for construction of wastewater lines for the Nolin River Watershed Project. Motion was made by Commissioner Effinger and seconded by Commissioner Davis to take the following actions: (a) to address the concerns expressed by Mr. Crain; (b) to authorize attorney Talley to make another offer to Mr. Crain, subject to the parameters set by the Board; and (c) to give Mr. Crain a deadline of July 1, 2014 for responding to the District’s offer. Motion carried unanimously.

ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Effinger and seconded by Commissioner Tabb to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

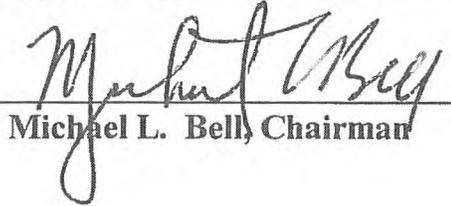
BY: _____



Morris L. Miller, Secretary

Date Approved: _____

BY: _____



Michael L. Bell, Chairman

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING**

July 15, 2014

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on July 15, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Amber Pike, Shaun Youravich, Kyle Guthrie, Carlos Miller, Damon Talley, and Brian Woosley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

ACKNOWLEDGEMENT OF THANKS

Chairman Bell read a card from the District's Front Office Team expressing their thanks and gratitude for the wage adjustments made by the Commissioners at the June 17, 2014 Board Meeting.

MINUTES & FINANCIAL REPORT

The Minutes of the June 17, 2014 meeting were reviewed. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of June was reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Davis to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Carlos Miller presented the engineering report for water. General Manager Jeffries and Kyle Guthrie presented the engineering report for wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** Carlos Miller announced that the District has received approval from DOW for the Project (both the water line installation and the pump station). Representatives of LWC plan to meet with representatives of the District in late August to discuss the Project.
- (2) **Case Loop Pump Station.** Carlos Miller reported that the contractor accepted the proposed Change Order that was approved by the Board at its May 20, 2014 meeting.
- (3) **Chloramine Conversion – White Mills WTP.** Carlos Miller reported that the contractor has commenced work on the White Mills WTP Chloramine Conversion Project.
- (4) **Chloramine Conversion – City Springs WTP.** Carlos Miller reported that the engineering design work and the plans and specifications for the City Springs WTP Chloramine Conversion Project have been completed. The documents are ready to submit to the DOW, subject to review by Elizabethtown officials. The DOW is probably going to require the District and Elizabethtown to submit a joint Application for approval of the Project.
- (5) **Shepherdsville Road Extension Project.** Shaun Youravich presented a Project progress report.

B. Engineering Reports – Wastewater.

- (1) **Brushy Fork Extension Project.** Kyle Guthrie reported that he conducted a joint meeting with representatives of both Districts No.1 & 2 to discuss the Project. His firm has prepared a preliminary lay-out of the First Phase of the Project.

(2) **Nolin River Watershed.** General Manager Jeffries presented a progress report on the Nolin River Watershed Project. The Commissioners reviewed the July 10, 2014 letter from Strand Associates, Inc. concerning additional engineering fees for realignment of the pipeline route, deletion of certain portions of the wastewater collection lines that were already designed, etc. By consensus, the Commissioners instructed General Manager Jeffries to discuss the possibility of a “flat fee” with Strand and to make a recommendation at the August Board Meeting.

2. **Departmental Reports.** General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. **E-Town Water Staffing Plan.** General Manager Jeffries updated the Board on the E-Town Water Staffing Plan.

2. **Temporary Saturday Hours.** General Manager Jeffries requested permission to staff the District’s Drive-up Window and to have a T & D crew on duty for approximately one-half (1/2) day on Saturdays for the months of October, November, and December 2014, except for Thanksgiving and Christmas weekends. The extended schedule will be temporary to facilitate a smooth transition for the Elizabethtown customers. Motion was made by Commissioner Tabb and seconded by Commissioner Davis to accept the recommendation of General Manager Jeffries and approve the extended schedule on a temporary basis. Motion carried unanimously.

3. **WTP Roof Replacement Project.** The Commissioners reviewed the July 10, 2014 letter from Abel Construction Company, Inc. requesting additional compensation for the WTP Roof Replacement Project. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to increase the contract amount by \$9,060.87, but to reject the other amounts requested by Abel. Motion carried by a vote of 3 to 1 (Commissioner Davis voting No).

4. **E-Town Financial Analysis.** Brian Woosley presented a draft Forecasted Statements of Revenues and Expenses for the Elizabethtown Division (Financial Analysis) for review by the Commissioners. No action was taken.

5. E-Town Water Acquisition. Attorney Talley reviewed the provisions of proposed Resolution 2014-07-01, which authorizes the acquisition of the Elizabethtown Water System, approves the Asset Purchase Agreement between Elizabethtown and the District, and authorizes the District Chairman to take certain actions to implement the proposed acquisition. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to adopt Resolution 2014-07-01. A copy of the Resolution is attached hereto and incorporated herein by reference. Motion carried unanimously.

6. Contract Meter Reading Services. The Commissioners reviewed the proposals submitted by the various firms for performing Contract Meter Reading Services for the approximately 10,000 customers currently being served by Elizabethtown. Motion was made by Commissioner Tabb and seconded by Commissioner Miller to take the following actions: (1) to declare the Contract Meter Reading Services proposal submitted by Tru-Check, Inc. to be the lowest and best proposal; (2) to accept Tru-Check, Inc.'s Option C, contingent upon approval of the Agreement by Elizabethtown; and (3) to authorize District Staff to execute the necessary contract with Tru-Check, Inc. Motion carried unanimously.

NEW BUSINESS

1. Authorization to Bid Valve Insertion Equipment. Upon recommendation by Shaun Youravich, motion was made by Commissioner Davis and seconded by Commissioner Effinger to authorize District Staff to advertise for bids for valve insertion equipment. Motion carried unanimously.

2. KRWA Voting Delegate. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to designate Commissioner Bell as the District's voting delegate and Commissioner Miller as the alternate voting delegate to the KRWA Annual Business Meeting to be held in Louisville on August 19, 2014. Motion carried unanimously.

3. Hydrant Meter Policy. Upon recommendation of District Staff, motion was made by Commissioner Davis and seconded by Commissioner Tabb to adopt the proposed Hydrant Meter Policy and approve the proposed Fire Hydrant Meter User Agreement. Motion carried unanimously.

4. Kentucky High School Basketball Hall of Fame. General Manager Jeffries presented a request from the Kentucky High School Basketball Hall of Fame for a donation. Attorney Talley explained the legal reasons why the PSC and the Attorney General's office prohibit such donations. Upon advice of counsel, the Commissioners declined to make a donation.

5. Langley Family Foundation Scholarship. Chairman Bell discussed the proposed donation from the Burton and Barbara Langley Family Foundation (Langley Foundation) to the District for awarding scholarships. Motion was made by Commissioner Davis and seconded by Commissioner Tabb to take the following actions: (1) to accept the donation subject to the conditions previously agreed upon; (2) to designate the Cecilia Bank as the official depository for the Langley Foundation Scholarship funds; (3) to authorize Commissioners Bell and Miller to withdraw funds from the account; and (4) to require only one (1) signature on a check. Motion carried unanimously.

Chairman Bell reiterated that the Langley Foundation Scholarship funds will **not** be co-mingled with District funds. Also, all expenses associated with administering and awarding the Langley Foundation Scholarships will be paid from this special account funded by donations from the Langley Foundation.

6. Executive Session. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to go into Executive Session to discuss real property and easement acquisitions and potential litigation. Motion carried unanimously.

*** * * EXECUTIVE SESSION DISCUSSION * * ***

Motion was made by Commissioner Miller and seconded by Commissioner Effinger to return to open session. Motion carried unanimously. Chairman Bell announced that it would be necessary to take action at this time concerning some of the matters discussed during the Executive Session.

**MINUTES OF THE
HARDIN COUNTY WATER DISTRICT NO. 2
BOARD OF COMMISSIONERS' MEETING
August 19, 2014**

The Board of Commissioners of Hardin County Water District No. 2 held its regular monthly meeting on August 19, 2014 at 5:00 p.m. at the Reesor Customer Service Center, 360 Ring Road, Elizabethtown, Kentucky. Present were Commissioners Mike Bell, Tim Davis, John Effinger, Morris L. Miller, and Cordell Tabb. Also present were General Manager James R. Jeffries, Scott Clark, Shaun Youravich, Carlos Miller, Mark Sneve, Vaughn Williams and Damon Talley. Chairman Bell declared that a quorum was present and called the meeting to order.

VISITORS

No visitors were present.

MINUTES & FINANCIAL REPORT

The Minutes of the July 15, 2014 meeting were reviewed. Motion was made by Commissioner Miller and seconded by Commissioner Davis to approve the Minutes as prepared. Motion carried unanimously.

The Financial Report for the month of July was reviewed. Motion was made by Commissioner Effinger and seconded by Commissioner Miller to accept the Financial Report as presented and to authorize payment of the bills that are due and payable at this time. Motion carried unanimously. The Commissioners also reviewed the status of the District's various investment accounts and the long-term debt payment requirements.

REPORTS

1. Engineering Reports. Carlos Miller and Vaughn Williams presented the engineering report for water. Mark Sneve presented the engineering report for wastewater.

A. Engineering Reports - Water.

- (1) **LWC Connection.** Carlos Miller presented a status report concerning LWC's timetable for constructing the infrastructure necessary to supply water to the District. Representatives of LWC plan to meet with representatives of the District on August 21, 2014 to discuss the Project.
- (2) **Chloramine Conversion – White Mills WTP.** Vaughn Williams presented a status report on the construction and installation of the White Mills WTP Chloramine Conversion Project.
- (3) **Chloramine Conversion – City Springs WTP.** Vaughn Williams reported that the Preliminary Engineering Report and other necessary documents for the City Springs WTP Chloramine Conversion Project have been submitted to the DOW. Elizabethtown and the District submitted a joint Application for approval of the Project as required by DOW.

B. Engineering Reports – Wastewater.

- (1) **Brushy Fork Extension Project.** No report.
- (2) **Nolin River Watershed.** Mark Sneve presented a progress report on the Nolin River Watershed Project. The Kentucky Heritage Council (KHC) is still reviewing the Phase I Archaeological Survey Report. It may be necessary to have a face-to-face meeting with KHC Staff to expedite the approval process.

2. Departmental Reports. General Manager Jeffries presented the Departmental Reports.

OLD BUSINESS

1. Engineering Fees. The Commissioners reviewed the July 10, 2014 letter from Strand Associates, Inc. and the additional documentation provided by Strand concerning its request for additional engineering fees caused by the realignment of the pipeline route, deletion of certain portions of the wastewater collection lines that were already designed, etc. Motion was made by Commissioner Miller and seconded by Commissioner Tabb to compensate Strand an additional sum of \$268,691, as itemized and documented by Strand, contingent upon attorney Talley's legal review of the Engineering Agreement with Strand. Motion carried by a vote of 3 – 0 with Commissioner Davis abstaining.

By consensus, the Board instructed Mark Sneve to determine whether Strand is interested in converting its fee schedule from a "Cost of Construction" to a "Fixed Fee" for the Nolin Wastewater Project. If so, Strand should present a proposal to the Board at the September meeting.

2. E-Town Water Acquisition. General Manager Jeffries and attorney Talley reported on the status of the Elizabethtown Water System Acquisition. On July 28, 2014, the Elizabethtown City Council enacted an Ordinance authorizing the sale of its Water System Assets to the District and approving the Asset Purchase Agreement. Attorney Talley stated that the PSC Application seeking authorization for the District to execute the \$8,000,000. Promissory Note in favor of Elizabethtown for the purpose of acquiring Elizabethtown's Water System Assets and approving the proposed Elizabethtown Rate Transition Plan set forth in the Agreement was filed with the PSC on August 15, 2014. He anticipates PSC Approval by mid-October, 2014.

3. E-Town Water Staffing Plan. General Manager Jeffries updated the Board on the E-Town Water Staffing Plan. By consensus, the Board authorized the General Manager to proceed with implementing the proposed E-Town Staffing Plan.

2. Valve Insertion Equipment. The Commissioners reviewed the Bid Tabulation for the Valve Insertion Equipment. Motion was made by Commissioner Tabb and seconded by Commissioner Miller to take the following actions:

- a) To reject the bid of Hydra Stop because it did not meet the bid specifications;
- b) To declare the bid submitted by AVT in the amount of \$111,453.33 to be the lowest and best bid;
- c) To award the contract to AVT; and
- d) To authorize General Manager Jeffries to execute the necessary documents with AVT.

Motion carried unanimously.

4. Langley Family Foundation Scholarship. Chairman Bell announced that the District has awarded 21 scholarships for \$1,000 each with funds made available by the generous donation from the Burton and Barbara Langley Family Foundation to the District. To comply with IRS regulations, the checks for the scholarships were mailed directly to the institutions of higher learning where the scholarship recipients are enrolled. Chairman Bell ordered that a list of the Langley Scholarship Recipients be attached to and made a part of the Minutes.

NEW BUSINESS

1. Sprint Cell Lease. General Manager Jeffries reviewed the request submitted by the engineering firm for Sprint to install additional cellular antennas on the Cecilia Water Tank. By consensus, the Board authorized General Manager Jeffries to seek additional compensation from Sprint and if possible, to reach a tentative agreement with Sprint, subject to final approval by the Board.

2. Employee Benefits Policy Review. Motion was made by Commissioner Tabb and seconded by Commissioner Miller to approve the proposed changes to Policy 003 Employee Benefits. Motion carried unanimously. A copy of the revised Policy 003 is attached hereto and incorporated herein by reference.

3. **Annexation of E-Town Water Service Area.** Attorney Talley reminded the Commissioners that it will be necessary for the District to file a Petition with the Hardin County Judge/Executive seeking an Order annexing the Elizabethtown Water Service Area to the District's Territorial Boundaries. Motion was made by Commissioner Miller and seconded by Commissioner Effinger to authorize Chairman Bell to file the necessary Petition. Motion carried unanimously.

4. **Executive Session.** Motion was made by Commissioner Effinger and seconded by Commissioner Miller to go into Executive Session to discuss real property and easement acquisitions, pending litigation, and potential litigation. Motion carried unanimously.

*** * * EXECUTIVE SESSION DISCUSSION * * ***

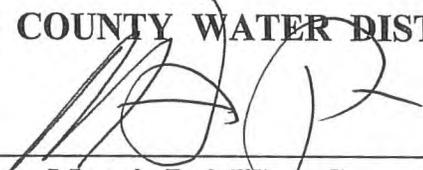
Motion was made by Commissioner Miller and seconded by Commissioner Effinger to return to open session. Motion carried unanimously. Chairman Bell announced that it would not be necessary to take any action at this time concerning the matters discussed during the Executive Session.

ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Davis and seconded by Commissioner Effinger to adjourn the meeting. Motion carried unanimously.

HARDIN COUNTY WATER DISTRICT NO. 2

BY: _____


Morris L. Miller, Secretary

Date Approved: _____

9-16-14

BY: _____


Michael L. Bell, Chairman

18. Provide copies of all correspondence, memoranda, electronic mail messages, and any other documents in which an Elizabethtown official or Elizabethtown agents discuss the sale of the Elizabethtown's water assets.

RESPONSE: Copies of all relevant correspondence, memoranda, emails, and other documents of Elizabethtown are attached. Elizabethtown officials will continue to diligently search its business records for other relevant documents. If any additional documents are discovered, they will be provided to the Commission.

WITNESS: Charles Bryant, Executive Assistant, City of Elizabethtown

COUNCIL
WILLIAM R. BENNETT
EDNA B. BERGER
TONY BISHOP
MARTY E. FULKERSON
KENNY LEWIS
RONALD B. THOMAS



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Web Site: www.etownky.org

CITY OF ELIZABETHTOWN

TIM C. WALKER, MAYOR

ELIZABETHTOWN CITY COUNCIL WORK SESSION AGENDA MARCH 25, 2013

- I. Invocation - Council Member Marty Fulkerson
- II. Pledge to the Flag
- III. Water System Operation - Chloramines - Scott Fiepke, Brent Tippey, HDR
- IV. Waiver Construction Fees - Clarity Solutions for Women
- V. City Council Meeting - April 1st - Cancelled

Please turn off all cell phones.



**ELIZABETHTOWN CITY COUNCIL
WORK SESSION MINUTES
MARCH 25, 2013**

PRESENT: Mayor Tim Walker, Bill Bennett, Edna Berger, Tony Bishop, Marty Fulkerson, Kenny Lewis and Ron Thomas

- I. **INVOCATION:** Invocation was given by Council Member Marty Fulkerson.
- II. **PLEDGE TO THE FLAG:** Mayor Walker led in the pledge to the flag.
- III. **WATER SYSTEM OPERATION - CHLORAMINES:** Scott Fiepke, Water/Wastewater Engineer; Brent Tippey, HDR; Matt Kusnir, HDR; James Jeffries, Water District #2 discussed possible water system operational changes. Hardin County Water District #2 is in the process of changing to chloramine. They discussed the advantages, disadvantages, and alternatives.
- IV. **WAIVE CONSTRUCTION FEES:** Mayor Walker stated that the City received a letter from Clarity Solutions for Women requested that the construction fees for the remodel of 105 E. Memorial Drive. The Council indicated to waive the fees. This item will be considered at the next regular meeting.
- V. **CITY COUNCIL MEETING:** Mayor Walker announced that the City Council Meeting scheduled for April 1st is cancelled.

Meeting adjourned at 5:15 p.m.

Water System Operational Changes
Discussion

Introductions (Scott Fiepke)

- HDR
- Water District 2

Chloramine Chemistry

- HDR Technical Memorandum

Chloramine Disinfection

Advantages

- Reduced chlorinated disinfection by-products (DBPs)
- Stable disinfectant residual
- Improved taste and odor
- Available source of treated water – Hardin County Water District #2

Disadvantages

- Weak disinfectant
- Nitrification
- Difficult to remove from water
- Complex blending
- Increased disinfection complexity
- Lack of staff experience

Water Treatment Plant Capacity And Customer Water Use

- City Plants have a combined rated capacity of 6.0 MGD
- Daily average water purchased from District #2 is 1.1 MG. (Maximum was 1.9 MG)
- Average water demand in 2012 was 4.6 MGD
- Maximum daily demand was 5.9 MG

District 2 Information

Decision Process

- Supply studies
- Chloramine studies
- Louisville Water Contract
- Elizabethtown Contract

Proposed Schedule

- Spring 2015, complete WTP chloramine conversion
- Summer 2015, begin chloramine treated water production
- January 1, 2016, date certain beginning of LWC Contract
- Summer 2016, LWC flows to meet peak demands
- City decision needed by July 2013

City Water Rates

- Recent increases
- Capital improvements needed depends upon alternative chosen for operation
- Automated meter reading

Alternatives

1. Convert the City Plants to chloramines
 - Capital Cost (est. \$506,000)
 - Increased disinfection O&M costs
 - Operational complexity
 - Staff has no operational experience
 - Increased distribution system O & M costs
 - Health effects of Chloramine DBPs unknown
2. Convert purchased water from chloramines to free chlorine
 - DBPs (disinfection by-products)
 - Safety (of interconnect sites)
 - Capital Cost (\$125,000 per interconnect site)
 - Increased disinfection O&M costs
3. Discontinue water purchases from District #2
 - Develop additional raw water source(s)
 - Add additional treatment capacity
 - Add elevated water storage
 - Address certified operator situation
4. Certain sections of the system could be isolated to be supplied by District #2 but operated by the City
 - Contract cost for water unknown from District #2 for that quantity
 - Contract guarantee for District #2 to supply water in those areas needed
 - Blending of water containing different disinfectants may cause water quality issues
 - Will require work on system (lines, valves, possibly water tanks)
 - Reduced Operational Flexibilities
5. Get out of the water business
 - Sale, lease, contract for operation

Hardin County Water District No. 2

360 Ring Road • P.O. Box 970 • Elizabethtown, KY 42702
Telephone (270) 737-1056 • Fax (270) 737-2301 • www.hardincountywater2.org
Board of Commissioners: Mike Bell, Cordell Tabb, John Effinger, Morris Miller, Tim Davis
General Manager: James Jeffries

May 24, 2013

Honorable Tim Walker, Mayor
City of Elizabethtown
PO Box 550
200 West Dixie Avenue
Elizabethtown, KY 42701

RE: Continued Water Purchase Agreement Offer

Dear Mayor Walker,

The current water purchase agreement between the District and the City will conclude its second renewal term on September 30 of this year. In advance of this date, we would like to offer our continued services to provide wholesale water to Elizabethtown and provide some information to aid in your decision making process.

Renewal Rate:

The volumetric price for water is calculated by a formula that is approved by the Public Service Commission. It takes into consideration the infrastructure used by the District to deliver the water, the day-to-day expenses the District experiences to produce and pump the water, the minimum daily volume used by the City, the maximum production capacity reserved for the City, and the reserved storage space in our Cecilia and Pear Orchard tanks for the City.

We have four connections under the terms of this formula and the City currently commits to a minimum volume of 1.1 million gallons per day. Also, the District reserves 0.5 million gallons of space in our tanks and 1.5 million gallons per day of our production capacity for the City.

In the event that the City maintains their reserve and minimum commitments, the formula will produce a volumetric price of \$2.2935 per 1000 gallons based on our 2012 financial audit. This price will become effective on October 1, 2013. In the event that the City would like to vary the reserve and minimum levels, we can calculate the new rate accordingly.

Your Water Professionals
An Equal Opportunity Provider and Employer

Contract Term:

As you are aware, the District has elected to convert our secondary disinfectant method from a free chlorine process to a chloramine process. While the blending of these two methods in the distribution system does not create any concerns for public health, extended contact time between the two waters create other problems including taste and odor issues. As such, it is our understanding that the Kentucky Division of Water will not allow the continued blending of these two disinfectant methods on a day-to-day basis.

The time frame in which the District intends to make this change is during the winter beginning December, 2014. The District is contractually obligated to purchase water from Louisville Water Company in the summer of 2016.

Under these restrictions, the District can offer a 15 month commitment for a water purchase agreement renewal. Given that the City will make a decision on the disinfectant issue in the best interest of the citizens of Elizabethtown, the District will defer to these decisions and make arrangements for a different water purchase agreement, if any, beginning January 1, 2015.

It has been a pleasure to serve the citizens of Elizabethtown for these past 12 years. We offer our continued support for any services in the future that will mutually benefit our common customer bases. Please do not hesitate to contact any staff member to assist you in any way and we look forward to your consideration of this offer.

Sincerely,



Michael L. Bell
Chairman

Cc: Charlie Bryant
D. Dee Shaw
Damon R. Talley
James R. Jeffries

Attachments: Rate Calculation

Methodology of Calculating Wholesale Water Rate to Elizabethtown

I. General Philosophy

- A. Elizabethtown shall share a pro-rated portion of the Districts' Operation and Maintenance Costs as follows:
 - 1. Water Treatment Plant Costs shall be shared on a pro-rated basis with adjustments for Line Loss
 - 2. Transmission and Distribution Costs shall be shared on a pro-rated usage basis with adjustment based on inch-miles proportion, i.e. inch miles of pipe line utilized by E-town versus total inch-miles of District system.
 - 3. Administrative General Costs shall be shared on a pro-rated usage basis with a 33.33% multiplier.
 - 4. Electrical pumping Costs at Cecilia Pump Station based on pro-rated usage basis.
- B. Elizabethtown shall share a pro-rated portion of the Districts' Debt Service (including coverage) and Depreciation based on portion of system reserved for Elizabethtown as compared to total capacity.
- C. Elizabethtown does not share any of the Districts' customer service costs such as meter reading, billing, and customer service representatives.
- D. Elizabethtown does not share any of the Districts Debt Service (plus coverage) or Depreciation for Capital projects not utilized by Elizabethtown.

II. Definitions, Factors, Ratios, and Techniques

- A. The District Annual Report submitted to the Public Service Commission delineates (or shall be modified to delineate) the following:
 - 1. Water Treatment Expenses - Includes payroll and benefit costs of staff working only on water treatment plus chemicals, electricity, and various expenses at water treatment plant (T&P).
 - 2. Transmission and Distribution Expenses - Includes cost of staff and various expenses specifically related to T&D.
 - 3. Administrative and General Expenses - Includes staff and miscellaneous expenses specifically related to overall management, accounting, purchasing, personnel, and computer services and excludes customer service.
 - 4. Total Water Produced and Purchased.
 - 5. Total Water Sold
 - 6. Percent of Line Loss relative to water produced and purchased. Typically \pm 14%.

B. Debt Service and Depreciation Costs are as follows:

1. Debt Service (including 20% Coverage)		
Water Treatment Plant (existing).....	\$	331,058 per year
24" Pipe	\$	556,148 per year
Cecilia and Pear Orchard Tanks (including Telemetry)	\$	200,152 per year
Cecilia Pump Station (original)	\$	18,968 per year
Water Treatment Plant (expansion)	\$	625,886 per year
Cecilia Pump Station (upgrade)	\$	2,685 per year
Pear Orchard Loop to Loctust Grove	\$	294,585 per year
2. Depreciation		
Water Treatment Plant (existing)	\$	75,291
24" Pipe	\$	108,849
Cecilia and Pear Orchard Tanks (includes Telemetry)	\$	36,314
Cecilia Pump Station (original)	\$	7,846
Water Treatment Plant (expansion)	\$	107,550
Cecilia Pump Station (upgrade)	\$	665
Pear Orchard Loop to Loctust Grove	\$	58,917

Exhibit 1

C. Pro-rata Usage Factor = $\frac{\text{Amount of Water Sold to E-town}}{\text{Total Water Sold (Includes E-town)}}$ = 0.2557
(PRUF)

D. Water Treatment Capacity Factor = $\frac{\text{Capacity reserved for E-town}}{\text{Total Capacity of Treatment Plant}}$ = 0.1852
(WTPCF)
Note: 8.1 mgd equals capacity of plant

E. Tank/Telemetry Capacity Factor = $\frac{\text{Tank Capacity Reserved - E-Town}}{\text{Total Capacity of Cecilia/Pear Orchard Tanks}}$ = 0.25
(T&T CF)

Note: 2.0 mg equals capacity of Cecilia and Pear Orchard Tanks; 0.5 is reserved for E-town

F. 24" Line Capacity Factor = $\frac{\text{Capacity reserved for E-town}}{\text{Total Line Capacity}}$ = 0.1852
(24" LCF)

Note: Assume 24" capacity equals 8.1 mgd

G. Cecilia Pump Station Factor = $\frac{\text{Capacity reserved for E-town}}{\text{Total Capacity of Pump Station}}$ = 0.1852
(PSCF)
Note: Total capacity of station is 8.1 mgd

H. Inch Mile Ratio - The inch mile ratio is used to adjust E-town's T&D costs and to adjust for Line Loss.

Inch Mile Ratio = $\frac{\text{Inch mile of pipeline jointly used by E-town}}{\text{Total inch miles of system}}$ = 0.1293
(IMR)

Exhibit 2

I. Adjustment for Line Loss and Plant Use - This procedure provides a Water Production Multiplier (WPM) for the District and E-town which in effect calculates the amount of water produced to sell a given amount. Included in the adjustment is water used in the plant. The Multiplier is determined by adding Line Loss and Plant Use and on a mathematically calculating multiplier. For E-town, Line Loss is allocated based on the Inch Mile Ratio.

Line Loss = LL (expressed as decimal)		Exhibit 1	
Plant Use = PU (expressed as decimal)		Exhibit 1	
Inch Mile ratio = IMR			
District WPM =	$\frac{1}{1 - (LL+PU)}$	=	1.3893
E-town WPM =	$\frac{1}{1 - (LL \times IMR + PU)}$	=	1.1596

J. Treatment Cost Allocation Factor (TCAF) is determined as follows:

TCAF = PRUF x	$\frac{\text{E-town WPM}}{\text{District WPM}}$	=	0.2135
---------------	---	---	--------

K. Transmission and Distribution Cost Allocation Factor (TDCAF) is determined as follows:

TDCAF = PRUF x IMR	=	0.0331
--------------------	---	--------

L. Administrative and General Cost Allocation Factor (AGCAF) is determined as follows:

AGCAF = PRUF x 0.3333	=	0.0852
-----------------------	---	--------

M. Cecilia Pump Station Cost Allocation Factor (PSCAF) is determined as follows:

PSCAF =	$\frac{\text{Amount of Water Sold to E-town}}{\text{Total Water Pumped as Pump Station}}$	=	0.4242
---------	---	---	--------

Note: The PSCAF is to allocate electrical costs at Cecilia pump station. No multipliers are used since they would be the same.

III. Rate Calculation Technique

Elizabethtown Cost of Service is the summation of the following:

a.	Water Treatment Plant Cost x TCAF			\$	279,254
	\$ 1,308,205	x	0.2135		
b.	Transmission and Distribution Cost x TDCAF			\$	55,619
	\$ 1,682,673	x	0.0331		
c.	Administrative and General Cost x AGCAF			\$	57,769
	\$ 677,757	x	0.0852		
d.	Electrical Cost Cecilia Pump Station x PSCAF			\$	63,805
	\$ 150,410	x	0.4242		
e.	Total WTP Debt Service x WTPCF			\$	177,212
	\$ 956,944	x	0.1852		
f.	Tank and Telemetry Debt Service x T&T CF			\$	50,038
	\$ 200,152	x	0.2500		
g.	24" Line Debt Service x 24" LCF			\$	157,543
	\$ 850,733	x	0.1852		
h.	Cecilia Pump Station Debt Service x PSCF			\$	4,010
	\$ 21,653	x	0.1852		
i.	Total WTP Funded Depreciation x WTPCF			\$	33,859
	\$ 182,841	x	0.1852		
j.	Tank and Telemetry Funded Depreciation x T&T CF			\$	9,079
	\$ 36,314	x	0.2500		
k.	24" Line Funded Depreciation x 24" LCF			\$	31,068
	\$ 167,766	x	0.1852		
l.	Cecilia Pump Station Funded Depreciation x PSCAF			\$	1,576
	\$ 8,511	x	0.1852		
	Total Elizabethtown Cost of Service			\$	920,831

The Elizabthtown Rate is:

$$\frac{\text{Elizabethtown Cost of Service}}{\text{Elizabethtown Purchase Amount}}$$

The Elizabthtown Rate is:

$$\frac{\$ 920,831}{401,500,000} = \boxed{\$ 2.2935}$$

Exhibit 1 Total Water Sold and Used and Lost

Per PSC Report dated December 31, 2012, pg 58 of 71

2012 Retail water sold to District customers	1,140,062,000
2012 Fire Department Usage	1,848,000
2012 Other Uses (Shop Use, Plant Use, Testing)	26,582,000
Total HCWD#2 Water	<u>1,168,492,000</u> gal

Elizabethtown Water

Daily Usage: 1.10 million gallons per day minimum

Daily Usage Reserve: 1.50 million gallons per day capacity reserved

Yearly: 401,500,000 gal

Total Water Sold 1,569,992,000 gal

$$\text{PRUF} = \frac{401,500,000}{1,569,992,000} = 0.2557$$

Per PSC Report dated December 31, 2012, pg 58 of 71

2012 Plant Use	215,312,748
2012 Raw Water Treated	1,848,272,000

$$\text{PU} = \frac{215,312,748}{1,848,272,000} = 0.1165$$

Per PSC Report dated December 31, 2012, pg 58 of 71

2012 Water Flushed and New Mains	28,430,000
2012 Unaccounted Leaks	274,124,000
Total Losses	<u>302,554,000</u>

$$\text{LL} = \frac{302,554,000}{1,848,272,000} = 0.1637$$

Exhibit 2 Inch Mile Ratio

Ring Road Interconnect

Size	Linear Feet	Miles	IMR
12	11157.34	2.113	25.358
24	68626.79	12.997	311.940
		Total	337.298

Pear Orchard Interconnect

Size	Linear Feet	Miles	IMR
8	2369.65	0.449	3.590
10	16.15	0.003	0.031
12	28.82	0.005	0.066
24	23463.92	4.444	106.654
		Total	110.341

Buffalo Creek Interconnect

Size	Linear Feet	Miles	IMR
8	85.75	0.016	0.130
20	7891.12	1.495	29.891
24	19807.16	3.751	90.033
		Total	120.053

Locust Grove Road Interconnect

Size	Linear Feet	Miles	IMR
10	85.35	0.016	0.162
20	13735.27	2.601	52.028
24	13991.08	2.650	63.596
		Total	115.785

Total E-town Inch Miles: 683.476

Total HCWD#2 Inch Miles: 5288.0

$$\text{IMR} = \frac{683.476}{5288.0} = 0.1293$$

Exhibit 3 Cecilia Pump Station Electrical Cost

Average Monthly Electrical Cost:	\$	12,534.17
Yearly Cost:	\$	150,410.00
2012 Cecilia Pump Station Gallons Pumped		1,271,693,520
2012 Etown Water Sold		406,571,000
2012 Etown Percentage		31.97%
2012 Etown Cost	\$	48,087.33
2012 Etown Cost/1000 gal	\$	0.1183

Exhibit 4 Plant Treatment Costs

Per PSC Report dated December 31, 2012, pg 50 of 71

Salaries	\$	449,330.00
Benefits	\$	180,775.00
Purchased Water	\$	2,497.00
Purchased Power	\$	272,102.00
Chemicals	\$	289,501.00
Materials and Supplies	\$	66,811.00
Contract Services	\$	33,706.00
Ins. Workers Comp.	\$	2,494.00
Miscellaneous Expenses	\$	10,989.00
Treatment Cost for Water	\$	1,308,205.00

Exhibit 5 Transmission and Distribution Costs

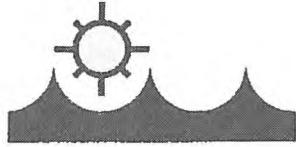
Per PSC Report dated December 31, 2012, pg 50 of 71

Salaries	\$	737,437.00
Benefits	\$	334,971.00
Purchased Power	\$	150,410.00
Chemicals	\$	-
Materials and Supplies	\$	82,033.00
Contract Services	\$	131,198.00
Transportation Expenses	\$	197,721.00
Ins. Workers Comp.	\$	5,311.00
Miscellaneous Expenses	\$	43,592.00
Transmission Cost for Water	\$	1,682,673.00

Exhibit 6 2012 Administration and General Costs

Per PSC Report dated December 31, 2012, pg 50 of 71

Salaries - Administration	\$	292,734.00
Salaries - Commissioners	\$	30,250.00
Benefits - Administration	\$	88,653.73
Benefits - Commissioners	\$	55,275.27
Ins. Workers Comp. - Admin.	\$	1,517.18
Ins. Workers Comp. - Comm.	\$	1,354.82
Contractual Services - Legal	\$	6,000.00
Contractual Services - Acct	\$	12,500.00
Contractual Services - Admin.	\$	21,522.00
Rental of Equipment	\$	636.00
Insurance - Vehicle	\$	14,832.00
Insurance - General Liability	\$	47,853.00
Materials & Supplies - Admin.	\$	31,606.00
Advertising Expense	\$	1,590.00
Miscellaneous Expense - Admin	\$	71,433.00
Total Costs:	\$	677,757.00



Hardin County Water District No. 2

360 Ring Road • P.O. Box 970 • Elizabethtown, KY 42702

Telephone (270) 737-1056 • Fax (270) 737-2301 • www.hardincountywater2.org

Board of Commissioners: Mike Bell, Cordell Tabb, John Effinger, Morris Miller, Tim Davis

General Manager: James Jeffries

June 3, 2013

Honorable Tim Walker, Mayor
City of Elizabethtown
PO Box 550
200 West Dixie Avenue
Elizabethtown, KY 42701

RE: Purchase of Water Works Offer

Dear Mayor Walker,

Our District has made the decision to change our secondary disinfectant method to a chloramine process in order to be compatible with future water purchased from Louisville Water Company. We understand that this action has placed the City of Elizabethtown in a position in which changes must take place in your system. We sincerely regret this position and will do all we can to assist the City moving forward.

Hardin County Water District No. 2 would like to propose an arrangement to purchase the public drinking water system of the City of Elizabethtown. While the terms of this arrangement would be negotiable and fully detailed in a purchase contract, we would like to offer the following as a general framework for the agreement:

- **Consideration:** The District will make payments to the City in the amount of four hundred thousand dollars (\$400,000.00) annually for a period of twenty (20) years totaling eight million dollars (\$8,000,000.00).
- **Assets:** The District would acquire all the real estate, infrastructure, and inventory assets of the water system, except for the Freeman Lake Water Treatment Plant.
- **Customers:** The District would acquire the City drinking water customer base.

Your Water Professionals

An Equal Opportunity Provider and Employer

- **Investments:** The District will pledge to invest approximately three million dollars (\$3,000,000.00) in improvements to the water system for water treatment plant chloramine conversion and customer metering upgrades.
- **Water Rates:** The District will petition the Public Service Commission for a 5 year transition period that would gradually move the current City water rates to the PSC approved District water rates for affected customers.
- **Employees:** The District will offer employment to the City Springs Water Treatment Plant employees who voluntarily accept a transfer to District employment.

We propose that a focus group be formed with representatives from the City Council, District Board of Commissioners, legal counsel, and other staff members to thoroughly discuss the general terms of this proposal.

It remains our pleasure to serve and assist the City of Elizabethtown in the public drinking water arena. Please do not hesitate to contact me or any member of the District staff for any reason.

Sincerely,



Michael L. Bell
Chairman

Cc: Charlie Bryant
D. Dee Shaw
Damon R. Talley
James R. Jeffries

EDNA B. BERGER
MAYOR



200 West Dixie Avenue
P. O. Box 550
Elizabethtown, KY 42702
(270) 765-6121
Fax: (270) 737-5362
Website: www.ETOWNKY.ORG

CITY OF ELIZABETHTOWN

TO: Water Department Employees
(Water Plants, Plant Maintenance, Public Works, Meter Readers, Water
& Gas Office)

FROM: Edna B. Berger,
Mayor

DATE: August 26, 2013

I am sure that you have questions and concerns about the recent discussion with the Water District on the possibility of turning over the operation of the City's water system to them. Although it would mean a number of changes to the City, the important thing for each of you to realize is that no one will lose their job and no one's pay will be affected. The City can and will accommodate the change in functions without losing employees, however details of the effects to the City's remaining operations is not yet determined.

We will provide information to you when it is known should the City Council decide to proceed with the changes.



COUNCIL
WILLIAM R. BENNETT
TONY BISHOP
MARTY E. FULKERSON
KENNY LEWIS
TERRY SHIPP
RONALD B. THOMAS



200 West Dixie Avenue
P. O. Box 550
Elizabethtown, KY 42702
(270) 765-6121
Fax: (270) 737-5362
Web Site: www.eltownky.org

CITY OF ELIZABETHTOWN
EDNA B. BERGER, MAYOR

TO: Elizabethtown City Council

FROM: Charlie Bryant
Executive Assistant

DATE: August 30, 2013

RE: Water System Sale

We talked about the water system almost two weeks ago and said we need to move without delay.

Steve Park, Scott Fiepke and I have gone over a list of potential issues to be dealt with between the City and Water District concerning operations. We are sure others will be thought of but for now we are forwarding the list to Water District #2 and you.

Maybe we can get their response by the end of next week and then have more discussion at the Council Work Session on September 9th. Give us a call if you have any questions.



Kelly Campbell

From: James <jjeffries@hardincountywater2.org>
Sent: Thursday, September 05, 2013 1:56 PM
To: Charlie Bryant
Cc: edna.berger@elizabethtownky.gov; Mike Bell; Mo Miller; Kelly Campbell; williamsbennett@windstream.net; mefulkerson@comcast.net; Kenny@platinumplusrealtyky.com; ron.thomas@elizabethtownky.gov; tonybecky@bbtel.com; tshipp@bbtel.com; 'Cordell Tabb'; 'John Effinger'; 'Tim Davis'
Subject: Water System Sale

Charlie,

We have received the list of topics surrounding the sale of the water system that Mary emailed last Friday. I have reviewed this list with Mike and Mo. We are happy to assist the City through this transition regardless of which direction the Council chooses. Please assure the Council that we are ready to work with them in good faith.

The staff and I are taking a preliminary look at the items and adding a few of our own. Once we have a clear direction from both the City Council and our Board of Commissioners, I think we will have a head start on working through the details. Our next board meeting will be September 17th.

Please let me know if you have any questions.

Best Regards,



Kentucky's 2012 AWOP Champion Recipient

James Jeffries, BSME, MBA

General Manager
Hardin County Water District No. 2
360 Ring Road
PO Box 970
Elizabethtown, KY 42702
(270) 737-1056 Ext. 303
jjeffries@hardincountywater2.org

This message may contain confidential and/or proprietary information and is intended for the person/entity to whom it was originally addressed. Any use by others is strictly prohibited.

WATER SYSTEM SALE – ADDITIONAL CONSIDERATIONS AND ISSUES

Transfer of Assets

Title to real estate or facilities only?
Successor to easements and agreements?
City to retain lease agreements for cell antennas.
Access to well sites, extent of area at well sites to be transferred
Grounds maintenance agreement?
City to retain Bac-T Lab equipment
Need proposal from WD2 of specific property to be transferred – Freeman Lake pumping station/clearwell?
City to retain office computers and office electronic equipment
City to retain trucks, mowers, tools
City to retain “water” customer deposits (they are combined with sewer)

Regulatory Issues

Change EPA reporting site control to WD2
Water withdrawal permits transfer to WD2
SCADA Radio License transfer to WD2
Groundwater Protection Plan (GWPP), Wellhead Protection Plan (WHP), Hazardous Materials, Safety Plans (Tier 2's, Tab Q-7)

Property and Facilities Joint Use Coordination

Towers, Network equipment at sites
Well #5 use by public works at multi-purpose storage facility

Miscellaneous City Public Facility Usage

Access points for operations water usage – street sweeper, sewer jetter, portable water tanks
Fire Department Usage – Flushing, Training, Fires

System Improvements

Fire Protection Standards (Ordinance) to be enforced jointed
Fire Protection improvements requested by City (System Enhancements) to be provided by WD2, materials provided by City

System Improvements Continued

Service improvements identified by City (pressure, circulation, maintenance issues) to be provided by WD2

Damages to public facilities (roads, drainage-ways, parking lots, other utilities) by water system or operations to be repaired by WD2

Public projects (roads, site developments, parks, utilities, drainage structures, drainage-ways) under construction by City shall be provided relocation/new construction of water facilities by WD2 (materials supplied by City)

Operational Monetary Considerations

Conversion of unmetered City facilities to metered by WD2

Line flushing of water lines to sewers (location, schedule, quantity control) at no charge by City for sewer cost.

All City usage charged at wholesale rate.

Guaranteed rate for sewer billing for _____ years

Employee Transfers

Should be completed by 12/31/13 to accommodate retirement system changes.

Carryover of employee longevity status? (sick leave, vacation leave)

Economic Development

Participation by WD2 in incentives for industrial recruitment

Mary Chaudoin

From: Damon Talley <drtalley@windstream.net>
Sent: Wednesday, September 18, 2013 10:55 AM
To: city.attorney@elizabethtownky.gov
Subject: Sale of Water System

D. Dee,

I enjoyed talking with you today about the historic event (transfer of the City's drinking water system) for which we will have a front row seat.

As we discussed, I believe the first step is to prepare a Letter of Intent which sets forth the broad parameters of the proposed transfer of water system assets. I will prepare the initial draft and send it to you for your review.

First, I need some additional information. Please forward me a summary of the "deal" as your client understands it.

At last night's meeting of the Hardin County Water District No. 2 (HCWD 2) Board of Commissioners, the Board authorized Chairman Bell to execute the Letter of Intent on behalf of HCWD 2.

It is my understanding that the City Council has authorized Mayor Berger to execute the Letter of Intent on behalf of the City without any further action by the City Council.

I look forward to working with you on this historic project.

Damon R. Talley
Damon R. Talley, P.S.C.
P O Box 150
Hodgenville, KY 42748
PH: (270) 358-3187
Fax: (270) 358-9560
drtalley@windstream.net

Mary Chaudoin

From: Damon Talley <drtalley@windstream.net>
Sent: Thursday, October 03, 2013 11:28 AM
To: 'Mary Chaudoin'
Cc: city.attorney@elizabethtownky.gov
Subject: RE: Water Purchase Rate

Mary and D. Dee,

Thanks for the information.

I have prepared the initial draft of the Letter of Intent. My clients are reviewing it today. I hope to make any requested revisions and then send it to you tomorrow for your review.

Once we get the Letter of Intent signed, then we can tackle the Asset Purchase Agreement.

If you have any questions, please let me know.

Damon R. Talley
Damon R. Talley, P.S.C.
P O Box 150
Hodgenville, KY 42748
PH: (270) 358-3187
Fax: (270) 358-9560
drtalley@windstream.net

From: Mary Chaudoin [<mailto:mary.chaudoin@elizabethtownky.gov>]
Sent: Wednesday, October 02, 2013 3:06 PM
To: drtalley@windstream.net
Subject: Water Purchase Rate

Damon,

Here is the information we have regarding water purchase agreement. We will send wholesale rate information soon.

D. Dee Shaw

CURRENT WATER RATES

Usage (Gallons)	Elizabethtown	Hardin County Water District No. 2
0 to 2,000	\$ 10.00 Minimum Bill	\$ 18.50 Minimum Bill
2,001 to 5,000	\$ 4.70 per 1,000 gallons	\$ 5.15 per 1,000 gallons
5,001 to 10,000	\$ 4.40 per 1,000 gallons	\$ 5.15 per 1,000 gallons
10,001 to 500,000	\$ 4.10 per 1,000 gallons	\$ 5.15 per 1,000 gallons
Over 500,000	\$ 2.50 per 1,000 gallons	\$ 2.90 per 1,000 gallons

DRAFT
1-13-14

**SUGGESTED STEP RATE INCREASE FOR
ELIZABETHTOWN CUSTOMERS**

Current Rate	11-1-14	7-1-15	7-1-16	7-1-17
\$ 10.00	\$ 12.80	\$ 14.70	\$ 16.60	\$ 18.50
\$ 4.70	\$ 4.85	\$ 4.95	\$ 5.05	\$ 5.15
\$ 4.40	\$ 4.65	\$ 4.85	\$ 5.05	\$ 5.15
\$ 4.10	\$ 4.40	\$ 4.65	\$ 4.90	\$ 5.15
\$ 2.50	\$ 2.60	\$ 2.70	\$ 2.80	\$ 2.90

Notes: 1. Effective 11-1-14, the Minimum Bill will increase by \$2.80 as recommended by HDR Rate Study.

2. Commencing on 7-1-15, the Minimum Bill will increase by \$1.90 per year for 3 years until E-Town customers will be paying the same rate as HCWD2 Customers.

3. Other rates will increase as shown above.

MONTHLY WATER BILL COMPARISON
AT VARIOUS CONSUMPTION LEVELS

USAGE (Gallons)	E-TOWN	HARDIN COUNTY WATER DISTRICT No. 2	DIFFERENCE
1,000	\$ 10.00	\$ 18.50	\$ 8.50
2,000	\$ 10.00	\$ 18.50	\$ 8.50
3,000	\$ 14.70	\$ 23.65	\$ 8.95
4,000	\$ 19.40	\$ 28.80	\$ 9.40
5,000	\$ 24.10	\$ 33.95	\$ 9.85
6,000	\$ 28.50	\$ 39.10	\$ 10.60
10,000	\$ 46.10	\$ 59.70	\$ 13.60
20,000	\$ 87.10	\$ 111.20	\$ 24.10
50,000	\$ 210.10	\$ 265.70	\$ 55.60
100,000	\$ 415.10	\$ 523.20	\$ 108.10
250,000	\$ 1,030.10	\$ 1,295.70	\$ 265.60
500,000	\$ 2,055.10	\$ 2,583.20	\$ 528.10
750,000	\$ 2,680.10	\$ 3,108.20	\$ 428.10
1,000,000	\$ 3,305.10	\$ 3,633.20	\$ 328.10
2,000,000	\$ 5,805.10	\$ 5,733.20	\$ (71.90)

HARDIN COUNTY WATER DISTRICT No. 2
STEPS TO ACQUIRING ASSETS OF
E-TOWN WATER SYSTEM

Draft
1-13-14

Draft
1-13-14

STEP	ACTIVITY	TARGET DATE	DATE COMPLETED
1.	E-Town City Council OKs Letter of Intent	09-16-13	09-16-13
2.	HCWD2 Board OKs Letter of Intent	09-17-13	09-17-13
3.	HCWD2 Solicits Statement of Qualifications from Engineering Firms	09-17-13	09-17-13
4.	E-Town Mayor Executes Letter of Intent	10-14-13	10-14-13
5.	HCWD2 Chairman Executes Letter of Intent	10-15-13	10-15-13
6.	HCWD2 Interviews Engineering Firms	10-31-13	10-31-13
7.	HCWD2 Selects Engineering Firm	11-19-13	11-19-13
8.	HCWD2 selects CPA to prepare Feasibility Analysis	12-17-13	12-17-13
9.	Prepare Ordinance for E-Town City Council adopting new water rates with step increases		
10.	E-Town City Council – 1 st Reading of Rate Ordinance		
11.	E-Town City Council – 2 nd Reading & Final Adoption of Rate Ordinance		
12.	Negotiate principle terms of Agreement		
13.	Hydraulic Analysis & Evaluation of E-Town Water System Facilities	05-20-14	
14.	Prepare Schedule of Assets to be Transferred		
15.	Prepare Schedule of Liabilities		
16.	Negotiate detailed Terms and Conditions		
17.	CPA completes Feasibility Analysis		
18.	HCWD2 performs due diligence (DOW)		
19.	Prepare Agreement with detailed Schedules		
20.	Prepare Ordinance for E-Town City Council approving Agreement		
21.	Prepare Resolution for HCWD2 approving Agreement		
22.	E-Town City Council – 1 st Reading of Ordinance approving Agreement		
23.	HCWD2 Adopts Resolution approving Agreement		

STEP	ACTIVITY	TARGET DATE	DATE COMPLETED
24.	E-Town City Council – 2 nd Reading & Final Adoption of Ordinance approving Agreement		
25.	Execute Agreement		
26.	E-Town publishes Summary of Ordinance		
27.	HCWD2 & E-Town have Informal Conference with PSC Staff		
28.	HCWD2 performs additional due diligence		
29.	HCWD2 prepares Application and supporting Exhibits to file with PSC		
30.	HCWD2 files Petition w/ Hardin Co. Judge/Exec. to annex E-Town Water Service Area into territorial boundaries of HCWD2		
31.	Hardin Co. Judge/Exec. signs Order scheduling Public Hearing		
32.	Advertise Public Hearing (30 days minimum notice)		
33.	Hardin Co. Judge/Exec. conducts Public Hearing		
34.	Hardin Co. Judge/Exec. signs Order annexing E-Town Water Service Area		
35.	PSC Issues Order		
36.	Prepare Leases, Bills of Sale, Easement(s), Assignments, Promissory Note, etc.		
37.	CLOSING		

Note: This step-by-step listing of activities is intended to provide an overview of the process for HCWD2 to acquire the critical assets of the E-Town Water System. It is not a comprehensive list of all activities that will need to occur.

PREPARED BY:

Damon R. Talley, P.S.C.

Tel: 270-358-3187

FAX: 270-358-9560

Email: drtalley@windstream.net

1-13-14 Draft

OVERVIEW

PROPOSED TRANSFER OF ELIZABETHTOWN WATER SYSTEM TO HARDIN COUNTY WATER DISTRICT NO. 2

1. Transitional Rates (See Paragraph 16 of Agreement)
2. Consideration:
 - A. \$8,000,000.00
 - B. City Keeps Revenue From Cell Tower Leases (See Paragraph 5)
3. Water System Only (See Paragraph 2 and Exhibits 1, 2, & 3)
4. Excluded Assets (See Paragraph 4):
 - A. Oaklawn Water Storage Tank
 - B. Hawkins Drive Water Storage Tank
 - C. Oaklawn Booster Pump Station
 - D. Water Well No. 5
 - E. Motor Vehicles, ATVs, and Mowers
 - F. Revenue From Cell Tower Leases
5. Fire Protection Standards (See Paragraph 12)
6. Regulatory Agency Approvals – District Taking the Lead (See Paragraph 13)
7. Joint Projects (See Paragraph 14)
8. Perpetual Lease (See Paragraph 7)
9. Freeman Lake Water Treatment Plant – Short Term Lease (See Paragraph 8)
10. City Communication Antennas and Network Facilities (See Paragraph 6)
11. Ordinance
12. Water Liaison

Schedule for Approval of Asset Purchase Agreement

Date	Event
Monday, 7-14-14	Elizabethtown City Council Work Session – Discussion of Asset Purchase Agreement
Tuesday, 7-15-14	Hardin County Water District No. 2 Board Meeting – Adopt Resolution Approving Agreement
Monday, 7-21-14	Elizabethtown City Council Meeting – First Reading of Ordinance Approving Agreement
Monday, 7-28-14	Elizabethtown City Council Work Session & Special Meeting – Second Reading and Adoption of Ordinance Approving Agreement
Monday, 7-28-14	Execute Agreement
To be determined	Ceremonial Signing of Agreement

19. Provide copies of all correspondence, memoranda, electronic mail messages, and any other documents in which Hardin County No. 2 or its agents discuss the physical condition of Elizabethtown WS assets.

RESPONSE: After a diligent search, the only relevant documents which were located by Elizabethtown is the November 27, 2013 letter from the Kentucky Division of Water (“DOW”) summarizing the results of its September, 2013 technical inspection of the City Springs WTP and the Freeman Lake WTP and the Drinking Water Sanitary Survey conducted by DOW. Copies of the DOW letter, the Technical Inspection Report for the City Springs WTP, the Technical Inspection Report for the Freeman Lake WTP, and the Drinking Water Sanitary Survey are attached.

WITNESS: Charles Bryant, Executive Assistant, City of Elizabethtown



STEVEN L. BESHEAR
GOVERNOR

LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT KENTUCKY 40601
www.kentucky.gov

November 27, 2013

Mr. Scott Fiepke
Elizabethtown Water Dept
2501 Gaither Station Road
Elizabethtown, KY 42701

RE: AI: 1662
PWSID: KY0470118
Drinking Water Sanitary Survey

Dear Mr. Fiepke:

The Division of Water conducted a Drinking Water Sanitary Survey (attached) of Elizabethtown Water Dept on September 16, 2013. A Capacity Development assessment was done as part of the survey.

Elizabethtown Water Dept is to be commended as they did not have any deficiencies at this time.

The Division Recommends:

- Acquiring a certified technician to test backflow prevention devices.
- Adding system security such as a visual alarm outside the chlorine room.
- Documenting the cross-connection control program.
- Utilizing an asset management program.
- Creating a documented policy for delinquent accounts.
- Adjusting the rate structure to promote conservation in time of drought.
- That the governing entity makes an effort to routinely visit the water plant and increase their knowledge of water treatment.

Assistance with the "Managerial and Financial Assessment" section of the sanitary survey for Elizabethtown Water Dept can be obtained by contacting Jason Lambert at 502-564-3410 extension 4843.

If you have any questions regarding the "Technical Inspection" portion, contact Garry Crabtree in the Louisville Regional Office at 502-429-7122.

Sincerely,

A handwritten signature in black ink, appearing to read "Russell Neal".

Russell Neal
Sanitary Survey Coordinator
Division of Water

C: Louisville Regional Office

Drinking Water Sanitary Survey

TECHNICAL INSPECTION OF SURFACE WATER PLANT AND DISTRIBUTION SYSTEM OPERATIONS

PWS ID: KY0470118
Agency Interest Number: 1662
AI Name: Elizabethtown Water Department
County: Hardin County
WTP Latitude: 37.714288 WTP Longitude: -85.871297
CTAB Inspection Date(s): 09/24/13

TREATMENT PROCESS SUMMARY	
Primary Source: Freman Lake	Maximum Pumping Rate: 4.3 MGD
Secondary Source:	Filter Design Rate (gpm/ft ²): 5
Pre-sedimentation Size: 150,000	Aeration: 1)N/A 2) N/A
Sedimentation (Primary): N/A Sedimentation 2: 1) N/A 2) N/A	Filter (Primary): N/A Filter 2 (if 2 different filter types): 1) N/A 2) N/A
Total Clear Well Size (gallons): 600,000	Total Distribution Storage Capacity (gallons): 2.1 M
Does each component of the WTP meet 10 State Standards or has each been approved by the Division of Water? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
COMMENTS:	

CHEMICALS SUMMARY	
Pre-Disinfection/Treatment: 1) Chlorine Gas 2) N/A Post-Disinfection: 1) Chlorine Gas 2) N/A	Primary Coagulant: Polymer Secondary Coagulant (Name): N/A
Filter Aid Name:	Corrosion Control: N/A
Taste and Odor: Activated Carbon/Powdered	Softening: N/A
Iron and Manganese Removal: N/A	Fluoride Supplement: Hydrofluosilicic Acid
COMMENTS: Activated Carbon used for Iron and Manganese	

PLANT SCHEMATIC (OPTIONAL)	
<i>Include a plant schematic indicating the following details. Place an "X" in the box to indicate this item is included on the schematic.</i>	
<input checked="" type="checkbox"/> Source water type/location	<input checked="" type="checkbox"/> Major unit processes (including baffling factors and volumes)
<input checked="" type="checkbox"/> Flow measurement locations	<input checked="" type="checkbox"/> Chemical injection locations
<input checked="" type="checkbox"/> Piping Flexibility (including # of raw and finished water mains)	<input checked="" type="checkbox"/> Waste handling

I. SOURCE

SOURCE				
SOURCE NAME	WATER WITHDRAWAL NUMBER	PERMITTED AMOUNT (MGD)	IS CAPACITY ADEQUATE?	ARE THERE WATER QUALITY ISSUES?
Freeman lake		3.0	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Upstream land uses (✓ all that apply): <input type="checkbox"/> Farmland <input type="checkbox"/> Industry <input type="checkbox"/> Logging <input type="checkbox"/> Mining <input type="checkbox"/> Oil and Gas <input checked="" type="checkbox"/> Recreation <input checked="" type="checkbox"/> Residential <input type="checkbox"/> Other _____				
Upstream discharges within 5 miles (✓ all that apply): <input type="checkbox"/> Farmland <input type="checkbox"/> Industry <input type="checkbox"/> Logging <input type="checkbox"/> Mining <input type="checkbox"/> Oil and Gas <input checked="" type="checkbox"/> Recreation <input checked="" type="checkbox"/> Residential <input type="checkbox"/> Water/Wastewater Discharge <input type="checkbox"/> Other _____				
Is there a source water protection plan in place? (Call ADD if no one at plant knows.)				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Are there any sources of Cryptosporidium in the watershed?				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Describe the sources: _____				
Is the system drought-vulnerable? (Has the system ever been on water conservation or dealt with a dwindling water source during warm weather?)				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<i>Does the system perform both source and finished water quality monitoring as required?</i>				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
What type of water quality monitoring is done on the source water (✓ all that apply): <input checked="" type="checkbox"/> Alkalinity <input checked="" type="checkbox"/> BacTs <input checked="" type="checkbox"/> Hardness <input checked="" type="checkbox"/> Iron <input checked="" type="checkbox"/> Manganese <input checked="" type="checkbox"/> pH <input checked="" type="checkbox"/> Temperature <input checked="" type="checkbox"/> Turbidity <input type="checkbox"/> None				
If multiple sources are available, is the one in use the "best" in terms of both water quality and quantity?				Yes <input type="checkbox"/> No <input type="checkbox"/>
Are there any factors that have limited the capacity of raw water source(s) with in the last 10 years?				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If the capacity of a raw source has been limited within the past 10 years, have the contributing factors already been successfully addressed? If not, explain: _____				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Are there any unaddressed factors that have reduced the quality of raw water source(s) in the last 10 years?				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If the quality of the raw water source(s) has been reduced within the past 10 years, have the contributing factors already been successfully addressed? If not, explain: _____				Yes <input type="checkbox"/> No <input type="checkbox"/>
Are there any unaddressed factors that have limited the water available for purchase from contracted source(s) in the last 10 years?				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If water available for purchase through contracted source(s) has been limited within the past 10 years, have the contributing factors already been successfully addressed? If not, explain: _____				Yes <input type="checkbox"/> No <input type="checkbox"/>
COMMENTS:				

INTAKE STRUCTURE							
LOCATION			TYPE	# of INLETS	SCREEN GRID SIZE	IS FLOODING A PROBLEM?	IS SILT BUILD-UP A PROBLEM?
ROAD/AREA	LATITUDE	LONGITUDE					
Lake			Fixed	3	1/4		NO

Number of raw water mains: 1 which are: PUMPED or GRAVITY FED

Is raw water flow measured? Yes No

If yes, when was the meter last calibrated? 9/12

List any chemicals fed at the source: _____

If source is a reservoir, is it aerated? Yes No

List depths of intake levels (normal pool): 8-14-27

Screens are: STATIONARY or MECHANICAL

Is screen clogging a problem? Yes No

How are screens cleaned? _____

Are Zebra mussels a problem? Yes No

If yes, list actions taken: _____

How often are the submerged portions of the intake inspected? Winter pool

When was the date of the last inspection? 12

COMMENTS:

II. TREATMENT/PUMPS

PRE-SEDIMENTATION

Not Inspected

CAPACITY (gallons)	FLEXIBILITY TO BYPASS	CHEMICAL FEED CAPABILITY	LIST CHEMICALS FED
	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	
	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	

Are treatment chemicals fed at the inlet to the pre-sedimentation basin? Yes No

If so, is the chemical fed: ALL THE TIME or INTERMITTENTLY ?

Is algae growth a problem? Yes No

How often are the pre-sedimentation basin(s) cleaned? _____

COMMENTS:

AERATION

Not Inspected

TYPE	CAPACITY (gallons)	REASON FOR AERATION

COMMENTS:

RAPID MIX

N/A

TYPE	NUMBER	VOLUME (gallons)	PHYSICAL CONDITION
Mechanical Mixer			Good

List chemicals in the order they are fed at the rapid mix: <u>CL2, Floride,8187 and power carbon</u>			
Is adequate mixing of chemicals taking place?		Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Are there flow splits after the rapid mix?		Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If so, is the flow distribution even?		Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
COMMENTS:			

FLOCCULATION BASINS				
Not Inspected				
TYPE	# of TRAINS / STAGES	VARIABLE SPEED DRIVE	VOLUME (gallons)	PHYSICAL CONDITION
	/	Yes <input type="checkbox"/> No <input type="checkbox"/>		
	/	Yes <input type="checkbox"/> No <input type="checkbox"/>		
List any chemicals fed in the flocculation process: _____				
What is the size and appearance of the floc? Size: <u>N/A</u> & Appearance: <u>N/A</u>				
How often are flocculation basins cleaned? _____				
Are the flocculation speeds tapered (decreased) through the flocculation stages?		Yes <input type="checkbox"/>	No <input type="checkbox"/>	
Are there flow splits after flocculation?		Yes <input type="checkbox"/>	No <input type="checkbox"/>	
Is flow distribution even?		Yes <input type="checkbox"/>	No <input type="checkbox"/>	
COMMENTS:				

SEDIMENTATION BASINS					
Not Inspected					
TYPE	TRAINS / STAGES	VOLUME (gallons)	SQ. FT. AREA PER BASIN	% WITH TUBE SETTLERS	PHYSICAL CONDITION
	/				
	/				
List any chemicals fed in the sedimentation process: _____					
What is the sedimentation turbidity goal? _____					
Where is this sample taken? _____					
What is the overflow rate of the basins? _____ gpm/ft ²					
If system has an Actiflo process, what is the rise rate? _____					
How often are the basins cleaned? _____					
How often is sludge removed from the basins? _____					
Sludge removal is: MECHANICAL <input type="checkbox"/> or MANUAL <input type="checkbox"/>					
What was the sludge depth at the time of this inspection? _____					
What was the settled water turbidity at the time of this inspection? _____					
Is there evidence of short-circuiting (flow or density currents)?		Yes <input type="checkbox"/>	No <input type="checkbox"/>		
Is baffling present in the basins?		Yes <input type="checkbox"/>	No <input type="checkbox"/>		
If yes, describe the baffling: _____					

If multiple sedimentation basins, describe the piping from the basins to the filters: _____

Is there evidence of floc carryover to the filters? Yes No

COMMENTS:

FILTERS

Total Number of Filters: _____

Plant flow rate divided by total square footage of filters in service at the time of inspection.

TYPE	MEDIA TYPE	FILTER RATE (at insp.)	FILTER CONTROL	SURFACE WASH TYPE	FILTER TO WASTE	FILTER AREA	PHYSICAL CONDITION
Declining Rate	Dual Media	5 gpm/ft ²	Rate of Flow	Air Scour	Yes	215	Good
		gpm/ft ²					

List any chemicals fed in the filtration process: N/A

What is the filtered water turbidity goal? 1.0 CF Goal is 0.1

Does this apply to the combined filter effluent? Yes No

To individual filter effluents? Yes No

What criteria are used for filter backwash? Loss of head and Turbidity

What is the backwash rate in gallons per minute? 5.000

Is filter backwash rate ramped up and down? Yes No

Is backwash flow rate measured? Yes No

Are filters ever bumped? Yes No

Is air scouring used? Yes No

What was the combined filter effluent turbidity at time of inspection? Plat shut down

Are individual filters monitored for turbidity? Yes No

Are the IFE turbidimeters calibrated per the manufacturer's instructions? (inspect documentation) Yes No

Is this turbidity continuously recorded? Yes No

Can this data be retrieved in usable form from storage (tape or CDs)? Yes No

Is filter to waste (rewash) present? Yes No

Is it used? Yes No

Can turbidity be measured while filtering to waste? Yes No

Are flows adjusted on remaining in-service filters during a backwash? Yes No

COMMENTS:

MEMBRANE FILTRATION

N/A

What type of membrane filtration is used? N/A

The membrane filtration process is PRESSURE or VACUUM driven.

What is the designed membrane flux (flow per unit of membrane area)? _____

Are pre-filters used ahead of the membranes? Yes No

Describe the direct integrity testing procedure. _____

Describe how membrane breaks are isolated and repaired. _____

How are the membranes "backwashed"? _____

What type of chemical cleaning is used? _____

How is this waste handled? _____

Have there been any operational or maintenance issues with the membranes? Yes No

If yes, explain: _____

COMMENTS:

RESIDUALS HANDLING

What percent of plant production is used for in-plant processes (backwash, chemical feed, sanitary)? 2%

How are spent backwash water and other liquid residuals handled? _____

If applicable, is the spent backwash holding tank/lagoon volume adequate? Yes No

Does the plant discharge water from this tank/lagoon back to a body of water? Yes No

Does the plant have a KPDES discharge permit? If so, what is the permit number? _____ Yes No

Is the discharge meeting permit requirements? Yes No

Is the discharge point upstream of the intake? Yes No

If yes, how far upstream is the discharge point from the intake? _____

Is spent backwash water recycled? Yes No

If yes, is the spent backwash water recycled as a: "SLUG" or as a CONSTANT FLOW ?

What percent of the flow is recycled? _____%

Are chemical feed rates adjusted during recycling? Yes No

Are raw water flows adjusted during recycling? Yes No

Are all recordkeeping requirements of the *Filter Backwash Rule* being followed? Yes No

How are solid residuals handled? _____

COMMENTS: Wast and discharged water sent to sewer. WWTP KPDES

CHEMICAL FEED EQUIPMENT

CHEMICAL NAME	PURPOSE	FEEDER TYPE	FEED POINT	NUMBER & CONDITION
Powdered Activated Carbon	Taste Odor	Gravimetric	Quick/Flash Mix	3 Good
Polymer	Taste Odor	Metering Pump	Quick/Flash Mix	2 Good
Hydrofluosilicic Acid	Dental Health	Metering Pump	Quick/Flash Mix	2 Good

How are chemical feeders calibrated? <u>as per manaul</u>		
How often are chemical feeders calibrated? <u>Qt</u>		
Are chemical dosages calculated?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
How often are dosages calculated? <u>Daily</u>		
Are chemicals NSF or United Laboratories certified and approved by DOW prior to use?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Do the bulk liquid feed systems have day tanks?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Are there at least two feeders provided for essential processes (such as coagulation and disinfection)?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Are spare parts available?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there enough storage for at least a 30-day supply of chemicals used?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Are there containment areas around the chemicals in case of spills or leaks?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Are in-plant water supplies protected from backflow (cross connections)?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does a certified tester test backflow prevention devices?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If yes: What is the testing frequency? <u>Yearly</u> Last Tested: <u>9/23</u>		
COMMENTS:		

GAS CHLORINE SAFETY		
N/A		
Is the chlorine room enclosed and separate from other operating areas?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there a working exhaust fan in the chlorine room?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does it provide one complete air change per minute?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does it exhaust from floor level?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is intake air near the ceiling?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there an external audible and visual alarm?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Are switches located outside the chlorine room?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Are chlorine tanks secured?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Are the scales operational?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is automatic switchover of chlorine cylinders provided?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there a shatterproof viewing window in chlorine room?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there a crash bar on the door of the chlorine room?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the door open out and to the exterior of the building?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there a SCBA unit meeting NIOSH standards outside the chlorine room?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Are personnel trained to use the SCBA?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Is the "buddy system" practiced when changing or moving chlorine cylinders?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is leak detection provided?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is ammonia available for chlorine leak detection?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there a chlorine tank repair kit?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Are personnel trained and certified to use the kits?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
COMMENTS: Fire department is the response for chlorine leaks and repair.		

CHLORINE DIOXIDE SAFETY	
N/A	
<i>Many materials will catch fire and burn violently when in contact with chlorite.</i>	
Is sodium chlorite stored in a separate room?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Is sodium chlorite stored away from organic material?	Yes <input type="checkbox"/> No <input type="checkbox"/>
COMMENTS:	

GAS (ANHYDROUS) AMMONIA SAFETY	
N/A	
Is the ammonia room enclosed and separate from other operating areas?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Is there a working exhaust fan in the ammonia room?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If there is a working exhaust fan, does it provide one complete air change per minute?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Does the exhaust fan exhaust from ceiling level?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Is intake air near the floor?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Are switches located outside the ammonia room?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Are ammonia tanks secured?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Is there a shatterproof viewing window in ammonia room?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Is there a crash bar on the door of the ammonia room?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Does the ammonia room door open out and to the exterior of the building?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Is there a SCBA unit meeting NIOSH standards outside the ammonia room?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Are personnel trained to use the SCBA?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Is leak detection provided?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If leak detection is provided, is there an external audible and visual alarm?	Yes <input type="checkbox"/> No <input type="checkbox"/>
How are ammonia leaks detected? _____	
COMMENTS:	

DISINFECTION			
TYPE	APPLICATION POINT	REDUNDANCY AVAILABLE	FEEDER TYPE
Chlorine Gas	Quick/Flash Mix	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Chlorinator
		Yes <input type="checkbox"/> No <input type="checkbox"/>	
		Yes <input type="checkbox"/> No <input type="checkbox"/>	
What is the means used to measure disinfectant chemical usage? <u>Scales on Line</u>			
How is the disinfectant residual monitored? <u>continuous</u>			
Is there an on-line, recording chlorine analyzer on the plant tap (for systems serving >3,300)?			Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Are C-Ts calculated daily?			Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
COMMENTS:			

CLEARWELLS			
VOLUME (gallons)	BAFFLING TYPE	DISINFECTANT RESIDUAL	
		TOTAL	FREE

List chemicals in the order in which they are fed into the clearwell: _____			
If multiple clearwells, are they: <input type="checkbox"/> IN SERIES (one following the other) or <input type="checkbox"/> PARALLEL (side by side and not connected)			
Are hatches secured?			Yes <input type="checkbox"/> No <input type="checkbox"/>
Are vents screened?			Yes <input type="checkbox"/> No <input type="checkbox"/>
How often are clear wells cleaned? _____			
COMMENTS:			

WATER PLANT PUMPS (Low service/raw water, high service/finished water and backwash)					
FLOW STREAM	LOCATION	NUMBER OF PUMPS	CAPACITY (gpm)	PUMP TYPE	FLOW CONTROL METHOD
Primary Raw Water	Pump House	2	1.5 MGD	Centrifugal	Manual
Primary Raw Water	Pump House	1	1.1 MGD	Centrifugal	Manual
Other	Plant	3	1000gpm	Centrifugal	Manual
Finished Water	Oaklawn	2	1000gpm	Centrifugal	Manual

Are documented maintenance and pumping records maintained for all distribution pumping stations? (minimum of pump run times, pump testing, maintenance log) Yes No

Do all pumping facilities have the ability to meet demand with one pump out of service during peak demand? Yes No

COMMENTS:

WATER PLANT ON-LINE INSTRUMENTATION			
TYPE	FLOW STREAM (Location)	MANUFACTURER	LAST CALIBRATION DATE
Turbidity	Tap	Hach	Every Qt
Chlorine	Tap	Hach	Every Qt

COMMENTS:

LABORATORY (PLANT)			
PARAMETERS TESTED	FREQUENCY	EQUIPMENT USED	CALIBRATION METHOD
Alkalinity	2/Day	Titration	
Hardness	2/Day	Titration	
pH	2/Day	Hach	
Flouride	4/Day	Hach	
Is laboratory space and lighting adequate?			Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Are analyses conducted according to approved EPA methods?			Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Does the lab have SOPs for sample collection, analysis, and reporting?			Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Are daily log sheets used to record day-to-day operations, testing, etc?			Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
If daily log sheets are used, are they: ELECTRONIC (on the computer) <input checked="" type="checkbox"/> or HAND-WRITTEN <input checked="" type="checkbox"/>			
COMMENTS:			

IN-PLANT SAMPLING				
(for example, top and bottom of filters)				
SITE	CHLORINE		pH	TURBIDITY
	FREE	TOTAL		
Tap				
Top Of Filter				
Raw				
COMMENTS: Plant only running Three times a week				

III. DISTRIBUTION SYSTEM/FINISHED WATER STORAGE

DISTRIBUTION SYSTEM	
Does the system have standard specifications for design and construction of the distribution system?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

Does the system prohibit new connections where pressure on the discharge side of the meter will be <30 psi?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is the system able to meet minimum pressure requirements of DOW and/or other regulating authority?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the system have a documented leak detection program?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Does the distribution system have a sufficient number of valves to isolate portions of the system (for leak detection, maintenance, etc.)?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If there are separate distribution system areas, are they interconnected with each other?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If they are not interconnected, how many separate areas are there? _____		
What prevents these systems from being interconnected? _____		
How many pressure zones are there? <u>4</u>		
What is the range of distribution pressures? <u>80-150</u>		
Do any distribution areas require reduced pressure valves?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
What piping materials are included in the distribution system? <u>Ductal Iron, PVC</u>		
Does the system have a program for flushing water mains?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Describe the process for sterilizing new mains/main breaks: <u>According to ten state standards</u>		
What types of on-line instrumentation are located at booster or pump stations and tanks? <u>Radio</u>		
Does the system have a documented program for exercising distribution system valves?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the system have a documented program for regular testing of water meters including raw water, distributed and customer?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there a water meter replacement program?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Are there main break/emergency notification procedures?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the system have a documented procedure for issuing a boil water advisory and a consumer advisory? The procedure shall identify when (how soon after the occurrence) and how the system shall notify the affected health department, to whom that notification shall be made both during and after normal business hours, and procedures for issuing the advisory to the public. The public notification shall include instructions for the public (including how to properly boil water) and an explanation of steps being taken to correct the problem.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Describe how the decision is made to issue a Boil Water Advisory: _____		
Does the system have a cross-connection control program?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If yes, is the cross-connection control program documented in writing? _____		
If the cross-connection control program is not documented in writing, describe the process for finding and eliminating cross connections: _____		
Does a certified tester test the backflow prevention devices on a regular basis?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Has a calibrated hydraulic model been developed for the system?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
COMMENTS:		

DISTRIBUTION STORAGE FACILITIES									
N/A									
LOCATION			VOLUME (gallons)	TANK TYPE	OVERFLOW		LAST CLEANED/INSPECTED	TELEME-TRY	% TURNOVER (Per Day)
ROAD/AREA	LATITUDE	LONGITUDE			SCREEN/FLAPPER	>10' FROM TANK			
Industrial	37.68378	-85.90972	500,000	Elevated	YES	YES	2010	YES	40
	37.74566	-85.88714	100,000	Elevated	YES	YES	1999	YES	141
	37.71779	-85.84872	300,000	Elevated	YES	YES	2013	YES	75
	37.70337	-85.85001	500,000	Elevated	YES	NO	2012	YES	44

	37.66960	-85.83176	500,000	Elevated	YES	YES	2012	YES	35
	37.70640	-85.87665	500,000	Elevated	YES	YES	2013	YES	60
Freeman Lake	37.66962	-85.87149	600,000	Ground	YES	YES	2013	NO	54

Are all storage tanks professionally inspected at least every 5 years (including interior, coating systems, & piping)? How often are tanks: INSPECTED ____ and CLEANED ____?

Are all storage tanks and water plants equipped with hatches, covers, screens, vandal guards and locks and all tank sites fenced for security? Yes No

Are all hatches, screens, and overflows on the storage tanks checked at least monthly? Yes No

Is there corrosion protection in the tanks? Yes No

COMMENTS:

DISTRIBUTION BOOSTER PUMPS AND/OR BOOSTER DISINFECTION FACILITIES						
N/A						
LOCATION			PUMP or DISINFECTION	NUMBER & CAPACITY OF PUMPS (gpm)	DISINFECTION TYPE	AUXILIARY POWER
ROAD/AREA	LATITUDE	LONGITUDE				
Oaklawn			Pump	2 @ 1000		Yes
				@		
				@		
				@		
				@		
				@		
				@		
				@		
				@		

DISTRIBUTION SAMPLING					
(a minimum of N, S, E, W)					
SITE	CHLORINE		pH	TURBIDITY	OTHER
	FREE	TOTAL			
North	1.3				
South	1.7				
East	1.7				
West	.9				

Is the system maintaining the required chlorine (0.2 mg/l) / chloramine (0.5 mg/l) residuals in the distribution system? Yes No

COMMENTS:

MAINTENANCE

Is plant housekeeping adequate? Yes No

Is distribution storage housekeeping adequate? Yes No

Are adequate supplies of spare parts kept on hand? Yes No

Are needed tools available? Yes No

If not, is preventive maintenance performed? Yes No

Is a lock-out/tag-out system used for electrical repairs? Yes No

What is the general condition of operating equipment? _____

COMMENTS:

DOCUMENTATION

(✓ all that apply)

- | | |
|---|---|
| <input checked="" type="checkbox"/> Samples taken by DEP | <input checked="" type="checkbox"/> Photographs obtained by DEP |
| <input type="checkbox"/> Samples taken by outside source | <input type="checkbox"/> Copies of records obtained by DEP |
| <input type="checkbox"/> Instrument readings taken by DEP | <input type="checkbox"/> Other documentation |

OVERALL TECHNICAL COMPLIANCE STATUS

No Violations Observed

No Violations Observed - Advisory Action Taken (Impending trends)

Out of Compliance – Verbal notice given (Non-recurrent deficiency noted or violation corrected at time of inspection.)

INSPECTOR: Garry Crabtree	TITLE: Environmental Inspector I	DATE: 09/25/13
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KENTUCKY DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER

Drinking Water Sanitary Survey

Managerial and Financial Assessment of Surface Water & Ground Water Systems

PWS ID: KY0470118
 Agency Interest Number: 1662
 AI Name: Elizabethtown Water Department (Plant A, City Springs)
 County: Hardin County
 Regional Office: Louisville
 Capacity Development Inspection Date(s): 09/16/2013

SYSTEM CONTACT INFORMATION						
Full Name: Scott Fiepke			Title: Director, Water/Wastewater Utility			
Phone Number: 270-737-7733		FAX Number: 270-737-6048		E-Mail Address: scott.fiepke@elizabethtownky.gov		
Mailing Address: 2501 Gaither Station Rd.			City: Elizabethtown	State: KY	Zip Code: 42701	
Physical Address of Office: 2501 Gaither Station Rd.						
WATER TREATMENT PLANT INFORMATION						
Plant Contact Person: Brian Druen			Title: Chief Operator		Phone Number: 270-769-2264	
Physical Street Address: 401 Water Works Dr.				City: Elizabethtown		
Plant Type: C (community)		Plant Class: IV (>3 MGD)		Plant Capacity: 3 MGD 2083 GPM		
DISTRIBUTION SYSTEM INFORMATION						
Distribution Contact Person: Michael Reynolds			Title: Operations Asst.		Phone Number: 270-737-8367	
Distribution Class: IIID-Pop. 15,000-50,000			System Service Connections (meters): 9555			
System Population Served Calculated: 28378			System Population Served Reported: 23435			
Meters Served Outside Your System: 5			Consecutive Systems Population Served Calculated:			
WATER PURCHASED, SOLD, & EMERGENCY CONNECTIONS						
WATER PURCHASED FROM: <input type="checkbox"/> Not Applicable			Number of Master Meters	Amount Monthly (average)	Amount Available by Contract (monthly)	
SYSTEM NAME	PWS ID #	AI #				
Hardin County WD #2	KY0470175	1674	4	33,396,122	1.1 mg/day	
WATER SOLD TO: <input type="checkbox"/> Not Applicable			Number of Master Meters	Amount Monthly (average)	Amount Available by Contract (monthly)	
SYSTEM NAME	PWS ID #	AI #				
Hardin County WD #2	KY0470175	1674	1	79,716	No contract	
COMMENTS:						

I. OPERATOR COMPLIANCE

Are operators cross-trained (by shift, by plant, with distribution, with maintenance, etc)? Yes No N/A

Do you have contingency plans for replacing retiring system personnel? Yes No N/A

Who provides training/technical assistance for license renewal? (✓ all that apply):
 AWWA DCA DOW KRWA KWWOA RCAP Other _____

What type of training is typically obtained? (✓ all that apply):
 REGULATIONS SAFETY UMI WATER QUALITY

Does the system pay for registration, lodging and meals? Yes No N/A

Does the system allow operators to attend training on company time? Yes No N/A

	<u>Water Treatment Plant</u>	<u>Distribution System</u>
Length of each shift:	<u>12 (2 shifts) hours</u>	<u>8 M-Sat. hours</u>
Number of operators per shift:	<u>at least 1</u>	<u>8</u>
How are weekends covered?	<u>2 shifts- 1 day and 1 night operator</u>	<u>Shift Sat., stand-by on Sun.</u>
How are holidays covered?	<u>2 shifts- 1 day and 1 night operator</u>	<u>Stand-by (3 employees)</u>

Do operators leave the water plant property while the plant is producing water? Yes No N/A

How long are the operators typically away from the plant? _____

What duties are they performing when they are away from the plant? If more than one operator present, other operators may check raw water and chemical feeds.

OPERATOR CERTIFICATION

LICENSEE NAME	LICENSEE AI #	LICENSE ID	LICENSE TYPE
Pam Rose	28095	713	DW Treatment IVA
Pierce Welch	33085	1808	DW Treatment IVA
Joey Brown	29115	948	DW Treatment IIIA
Mark McCourt	31896	1576	DW Treatment IVA
Glenn Bays	29966	21027	DW Treatment IVA
Brian Druen	26000	226	DW Treatment IVA
Josh Pedigo	112176	26045	DW Treatment IIIA
Mark Dewitt	28874	888	DW Treatment IVA
Scott Fiepke	30183	1183	DW Treatment IVA

Is the system staffed with appropriately certified operators? (Verify certification with DCA.) Yes No N/A

COMMENTS: Operators can be fired for leaving plant while producing water.

II. MONITORING, REPORTING & DATA VERIFICATION

(Part A must be completed for all water systems. Part B must be completed for groundwater systems only.)

PART A (Complete for all water systems.)				
REPORTING ITEM – Information gathered from DWW	RETENTION TIME	Yes	No	N/A
Bacteriological – 30 per month (See DWW)	5 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Chlorine/Chloramines – Free chlorine monthly with BACTs, daily for MORs, residual chlorine monthly	10 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
C-T Profiling Data	See if doing/min 1 year	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Individual Filter Turbidity Data (Other than MOR)	3 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
MORs – Monthly (Turbidity Analysis)	1 Year	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Lead & Copper – 30 every 3 years (June to September)	12 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Nitrate – Annually	10 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Nitrite – 1 sample in the 1 st 3 years of the 9 year compliance cycle	10 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Secondary/Corrosivity – Annually	10 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Sodium – annually; can be with SECS	10 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
IOCs (Inorganic Chemicals) – Annually	10 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
SOCs (Synthetic Organic Compounds) – >3300, 2 quarterly samples in 12 consecutive months in 3 years.	10 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
VOCs (Volatile Organic Chemicals) – Annually	10 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
TOCs (Total Organic Carbon) – Monthly, Raw TOC/Alkalinity & CFE TOC	10 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
TTHMs & HAA's 4 per quarter (see DWW)	10 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Asbestos – 1 sample in the 1 st 3 years of the 9 year compliance cycle (SOC) *Check for Waiver (only purchasers can have waiver)*	Begin 2011/2013	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
RADs (Radionuclides) – Every 6 years	See if conducting	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
LT2 Cryptosporidium and E.coli Plan – 3 years after bin classification (see rule - first one is April 2009)	3 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
LT2 Source Water Monitoring Avoidance	3 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
LT2 Toolbox Treatment Monitoring Results	3 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Stage 2 IDSE Sampling Plan or 40/30 Certification	10 years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Stage 2 IDSE Report	10 years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Bromate (Only used on systems treating with Ozone)	10 Years	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Chlorine Dioxide	10 Years	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Chlorite (Only used on systems treating with Chlorine Dioxide)	10 Years	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Dioxin – w/SOCs if required *Check for Waiver*	10 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Data Summaries (if actual data not retained)	12 Years	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
NOVs (Notices of Violation)	10 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Sanitary Surveys (every 3 years)	10 Years	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CCR (Consumer Confidence Report) – Annually by July 1 (by April 1 to consecutive systems)	Current one on file	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>

Does the system maintain a current sampling plan for BacTs?	Date updated 2009	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system maintain a current sampling plan for LCR?	Date updated 2006	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system maintain a current sampling plan for DBPs?	Date updated 2010	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have an up-to-date map of distribution assets? (Map shall show a minimum of all line sizes, cutoff valves, fire hydrants, flush hydrants, tanks, booster pumps, chlorination stations, connections to emergency or alternative sources, wholesale customer master meters, & the type of piping material in the distribution system and its location.)	Date updated GIS	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>

PART B (Complete for groundwater systems only.) <input checked="" type="checkbox"/> Not Applicable				
GWR Corrective Action	10 years	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
GWR Public Notices	3 years	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
GWR Fecal-positive invalidation	5 years	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
GWR State-specified minimum disinfectant residual (letter from CTAB)	10 years	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
GWR Lowest daily disinfectant residual level (submitted with MOR)	5 years	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
What method is used to record this? (i.e. SCADA, chart recorders, download to CD)				
GWR Date and duration of time less than minimum daily disinfectant residual level	5 years	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
GWR Records of state-specific compliance requirements for membrane filtration and alternative treatment	5 years	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>

Does the system maintain compliance records as required? (answer for both Parts A & B)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
COMMENTS:			

III. MANAGEMENT & OPERATIONS

What professional organizations does the water system belong to? <u>CKWWOA, KRWA</u>				
Is the system subject to Public Service Commission regulations?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>	
Does the system attend Water Management Council meetings of the Area Development District?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>	
Does the system have a governing entity? If not, explain: _____	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>	
What is the name of the system's MAYOR? <u>Edna Berger</u>				
What is his or her mailing address? <u>200 W. Dixie PO Box 550, Elizabethtown, KY 42702</u>				
How often does the governing body meet? <u>Monthly</u>				
Do operators attend these meetings?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>	
Is the governing entity provided with documented information regarding technical, managerial, and financial operations of the water system? (Inspect)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>	
Is the governing entity familiar with water treatment?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>	
Does the system offer continuing education opportunities for members of the governing entity?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>	

Does the governing entity visit the water plant? How often? _____	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have regular staff meetings? How often? <u>Monthly</u> _____ Who is involved? <u>Operating Staff</u>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have a documented strategic plan (mission statement, goals and objectives)? (Inspect)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have a defined organizational structure?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have a documented description of each job classification with minimum position qualifications? (Inspect)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have documented policies and procedures governing human resource management (such as an employee handbook)?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system periodically review its insurance coverage is in place for liability, property, automobiles, directors, and officers?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have a documented policy for delegation of authority such as signing agreements, contracts, resolutions, easements, etc.?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have a documented procurement policy for purchasing supplies?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have professional services available under a current contract, retainer, or other similar arrangement for engineering, accounting, and legal counsel?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have an asset management program?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have a documented preventive maintenance program?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have a capital improvement plan? (Inspect) How many years does the plan cover? <u>1 year</u>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have a documented policy governing water main extensions? (Inspect)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Are chemicals inventoried? If so, how? <u>Minimum threshold quantity.</u>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Are distribution materials inventoried? If so, how? <u>Minimum threshold quantity.</u>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Is there a bid process for chemicals, pipe, or large item purchases?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have rules and regulations governing the provision of service? (Inspect)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system make available in a public place the rules, rates, and regulations? (Inspect)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system provide 24-hour service response for customers?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system notify customers prior to performing scheduled maintenance?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system log customer complaints and track resolution?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system provide any educational activities to the public? Who is responsible for providing this? <u>WP staff</u> What types of educational activities are done? <u>Plant tours</u>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system have sufficient O & M manuals? (Inspect) (O & M manuals shall include: a detailed design of the plant, daily operating procedures, a schedule of testing requirements designating who is responsible for the tests, and safety procedures for operation of the facility – including storage and inventory requirements for materials and supplies.)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
How are the operators made aware of O & M procedures? <u>Annual SOP sign off.</u>			
Has the system received any NOVs for MCLs in the last 3 years? If yes, answer the following:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>

If more than one NOV, were any for the same contaminant?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Was a public notice issued when required?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
What remedial measures did the system take to prevent future occurrences of these violations? _____			
Does the system maintain a log of all breaks or ruptures per 401 KAR 8:150, Section 4? (Inspect)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Is the system operating at or above 85% of its Rated Design Capacity or using at or above 85% of water available through purchase contracts? (see COW)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
Plant is currently operating at <u>79.2%</u> (gpd) and <u>79.2%</u> (gpm) of its Rated Design Capacity.			
If system's average daily demand (including volume of water specified through contracts) exceeds 85% of total available capacity (including both plant capacity and water available through purchase contracts), does system have a plan for obtaining additional capacity, including cost and timeframes to address the needed additional capacity?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
If applicable, describe plan for obtaining additional capacity: _____			
COMMENTS: The governing council meets weekly. If council showed an interest continuing education opportunities would provided. The capital improvement plan budgets projects for a year and long range projects are identified. 79.2% calculated through capacity overview worksheet (COW), system calculated it was using close to 83% gpm of capacity. Plant B is only used 30-40 hrs a month primarily to keep it ready for emergencies.			

IV. FINANCIAL

Does the system prepare an annual operating budget? (Provide summary)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system prepare an annual capital budget? (Inspect)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Who prepares the budget? <u>Financial Director</u>			
Do the operators have input into the budget?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Are training and license funds built into the budget?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the governing entity review and approve the budget?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system prepare regular monthly reports to show variances between budgeted and actual revenue and expenses? (Inspect)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system maintain its financial records utilizing the Kentucky Uniform System of Accounting or a comparable system? (Inspect)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Are financial statements audited by a CPA as required? (Inspect) (Water districts, special districts – i.e. regional water commissions and cities have specific requirements.)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
If audit is completed, does the governing entity receive and review the audit report?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the system employ a method for depreciation of system assets?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Is the system operating at a retained earnings surplus? (Retained earnings is the net income that is available at the end of the year and available for transfer.)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Is the current debt-to-equity ratio below 1.0? (The debt-to equity ratio for any given year is computed by dividing total liabilities by total equity.)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Does the water system meet a debt coverage ratio needed for bond ordinances, loan agreements, and bond requirements? A typical value is 1.2. (Debt coverage ratio is computed by dividing cash available for debt service (net income with annual interest, depreciation, amortization, and other non-cash items added back) by debt service requirements for the year.)	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Does the water system revenue go to meet other expenses (i.e. electric, sewer or garbage)?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
Is there a documented policy for delinquent accounts?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>

What is it? <u>System has a policy of cut-off for non-payment but does not appear to be documented.</u>		
For accounts payable, has the system kept payments less than 45 days past due over the last 12 months?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
Does the system write-off bad debt annually?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
Where does the system typically go for financial assistance? <u>KIA</u>		
Does the system have any long-term debts?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
Is the system current on all debt service payments (if applicable)?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
Is the system meeting reserve account requirements (if applicable)?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
Is there an approved* rate structure in place? (Provide copy of rate sheet.) (*Approved by governing entity/PSC as applicable.)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
What are the dates of the system's last 2 rate increases? <u>7/1/2012 and 7/1/2013</u>		
Does the system perform a review annually to determine if the rates fully cover the expenses?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
Are long-term needs built into rate increases?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
Do rates promote conservation in time of drought?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/> N/A <input type="checkbox"/>
COST OF WATER PRODUCED, PURCHASED AND SOLD		
Does the system calculate the cost to produce water?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
Producers	How much does it cost your system to produce 1,000 gallons of water?	<u>\$2.56</u> N/A <input type="checkbox"/>
Purchasers	What is the highest wholesale price you pay per 1,000 gallons of water?	<u>\$1.98</u> N/A <input type="checkbox"/>
	What is the lowest wholesale price you pay per 1,000 gallons of water?	\$_____ N/A <input checked="" type="checkbox"/>
Sellers	What is your highest wholesale price which you charge per 1,000 gallons of water?	\$_____ N/A <input checked="" type="checkbox"/>
	What is your lowest wholesale price which you charge per 1,000 gallons of water?	\$_____ N/A <input checked="" type="checkbox"/>
WATER LOSS		
Does the system track water loss on a monthly basis?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
Report water loss for the past year as a percentage of total water produced/purchased in gallons and as a dollar value (use \$1.50 as an example if cost to produce water is unknown).	<u>21.4%</u> <u>15,462,852</u> gallons <u>\$39,585</u>	
If water loss is above 15%, does the system have a plan to address this?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
If yes, describe plan to address water loss: <u>Large meter testing and meter replacement.</u>		
COMMENTS:		

V. SECURITY

Does the system have a documented safety policy?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
Does the system provide regular safety training to its employees?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
Is the utility a member of the Local Emergency Planning Committee?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
Does the system have an updated Emergency Response Plan that is reviewed annually? (Inspect)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
Does the emergency response plan include a plan for responding to water shortages and loss of service?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>
Is the Emergency Response Plan exercised?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> N/A <input type="checkbox"/>

How is the Emergency Response Plan communicated to all employees? <u>Safety meetings</u>			
Are there safeguards on water plant operations when operators may be doing work outside on the plant grounds?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
What types of safeguards? <u>Locks, fences, security cameras, regular police patrols pass nearby.</u>			
Does the plant ever disable the telemetry/SCADA system and run on manual?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Has the system developed procedures for securing computer/SCADA usage?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Are backup copies of O & M manuals maintained in a location other than the water plant?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Is the raw water, treatment, distribution, and purchased water source equipped with emergency standby power generation or is there a secondary source of power? (e.g. contracts in place with suppliers for emergency generators or dual electrical feed)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Are backup emergency generators exercised regularly?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Is other backup equipment exercised regularly?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
Have arrangements been made with outside contractors, other utilities, etc. to provide needed emergency equipment?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
If the system has an inactive water plant, is the plant exercised to maintain preparedness for emergencies?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
How often? <u>Normally three times a week.</u>			
How is the plant disinfected prior to bringing it back on line? <u>Liquid Cl2</u>			
Is equipment shared with the wastewater plant?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
If so, how is the equipment disinfected prior to use at the water plant? _____			
COMMENTS:			

DOCUMENTATION (✓ all that apply)
<input type="checkbox"/> Photographs obtained by DEP
<input type="checkbox"/> Copies of records obtained by DEP
<input checked="" type="checkbox"/> Other documentation

OVERALL COMPLIANCE STATUS		
<input type="checkbox"/> No Violations Observed		
<input checked="" type="checkbox"/> No Violations Observed – Advisory Action Taken (impending trends)		
<input type="checkbox"/> Out of Compliance – Verbal Notice Given (non-recurrent deficiency noted or violation corrected at time of inspection)		
CDPM: Jason Lambert	Title: Environmental Technologist III	Date: 09/17/2013

Drinking Water Sanitary Survey
TECHNICAL INSPECTION OF SURFACE WATER
PLANT AND DISTRIBUTION SYSTEM OPERATIONS

PWS ID: KY0470118
Agency Interest Number: 1662
AI Name: Elizabethtown WD
County: Hardin County
WTP Latitude: 37.679832 WTP Longitude: -85.876916
CTAB Inspection Date(s): 09/16/2013

TREATMENT PROCESS SUMMARY	
Primary Source: City Spring, Gather Spring	Maximum Pumping Rate: 2,083 gpm
Secondary Source: Five Wells	Filter Design Rate (gpm/ft ²): 5 gpm/ft.2
Pre-sedimentation Size: N/A	Aeration: 1)N/A 2) N/A
Sedimentation (Primary): N/A Sedimentation 2: 1) N/A 2) N/A	Filter (Primary): N/A Filter 2 (if 2 different filter types): 1) N/A 2) N/A
Total Clear Well Size (gallons): 550,000	Total Distribution Storage Capacity (gallons): 2,100,000
Does each component of the WTP meet 10 State Standards or has each been approved by the Division of Water? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
COMMENTS:	

CHEMICALS SUMMARY	
Pre-Disinfection/Treatment: 1) Chlorine Gas 2) Chlorine Gas Post-Disinfection: 1) N/A 2) N/A	Primary Coagulant: Polyaluminum Chlorides/Sulfates Secondary Coagulant (Name): Polymer
Filter Aid Name: N/A	Corrosion Control: N/A
Taste and Odor: Activated Carbon/Powdered	Softening: N/A
Iron and Manganese Removal: Potassium Permanganate	Fluoride Supplement: Hydrofluosilicic Acid
COMMENTS:	

PLANT SCHEMATIC (OPTIONAL)	
<i>Include a plant schematic indicating the following details. Place an "X" in the box to indicate this item is included on the schematic.</i>	
<input checked="" type="checkbox"/> Source water type/location	<input checked="" type="checkbox"/> Major unit processes (including baffling factors and volumes)
<input checked="" type="checkbox"/> Flow measurement locations	<input checked="" type="checkbox"/> Chemical injection locations
<input checked="" type="checkbox"/> Piping Flexibility (including # of raw and finished water mains)	<input type="checkbox"/> Waste handling

I. SOURCE

SOURCE				
SOURCE NAME	WATER WITHDRAWAL NUMBER	PERMITTED AMOUNT (MGD)	IS CAPACITY ADEQUATE?	ARE THERE WATER QUALITY ISSUES?
City Spring and Gather Spring	0122 & 0123	1.7 MGD	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5 Wells	0121	2.6 MGD	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Upstream land uses (✓ all that apply): <input type="checkbox"/> Farmland <input type="checkbox"/> Industry <input type="checkbox"/> Logging <input type="checkbox"/> Mining <input type="checkbox"/> Oil and Gas <input type="checkbox"/> Recreation <input checked="" type="checkbox"/> Residential <input type="checkbox"/> Other _____				
Upstream discharges within 5 miles (✓ all that apply): <input type="checkbox"/> Farmland <input type="checkbox"/> Industry <input type="checkbox"/> Logging <input type="checkbox"/> Mining <input type="checkbox"/> Oil and Gas <input checked="" type="checkbox"/> Recreation <input checked="" type="checkbox"/> Residential <input type="checkbox"/> Water/Wastewater Discharge <input type="checkbox"/> Other _____				
Is there a source water protection plan in place? (Call ADD if no one at plant knows.)				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Are there any sources of Cryptosporidium in the watershed?				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Describe the sources: _____				
Is the system drought-vulnerable? (Has the system ever been on water conservation or dealt with a dwindling water source during warm weather?)				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<i>Does the system perform both source and finished water quality monitoring as required?</i>				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
What type of water quality monitoring is done on the source water (✓ all that apply): <input checked="" type="checkbox"/> Alkalinity <input checked="" type="checkbox"/> BacTs <input checked="" type="checkbox"/> Hardness <input checked="" type="checkbox"/> Iron <input checked="" type="checkbox"/> Manganese <input checked="" type="checkbox"/> pH <input checked="" type="checkbox"/> Temperature <input checked="" type="checkbox"/> Turbidity <input type="checkbox"/> None				
If multiple sources are available, is the one in use the "best" in terms of both water quality and quantity?				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Are there any factors that have limited the capacity of raw water source(s) within the last 10 years?				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If the capacity of a raw source has been limited within the past 10 years, have the contributing factors already been successfully addressed? If not, explain: _____				Yes <input type="checkbox"/> No <input type="checkbox"/>
Are there any unaddressed factors that have reduced the quality of raw water source(s) in the last 10 years?				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If the quality of the raw water source(s) has been reduced within the past 10 years, have the contributing factors already been successfully addressed? If not, explain: _____				Yes <input type="checkbox"/> No <input type="checkbox"/>
Are there any unaddressed factors that have limited the water available for purchase from contracted source(s) in the last 10 years?				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If water available for purchase through contracted source(s) has been limited within the past 10 years, have the contributing factors already been successfully addressed? If not, explain: _____				Yes <input type="checkbox"/> No <input type="checkbox"/>
COMMENTS:				

INTAKE STRUCTURE							
LOCATION			TYPE	# of INLETS	SCREEN GRID SIZE	IS FLOODING A PROBLEM?	IS SILT BUILD-UP A PROBLEM?
ROAD/AREA	LATITUDE	LONGITUDE					
City Spring	37.67882	-85.87509	Fixed	1	1/4	NO	YES
Gather Spring	37.65746	-85.90120	Fixed	1	1/4	NO	YES
Well#1	37.67980	-85.87622	Fixed	1	1/4	NO	NO
Well #2	37.68067	-85.87659	Fixed	1	1/4	NO	NO

Well # 3	37.67940	-85.87710		1	1/4		
Well #4	37.67622	-85.88196		1	1/4		
Well#5	37.67180	-85.88457		1	1/4		

Number of raw water mains: _____ which are: PUMPED or GRAVITY FED

Is raw water flow measured? Yes No

If yes, when was the meter last calibrated? _____

List any chemicals fed at the source: potassium

If source is a reservoir, is it aerated? Yes No

List depths of intake levels (normal pool): N/A

Screens are: STATIONARY or MECHANICAL

Is screen clogging a problem? Yes No

How are screens cleaned? _____

Are Zebra mussels a problem? Yes No

If yes, list actions taken: _____

How often are the submerged portions of the intake inspected? As Needed

When was the date of the last inspection? 2012

COMMENTS:

II. TREATMENT/PUMPS

PRE-SEDIMENTATION
N/A

CAPACITY (gallons)	FLEXIBILITY TO BYPASS	CHEMICAL FEED CAPABILITY	LIST CHEMICALS FED
9000,000	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	KMn04
3,000,000	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	

Are treatment chemicals fed at the inlet to the pre-sedimentation basin? Yes No

If so, is the chemical fed: ALL THE TIME or INTERMITTENTLY ?

Is algae growth a problem? Yes No

How often are the pre-sedimentation basin(s) cleaned? 2 years ago

COMMENTS:

AERATION
N/A

TYPE	CAPACITY (gallons)	REASON FOR AERATION

COMMENTS:

RAPID MIX			
N/A			
TYPE	NUMBER	VOLUME (gallons)	PHYSICAL CONDITION
List chemicals in the order they are fed at the rapid mix: _____			
Is adequate mixing of chemicals taking place?			Yes <input type="checkbox"/> No <input type="checkbox"/>
Are there flow splits after the rapid mix?			Yes <input type="checkbox"/> No <input type="checkbox"/>
If so, is the flow distribution even?			Yes <input type="checkbox"/> No <input type="checkbox"/>
COMMENTS:			

FLOCCULATION BASINS				
N/A				
TYPE	# of TRAINS / STAGES	VARIABLE SPEED DRIVE	VOLUME (gallons)	PHYSICAL CONDITION
	/	Yes <input type="checkbox"/> No <input type="checkbox"/>		
	/	Yes <input type="checkbox"/> No <input type="checkbox"/>		
List any chemicals fed in the flocculation process: _____				
What is the size and appearance of the floc? Size: <u>N/A</u> & Appearance: <u>N/A</u>				
How often are flocculation basins cleaned? <u>As Needed</u>				
Are the flocculation speeds tapered (decreased) through the flocculation stages?			Yes <input type="checkbox"/> No <input type="checkbox"/>	
Are there flow splits after flocculation?			Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Is flow distribution even?			Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
COMMENTS:				

SEDIMENTATION BASINS					
Inspected					
TYPE	TRAINS / STAGES	VOLUME (gallons)	SQ. FT. AREA PER BASIN	% WITH TUBE SETTLERS	PHYSICAL CONDITION
Claricone	/	188,000			Good
	/				
List any chemicals fed in the sedimentation process: _____					
What is the sedimentation turbidity goal? <u>1.8</u>					
Where is this sample taken? <u>RAW</u>					
What is the overflow rate of the basins? _____ gpm/ft ²					
If system has an Actiflo process, what is the rise rate? _____					
How often are the basins cleaned? <u>As Needed</u>					
How often is sludge removed from the basins? <u>Last Year</u>					
Sludge removal is: MECHANICAL <input checked="" type="checkbox"/> or MANUAL <input type="checkbox"/>					
What was the sludge depth at the time of this inspection? _____					

What was the settled water turbidity at the time of this inspection? .65

Is there evidence of short-circuiting (flow or density currents)? Yes No

Is baffling present in the basins? Yes No

If yes, describe the baffling: _____

If multiple sedimentation basins, describe the piping from the basins to the filters: _____

Is there evidence of floc carryover to the filters? Yes No

COMMENTS:

FILTERS
Total Number of Filters: 4
Plant flow rate divided by total square footage of filters in service at the time of inspection.

TYPE	MEDIA TYPE	FILTER RATE (at insp.)	FILTER CONTROL	SURFACE WASH TYPE	FILTER TO WASTE	FILTER AREA	PHYSICAL CONDITION
Declining Rate	Dual Media	5 gpm/ft ²	Rate of Flow	Air Scour	Yes	196	Good
Conventional	Rapid Sand	2 gpm/ft ²	Rate of Flow	Rotary	Yes	180	Good

List any chemicals fed in the filtration process: Flouride

What is the filtered water turbidity goal? 1.5

Does this apply to the combined filter effluent? Yes No

To individual filter effluents? Yes No

What criteria are used for filter backwash? Loss of Head and Turbidity

What is the backwash rate in gallons per minute? 3650

Is filter backwash rate ramped up and down? Yes No

Is backwash flow rate measured? Yes No

Are filters ever bumped? Yes No

Is air scouring used? Yes No

What was the combined filter effluent turbidity at time of inspection? 0.27Tap 0.030

Are individual filters monitored for turbidity? Yes No

Are the IFE turbidimeters calibrated per the manufacturer's instructions? (inspect documentation) Yes No

Is this turbidity continuously recorded? Yes No

Can this data be retrieved in usable form from storage (tape or CDs)? Yes No

Is filter to waste (rewash) present? Yes No

Is it used? Yes No

Can turbidity be measured while filtering to waste? Yes No

Are flows adjusted on remaining in-service filters during a backwash? Yes No

COMMENTS:

MEMBRANE FILTRATION
 N/A

What type of membrane filtration is used? N/A

The membrane filtration process is PRESSURE or VACUUM driven.

What is the designed membrane flux (flow per unit of membrane area)? _____

Are pre-filters used ahead of the membranes? Yes No

Describe the direct integrity testing procedure. _____

Describe how membrane breaks are isolated and repaired. _____

How are the membranes "backwashed"? _____

What type of chemical cleaning is used? _____

How is this waste handled? _____

Have there been any operational or maintenance issues with the membranes? Yes No

If yes, explain: _____

COMMENTS:

RESIDUALS HANDLING

What percent of plant production is used for in-plant processes (backwash, chemical feed, sanitary)? 2.2%

How are spent backwash water and other liquid residuals handled? WWTP

If applicable, is the spent backwash holding tank/lagoon volume adequate? Yes No

Does the plant discharge water from this tank/lagoon back to a body of water? Yes No

Does the plant have a KPDES discharge permit? If so, what is the permit number? _____ Yes No

Is the discharge meeting permit requirements? Yes No

Is the discharge point upstream of the intake? Yes No

If yes, how far upstream is the discharge point from the intake? _____

Is spent backwash water recycled? Yes No

If yes, is the spent backwash water recycled as a: "SLUG" or as a CONSTANT FLOW ?

What percent of the flow is recycled? _____%

Are chemical feed rates adjusted during recycling? Yes No

Are raw water flows adjusted during recycling? Yes No

Are all recordkeeping requirements of the *Filter Backwash Rule* being followed? Yes No

How are solid residuals handled? _____

COMMENTS: Backwash is sent to the WWTP they have KPDES

CHEMICAL FEED EQUIPMENT				
CHEMICAL NAME	PURPOSE	FEEDER TYPE	FEED POINT	NUMBER & CONDITION
KMnO4	Taste Odor	Metering Pump	Source	1 Good
Powdered Activated Carbon	Taste Odor	Gravimetric	Intake	2 Good
Polyaluminum Cl/SO4	Coagulant Aid	Metering Pump	Intake	2 Good
Polymer	Coagulation	Metering Pump	Intake	2 Good
Hydrofluosilicic Acid	Dental Health	Metering Pump	Pre/Top of Filter	2 Good

How are chemical feeders calibrated? <u>Carbon Weight/Graph. Liquids Calibration cylinder. Scales</u>				
How often are chemical feeders calibrated? <u>2/Day and Each shift</u>				
Are chemical dosages calculated?				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
How often are dosages calculated? <u>As Needed</u>				
Are chemicals NSF or United Laboratories certified and approved by DOW prior to use?				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Do the bulk liquid feed systems have day tanks?				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Are there at least two feeders provided for essential processes (such as coagulation and disinfection)?				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Are spare parts available?				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Is there enough storage for at least a 30-day supply of chemicals used?				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Are there containment areas around the chemicals in case of spills or leaks?				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Are in-plant water supplies protected from backflow (cross connections)?				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Does a certified tester test backflow prevention devices?				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If yes: What is the testing frequency? _____ Last Tested: _____				
COMMENTS:				

GAS CHLORINE SAFETY		
Inspected		
Is the chlorine room enclosed and separate from other operating areas?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there a working exhaust fan in the chlorine room?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does it provide one complete air change per minute?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does it exhaust from floor level?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is intake air near the ceiling?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there an external audible and visual alarm?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Are switches located outside the chlorine room?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Are chlorine tanks secured?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Are the scales operational?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is automatic switchover of chlorine cylinders provided?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there a shatterproof viewing window in chlorine room?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there a crash bar on the door of the chlorine room?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the door open out and to the exterior of the building?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there a SCBA unit meeting NIOSH standards outside the chlorine room?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Are personnel trained to use the SCBA?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Is the "buddy system" practiced when changing or moving chlorine cylinders?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is leak detection provided?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is ammonia available for chlorine leak detection?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there a chlorine tank repair kit?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Are personnel trained and certified to use the kits? Yes No

COMMENTS: The fire department are the responder for all leaks and repair for CL2 in Elizabethtown.

CHLORINE DIOXIDE SAFETY
N/A

Many materials will catch fire and burn violently when in contact with chlorite.

Is sodium chlorite stored in a separate room? Yes No

Is sodium chlorite stored away from organic material? Yes No

COMMENTS:

GAS (ANHYDROUS) AMMONIA SAFETY
N/A

Is the ammonia room enclosed and separate from other operating areas? Yes No

Is there a working exhaust fan in the ammonia room? Yes No

If there is a working exhaust fan, does it provide one complete air change per minute? Yes No

Does the exhaust fan exhaust from ceiling level? Yes No

Is intake air near the floor? Yes No

Are switches located outside the ammonia room? Yes No

Are ammonia tanks secured? Yes No

Is there a shatterproof viewing window in ammonia room? Yes No

Is there a crash bar on the door of the ammonia room? Yes No

Does the ammonia room door open out and to the exterior of the building? Yes No

Is there a SCBA unit meeting NIOSH standards outside the ammonia room? Yes No

Are personnel trained to use the SCBA? Yes No

Is leak detection provided? Yes No

If leak detection is provided, is there an external audible and visual alarm? Yes No

How are ammonia leaks detected? _____

COMMENTS:

DISINFECTION

TYPE	APPLICATION POINT	REDUNDANCY AVAILABLE	FEEDER TYPE
Chlorine Gas	Pre Quick/Flash Mix	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Chlorinator
Chlorine Gas	Post-Clearwell	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Chlorinator
		Yes <input type="checkbox"/> No <input type="checkbox"/>	

What is the means used to measure disinfectant chemical usage? scales

How is the disinfectant residual monitored? continuous

Is there an on-line, recording chlorine analyzer on the plant tap (for systems serving >3,300)? Yes No

Are C-Ts calculated daily? Yes No

COMMENTS:

CLEARWELLS

VOLUME (gallons)	BAFFLING TYPE	DISINFECTANT RESIDUAL	
		TOTAL	FREE
550,000	Superior (0.7)	2.18	1.99

List chemicals in the order in which they are fed into the clearwell: _____

If multiple clearwells, are they:

IN SERIES (one following the other) or PARALLEL (side by side and not connected)

Are hatches secured? Yes No

Are vents screened? Yes No

How often are clear wells cleaned? 9/11

COMMENTS:

WATER PLANT PUMPS

(Low service/raw water, high service/finished water and backwash)

FLOW STREAM	LOCATION	NUMBER OF PUMPS	CAPACITY (gpm)	PUMP TYPE	FLOW CONTROL METHOD
Backwash Water	plant	1	3650	Vertical Turbine	Manual
Backwash Water	plant	1	3650	Centrifugal	Manual
Primary Raw Water	round house	2	1500 each	Centrifugal	Manual
Finished Water	1923 Bulding	3	1800 each	Centrifugal	Manual
Finished Water	1953 Building	1	1550	Centrifugal	Manual

Are documented maintenance and pumping records maintained for all distribution pumping stations? (minimum of pump run times, pump testing, maintenance log) Yes No

Do all pumping facilities have the ability to meet demand with one pump out of service during peak demand? Yes No

COMMENTS: One more finished pump in the 1954 bulding 1900 gpm Vertical Turbine A Valve

WATER PLANT ON-LINE INSTRUMENTATION

TYPE	FLOW STREAM (Location)	MANUFACTURER	LAST CALIBRATION DATE
Turbidity	Raw Water	Hach	Daily
Turbidity	Settled Water	Hach	Daily
Turbidity	Individual Filter Effluent	Hach	Daily
Turbidity	Tap	Hach	Daily
Chlorine	Settled Water	Hach	Daily
Chlorine	Tap	Hach	Daily

pH	Raw Water	Hach	Daily

COMMENTS:

LABORATORY (PLANT)			
PARAMETERS TESTED	FREQUENCY	EQUIPMENT USED	CALIBRATION METHOD
Alkalinity	2/Day	Titration	
Hardness	2/Day	Titration	
PH	2/Day	Hach	
Flouride	4/Day	Hach	

- Is laboratory space and lighting adequate? Yes No
- Are analyses conducted according to approved EPA methods? Yes No
- Does the lab have SOPs for sample collection, analysis, and reporting? Yes No
- Are daily log sheets used to record day-to-day operations, testing, etc? Yes No
- If daily log sheets are used, are they: ELECTRONIC (on the computer) or HAND-WRITTEN

COMMENTS:

IN-PLANT SAMPLING (for example, top and bottom of filters)				
SITE	CHLORINE		pH	TURBIDITY
	FREE	TOTAL		
Tap	1.7	1.8	7.7	0.03
TOF				0.27
0.27RAW				.65

COMMENTS:

III. DISTRIBUTION SYSTEM/FINISHED WATER STORAGE

DISTRIBUTION SYSTEM

Does the system have standard specifications for design and construction of the distribution system?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the system prohibit new connections where pressure on the discharge side of the meter will be <30 psi?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is the system able to meet minimum pressure requirements of DOW and/or other regulating authority?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the system have a documented leak detection program?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Does the distribution system have a sufficient number of valves to isolate portions of the system (for leak detection, maintenance, etc.)?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
If there are separate distribution system areas, are they interconnected with each other?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If they are not interconnected, how many separate areas are there? _____		
What prevents these systems from being interconnected? _____		
How many pressure zones are there? <u>4</u>		
What is the range of distribution pressures? <u>80-150</u>		
Do any distribution areas require reduced pressure valves?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
What piping materials are included in the distribution system? <u>Ductal Iron, PVC</u>		
Does the system have a program for flushing water mains?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Describe the process for sterilizing new mains/main breaks: <u>According To Ten State Standards</u>		
What types of on-line instrumentation are located at booster or pump stations and tanks? <u>Radio</u>		
Does the system have a documented program for exercising distribution system valves?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the system have a documented program for regular testing of water meters including raw water, distributed and customer?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Is there a water meter replacement program?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Are there main break/emergency notification procedures?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the system have a documented procedure for issuing a boil water advisory and a consumer advisory? The procedure shall identify when (how soon after the occurrence) and how the system shall notify the affected health department, to whom that notification shall be made both during and after normal business hours, and procedures for issuing the advisory to the public. The public notification shall include instructions for the public (including how to properly boil water) and an explanation of steps being taken to correct the problem.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Describe how the decision is made to issue a Boil Water Advisory: _____		
Does the system have a cross-connection control program?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If yes, is the cross-connection control program documented in writing?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
If the cross-connection control program is not documented in writing, describe the process for finding and eliminating cross connections: _____		
Does a certified tester test the backflow prevention devices on a regular basis?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Has a calibrated hydraulic model been developed for the system?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

COMMENTS:

DISTRIBUTION STORAGE FACILITIES									
Inspected									
LOCATION			VOLUME (gallons)	TANK TYPE	OVERFLOW		LAST CLEANED/ INSPECTED	TELEME -TRY	% TURNOVER (Per Day)
ROAD/AREA	LATITUDE	LONGITUDE			SCREEN/ FLAPPER	>10' FROM TANK			
Industrial peterson dr	37.68378	-85.90972	500,000	Elevated	YES	YES	2010	YES	40
Oaklawn	37.74566	-85.88714	100,000	Elevated	YES	YES	1999	YES	141
Pear Orchard	37.71779	-85.84872	300,000	Elevated	YES	YES	2013	YES	75
Mulberry	37.70337	-85.85001	500,000	Elevated	YES	YES	2012	YES	44
South End	37.66960	-85.83176	500,000	Elevated	YES	YES	2012	YES	35
Helmwood	37.70640	-85.87665	500,000	Elevated	YES	YES	2013	YES	60
Freeman Lake			600,000	Ground	YES	YES	2013	YES	54

Are all storage tanks professionally inspected at least every 5 years (including interior, coating systems, & piping)? How often are tanks: INSPECTED _____ and CLEANED _____?

Are all storage tanks and water plants equipped with hatches, covers, screens, vandal guards and locks and all tank sites fenced for security? Yes No

Are all hatches, screens, and overflows on the storage tanks checked at least monthly? Yes No

Is there corrosion protection in the tanks? Yes No

COMMENTS:

DISTRIBUTION BOOSTER PUMPS AND/OR BOOSTER DISINFECTION FACILITIES						
N/A						
LOCATION			PUMP or DISINFECTION	NUMBER & CAPACITY OF PUMPS (gpm)	DISINFECTION TYPE	AUXILIARY POWER
ROAD/AREA	LATITUDE	LONGITUDE				
OakLawn			Pump	2 @ 1000		Yes
				@		
				@		
				@		
				@		
				@		
				@		
				@		
				@		

DISTRIBUTION SAMPLING

(a minimum of N, S, E, W)					
SITE	CHLORINE		pH	TURBIDITY	OTHER
	FREE	TOTAL			
North	1.3				
South	1.7				
East	1.7				
West	.9				

Is the system maintaining the required chlorine (0.2 mg/l) / chloramine (0.5 mg/l) residuals in the distribution system? Yes No

COMMENTS:

MAINTENANCE

- Is plant housekeeping adequate? Yes No
- Is distribution storage housekeeping adequate? Yes No
- Are adequate supplies of spare parts kept on hand? Yes No
- Are needed tools available? Yes No
- If not, is preventive maintenance performed? Yes No
- Is a lock-out/tag-out system used for electrical repairs? Yes No

What is the general condition of operating equipment? Good

COMMENTS:

DOCUMENTATION

- (✓ all that apply)
- Samples taken by DEP
 - Samples taken by outside source
 - Instrument readings taken by DEP
 - Photographs obtained by DEP
 - Copies of records obtained by DEP
 - Other documentation

OVERALL TECHNICAL COMPLIANCE STATUS

- No Violations Observed
- No Violations Observed - Advisory Action Taken (Impending trends)
- Out of Compliance – Verbal notice given (Non-recurrent deficiency noted or violation corrected at time of inspection.)

INSPECTOR: Garry Crabtree TITLE: Environmental Inspector I DATE: 09/16/2013

20. Refer to the Application, Page 5, Paragraph 18.

a. Hardin County No. 2 states that the proposed transfer will enable Elizabethtown WS to forego capital projects costing multiple millions of dollars. Provide a list that includes the title, description, and estimated cost of each project that will be avoided by Elizabethtown WS as a result of the sale of its water assets.

RESPONSE: By selling its water system to Hardin County No. 2, Elizabethtown will avoid the following capital projects that would otherwise be required:

i. City Springs Chloramine Conversion -	\$500,000
ii. Storage Tank #1 Construction -	\$2,250,000
iii. Storage Tank #2 Construction -	\$1,500,000
iv. South End Storage Tank Rehab -	\$450,000
v. South End Pressure Improvements -	\$300,000
vi. Springfield Road Loop -	<u>\$700,000</u>
Total	\$5,700,000

b. For each project listed above, state the anticipated date that Hardin County No. 2 will begin constructing the improvement or state the reason that Hardin County No. 2 will not be required to construct the improvement subsequent to its purchase of Elizabethtown WS assets.

RESPONSE: Hardin County No. 2 will immediately begin work on the City Springs WTP chloramine conversion. The water storage tanks will not be necessary in a merged distribution system because of the excess storage capacity that exists in Hardin County No. 2's system (See Response to Question 7). The South End Storage tank rehab work is due within five (5) years. The other two (2)

projects, South End Pressure Improvements and Springfield Road Loop, are identified in Elizabethtown's Capital Improvements Plan (See attachment to Question 24) as "long range" projects. These two (2) projects will not be necessary after the merger of the Elizabethtown and Hardin County No. 2 water distribution systems. All other Elizabethtown WS assets will enter Hardin County No. 2's asset management system and be scheduled for maintenance and upkeep in its 20 Year Capital Projects Plan.

c. Hardin County No. 2 states that the combined system can be managed, operated, and maintained in a more cost-effective manner. Provide a copy of all analysis, studies, and reports that were either performed or commissioned by Hardin County No. 2 or Elizabethtown that identify and quantify the operating efficiencies and cost savings that will result from Hardin County No. 2's purchase of Elizabethtown WS assets.

RESPONSE: Hardin County No. 2 has a well-established history of managing, operating, and maintaining its system in a cost-effective manner. Although its rates have not increased since 2007, its financial standing is even stronger today. Hardin County No. 2's customer base has grown from 15,756 to 17,135 as of December 31, 2013, an increase of 9%. Meanwhile, its employee head count has remained the same.

The proposed Elizabethtown WS acquisition will increase its customer base by an additional 10,000 customers, which is a 58% increase. Meanwhile, the forecasted headcount of Hardin County No. 2 employees will only increase by

36% if all budgeted positions are filled. Some departments, such as Administration, will not add any employees. Other departments will only add two (2) or three (3) employees. The customer to employee ratio will increase from 323:1 to 377:1, an increase of 17%.

Additionally, Hardin County No. 2's Customer Service Center is located within Elizabethtown's corporate limits. It will service the additional 10,000 customers without adding another site. All overhead expenses associated with maintaining a customer service location will remain constant.

The projected operating efficiencies have been confirmed by the Stiles Carter Study (Financial Forecast) included as Exhibit 10 to the Application. The Stiles Carter Study demonstrates that Hardin County No. 2 will immediately benefit from the favorable net operating margins that will result from the Elizabethtown Division.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

21. Refer to the Application, Exhibit 4, Page 15, Numbered Paragraph 8.

a. Explain why ownership of the Freeman WTP will not transfer from Elizabethtown to Hardin County No. 2 as a part of the proposed transaction.

RESPONSE: Freeman Lake is the focal point of Elizabethtown's signature park, Freeman Lake Park. Despite Freeman Lake's beauty, it is essentially a large storm water collection basin. The lake level fluctuates widely with rain events and drought conditions. There is no fresh water stream feeding the lake.

The Freeman Lake WTP is located below the dam that impounds the lake. Its sole source of water is Freeman Lake. Operation of the Freeman Lake WTP affects both the aesthetic and functional value of the park. These two (2) factors conflict with each other as high demand on the WTP results in low lake levels.

For the last several years, Elizabethtown has relied primarily upon its City Springs WTP for its water supply needs and used the Freeman Lake WTP on an "As Needed" basis during periods of high demand and while its City Springs WTP was undergoing renovation.

From the outset, both parties acknowledged that a long-term dependence on the Freeman Lake WTP by Hardin County No. 2 would create periods of conflict with Elizabethtown's desire to have a pristine park. Technical considerations also influenced this decision. Two (2) of these technical reasons are:

(1) **Water Quality.** Using the lake as a raw water source presents a challenge. The lake is surrounded by retail and commercial businesses, paved parking lots, and residential homes. It collects the storm run-off from all these areas. The lake is basically a storm water collection basin and is very susceptible to drought conditions. This causes very low lake levels for extended periods of time. Elevated water temperatures result in excess algae growth. Elizabethtown has a history of dumping copper sulfate directly into the lake in order to control algae growth; and

(2) **Limited Capacity.** The Freeman Lake WTP only has a rated capacity of 3 MGD. The long range planning of Hardin County No. 2 reveals that its next water source needs to be equal to or greater than the capacity of its White Mills WTP (8.1 MGD). The White Mills WTP was commissioned in 1990 and expanded in 1999. Because of the growth of the county during the past 25 years, Hardin County No. 2 has already “outgrown” its White Mills WTP. The limited 3 MGD capacity of the Freeman Lake WTP (even if all of it could be utilized on a dependable basis) is too small to supply Hardin County No. 2’s and Elizabethtown’s foreseeable water supply needs within the next 5 years, much less the next 20 years. Both the community and its water supplier, Hardin County No. 2, realize that long-term reliance upon the Freeman Lake WTP is not prudent.

b. Provide a copy of the Freeman WTP lease agreement between Elizabethtown and Hardin County No. 2.

RESPONSE: The Lease agreement for the Freeman Lake WTP facilities has not been prepared. It will be a typical short-term lease (five years). Hardin County No. 2 will pay all operating and maintenance expenses incurred during the term of the lease.

Hardin County No. 2 will also have the right to terminate the lease before the end of the five-year term if it is no longer needed for peak demand or back up.

c. State the methods Hardin County No. 2 will use to account for the Freeman WTP lease.

RESPONSE: The Freeman Lake WTP lease will not be recorded as an asset. It will not be depreciated. It will not be reflected on Hardin County No. 2's Balance Sheet. All the costs associated with producing water from the Freeman Lake WTP will be accounted for as operational costs and reported on Hardin County No. 2's Income Statement.

d. Explain under what conditions and circumstances Hardin County No. 2 will renew the lease upon expiration of the original five-year term.

RESPONSE: Hardin County No. 2 will exercise its right to end the lease and vacate the premises once the Louisville Water Supply Interconnection Project has been completed and is fully operational. It is anticipated that this event will occur before the end of the original five-year term. If the Louisville Water Supply Interconnection Project is delayed, however, Hardin County No. 2 will have the right to renew the lease for up to an additional five (5) years.

e. Provide the lease's payment schedule.

RESPONSE: There is **no** payment schedule for the lease of the Freeman Lake WTP. Hardin County No. 2 will not make any monthly or yearly rental fee or lease payment. The "rent free" use of the Freeman Lake WTP facilities was negotiated as part of the overall terms of the Asset Purchase Agreement.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

22. Refer to the Application, Page 8, Numbered Paragraph 31 and Exhibit 7. Numbered Paragraph 31 states that "[t]he book value of the Assets being purchased is \$7,718,229. A schedule itemizing the book value of each of the major components of the Assets is attached hereto and incorporated herein by reference as Exhibit 7."

In Exhibit 7, the original cost of the Freeman WTP, \$819,089 (\$36,624 + 782,465), is included in the \$7,718,229 total stated book value of assets being purchased by Hardin County No. 2. Confirm that Numbered Paragraph 31 and Exhibit 7 are in error and that ownership of the Freeman WTP will not transfer to Hardin County No. 2 as a result its purchase of Elizabethtown's water assets.

RESPONSE: Ownership of the Freeman Lake WTP will **not** transfer to Hardin County No. 2. Therefore, the book value amount stated in Paragraph 31 and Exhibit 7 of the Application is incorrect. The correct amount is \$6,899,140 as reflected on Exhibit 22 of the Application.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

23. Refer to the Application, Exhibit 8. In Chapters 4 and 5 GRW identifies the capital improvement projects listed below that it recommends Hardin County No. 2 make to Elizabethtown WS's assets subsequent to its purchase of those assets.

	Estimated Cost
Projects Listed in GRW Report, Table 4.1	
Renewal of Wells 1,2, and Gaither Spring Raw Water Source	\$134,325
Miscellaneous Building and Electrical Code Repairs	170,150
Renewal of South End Storage Tank	452,400
Stair and Handrail Safety Modifications	45,025
Replacement of City Springs WTP Electrical Panels	173,225
Renewal of City Springs WTP Building Roofs	85,675
Renewal of Helmwood Storage Tank	199,525
Renewal of 3 Million Gallon Raw Water Storage Tank	284,925
Replacement of Filter Media at City Springs WTP	133,980
Total Cost Table 4.1	<u>1,679,230</u>
Projects Listed in GRW Report, Table 5.1	
Site Security Upgrades to City Springs WTP and Raw Water Sources	118,450
New Off-Site Bulk Water Loading Station	62,525
Chemical Feed Building Addition to Proposed Ammonia Building	518,750
Install pH Meers at Raw Water Spring Sources	8,950
Raw Water Well to Replace Wells 3, 4, 5 and Transfer Station	403,700
Installation of 1990 Clearwell Level Sensor	17,450
Raw Water Influent Pump Station to Replace Roundhouse	777,100
On-Site Generator for City Springs WTP	559,550
Cover for 3 Million Gallon Raw Water Storage Tank	400,350
Total Cost Table 5.1	<u>2,866,825</u>
Grand Total	\$4,546,055

a. Indicate the projects identified in the GRW Report that Hardin County No. 2 does not intend to construct. Explain why the construction of these projects is not necessary and will not be performed.

RESPONSE: It should be noted at the outset that Hardin County No. 2's Board of Commissioners has **not** decided, nor taken any action whatsoever, to construct or undertake any of the GRW recommended projects. **No decision has been made on any GRW recommended project.**

As stated in response to Question 11g(3), Hardin County No. 2's Board of Commissioners has already authorized the conversion of the secondary disinfection process at the City Springs WTP from chlorine to chloramines at a cost of \$405,000. The conversion project will commence immediately following the acquisition of the Elizabethtown WS assets. While this project was not included in the GRW recommended project list, it is an integral part of merging the two (2) systems so they can be operated as a single system.

The charge put to GRW Engineers by Hardin County No. 2 was to thoroughly investigate and evaluate the physical condition of the Elizabethtown WS assets. Before making a final decision on whether to purchase the Elizabethtown WS assets, Hardin County No. 2 wanted to know each and every instance where facilities would need attention. Hardin County No. 2 wanted a "worst case" scenario. No issue was too minor for this investigation. As a result,

each and every asset was thoroughly scrutinized, and a recommendation was made for even the smallest matters.

Hardin County No. 2 recognizes, however, that the Elizabethtown WS is a functioning system which reliably produces and delivers potable water meeting or exceeding all applicable regulatory standards. Elizabethtown does **not** have any NOVs from the Kentucky Division of Water. There is no crisis.

Nevertheless, for financial feasibility, budgetary, and planning purposes, Hardin County No. 2 Staff had to make certain assumptions and give guidance to the accountant, Brian Woosley, so he could prepare the financial forecast. The answers shown below for the various GRW recommended projects reflect **only** the thoughts and opinions of Hardin County No. 2's Staff and **not** that of its Board of Commissioners. The information provided below for the various projects concerning construction timetables, costs, etc. is consistent with the information provided to Brian Woosley and contained in the Stiles Carter Study (Financial Forecast) included as Exhibit 10 to the Application.

Projects Listed in GRW Report, Table 4.1

(1) Renewal of Wells 1, 2, and Gaither Spring Raw Water Source

Staff Recommends:	Yes
Start Date:	2015
Construction Time:	2 years
Cost Estimate:	\$134,000

(2) Miscellaneous Building and Electrical Code Repairs

Staff Recommends: Yes
Start Date: 2016
Construction Time: 1 year
Cost Estimate: \$30,000

(3) Renewal of South End Storage Tank

Staff Recommends: Yes
Start Date: 2015
Construction Time: 1 year
Cost Estimate: \$452,000

(4) Stair and Handrail Safety Modifications

Staff Recommends: Yes
Start Date: N/A
Construction Time: N/A
Cost Estimate: N/A

This will not be a Capital Project. The work will be performed by Hardin County No. 2's Staff as part of routine maintenance.

(5) Replacement of City Springs WTP Electrical Panels and Instrumentation

Staff Recommends: Yes
Start Date: 2018
Construction Time: 1 year
Cost Estimate: \$173,000

(6) Renewal of City Springs WTP Building Roofs

Staff Recommends: Yes
Start Date: 2017
Construction Time: 1 year
Cost Estimate: \$86,000

(7) Renewal of Helmwood Storage Tank

Staff Recommends: Yes
Start Date: 2019
Construction Time: 1 year
Cost Estimate: \$200,000

(8) Renewal of 3 Million Gallon Raw Water Storage Tank

Staff Recommends: No
Start Date: N/A
Construction Time: N/A
Cost Estimate: N/A

(9) Replacement of Filter Media at City Springs WTP

Staff Recommends: No
Start Date: N/A
Construction Time: N/A
Cost Estimate: N/A

Projects Listed in GRW Report, Table 5.1

(10) Site Security Upgrades to City Springs WTP and Raw Water Sources

Staff Recommends: Yes
Start Date: 2015
Construction Time: 1 year
Cost Estimate: \$25,000

(11) New Off-Site Bulk Water Loading Station

Staff Recommends: Yes
Start Date: 2015
Construction Time: 1 year
Cost Estimate: \$63,000

(12) Chemical Feed Building Addition to Proposed Ammonia Building

Staff Recommends: No
Start Date: N/A
Construction Time: N/A
Cost Estimate: N/A

There is adequate space in the existing City Springs WTP facility to house the aqua ammonia feed system that will be installed as part of the Chloramine Conversion Project. Therefore, no new building, nor any additions to an existing building, will need to be constructed.

(13) Install pH Meters at Raw Water Spring Sources

Staff Recommends: No
Start Date: N/A
Construction Time: N/A
Cost Estimate: N/A

(14) Raw Water Well to Replace Wells 3, 4, 5 and Transfer Station

Staff Recommends: Yes
Start Date: 2016
Construction Time: 1 year
Cost Estimate: \$404,000

(15) Installation of 1990 Clearwell Level Sensor

Staff Recommends: No
Start Date: N/A
Construction Time: N/A
Cost Estimate: N/A

(16) Raw Water Influent Pump Station to Replace Roundhouse

Staff Recommends: Yes
Start Date: 2016
Construction Time: 3 years
Cost Estimate: \$777,000

(17) On-Site Generator for City Springs WTP

Staff Recommends:	No
Start Date:	N/A
Construction Time:	N/A
Cost Estimate:	N/A

(18) Cover for 3 Million Gallon Raw Water Storage Tank

Staff Recommends:	Yes
Start Date:	2017
Construction Time:	1 year
Cost Estimate:	\$400,000

b. For each project identified in the GRW Report that Hardin County No. 2 intends to construct, state the date that construction will begin and the date that it will be completed.

RESPONSE: This information has already been provided as part of the Response to Question 23a.

c. State the date that Elizabethtown WS would complete each project identified in the GRW Report if its water assets are not sold to Hardin County No. 2.

RESPONSE: Installation of a Filling (mixing) System for the South End Tank at an estimated cost of \$200,000 is the only project identified by GRW that Elizabethtown has included in its Capital Improvement Plan (See attachment to Question 24).

d. Provide all studies and reports, other than the GRW Report, that were prepared or commissioned by Hardin County No. 2 or Elizabethtown or their agents subsequent to January 1, 2004, that review or discuss the physical condition of Elizabethtown WS's assets.

RESPONSE: No such studies were commissioned. Consequently, no such reports exist.

WITNESSES: James R. Jeffries, General Manager, Hardin County Water District No. 2
Charles Bryant, Executive Assistant, City of Elizabethtown

24. Provide Elizabethtown WS's long-term water asset capital construction plan.

RESPONSE: A copy of Elizabethtown's long-term Capital Improvements Plan for water is attached.

WITNESS: Charles Bryant, Executive Assistant, City of Elizabethtown

Page 4 – Capital Improvements Plan – 2013/2014

PROJECT	COST
<u>Water: (Budgeted)</u>	
1. Hawkins Drive/TK Stone Fire Protection	\$ 125,000
2. Southend Tank Filling System	\$ 200,000
3. Aerial Read Meters	<u>\$ 500,000</u>
	\$ 825,000
<u>Water: (Unbudgeted or Long Range)</u>	
Southend Improvements	\$ 300,000
Waterline Loop to Springfield Road from Valley Creek Rd. Connect New Pressure System Area at Southend Tank to Shepherdsville Road System.	\$ 700,000

25. Provide Hardin County No. 2's long-term water asset capital construction plan.

RESPONSE: A copy of Hardin County No. 2's 20 Year Capital Projects Plan – Water is attached.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

Item	Project Name	Description	Budget Estimate	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
41	West Bryan Road Extension	Reinforcement of West Bryan Road	\$ 500,000																					
42	Shepherdsville Road Extension	Reinforcement of Shepherdsville Road Extension	\$ 500,000																					

Total \$ 28,705,000

Legend

- Water Line Projects
- Water Tank Projects
- Meter & Billing Projects
- Customer Service Facility
- Water Treatment Plant Projects

Partially or Fully Funded Project

Need Funding

Funded Internally

26. Provide the journal entry that Hardin County No. 2 will record in its general ledger to report its purchase of Elizabethtown's water assets.

RESPONSE:

JOURNAL ENTRY TO RECORD PURCHASE
OF ELIZABETHTOWN'S WATER ASSETS AND NOTE PAYABLE

ACCOUNT NUMBER	DESCRIPTION	DEBIT	CREDIT
10103314	TRANSMISSION, DISTRIBUTION & FIRE MAINS	5,775,954.99	
10103344	METER & METER INSTALLATIONS	439,379.03	
10103043	STRUCTURES AND IMPROVEMENTS WTP	4,530,650.33	
10103307	NORTH MULBERRY TANK	30,160.84	
10103308	HELMWOOD TANK	29,522.83	
10103309	SHEPHERDSVILLE TANK	39,209.10	
10103310	SOUTH END TANK	1,200,000.00	
10103311	INDUSTRIAL PARK TANK	139,131.40	
11400000	UTILITY PLANT ACQUISITION ADJUSTMENTS	2,100,859.69	
10813314	A/D - TRANSMISSION, DISTRIBUTION & FIRE MAINS		2,947,711.86
10813344	A/D - METER & METER INSTALLATIONS		405,068.30
10813043	A/D - STRUCTURES AND IMPROVEMENTS WTP		1,379,645.68
10313304	A/D - DISTRIBUTION RESERVOIRS & STANDPIPES		552,442.37
23200000	NOTE PAYABLE		8,000,000.00
43210000	CAPITAL CONTRIBUTIONS		1,000,000.00 (1)
	TOTAL FOR ENTRY	14,284,868.21	14,284,868.21

(1) THE REVENUE ACCOUNT IS USED IN ORDER TO ACCOUNT FOR THE CAPITAL CONTRIBUTIONS. THE AMOUNT IS NOT CHARGED DIRECTLY TO NET POSITION, BUT WILL BECOME A COMPONENT OF NET POSITION IN ACCOUNT 271 AFTER THE CLOSE OF THE DISTRICT'S CALENDAR YEAR.

WITNESS: Amber D. Pike, Accounting Manager, Hardin County Water District No. 2.

27. Refer to Exhibit 22 that is attached to Hardin County No. 2's August 26, 2014 response to the Commission's deficiency notice. This exhibit shows Hardin County No. 2's allocation of the face value of the note payable to Elizabethtown for the assets it will acquire from Elizabethtown. This suggests that Hardin County No. 2 intends to record the Elizabethtown assets at their purchase price.

RESPONSE: Yes. From the outset, Hardin County No. 2 thought that Generally Accepted Accounting Principles dictated that the Elizabethtown assets be recorded at their purchase price. Thus, Hardin County No. 2 originally intended to record the assets at their purchase price. Nevertheless, if the Uniform System of Accounts (USoA) requires otherwise, then Hardin County No. 2 will comply with the USoA.

a. Confirm that Hardin County No. 2 recognizes and understands that, pursuant to the original cost accounting principles stated in the Uniform System of Accounts that has been adopted by the Commission, Hardin County No. 2 must record the Elizabethtown WS assets at their original cost to Elizabethtown when they were first devoted to public service, and Hardin County No. 2 must record all accumulated depreciation and contributions in aid of construction that have been recognized by Elizabethtown for those assets.

RESPONSE: Yes. After more thoroughly reviewing the applicable provisions of the USoA, Hardin County No. 2 now recognizes and understands the appropriate way to record the purchase of Elizabethtown's WS assets.

b. Confirm that Hardin County No. 2 recognizes and understands that original cost accounting requires that it record an acquisition adjustment that is equal to the difference between the asset's purchase price and the asset's original cost net of depreciation and contributions in aid of construction. Based on the information provided in Exhibit 22, Hardin County No. 2 will be required to record a positive acquisition adjustment for the Elizabethtown WS asset purchase in the amount of \$1,100,860.

RESPONSE: After further discussions with Elizabethtown officials, Hardin County No. 2 has learned that Elizabethtown utilized \$1,000,000 of a state grant to pay a portion of the costs of the City Springs WTP Renovation Project which was completed during FYE 2013. The balance of the cost of the City Springs WTP Renovation Project, \$1,026,306 ($\$2,026,306$ less $\$1,000,000 = \$1,026,306$), was paid for from Elizabethtown internal funds. Because of this \$1,000,000 Contribution in Aid of Construction, the positive acquisition adjustment will increase from \$1,100,860 to \$2,100,860.

c. Confirm that Hardin County No. 2 recognizes and understands that the Commission has historically found that rate recovery for a positive acquisition adjustment is only appropriate when: 1) the asset's purchase price was established upon arms-length negotiations; 2) the initial investment plus the cost of restoring the facilities to required standards will not adversely impact the overall costs and rates of the existing and new customers; 3) operational economies can be achieved through the acquisition; 4) the purchase price of utility and non-utility property can be clearly identified; and 5) the purchase will result in overall benefits in the financial and service aspects of the utility's operations.

RESPONSE: Yes. Hardin County No. 2's attorney, Damon R. Talley, has explained the Commission's five-part Delta test adopted by the Commission in

Case No. 9059 (An Adjustment of Rates of Delta Natural Gas Company, Inc. See Order dated September 11, 1985.) and cited in numerous other cases since then.

d. Provide all the evidence that Hardin County No. 2 purchase of Elizabethtown WS's water assets meets the Commission's five-part Delta test.

RESPONSE: Hardin County No. 2 is satisfied that the proposed purchase of the Elizabethtown WS Assets meets the Commission's five-part Delta test. The following information supports this conclusion:

(1) **Purchase Price Established by Arm's-Length Negotiations.**

The proposed sale of the Elizabethtown Water System Assets to Hardin County No. 2 for \$8,000,000 to be paid over 20 years at \$400,000 per year, without interest, is an arm's length transaction between a willing buyer and a willing seller wherein both parties acted knowledgeably, prudently, and without compulsion.

The seller and the buyer are independent of each other. Neither is a subsidiary of the other. Elizabethtown is a **city**. Its "decision makers" are its elected six-member City Council. Hardin County No. 2 is a water district and is usually viewed by the public as an organization of the **county**. Although Hardin County No. 2 is not legally part of the county government, its "decision makers" (five-member Board of Commissioners) are appointed by the Hardin

County Judge/Executive with the approval of the Hardin Fiscal Court. What could be more independent than a **city** and a perceived **county** entity?

Elizabethtown's City Council and Hardin County No. 2's Board of Commissioners do not share any common members. Both parties' utility operations are managed by professional staff. There are no common staff members. There are no intertwining relationships nor entangling alliances between Elizabethtown and Hardin County No. 2.

Purchase price negotiations were primarily conducted by Morris L. Miller, one of Hardin County No. 2's Commissioners and its Treasurer, and the Elizabethtown Finance Director, Stephen D. Park. Negotiations primarily occurred in face-to-face meetings.

No Adverse Impact on Customer Rates.

The initial investment plus the cost of restoring the facilities to required standards will not adversely impact the overall costs and rates of the existing and new customers. It is important to note that the Elizabethtown WS is **not** "broken."

It is a functioning system which reliably produces and delivers potable water meeting or exceeding all applicable regulatory

standards. Elizabethtown does **not** have any NOVs from the Kentucky Division of Water.

The only capital project which Hardin County No. 2's Board of Commissioners has authorized for the Elizabethtown WS is the City Springs WTP Chloramine Conversion Project at a cost of \$405,000 (see Responses to Questions 11g(3) and 23a). The GRW Report presents a "worst" case scenario. It is unknown at this time which, if any, of the capital projects proposed by GRW will be constructed.

For financial feasibility and budgetary purposes, Hardin County No. 2 Staff made an assumption that Hardin County No. 2 will construct over \$5,000,000 in capital projects within the Elizabethtown Service Area within the next five (5) years. This assumption was utilized by Brian Woosley in preparing the Stiles Carter Study (Financial Forecast). Despite the assumed capital investment, the Elizabethtown WS acquisition will immediately generate positive net operating margins ranging from a low of \$2,565,703 in calendar year 2015 and to a high of \$3,351,624 in calendar year 2018.

The Stiles Carter Study demonstrate changes in fund net position that are more favorable than the most recent audit information for Hardin County No. 2's existing customer base. In

short, the operating margin of Hardin County No. 2 will improve after the acquisition.

Also, an analysis of Hardin County No. 2's overall debt reveals that total debt per customer connection will be reduced after the acquisition. Hardin County No. 2's long-term debt is \$15,343,000 and it now has over 17,400 customer accounts. This ratio is \$882 per customer connection. After the acquisition, the total long-term debt will be \$23,343,000 (\$15,343,000 + \$8,000,000). The customer count will be 27,030 (17,400 + 9,630 customers). The ratio will be \$864 per customer connection. Hardin County No. 2 will **not** seek a rate increase as a result of the acquisition of the Elizabethtown Water System. Hardin County No. 2's existing customers will **not** see a rate increase until at least after July 1, 2017. With the addition of approximately 10,000 more customers, the net operating margins will improve dramatically. Future rate increases may be pushed even further into the future. Furthermore, any future rate increases will be spread over a much larger customer base (over 27,000 rather than 17,000). This will reduce the impact on each customer.

Operational Economies.

The Financial Forecast in the Stiles Carter Study demonstrates the results of the operational economies experienced by a merger of the

two (2) water systems. Two (2) examples stand out when reviewing the operational economies. The first example is made evident in labor costs. The customer base is growing by 58%, but the forecasted employee headcount of Hardin County No. 2 will only increase by 36%. Also, the customer service center for Hardin County No. 2 is located within the Elizabethtown city limits. It will service the 10,000 additional customers and the expanded service area without the need for a new site. All overhead expenses associated with maintaining a customer service location will remain constant through the acquisition process and beyond. Although the customer base and revenue streams will dramatically increase, costs will be kept marginally lower.

Utility and Non-Utility Property. No non-utility property is being purchased. Therefore, the entire purchase price is for utility property.

Overall Benefits.

The overall benefits of the acquisition are made obvious by the independent engineering and financial studies. For example:

- (a) The GRW Reports demonstrate that the pressure zones of the Elizabethtown system are compatible with Hardin County No. 2's system. Hardin County No. 2 will **not** be required to construct or modify pump stations to maintain the current operating pressures. Also, the combined storage capacities of Elizabethtown and Hardin County No. 2 are adequate for the combined customer bases. No additional water storage assets will be required. Also, no major transition mains will be required to be constructed in order to accommodate water flow.

Hardin County No. 2 currently has major interconnections with Elizabethtown in four (4) locations. All recommendations in the GRW Report are maintenance and convenience related. The systems can operate in unison from “day one” of the acquisition.

- (b) Because of existing contractual obligations with Hardin County No. 2, Elizabethtown is required to purchase 1.1 million gallons of water daily from Hardin County No. 2. From an operational standpoint, Elizabethtown would not need to purchase this amount under average day demands. After the acquisition, this water purchase obligation will be eliminated. Future water transmission and flows can be precisely tuned to meet customer demand for the strategic operation of Hardin County No. 2. This will free-up staffing time and allow for the more efficient operation of both the White Mills and City Springs WTPs, high service pumps, the various booster pump stations, as well as unified management of the combined system.
- (c) The Financial Forecast (Stiles Carter Study) details the overall financial benefits to Hardin County No. 2’s customers. Hardin County No. 2’s water rates were last adjusted in 2007 and were being maintained, in part, by the aggregate growth of Hardin County No. 2’s service area. The demands of the service area are outpacing the capacity of the White Mills WTP and a connection with the Louisville Water Company (“LWC”) is imminent. The cost of the LWC Interconnection Project to meet the growing demands of the combined water customer base will be distributed over the combined water customer base. This will eliminate the need to distribute the costs of the LWC Interconnection Project over Hardin County No. 2’s existing customer base only. This is the basic underlying factor that assures a stable water rate for Hardin County No. 2’s customers over the next several years.

WITNESSES: Amber D. Pike, Accounting Manager, Hardin County No. 2.
James R. Jeffries, General Manager, Hardin County Water District No. 2

28. When a note is exchanged for property, goods, or services, Generally Accepted Accounting Principles require that consideration be given to the reasonableness of the note's stated rate of interest when compared to prevailing market conditions. It requires that, when an interest rate is deemed unreasonable, the exchange should be valued at the fair value of the note or the property, goods, or services, whichever is more clearly determinable.¹

a. The note payable from Hardin County No. 2 to Elizabethtown has a stated interest rate of zero. State whether Hardin County No. 2 is of the opinion that this rate of interest is reasonable based on current market conditions.

RESPONSE: According to GASB statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* in paragraph 174f **low** interest rate loans issued by governments to carry out governmental objectives are not subject to the financial statement presentation requirements to report a discount or premium associated with notes payable. Therefore, Hardin County No. 2 does **not** agree that interest should be imputed on the note.

Viewed in the abstract, a 20-year promissory note with a zero interest rate is certainly below current market conditions. Hardin County No. 2 believes, however, the zero interest rate contained in the proposed Promissory Note is reasonable under the circumstances of this transaction. See the Response to 28b for further explanation.

¹ Financial Account Standards Board, Accounting Standards Codification 835.

b. If Hardin County No. 2's opinion is that the stated rate of interest is reasonable, explain and discuss Hardin County No. 2's reasoning and rationale.

RESPONSE: Hardin County No. 2 agreed upon the \$8,000,000 purchase price because Elizabethtown was willing to finance the purchase for 20 years without interest. All water customers (both Elizabethtown's customers and Hardin County No. 2's customers) will benefit from the long-term, zero interest rate Promissory Note. Under the proposed transaction, the annual debt service will be \$400,000. This amount will be paid from water revenues paid by water customers. If Elizabethtown had been unwilling to finance the sale, Hardin County No. 2 would have been forced to obtain financing elsewhere at current market conditions. Certainly, if this had been the case, the annual debt service would have exceeded \$400,000. Under this scenario, Hardin County No. 2 would have had two (2) options: (1) pay less than \$8,000,000 for the assets; or (2) raise customer rates to generate a sufficient net operating margin to pay the additional debt service. Therefore, Hardin County No. 2 believes the zero interest rate Promissory Note is reasonable under the circumstances of this transaction and benefits **all** water customers.

c. If Hardin County No. 2 is of the opinion that the stated rate of interest is unreasonable, state the fair value it will assign to the note payable for reporting purposes and explain how the fair value was determined.

RESPONSE: N/A

d. Hardin County No. 2's most recent bond issuance occurred in 2012. Hardin County No. 2 reported the average rate of interest for these bonds to be 2.745 percent in its 2013 Annual Report that it filed with the Commission. Explain whether Hardin County No. 2 agrees that current market conditions are not materially different than when it issued the 2012 bonds.

RESPONSE: Yes.

[The Remainder of This Page Intentionally Left Blank]

e. Explain whether Hardin County No. 2 agrees that it would be appropriate to calculate the fair value of the note payable for reporting purposes by discounting the note's \$400,000, 20-year annual payment using as the discount factor the average interest rate of Hardin County No. 2's 2012 Revenues Bonds.² As shown in the amortization schedule below, this method results in a fair value of \$6,093,748.

Payment Number	Payment Amount	Imputed Interest at 2.745 Percent	Principal Reduction	Principal Balance Outstanding
				\$6,093,748
1	\$400,000	\$167,273	\$232,727	5,861,021
2	400,000	160,885	239,115	5,621,906
3	400,000	154,321	245,679	5,376,228
4	400,000	147,577	252,423	5,123,805
5	400,000	140,648	259,352	4,864,454
6	400,000	133,529	266,471	4,597,983
7	400,000	126,215	273,785	4,324,197
8	400,000	118,699	281,301	4,042,897
9	400,000	110,978	289,022	3,753,874
10	400,000	103,044	296,956	3,456,918
11	400,000	94,892	305,108	3,151,810
12	400,000	86,517	313,483	2,838,328
13	400,000	77,912	322,088	2,516,240
14	400,000	69,071	330,929	2,185,310
15	400,000	59,987	340,013	1,845,297
16	400,000	50,653	349,347	1,495,951
17	400,000	41,064	358,936	1,137,015
18	400,000	31,211	368,789	768,226
19	400,000	21,088	378,912	389,313
20	400,000	10,687	389,313	-

² Hardin District's 2013 Annual Financial and Statistical Report at 49.

RESPONSE: According to GASB statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* in paragraph 174f **low** interest rate loans issued by governments to carry out governmental objectives are not subject to the financial statement presentation requirements to report a discount or premium associated with notes payable. Therefore, Hardin County No. 2 does **not** agree that interest should be imputed on the note.

f. Confirm that Hardin County No. 2 understands that, based on the information provided in Hardin County No. 2's application, accounting for the note payable at a fair value of \$6,093,748 would result in the recording of a negative acquisition adjustment in the amount of \$805,392³ and that, while a negative acquisition adjustment is not subject to the Commission's aforementioned five-part Delta test, the Commission may require that the benefit of the acquisition adjustment's amortization be passed through to Hardin County No. 2's customers in Hardin County No. 2's next application for a general rate adjustment unless Hardin County No. 2 can demonstrate that such a pass-through is unreasonable.

RESPONSE: For the reasons stated above, Hardin County No. 2 does **not** intend to record a negative acquisition adjustment.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

³

Net Book Value of Water Assets Purchased	\$	6,899,140
Less: Fair Value of Note Payable to Elizabethtown		<u>(6,093,748)</u>
Acquisition Adjustment	\$	805,392

29. Refer to the Application, Exhibit 10.

a. A four-year financial projection for the "Elizabethtown Division" is provided on page 2. Provide a copy of the workpapers that show the calculation of the amounts projected for the year 2015.

RESPONSE: The workpapers are attached.

b. On page 3, when discussing the water sales projections for Elizabethtown WS, reference is made to the May 2012 rate study performed by HDR Engineering, Inc. ("HDR"). Provide a copy of the HDR rate study and a copy of all other studies of Elizabethtown WS's water rates that were performed or commission by Elizabethtown subsequent to January, 2010.

RESPONSE: The May, 2012 Water System Rate Study prepared by HDR for Elizabethtown is attached. Elizabethtown did not perform, nor did it commission, any other water rate study after January, 2010.

c. On page 4, it is stated that payroll projections were calculated based on estimated positions needed for the Elizabethtown Division. Provide a list of the job titles and salaries included in the payroll projections and indicate which positions on the list will be filled by a current employee of the Elizabethtown.

RESPONSE: At this time, only two (2) of Elizabethtown's current water employees will become Hardin County No. 2 employees. Both of these employees are Water Treatment Plant (WTP) Operators.

The sheet of the workpapers labeled "Additional Payroll Projections" contain the job titles, salaries, and benefits for the positions to be filled by these two (2) employees. It also contains the same information for the other additional employees which Hardin County No. 2 plans to hire.

WITNESSES: Amber D. Pike, Accounting Manager, Hardin County No. 2
Charles Bryant, Executive Assistant, City of Elizabethtown

Question 29a

Workpapers

for

Forecasted Income Statement

(Exhibit 10 of Application)

2015 Elizabethtown Sales Calculations

SUGGESTED STEP RATE INCREASE FOR ELIZABETHTOWN CUSTOMERS

PROJECTED RATE SCHEDULE

Gallons	Current Rate	Year 1	Year 2	Year 3	Year 4
		Effective 11-1-14	Effective 7-1-15	Effective 7-1-16	Effective 7-1-17
0-2000	\$ 10.00	\$ 12.80	\$ 14.70	\$ 16.60	\$ 18.50
Next 3000	\$ 4.70	\$ 4.85	\$ 4.95	\$ 5.05	\$ 5.15
Next 5000	\$ 4.40	\$ 4.65	\$ 4.85	\$ 5.05	\$ 5.15
Next 480000	\$ 4.10	\$ 4.40	\$ 4.65	\$ 4.90	\$ 5.15
Over 500000	\$ 2.50	\$ 2.60	\$ 2.70	\$ 2.80	\$ 2.90

- Notes:
1. Effective 11-1-14, the Minimum Bill will increase by \$2.80 as recommended by HDR Rate Study.
 2. Annually thereafter, the Minimum Bill will increase by \$1.90 per year for 3 years until E-Town customers will be paying same rate as HCWD2 Customers.
 3. Other rates will increase as shown above.

Monthly Revenue for 2015

Number of Customers	Average Gallons	Cost per Cust. 0-2000 gal			Cost per Cust. 2,000-5,000 gallons			Cost per Cust. 5,000-10,000 gal			Cost per Cust. for 10,000-500,000 gal			Cost per Cust for over 500,000 gallons			Monthly Total	Annual Total
		# Gallons charged at rate	Extended Revenue	Cost per gal	# Gallons at rate	Extended Revenue	Cost per gal	# Gallons at rate	Extended Revenue	Cost per gal	# Gallons Charged at Rate	Extended Revenue	Cost per gal	# Gallons Charged at Rate	Extended Revenue			
3745	2,000	\$ 12.80	2000	\$ 47,936.00	\$ -	0	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ 47,936.00	
3782	3,405	\$ 12.80	2000	\$ 48,153.60	\$ 4.85	1405	\$ 25,635.21	\$ -	0	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ 73,788.81	
1858	6,757	\$ 12.80	2000	\$ 23,782.40	\$ 4.85	3000	\$ 27,033.90	\$ 4.65	1757	\$ 15,179.95	\$ -	0	\$ -	\$ -	0	\$ -	\$ 65,996.25	
709	38,131	\$ 12.80	2000	\$ 9,075.20	\$ 4.85	3000	\$ 10,315.95	\$ 4.85	5000	\$ 16,484.25	\$ 4.40	28131	\$ 87,757.47	\$ 2.60	0	\$ -	\$ 123,632.87	
13	2,079,600	\$ 12.80	2000	\$ 166.40	\$ 4.85	3000	\$ 189.15	\$ 4.65	5000	\$ 302.25	\$ 4.40	490000	\$ 28,028.00	\$ 2.60	1599600	\$ 54,066.48	\$ 82,752.28	2,364,637.25
3745	2,000	\$ 14.70	2000	\$ 55,051.50	\$ -	0	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ 55,051.50	
3782	3,405	\$ 14.70	2000	\$ 55,301.40	\$ 4.95	1405	\$ 26,163.77	\$ -	0	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ 81,465.17	
1858	6,757	\$ 14.70	2000	\$ 27,312.60	\$ 4.95	3000	\$ 27,591.30	\$ 4.85	1757	\$ 15,832.85	\$ -	0	\$ -	\$ -	0	\$ -	\$ 70,736.75	
709	38,131	\$ 14.70	2000	\$ 10,422.30	\$ 4.95	3000	\$ 10,528.85	\$ 4.85	5000	\$ 17,193.25	\$ 4.65	28131	\$ 92,743.69	\$ 2.70	0	\$ -	\$ 130,887.89	
13	2,079,600	\$ 14.70	2000	\$ 191.10	\$ 4.95	3000	\$ 193.05	\$ 4.85	5000	\$ 315.25	\$ 4.65	490000	\$ 29,620.50	\$ 2.70	1599600	\$ 56,145.96	\$ 86,465.86	2,547,643.03

OTHER WATER REVENUE

MISC SVC	60,740.82
PENALTY	77,987.59
TOTAL ANNUA	5,051,008.68

Other Operating Income Worksheet

	2013 Actual	2012 Actual	2011 Actual	3 Year Annual Average	3 Year Monthly	2014 CUST E-TOWN MONTHLY	2014 CUST E-TOWN ANNUAL	2014 TOTAL E-TOWN ANNUAL	2015 E-TOWN ANNUAL	2016 E-TOWN ANNUAL	2017 E-TOWN ANNUAL	2018 E-TOWN ANNUAL
Revenue:												
Miscellaneous Svc	158,929.73	157,319.90	163,484.48	159,911.37	13,325.95	4,962.49	59,549.82	59,549.82	60,740.82	61,955.63	63,194.75	64,458.64
Penalties	118,125.74	120,424.04	126,925.95	121,825.24	10,152.10	6,371.53	76,458.42	76,458.42	77,987.59	79,547.34	81,138.28	82,761.05
	# of Customers	% of Total										
E-TOWN CUST	10,087	37%										
HCWD2 CUST	17,000	63%							138,728.40	141,502.97	144,333.03	147,219.69
COMBINED TOTAL CUSTOMERS	27,087									2% ANNUAL INCREASE		

Hardin County Water District No. 2 3 Year Actual - Basis for Expense Calculations

	2013 Actual	2012 Actual	2011 Actual	3 Year Annual Average	3 Year Monthly
Expenses:					
Contractual Services - Plant	14,866.85	33,705.79	47,316.14	31,962.93	2,663.58
Chemicals - Water Plant	274,851.67	289,501.11	296,485.26	286,946.01	23,912.17
Materials & Supplies - Plant	30,586.09	43,304.49	43,504.63	39,131.74	3,260.98
Purchased Power - Plant	261,046.38	272,102.23	259,765.71	264,304.77	22,025.40
Miscellaneous Expense - Plant	13,863.77	10,988.75	13,272.93	12,708.48	1,059.04
WTP Total	595,214.76	649,602.37	660,344.67	635,053.93	52,921.16
Contractual Services - T & D	108,893.77	131,318.07	126,954.94	122,388.93	10,199.08
Materials & Supplies - T & D	70,860.80	82,033.25	80,804.20	77,899.42	6,491.62
Purchased Power - T & D	139,048.69	150,410.38	153,305.15	147,588.07	12,299.01
Transportation Expense - Fuel	113,053.07	114,768.64	110,202.58	112,674.76	9,389.56
Transportation Expense - Maintenance	27,196.48	17,069.50	1,493.11	15,253.03	1,271.09
Transportation Expense - Repairs	37,682.84	65,717.17	58,671.04	54,023.68	4,501.97
Insurance - Vehicle	15,148.78	14,832.27	14,204.41	14,728.49	1,227.37
Miscellaneous Expense - T & D	50,968.30	43,591.83	45,506.92	46,689.02	3,890.75
T & D Total	562,852.73	619,741.11	591,142.35	591,245.40	49,270.45
Miscellaneous Expense - Cust Accts	40,167.93	47,967.18	148,664.84	78,933.32	6,577.78
Misc Expense - Cust Accts Billing Services	130,740.85	98,300.65	20,041.40	83,027.63	6,918.97
Contract Services - Cust Accts	10,714.60	1,112.44	4,341.25	5,389.43	449.12
Bad Debt Expense - Cust. Accts.	44,627.27	2,131.01	15,065.23	20,607.84	1,717.32
Materials & Supplies - Cust. Accts.	19,743.84	34,659.96	26,644.43	27,016.08	2,251.34
Customer Service Total	245,994.49	184,171.24	214,757.15	214,974.29	17,914.52
Advertising Expense	1,945.43	1,589.79	1,884.77	1,806.66	150.56
Contractual Services - Legal	9,596.80	6,000.00	6,000.00	7,198.93	599.91
Contractual Service - Eng T&D	160.75	0.00	8,949.00	3,036.58	253.05
Contractual Services - Accounting	12,600.00	12,500.00	12,500.00	12,533.33	1,044.44
Contractual Services - Admin.	15,889.38	20,409.67	25,841.92	20,713.66	1,726.14
Insurance - General Liability	49,600.60	47,852.90	31,469.67	42,974.39	3,581.20
Miscellaneous Expense - Admin	74,965.06	86,221.96	56,168.74	72,451.92	6,037.66
Administration Total	164,758.02	174,574.32	142,814.10	160,715.48	13,392.96

Expense Calculations

Expenses:	14		14		14		14		14		14		14		14		14		14		16	
	3 Year	3 Year	(37%) TOT CUST	(37%) TOT CUST	(45%) TOT GAL	(45%) TOT GAL	80% of AVE	80% of AVE	20% of AVE	20% of AVE	28WD+7ET	28WD+7ET	22WD+6ET	22WD+6ET	DEC 13	DEC 13	14	14	14	16		
	Annual Average	Monthly	E-TOWN MONTHLY	E-TOWN ANNUAL	E-TOWN MONTHLY	E-TOWN ANNUAL	E-TOWN MONTHLY	E-TOWN ANNUAL	E-TOWN MONTHLY	E-TOWN ANNUAL	E-TOWN MONTHLY	E-TOWN ANNUAL	E-TOWN MONTHLY	E-TOWN ANNUAL	ACTUAL MONTHLY	ACTUAL ANNUAL	E-TOWN ANNUAL	E-TOWN ANNUAL	E-TOWN ANNUAL	E-TOWN ANNUAL		
Contractual Services - Plant	31,952.93	2,663.58								532.72	6,392.59									6,392.59	6,520.44	
Chemicals - Water Plant	286,946.01	23,912.17			10,749.19	128,890.33														128,890.33	131,570.13	
Materials & Supplies - Plant	39,131.74	3,260.99	1,214.36	14,572.37																14,572.37	14,863.82	
Purchased Power - Plant	264,304.77	22,025.40			9,801.04	118,812.45														118,812.45	121,168.70	
Miscellaneous Expense - Plant	12,708.48	1,059.04	394.38	4,732.55																4,732.55	4,827.20	
Contractual Services - T & D	122,388.93	10,199.08							2,039.82	24,477.79										24,477.79	24,957.34	
Materials & Supplies - T & D	77,899.42	6,491.62	2,417.43	29,009.17																29,009.17	29,589.35	
Purchased Power - T & D	147,588.07	12,299.01			5,528.75	66,345.00														66,345.00	67,671.90	
Transportation Expense - Fuel	112,674.76	9,389.56																			9,389.56	
Transportation Expense - Maintenance	15,253.03	1,271.09										2,347.39	28,168.69							28,168.69	28,732.06	
Transportation Expense - Repairs	54,023.68	4,501.97										317.77	3,813.26							3,813.26	3,889.52	
Insurance - Vehicle	14,728.49	1,227.37									1,125.49	13,505.92								13,505.92	13,776.04	
Rental of Equipment - T & D														283.01	3,156.10					3,156.10	3,218.23	
Miscellaneous Expense - T & D	46,689.02	3,890.75	1,448.89	17,386.65											3,525.00	42,300.00				42,300.00	42,300.00	
Miscellaneous Expense - Cust Accts	78,933.32	6,577.78	2,449.52	29,394.19																29,394.19	29,982.97	
Misc Expense - Cust Accts Billing Services	83,027.63	6,918.97	2,576.57	30,918.88																30,918.88	31,537.25	
Contract Services - Cust Accts	5,389.43	449.12			167.25	2,006.98														2,006.98	2,047.12	
Bad Debt Expense - Cust. Accts.	20,607.84	1,717.32					1,373.86	16,486.27												16,486.27	16,815.89	
Materials & Supplies - Cust. Accts.	27,016.08	2,251.34	838.38	10,060.59																10,060.59	10,281.60	
Advertising Expense	1,806.66	150.56																				
Contractual Services - Legal	7,198.93	599.91					120.44	1,445.33												1,445.33	1,474.24	
Contractual Service - Eng T&D	3,036.58	253.05							119.98	1,439.79										1,439.79	1,468.58	
Contractual Services - Accounting	12,533.33	1,044.44																				
Contractual Services - Admin.	20,713.66	1,726.14								208.89	2,506.67									2,506.67	2,506.67	
Insurance - General Liability	42,974.38	3,581.20	1,333.61	16,003.35						345.23	4,142.73									4,142.73	4,225.59	
Miscellaneous Expense - Admin	72,451.92	6,037.66	2,248.38	26,980.56																16,003.35	16,323.41	
																				26,980.56	27,520.17	

	E-TOWN CUST	10,087	37% E-TOWN GALLON	1,482,850,000	45%
	HCWD2 CUST	17,000	63% HCWD2 GALLON	1,828,076,200	55%
	TOTAL	27,087	TOTAL	3,320,926,200	

Water Sales (Sales Calc)	4,912,280
Other Operating Income	139,728
	5,051,008

Chemicals and Purchased Power	320,431
Bad Debt	16,816
Advertising	1,474
Contractual Services	41,736
Transportation	49,617
Equipment Rental	42,300
Repairs and Benefits	894,258
General and Administrative Expenses	162,639
Contingency	500,000
Depreciation	436,034
	2,485,305

Change in Net Position	5
	2,565,703

Additional Payroll Projections

Description	Annual Gross Wages	Annual Benefits					Total
		Health Ins.	Retirement	Long term	Life/Short	Payroll Taxes	
Admin							
Management Staff	\$ 73,710.00	\$ 596.68	\$ 13,923.82	\$ 150.60	\$ 346.56	\$ 14,742.00	\$ 103,468.86
Admin Staff	\$ 24,024.00	\$ 596.69	\$ 4,538.13	\$ 150.60	\$ 346.56	\$ 4,804.80	\$ 34,460.78
Admin Total							\$ 137,930.44
Customer Service							
Cust. Serv. Clerk	\$ 24,024.00	\$ 596.68	\$ 4,538.13	\$ 150.60	\$ 346.56	\$ 4,804.80	\$ 34,460.77
Cust. Serv. Clerk	\$ 24,024.00	\$ 596.69	\$ 4,538.13	\$ 150.60	\$ 346.56	\$ 4,804.80	\$ 34,460.78
Part-Time Clerk	\$ 18,015.00	\$ 596.68	\$ 3,403.03	\$ 150.60	\$ 346.56	\$ 3,803.00	\$ 26,114.87
Service Tech	\$ 24,024.00	\$ 596.69	\$ 4,538.13	\$ 150.60	\$ 346.56	\$ 4,804.80	\$ 34,460.78
Service Tech	\$ 24,024.00	\$ 596.69	\$ 4,538.13	\$ 150.60	\$ 346.56	\$ 4,804.80	\$ 34,460.78
Part-Time Tech	\$ 18,015.00	\$ 596.68	\$ 3,403.03	\$ 150.60	\$ 346.56	\$ 3,603.00	\$ 26,114.87
Cust. Serv. Total							\$ 190,072.87
T&D							
Crew Supervisor	\$ 37,232.00	\$ 596.68	\$ 7,033.12	\$ 150.60	\$ 346.56	\$ 7,446.40	\$ 52,805.36
Equip. Operator	\$ 35,256.00	\$ 596.69	\$ 6,659.86	\$ 150.60	\$ 346.56	\$ 7,051.20	\$ 50,960.91
Laborer	\$ 24,024.00	\$ 596.68	\$ 4,538.13	\$ 150.60	\$ 346.56	\$ 4,804.80	\$ 34,460.77
Laborer	\$ 24,024.00	\$ 596.69	\$ 4,538.13	\$ 150.60	\$ 346.56	\$ 4,804.80	\$ 34,460.78
T&D Total							\$ 171,787.83
WTP							
Plant Maintenance	\$ 39,364.00	\$ 596.68	\$ 7,435.86	\$ 150.60	\$ 346.56	\$ 7,872.80	\$ 55,766.50
Plant Oper. 1st shift	\$ 37,232.00	\$ 596.69	\$ 7,033.12	\$ 150.60	\$ 346.56	\$ 7,446.40	\$ 52,805.37
Plant Oper. 1st shift	\$ 37,232.00	\$ 596.69	\$ 7,033.12	\$ 150.60	\$ 346.56	\$ 7,446.40	\$ 52,805.37
Plant Oper. 2nd shift	\$ 37,752.00	\$ 596.68	\$ 7,131.35	\$ 150.60	\$ 346.56	\$ 7,550.40	\$ 53,527.59
Plant Oper. 2nd shift	\$ 37,752.00	\$ 596.68	\$ 7,131.35	\$ 150.60	\$ 346.56	\$ 7,550.40	\$ 53,527.59
Plant Oper. 3rd shift	\$ 38,272.00	\$ 596.69	\$ 7,229.58	\$ 150.60	\$ 346.56	\$ 7,654.40	\$ 54,249.83
Plant Oper. 3rd shift	\$ 38,272.00	\$ 596.69	\$ 7,229.58	\$ 150.60	\$ 346.56	\$ 7,654.40	\$ 54,249.83
WTP Total							\$ 376,932.10
	\$ 616,272.00						
						Company Total	\$ 876,723.24
						PROOF	\$ 876,723.24

Total Annual Benefits
15
16
17
18

	PAYROLL			BENEFITS				
	15	16	17	18	15	16	17	18
Admin	75,184.20	76,687.88	78,221.64	79,786.07	30,354.85	30,961.95	31,581.19	32,212.81
Customer Service	24,504.48	24,994.57	25,494.46	26,004.35	10,645.52	10,858.43	11,075.60	11,297.11
T&D	35,961.12	36,680.34	37,413.95	38,162.23	15,101.01	15,403.03	15,711.09	16,025.31
WTP	40,151.28	40,954.31	41,773.39	42,608.86	16,730.55	17,065.16	17,406.46	17,754.59
Total	271,193.52	276,617.39	282,149.74	287,792.73	113,277.22	115,542.76	117,853.62	120,210.69

total 15	894,257.71
total 16	912,142.86
total 17	930,385.72
total 18	948,993.43

	2013	2012	2011	3yr avg	per emp	14 7 new emp	15	16	17	18
Insurance - Workers Comp WT/Oper.	3,040.60	2,493.64	3,507.78	3,014.01	64.13	448.89	457.87	467.03	476.37	485.90
Insurance - Workers Comp T&D/Oper.	7,711.39	5,310.58	8,769.35	7,263.77	154.55	1,081.84	1,103.48	1,125.54	1,148.06	1,171.02
Insurance - Workers Comp Customer Accounts	4,670.87	3,468.88	5,261.63	4,467.13	95.05	665.32	678.62	692.20	706.04	720.16
Insurance - Workers Comp Admin & General	2,152.20	1,517.15	2,630.81	2,100.05	44.68	312.77	318.03	325.41	331.92	338.56

	CITY BV	% OF TOTAL	AMOUNT TO ALLOCATE	ALLOCATED AMOUNT	PURCHASE PRICE ALLOCATION	LIFE	ESTIMATED ANNUAL DEPRECIATION				
LINES	2,828,243.00	41%	1,100,860.00	451,288.07	3,279,531.07	30	109,317.70				
METERS	34,311.00	0%	1,100,860.00	5,474.83	39,785.83	10	3,978.58				
CITY SPRINGS	3,151,005.00	46%	1,100,860.00	502,789.53	3,653,794.53	30	121,793.15				
NORTH MULBERRY TANK	4,524.00	0%	1,100,860.00	721.87	5,245.87	20	262.29				
HELMWOOD DRIVE TANK	4,428.00	0%	1,100,860.00	706.55	5,134.55	20	256.73				
SHEPHERDSVILLE ROAD TANK	7,881.00	0%	1,100,860.00	1,257.53	9,138.53	20	456.93				
SOUTH END TANK	812,400.00	12%	1,100,860.00	129,630.46	942,030.46	40	23,550.76				
INDUSTRIAL PARK TANK	56,348.00	1%	1,100,860.00	8,991.16	65,339.16	20	3,266.96				
PURCHASE PRICE	6,899,140.00			1,100,860.00	8,000,000.00		262,883.10				
	8,000,000.00						FOR ALL YEARS				
AMOUNT TO ALLOCATE	1,100,860.00										
	CAP AMT 2014	CAP AMT 2015	CAP AMT 2016	CAP AMT 2017	CAP AMT 2018		EST ANNUAL DEPR 2015	EST ANNUAL DEPR 2016	EST ANNUAL DEPR 2017	EST ANNUAL DEPR 2018	
Trucks Purchased	131,873.00	-	-	-	-	5.00	26,374.60	26,374.60	26,374.60	26,374.60	
Heavy Equipment Purchased	180,197.00	-	-	-	-	10.00	18,019.70	18,019.70	18,019.70	18,019.70	
Trailer	16,248.00	-	-	-	-	5.00	3,249.60	3249.6	3249.6	3249.6	
CSWTP Chloramine Conversion	-	416,000.00	-	-	-	30.00	13,866.67	10,400.00	10,400.00	10,400.00	
Etown Meter Upgrades/Maint	-	1,000,000.00	1,000,000.00	500,000.00	500,000.00	10.00	100,000.00	200,000.00	250,000.00	300,000.00	
Hydraulic System Merger Projects	-	147,000.00	175,000.00	-	-	40.00	-	50,000.00	100,000.00	100,000.00	
Site Security	-	25,000.00	-	-	-	10	2,500.00	2,500.00	2,500.00	2,500.00	
Water Loading Station	-	63,000.00	-	-	-	20	3,150.00	3,150.00	3,150.00	3,150.00	
Raw Water Well	-	-	404,000.00	-	-	40	-	10,100.00	10,100.00	10,100.00	
Influent Pump Station	-	-	777,000.00	-	-	40	-	19,425.00	19,425.00	19,425.00	
Cover for Raw Water Storage Tank	-	-	-	400,000.00	-	40	-	-	10,000.00	10,000.00	
Purchase Costs (Legal, Eng, Acct, PR)	119,790.00	-	-	-	-	20.00	5,990.00	5,990.00	5,990.00	5,990.00	
	TOTAL EST ANNUAL DEPR 2015	TOTAL EST ANNUAL DEPR 2016	TOTAL EST ANNUAL DEPR 2017	TOTAL EST ANNUAL DEPR 2018							
	436,033.67	612,092.00	722,092.00	772,092.00							

Water System Rate Study

Elizabethtown, Kentucky



April 2012
Revised May 2012

Prepared by:

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Water System Rate Study Elizabethtown, Kentucky

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Appendices

A – Ordinance No. 35-2007 and Ordinance 33-2003

B – Water Purchase Agreement Between Elizabethtown and HCWD No. 2



Water System Rate Study

City of Elizabethtown, Kentucky

Background

Elizabethtown, a community of 26,888 people (2010 projection), is located in central Kentucky at the junction of several main transportation corridors. These include Interstate 65, Bluegrass Parkway, Western Kentucky Parkway, U. S. Highway 31W, along with CSX Railroad transportation. Elizabethtown is bounded on all sides by these corridors and has no major rivers or lakes running through its municipal boundaries. The nearest major body of water is the Ohio River which is approximately 25 miles north of the city limits.

Elizabethtown was founded in 1779 and is incorporated as a Class 4 City in the Commonwealth of Kentucky. The legislative power is vested in the six-member elected City Council. The elected chief executive is the Mayor. Elizabethtown's fiscal year ends June 30th of each year.

The Elizabethtown City Springs Water Treatment Plant (WTP) currently has a treated water capacity rating of 3.0 million gallons per day (MGD). In addition, Elizabethtown has a second WTP on Freeman Lake. The Freeman Lake WTP is also rated for a 3.0 MGD production capacity. In addition to these two WTPs, Elizabethtown purchases up to 1.1 MGD of treated water on a wholesale basis from Hardin County Water District No. 2.

Current Rates and Fees

Elizabethtown has historically analyzed and adjusted rates on an irregular basis –1982, 2003, 2007– and Elizabethtown has some of the lowest water rates in the area. The current rates were established by Ordinance Number 35-2007. This ordinance revised water rates only.

Ordinance No. 33-2003 established monthly rates for both water and sewer on a retail basis and reaffirmed a fee structure for services provided by the utility such as a tap-on fees and fire protection taps. These ordinances are included in Appendix A. Elizabethtown does not currently sell water on a wholesale basis to any public water system.

The customer's bills are calculated using the water meter readings of each customer's actual usage. A minimum bill applies for all connections which are active, whether any water is used or not. The current retail water rates for monthly usage are shown in Table 1.

Table 1
Existing Water Rate Schedule
Elizabethtown, Kentucky

<i>Monthly Water Usage</i>	<i>Cost</i>
First 2,000 Gallons (Minimum Bill)	\$8.00
Next 3,000 Gallons	\$2.94/ 1,000 gallons
Next 5,000 Gallons	\$2.75/ 1,000 gallons
Next 5,000 Gallons	\$2.56/ 1,000 gallons
Over 15,000 Gallons	\$2.36/ 1,000 gallons

Existing Water Operating Expenses

The total operation and maintenance expenses for Fiscal Year (FY) 2010/2011 was extracted from the Water and Sewer Fund, Expenditure Ledger of Elizabethtown's *Comprehensive Annual Financial Report (CAFR)*. The O&M costs cover personnel, power, chemicals, equipment and miscellaneous costs associated with the water system. Table 2 provides a breakdown of these costs by department.

Table 2
Fiscal Year 2010/2011 Operation and Maintenance Expenses¹
Elizabethtown, Kentucky

<i>Item</i>	<i>Water Admin. Dept. 50</i>	<i>City Springs Water Plant Dept. 51</i>	<i>Freeman Lake Water Plant Dept. 52</i>	<i>Plant Maint. Dept. 53</i>	<i>Water Services Dept. 54</i>	<i>Water Const. Dept. 55</i>	<i>Water Towers Dept. 56</i>	<i>Expenses</i>
Employee Compensation	\$149	\$353	\$78	\$204	\$206	\$28	--	\$1,018
Fringe Benefits	\$79	\$145	\$33	\$87	\$96	\$9	--	\$449
Professional Fees	\$19	\$3	--	--	--	--	--	\$22
Postage	\$24	\$3	\$3	--	--	--	--	\$30
Workmen's Compensation Insurance	\$36	--	--	--	--	--	--	\$36
General Liability Insurance	\$3	\$18	\$5	\$1	\$1	--	\$5	\$33
Maintenance/Replacement	\$5	\$69	\$23	\$13	\$18	\$1	\$6	\$135
Administration	\$26	--	--	--	--	--	--	\$26
Miscellaneous	\$34	\$18	\$11	\$18	\$5	\$9	--	\$95
Land and Buildings	\$18	--	--	--	--	--	--	\$18
Office Equipment/Supplies	\$15	--	--	--	--	--	--	\$15
Electrical	--	\$118	\$45	--	--	--	\$40	\$203
Laboratory	--	\$16	\$25	--	--	--	--	\$41
Fuel/Vehicle	\$12	\$4	\$3	\$17	\$31	\$4	--	\$71
Chemicals (Purification)	--	\$47	\$81	--	--	--	--	\$128
Public Works Expense	\$308	--	--	--	--	--	--	\$308
Bad Debt	\$50	--	--	--	--	--	--	\$50
Water, Sewer and Gas	--	\$7	\$5	\$1	--	--	--	\$13
Passenger Vehicle	--	--	--	\$26	--	--	--	\$26
Meter Repair/Maintenance	--	--	--	--	\$31	--	--	\$31
Repairs and Maintenance Materials	--	--	--	--	\$109	\$1	--	\$110
Other Materials and Supplies	--	--	--	--	\$43	--	--	\$43
TOTAL								\$2,901

Note: ¹All expenses are in thousands

Elizabethtown currently purchases a minimum of 1,100,000 gallons per day from Hardin County Water District (HCWD) No. 2 at a wholesale rate of \$1.99 per thousand gallons. The FY 2010/2011 expense was \$844,000. The Water Purchase Agreement between Elizabethtown and HCWD No. 2 is included in Appendix B.

Other water system costs include \$400,000 per year in miscellaneous capital improvement projects for the treatment and distribution systems. The yearly depreciation for the water system is \$256,000. The current total expense for the water system is summarized in Table 3.

Table 3
Expense Summary for the Water System¹
Elizabethtown, Kentucky

<i>Item</i>	<i>Expense</i>
Operation and Maintenance	\$2,901
Water Purchase	\$844
Miscellaneous Capital Project	\$400
Depreciation	\$256
TOTAL	\$4,401

Note: ¹All expenses are in thousands

Outstanding Debt

The existing water treatment plant and distribution facilities were funded by grants, loans, bond proceeds or local funds which have been repaid in their entirety. Therefore, the water system has no indebtedness.

Future Expenses

Elizabethtown plans to upgrade five of their eight water storage tanks (includes two clearwells). For this rate study, the cost to repair and paint each tank is assumed to be \$100,000 and all five tanks will be completed over a ten-year period. The annual cost will be \$50,000. Also, to assist with meeting the Stage 2 Disinfectants and Disinfection Byproducts Rule, Elizabethtown will be upgrading four tanks with installation of tank mixing systems. The anticipated cost for each tank is assumed to be \$100,000 and all four tanks will be completed over a five-year period. The annual cost will be \$80,000.

For this rate study, no additional major capital expenditures are anticipated. It is projected that the wholesale cost to purchase water from HCWD No. 2 will increase at an average rate of four percent per year beginning in FY 2012/2013.

Existing Revenues

The total annual revenue for FY 2010/2011 from CAFR and the Statement of Actual and Estimated Revenues, Water & Sewer Fund as of June 30, 2011 is summarized in Table 4.

Table 4
Fiscal Year 2010/2011 Revenues¹
Elizabethtown, Kentucky

<i>Item</i>	<i>Revenue</i>
Billings	\$3,016
Tapping Fees	\$118
Water Sold at Water Treatment Plant	\$6
Miscellaneous Water Revenue	\$33
Interest Income	\$6
Rental Income	\$11
Rental Income (Water Towers)	\$71
Rebate Water Tap Fees	(\$45)
Reimbursements	\$2
TOTAL	\$3,218

Note: ¹All revenues are in thousands

For this rate study, it is assumed that all revenues, other than billings, will remain unchanged at \$202,000 per year.

Water usage will remain unchanged, based on slow customer growth at 1.9 percent per year along with lower monthly water usage per customer because of conservation and installation of low flow fixtures. The annual water usage will remain unchanged at 1,000,000,000 gallons per year for this rate study.

Rate Determination

The method of increasing revenue generation to meet projected expenditures is increased billings. Table 5 is a compilation of earlier information to summarize the expected expenditures and revenues between FY 2010/2011 and FY 2016/2017 based on adjusted rates and increased billings to meet any anticipated shortfalls.

Table 5
Rate Determination¹
Elizabethtown, Kentucky

	Fiscal Year						
	2010-2011	2011-2012	2012-2013	2013-2014 ²	2014-2015	2015-2016	2016-2017
Water System Operation & Maintenance Expenses (3% Yearly Increase)	\$2,901	\$2,988	\$3,078	\$3,170	\$3,265	\$3,363	\$3,464
Purchased Water ³ - HCWD#2	\$844	\$844	\$878 ³	\$913 ³	\$950 ³	\$988 ³	\$1,027 ³
Capital Improvement Projects	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Water Tank Repair and Repaint	--	--	\$50	\$50	\$50	\$50	\$50
Water Tank Mixing Improvements	--	--	\$80	\$80	\$80	\$80	\$80
Rate Funded Expenditures ⁴	\$4,145	\$4,232	\$4,486	\$4,613	\$4,745	\$4,881	\$5,021
Revenue							
Billings	\$3,016	\$3,016	\$4,290	\$4,415	\$4,534	\$4,686	\$4,838
Tap Fees	\$118	\$118	\$118	\$118	\$118	\$118	\$118
Miscellaneous	\$13	\$13	\$13	\$13	\$13	\$13	\$13
Rental Income (Water Towers)	\$71	\$71	\$71	\$71	\$71	\$71	\$71
Total Revenue	\$3,218	\$3,218	\$4,492	\$4,617	\$4,736	\$4,888	\$5,040
Annual Water Usage ⁵ /1,000,000 gallons	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Average Water Rate Increase (Percent)	--	--	42	46	50	55	60

Notes: ¹All expenses/revenues are in thousands.
²Based on a daily usage of 1.162 million gallons per day at wholesale rate of \$1.99 per thousand gallons.
³Assumed an increase in the wholesale rate of 4 percent per year.
⁴Sum of O&M, purchased water, water tank maintenance/mixing improvements. Does not include depreciation.
⁵Assumed no increase in the annual water usage in million gallons.

Based on expenditure projections for FY 2015/2016 of \$4,488,000, with the delay of \$400,000 per year in Capital Improvements Projects, an increase in water rates should be approximately 40 percent, and therefore, the water rates should be increased as shown in Table 6. The revenue generated the first four years above the anticipated expenditures will be used to replace funds used to cover the current shortfall and for depreciation and replacement.

Table 6
Proposed Water Rate Schedule
Elizabethtown, Kentucky

<i>Monthly Water Usage</i>	<i>Cost</i>
First 2,000 Gallons (min. bill)	\$10.00
Next 3,000 Gallons	\$4.70/1,000 gallons
Next 5,000 Gallons	\$4.40/1,000 gallons
Next 490,000 Gallons	\$4.10/1,000 gallons
Over 500,000 Gallons	\$2.50/1,000 gallons

The anticipated revenue generated by the proposed increase is calculated as below:

- 3,745 average number of customers with minimum bills per month
 $3,745 \times \$10.00 = \$37,450$
Subtotal = \$37,450
- 3,762 average number of customers with 3,405 gallon usage per month
 $3,762 \times \$10.00 = \$37,620$
 $3,762 (3,405 - 2,000) \times \$4.70/1,000 = \$24,842$
Subtotal = \$62,462
- 1,858 average number of customers with 6,757 gallon usage per month
 $1,858 \times \$10.00 = \$18,580$
 $1,858 (3,000) \times \$4.70/1,000 = \$26,198$
 $1,858 (6,757 - 2,000 - 3,000) \times \$4.40/1,000 = \$15,884$
Subtotal = \$59,142
- 709 average number of customers with 38,131 gallon usage per month
 $709 \times \$10.00 = \$7,090$
 $709 (3,000) \times \$4.70/1,000 = \$9,997$
 $709 (5,000) \times \$4.40/1,000 = \$15,598$
 $709 (38,131 - 2,000 - 3,000 - 5,000) \times \$4.10/1,000 = \$81,774$
Subtotal = \$114,459
- 13 average number of customers with 2,079,600 gallon usage per month
 $13 \times \$10.00 = \130
 $13 \times (3,000) \times \$4.70/1,000 = \$183$
 $13 \times (5,000) \times \$4.40/1,000 = \$286$
 $13 \times (490,000) \times \$4.10/1,000 = \$26,117$
 $13 \times (2,079,600 - 490,000 - 2,000 - 3,000 - 5,000) \times \$2.50/1,000 = \$51,337$
Subtotal = \$78,053
Total = \$351,566 per month or \$4,218,792 per year billing revenue

Total Billing Plus Other Revenue = \$4,218,792 + \$202,000 = \$4,420,792
 \$4,488,000 (\$4,888,000 - \$400,000) (FY 2015/2016)

The proposed rate increase can be implemented in two steps to minimize the impact to water customers as follows:

Table 7
Step Rate Increase
Elizabethtown, Kentucky

<i>Step 1</i>	
First 2,000 Gallons (minimum bill)	\$10.00
Next 3,000 Gallons	\$4.20/1,000 gallons
Next 5,000 Gallons	\$3.90/1,000 gallons
Next 490,000 Gallons	\$3.60/1,000 gallons
Over 500,000 Gallons	\$2.36/1,000 gallons
<i>Step 2</i>	
First 2,000 Gallons (minimum bill)	\$10.00
Next 3,000 Gallons	\$4.70/1,000 gallons
Next 5,000 Gallons	\$4.40/1,000 gallons
Next 490,000 Gallons	\$4.10/1,000 gallons
Over 500,000 Gallons	\$2.50/1,000 gallons

A comparison of the proposed water rates for Elizabethtown to current rates of other utility providers is shown in Table 8. The rates are compared based on typical residential monthly water usage of 4,000 and 5,000 gallons respectively.

Table 8
Water Bill Comparison¹
Elizabethtown, Kentucky

<i>City</i>	<i>Water Usage Per Month</i>	
	4,000 Gallons	5,000 Gallons
Elizabethtown (Current Rates)	\$13.88	\$16.82
Cynthiana	\$16.05	\$19.55
Richmond	\$16.57	\$20.39
Georgetown	\$18.14	\$22.94
Elizabethtown (Proposed Rates)	\$19.40	\$24.10
Winchester	\$19.97	\$24.82
Frankfort	\$20.24	\$24.72
Nicholasville	\$20.45	\$24.50
Hardin County Water District #1	\$22.70	\$27.12
Hardin county Water District #2	\$29.36	\$34.51
Kentucky American Water Company (Lexington)	\$30.44	\$35.83
Average (excluding Elizabethtown)	\$21.55	\$26.04

Note: ¹Based on the Step 2 increase.



Water System Rate Study *Elizabethtown, Kentucky*

Appendix A **Ordinances**

ORDINANCE NO. 35 - 2007

AN ORDINANCE OF THE CITY OF ELIZABETHTOWN, KENTUCKY
AMENDING SECTION 2(A) & (B) OF ORDINANCE NO. 33-2003
RELATING TO WATER RATES

BE IT ORDAINED by the Elizabethtown City Council that Ordinance No. 33-2003, Section 2(A) & (B) be amended as follows:

Section 2. MONTHLY WATER AND SEWER RATES

That the rates and charges to residents and users of the existing municipal waterworks and sewer system of the City of Elizabethtown are hereby fixed and established on a monthly basis as follows:

A. MONTHLY WATER RATES

Number of Gallons of Water per Month	Monthly Charges
First 2,000 gallons	\$7.78 8.00 minimum bill
Next 2,001 to 5,000 gallons	\$2.67 2.94/1000 gallons
Next 5,001 to 10,000 gallons	\$2.50 2.75/1000 gallons
Next 10,001 to 15,000 gallons	\$2.33 2.56/1000 gallons
Over 15,000 gallons	\$2.15 2.36/1000 gallons

B. MINIMUM WATER BILL

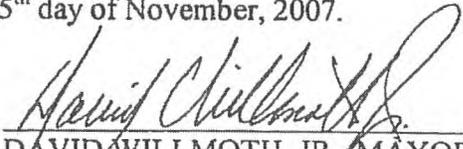
The minimum water bill shall be ~~\$7.78~~ 8.00 per month, and each water customer shall be entitled to 2,000 gallons, or less of water in each month for such minimum water charge.

Section A and B above shall be effective for all bills rendered after ~~December 1, 2003~~ November 1, 2007.

BE IT FURTHER ORDAINED that the Mayor of the City of Elizabethtown and/or his designate be and he is authorized and directed to take all steps necessary to perfect this ordinance.

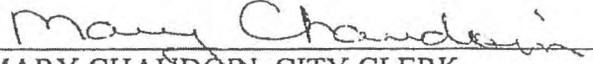
READ THE FIRST TIME, this 15th day of October, 2007.

READ, ADOPTED AND APPROVED this 5th day of November, 2007.



DAVID WILLMOTH, JR. MAYOR

ATTESTED TO:



MARY CHAUDOIN, CITY CLERK

ORDINANCE NO. 33 - 2003

**AN ORDINANCE OF THE CITY OF ELIZABETHTOWN, KENTUCKY
AMENDING PREVIOUS ORDINANCES FIXING WATER & SEWER RATES**

WHEREAS, the City of Elizabethtown in Hardin County, Kentucky, owns and operates a combined and consolidated municipal waterworks and sewer system, and in connection said City presently has outstanding revenue bonds payable from the income and revenues of said combined and consolidated system, and

WHEREAS, it is deemed necessary and desirable and for the best interest of the City that certain rates and charges for the services provided by said waterworks and sewer system be increased in order to adequately provide for the proper operation of said system, including additions, extensions, and improvements thereto, and to meet the City's outstanding revenue bonds payable from the earnings of said system;

Unless the context specifically indicates otherwise, the meaning of terms used in this ordinance shall be as follows:

Definition 1. "BOD" (denoting Biochemical Oxygen Demand) shall mean the quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory procedure in five (5) days at 20°C, expressed in milligrams per liter (mg/L).

Definition 2. "Operation and Maintenance" shall mean those functions that result in expenditures during the useful life of the treatment works for materials, labor, utilities and other items which are necessary for operating the facilities. The term "operation and maintenance" includes replacement as defined in Section 5.

Definition 3. "Replacement" shall mean expenditures for obtaining and installing equipment, accessories or appurtenances which are necessary during the useful life of the treatment works to maintain the capacity and performance for which such works were designed and constructed.

Definition 4. "Shall" is mandatory: "May" is permissive.

Definition 5. "Treatment Works" shall mean any devices and systems for the storage, treatment, recycling and reclamation of residential wastewater, commercial wastewater or liquid industrial wastes. Those include intercepting sewers, outfall sewers, sewage collection systems, pumping, power, and other equipment and their appurtenances; extensions, improvements, remodeling, additions and alterations thereof; elements essential to provide a reliable recycled supply such as standby treatment units and works, including site acquisition of the land that will be an integral part of the treatment process or is used for ultimate disposal of residues resulting from such treatments; or any other method or system for preventing, abating, reducing, storing, treating, separating or disposing of municipal waste or industrial waste, including waste in combined storm water and sanitary sewer systems.

Definition 6. "Useful Life" shall mean the estimated period during which a treatment works will be operated.

Definition 7. "User Charge" shall mean that portion of the total wastewater service charge which is levied in a proportional replacement of the wastewater treatment works.

Definition 8. "Debt Service" shall mean charges levied on users of the treatment works to support the annual debt service obligations of the system.

Definition 9. "Wastewater Flow Meter" shall mean a liquid volume measuring and recording device furnished and/or installed by a user and approved by the City of Elizabethtown.

NOW, THEREFORE THE CITY OF ELIZABETHTOWN, KENTUCKY DOES ORDAIN AS FOLLOWS:

Section 1. PREVIOUS RATE ORDINANCES AMENDED

That all previous Rate Ordinances of the City fixing the respective water and sewer rates applicable to water and sewer services furnished by the combined and consolidated municipal waterworks and sewer system of the City are hereby amended so as to increase the applicable water and sewer rates for services rendered by the municipal waterworks and sewer system of the City as follows, effective for all provisions herein, on all bills rendered after the passage, approval and publication of this ordinance.

Section 2. MONTHLY WATER AND SEWER RATES

That the rates and charges to residents and users of the existing municipal waterworks and sewer system of the City of Elizabethtown are hereby fixed and established on a monthly basis as follows:

A. MONTHLY WATER RATES

Number of Gallons of Water per Month	Monthly Charges
First 2,000 gallons	\$7.78 minimum bill
Next 2,001 to 5,000 gallons	\$2.67/1000 gallons
Next 5,001 to 10,000 gallons	\$2.50/1000 gallons
Next 10,001 to 15, 000 gallons	\$2.33/1000 gallons
Over 15,000 gallons	\$2.15/1000 gallons

B. MINIMUM WATER BILL

The minimum water bill shall be \$7.78 per month, and each water customer shall be entitled to 2,000 gallons, or less of water in each month for such minimum water charge.

Section A and B above shall be effective for all bills rendered after December 1, 2003.

C. MONTHLY SEWER RATES

That the rates or charges for sewer service shall be based insofar as possible upon the quantity of water supplied in each month to the respective premises and are hereby fixed and established on a monthly basis as follows:

Number of Gallons of Water per Month	Monthly Charges
First 2,000 gallons	\$6.00 minimum bill
Over 2,000 gallons	\$2.40/1000 gallons

- D. Sewer Charges shall be paid for all structures served by any water service if sewer service is available to the property.

Section C above shall be effective for all bills rendered after September 1, 1992.

Section 3. RATES UNIFORM IN CITY: SURCHARGES FOR EXTRA STRENGTH WASTES

The schedule of rates herein prescribed for both monthly water and sewer service shall be uniformly charged to all customers of the waterworks and sewer systems.

THE BASIS FOR UNIFORM SEWER USER RATES ARE:

- A. Minimum bill – The first \$2.98 (2 X 1.49) will be attributed to the Operation, Maintenance and Reserve charge. The remaining \$3.02 per month will provide \$242,446 for the fixed cost.
- B. Over 2,000 gallons usage – Operation and Maintenance costs are \$1.49/1000 gallons.
Debt service cost is \$0.91/1000 gallons.
Total Normal Strength Charge = \$2.40/1000 gallons.
- C. SURCHARGE FOR EXTRA STRENGTH WASTES

The City may allow for the treatment of extra strength wastes, the constituents, requirements and charges of such shall be as provided by the Sewer Use Ordinance. The surcharges for extra strength wastes are as follows:

NH3-N	\$0.70/pound over	30	mg/l monthly average
BOD	\$0.34/pound over	250	mg/l monthly average
COD	\$0.03/pound over	1000	mg/l monthly average
TSS	\$0.14/pound over	250	mg/l monthly average

Section 4. TAPPING OR CONNECTION FEES (WATER)

Tapping fees for water shall consist of a materials fee and a connection fee.

- A. The materials fee shall be based upon the actual cost of supplies for each service size (meter, appurtenances, box) and shall be set by the Finance Department at least once per year.

The service size shall be determined by the meter size, or the tap size from the main to the meter, whichever is larger. In the case of multiple meter settings from one tap, a connection fee shall be charged for each service meter set, but no connection fee for the tap line shall be charged.

- B. Connection fees for water services shall be as follows:

Size of Service	Within City Limits	Outside City Limits
¾"	\$150.00	\$225.00
1"	150.00	225.00
1 ½"	150.00	225.00
2"	150.00	225.00
3"	300.00	450.00
4"	300.00	450.00
6"	300.00	450.00
8"	300.00	450.00

Section 5. TAPPING OR CONNECTION FEE (SEWER)

Tapping or connection fees for sewer service shall be \$300.00 for sewer customers located inside the city and \$450.00 for sewer customers located outside the City.

Section 6. STAND BY FIRE PROTECTION TAPS

There shall be charged a yearly rate for stand-by fire protection taps located outside the City limits as follows:

Size of Service	Cost per year
4" tap	\$250.00
6" tap	500.00
8" tap	1,000.00
12" tap	1,500.00

Section 7. PRIVATE FIRE HYDRANTS OUTSIDE CITY

It is hereby levied a charge of \$100.00 per year on all private fire hydrants located on private property outside the city limits.

Section 8. Water meter deposits for service shall be required of customers at the rate of \$30.00 for homes and \$60.00 for commercial and industrial users inside City limits; if the customer is located outside the City, said amount shall be \$60.00 and \$120.00.

Section 9. FINANCIAL RECORDS

Subsection 1: The revenues collected, as a result of the user charges levied, shall be deposited in a separate non-lapsing fund known as the Operation, Maintenance and Replacement Fund.

Subsection 2: Fiscal year-end balances in the operation, maintenance, and replacement fund shall be used for no other purposes than those designated Monies which have been transferred from other sources to meet temporary shortages in the operation, maintenance and replacement fund shall be returned to their respective accounts upon appropriate adjustment of the user charge rates for operation, maintenance and replacement. The user charge rate shall be adjusted such that the transferred monies will be returned to their respective accounts within six months of the fiscal year in which the monies were borrowed.

Subsection 3: The City shall maintain financial records to accurately account for revenues generated by the water and wastewater treatment systems and expenditures for operation and maintenance of the system, including normal replacement costs.

Section 10.

The City shall review not less often than annually the sewage contribution of users, the total cost of operation and maintenance of the sewage works, debt services obligations, and sewer service charges. Based on such review, the City shall revise, when necessary, the schedule of sewer service charges to accomplish the following:

Subsection 1: Maintain an equitable distribution of operations and maintenance cost among users of the treatment system, and

Subsection 2: Generate sufficient revenues to offset costs associated with the proper operation and maintenance of the sewage system and to meet debt service requirements of all outstanding Revenue Bond Issues and the Kentucky Infrastructure Authority.

Subsection 3: Each user shall be notified, at least annually, in conjunction with a regular bill, of the rate and that portion of the total charge which is attributable to operation and maintenance of the Sewage System.

Section 11. BILLING PROCEDURES

Users shall be billed monthly. Payments are due within ten (10) days after the bills are rendered. Any payment not received on their due date shall be delinquent. When any bill is more than thirty (30) days in default water and/or sewer service to such premise may be discontinued until such bill plus an applicable service charges are paid.

Section 12. ALL OTHER EXISTING PROVISIONS REAFFIRMED

All other existing provisions as to reading of meters, rendition of bills and payment, collection and disconnection charges and related provisions of existing Ordinances are hereby reaffirmed, re-enacted and readopted, except to the extent that same may be inconsistent herewith.

Section 13. RATES SUBJECT TO FUTURE REVISION

Said rates shall be reviewed annually and from time to time as necessary to meet the requirements of the Kentucky Division of Water and Kentucky Infrastructure Authority or any Ordinances against said waterworks and sewer system, or for such other reasons as may be deemed necessary including increased Operation and Maintenance Costs.

Section 14. ORDINANCE EFFECTIVE DATE

This Ordinance shall become effective forthwith upon its passage, approval and publication, as provided by law, and rates herein provided shall become effective for all monthly billings submitted on or after December 1, 2003.

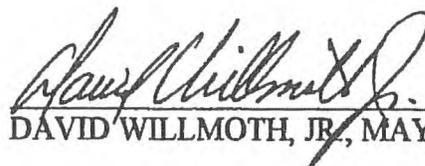
Section 15. IN EVENT PARTS OF ORDINANCE DECLARED UNCONSTITUTIONAL OR UNENFORCEABLE

In the event a part or parts of this Ordinance are declared unconstitutional or unenforceable, then the same shall not affect the enforceability of the remaining portions of this ordinance.

BE IT FURTHER ORDAINED that the Mayor of the City of Elizabethtown and/or his designate be and he is authorized and directed to take all steps necessary to perfect this ordinance.

READ THE FIRST TIME, this 20th day of October, 2003.

READ, ADOPTED AND APPROVED this 3rd day of November, 2003.



DAVID WILLMOTH, JR., MAYOR

ATTESTED TO:

Mary Chaudoin
MARY CHAUDOIN, CITY CLERK

ORDINANCE NO. 33-2003

**SUMMARY OF THE ORDINANCE
AMENDING PREVIOUS ORDINANCE FIXING WATER RATES**

The City of Elizabethtown passed Ordinance No 33-2003 on the 3rd day of November, 2003. It was read for the first time on the 20th day of October, 2003. The purpose of this ordinance is to amend the water rates for the City of Elizabethtown as follows:

Section 2: MONTHLY WATER AND SEWER RATES

That the rates and charges to residents and users of the existing municipal waterworks and sewer system of the City of Elizabethtown are hereby fixed and established on a monthly basis as follows:

A. MONTHLY WATER RATES

Number of Gallons of Water per Month	Monthly Charges
First 2,000 gallons	\$7.78 minimum bill
Next 2,001 to 5,000 gallons	\$2.67/1000 gallons
Next 5,001 to 10,000 gallons	\$2.50/1000 gallons
Next 10,001 to 15,000 gallons	\$2.33/1000 gallons
Over 15,000 gallons	\$2.15/1000 gallons

B. MINIMUM WATER BILL

The minimum water bill shall be \$7.78 per month and each water customer shall be entitled to 2,000 gallons or less of water in each month for such minimum water charge

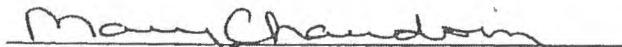
Section A and B above shall be effective for all bills rendered after December 1, 2003.

A complete copy of this ordinance can be obtained by contacting the City Clerk's office at 270-765-6121, ext. 203.



DAVID WILLMOTH, JR., MAYOR

ATTESTED TO:



MARY CHAUDOIN, CITY CLERK



Water System Rate Study Elizabethtown, Kentucky

Appendix B

Water Purchase Agreement

WATER PURCHASE AGREEMENT

BETWEEN

HARDIN COUNTY WATER DISTRICT NO. 2

AND

CITY OF ELIZABETHTOWN

THIS WATER PURCHASE AGREEMENT, is made and entered into this 5th day of Dec., 1996, by and between the **HARDIN COUNTY WATER DISTRICT NO. 2**, P. O. Box 66, Elizabethtown, Kentucky, 42702, (hereinafter referred to as the "SELLER"), and the **CITY OF ELIZABETHTOWN**, P. O. Box 550, Elizabethtown, Kentucky 42702, (hereinafter referred to as the "PURCHASER"):

W I T N E S S E T H:

WHEREAS, the SELLER owns and operates a water treatment plant on the Nolin River at White Mills; and

WHEREAS, the PURCHASER desires to obtain a supplemental supply of treated water; and

WHEREAS, the SELLER has made plans to expand the size of its White Mills Water Treatment Plant; and

WHEREAS, the SELLER anticipates having an excess supply of treated water upon completion of its water plant expansion project; and

WHEREAS, the SELLER desires to sell a portion of its excess supply of treated water; and

WHEREAS, the SELLER desires to establish a minimum monthly amount of water to be purchased from the SELLER by the PURCHASER; and

NOW THEREFORE, in consideration of all the foregoing and the mutual terms and conditions expressed herein, the SELLER and the PURCHASER agree as follows:

1. TERM:

The term of this Agreement shall extend for a period of six (6) years from and after the Effective Date hereof as provided for in paragraph 17 of this Agreement, unless otherwise extended or modified by written agreement between the parties. Should SELLER decide not to extend this Agreement beyond the original six (6) year term, SELLER shall give such notice to PURCHASER at least two (2) years before the expiration of the term.

2. QUANTITY OF WATER:

The SELLER shall furnish to the PURCHASER, at the points of delivery hereinafter specified, such quantities of water as the PURCHASER may require in order to supplement water service to the PURCHASER'S customers, not to

exceed, however, two (2.0) million gallons per day (MGD) or sixty (60) million gallons per month for a thirty (30) day month.

3. MINIMUM PURCHASES:

The PURCHASER agrees to purchase from the SELLER a minimum of one and one ~~half (1.5)~~ ^{tenths (1.1)} MGD, or ~~forty-five (45)~~ ^{thirty-two (32)} million gallons per month for a thirty (30) day month. The PURCHASER shall pay for the minimum monthly quantity of water even if not used by PURCHASER. Any surplus amount used by the PURCHASER during a particular month shall not be carried over to the next month. In the event the SELLER commences providing water service to one or more new businesses or industries located within the Hughes Industrial Park, the quantity of water sold to such businesses or industries shall be subtracted from the minimum monthly quantity required to be purchased by the PURCHASER.

4. ADDITIONAL PURCHASES:

In the event the PURCHASER desires to purchase more than an average of 2.0 MGD, then the SELLER agrees to attempt to supply the additional water in excess of 2.0 MGD, to the extent water is available, if it is able to do so. The PURCHASER shall pay a twenty-five percent (25%) surcharge on all usage above an average of 2.0 MGD (e.g. sixty (60) million gallons for a thirty (30) day month). In the event the SELLER determines that it is experiencing, or

likely to experience, a shortage of water available for its retail customers, then first priority shall be given to its retail customers and second priority shall be given to the PURCHASER.

5. QUALITY OF WATER:

All water furnished to the PURCHASER by the SELLER during the term of this Agreement, or any renewal or extension thereof, shall be potable, treated water meeting applicable purity standards of all appropriate state and federal regulatory agencies. The water shall also be of the same quality furnished to the SELLER'S other retail and wholesale customers.

6. DELIVERY POINTS:

The SELLER shall deliver the water to the PURCHASER at the points of delivery shown below and at such additional or substitute points of delivery which may be agreed upon in writing by both parties.

The water shall be furnished at the points of delivery at a minimum pressure of thirty (30) pounds per square inch. The sum of the flow rates at all delivery points shall not exceed 2,100 GPM (3.0 MGD). The SELLER shall use reasonable care and diligence in the operation and maintenance of its water system to prevent and avoid abnormal interruptions and fluctuations of supply and pressure. Should greater pressures than that available at a point of delivery be required by the PURCHASER, it shall be the PURCHASER'S responsibility,

at its own expense, to provide within its system such booster pumping, storage or other facilities as may be required to develop and maintain additional pressures within the PURCHASER'S system.

Emergency failures of water supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the SELLER from this provision for such reasonable period of time as may be necessary to restore service.

The points of delivery, water main sizes, meter sizes, and maximum flow rates are as follows:

POINT OF DELIVERY	SIZE MAIN	METER SIZE	MAXIMUM FLOW RATE (GPM)
1. Ring Road at Black Branch Road	24"	8" or 12"	2,100
2. Pear Orchard Road Northwest	24"	8" or 12"	2,100

The Combined flow rate of all points of delivery which are open and delivering water at any given time shall not exceed 2,100 GPM.

7. OPERATION OF SYSTEM:

The SELLER shall, at all times, operate and maintain its water system in

an efficient manner and shall take such action as may be reasonably necessary to perform its obligations under this Agreement. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. The SELLER shall immediately inform the PURCHASER, by telephone, or by facsimile transmission, of the nature and extent of such temporary or partial failure to deliver water.

8. POINT OF DELIVERY EQUIPMENT:

The PURCHASER shall furnish and install, at its own expense, at each of the points of delivery, in a building or pit, the following equipment: (the "Equipment"):

- A. Flow control valve;
- B. Metering equipment (with telemetry connected to SELLER'S existing systems);
- C. Double check valve back flow prevention device; and
- D. Bypass line and valving.

The plans and specifications for the Equipment to be installed at each point of delivery shall be approved by the SELLER, and shall be installed under the supervision of the SELLER. Each point of delivery shall be equipped with telemetry compatible with the SELLER'S existing telemetry system.

Title and ownership of the Equipment, except for the meter and telemetry equipment, shall vest in the PURCHASER. Title to the meter and the telemetry equipment shall vest in the SELLER. The PURCHASER shall be responsible for the cost of operating and maintaining the Equipment, except for the meter and telemetry equipment, which shall be operated and maintained by the SELLER. The SELLER shall calibrate the metering equipment whenever requested by the PURCHASER, but not more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the twelve (12) months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless SELLER and PURCHASER shall agree upon a different amount. The metering equipment shall be read on or about the 25th day of each month. The SELLER shall have access to the meter(s) and telemetry equipment for the purpose of meter reading, operation, and maintenance.

9. BILLING AND PAYMENT PROCEDURE:

The SELLER shall furnish the PURCHASER not later than the first (1st)

day of each month with an itemized statement of the amount of water furnished the PURCHASER at each of the points of delivery during the preceding month and the cost thereof. The PURCHASER shall pay those charges not later than the tenth (10th) day of each month. A ten percent (10%) late payment penalty shall be assessed if any portion of the bill remains unpaid after the due date. In addition, any amount remaining unpaid after the last day of the month shall be deemed delinquent and shall bear interest at the rate of twelve percent (12%) per annum until paid.

10. RATE AND RATE CALCULATION:

The PURCHASER shall pay the SELLER the rate which is calculated by using the Methodology attached hereto as Exhibit A. The Methodology includes a technique for calculating the rate for the first year as well as subsequent years.

It is contemplated that the rate will be calculated by the SELLER on an annual basis as soon as practicable after the year end financial data is available.

11. ADVANCE NOTICE OF RATE MODIFICATION:

The SELLER shall notify the PURCHASER in writing of the proposed rate at least thirty (30) days before it is to be adopted as the actual rate. This will enable the PURCHASER to review and comment on the proposed rate before it is actually adopted by the SELLER.

At the expiration of the thirty (30) day review period, the PURCHASER

may establish and adopt the actual rate to be charged the SELLER and shall immediately notify the PURCHASER in writing of the new rate.

12. EFFECTIVE DATE OF RATE MODIFICATION:

The effective date of the new rate shall be at least thirty (30) days after the SELLER adopts the new rate. This will enable the SELLER to file a revised Tariff with the Public Service Commission of Kentucky (the "PSC") and obtain PSC approval of the new rate.

13. INCREASED CAPITALIZATION:

The Methodology attached as Exhibit A is based upon a cost of Service Study performed by the SELLER'S consulting engineer. It provides a method of determining the actual cost of providing water service to the PURCHASER. The Debt Service and Depreciation Costs utilized in the Methodology may be increased to reflect any increases in capitalization of the SELLER'S system if such increased capitalization is necessary to enable the SELLER to continue providing water service to the PURCHASER; PROVIDED, HOWEVER, that such costs shall not include any increase in capitalization associated with increasing the capacity of the White Mills Water Treatment Plant beyond 8.1 MGD.

14. INDEMNIFICATION:

Each Party shall be solely responsible for the construction, operation, and

maintenance of its respective water system. Each Party, to the extent permitted by law, expressly agrees to indemnify, save harmless and defend the other Party against all claims, demands, cost, or expense asserted by third parties and proximately caused by the negligence or willful misconduct of such indemnifying Party in connection with the construction, operation, and maintenance of its respective water system. Each Party shall maintain a liability insurance policy acceptable to both Parties with limits of at least one (1) million dollars in an insurance company doing business in Hardin County, Kentucky.

15. DISPUTED BILL:

If a portion of any bill is in a bona fide dispute, the undisputed amount shall be paid when due.

16. PLEDGE:

It is understood by the Parties that the SELLER intends to, and does by the execution of this Agreement, pledge this Agreement to the United States of America, acting by and through the U. S. Department of Agriculture (hereinafter referred to as the "USDA" as part of the security for the repayment of all indebtedness currently owed by the SELLER to USDA, and/or any additional loans hereinafter obtained from USDA. The PURCHASER, however, is not incurring any liability to USDA because of the SELLER'S pledge of this Agreement to USDA; and the PURCHASER is not incurring any independent

obligation to USDA because of this pledge by the SELLER.

17. EFFECTIVE DATE AND CONTINGENCIES:

The Parties acknowledge that, in order for this Agreement to be made effective, it must be reviewed by the Public Service Commission of Kentucky (the "PSC"). In addition, the SELLER must obtain the necessary financing and regulatory approval from the PSC and the Division of Water to expand its White Mills Water Treatment Plant from 2.7 MGD to 8.1 MGD. The Effective Date of this Agreement shall be thirty (30) days after the expanded water treatment plant has commenced operating. The SELLER shall give written notice of the Effective Date to the PURCHASER. The term of this Agreement shall be measured from the Effective Date. In the event the White Mills Water Treatment Plant is not expanded to at least 8.1 MGD, then this Agreement shall not become effective.

18. NOTICES:

If at any time either Party desires or is required to give notice to the other Party pursuant to the terms of this Agreement, such notice shall be in writing and shall be hand delivered or mailed by certified mail, return receipt requested. Notice shall be effective upon receipt. Notices shall be given to the Parties at the following addresses or such other place or other person as each Party shall designate by similar notice:

(A) As to the SELLER

Hardin County Water District No. 2
P.O. Box 66
Elizabethtown, Kentucky 42702
Attention: Manager

(B) As to the PURCHASER

City of Elizabethtown
P. O. Box 550
Elizabethtown, KY 42702
Attention: Mayor

19. RESPONSE TO NOTICES:

At any time either Party desires or is required to respond to any notice given pursuant to paragraph 19, such response shall be made in the manner prescribed by paragraph 19 and be given within fifteen (15) days after receipt of the notice unless otherwise provided in this Agreement.

20. PARAGRAPH HEADINGS:

The descriptive headings of the various paragraphs of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms and provisions thereof.

21. ENTIRE AGREEMENT; SEVERABILITY:

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter contained herein. Except as otherwise provided herein, no subsequent alteration, amendment, change or addition to this

Agreement shall be binding upon either Party unless and until it is reduced to writing and signed by both Parties. Should any provision of this Agreement be declared to be invalid or unenforceable by a Court of competent jurisdiction, the remaining provisions of this Agreement shall remain in full force and effect unless such invalid or unenforceable provision substantially alters the benefits of the Agreement for either Party.

22. NON-WAIVER:

Any waiver at any time by any Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Contract shall not be considered a waiver of any such rights or matters at any subsequent time.

23. SUCCESSORS AND ASSIGNS:

This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns. This Agreement shall not be assigned by either Party without the written consent of the other Party, which consent shall not be unreasonably withheld, unless such assignment or transfer is to a successor in the operation of its properties by reason of a merger, consolidation, sale or foreclosure where substantially all such properties are acquired by such a successor empowered by law and financially able to effect the purposes of this Agreement which it must assume and, thereafter, be

exclusively responsible for the performance of the terms of this Agreement to be performed by either Party hereunder.

24. PURCHASER'S SUCCESSOR:

In the event of any occurrence rendering the PURCHASER incapable of performing under this Agreement, any successor of the PURCHASER, whether the result of legal process, assignment, or otherwise, shall succeed to the rights and obligations of the PURCHASER and the terms of this Agreement shall be binding upon the successor in interest.

IN WITNESS WHEREOF, the Parties hereto, acting under the authority of their respective governing bodies, have caused this Agreement to be duly executed in multiple counterparts, each of which shall constitute an original.

**HARDIN COUNTY WATER
DISTRICT NO. 2**

DATE: 12/5/96

BY: Earl B. Goodman
EARL B. GOODMAN, CHAIRMAN

ATTEST:

Michael L. Bell
**MICHAEL L. BELL,
SECRETARY**

CITY OF ELIZABETHTOWN

DATE: 12-5-96

BY: *Patricia V. Durbin*
PATRICIA V. DURBIN, MAYOR

ATTEST:

Wanda Young
CITY CLERK

Methodology of Calculating Wholesale Water Rate to Elizabethtown

I. General Philosophy

- A. Elizabethtown shall share a pro-rata portion of the Districts' Operation and Maintenance Costs as follows:
 - 1. Water Treatment Plant Costs shall be shared on a pro-rata usage basis with adjustment for Line Loss and Plant use.
 - 2. Transmission and Distribution Costs shall be shared on a pro-rated usage basis with adjustment based on inch-mile proportion, i.e. inch miles of pipe line utilized by E-town versus total inch-miles of District system.
 - 3. Administrative General Costs shall be shared on a pro-rata usage basis with a 33.33% multiplier.
 - 4. Electrical pumping Costs at Cecilia Pump Station based on pro-rata usage basis.
- B. Elizabethtown shall share a pro-rata portion of the Districts' Debt Service (including coverage) and Depreciation based on portion of system reserved for Elizabethtown as compared to total capacity.
- C. Elizabethtown does not share any of the Districts' customer service costs such as meter reading, billing & customer service representatives.
- D. Elizabethtown does not share any of the Districts Debt Service (plus coverage) or Depreciation for Capital projects not utilized by Elizabethtown.

II. Definitions, Factors, Ratios & Techniques

- A. The District Annual Report submitted to the Public Service Commission delineates (or shall be modified to delineate) the following:
 - 1. Water Treatment Expenses - Includes payroll & benefit cost of staff working only on water treatment plus chemicals, electricity, and various expenses at water treatment plant (T&P).
 - 2. Transmission and Distribution Expenses - Includes cost of staff and various expenses specifically related to T&D.

3. Administrative and General Expenses - Includes staff and miscellaneous expenses specifically related to overall management, accounting, purchasing, personnel & computer services and excludes customer service.
4. Total Water Produced and Purchased.
5. Total Water Sold
6. Percent of Line Loss relative to water produced and purchased. Typically $\pm 14\%$.

B. Debt Service and Depreciation Costs are as follows:

1. Debt Service (including 20% Coverage)	
Water Treatment Plant (existing)	\$331,058/year
24" Pipe.	\$556,148/year
Cecilia & Pear Orchard Tanks (including Telemetry)	\$200,152/year
Cecilia Pump Station	\$ 18,968/year
Water Treatment Plant (expansion)*.	\$529,552/year

*Estimate based on \$5.8 million construction cost and interest rate of 6%. This number would be adjusted 1.) Upon incurring debt to actual interest rate and final design cost estimate and 2.) Upon completion of project to reflect actual construction cost.

2. Depreciation	
Water Treatment Plant (existing)	\$ 75,291
24" Pipe	\$108,849
Cecilia & Pear Orchard Tanks (includes telemetry).	\$ 36,314
Cecilia Pump Station	\$ 7,846
Water Treatment Plant (expansion).	* \$107,550

*Estimate based on \$5.8 million construction cost.

C. Pro-rata Usage Factor = $\frac{\text{Amount of Water Sold to E-town}}{\text{Total Water Sold (Includes E-town)}}$
(PRUF)

D. Water Treatment Plant Capacity Factor (WTP CF) = $\frac{\text{Capacity reserve of E-town}}{8.1 \text{ mgd}}$
Note: 8.1 mgd equals capacity of plant

E. Tank and Telemetry Capacity Factor (T & T CF) = $\frac{\text{Tank Capacity Reserve to E-town}}{2.0 \text{ mgd}}$
Note: 2.0 mg equals capacity of Cecilia & Pear Orchard Tanks

F. 24" Line Capacity Factor (24" Line CF) = $\frac{\text{Capacity Reserve of E-town}}{8.1 \text{ mgd}}$
Note: Assume 24" Capacity equals 8.1 mgd

G. Cecilia Pump Station Factor (PS CF) = $\frac{\text{Capacity Reserve of E-town}}{4.0 \text{ mgd}}$
 Note: 4.0 mgd equals capacity of pump station

H. Inch Mile Ratio (IMR) - The inch mile ratio is used to adjust E-towns's T & D costs and to adjust for Line Loss.

$$\text{Inch Mile Ratio (IMR)} = \frac{\text{Inch miles of Pipeline Jointly used by E-town}}{\text{Total Inch Miles of System}}$$

I. Adjustment for Line Loss and Plant use. - This procedure provides a Water Production Multiplier (WPM) for the District & E-town which in effect calculates the amount of water produced to sale a given amount. Included in the adjustment is water used in the plant. The Multiplier is determined by adding Line loss and Plant usage and on a mathematically calculating multiplier. For E-town line loss is allocated based on the Inch Mile Ratio.

For Line Loss = LL (expressed as decimal)
 Plant Use = PU (expressed as decimal)
 Inch Mile Ratio = IMR

$$\text{District WPM} = \frac{1}{1 - (LL + PU)}$$

$$\text{E-town WPM} = \frac{1}{1 - (LL \times IMR + PU)}$$

J. Treatment Cost Allocation Factor (TCAF) is determined as follows:

$$\text{TCAF} = \text{PRUF} \times \frac{\text{E-town WPM}}{\text{District WPM}}$$

K. Transmission and Distribution Cost Allocation Factor (T&D CAF) is determined as follows:

$$\text{TDCAF} = \text{PRUF} \times \frac{\text{E-town WPM}}{\text{District WPM}} \times \text{IMR}$$

L. Administrative and General Cost Allocation Factor (A & GCAF) is determined as follows:

$$\text{AGCAF} = \text{PRUF} \times \frac{\text{E-town WPM}}{\text{District WPM}} \times 0.3333$$

M. Cecilia PS Cost Allocation Factor (PSCAF) is determined as follows:

$$\text{PSCAF} = \frac{\text{Amount of Water Sold to E-town}}{\text{Total Water Pumped at PS}}$$

The PSCAF is to allocate electrical costs at Cecilia pump station. No multipliers are used since they would be the same.

IV. Rate Calculation Technique

Elizabethtown Cost of Service is the summation of the following:

Water Treatment Plant Cost x TCAF	_____
Transmission & Distribution Cost x T&D CAF	_____
Administrative & General Cost x A & G CAF	_____
Electrical Cost Cecilia PS x PS CAF	_____
Total WTP Debt Service x WTP CF	_____
Tank & Telemetry Debt Service x T&D CF	_____
24" Line Debt Service x 24" Line CF	_____
Cecilia PS Debt Service x PS CF	_____
Total WTP Funded Depreciation x WTP CF	_____
Tank & Telemetry Funded Depreciation x T&D CF	_____
24" Line Funded Depreciation x 24" Line CF	_____
Cecilia PS Funded Depreciation x PS CF	_____
Total Elizabethtown Cost of Service	_____

The Elizabethtown Rate is : $\frac{\text{Elizabethtown Cost of Service}}{\text{Elizabethtown Purchase Amount}}$

V: Implementation

- A. The rate for the first year is determined by utilizing the most current information including most recent Annual Report & actual debt service requirements (reflecting actual construction costs and interest rates). The first year would assume Elizabethtown usage and additional treatment plant cost based on current costs for labor, chemicals, and electricity. Any costs incurred by the District in rehabilitation of the existing plant (during the first year after expanded plant is placed in service) shall be excluded from the Water Treatment Plant Costs.
- B. The rate for second and subsequent years will be based on actual costs and usage during the preceding year.

VI. Special Conditions

- A. Elizabethtown minimum usage is 1.5 mgd based on a monthly bill, i.e 45 mg for a 30 day month.
- B. Elizabethtown reserve for normal system usage variation is 2.0 mgd. based on a monthly bill. i.e 60 mg for a 30 day month.
- C. The total peak flow rate from all points of delivery shall be limited to 3.0 mgd (2100 gpm).
- D. During the first year, the Capacity Factors are calculated as follows:
 - 1. $WTP\ CF = 1.75\ mgd + 8.1\ mgd = 0.2469$
 - 2. $T \ \& \ T\ CF = 0.5\ mg + 2.0\ mg$. This factor is based on reserving 0.5 mg of storage of the total of 2.0 mg in order to assure a safe delivery of 2100 gpm.
 - 3. $24''\ Line\ CF = 1.75\ mgd + 8.1\ mgd = 0.2469$
 - 4. $PS\ CF = 2.0 + 4.0\ mgd = 0.500$ This factor is based on reserving 2 mgd of pumping capacity for E-town.
- E. For the second and subsequent years, the WTP CF and 24" Line CF shall be based on the average daily flow rate in mgd of the three maximum months of the preceding year times the Elizabethtown WPM. For first year this number is assumed to be 1.75 mgd.
- F. Should the bill for a month exceed 2.0 mgd daily average, that amount above 2.0 mgd shall be subject to surcharge equal to 1.25 times the E-town rate.

AMENDMENT NO. 1
TO THE
WATER PURCHASE AGREEMENT
BETWEEN
HARDIN COUNTY WATER DISTRICT NO. 2
AND
CITY OF ELIZABETHTOWN

THIS AMENDMENT NO. 1 TO THE WATER PURCHASE AGREEMENT, is made and entered into this 19th day of April, 1999, by and between the **HARDIN COUNTY WATER DISTRICT NO. 2**, P. O. Box 970, Elizabethtown, Kentucky 42702, (hereinafter referred to as the "SELLER"), and the **CITY OF ELIZABETHTOWN**, P.O. Box 550, Elizabethtown, Kentucky 42702, (hereinafter referred to as the "PURCHASER"):

WITNESSETH:

WHEREAS, the Parties entered into a Water Purchase Agreement (the "Agreement") on December 5, 1996; and

WHEREAS, paragraph 16 of the Agreement pledged the Agreement to the United States of America, acting by and through the U.S. Department of Agriculture (the "USDA") as part of the security for the repayment of all indebtedness currently

owed by the SELLER to USDA, and/or any additional loans hereinafter obtained from USDA; and

WHEREAS, the USDA did not require the SELLER to pledge the Agreement to USDA as was originally anticipated; and

WHEREAS, a substantial portion of the cost of expanding the White Mills Water Treatment Plant is being financed by the SELLER'S Water System Revenue Bonds, Series of 1999A; and

WHEREAS, it is no longer necessary, or appropriate, to pledge the Agreement to USDA;

NOW THEREFORE, in consideration of all the foregoing and the mutual terms and conditions expressed herein and in the Agreement dated December 5, 1996, the SELLER and the PURCHASER hereby amend the Agreement as follows:

1. Paragraph 16 of the Agreement is deleted in its entirety.
2. All other provisions of the Agreement shall continue to remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto, acting under the authority of their respective governing bodies, have caused this Amendment No.1 to the Agreement to be duly executed in multiple counterparts, each of which shall constitute an original.

HARDIN COUNTY WATER
DISTRICT NO. 2

DATE: 4-13-99

BY: Michael L. Bell
MICHAEL L. BELL, CHAIRMAN

ATTEST:

Coleman Crady
COLEMAN CRADY, SECRETARY

CITY OF ELIZABETHTOWN

DATE: 5-3-99

BY: David Willmoth
DAVID WILLMOTH, MAYOR

ATTEST:

Mary Chaudoin
CITY CLERK

30. Provide all studies or analysis that were performed or commissioned by Hardin County No. 2 subsequent to January 1, 2010, to assess the reasonableness of its water service rates.

RESPONSE: As previously noted in Response to Question 10, Hardin County No. 2 had a Debt Service Coverage Ratio of **1.30** for calendar year 2013, if depreciation is included as an operating expense. If depreciation is **excluded** from operating expenses, the Debt Service Coverage Ratio is **2.36**. A copy of the 2013 Debt Service Coverage Calculation is attached as part of the Response to Question 10.

There are two (2) relevant rate studies. In anticipation of constructing the proposed Louisville Water Supply Interconnection Project, Hardin County No. 2 commissioned Kenvirons, Inc. to prepare a rate study and a financial feasibility analysis. Kenvirons' first rate study utilized actual, audited 2008 revenues and expenses. This Rate Study is identified as the 2008 Rate Study and is attached.

In 2013, following lengthy negotiations, Hardin County No. 2 executed a Water Purchase Agreement ("LWC Agreement") with Louisville Water Company ("LWC"). After the LWC Agreement was finalized, Hardin County No. 2 began earnestly seeking long-term financing for the Project. At that point, Kenvirons was instructed to update its 2008 Rate Study using 2012 financial data and additional grants that Hardin County No. 2 had obtained to pay for a portion of the Project.

While Kenvirons was preparing the 2012 Rate Study, Elizabethtown and Hardin County No. 2 executed a Letter of Intent whereby Elizabethtown expressed its intent to sell its Water System Assets to Hardin County No. 2. Kenvirons then projected the revenues and expenses which would result from the proposed Elizabethtown WS acquisition and incorporated this information into its 2012 Rate Study. (See attached copy).

No other rate studies have been performed or commissioned.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2

2008

Kenvirons Rate Study

(Based On 2008 Revenues & Expenses)

for

Hardin County Water District No. 2

APPENDIX A
FINANCIAL FEASIBILITY ANALYSIS

APPENDIX A-1
2008 REVENUES AND REVENUE REQUIREMENT
 (Source: 2008 Annual Report)

1. OPERATION AND MAINTENANCE EXPENSE		
Source of Supply	\$897,926	
Pumping	412,231	
Transmission & Distribution	1,492,596	
Customer Accounts	655,577	
Administration & General	<u>723,694</u>	
TOTAL O&M EXPENSES		\$4,182,024
2. TAXES		128,691
3. AMORTIZATION OF DEBT DISCOUNT		129,713
4. DEPRECIATION		1,315,355
5. DEBT SERVICE		
Interest	\$925,912	
Principal	<u>1,081,500</u>	
TOTAL DEBT SERVICE		\$2,007,412
6. DEBT SERVICE COVERAGE		401,482
7. INTEREST ON CUSTOMER DEPOSITS		<u>5,629</u>
TOTAL 2008 REVENUE REQUIREMENT		\$8,170,306

REVENUES:

1. Water Sales	\$7,875,790
2. Miscellaneous Service Revenues	118,684
3. Other Water Revenues	124,384
4. Interest Income	<u>405,359</u>
TOTAL 2008 REVENUES	\$8,524,359

APPENDIX A-2

ADJUSTMENTS TO 2008 REVENUES AND EXPENSES PROJECTED TO 2012

1. Increase in Salaries, Benefits & Miscellaneous Expense

1.1	Salary Increases to 2012		
	Increase 4.0% per year		
	$\$2,495,891 (2008) \times 1.04^4 =$	$\$2,919,839$	
		(-) <u>2,495,891</u>	
	Adjustment		(+) \$423,948
1.2	General Expenses Inflation Increases to 2012		
	Increase 3.0% per year		
	$\$1,686,133 (2008) \times 1.03^4 =$	$\$1,897,757$	
		(-) <u>1,686,133</u>	
	Adjustment		(+) \$211,624

2. Added Customers

2008 Avg. No. of Customers	=	15,911 (per 2008 Annual Report)
Present No. of Customers (Nov. 2009)	=	16,210 (includes Phase 4 customers)
Added Customers	=	299
Water demand = $299 \times 5,000 \text{ gals.} \times 12 \text{ mo.} \div 0.85 = 21,105,882 \text{ gals.}$		

2.1	Expense		
	Water Cost = $21,105.9 \times \$0.58$		(+) \$12,241
	Pumping = $21,105.9 \times \$0.21$		(+) 4,432
	Customer Accounts = $299 \times \$41.00$		(+) 12,259
	General & Admin. = $299 \times \$45.00$		(+) 13,455
	Transmission & Dist. (Phase 4) = $234 \text{ in-miles} \times \200.00		(+) <u>46,800</u>
			(+) \$89,187

2.2	Revenues: $299 \times \$33.95 \times 12$		(+) \$121,813
-----	--	--	-------------------------

3. Existing Debt Service

2012 Debt Service		\$1,621,500
2008 Debt Service		(-) <u>1,872,903</u>
Adjustment		(-) \$251,403

4. Existing Debt Service Coverage

$\$251,403 \times 0.20$		(-) \$50,281
-------------------------	--	------------------------

5. Phase 4 Debt Service

RD Loan: $\$2,478,000.00 @ 4.125\%$ for 38 years		(+) \$128,218
--	--	-------------------------

6. Phase 4 Debt Service Coverage @ 20%

$\$128,218 \times 0.20$		(+) \$25,644
-------------------------	--	------------------------

7. Phase 4 Depreciation

$\$2,915,200 \div 50 \text{ yrs.}$		(+) \$58,300
------------------------------------	--	------------------------

APPENDIX A-2
Continued

8. Depreciation for Phase 6 24-Inch Pipeline Presently Under Construction	
\$1,700,000 ÷ 50 yrs.	(+) \$34,000
9. Depreciation for Valley Creek Tank	
\$626,000 ÷ 50 yrs.	(+) \$12,500
10. Depreciation for Valley Creek Pump Station	
\$200,000 ÷ 30 yrs.	(+) \$6,700

APPENDIX A-3
PROFORMA REVENUE REQUIREMENT

1. Existing (Appendix A-1)

Operating & Maintenance	\$4,182,024
Taxes Other Than Income	128,691
Amortization of Debt Discount	129,713
Depreciation	1,315,355
Debt Service	2,007,412
Debt Service Coverage at 20%	401,482
Interest on Customer Deposits	5,629
2008 REVENUE REQUIREMENT	\$8,170,306

2. Proposed Project, Supplemental Water Supply

2.1 Operating & Maintenance	
2.1.1 Purchased Water:	
547,500 M Gals x (\$1.50 - \$0.32) ⁽¹⁾	\$646,050
2.1.2 Pumping: 547,500 M Gals (\$0.15)	82,000
2.1.3 Transmission & Distribution 240 in.-mi. x \$100	24,000
2.1.4 Chlorination: 547,500 M Gals x \$0.30	164,000
2.1.5 Equipment Maintenance	30,000
2.2 Debt Service	
RD Loan: \$10,000,000 @ 4% for 38 years	\$517,400
2.3 Coverage at 20%	103,480
2.4 Depreciation: 8,314,000 ÷ 50 years	166,288
PROPOSED PROJECT REVENUE REQUIREMENT	\$1,733,218

3. Adjustments

Increase in Salaries, Benefits, etc. (A-2, Item 1.1)	(+)	\$423,948
Inflation (A-2, Item 1.2)	(+)	211,624
Added Customers (A-2, Item 2.1)	(+)	89,187
Existing Debt Service (A-2, Item 3)	(-)	251,403
Existing Debt Service Coverage (A-2, Item 4)	(-)	50,281
Phase 4 Debt Service (A-2, Item 5)	(+)	128,218
Phase 4 Debt Service Coverage (A-2, Item 6)	(+)	25,644
Phase 4 Depreciation (A-2, Item 7)	(+)	58,300
24-Inch Pipeline Depreciation (A-2, Item 8)	(+)	34,000
Depreciation for Valley Creek Tank (A-2, Item 9)	(+)	12,500
Depreciation for Valley Creek P. S. (A-2, Item 10)	(+)	6,700
		\$688,437

TOTAL PROFORMA REVENUE REQUIREMENT \$ 10,591,961

⁽¹⁾ Assumed LWC wholesale rate - \$1.50 per 1,000 gallons
White Mills WTP chemical and pumping cost - \$0.32 per 1,000 gallons

APPENDIX A-4
RATE ADJUSTMENT REQUIRED FOR EXISTING CONDITION
PROJECTED TO 2012

1. EXISTING EXPENSES

1.1	Expenses (A-1)	\$8,170,306
1.2	Adjustments to Expenses (A-3, Item 3) (+)	<u>688,437</u>
	PROJECTED EXPENSES	\$8,858,743

2. EXISTING REVENUES

2.1	2008 Revenues (A-1)	\$8,524,359
2.2	Adjustment to Revenues (A-2, Item 2.2) (+)	<u>121,813</u>
	PROJECT REVENUES	\$8,646,172

3. RATE INCREASE REQUIRED

	Expenses	\$8,858,743
	Less 2008 E-Town Revenue	(-) 804,890
	Less 2008 Misc. Revenues	(-) 118,684
	Less 2008 Other Revenues	(-) 124,384
	Less 2008 Interest Income	(-) <u>405,359</u>

Revenues to be Generated by General Customers \$7,405,426
2008 General Customer Revenue (Annual Report) \$7,069,789

$$\text{Rate Increase Required} = \frac{\$7,405,426}{\$7,069,789} = 1.0475 \text{ or } 4.75\%$$

APPENDIX A-5
RATE INCREASE REQUIRED FOR PROFORMA REVENUE REQUIREMENT

1. \$10,000,000 RD LOAN @ 4% FOR 38 YEARS

ProForma Revenue Requirement (A-3)	\$10,591,961
Less E-Town Revenue	(-) 804,890
Less Misc. Revenues	(-) 118,684
Less Other Revenues	(-) 124,384
Less Interest Income	(-) <u>405,359</u>
Revenues to be Generated by General Customers	\$9,138,644
General Customer Revenues through Existing Rates (A-4, Item 2)	\$7,069,789

$$\text{Rate Increase Required} = \frac{\$9,138,644}{\$7,069,789} = 1.293 \text{ or } 29\%$$

2. \$5,000,000 RD LOAN @ 4% FOR 38 YEARS

ProForma Revenue Requirement ⁽¹⁾	\$10,281,521
Less E-Town Revenue	(-) 804,890
Less Misc. Revenue	(-) 118,684
Less Other Income	(-) 124,384
Reduced Interest Income (\$405,000 - \$200,000) (-)	<u>205,000</u>
	\$9,028,563

$$\text{Rate Increase Required} = \frac{\$9,028,563}{\$7,069,789} = 1.277 \text{ or } 28\%$$

⁽¹⁾ Reduced debt service and coverage as follows:

Revenue Requirement @ \$10 million Loan	\$10,591,961
Difference for \$5 million Loan:	
\$620,880 (A-3, Items 2.2 & 2.3) ÷ 2	(-) <u>310,440</u>
	\$10,281,521

**APPENDIX A-6
COMPARISON OF RATES**

<u>METER SIZE</u>		<u>EXISTING RATE</u>	<u>PROPOSED RATE</u>	<u>% INCREASE</u>
5/8" x 3/4"	First 2,000 Gals.	\$18.50	\$23.86	29.0
	Next 498,000 Gals.	5.15 per 1,000 gals.	6.64 per 1,000 gals.	28.9
	Over 500,000 Gals.	2.10 per 1,000 gals.	2.71 per 1,000 gals.	29.0
	(See Note Below)			
1"	First 5,000 Gals.	33.95	43.78	28.9
1 1/2"	First 10,000 Gals.	59.70	76.98	28.9
2"	First 20,000 Gals.	111.20	143.38	28.9
3"	First 30,000 Gals.	162.70	209.78	28.9
4"	First 50,000 Gals.	265.70	342.58	28.9
6"	First 100,000 Gals.	523.20	674.58	28.9
8"	First 150,000 Gals.	780.70	1,006.58	28.9
10"	First 250,000 Gals.	1,295.70	1,670.58	28.9
12"	First 400,000 Gals.	2,068.20	2,666.58	28.9

NOTE: The minimum bills and gallons included therein vary with meter size. The costs per thousand gallons are the same for all meter sizes.

2012

Kenvirons Rate Study¹

(Based On 2012 Revenues & Expenses)

With ProForma Adjustments For:

- 1. Elizabethtown Acquisition**
- 2. LWC Water Supply Project**
- 3. 2016 Projected Revenue & Expenses**

Hardin County Water District No. 2

¹ As excerpted from *Preliminary Engineering Report* prepared by Kenvirons, Inc. for submittal to USDA, Rural Development

EXHIBIT 9

OPINION OF PROBABLE PROJECT COST AND FUNDING HARDIN COUNTY WATER DISTRICT NO. 2 LWC SUPPLY TRANSMISSION FACILITIES

PROJECT COST

1. Construction Cost (Exhibit 6)		\$11,889,000
2. Engineering		
Design	\$760,000	
Construction Observation	362,000	
Preliminary Engineering Report	17,000	
Environmental Report	20,000	
Archaeological Survey	10,000	
Endangered Species Survey	10,000	
Surveying, Plat Preparation and Construction Staking	13,000	
Geotechnical Investigation	<u>10,000</u>	
		1,202,000
3. Land and Rights-of-Way		50,000
4. Legal		
Local Counsel	30,000	
Bond Counsel	<u>30,000</u>	
		60,000
5. Capitalized Interest		490,000
6. Administration		9,000
7. Contingencies		<u>1,300,000</u>
	Total Project Cost	\$15,000,000

PROJECT FUNDING

BRAC Grant (Confirmed)	\$5,000,000
KIA Grant (Confirmed)	500,000
Owner Contribution (Confirmed)	4,500,000
Rural Development Loan	<u>5,000,000</u>
Total Funding	\$15,000,000

APPENDIX A-1

2012 REVENUES AND REVENUE REQUIREMENT (Source: 2012 Annual Report)

1.	OPERATION AND MAINTENANCE EXPENSE		
	Source of Supply	\$1,036,103	
	Pumping	422,512	
	Transmission & Distribution	1,532,263	
	Customer Accounts	802,435	
	Administration & General	<u>680,949</u>	
	TOTAL O&M EXPENSES		\$4,474,262
2.	TAXES		153,048
3.	AMORTIZATION OF DEBT DISCOUNT		77,982
4.	DEPRECIATION		1,633,703
5.	DEBT SERVICE		
	Interest	\$816,561	
	Principal	<u>909,000</u> ⁽¹⁾	
	TOTAL DEBT SERVICE		\$1,725,561
6.	DEBT SERVICE COVERAGE @ 20%		345,112
7.	INTEREST ON CUSTOMER DEPOSITS		<u>1,509</u>
	TOTAL 2012 REVENUE REQUIREMENT		\$8,411,177
8.	REVENUES:		
	1. Water Sales	\$8,239,333	
	2. Miscellaneous Service Revenues	157,320	
	3. Other Water Revenues	144,375	
	4. Interest Income	<u>685,322</u>	
	TOTAL 2012 REVENUES	\$9,226,350	

(1) Determined from the difference in long term debt balances as contained in 2011 and 2012 PSC Annual Reports.

\$18,977,000 (2011) - \$18,068,000 (2012) = \$909,000

APPENDIX A-2

ADJUSTMENTS TO 2012 REVENUES AND EXPENSES PROJECTED TO 2016

1. Increase in Salaries, Benefits & Miscellaneous Expense

1.1	Salary Increases to 2016		
	Increase 4.0% per year		
	$\$2,786,689 (2012) \times 1.04^4 = \$3,260,032$		
		(-)	<u>2,786,689</u>
	Adjustment	(+)	\$473,343
1.2	General Expenses Inflation Increases to 2016		
	Increase 2.0% per year		
	$\$1,657,323 (2012) \times 1.02^4 = \$1,793,940$		
		(-)	<u>1,657,323</u>
	Adjustment	(+)	\$136,617

2. Added Customers

2012 Avg. No. of Customers	=	16,887 (per 2012 Annual Report)
Present No. of Customers (Dec. 2012)	=	17,071
Added Customers	=	184
Water demand = $184 \times 4,500 \text{ gals.} \times 12 \text{ mo.} \div 0.85 = 11,689,412 \text{ gals.}$		

2.1	Expense		
	Water Cost = $11,689.4 \times \$0.56$	(+)	\$6,546
	Pumping = $11,689.4 \times \$0.23$	(+)	2,688
	Customer Accounts = $184 \times \$47.00$	(+)	8,648
	General & Admin. = $184 \times \$40.00$	(+)	<u>7,360</u>
		(+)	\$25,242
2.2	Revenues: $184 \times \$31.37 \times 12$	(+)	\$69,265

3. E'town Rate Change

$406,571 \text{ MGals} \times (\$2.2935 - \$1.99)^{(1)}$	(+)	123,394
--	-----	----------------

4. Existing Debt Service

2016 Debt Service ⁽²⁾		\$1,189,328
2012 Debt Service	(-)	<u>1,725,561</u>
Adjustment	(-)	\$536,233

5. Existing Debt Service Coverage

$\$536,233 \times 0.20$	(-)	\$107,246
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(1) E'town rate changed in October, 2013 to \$2.2935 per 1,000 Gals.

(2) 2012 Independent Auditor's Report, page 31

APPENDIX A-3

REVENUE REQUIREMENT FOR PROPOSED PROJECT

1. Operating & Maintenance	
1.1 Purchased Water:	
365,000 M Gals x (\$2.25 - \$0.32) ⁽¹⁾	\$ 704,450
1.2 Pumping: 365,000 M Gals (\$0.15)	54,750
1.3 Transmission & Distribution 240 inch-mile x \$100	24,000
1.4 Chlorination: 365,000 M Gals x \$0.30	109,500
1.5 Equipment Maintenance	30,000
2. Debt Service	
RD Loan: \$5,000,000 @ 4.5% for 38 years	277,010
3. Coverage at 20%	55,400
4. Depreciation: 13,000,000 ÷ 50 years	<u>260,000</u>
PROPOSED PROJECT REVENUE REQUIREMENT	\$ 1,515,100

⁽¹⁾ Assumed LWC wholesale rate in 2016 - \$2.25 per 1,000 gallons
White Mills WTP chemical and pumping cost - \$0.32 per 1,000 gallons

**APPENDIX A-4
REVENUE REQUIREMENT SUMMARY**

	<u>2012</u> ⁽¹⁾	<u>Adjustments To 2012</u>	<u>Proposed Project</u>	<u>2016 Proforma Revenue Requirement</u>
1. O & M Expenses				
Purchased Water	\$2,497	---	\$704,450	\$706,947
Pumping	422,512	\$2,688	54,750	479,950
Water Supply & Treatment	1,033,606	172,921	109,500	1,316,027
Transmission & Distribution	1,532,263	231,597	54,000	1,817,860
Customer Accounts	802,435	131,044	---	933,479
Admin. & General	<u>680,949</u>	<u>96,952</u>	---	<u>777,901</u>
	\$4,474,262	\$635,202 ⁽²⁾	\$922,700	\$6,032,164
2. Taxes	153,048	---	---	153,048
3. Amortization of Debt Discount	77,982	---	---	77,982
4. Depreciation	1,633,703	---	260,000	1,893,703
5. Debt Service				
Interest	816,561	(296,233)	225,000	745,561
Principal	<u>909,000</u>	<u>(240,000)</u>	<u>52,000</u>	<u>721,000</u>
	1,725,561	(536,233)	277,000 ⁽³⁾	1,466,328
6. Debt Service Coverage @ 20%	345,112	(107,247)	55,400	293,265
7. Interest on Customer Deposits	1,509	---	---	1,509
TOTAL REVENUE REQUIREMENT	\$8,411,177	(\$8,278)	\$1,515,100	\$9,917,999

⁽¹⁾ See APPENDIX A-1

⁽²⁾ APPENDIX A-2, Items 1 & 2 (\$473,343 + \$136,617 + \$25,242 = \$635,202).
Expenses assigned proportionately to expense function categories.

⁽³⁾ \$5,000,000 RD loan at 4.5% for 38 years.

APPENDIX A-5

RATE INCREASE REQUIRED FOR 2016 PROFORMA REVENUE REQUIREMENT INCLUDING PROPOSED PROJECT

ProForma Revenue Requirement (A-4)		\$9,917,999
Less E-Town Revenue ⁽¹⁾	(-)	932,470
Less Expense for Producing E-town Water ⁽²⁾	(-)	197,019
Less Misc. Revenues	(-)	157,320
Less Other Revenues	(-)	144,375
Less Interest Income	(-)	<u>464,822</u>
Revenues to be Generated by General Customers		\$8,021,993
2012 General Customer Revenue		
(PSC Annual Report pg. 48) thru existing rates		\$7,429,270
Annualized Revenue from Added Customers		
Appendix A-2, Item 2.2		<u>69,265</u>
		\$ 7,498,535

$$\text{Rate Increase Required} = \frac{\$8,021,993}{\$7,498,535} = \mathbf{1.07 \text{ or } 7\%}$$

(1) E-town rate changed in October, 2013 to \$2.2935 per 1,000 gallons.
406,571 M Gals. (During 2012) x \$2.2935 per M Gals. = \$932,470

(2) Water sold to E-town plus 15% loss = 406,571 M Gals. X 1.15 = 467,557 M Gals.
Water production and pumping cost = $\frac{\$356,312 + \$422,512}{1,848,272 \text{ MGals}}$ = \$0.42 per M Gals.
Cost to produce and pump E-town water = 467,557 M Gals. X \$0.42 = \$197,019

APPENDIX A-6

PROPOSED RATE INCREASE

1. Proforma Revenue Requirement \$8,021,993 to be generated through General Customers (A-4)

2. Proposed Rate Increase

Maintain existing rates for Minimum Bill and rate for 2000 to 498,000 gallons.

Increase rate for over 500,000 gallons from \$2.10 to \$2.90 per 1,000 gallons.

Projected Proforma Revenues:

Existing Rates (Appendix A-5)	\$ 7,498,535
Over 500,000 gallons per month:	
159,060 M Gals ⁽¹⁾ x (\$2.90 - \$2.10)	(+) 127,248
Projected Water Sales	\$ 7,625,783

3. Projected Revenue Deficiency

Proforma Revenue Requirement	\$ 8,021,993
General Customer Sales	<u>7,625,783</u>
Revenue Deficiency	\$ 396,210

4. Proforma Depreciation (Appendix A-4, Item 4) \$ 1,893,703

$$\text{Percentage of Earned Depreciation} = \frac{\$1,893,703 - \$396,210}{\$1,893,703} = 0.79 \text{ or } 79\%$$

⁽¹⁾ Data from billing analysis provided by District.

APPENDIX A-7

DEBT SERVICE COVERAGE

1. Projected Annual Revenues	
General Customer Sales (App. A-6, Item 2)	\$ 7,625,783
E'town Sales (App. A-5)	932,470
Miscellaneous Revenues (App. A-1, Item 8)	157,320
Other Revenues (App. A-1, Item 8)	144,375
Interest Income (App. A-1, Item 8)	<u>464,822</u>
 TOTAL ANNUAL REVENUES	 \$ 9,324,770
 2. Projected O&M Expenses (A-4, Item 1)	 \$ 6,032,164
Maximum Annual Debt Service (2025)	\$ 1,235,045
 3. Debt Service Coverage =	 $\frac{\$9,324,770 - \$6,032,164}{\$1,235,045} = 2.67$

APPENDIX A-8

COMPARISON OF RATES

<u>METER SIZE</u>		<u>EXISTING RATE</u>	<u>PROPOSED RATE</u>	<u>% INCREASE</u>
5/8" x 3/4"	First 2,000 Gals.	\$18.50	\$18.50	0.0
	Next 498,000 Gals.	5.15 per 1,000 gals.	5.15 per 1,000 gals.	0.0
	Over 500,000 Gals.	2.10 per 1,000 gals.	2.90 per 1,000 gals.	38.1
	(See Note Below)			
1"	First 5,000 Gals.	33.95	33.95	0.0
1 1/2"	First 10,000 Gals.	59.70	59.70	0.0
2"	First 20,000 Gals.	111.20	111.20	0.0
3"	First 30,000 Gals.	162.70	162.70	0.0
4"	First 50,000 Gals.	265.70	265.70	0.0
6"	First 100,000 Gals.	523.20	523.20	0.0
8"	First 150,000 Gals.	780.70	780.70	0.0
10"	First 250,000 Gals.	1,295.70	1,295.70	0.0
12"	First 400,000 Gals.	2,068.20	2,068.20	0.0

NOTE: The minimum bills and gallons included therein vary with meter size. The costs per thousand gallons, as contained in the 5/8" x 3/4" meter size, are the same for all meter sizes.

31. Refer to the Application, Exhibit 12. Hardin County No. 2 reports depreciation expense for the year ended June 30, 2014, in the amount of \$1,786,288. Provide a copy of Hardin County No. 2's detailed plant ledger that shows the calculation of this expense. The ledger should list each property unit's in-service date, original cost, depreciable life, annual depreciation accrual, and accumulated depreciation.

RESPONSE: Hardin County No. 2 keeps its detailed Depreciation Ledger on a calendar year basis. As reflected on its Income Statement (page 13 of the 2013 Audit) its depreciation expense for calendar year 2013 was \$1,682,949. Attached is Hardin County No. 2's detailed Depreciation Schedule for calendar year 2013.

WITNESS: Amber D. Pike, Accounting Manager, Hardin County No. 2.

Question 31

Depreciation Schedule

for

Calendar Year 2013

Hardin County Water District No. 2

Asset No.	Description	Date Acquired	Method	Life	Unadjusted Cost Or Basis	Basis For Depreciation	Beginning Accumulated Depreciation	Current Year Deduction	Ending Accumulated Depreciation
	FURNITURE & FIXTURES								
188	SAFE	05/13/97	SL	5.00	860.	860.	860.	0.	860.
193	DISHWASHER	11/11/97	SL	5.00	300.	300.	300.	0.	300.
194	REFRIGERATOR	11/11/97	SL	5.00	557.	557.	557.	0.	557.
195	SIGNAGE (INDOOR)	11/11/97	SL	5.00	2,523.	2,523.	2,523.	0.	2,523.
196	OFFICE FURNITURE	12/01/97	SL	5.00	30,483.	30,483.	30,483.	0.	30,483.
197	TABLE & CHEST	12/09/97	SL	5.00	672.	672.	672.	0.	672.
203	OFFICE FURNITURE	04/14/98	SL	5.00	17,775.	17,775.	17,775.	0.	17,775.
205	OFFICE FURNITURE	05/28/98	SL	5.00	10,116.	10,116.	10,116.	0.	10,116.
208	FURNITURE FOR T&D	12/08/98	SL	5.00	7,758.	7,758.	7,758.	0.	7,758.
209	FURNITURE FOR T&D	01/12/99	SL	5.00	320.	320.	320.	0.	320.
214	TABLE & DESK	06/30/99	SL	5.00	2,780.	2,780.	2,780.	0.	2,780.
217	LETTER OPENER	06/30/99	SL	5.00	1,199.	1,199.	1,199.	0.	1,199.
222	RACKS	04/10/01	SL	5.00	3,853.	3,853.	3,853.	0.	3,853.
224	SHELVING	11/13/01	SL	5.00	1,645.	1,645.	1,645.	0.	1,645.
225	DESK FOR FRONT OFFICE	02/21/02	SL	5.00	1,064.	1,064.	1,064.	0.	1,064.
233	HP DESIGNJET 5500 42" PRINTER	10/31/02	SL	5.00	8,186.	8,186.	8,186.	0.	8,186.
234	(D)DESIGHJET 20PS PRINTER C7790B	10/31/02	SL	5.00	1,740.	1,740.	1,740.	0.	1,740.
236	HP LASERJET 4100N PRINTER	10/15/02	SL	5.00	1,547.	1,547.	1,547.	0.	1,547.
237	SOLOMON ACCOUNTING SOFTWARE	10/15/02	SL	5.00	16,195.	16,195.	16,195.	0.	16,195.
238	INHANCE BILLING SYSTEM SOFTWARE	06/11/02	SL	5.00	17,099.	17,099.	17,099.	0.	17,099.
239	MAPSYNC MAPPING SOFTWARE	06/11/02	SL	5.00	19,400.	19,400.	19,400.	0.	19,400.
346	SOLOMON SELECT CASH MANAGER	02/28/03	SL	5.00	1,120.	1,120.	1,120.	0.	1,120.
347	INHANCE BILLING SYSTEM SOFTWARE	04/20/03	SL	5.00	5,700.	5,700.	5,700.	0.	5,700.
361	2 DESKS & CREDENZAS	05/13/04	SL	5.00	4,100.	4,100.	4,100.	0.	4,100.
362	FIRE KING FILE CABINET	07/02/04	SL	5.00	2,164.	2,164.	2,164.	0.	2,164.
424	4 LAPTOPS	05/20/08	SL	5.00	3,488.	3,488.	3,199.	289.	3,488.
428	SCANNING SOFTWARE & HARDWARE	07/28/08	SL	5.00	10,400.	10,400.	9,187.	1,213.	10,400.
429	TREMOTE WORK ORDER SOFTWARE	07/28/08	SL	5.00	9,220.	9,220.	8,144.	1,076.	9,220.
438	3 DESKTOP COMPUTERS	03/31/09	SL	5.00	4,415.	4,415.	3,311.	883.	4,194.
440	DESK & CREDENZA	06/30/09	SL	5.00	2,568.	2,568.	1,799.	514.	2,313.
442	LAPTOP & DESKTOP	07/31/09	SL	5.00	3,217.	3,217.	2,197.	643.	2,840.
443	2 32 IN & 1 47 IN TV	07/31/09	SL	5.00	2,515.	2,515.	1,719.	503.	2,222.
445	DESK & CREDENZA	10/31/09	SL	5.00	1,824.	1,824.	1,156.	365.	1,521.
447	10 DESKTOP COMPUTERS	12/31/09	SL	5.00	7,040.	7,040.	4,224.	1,408.	5,632.
462	FRONT OFFICE CARPET	08/19/10	SL	10.00	7,462.	7,462.	1,741.	746.	2,487.
463	SERVER	03/01/10	SL	5.00	9,121.	9,121.	5,168.	1,824.	6,992.
464	ACCOUNTING SOFTWARE	04/01/10	SL	5.00	8,290.	8,290.	4,560.	1,658.	6,218.
483	NEC PHONE SYSTEM - OFFICE	03/31/11	SL	5.00	14,927.	14,927.	5,224.	2,985.	8,209.
523	INHANCE BILLING SYSTEM SOFTWARE	03/01/13	SL	5.00	48,394.	48,394.		8,066.	8,066.

Asset No.	Description	Date Acquired	Method	Life	Unadjusted Cost Or Basis	Basis For Depreciation	Beginning Accumulated Depreciation	Current Year Deduction	Ending Accumulated Depreciation
524	AV & PHONE & SECURITY SYSTEM	12/31/13	SL	5.00	22,398.	22,398.		0.	
525	FURNITURE - OFFICE RENOVATION	12/31/13	SL	5.00	94,166.	94,166.		0.	
	* TOTAL FURNITURE & FIXTURES				408,601.	408,601.	210,785.	22,173.	232,958.
	TRANSPORTATION EQUIPMENT								
22	2001 FORD F250	04/10/01	SL	5.00	28,551.	28,551.	28,551.	0.	28,551.
23	2001 BL EXCAVATOR	02/15/01	SL	10.00	115,396.	115,396.	115,396.	0.	115,396.
28	2003 FORD CROWN VICTORIA	05/02/02	SL	5.00	21,290.	21,290.	21,290.	0.	21,290.
29	2002 GMC DUMP TRUCK	09/26/02	SL	5.00	49,896.	49,896.	49,896.	0.	49,896.
364	2004 CASE BACKHOE	06/24/04	SL	10.00	89,590.	89,590.	76,152.	8,959.	85,111.
365	2004 TRAILER	11/01/04	SL	5.00	37,305.	37,305.	37,305.	0.	37,305.
372	2005 FORD F250	04/21/05	SL	5.00	20,101.	20,101.	20,101.	0.	20,101.
373	2005 FORD F550	06/21/05	SL	5.00	40,992.	40,992.	40,992.	0.	40,992.
387	2006 DODGE DAKOTA	02/21/06	SL	5.00	16,381.	16,381.	16,381.	0.	16,381.
403	2007 FORD F150	06/19/07	SL	5.00	23,554.	23,554.	23,554.	0.	23,554.
404	2007 GMC DUMP TRUCK	07/24/07	SL	10.00	64,664.	64,664.	35,024.	6,466.	41,490.
405	2008 FORD F250	09/18/07	SL	5.00	23,205.	23,205.	23,205.	0.	23,205.
414	2008 KUBOTA ATV	02/19/08	SL	5.00	15,600.	15,600.	15,080.	520.	15,600.
415	2008 FORD F150	05/01/08	SL	5.00	16,784.	16,784.	15,666.	1,118.	16,784.
416	2008 FORD F350	08/07/08	SL	5.00	41,054.	41,054.	36,265.	4,789.	41,054.
417	2008 CASE BACKHOE	03/18/08	SL	10.00	58,485.	58,485.	27,782.	5,849.	33,631.
430	2009 FORD F-150	02/26/09	SL	5.00	17,123.	17,123.	13,129.	3,425.	16,554.
431	2009 FORD F-350	06/11/09	SL	5.00	49,313.	49,313.	35,342.	9,863.	45,205.
452	2011 INTERNATIONAL DUMP TRUCK	02/18/10	SL	10.00	84,704.	84,704.	23,999.	8,470.	32,469.
453	2010 CATERPILLAR BACKHOE	09/17/10	SL	10.00	76,550.	76,550.	17,224.	7,655.	24,879.
475	2011 FORD F-150	03/31/11	SL	5.00	25,996.	25,996.	9,098.	5,199.	14,297.
476	2011 FORD F-450	02/24/11	SL	5.00	50,864.	50,864.	18,650.	10,173.	28,823.
477	2011 FORD F-150	05/26/11	SL	5.00	25,996.	25,996.	8,232.	5,199.	13,431.
478	2011 FLATBED TRAILER	05/26/11	SL	5.00	16,672.	16,672.	5,279.	3,334.	8,613.
479	2011 FLATBED TRAILER	05/26/11	SL	5.00	16,672.	16,672.	5,279.	3,334.	8,613.
480	2011 FLATBED TRAILER	05/26/11	SL	5.00	16,672.	16,672.	5,279.	3,334.	8,613.
481	2011 FORD F-150	07/28/11	SL	5.00	21,401.	21,401.	6,063.	4,280.	10,343.
482	2011 FORD F-150	09/15/11	SL	5.00	19,304.	19,304.	5,148.	3,861.	9,009.
492	2012 TOYOTA TACOMA	07/17/12	SL	5.00	23,237.	23,237.	1,936.	4,647.	6,583.
493	2012 TOYOTA TACOMA	07/17/12	SL	5.00	23,237.	23,237.	1,936.	4,647.	6,583.
494	2012 FORD F-150	05/31/12	SL	5.00	20,115.	20,115.	2,347.	4,023.	6,370.
517	2013 FORD F150	06/01/13	SL	5.00	30,030.	30,030.		3,504.	3,504.
518	2013 FORD F150	06/01/13	SL	5.00	24,075.	24,075.		2,809.	2,809.
519	BUCKET FOR TRACKHOE	10/01/13	SL	5.00	5,800.	5,800.		290.	290.
	* TOTAL TRANSPORTATION EQUIP				1,210,609.	1,210,609.	741,581.	115,748.	857,329.

Asset No.	Description	Date Acquired	Method	Life	Unadjusted Cost Or Basis	Basis For Depreciation	Beginning Accumulated Depreciation	Current Year Deduction	Ending Accumulated Depreciation
	LAND								
129	LONGVIEW TANK LOT	10/11/71	L		2,600.	2,600.		0.	
130	WHITE MILLS WTP (ACROSS ROAD FROM)	08/05/76	L		3,500.	3,500.		0.	
131	WHITE MILLS WTP (ACROSS ROAD FROM)	09/24/76	L		15,000.	15,000.		0.	
132	WHITE MILLS WTP (MAIN PARCEL)	07/25/99	L		25,354.	25,354.		0.	
133	FRANKLIN CROSSROADS METER PIT LOT	05/29/84	L		1,272.	1,272.		0.	
134	EASTVIEW ROAD TANK LOT	08/24/94	L		1,200.	1,200.		0.	
135	VALLEY CREEK ROAD TANK LOT	08/27/94	L		2,500.	2,500.		0.	
136	18.119 ACRES WHITE MILL WTP	07/25/88	L		25,354.	25,354.		0.	
140	1.201 ACRES HIGHWAY 62 WEST (CECILIA)	11/01/90	L		7,500.	7,500.		0.	
141	31-W SOUTH PUMP STATION	07/25/91	L		4,500.	4,500.		0.	
142	PEAR ORCHARD ROAD TANK LOT	09/18/91	L		15,000.	15,000.		0.	
144	.057 ACRES FEE LOT ON HWY 62	03/02/92	L		3,300.	3,300.		0.	
145	.609 ACRES WHITE MILLS	04/11/95	L		350.	350.		0.	
146	2500 SQUARE FOOT PARCEL HWY 222	06/01/95	L		2,275.	2,275.		0.	
147	RING ROAD LAND	05/21/96	L		210,744.	210,744.		0.	
148	SONORA WATER TANK LOT	01/09/97	L		10,000.	10,000.		0.	
149	SPRINGFIELD TANK, LOT 3	04/23/98	L		10,000.	10,000.		0.	
150	WHITE MILLS WTP, MILLER PROPERTY	07/28/00	L		112,690.	112,690.		0.	
151	RINEYVILLE TANK SITE	11/09/01	L		23,000.	23,000.		0.	
152	LONESTAR TANK/HART CO. PROJECT	08/22/02	L		5,700.	5,700.		0.	
340	WHITE MILLS WTP, MILLER PROPERTY	03/22/03	L		50,144.	50,144.		0.	
413	THOMAS & NANCY THOMPSON LAND	04/18/08	L		20,000.	20,000.		0.	
484	VALLEY CREEK PUMP STATION	07/19/11	L		4,000.	4,000.		0.	
498	EASEMENT 229 BOB WADE ROAD	09/04/12	L		45,000.	45,000.		0.	
506	PUMP STATION - NOLIN RIVER WATERSHED	10/01/13	L		50,000.	50,000.		0.	
507	PUMP STATION - COLESBURG	09/01/13	L		36,500.	36,500.		0.	
	* TOTAL LAND				687,483.	687,483.	0.	0.	0.
	TANKS								
31	VALLEY VIEW TANK	01/01/86	SL	40.00	143,100.	143,100.	93,021.	3,578.	96,599.
32	EASTVIEW TANK	01/01/86	SL	40.00	198,415.	198,415.	128,966.	4,960.	133,926.
34	CECILIA TANK	01/01/95	SL	40.00	968,753.	968,753.	411,722.	24,219.	435,941.
35	PEAR ORCHARD TANK	01/01/95	SL	40.00	968,753.	968,753.	411,722.	24,219.	435,941.
36	SONORA TANK	01/01/97	SL	40.00	807,000.	807,000.	302,625.	20,175.	322,800.
37	GLENDALE TANK	01/01/00	SL	40.00	592,426.	592,426.	192,542.	14,811.	207,353.
38	GLENDALE TANK	01/01/01	SL	40.00	43,608.	43,608.	13,080.	1,090.	14,170.
39	RINEYVILLE TANK	01/31/02	SL	40.00	1,671,647.	1,671,647.	456,219.	41,791.	498,010.
337	RINEYVILLE TANK	02/13/03	SL	40.00	56,550.	56,550.	14,022.	1,414.	15,436.
374	VALLEY CREEK TANK RENOVATION	06/01/05	SL	40.00	127,049.	127,049.	24,085.	3,176.	27,261.
391	TIDE FLEX SYSTEM (UPTON & SONORA TANKS)	06/15/06	SL	40.00	142,253.	142,253.	23,411.	3,556.	26,967.

Asset No.	Description	Date Acquired	Method	Life	Unadjusted Cost Or Basis	Basis For Depreciation	Beginning Accumulated Depreciation	Current Year Deduction	Ending Accumulated Depreciation
406	RINEYVILLE TANK FENCE	08/23/07	SL	20.00	14,400.	14,400.	3,840.	720.	4,560.
407	PEAR ORCHARD TANK FENCE	11/01/07	SL	20.00	32,248.	32,248.	8,329.	1,612.	9,941.
454	VALLEY CREEK TANK/ELEVATED	01/21/10	SL	40.00	638,400.	638,400.	46,550.	15,960.	62,510.
527	SPRINGFIELD TANK	12/31/13	SL	40.00	2,287,202.	2,287,202.		0.	
	* TOTAL TANKS				8,691,804.	8,691,804.	2,130,134.	161,281.	2,291,415.
	* MAIN LINES								
40	T&D MAINS - 1969	01/01/69	SL	50.00	1,083,753.	1,083,753.	953,702.	21,675.	975,377.
41	T&D MAINS - 1970	01/01/70	SL	50.00	17,705.	17,705.	15,225.	354.	15,579.
42	T&D MAINS - 1971	01/01/71	SL	50.00	39,992.	39,992.	33,595.	800.	34,395.
43	T&D MAINS - 1972	01/01/72	SL	50.00	155,914.	155,914.	127,846.	3,118.	130,964.
44	T&D MAINS - 1973	01/01/73	SL	50.00	572,161.	572,161.	457,726.	11,443.	469,169.
45	T&D MAINS - 1974	01/01/74	SL	50.00	80,165.	80,165.	62,525.	1,603.	64,128.
46	T&D MAINS - 1975	01/01/75	SL	50.00	38,581.	38,581.	29,326.	772.	30,098.
47	T&D MAINS - 1976	01/01/76	SL	50.00	75,913.	75,913.	56,173.	1,518.	57,691.
48	T&D MAINS - 1977	01/01/77	SL	50.00	96,907.	96,907.	69,771.	1,938.	71,709.
49	T&D MAINS - 1978	01/01/78	SL	50.00	188,698.	188,698.	132,089.	3,774.	135,863.
50	T&D MAINS - 1979	01/01/79	SL	50.00	98,566.	98,566.	67,021.	1,971.	68,992.
51	T&D MAINS - 1980	01/01/80	SL	50.00	187,894.	187,894.	124,011.	3,758.	127,769.
52	T&D MAINS - 1981	01/01/81	SL	50.00	123,867.	123,867.	79,271.	2,477.	81,748.
53	T&D MAINS - 1982	01/01/82	SL	50.00	29,957.	29,957.	18,572.	599.	19,171.
54	T&D MAINS - 1983	01/01/83	SL	50.00	64,171.	64,171.	38,498.	1,283.	39,781.
55	T&D MAINS - 1984	01/01/84	SL	50.00	54,777.	54,777.	31,776.	1,096.	32,872.
56	T&D MAINS - 1985	01/01/85	SL	50.00	110,568.	110,568.	61,914.	2,211.	64,125.
57	T&D MAINS - 1986	01/01/86	SL	50.00	53,927.	53,927.	29,126.	1,079.	30,205.
58	T&D MAINS - 1987	01/01/87	SL	50.00	143,209.	143,209.	74,467.	2,864.	77,331.
59	T&D MAINS - 1988	01/01/88	SL	50.00	123,269.	123,269.	61,630.	2,465.	64,095.
60	T&D MAINS - 1989	01/01/89	SL	50.00	30,119.	30,119.	14,453.	602.	15,055.
61	T&D MAINS - 1990	01/01/90	SL	50.00	204,390.	204,390.	94,022.	4,088.	98,110.
62	T&D MAINS - 1991	01/01/91	SL	50.00	198,612.	198,612.	87,386.	3,972.	91,358.
63	T&D MAINS - 1992	01/01/92	SL	50.00	4,254,631.	4,254,631.1	786,949.	85,093.	1,872,042.
64	T&D MAINS - 1993	01/01/93	SL	50.00	1,865,259.	1,865,259.	746,102.	37,305.	783,407.
65	T&D MAINS - 1994	01/01/94	SL	50.00	1,222,085.	1,222,085.	464,395.	24,442.	488,837.
66	T&D MAINS - 1995	01/01/95	SL	50.00	278,790.	278,790.	100,367.	5,576.	105,943.
67	T&D MAINS - 1996	01/01/96	SL	50.00	1,150,755.	1,150,755.	391,255.	23,015.	414,270.
68	T&D MAINS - 1997	01/01/97	SL	50.00	391,840.	391,840.	125,391.	7,837.	133,228.
69	T&D MAINS - 1998	01/01/98	SL	50.00	102,618.	102,618.	30,781.	2,052.	32,833.
70	T&D MAINS - 1999	01/01/99	SL	50.00	507,683.	507,683.	132,001.	10,154.	142,155.
71	T&D MAINS - 2000	01/01/00	SL	50.00	371,991.	371,991.	96,720.	7,440.	104,160.
72	T&D MAINS - 2001	01/01/01	SL	50.00	159,462.	159,462.	38,268.	3,189.	41,457.
73	T&D MAINS - 2002	06/30/02	SL	50.00	161,814.	161,814.	33,978.	3,236.	37,214.

Asset No.	Description	Date Acquired	Method	Life	Unadjusted Cost Or Basis	Basis For Depreciation	Beginning Accumulated Depreciation	Current Year Deduction	Ending Accumulated Depreciation
338	T&D MAINS - 2003	06/30/03	SL	50.00	411,116.	411,116.	78,109.	8,222.	86,331.
358	T&D MAINS - 2004	06/30/04	SL	50.00	248,482.	248,482.	42,245.	4,970.	47,215.
370	PHASE III WATER LINES	12/31/06	SL	50.00	5,451,056.	5,451,056.	654,126.	109,021.	763,147.
375	PHASE I WATER LINES	06/01/05	SL	50.00	2,274,557.	2,274,557.	344,973.	45,491.	390,464.
376	PHASE II WATER LINES	01/01/05	SL	50.00	1,704,455.	1,704,455.	272,712.	34,089.	306,801.
377	T&D MAINS - 2005	06/30/05	SL	50.00	522,245.	522,245.	78,337.	10,445.	88,782.
392	T&D MAINS - 2006	06/30/06	SL	50.00	1,070,078.	1,070,078.	139,113.	21,402.	160,515.
408	T&D MAINS - 2007	06/30/07	SL	50.00	61,460.	61,460.	6,760.	1,229.	7,989.
412	REGIONAL SEWER STUDY	09/21/07	SL	20.00	207,782.	207,782.	54,542.	10,389.	64,931.
418	PHASE IV WATER LINES	12/31/08	SL	50.00	2,358,304.	2,358,304.	188,664.	47,167.	235,830.
419	E-TOWN LOOP WATER LINES	12/31/08	SL	50.00	1,243,421.	1,243,421.	99,472.	24,868.	124,340.
420	T&D MAINS - 2008	01/01/08	SL	50.00	364,186.	364,186.	36,420.	7,284.	43,704.
433	T&D MAINS - 2009	01/01/09	SL	50.00	65,977.	65,977.	5,280.	1,320.	6,600.
455	PHASE IV CHANGE ORDERS	12/01/10	SL	50.00	1,221,586.	1,221,586.	50,900.	24,432.	75,332.
456	VALLEY CREEK PUMP STATION	12/01/10	SL	50.00	198,680.	198,680.	8,279.	3,974.	12,253.
457	GLENDALE WATER LINES	12/01/10	SL	50.00	1,507,344.	1,507,344.	62,806.	30,147.	92,953.
458	T&D MAINS - 2010	01/01/10	SL	50.00	192,115.	192,115.	11,526.	3,842.	15,368.
485	T&D MAINS - 2011	01/01/11	SL	50.00	158,339.	158,339.	6,334.	3,167.	9,501.
495	T&D MAINS - 2012	01/01/12	SL	50.00	413,989.	413,989.	8,280.	8,280.	16,560.
520	T&D MAINS - 2013	01/01/13	SL	50.00	101,394.	101,394.		2,028.	2,028.
521	NORTH SOUTH CONNECTOR	12/31/13	SL	50.00	594,308.	594,308.		0.	
522	CASE LOOP	12/31/13	SL	50.00	2,857,008.	2,857,008.		0.	
74	SUPPLY MAINS - 1993	01/01/93	SL	40.00	1,740,718.	1,740,718.	870,360.	43,518.	913,878.
75	SUPPLY MAINS - 1994	01/01/94	SL	40.00	23,247.	23,247.	11,040.	581.	11,621.
	* TOTAL MAIN LINES				39,231,890.	39,231,890.	8,696,610.	730,665.	10,427,274.
	* SERVICE LINES								
76	SERVICE LINES - 1969	01/01/69	SL	40.00	119,568.	119,568.	119,568.	0.	119,568.
77	SERVICE LINES - 1970	01/01/70	SL	40.00	31,628.	31,628.	31,628.	0.	31,628.
78	SERVICE LINES - 1971	01/01/71	SL	40.00	16,083.	16,083.	16,083.	0.	16,083.
80	SERVICE LINES - 1973	01/01/73	SL	40.00	80,542.	80,542.	80,542.	0.	80,542.
81	SERVICE LINES - 1974	01/01/74	SL	40.00	22,037.	22,037.	21,489.	548.	22,037.
82	SERVICE LINES - 1975	01/01/75	SL	40.00	22,288.	22,288.	21,173.	557.	21,730.
83	SERVICE LINES - 1976	01/01/76	SL	40.00	15,207.	15,207.	14,066.	380.	14,446.
84	SERVICE LINES - 1977	01/01/77	SL	40.00	18,786.	18,786.	16,907.	470.	17,377.
85	SERVICE LINES - 1978	01/01/78	SL	40.00	49,125.	49,125.	42,987.	1,228.	44,215.
86	SERVICE LINES - 1979	01/01/79	SL	40.00	59,585.	59,585.	50,648.	1,490.	52,138.
87	SERVICE LINES - 1980	01/01/80	SL	40.00	26,024.	26,024.	21,468.	651.	22,119.
88	SERVICE LINES - 1981	01/01/81	SL	40.00	51,734.	51,734.	41,383.	1,293.	42,676.
89	SERVICE LINES - 1982	01/01/82	SL	40.00	19,856.	19,856.	15,389.	496.	15,885.
90	SERVICE LINES - 1983	01/01/83	SL	40.00	13,542.	13,542.	10,156.	339.	10,495.

Asset No.	Description	Date Acquired	Method	Life	Unadjusted Cost Or Basis	Basis For Depreciation	Beginning Accumulated Depreciation	Current Year Deduction	Ending Accumulated Depreciation
91	SERVICE LINES - 1984	01/01/84	SL	40.00	14,223.	14,223.	10,312.	356.	10,668.
92	SERVICE LINES - 1985	01/01/85	SL	40.00	26,754.	26,754.	18,730.	669.	19,399.
93	SERVICE LINES - 1986	01/01/86	SL	40.00	24,345.	24,345.	16,437.	609.	17,046.
94	SERVICE LINES - 1987	01/01/87	SL	40.00	33,448.	33,448.	21,741.	836.	22,577.
95	SERVICE LINES - 1988	01/01/88	SL	40.00	34,824.	34,824.	21,767.	871.	22,638.
96	SERVICE LINES - 1989	01/01/89	SL	40.00	9,682.	9,682.	5,810.	242.	6,052.
97	SERVICE LINES - 1990	01/01/90	SL	40.00	65,697.	65,697.	37,775.	1,642.	39,417.
98	SERVICE LINES - 1991	01/01/91	SL	40.00	34,842.	34,842.	19,160.	871.	20,031.
99	SERVICE LINES - 1992	01/01/92	SL	40.00	60,555.	60,555.	31,795.	1,514.	33,309.
100	SERVICE LINES - 1993	01/01/93	SL	40.00	84,750.	84,750.	42,376.	2,119.	44,495.
101	SERVICE LINES - 1994	01/01/94	SL	40.00	62,854.	62,854.	29,854.	1,571.	31,425.
102	SERVICE LINES - 1995	01/01/95	SL	40.00	76,266.	76,266.	34,319.	1,907.	36,226.
103	SERVICE LINES - 1996	01/01/96	SL	40.00	77,423.	77,423.	32,907.	1,936.	34,843.
104	SERVICE LINES - 1997	01/01/97	SL	40.00	48,136.	48,136.	19,256.	1,203.	20,459.
105	SERVICE LINES - 1998	01/01/98	SL	40.00	80,557.	80,557.	30,208.	2,014.	32,222.
106	SERVICE LINES - 1999	01/01/99	SL	40.00	56,697.	56,697.	19,844.	1,417.	21,261.
107	SERVICE LINES - 2000	01/01/00	SL	40.00	138,005.	138,005.	44,850.	3,450.	48,300.
108	SERVICE LINES - 2001	01/01/01	SL	40.00	129,644.	129,644.	38,897.	3,241.	42,138.
109	SERVICE LINES - 2002	06/30/02	SL	40.00	134,078.	134,078.	35,195.	3,352.	38,547.
339	SERVICE LINES - 2003	06/30/03	SL	40.00	112,505.	112,505.	26,720.	2,813.	29,533.
359	SERVICE LINES - 2004	06/30/04	SL	40.00	311,256.	311,256.	66,141.	7,781.	73,922.
378	SERVICE LINES - 2005	06/30/05	SL	40.00	652,105.	652,105.	122,271.	16,303.	138,574.
393	SERVICE LINES - 2006	06/30/06	SL	40.00	349,871.	349,871.	56,854.	8,747.	65,601.
409	SERVICE LINES - 2007	06/30/07	SL	40.00	270,569.	270,569.	37,202.	6,764.	43,966.
421	SERVICE LINES - 2008	01/01/08	SL	40.00	76,583.	76,583.	9,575.	1,915.	11,490.
434	SERVICE LINES - 2009	01/01/09	SL	40.00	98,854.	98,854.	9,884.	2,471.	12,355.
459	SERVICE LINES - 2010	01/01/10	SL	40.00	142,353.	142,353.	10,677.	3,559.	14,236.
486	SERVICE LINES - 2011	01/01/11	SL	40.00	92,050.	92,050.	4,602.	2,301.	6,903.
496	SERVICE LINES - 2012	01/01/12	SL	40.00	90,412.	90,412.	2,260.	2,260.	4,520.
511	SERVICE LINES - 2013	01/01/13	SL	40.00	101,461.	101,461.		2,537.	2,537.
	* TOTAL SERVICE LINES				4,036,804.	4,036,804.	1,360,906.	94,723.	1,455,629.
	* HYDRANTS								
110	HYDRANTS - 1970	01/01/70	SL	10.00	2,180.	2,180.	2,180.	0.	2,180.
111	HYDRANTS - 1973	01/01/73	SL	10.00	5,009.	5,009.	5,009.	0.	5,009.
112	HYDRANTS - 1974	01/01/74	SL	10.00	1,776.	1,776.	1,776.	0.	1,776.
113	HYDRANTS - 1979	01/01/79	SL	10.00	8,036.	8,036.	8,036.	0.	8,036.
114	HYDRANTS - 1980	01/01/80	SL	10.00	2,846.	2,846.	2,846.	0.	2,846.
115	HYDRANTS - 1981	01/01/81	SL	10.00	2,043.	2,043.	2,043.	0.	2,043.
116	HYDRANTS - 1982	01/01/82	SL	10.00	2,168.	2,168.	2,168.	0.	2,168.
117	HYDRANTS - 1984	01/01/84	SL	10.00	3,019.	3,019.	3,019.	0.	3,019.

Asset No.	Description	Date Acquired	Method	Life	Unadjusted Cost Or Basis	Basis For Depreciation	Beginning Accumulated Depreciation	Current Year Deduction	Ending Accumulated Depreciation
118	HYDRANTS - 1985	01/01/85	SL	10.00	10,104.	10,104.	10,104.	0.	10,104.
119	HYDRANTS - 1987	01/01/97	SL	10.00	20,870.	20,870.	20,870.	0.	20,870.
120	HYDRANTS - 1988	01/01/88	SL	10.00	4,850.	4,850.	4,850.	0.	4,850.
121	HYDRANTS - 1990	01/01/90	SL	10.00	13,359.	13,359.	13,359.	0.	13,359.
122	HYDRANTS - 1991	01/01/91	SL	10.00	24,000.	24,000.	24,000.	0.	24,000.
123	HYDRANTS - 1992	01/01/92	SL	10.00	18,000.	18,000.	18,000.	0.	18,000.
124	HYDRANTS - 1993	01/01/93	SL	10.00	5,400.	5,400.	5,400.	0.	5,400.
125	HYDRANTS - 2000	01/01/00	SL	10.00	39,809.	39,809.	39,809.	0.	39,809.
360	HYDRANTS - 2004	06/30/04	SL	10.00	15,088.	15,088.	12,826.	1,509.	14,335.
379	HYDRANTS - 2005	06/30/05	SL	10.00	15,475.	15,475.	11,610.	1,548.	13,158.
394	2 PUMPS @ WTP	11/01/06	SL	10.00	64,458.	64,458.	39,750.	6,446.	46,196.
423	HYDRANTS - 2008	01/01/08	SL	10.00	19,186.	19,186.	9,597.	1,919.	11,516.
436	HYDRANTS - 2009	01/01/09	SL	10.00	4,755.	4,755.	1,903.	476.	2,379.
461	HYDRANTS - 2010	01/01/10	SL	10.00	17,779.	17,779.	5,334.	1,778.	7,112.
491	HYDRANTS - 2011	01/01/11	SL	10.00	7,529.	7,529.	1,506.	753.	2,259.
	* TOTAL HYDRANTS				307,739.	307,739.	245,995.	14,429.	260,424.
	* WATER TREATMENT PLANT								
154	TREATMENT PLANT - 1990	01/01/90	SL	50.00	3,509,084.	3,509,084.1	614,182.	70,182.	1,684,364.
155	TREATMENT PLANT - 1991	01/01/91	SL	50.00	205,503.	205,503.	90,421.	4,110.	94,531.
156	TREATMENT PLANT - 1992	01/01/92	SL	50.00	19,382.	19,382.	8,144.	388.	8,532.
157	TREATMENT PLANT - 1993	01/01/93	SL	50.00	10,032.	10,032.	4,017.	201.	4,218.
159	TREATMENT PLANT - 1995	01/01/95	SL	50.00	10,201.	10,201.	3,672.	204.	3,876.
161	TREATMENT PLANT - 1997	01/01/97	SL	50.00	3,822.	3,822.	1,218.	76.	1,294.
162	TREATMENT PLANT - 1998	01/01/98	SL	50.00	6,982.	6,982.	2,130.	140.	2,270.
164	WHITE MILLS WTP - 2000	01/01/00	SL	50.00	6,459,161.	6,459,161.1	679,348.	129,183.	1,808,531.
165	WHITE MILLS WTP - 2001	01/01/01	SL	50.00	482,720.	482,720.	115,848.	9,654.	125,502.
166	WHITE MILLS WTP - 2002	06/30/02	SL	50.00	245,508.	245,508.	51,555.	4,910.	56,465.
341	PUMP	11/26/03	SL	10.00	3,454.	3,454.	3,134.	320.	3,454.
342	THREE PHASE CONTROL PANEL	11/26/03	SL	10.00	4,149.	4,149.	3,770.	379.	4,149.
343	8 CL17 CHLORINE MONITORS	09/30/03	SL	10.00	19,101.	19,101.	17,668.	1,433.	19,101.
508	PUMP AT WTP	01/01/13	SL	10.00	30,175.	30,175.		3,018.	3,018.
509	PUMP AT WTP	04/01/13	SL	10.00	25,944.	25,944.		1,946.	1,946.
510	PUMP AT WTP	12/01/13	SL	10.00	73,300.	73,300.		611.	611.
	* TOTAL WATER TREATMENT PLANT				11,108,518.	11,108,518.	1,595,107.	226,755.	3,821,862.
	* OTHER								
241	PRESSURE WASHER	10/26/98	SL	5.00	3,550.	3,550.	3,550.	0.	3,550.
243	WORKBENCH	03/09/99	SL	5.00	771.	771.	771.	0.	771.
248	LOCKERS	08/31/95	SL	5.00	3,204.	3,204.	3,204.	0.	3,204.
253	AUGER	11/30/00	SL	5.00	5,234.	5,234.	5,234.	0.	5,234.
254	GATE OPENER	02/13/01	SL	5.00	3,160.	3,160.	3,160.	0.	3,160.

Asset No.	Description	Date Acquired	Method	Life	Unadjusted Cost Or Basis	Basis For Depreciation	Beginning Accumulated Depreciation	Current Year Deduction	Ending Accumulated Depreciation
255	RAMTEQ PRESSURE WASHER	02/28/02	SL	5.00	4,500.	4,500.	4,500.	0.	4,500.
257	SAFETY EQUIPMENT	11/30/95	SL	5.00	5,431.	5,431.	5,431.	0.	5,431.
259	VENTILATOR BLOWER	12/31/95	SL	5.00	901.	901.	901.	0.	901.
260	CONFINED SPACE RESCUE SYSTEM	12/31/95	SL	5.00	2,471.	2,471.	2,471.	0.	2,471.
265	SET OF BACKHOE FORKS	03/31/98	SL	5.00	1,050.	1,050.	1,050.	0.	1,050.
266	VALVE TURNER, SOCKETS	08/31/98	SL	5.00	4,297.	4,297.	4,297.	0.	4,297.
268	AUTOMATIC WATER SALESMAN	12/08/98	SL	5.00	4,270.	4,270.	4,270.	0.	4,270.
279	SPECTROPHOTOMETER	05/08/01	SL	5.00	5,818.	5,818.	5,818.	0.	5,818.
352	S3000 RTU W/SOFTWARE MODULES	12/31/03	SL	5.00	3,250.	3,250.	3,250.	0.	3,250.
353	MXU METER TRANSCEIVER UNIT	05/03/03	SL	5.00	142,100.	142,100.	142,100.	0.	142,100.
383	CONFINED SPACE RESCUE SYSTEM	10/18/05	SL	5.00	6,696.	6,696.	6,696.	0.	6,696.
465	TELEMETRY	12/01/10	SL	10.00	12,500.	12,500.	2,604.	1,250.	3,854.
466	GENERATOR	12/01/10	SL	10.00	73,457.	73,457.	15,304.	7,346.	22,650.
499	DOZER ATTACHMENT	02/29/12	SL	10.00	8,280.	8,280.	690.	828.	1,518.
516	TRAILER FOR SKID LOADER	07/01/13	SL	5.00	5,254.	5,254.		525.	525.
284	EARTH AUGER	11/30/94	SL	5.00	3,712.	3,712.	3,712.	0.	3,712.
286	PUSH MACHINE	11/16/95	SL	5.00	6,174.	6,174.	6,174.	0.	6,174.
288	SKID LOADER	03/20/98	SL	5.00	21,995.	21,995.	21,995.	0.	21,995.
292	FLOOR BURNISHER	04/10/01	SL	5.00	1,302.	1,302.	1,302.	0.	1,302.
500	MAPPING	03/30/12	SL	5.00	8,301.	8,301.	1,245.	1,660.	2,905.
513	MAPPING	04/01/13	SL	5.00	7,487.	7,487.		1,123.	1,123.
514	TRASH PUMP	04/01/13	SL	5.00	19,987.	19,987.		2,998.	2,998.
515	SKID LOADER - CATERPILLAR	07/01/13	SL	5.00	66,015.	66,015.		6,602.	6,602.
293	CUTLER HAMMER DRILL	04/30/00	SL	5.00	795.	795.	795.	0.	795.
309	KENVIRONS	11/19/93	SL	40.00	9,861.	9,861.	4,936.	247.	5,183.
310	WETERN WATER MGMT	01/21/94	SL	40.00	2,392.	2,392.	1,138.	60.	1,198.
311	SURVEY	02/10/98	SL	40.00	3,700.	3,700.	1,393.	93.	1,486.
313	DESIGN & CONSTRUCTION FEES	02/11/99	SL	40.00	155,272.	155,272.	54,347.	3,882.	58,229.
314	KENVIRONS	03/11/99	SL	40.00	9,838.	9,838.	3,444.	246.	3,690.
315	BLDG CONSTRUCTION	03/11/99	SL	40.00	223,808.	223,808.	78,331.	5,595.	83,926.
318	KENVIRONS	04/13/99	SL	40.00	4,254.	4,254.	1,485.	106.	1,591.
319	BLDG CONSTRUCTION	04/13/99	SL	40.00	108,270.	108,270.	37,897.	2,707.	40,604.
321	PARKING LOT LIGHT	12/31/99	SL	40.00	2,581.	2,581.	909.	65.	974.
322	HVAC UNITS	05/31/01	SL	40.00	2,973.	2,973.	987.	74.	1,061.
354	CECILIA PUMP STATION	12/18/03	SL	40.00	219,753.	219,753.	49,446.	5,494.	54,940.
357	FENCE AT WATER TREATMENT PLANT	05/25/04	SL	40.00	47,000.	47,000.	10,085.	1,175.	11,260.
501	GENERATOR	07/01/12	SL	40.00	281,445.	281,445.	3,518.	7,036.	10,554.
323	CURRENTS #2	06/10/99	SL	40.00	42,818.	42,818.	14,981.	1,070.	16,051.
324	INSPECTION OF EASTVIEW TANK	06/10/99	SL	40.00	10,095.	10,095.	3,529.	252.	3,781.
	* TOTAL OTHER				1,556,022.	1,556,022.	516,950.	50,434.	567,384.

Asset No.	Description	Date Acquired	Method	Life	Unadjusted Cost Or Basis	Basis For Depreciation	Beginning Accumulated Depreciation	Current Year Deduction	Ending Accumulated Depreciation
	* STRUCTURES								
326	RING ROAD BUILDING - OFFICE	08/29/96	SL	40.00	34,415.	34,415.	14,622.	860.	15,482.
327	RING ROAD BUILDING - OFFICE	08/21/97	SL	40.00	898,321.	898,321.	359,328.	22,458.	381,786.
328	RING ROAD BUILDING - OFFICE	03/12/98	SL	40.00	19,454.	19,454.	5,982.	486.	6,468.
329	RING ROAD BUILDING - SHOP	12/31/97	SL	40.00	985,155.	985,155.	344,806.	24,629.	369,435.
330	RING ROAD BUILDING - SHOP	05/01/99	SL	40.00	353,783.	353,783.	123,829.	8,845.	132,674.
331	REPLACEMENT DOORS RING ROAD BLDG	08/13/02	SL	40.00	12,647.	12,647.	3,292.	316.	3,608.
355	REPLACEMENT DOORS RING ROAD BLDG	04/03/03	SL	40.00	4,880.	4,880.	1,190.	122.	1,312.
384	FRONT OFFICE CABINETS	04/01/05	SL	10.00	5,102.	5,102.	3,953.	510.	4,463.
432	HEAT PUMP	06/30/09	SL	10.00	3,000.	3,000.	1,050.	300.	1,350.
502	OFFICE RENOVATION	10/01/12	SL	10.00	12,935.	12,935.	323.	1,294.	1,617.
526	OFFICE RENOVATION	12/31/13	SL	40.00	742,213.	742,213.		0.	
	* TOTAL STRUCTURES				3,071,905.	3,071,905.	858,375.	59,820.	918,195.
	* CONSTRUCTION IN PROGRESS								
411	CIP - SEWER	12/31/13	L		55,270.	55,270.		0.	
450	CIP - RINEYVILLE SEWER	12/31/13	L		377,644.	377,644.		0.	
474	CIP - LOUISVILLE WATER	12/31/13	L		548,095.	548,095.		0.	
489	CIP - NOLIN RIVER	12/31/13	L		683,658.	683,658.		0.	
503	CIP - ELECTRICAL UPGRADE	12/31/13	L		67,799.	67,799.		0.	
528	CIP - WEST BRYAN ROAD	12/31/13	L		42,315.	42,315.		0.	
529	CIP - ETOWN ACQUISITION	12/31/13	L		10,469.	10,469.		0.	
	* TOTAL CONSTRUCTION IN PROGRESS				1,785,250.	1,785,250.	0.	0.	0.
	* METERS								
422	METERS - 2008	01/01/08	SL	10.00	228,298.	228,298.	114,150.	22,830.	136,980.
435	METERS - 2009	01/01/09	SL	10.00	262,916.	262,916.	105,168.	26,292.	131,460.
460	METERS - 2010	01/01/10	SL	10.00	299,118.	299,118.	89,736.	29,912.	119,648.
470	METERS - 2004	01/01/04	SL	10.00	103,752.	103,752.	93,382.	10,370.	103,752.
471	METERS - 2005	01/01/05	SL	10.00	217,368.	217,368.	173,896.	21,737.	195,633.
472	METERS - 2006	01/01/06	SL	10.00	116,624.	116,624.	81,634.	11,662.	93,296.
473	METERS - 2007	01/01/07	SL	10.00	90,190.	90,190.	54,114.	9,019.	63,133.
487	METERS - 2011	01/01/11	SL	10.00	261,963.	261,963.	52,392.	26,196.	78,588.
497	METERS - 2012	01/01/12	SL	10.00	254,064.	254,064.	25,406.	25,406.	50,812.
512	METERS - 2013	01/01/13	SL	10.00	234,965.	234,965.		23,497.	23,497.
	* TOTAL METERS				2,106,760.	2,106,760.	827,380.	206,921.	1,034,301.
	* GRAND TOTAL DEPRECIATION				74,203,385.	74,203,385.	17,183,823.	1,682,949.	21,866,771.

32. Refer to the Application, Exhibit 15, page 12 and page 69.

a. On page 12, Elizabethtown reports \$49,369,466 for total "Long-term Debt" and on page 69 the Water and Sewer System reports \$9,666,368 for a "Construction Loan" and \$280,930 for "Notes Payable."

(1) Confirm that the \$9,666,368 construction loan and the \$280,930 note payable are included with and are a part of the \$49,369,466 long-term debt.

RESPONSE: Yes. None of the debts, loans, nor notes payable were incurred for Elizabethtown's WS Assets.

(2) State to whom the construction loan is payable and state the terms of repayment.

RESPONSE: The construction loan is payable to the Kentucky Infrastructure Authority. The loan was incurred for improvements to Elizabethtown's **Wastewater System**. Therefore, it will not be necessary to state the repayment terms.

(3) Provide a copy of the construction loan documents.

RESPONSE: N/A

(4) If Elizabethtown anticipates refinancing the construction loan, provide the anticipated refinancing date, the anticipated refinancing terms, and the name of the refinancing entity.

RESPONSE: It will **not** be necessary for Elizabethtown to refinance the construction loan because it was obtained for the purpose of constructing improvements to its **Wastewater System**. It will be repaid from **Wastewater System** revenues.

(5) State how the proceeds from the construction loan were used by Elizabethtown.

RESPONSE: The proceeds were used to pay for the costs of constructing improvements to its **Wastewater System**.

(6) State to whom the notes are payable and state the terms of repayment.

RESPONSE: The proceeds were used to pay for the costs of constructing improvements to its **Wastewater System**.

(7) State how the proceeds from the note were used by Elizabethtown.

RESPONSE: The proceeds were used to pay for the costs of constructing improvements to its **Wastewater System**.

WITNESS: Charles Bryant, Executive Assistant, City of Elizabethtown

33. Refer to the Application, Exhibit 15, page 70. Elizabethtown reports depreciation expenses on its water and sewer system assets for the year ended June 30, 2013, in the amount \$1,559,336.

a. Provide a copy of Elizabethtown's detailed plant ledger that shows the calculation of this expense. The ledger should list each property unit's in-service date, original cost, depreciable life, annual depreciation accrual, and accumulated depreciation. Mark or highlight on the ledger the assets that Elizabethtown intends to sell to Hardin County No. 2.

RESPONSE: See attached Depreciation Schedule which lists all of Elizabethtown's WS Assets.

b. For each water asset highlighted in the plant ledger, state whether Elizabethtown funded the asset's original cost with debt proceeds, internal funds, or contributions in aid of construction. Examples of contributions in aid of construction include, but are not limited to, customer tap-on fees, system development charges, developer contributions, and private and public grants.

RESPONSE: According to Elizabethtown's financial records, the only Water System asset being sold to Hardin County No. 2, which was funded, in whole or in part, by Contributions in Aid of Construction, is the City Springs WTP Renovation Project which was completed during FYE 2013. Elizabethtown utilized \$1,000,000 of a state grant to pay a portion of the costs of the City Springs WTP Renovation Project. The balance of the cost of the City Springs WTP Renovation Project, \$1,026,306 (\$2,026,306 less \$1,000,000 = \$1,026,306), was paid for from Elizabethtown internal funds.

WITNESS: Amber D. Pike, Accounting Manager, Hardin County Water District No. 2.

LAND

DESCRIPTION	ACQUISITION	
	DATE	COST
CITY SPRINGS WATER PLANT	1/1/1932	466
CITY SPRINGS WATER PLANT	01/01/1895	200
FREEMAN LAKE WATER PLANT	1/1/1979	9800
NORTH MULBERRY WATER TANK	7/8/1953	2500

A	B	C	D	E	F	H	I	J	K	L	M	N
FIXED ASSETS - BUILDING DETAIL												
DESCRIPTION	ACQUISITION DATE	COST	SALVAGE VALUE	DEPRECIATION BASIS	USEFUL LIFE	ANNUAL DEPRECIATION AMOUNT	ACCUMULATED DEPRECIATION AT 6/30/12	2013 DEPRECIATION EXPENSE	ACTUAL		NET BOOK VALUE	HCWD 2 GL ACCOUNT
									DEPRECIATION AT 6/30/13	DEPRECIATION AT 6/30/13		
1 NICHOLAS STREET WATER PLANT	1953	96,151.28	14,422.69	81,728.59	50	1,634.57	81,728.59	-	81,728.59	14,422.69	10103043 - Structures & Improvements WTP	*
2 NICHOLAS STREET STORAGE	1960	356.62	54.49	303.13	20	15.16	303.13	-	302.13	54.49	10103043 - Structures & Improvements WTP	*
3 NICHOLAS STREET WATER TANK (EST COST)	1965	427,836.45	64,175.47	363,660.98	50	7,273.22	349,114.54	7,273.22	356,387.76	71,448.69	10103043 - Structures & Improvements WTP	*
4 NICHOLAS STREET PLANT EXPANSION (EST COST)	1989	1,500,000.00	225,000.00	1,275,000.00	50	25,500.00	612,000.00	25,500.00	637,500.00	862,500.00	10103043 - Structures & Improvements WTP	*
5 WATER WELLS (EST COST)	1981	480,000.00	72,000.00	408,000.00	50	8,160.00	261,120.00	8,160.00	269,280.00	210,720.00	10103043 - Structures & Improvements WTP	*
6 NICHOLAS STREET SHOP	1989	210,067.38	31,510.11	178,557.28	50	3,571.15	85,707.49	3,571.15	89,278.64	120,788.74		
7 CITY SPRINGS WTP RENOVATION	2013	2,026,305.98	303,945.90	1,722,360.08	50	34,447.20	-	34,447.20	34,447.20	1,991,858.78	10103043 - Structures & Improvements WTP	**
8 31W NORTH PUMPING STATION	1970	7,273.40	1,091.01	6,182.39	40	154.56	6,182.39	-	6,182.39	1,091.01		
9 31W NORTH TREATMENT BUILDING	1970	145,332.25	21,799.84	123,532.41	50	2,470.65	106,237.87	2,470.65	108,708.52	36,623.73		
10 31W NORTH TREATMENT BUILDING (FILTER WALLS)	1993	1,216,896.83	182,534.52	1,034,362.31	50	20,687.25	413,744.92	20,687.25	434,432.17	782,464.66		
11 ROOF REPLACEMENT FREEMAN LAKE WATER PLANT	2009	39,444.61	5,916.69	33,527.92	20	1,676.40	6,705.58	1,676.40	8,381.98	31,062.63		
12 FREEMAN LAKE WATER PLANT IMPROVEMENTS	2012	243,400.00	36,510.00	206,890.00	20	10,344.50	10,344.50	10,344.50	20,689.00	222,711.00		
13 NORTH MULBERRY WATER TANK	1952	30,160.84	4,524.13	25,636.72	50	512.73	25,636.72	-	25,636.72	4,524.12	10103307 - North Mulberry Tank	*
14 HELMWOOD DRIVE WATER TANK	1957	29,522.83	4,428.42	25,094.40	50	501.89	25,094.40	-	25,094.40	4,428.43	10103308 - Helmwood Tank	*
15 HAWKINS DRIVE WATER TANK	1966	28,275.79	4,241.37	24,034.42	50	480.69	22,592.36	480.69	23,073.05	5,202.74		
16 PEAR ORCHARD (SHEPHERDSVILLE RD) WATER TANK	1967	39,209.10	5,881.36	33,327.73	50	666.55	30,661.51	666.55	31,328.07	7,881.03	10103309 - Shepherdsville Tank	*
17 OAKLAWN WATER TANK BUILDING	1968	31,364.38	4,704.66	26,659.72	50	533.19	23,993.75	533.19	24,526.94	6,837.44		
18 SOUTH END WATER TANK	1995	1,200,000.00	180,000.00	1,020,000.00	50	20,400.00	367,200.00	20,400.00	387,600.00	812,400.00	10103310 - South End Tank	*
19 INDUSTRIAL PARK WATER TANK	1979	139,131.40	20,869.71	118,261.69	50	2,365.23	80,417.95	2,365.23	82,783.18	56,348.22	10103311 - Industrial Park Tank	*

NOTES:

- Items 1-5 & 7 comprise the asset described as the City Springs WTP on Exhibit 22 of the Application.
- All assets shown shaded on pages 1 & 2 will be sold to HCWD 2.
- Column N lists the General Ledger Account Number which HCWD 2 intends to assign to each asset which it acquires.

A B C D E F H I J K L M N
FIXED ASSETS - WATER LINES DETAIL

DESCRIPTION	ACQUISITION DATE	COST	SALVAGE VALUE	DEPRECIATION BASIS	USEFUL LIFE	ANNUAL DEPRECIATION AMOUNT	ACCUMULATED DEPRECIATION AT 6/30/12	2013 DEPRECIATION EXPENSE	ACTUAL	NET BOOK VALUE	HCWD 2 GL ACCOUNT
									ACCUMULATED DEPRECIATION AT 6/30/13		
20 2004	2004	75,036.00	0	75,036.00	50	1,500.72	13,506.48	1,500.72	15,007.20	60,028.80	10103314 - Transmission & Distribution
21 1990-PRESENT	1996	1,649,724.88	0	1,649,724.88	50	32,994.50	560,906.46	32,994.50	593,900.96	1,055,823.92	10103314 - Transmission & Distribution
22 1970-1990	1980	2,461,557.54	0	2,461,557.54	50	49,231.15	1,624,627.98	49,231.15	1,673,859.13	787,698.41	10103314 - Transmission & Distribution
23 BEFORE 1970	1960	576,364.35	0	576,364.35	50	11,527.29	576,364.35	-	576,364.35	-	10103314 - Transmission & Distribution
24 LINES	2007	205,194.84	0	205,194.84	50	4,103.90	24,623.38	4,103.90	28,727.28	176,467.56	10103314 - Transmission & Distribution
25 LINES	2008	124,443.94	0	124,443.94	50	2,488.88	12,444.39	2,488.88	14,933.27	109,510.67	10103314 - Transmission & Distribution
26 LINES	2009	37,939.28	0	37,939.28	50	758.79	3,035.14	758.79	3,793.93	34,145.35	10103314 - Transmission & Distribution
27 LINES	2010	303,443.05	0	303,443.05	50	6,068.86	18,206.58	6,068.86	24,275.44	279,167.61	10103314 - Transmission & Distribution
28 LINES	2011	232,824.40	0	232,824.40	50	4,656.49	9,312.98	4,656.49	13,969.46	218,854.94	10103314 - Transmission & Distribution
29 LINES	2012	34,615.27	0	34,615.27	50	692.31	692.31	692.31	1,384.61	33,230.66	10103314 - Transmission & Distribution
30 LINES	2013	74,811.44	0	74,811.44	50	1,496.23	-	1,496.23	1,496.23	73,315.21	10103314 - Transmission & Distribution
31 METERS	1998	29,165.25	0	29,165.25	10	2,916.53	29,165.25	-	29,165.25	-	10103344 - Meter & Meter Installations
32 METERS	1999	58,261.73	0	58,261.73	10	5,826.17	58,261.73	-	58,261.73	-	10103344 - Meter & Meter Installations
33 METERS	2000	44,866.49	0	44,866.49	10	4,486.65	44,866.49	-	44,866.49	-	10103344 - Meter & Meter Installations
34 METERS	2001	49,597.23	0	49,597.23	10	4,959.72	49,597.23	-	49,597.23	-	10103344 - Meter & Meter Installations
35 METERS	2002	49,672.05	0	49,672.05	10	4,967.21	49,672.05	-	49,672.05	-	10103344 - Meter & Meter Installations
36 METERS	2003	40,285.23	0	40,285.23	10	4,028.52	40,285.23	-	40,285.23	-	10103344 - Meter & Meter Installations
37 METERS	2004	74,389.03	0	74,389.03	10	7,438.90	66,950.13	7,438.90	74,389.03	-	10103344 - Meter & Meter Installations
38 METERS	2007	54,754.54	0	54,754.54	10	5,475.45	32,852.72	5,475.45	38,328.18	16,426.36	10103344 - Meter & Meter Installations
39 METERS	2008	29,956.21	0	29,956.21	10	2,995.62	14,978.11	2,995.62	17,973.73	11,982.48	10103344 - Meter & Meter Installations
40 METERS	2011	8,431.27	0	8,431.27	10	843.13	1,686.25	843.13	2,529.38	5,901.89	10103344 - Meter & Meter Installations
		14,106,063.16					5,740,820.94	259,320.95	6,000,140.90	8,105,922.27	

Total Net Book Value of Assets to be Sold to HCWD 2

6,899,140.32

* Paid with internal funds

** \$1,000,000 paid through public grants, remaining amount through internal funds

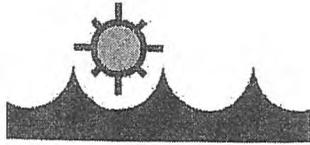


Exhibit 22

Hardin County Water District 2 Asset Allocation - Elizabethtown Acquisition

Account	Description	City of Etown Book Value	% of total	Amount To Allocate	Allocated Amount	Purchase Price Allocation
10103314 - Transmission, Distribution & Fire Mains	Lines	2,828,243.00	41%	1,100,860.00	451,288.07	3,279,531.07
10103344 - Meter & Meter Installations	Meters	34,311.00	0%	1,100,860.00	5,474.83	39,785.83
10103043 - Structures & Improvements WTP	City Springs WTP	3,151,005.00	46%	1,100,860.00	502,789.53	3,653,794.53
N/A - Lease only	Freeman Lake WTP	819,089.00	0%	1,100,860.00	-	-
10103307 - North Mulberry Tank	North Mulberry Tank	4,524.00	0%	1,100,860.00	721.87	5,245.87
10103308 - Helmwood Tank	Helmwood Tank	4,428.00	0%	1,100,860.00	706.55	5,134.55
10103309 - Shepherdsville Tank	Pear Orchard (Shepherdsville) Tank	7,881.00	0%	1,100,860.00	1,257.53	9,138.53
10103310 - South End Tank	South End Tank	812,400.00	12%	1,100,860.00	129,630.46	942,030.46
10103311 - Industrial Park Tank	Industrial Park Tank	56,348.00	1%	1,100,860.00	8,991.16	65,339.16
	City of Elizabethtown Book Value	7,718,229.00			1,100,860.00	
	Less Freeman Lake Plant* (Lease Only)	(819,089.00)				
	Acquired Asset Book Value	6,899,140.00				
	Purchase Price	8,000,000.00				
	Difference to allocate	1,100,860.00				8,000,000.00

34. Refer to the Application, Exhibit 15, page 69 and page 70. These pages show Elizabethtown's balance sheet and income statement for its combined water and sewer divisions for the fiscal years ended June 30, 2012 and June 30, 2013. Provide balance sheets and income statements for the fiscal year ended June 30, 2013, that report the operating results of these divisions separately.

RESPONSE: Elizabethtown does not have specific identification for its water assets, liabilities, and net position in order to prepare a separate Statement of Net Position (Balance Sheet) for its Water Division. A Statement of Revenues, Expenses, and Changes in Fund Net Position (Income Statement) for the Water Division has been prepared for the year ended June 30, 2013 and is attached hereto.

WITNESS: Brian S. Woosley, CPA, Stiles, Carter & Associates, CPAs, PSC

CHRIS R. CARTER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



STILES, CARTER & ASSOCIATES, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

2901 RING ROAD EAST

P. O. BOX 622

ELIZABETHTOWN, KY 42702-0622

TELEPHONE 270/769-6371

FAX 270/765-7934

www.scacpa.com

MEMBER
AMERICAN INSTITUTE
OF CPAs
KENTUCKY SOCIETY
OF CPAs

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the City Council
City of Elizabethtown, Kentucky

We have compiled the accompanying statement of revenues, expenses and changes in fund net position – water division of City of Elizabethtown, Kentucky, for the year ended June 30, 2013. We have not audited or reviewed the accompanying financial statement and, accordingly, do not express an opinion or provide any assurance about whether the financial statement is in accordance with accounting principles generally accepted in the United States of America.

The management of the City of Elizabethtown, Kentucky, is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statement, they might influence the user's conclusions about the City's results of operations. Accordingly, the financial statements are not designed for those who are not informed about such matters.

A handwritten signature in cursive script that reads "Stiles, Carter & Associates".

Stiles, Carter & Associates, PSC
September 16, 2014

CITY OF ELIZABETHTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
WATER DIVISION
YEAR ENDED JUNE 30, 2013

OPERATING REVENUE:	
Charges for metered sales	\$ 3,944,890
Water sold at plant	4,475
Other services and tap fees	<u>122,420</u>
TOTAL OPERATING REVENUE	4,071,785
OPERATING EXPENSES:	
Administrative and general	1,534,072
Operating expenses Plant #1	746,394
Operating expenses Plant #2	200,033
Maintenance	382,853
Services	544,167
Construction	88,328
Operating expense - water tower	135,775
Depreciation	<u>299,524</u>
TOTAL OPERATING EXPENSES	<u>3,931,146</u>
INCOME FROM OPERATIONS	140,639
NON-OPERATING REVENUE (EXPENSE):	
Investment income	<u>92,222</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>92,222</u>
CHANGE IN NET POSITION	<u><u>\$ 232,861</u></u>

See independent accountant's compilation report.

35. Refer to the Application, Exhibit 4. On page 19, Hardin County No. 2 obligates itself, subject to the Commission's approval, to transition Elizabethtown's existing customers to the Hardin County No. 2's existing unified rate structure over a three-year period. Explain how Hardin County No. 2 would apply general rate adjustments, surcharges, or purchased water adjustments to Elizabethtown's existing customers approved or authorized during the three-year transition period.

RESPONSE: General Rate Adjustments. Except for high volume users, Hardin County No. 2 does **not** foresee any circumstances that would require or justify a general adjustment of rates until **after** the rate transition plan ends on July 1, 2017. Hardin County No. 2 will immediately benefit from the favorable net operating margins that will result from the Elizabethtown Division (See the Financial Forecast, also referred to as the “Stiles Carter Study,” included as Exhibit 10 to the Application). Hardin County No. 2’s current strong financial standing will be enhanced by the Elizabethtown WS acquisition.

Based upon this knowledge, Hardin County No. 2 officials made oral assurances to Elizabethtown (and the general public) that it did **not** foresee any general rate increases, except for high volume users, until after July 1, 2017. During negotiations to establish the rate transition plan, it was crucial that the \$18.50 minimum bill amount be a “**fixed**” target and not a “**moving**” target.

Rate Adjustment for High Volume Users. Currently, Hardin County No. 2’s volumetric rate for all water used in excess of 500,000 gallons per month is \$2.10 per 1,000 gallons. Elizabethtown’s rate for the same usage block is \$2.50.

Under Elizabethtown's Ordinance 07-2014, this rate tier for existing Elizabethtown customers will increase by ten (10) cents to \$2.60 on November 1, 2014 and will continue to increase by ten (10) cent increments on July 1, 2015, July 1, 2016, and July 1, 2017. At that time, the Elizabethtown rate will be \$2.90.

Later this year, Hardin County No. 2 will seek authorization from the Commission to increase the "Over 500,000 gallons" usage block for its current customers (all customers except those in the Elizabethtown service area) to \$2.90 per 1,000 gallons. As shown on page 9 at Paragraph 26 of the May 5, 2014 Letter of Conditions from USDA, Rural Development (see attached copy), Rural Development will require Hardin County No. 2 to increase the rate for this usage block to \$2.90.

Rural Development will be providing a long term, low interest loan (40 year at 4.125%) in the principal amount of \$5,000,000 to fund a portion of the costs of constructing the Louisville Water Supply Interconnection Project. Increasing the rate for high volume users is the only rate adjustment that Rural Development will require. The rates for all other usage blocks will remain unchanged.

Surcharges. Hardin County No. 2 does **not** currently impose any surcharges upon its customers. It does **not** have any plans to implement any surcharges. It does **not** foresee any circumstances that would justify imposing a water surcharge.

Purchased Water Adjustments. Currently, Hardin County No. 2 produces all its water requirements. Commencing in 2016, however, Hardin County No. 2 anticipates purchasing, and is contractually obligated to purchase, 60,000,000 gallons annually from the Louisville Water Company (“LWC”). In 2017, the purchase amount increases to 120,000,000 gallons annually. In 2018, the purchase amount increases to 180,000,000 gallons annually.

Thus, the only possible source for a future purchased water adjustment is from LWC wholesale rate increases. Currently, LWC’s wholesale rate is \$2.10 per 1,000 gallons. Historically, LWC’s wholesale rate has increased between 2% to 3% annually. This produces an annual increase of four (4) to six (6) cents per year in the wholesale rate. If LWC’s wholesale rate does increase by five (5) cents each year for the next few years, the rates will be as shown below:

After July 1, 2014:	\$2.10 per 1,000 gallons (current rate)
After July 1, 2015:	\$2.15 per 1,000 gallons
After July 1, 2016:	\$2.20 per 1,000 gallons
After July 1, 2017:	\$2.25 per 1,000 gallons

Kenvirons, Inc., in performing its rate analysis and feasibility study for Hardin County No. 2 (see Response to Question 30) projected that the LWC rate for 2016 would be \$2.25. Since the feasibility analysis was based on a \$2.25 wholesale rate, there should be no need for any purchased water adjustments until at least one (1) year after the rate transition period ends.

Once the rate transition period ends in 2017, any and all purchased water adjustments would apply to **all** customers.

WITNESS: James R. Jeffries, General Manager, Hardin County Water District No. 2



RECEIVED MAY 05 2014

Rural Development

May 5, 2014

Kentucky State Office

771 Corporate Drive,
Suite 200
Lexington, KY
40503

Mike Bell, Chairman
Hardin County Water District No. 2
PO Box 970
Elizabethtown, Kentucky 42702

Voice 859.224.7300
Fax 859.224.7425
TTY 859.224.7422

Dear Chairman Bell:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. The loan 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 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 \$5,000,000; an Base Realignment Authority Committee grant (BRAC) in the amount of \$5,000,000; a Kentucky Infrastructure Authority Grant (KIA) in the amount of \$500,000; and an applicant cash contribution in the amount of \$4,500,000.

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

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

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

If the conditions set forth in this letter are not met within 210 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application.

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

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 16,916 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. 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."

3. Repayment Period:

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

4. 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.

5. 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 \$2,270 per month into a "Funded Debt Reserve Account" until the account reaches \$272,400. The deposits are to be resumed any time the account falls below the \$272,400.

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 \$4,000 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.

6. 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.

7. 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.

8. Organization:

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

The District must maintain a current registration of their Dun and Bradstreet Data Universal Numbering System (DUNS) number in SAM.gov (System for Award Management) in order to receive federal loan and grant financial assistance. This registration must be updated/renewed at least annually.

9. 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.

10. 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)/statistical and financial reports, quarterly and annually, 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.

11. 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.

12. 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 \$400,000.
- 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.

13. 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 "22" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 180 days from this date, and prepare bid documents. The Area Director is prepared to furnish the necessary guide to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.

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

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

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

14. 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.

15. 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.

16. 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.

17. 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.

18. 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."

19. 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.

20. 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.

21. 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.

22. Cost of Facility:

Breakdown of Costs:

Development	\$ 11,989,000
Land and Rights	50,000
Legal	60,000
Engineering	1,202,000
Interest	250,000
Environmental	100,000
Administrative	49,000
Contingencies	<u>1,300,000</u>
TOTAL	\$ 15,000,000

Financing:

RUS Loan	\$ 5,000,000
BRAC Grant	5,000,000
KIA Grant	500,000
Applicant Contribution	<u>4,500,000</u>
TOTAL	\$ 15,000,000

23. 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 BRAC grant in the amount of \$5,000,000; for the KIA grant in the amount of \$500,000; and the availability of the applicant contribution in the amount of \$4,500,000.

24. Use of Remaining Project Funds:

The applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining project funds will be considered to be BRAC/KIA 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.

25. 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.

26. Rates and Charges:

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

Water rates will be at least:

5/8" x 3/4" Meter:

First	2,000	gallons @ \$	18.50. - Minimum Bill.
Next	498,000	gallons @ \$	5.15. - per 1,000 gallons.
All Over	500,000	gallons @ \$	2.90. - per 1,000 gallons.

1" Meter:

First	5,000	gallons @ \$	33.95. - Minimum Bill.
Next	495,000	gallons @ \$	5.15. - per 1,000 gallons.
All Over	500,000	gallons @ \$	2.90. - per 1,000 gallons.

1 1/2" Meter:

First	10,000	gallons @ \$	59.70. - Minimum Bill.
Next	490,000	gallons @ \$	5.15. - per 1,000 gallons.
All Over	500,000	gallons @ \$	2.90. - per 1,000 gallons.

2 " Meter:

First	20,000	gallons @ \$	111.20. - Minimum Bill.
Next	480,000	gallons @ \$	5.15. - per 1,000 gallons.
All Over	500,000	gallons @ \$	2.90. - per 1,000 gallons.

3" Meter:

First	30,000	gallons @ \$	162.70. - Minimum Bill.
Next	470,000	gallons @ \$	5.15. - per 1,000 gallons.
All Over	500,000	gallons @ \$	2.90. - per 1,000 gallons.

4" Meter:

First	50,000	gallons @ \$	265.70. - Minimum Bill.
Next	450,000	gallons @ \$	5.15. - per 1,000 gallons.
All Over	500,000	gallons @ \$	2.90. - per 1,000 gallons.

6" Meter

First	100,000	gallons @ \$	523.20. - Minimum Bill.
Next	400,000	gallons @ \$	5.15. - per 1,000 gallons.
All Over	500,000	gallons @ \$	2.90. - per 1,000 gallons.

8" Meter

First	150,000	gallons @ \$	780.70. - Minimum Bill.
Next	350,000	gallons @ \$	5.15. - per 1,000 gallons.
All Over	500,000	gallons @ \$	2.90. - per 1,000 gallons.

10" Meter:

First	250,000	gallons @ \$	1,95.70. - Minimum Bill.
Next	250,000	gallons @ \$	5.15. - per 1,000 gallons.
All Over	500,000	gallons @ \$	2.90. - per 1,000 gallons.

12" Meter:

First	400,000	gallons @ \$	2,068.20. - Minimum Bill.
Next	100,000	gallons @ \$	5.15. - per 1,000 gallons.
All Over	500,000	gallons @ \$	2.90. - per 1,000 gallons.

27. 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.

28. Compliance with the Bioterrorism Act:

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

29. Floodplain Construction:

The District will be required to pass and adopt a Resolution or amend its By-Laws whereby the District will deny any water service to any future customer wishing to build on or develop property located within a designated floodplain. If a customer or developer requests service for construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the District and Rural Development officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP) and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

30. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated October 4, 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).

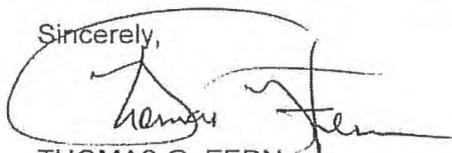
- D. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.
- E. Best Management Practices shall be incorporated into the project design, construction, and maintenance.

31. 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 - Columbia, Kentucky
 - Area Manager – Elizabethtown, Kentucky
 - Lincoln Trail ADD - Elizabethtown, Kentucky
 - Stoll Keenon Ogden - Louisville, Kentucky
 - Kenvirons Engineering - Frankfort, Kentucky
 - Damon Talley - Hodgenville, Kentucky
 - PSC - ATTN: Jeff Derouen - Frankfort, Kentucky