

REED LAW OFFICE

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May 24, 2004

RECEIVED

MAY 27 2004

**PUBLIC SERVICE
COMMISSION**

Mr. Thomas Dorman, Executive Director
Public Service Commission
211 Sower Blvd.
PO Box 615
Frankfort, Kentucky 40602

Case 2004-00202

In re: Case No. ~~2003-00364~~ Adair County Water District

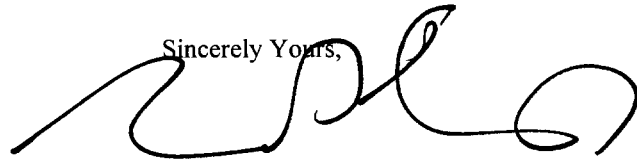
Mr. Dorman:

Under the Commission's Order of November 10, 2003 the District is required to supplement its original Application in order to include final information regarding Phase II of the Projects.

In accordance with original Order enclosed herewith please find the District's Supplemental Petition with appropriate Exhibits.

Thank you for your courtesy and cooperation.

Sincerely Yours,



HENRY M. REED III

HMR:jmz

cc: Mr. Lennon Stone
Superintendent
Adair County Water District
P.O. Box 567
Columbia, Kentucky 42728

Mr. David W. Bowles, P.E.
Monarch Engineering, Inc.
556 Carlton Dr.
Lawrenceburg, Kentucky 40342

IN THE MATTER OF THE APPLICATION)
OF THE ADAIR COUNTY WATER DISTRICT, A)
WATER DISTRICT ORGANIZED PURSUANT TO)
CHAPTER 74 OF THE KENTUCKY REVISED)
STATUTES, IN ADAIR COUNTY, KENTUCKY,)
FOR (1) A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY, AUTHORIZING AND)
PERMITTING SAID ADAIR WATER DISTRICT)
TO CONSTRUCT WATER DISTRIBUTION)
SYSTEM IMPROVEMENTS, CONSISTING OF)
THE CONSTRUCTION OF EXTENSIONS,)
ADDITIONS AND IMPROVEMENTS TO THE)
DISTRICT'S WATER SYSTEM AND (2) THE)
APPROVAL OF THE PROPOSED PLAN OF)
FINANCING SAID IMPROVEMENTS.)

Case 2004-00202

~~CASE NO. 2003-00364~~

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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

**Before the Public Service Commission
In the Matter of
the Application of Adair County Water District**

Index to Application

ATTACHED TO ORIGINAL PETITION

1. Petition of Adair County Water District ("District") for Certificate of Public Convenience and Necessity.
2. Affidavit of Publication - *The Adair Progress* - Legal Notice Regarding the District's Intention to File with the Public Service Commission.
3. Letter of Conditions to District from United States of America, acting through the U.S. Department of Agriculture, Rural Development ("USDARD") dated February 10, 2003.
4. Certificate of Chairman of District regarding compliance with Public Service Commission requirements.
5. Preliminary and Final Engineering Reports and all Engineering Data to be Submitted with Petition by Monarch Engineers, Inc., Lawrenceburg, Kentucky.

ATTACHED TO SUPPLEMENTAL PETITION

6. Supplemental Petition of District for Certificate of Public Convenience and Necessity.
7. Notice of Filing with Public Service Commission as published in the *Adair Progress* on May 20, 2004.
8. Amendment No. 1 dated October 28, 2003 and Amendment No. 2 dated April 28, 2004 to USDARD Letter of Conditions dated February 10, 2003.
9. Amended Rate Ordinance of District.
10. Supplemental Certificate of Chairman of District as to Compliance with PSC Requirements.
11. Concurrence and Award of Bids by USDARD.
12. Final Engineering Report as to Phase II of Projects.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF THE APPLICATION)
OF THE ADAIR COUNTY WATER DISTRICT, A)
WATER DISTRICT ORGANIZED PURSUANT TO)
CHAPTER 74 OF THE KENTUCKY REVISED)
STATUTES, IN ADAIR COUNTY, KENTUCKY,)
FOR (1) A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY, AUTHORIZING AND)
PERMITTING SAID ADAIR COUNTY WATER)
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SYSTEM IMPROVEMENTS, CONSISTING OF)
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FINANCING SAID IMPROVEMENTS.)

Case 2004-00202

~~CASE NO. 2003-00364~~

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MAY 27 2004

**PUBLIC SERVICE
COMMISSION**

SUPPLEMENTAL PETITION

Pursuant to KRS 278.023, this Supplemental Petition of the Adair County Water District ("Adair District" or "Petitioner"), respectfully states:

1. That Petitioner is a Water District in Adair County, created and existing under and by virtue of Chapter 74 of the Kentucky Revised Statutes, pursuant to an Order of the County Court of said County, following the requisite procedure prescribed in said Chapter 74.

2. That the Post Office address of said Adair District is "Adair County Water District, Larry F. Legg, Chairman, P.O. Box 567, Columbia, Kentucky 42728".

3. That the formation of the Adair District, its present tariff of rates, and the issuance of its outstanding long term indebtedness have been previously approved by Orders of the Public Service Commission of Kentucky ("PSC").

4. That the Adair District seeks a Certificate of Public Convenience and Necessity approving the construction of extensions, additions and improvements to the Adair District's Water System, consisting of (a) Phase I which will provide a transmission line to connect the Adair County Water District to the City of Campbellsville's water system consisting of 27,000 feet of 18-inch water line, 3,100 feet of 8-inch water line, and a booster pump station that will connect to the 12-inch transmission main recently constructed and (b) Phase II which will provide water to 113 new customers and consisting of 150,000 feet of 4-inch and 3-inch water lines and 24,000 feet of 8-inch water line that will replace an old deteriorated water main (the "Projects").

5. That subject to the approval of the Commission, the Adair District proposes to finance the construction of the improvements identified above pursuant to the terms of a certain Letter of Conditions dated February 10, 2003, from the United States Department of Agriculture, Rural Development ("USDARD") to the Adair District, as amended by Amendment Number 1, dated October 28, 2003 whereunder USDARD proposes to lend to the Adair District through the issuance of the Adair District's Water Revenue Bonds, Series of 2004, the sum of approximately \$1,238,000 supplemented by a USDARD Grant in the amount of approximately \$900,000, and a Kentucky Infrastructure Authority ("KIA") 2020 Grant of \$745,000.

6. That on September 24, 2003 the Adair District filed with the Commission an Original Petition seeking a Certificate of Public Convenience and Necessity for the construction of the Projects and the Commission's approval of the plan of financing said Projects.

7. That on November 10, 2003, in response to the Original Petition the Commission entered its Order granting a Certificate of Public Convenience and Necessity for the construction of Phase I of said Projects and approving the plan of financing said Phase I; provided, however, that said Order of November 10, 2003 required the Adair District to return to the Commission in order to obtain approval of the specifics of Phase II of said Projects.

8. That USDARD by Amendment Number 2, dated April 28, 2004 of the original Letter of Conditions of February 20, 2003 has altered the terms of its participation in financing the Projects by (a) including a Kentucky Tobacco Settlement Program Grant in the amount of \$413,000 and (b) requiring across the board increases in the tariff of water rates and charges for water services provided.

9. That the Adair District is now required by USDARD Amendment Number 2, dated April 28, 2004 to increase its schedule of rates and charges for water service in accordance with the Adair District's Amended Water Rate Ordinance as shown on the Exhibit Addendum attached to this Supplemental Petition.

10. That the Adair District has observed the appropriate legal procedure in employing Monarch Engineering, Inc., Lawrenceburg, Kentucky to prepare the plans and specifications for the construction of Phase II of the Projects. The plans and specifications as to said Phase II of said Projects have been approved by the appropriate governmental agencies.

11. That the approval of the Public Service Commission is urgently required in order to enable the Adair District to proceed to accept construction bids for Phase II of the Projects and proceed with the construction in order to provide for the needs of the Adair District.

12. That there are attached to this Supplemental Petition those Exhibits indicated in the Exhibit Addendum which the Adair District believes the Commission will find necessary in ruling on the requests set forth in this Supplemental Petition pursuant to KRS 278.023.

WHEREFORE, Petitioner prays that the Public Service Commission of Kentucky grant to the Petitioner the following:

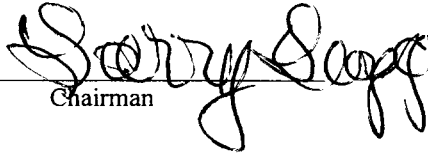
A. A Certificate of Public Convenience and Necessity, permitting the Petitioner District to construct Phase II of the Projects as described in the Engineers Report filed herewith as an Exhibit in order to provide required water service to said Adair District.

B. An Order approving the financing arrangements made by the Adair District in the issuance of \$1,238,000 of its Water Revenue Bonds, at an interest rate not exceeding 4 ½% per annum, to be supplemented by a USDARD Grant in the amount of \$900,000, a Kentucky Infrastructure Authority Grant of \$745,000 and a Kentucky Tobacco Settlement Program Grant of \$413,000.

C. The approval of the increased tariff of rates and charges for water service provided by the Adair District as shown on the attached Amended Water Rate Ordinance.

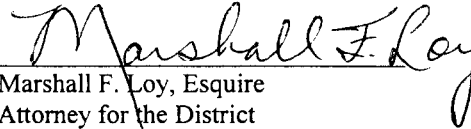
Dated at Columbia, Kentucky as of this 13 day of May, 2004.

ADAIR COUNTY WATER DISTRICT

By 
Chairman



Henry M. Reed III, Bond Counsel
2218 Frankfort Avenue
Louisville, Kentucky 40206

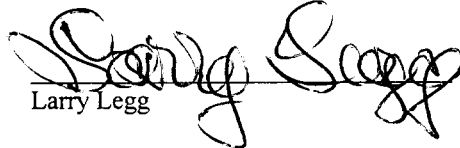


Marshall F. Loy, Esquire
Attorney for the District
116 Public Square
Columbia, Kentucky 42728

STATE OF KENTUCKY)
) SS
COUNTY OF ADAIR)

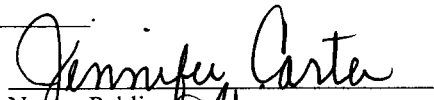
The undersigned, Larry F. Legg, being first duly sworn, deposes and states: That he is the Chairman of Adair County Water District of Adair County, Kentucky, Petitioner in the above Supplemental Petition; that he has read the foregoing Supplemental Petition and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are therein states on information or belief, and that as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 13 day of May, 2004.


Larry Legg

Acknowledged before me by Larry Legg, Chairman of the Adair County Water District, on this 13 day of May, 2004.

My Commission expires 2/25/2008.


Notary Public, Adair
Kentucky

(Seal of Notary)

AFFIDAVIT OF PUBLICATION

I hereby certify that I am the Publisher of

THE ADAIR PROGRESS

the newspaper published in the County of Adair, Kentucky (hereinafter referred to as the "publication area") which has the largest bona fide circulation in said publication area of any newspaper published therein.

I further certify that there is attached hereto a true copy of

NOTICE OF PSC FILING

which was published in said newspaper in its regular issue for the 20th day of May, 2004.

I further certify that said newspaper maintains its principal office in the publication area for the purpose of gathering news and soliciting advertisements and other general business of newspaper publication and has a second-class mailing permit issued for that office. I further certify that said newspaper is published regularly as frequently as once a week for at least fifty weeks during the calendar year, as prescribed by its mailing permit; and it has been so published in the publication area for the immediately preceding two-year period prior to the date of publication hereinbefore referred to.

I further certify that said newspaper is circulated generally in the publication area, maintains a definite price or consideration not less than fifty per cent of its publication price and is paid for by not less than fifty per cent of those to whom distribution is made. I further certify that said newspaper bears a title or name, consists of not less than four pages without a cover, is of a type to which the general public resorts for passing events of a political, religious, commercial and social nature for current happenings, announcements, miscellaneous reading matter, advertisements and other notices and that the news content of said newspaper is at least twenty-five percent of the total column space in more than one-half of the issues during any 12-month period.

I further certify that all of the foregoing facts were true on the date of the publication hereinbefore referred to.

Dated this 20 day of MAY, 2004.
Donna Hancock

Acknowledged before me this 20 day of May, 2004.

My commission expires 8/26/07.

Lisa Ann White
Notary Public, Adair, Kentucky

(Seal of Notary)

**LEGAL NOTICE REGARDING
THE ADAIR COUNTY WATER DISTRICT**

On or about May 24, 2004, the Adair County Water District will file a Supplemental Petition with the Public Service Commission of Kentucky seeking approval of the following action:

1. The issuance of a Certificate of Public Convenience and Necessity for the construction by the District of improvements to the District's water distribution system (the "Projects").
2. Subject to the approval of the Commission, the District proposes to finance the construction of the improvements identified above pursuant to the terms of a certain Letter of Conditions dated February 10, 2003, as amended by Letters dated October 28, 2003 and April 28, 2004 from the United States Department of Agriculture, Rural Development ("USDARD") to the District, whereunder USDARD proposes to lend to the District through the issuance of the District's Water Revenue Bonds, Series of 2004, the sum of approximately \$1,238,000 and supplemented by (a) a USDARD Grant in the amount of approximately \$900,000, (b) a Kentucky Infrastructure Authority Grant of \$745,000 and (c) a Tobacco Settlement Program Grant of \$413,000.
3. In accordance with the Letter of Conditions, as amended, the District will be required to amend its existing water rates and charges for the use and services of the distribution system for the District customers currently in effect, as follows:

<u>Gallonge Block</u>	<u>Existing Rate per Gallon</u>	<u>New Rates per Gallon</u>
5/8" x 3/4" Meter Size:		
First 2,000 gallons	\$11.55 Minimum Bill	\$13.85 Minimum Bill
Next 3,000 gallons	4.50 per 1,000 gallons	5.60 per 1,000 gallons
Next 5,000 gallons	3.90 per 1,000 gallons	4.85 per 1,000 gallons
Next 15,000 gallons	3.35 per 1,000 gallons	3.75 per 1,000 gallons
All Over 25,000 gallons	2.75 per 1,000 gallons	3.00 per 1,000 gallons
1" Meter Size (Residential & Non-Residential Out-of-Town):		
First 5,000 gallons	\$25.05 Minimum Bill	\$30.65 Minimum Bill
Next 5,000 gallons	3.90 per 1,000 gallons	4.85 per 1,000 gallons
Next 15,000 gallons	3.35 per 1,000 gallons	3.75 per 1,000 gallons
All Over 25,000 gallons	2.75 per 1,000 gallons	3.00 per 1,000 gallons
1 1/2" Meter Size (Non-Residential Out-of-Town):		
First 10,000 gallons	\$44.55 Minimum Bill	\$54.90 Minimum Bill
Next 15,000 gallons	3.35 per 1,000 gallons	3.75 per 1,000 gallons
All Over 25,000 gallons	2.75 per 1,000 gallons	3.00 per 1,000 gallons
2" Meter Size (Non-Residential Out-of-Town):		
First 16,000 gallons	\$64.65 Minimum Bill	\$77.40 Minimum Bill
Next 9,000 gallons	3.35 per 1,000 gallons	3.75 per 1,000 gallons
All Over 25,000 gallons	2.75 per 1,000 gallons	3.00 per 1,000 gallons

The Supplemental Petition will be filed pursuant to the provisions of KRS 278.023 and it is anticipated that an Order will be entered by the Public Service Commission approximately 30 days after the actual filing of the Supplemental Petition.

ADAIR COUNTY WATER DISTRICT
s/ Larry Legg, Chairman



NOV 09 2003

October 28, 2003

Mr. Larry Legg, Chairman
Adair County Water District
P.O. Box 567
Columbia, Kentucky 42728

Re: Letter of Conditions Dated February 10, 2003

Dear Mr. Legg:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated February 10, 2003. The purpose of the amendment is to revise the project funding and cost of the facility.

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

“ This letter is not to be considered as loan and/or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,238,000, a RUS grant not to exceed \$900,000, and a Kentucky Infrastructure Authority (KIA) 2020 grant of \$745,000. ”

Paragraph numbered "22" is revised to read as follows:

“ 22. Cost of Facility:

Breakdown of Costs:

Development	\$ 2,308,500
Legal and Administrative	30,000
Engineering	286,000
Interest	40,000
Contingencies	<u>218,500</u>
TOTAL	\$ 2,883,000

Financing:

RUS Loan	\$ 1,238,000
RUS Grant	900,000
KIA 2020 Grant	<u>745,000</u>
TOTAL	\$ 2,883,000 ”



Committed to the future of rural communities.

771 Corporate Drive, Suite 200, Lexington, KY 40503-5477
Telephone 859/224-7300; Fax 859/224-7340; TTY 859/224-7422

April 28, 2004

Mr. Larry Legg, Chairman
Adair County Water District
P.O. Box 567
Columbia, Kentucky 42728

Re: Letter of Conditions Dated February 10, 2003

Dear Mr. Legg:

This letter shall serve as Amendment No. 2 to the Letter of Conditions dated February 10, 2003. The purpose of this amendment is to revise the project funding and cost of the facility.

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

“ This letter is not to be considered as loan and/or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,238,000, a RUS grant not to exceed \$900,000, a Kentucky Infrastructure Authority (KIA) 2020 grant of \$745,000, and a Tobacco Settlement Program grant of \$413,000. ”

Paragraph numbered "22" is revised to read as follows:

“ 22. Cost of Facility:

Breakdown of Costs:

Development	\$ 2,001,000
Legal and Administrative	33,000
Engineering	256,000
Interest	40,000
Contingencies	<u>966,000</u>
TOTAL	\$ 3,296,000

Financing:

RUS Loan	\$ 1,238,000
RUS Grant	900,000
KIA 2020 Grant	745,000
Tobacco Settlement Program Grant	<u>413,000</u>
TOTAL	\$ 3,296,000 ”

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

" 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 RUS/KIA 2020/Tobacco Settlement Program grant funds and refunded in proportion to participation in the project. If the amount of unused grant funds exceeds the grants, that part would be RUS loan funds. "

Paragraph numbered "25" is revised to read as follows:

" 25. Rates and Charges:

Rates and charges for facilities and services rendered by the Water 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 Size:

First	2,000	gallons @ \$	13.85 - Minimum Bill.
Next	3,000	gallons @ \$	5.60 - per 1,000 gallons.
Next	5,000	gallons @ \$	4.85 - per 1,000 gallons.
Next	15,000	gallons @ \$	3.75 - per 1,000 gallons.
All Over	25,000	gallons @ \$	3.00 - per 1,000 gallons.

1" Meter Size (Residential & Non-Residential Out-of-Town):

First	5,000	gallons @ \$	30.65 - Minimum Bill.
Next	5,000	gallons @ \$	4.85 - per 1,000 gallons.
Next	15,000	gallons @ \$	3.75 - per 1,000 gallons.
All Over	25,000	gallons @ \$	3.00 - per 1,000 gallons.

1 1/2" Meter Size (Non-Residential Out-of-Town):

First	10,000	gallons @ \$	54.90 - Minimum Bill.
Next	15,000	gallons @ \$	3.75 - per 1,000 gallons.
All Over	25,000	gallons @ \$	3.00 - per 1,000 gallons.

2" Meter Size (Non-Residential Out-of-Town):

First	16,000	gallons @ \$	77.40 - Minimum Bill.
Next	9,000	gallons @ \$	3.75 - per 1,000 gallons.
All Over	25,000	gallons @ \$	3.00 - per 1,000 gallons. "

Paragraph numbered "27" is revised to read as follows:

" 27. Commitment of KIA 2020 and Tobacco Settlement Program Grant Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the KIA 2020 grant in the amount of \$745,000 and for the Tobacco Settlement Program grant in the amount of \$413,000. "

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

Sincerely,


KENNETH SLONE
State Director

cc: Area Director - Columbia, Kentucky
Rural Development Manager - Glasgow, Kentucky
Lake Cumberland ADD - Russell Springs, Kentucky
Marshal Loy - Columbia, Kentucky
✓ Henry M. Reed, III - Louisville, Kentucky
Monarch Engineering - Lawrenceburg, Kentucky
PSC - ATTN: Bob Amato - Frankfort, Kentucky

AMENDED WATER RATE ORDINANCE

AN ORDINANCE OF THE BOARD OF COMMISSIONERS OF ADAIR COUNTY WATER DISTRICT AMENDING RATES AND CHARGES FOR WATER SERVICE PROVIDED BY THE DISTRICT.

WHEREAS, Adair County Water District (the "District") applied to the Kentucky Public Service Commission ("PSC") for a Certificate of Public Convenience and Necessity authorizing and permitting said District to construct water distribution system improvements consisting of (a) Phase I which will provide a transmission line to connect the Adair County Water District to the City of Campbellsville's water system consisting of 27,000 feet of 18-inch water line, 3,100 feet of 8-inch water line, and a booster pump station that will connect to the 12-inch transmission main recently constructed, and (b) Phase II which will provide water to 113 new customers and consisting of 150,000 feet of 4-inch and 3-inch water lines and 24,000 feet of 8-inch water line that will replace an old deteriorated water main (the "Projects"), and,

WHEREAS, the District proposes to finance said Project through the issuance of \$1,238,000 of the District's "Water Revenue Bonds, Series of 2004," (the "Bonds") by the issuance thereof to the United States Department of Agriculture, Rural Development ("USDARD") supplemented by a USDARD Grant in the amount of \$900,000, a 2020 Grant from the Kentucky Infrastructure Authority in the amount of \$745,000 and a Grant from the Kentucky Tobacco Settlement Program in the amount of \$413,000, and,

WHEREAS, the District has applied to the Kentucky Public Service Commission for a Certificate of Public Convenience and Necessity and approval of a Schedule of Rates and Charges for water service in accordance with the USDARD Letter of Conditions, as amended:

NOW, THEREFORE, BE IT AND IT IS HEREBY ORDAINED BY THE BOARD OF COMMISSIONERS OF THE ADAIR COUNTY WATER DISTRICT AS FOLLOWS:

1. That subject to PSC approval commencing with the billing period corresponding to the month of July, 2004, the District's rates and charges for water service shall be as follows:

<u>Gallonge Block</u>	<u>Existing Rate per Gallon</u>	<u>New Rates per Gallon</u>
5/8" x 3/4" Meter Size:		
First 2,000 gallons	\$11.55 Minimum Bill	\$13.85 Minimum Bill
Next 3,000 gallons	4.50 per 1,000 gallons	5.60 per 1,000 gallons
Next 5,000 gallons	3.90 per 1,000 gallons	4.85 per 1,000 gallons
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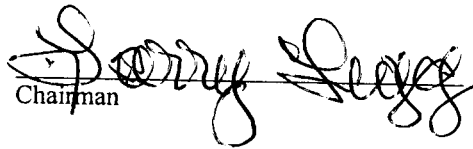
2. That all other rates and charges not specifically mentioned herein shall remain as presently effective.

3. That all ordinances or parts thereof and resolutions of the District in conflict with the provisions of this Ordinance are hereby repealed to the extent of such conflict.


4. That this Ordinance shall become effective upon its adoption and approval of the Public Service Commission.

Passed and adopted this 13th day of May, 2004.

ADAIR COUNTY WATER DISTRICT


Chairman

Attest:



Secretary

CERTIFICATE

I, the undersigned, duly authorized and acting Secretary of the Adair County Water District hereby certify that the foregoing is a true and correct copy of an Amended Rate Ordinance passed and adopted by the Board of Commissioners of the District by 5 voting for and 0 voting against said adoption, at a regular meeting held on the 13th day of May, 2004 at which a quorum was present and voting throughout said meeting.

Dated this 13th day of May, 2004.

ADAIR COUNTY WATER DISTRICT


Secretary

**SUPPLEMENTAL CERTIFICATION OF DISTRICT CHAIRMAN REGARDING
COMPLIANCE WITH PUBLIC SERVICE COMMISSION REQUIREMENTS**

The undersigned certifies that he is the duly authorized and acting Chairman of the Adair County Water District (the "District") which intends to file with the Public Service Commission of Kentucky ("PSC") a Supplemental Petition seeking a Certificate of Public Convenience and Necessity in connection with the construction of additions, extensions, and improvements to the District's water distribution system, consisting of Phase II which will provide water to 113 new customers and consisting of 150,000 feet of 4-inch and 3-inch water lines and 24,000 feet of 8-inch water line that will replace an old deteriorated water main (the "Project").

The undersigned has executed this Certificate in reliance upon information and advice of Monarch Engineering, Inc., Lawrenceburg, Kentucky (the "Engineers") which firm has been retained by the District to provide engineering services in connection with the Project.

The undersigned states that the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements established in 807 KAR 5:066, Section 4(3) and (4), Section 5(1), Sections 6 and 7, Section 8(1) through (3), Section 9(1) and Section 10.

The undersigned states that all other State approvals or permits have been obtained.

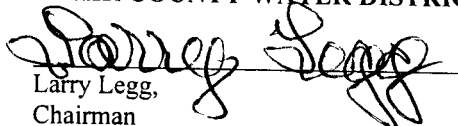
The undersigned further certifies that the Project is to be financed through the issuance of the District's Water Revenue Bonds, Series of 2004, in the principal amount of approximately \$1,238,000 (the "Bonds") which are to be sold to the United States of America, acting through the U.S. Department of Agriculture, Rural Development ("USDARD"), a Grant from USDARD in the amount of \$900,000, a Kentucky Infrastructure Authority 2020 Grant in the amount of \$745,000, and a Kentucky Tobacco Settlement Program Grant in the amount of \$413,000.

Based upon the information supplied by the Engineers, it is estimated that construction of the Project will commence on or about July 1, 2004 and end on or about November 1, 2004.

Based upon the advice of the Engineers and USDARD, the undersigned believes that an increase in water rates will be required by the District, as existing rates will not be sufficient to meet the expenses incident to the operation and maintenance of the District's water distribution system, pay and retire all of the District's outstanding Water Revenue Bonds and meet the increased wholesale costs of water from the District's present suppliers. The District has adopted an Amended Water Rate Ordinance which is submitted to the Public Service Commission concurrently with the submission of this Certificate.

Dated this 17th day of May, 2004.

ADAIR COUNTY WATER DISTRICT


Larry Legg,
Chairman



United States
Department of
Agriculture

Rural
Development

771 Corporate Drive, Suite 200
Lexington, KY 40503-5477
(606) 224-7336 TTY(606) 224-7422

May 17, 2004

SUBJECT: Contract Award Concurrence
Adair County Water District- Phase V
Contract 16
Adair County Water District

TO: Rural Development Manager
Columbia, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of subject contract to the low bidder, United Pipeline, Inc. in the amount of \$844,385.00.

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

for
KENNETH SLONE
State Director
Rural Development

cc: Monarch Engineering, Inc.
Lawrenceburg, Kentucky

Hank Reed Law Office
Louisville, Kentucky