

# Rubin & Hays

ATTORNEYS AT LAW

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

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

PARALEGAL  
MARY M. EMBRY

August 18, 2005

RECEIVED

AUG 22 2005

PUBLIC SERVICE  
COMMISSION

Ms. Beth O'Donnell, Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

Re: South Logan Water Association

Case No. 2005-00338

Dear Ms. O'Donnell:

Enclosed please find the original and ten (10) copies of the Application of the South Logan Water Association for a Certificate of Public Convenience and Necessity to construct, finance and increase rates pursuant to KRS 278.023.

Also enclosed are eleven (11) copies of the exhibits required pursuant to 807 KAR 5.069, with the **exception of the Preliminary and Final Engineering Reports, of which two copies are enclosed.**

If you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By   
W. Randall Jones

WRJ:jkm  
Enclosures

cc: Mr. John Lee Barnes, SLWA  
Mr. Chris Wilcutt, McGhee Engineering  
Mr. Jerry Cloyd, RD

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 22 2005

PUBLIC SERVICE  
COMMISSION

In the Matter of:

**THE APPLICATION OF SOUTH LOGAN WATER )  
ASSOCIATION, INC., OF LOGAN COUNTY, )  
KENTUCKY FOR A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY TO CONSTRUCT, )  
FINANCE AND INCREASE CHARGES PURSUANT )  
TO THE PROVISIONS OF KRS 278.023 )**

NO. 2005-00338

**APPLICATION**

This Application of the South Logan Water Association, Inc., (the "Applicant") of Logan County, Kentucky, respectfully shows:

1. That the Applicant is a non-profit water association of Logan County, Kentucky, created and existing under and by virtue of Chapter 273 of the Kentucky Revised Statutes. A copy of Applicant's Articles of Incorporation and Amendments were previously filed with the Commission in **Case No. 97-465**.

2. That the post office address of the Applicant is:

South Logan Water Association, Inc.  
c/o Mr. John Lee Barnes, President  
P.O. Box 277  
Adairville, Kentucky 42202

3. That the Applicant, pursuant to the provisions of KRS 278.020 and 278.023, seeks (i) a Certificate of Public Convenience and Necessity, permitting the Applicant to construct a waterworks construction project, consisting of extensions, additions, and improvements (the "Project") to the existing waterworks system of the Applicant; (ii) approval of the proposed plan of financing said Project; and (iii) an Order approving increased rates and charges.

4. That the proposed Water System Extension Project will extend service along several rural roads in southern Logan County. The proposed project includes the construction and installation of (i) approximately 19.4 miles of water line on eleven rural roadways; (ii) a 200,000

gallon elevated water storage tank; (iii) a booster pump station; and (iv) an upgraded telemetry system.

5. That the Applicant proposes to finance the construction of the Project through (i) issuance of a \$780,000 Promissory Note; (ii) a grant from the United States Department of Agriculture, acting through Rural Development ("RD") in the amount of \$520,000; and (iii) a State Budget Allocation grant in the amount of \$350,000. The Applicant has a commitment from RD to purchase said \$780,000 Promissory Note maturing over a 40-year period, at an interest rate of not exceeding 4.375% per annum, as set out in the RD Letter of Conditions filed herewith as an Exhibit.

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

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

- A. Copy of RD Letter of Conditions, as amended.
- B. Copy of RD Letter of Concurrence in Bid Award.
- C. Copy of Preliminary and Final Engineering Reports.
- D. Certified statement from the President of the Applicant, based upon statements of the Engineers for the Applicant, concerning the following:
  - (1) The proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066, Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10;
  - (2) All other state approvals or permits have already been obtained;
  - (3) The proposed rates of the Applicant shall produce the total revenue requirements set out in the engineering reports; and
  - (4) Setting out the dates when it is anticipated that construction will begin and end.

8. That Applicant has arranged for the publication, prior to or at the same time this Application is filed, of a Notice of Proposed Rate Change pursuant to Section 2 of 807 KAR 5:069, in the News Democrat and Leader, which is the newspaper of general circulation in Applicant's service area and in Logan County, Kentucky. Said Notice sets out the current charges and the

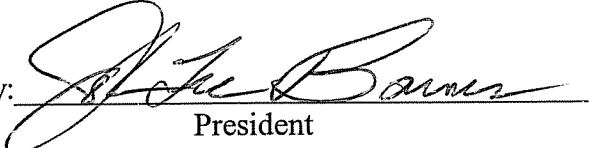
proposed charges of Applicant and a short description of the Project. A copy of said Notice is filed herewith as an Exhibit.

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


WHEREFORE, the Applicant, the South Logan Water Association, Inc., asks that the Public Service Commission of the Commonwealth of Kentucky grant to the Applicant the following:

- a. A Certificate of Public Convenience and Necessity permitting the Applicant to construct a waterworks project consisting of extensions, additions, and improvements to the existing waterworks system of the Applicant.
- b. An Order approving the financing arrangements made by the Applicant, viz., the issuance of a \$780,000 Promissory Note at an interest rate of not exceeding 4.375% per annum; an RD grant in the amount of \$520,000; and a State Budget Allocation grant in the amount of \$350,000.
- c. An Order approving the proposed rates and charges as set out in Section 27 of the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

SOUTH LOGAN WATER ASSOCIATION, INC.

By:   
President  
Board of Directors

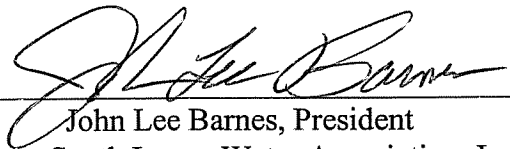
RUBIN & HAYS

By:   
Counsel for Applicant  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
(502) 569-7525

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF LOGAN )

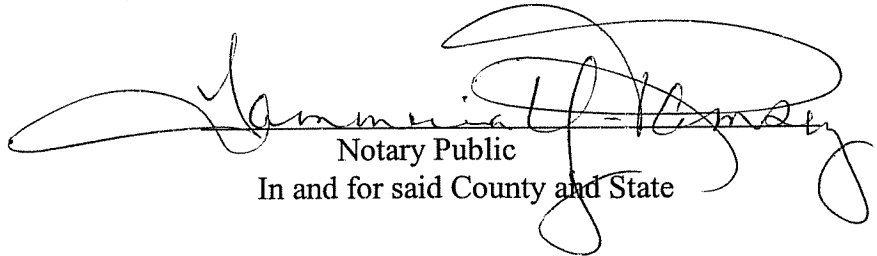
The undersigned, John Lee Barnes, being duly sworn, deposes and states that he is the President of the Board of Directors of the South Logan Water Association, Inc., the Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this August \_\_\_\_\_, 2005.

  
\_\_\_\_\_  
John Lee Barnes, President  
South Logan Water Association, Inc.

Subscribed, sworn and acknowledged to before me by John Lee Barnes, President of the Board of Directors of the South Logan Water Association, Inc., on this August 17, 2005.

My Commission expires: July 13, 2006.

  
\_\_\_\_\_  
Notary Public  
In and for said County and State

(Seal of Notary)





**Rural Development**  
*A mission area of the*  
**United States Department of Agriculture**

771 Corporate Drive, Suite 200  
Lexington, KY 40503-5477  
859/224-7336 Fax 859/224-7344  
TTY 859/224-7422

Rural Business  
Cooperative Service

April 6, 2004

Rural Housing  
Service

Rural Utilities  
Service

Mr. Thad E. Rogers, President  
South Logan Water Association, Inc.  
P.O. Box 4317  
Adairville, Kentucky 42202

Dear Mr. Rogers:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. The loan and/or grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area office staff of USDA Rural Development. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by USDA Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application. It should also be understood that Rural Development is under no obligation to provide additional funds to meet an overrun in construction costs.

This letter is not to be considered as loan and/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 \$780,000 and a RUS grant not to exceed \$520,000.

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 240 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application.

In signing Form RD 1942-46, "Letter of Intent to Meet Conditions," you are agreeing to complete the following as expeditiously as possible:

1. Number of Users and Their Contribution:

There shall be 1,557 water users, of which 1,540 are existing users and 17 are new users. The Area Director will review and authenticate the number of users prior to advertising for construction bids. No cash contribution is required by the Association.

2. Grant Agreement:

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

3. Drug-Free Work Place:

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

4. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed 40 years from the date of the Promissory Note. Principal payment will not be deferred for a period in excess of two years from the date of the Promissory Note. The Association will be required to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the Promissory Note is held or insured by RUS.

5. Recommended Repayment Method:

Payments on this loan can 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 SF 5510, "Authorization Agreement for Preauthorized Payments," should be signed by the Association to authorize the electronic withdrawal of funds from your designated bank account on the exact installment payment due date. The Area Director will furnish the necessary forms and further guidance on the PAD procedure.

6. Funded Depreciation Reserve Account:

The Association will be required to deposit \$375.00 per month into a "Funded Depreciation Reserve Account" until the account reaches \$45,000. The deposits are to be resumed any time the account falls below the \$45,000.

The required monthly deposits to the Reserve Account and required Reserve account levels are in addition to the requirements of the Association's prior note 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.



7. Security Requirements:

The loan will be secured by a real estate mortgage, a financing statement, and pledge of gross water revenue, in the Loan Resolution and Financing Statement.

8. Land Rights and Real Property:

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

9. Organization:

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

10. Business Operations:

The Association 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 Association after review by Rural Development. At no later than loan pre-closing, the Association 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, bookkeeping, making and delivering required reports and audits.

11. Accounts, Records and Audits:

The Association will be required to maintain adequate records and accounts and submit annual budgets and year-end reports (annual audits) in accordance with 1780.47 of RUS Instruction 1780 and RUS Staff Instruction 1780-4, a copy of which is enclosed.

12. Accomplish Audits for Years in Which Federal Financial Assistance is Received:

The Association will accomplish audits in accordance with OMB Circular A-133, during the years in which federal funds are received. The Association will provide copies of the audits to the Area Office and the appropriate Federal cognizant agency as designated by OMB Circular A-133.

13. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the Association. The Association should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The Association will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The Association 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 \$103,000.
- D. Real Property Insurance - The Association 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 Association 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 Association will obtain and maintain adequate coverage on any facilities located in special flood and mudslide prone areas.

14. Planning and Performing Development:

- A. The engineer should not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost shown in paragraph "24" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 210 days from this date, and prepare bid documents. The Area Director is prepared to furnish the necessary guide for him 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.

15. Compliance with Section 504 of the Rehabilitation Act of 1973:

The Association will be required to comply with Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), in order to make sure no handicapped individual, solely by reason of their handicap, is excluded from participation in the use of the water system, be denied the benefits of the water system, or be subjected to discrimination.

16. Closing Instructions:

The Office of General Counsel, our Regional Attorney, will be required to write closing instructions in connection with this loan. Conditions listed therein must be met by the Association.

17. Compliance with Special Laws and Regulations:

The Association will be required to conform with any and all state and local laws and regulations affecting this type project.

18. System Operator:

The Association is reminded that the system operator must have an Operator's Certificate issued by the State.

19. Prior to Pre-Closing the Loan, the Association Will Be Required to Adopt:

- A. Form RD 1942-8, "Resolution of Members or Stockholders."
- B. Form RUS Bulletin 1780-28, "Loan Resolution Security Agreement."
- C. Form RD 400-1, "Equal Opportunity Agreement."
- D. Form RD 400-4, "Assurance Agreement."
- E. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- F. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."

G. RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."

The Association must offer the opportunity for all residents in the service area to become users of the facilities regardless of race, creed, color, religion, sex, national origin, marital status, physical or mental handicap or level of income.

20. Refinancing and Graduation Requirements:

The Association is reminded that if at any time it shall appear to the Government that the Association 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 Association will apply for and accept such loan in sufficient amount to repay the Government.

21. Commercial Interim Financing:

The Association 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 Association will be required to provide Rural Development with statements from the contractor, engineer and attorneys that they have been paid to date in accordance with their contract or other agreements and, in the case of the contractor, that he has paid his suppliers and sub-contractors.

22. Disbursement of Project Funds:

A construction account for the purpose of disbursement of project funds (RUS) will be established by the Association 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.

During construction, the Association 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 Association, 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 Association.

Form RD 440-11, "Estimate of Funds Needed for 30-Day Period Commencing \_\_\_\_\_," will be prepared by the Association and submitted to Rural Development in order that a periodic advance of federal cash may be requested.

Monthly audits of the Association's construction account records shall be made by Rural Development.

23. Disbursement of Grant Funds:

The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of obligations due and payable by the Association. Grant funds, upon receipt, must be deposited in an interest bearing account in accordance with 7 CFR part 3019 (as applicable). Interest earned on grant funds in excess of \$250 (as applicable) per year will be submitted to RUS at least quarterly.

24. Cost of Facility:

## Breakdown of Costs:

Development	\$ 987,200
Land and Rights	15,000
Legal and Administrative	27,000
Engineering	151,800
Interest	20,000
Contingencies	<u>99,000</u>
TOTAL	\$ 1,300,000

## Financing:

RUS Loan	\$ 780,000
RUS Grant	<u>520,000</u>
TOTAL	\$ 1,300,000

25. Debt Collection Improvement Act (DCIA) of 1996:

The Debt Collection Improvement Act (DCIA) of 1996 requires that all federal payments after January 1, 1999, must be made by Electronic Funds Transfer/Automated Clearinghouse (EFT/ACH). Borrowers receiving payments 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.

26. Use of Remaining Project Funds:

After providing for all authorized costs, any remaining project funds will be considered to be RUS grant funds and refunded to RUS. If the amount of unused grant funds exceeds the grant, that part would be RUS loan funds.

27. Rates and Charges:

Rates and charges for facilities and services rendered by the Association 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:

First	2,000	gallons @ \$	6.70 - per 1,000 gallons.
Next	8,000	gallons @ \$	6.44 - per 1,000 gallons.
Next	40,000	gallons @ \$	6.18 - per 1,000 gallons.
Next	50,000	gallons @ \$	5.93 - per 1,000 gallons.
All Over	100,000	gallons @ \$	5.67 - per 1,000 gallons.

In addition to the above rates, the following monthly charges will apply:

5/8" Meter	\$4.65
1" Meter	\$5.94
1 1/2" Meter	\$9.59
2" Meter	\$16.89
3" Meter	\$24.19

28. Water Purchase Contract:

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

29. Floodplain Construction:

The Association will be required to pass and adopt a Resolution or amend its By-Laws whereby the Association 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 Association 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 Kentucky Department for Local Government letter dated January 8, 2004, from Mr. Ronald A. Cook, Manager.

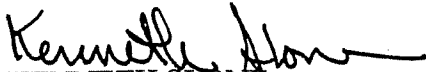
- B. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without affect after construction is complete. The Army Corps of Engineers Nationwide Permit No. 12 applies to all floodplain and wetland utility line construction.
- C. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.

31. Final Approval Conditions:

Final approval of this loan 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,

  
KENNETH SLONE  
State Director

Enclosures

cc: Area Director - Princeton, Kentucky  
Rural Development Manager - Elkton, Kentucky  
Barren River ADD - Bowling Green, Kentucky  
Fred Green - Russellville, Kentucky  
McGhee Engineering, Inc. - Guthrie, Kentucky  
PSC - ATTN: Bob Amato - Frankfort, Kentucky



United States Department of Agriculture  
Rural Development  
Kentucky State Office

July 27, 2005

Mr. Thad E. Rogers, President  
South Logan Water Association, Inc.  
P.O. Box 4317  
Adairville, Kentucky 42202

Re: Letter of Conditions Dated April 6, 2004

Dear Mr. Rogers:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated April 6, 2004. The purpose of this amendment is to (1) revise the total cost of the proposed project due to a construction bid overrun, (2) revise the total funding requirement by adding KIA funds, (3) revise rates and charges, and (4) revise the Civil Rights and EEO statement.

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 \$780,000, a RUS grant not to exceed \$520,000, and a Kentucky Infrastructure Authority (KIA) grant of \$350,000. ”

Paragraph numbered “15.” is revised to read as follows:

“ 15. Civil Rights & Equal Opportunity:

You should be aware of and will be required to comply with other federal statute requirements including but not limited to:

A. Section 504 of the Rehabilitation Act of 1973:

Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Rural Development financial assistance.



B. Civil Rights Act of 1964:

All borrowers are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and Subpart E of Part 1901 of this Title, particularly as it relates to conducting and reporting of compliance reviews. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by paragraph 1901.202(e) of this Title.

C. The Americans with Disabilities Act (ADA) of 1990:

This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, state and local government services, public transportation, public accommodations, facilities, and telecommunications. Title II of the Act applies to facilities operated by state and local public entities that provide services, programs, and activities. Title III of the Act applies to facilities owned, leased, or operated by private entities that accommodate the public.

D. Age Discrimination Act of 1975:

This Act (42 U.S.C. 6101 et seq.) provides that no person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

Rural Development financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap. ”

Paragraph numbered “24.” is revised to read as follows:

“ 24. Cost of Facility:

Breakdown of Costs:

Development	\$ 1,151,000
Land and Rights	10,000
Legal and Administrative	20,000
Engineering	161,300
Interest	20,000
Contingencies	<u>287,700</u>
TOTAL	\$ 1,650,000

Financing:

RUS Loan	\$ 780,000
RUS Grant	520,000
KIA Grant	<u>350,000</u>
TOTAL	\$ 1,650,000 ”

Paragraph numbered "26." is revised to read as follows:

" 26. Use of Remaining Project Funds:

After providing for all authorized costs, any remaining project funds will be considered to be RUS/KIA grant funds and refunded to RUS. If the amount of unused grant funds exceeds the grant, that part would be RUS loan funds. "

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

" 27. Rates and Charges:

Rates and charges for facilities and services rendered by the Association must be at least adequate to meet cost of maintaining, repairing and operating the utility 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:

Meter Size

5/8 " x 3/4 "	First	2,000	gallons @ \$	19.80 - Minimum Bill.
1-inch	First	2,000	gallons @ \$	38.50 - Minimum Bill.
1.5-inch	First	2,000	gallons @ \$	55.30 - Minimum Bill.
3-inch	First	2,000	gallons @ \$	85.70 - Minimum Bill.
3-inch	First	2,000	gallons @ \$	115.70 - Minimum Bill.
4-inch	First	2,000	gallons @ \$	150.00 - Minimum Bill.
All	Next	8,000	gallons @ \$	6.70 - per 1,000 gallons.
All	Next	40,000	gallons @ \$	6.44 - per 1,000 gallons.
All	Next	50,000	gallons @ \$	6.18 - per 1,000 gallons.
All	All Over	100,000	gallons @ \$	5.93 - per 1,000 gallons. "

Paragraph numbered "32." is revised to read as follows:

" 32. 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 KIA grant in the amount of \$350,000. "

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

Sincerely,

*Kenneth Slone*  
KENNETH SLONE  
State Director

cc: Area Director - Princeton, Kentucky  
Rural Development Manager - Elkton, Kentucky  
Barren River ADD - Bowling Green, Kentucky  
Fred Green - Russellville, Kentucky  
McGhee Engineering, Inc. - Guthrie, Kentucky  
✓PSC - ATTN: Bob Amato - Frankfort, Kentucky

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United States Department of Agriculture  
Rural Development  
Kentucky State Office

August 4, 2005

Mr. Thad E. Rogers, President  
South Logan Water Association, Inc.  
P.O. Box 4317  
Adairville, Kentucky 42202

Re: Letter of Conditions Dated April 6, 2004

Dear Mr. Rogers:

This letter shall serve as Amendment No. 2 to the Letter of Conditions dated April 6, 2004. The purpose of this amendment is to revise the rates and charges.

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

" 27. Rates and Charges:

Rates and charges for facilities and services rendered by the Association must be at least adequate to meet cost of maintaining, repairing and operating the utility 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:

Meter Size:

5/8 " x 3/4 "	First	2,000	gallons @ \$	19.80 - Minimum Bill.
1-inch	First	2,000	gallons @ \$	38.50 - Minimum Bill.
1.5-inch	First	2,000	gallons @ \$	55.30 - Minimum Bill.
2-inch	First	2,000	gallons @ \$	85.70 - Minimum Bill.
3-inch	First	2,000	gallons @ \$	115.70 - Minimum Bill.
4-inch	First	2,000	gallons @ \$	150.00 - Minimum Bill.
All	Next	8,000	gallons @ \$	6.70 - per 1,000 gallons.
All	Next	40,000	gallons @ \$	6.44 - per 1,000 gallons.
All	Next	50,000	gallons @ \$	6.18 - per 1,000 gallons.
All	All Over	100,000	gallons @ \$	5.93 - per 1,000 gallons.

771 Corporate Drive • Suite 200 • Lexington, KY 40503  
Phone: (859) 224-7300 • Fax: (859) 224-7425 • TDD: (859) 224-7422 • Web: <http://www.rurdev.usda.gov/ky>

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Connection Charges:

<u>Meter Size</u>	<u>Connection Charges</u>
5/8 " x 3/4 "	\$ 550.00
1-inch	\$ 650.00
1.5-inch	\$ 750.00
2-inch	\$ 900.00
3-inch	\$ 2,574.00
4-inch	\$ 3,445.00

Non-Recurring Charges:

	<u>Regular Hours</u>	<u>After Hours</u>
Reconnect/Disconnect Fee	\$ 25.00	\$ 45.00
Inspection Fee (New Meter Sets)	\$ 25.00	
Meter Re-Read (Reading Accurate)	\$ 25.00	
Meter Test (Customer Request)	\$ 35.00	
Returned Check Fee	\$ 25.00 "	

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

Sincerely,

*Kenneth Slone*  
 KENNETH SLONE  
 State Director

- cc: Area Director - Princeton, Kentucky
- Rural Development Manager - Elkton, Kentucky
- Barren River ADD - Bowling Green, Kentucky
- Fred Green - Russellville, Kentucky
- McGhee Engineering, Inc. - Guthrie, Kentucky
- PSC - ATTN: Bob Amato - Frankfort, Kentucky





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

August 17, 2005

**SUBJECT:** South Logan Water Association  
Water System Extensions  
Contract Award Concurrence

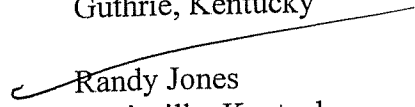
**TO:** Area Director  
Princeton, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of subject contract to the low bidder on Contract 1, Stotts Construction Co., Inc., in the amount of \$749,610.30, and the low bidder on Contract 2, Caldwell Tanks, Inc., in the amount of \$355,100.00.

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

  
KENNETH SLONE  
State Director  
Rural Development

cc: McGhee Engineering, Inc.  
Guthrie, Kentucky

  
Randy Jones  
Louisville, Kentucky

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**CERTIFICATE OF PRESIDENT OF SOUTH LOGAN WATER ASSOCIATION, INC., AS TO STATEMENT REQUIRED BY SECTION 1(5) OF 807 KAR 5:069**

I, John Lee Barnes, hereby certify that I am the duly qualified and acting President of the South Logan Water Association, Inc., of Logan County, Kentucky, and that said Association is in the process of arranging to finance the construction of extensions, additions and improvements to the existing waterworks system of the Association (the "Project"), in cooperation with the Engineers for the Association, McGhee Engineering, Inc., Guthrie, Kentucky.

Based on information furnished to me by said Engineers for the Association, I hereby certify as follows:

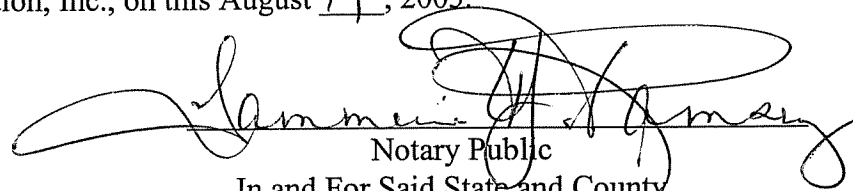
1. That the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.
2. That all other state approvals and/or permits have already been obtained.
3. That the proposed rates of the Association shall produce the total revenue requirements set out in the engineering reports.
4. That it is now contemplated that construction of the Project will begin on or about September 6, 2005, and will end on or about September 1, 2006.

IN TESTIMONY WHEREOF, witness my signature this August 17<sup>th</sup> 2005.

  
\_\_\_\_\_  
President  
South Logan Water Association, Inc.

STATE OF KENTUCKY    )  
  ) SS  
COUNTY OF LOGAN    )

Subscribed and sworn to before me by John Lee Barnes, President of the Board of Directors of the South Logan Water Association, Inc., on this August 17, 2005.

  
\_\_\_\_\_  
Notary Public  
In and For Said State and County

(Seal of Notary)



## NOTICE OF PROPOSED RATE CHANGE

In accordance with the requirements of the Public Service Commission of the Commonwealth of Kentucky as set out in 807 KAR 5:069, Section 2, notice is hereby given to the customers of the South Logan Water Association of an proposed change in the Association's water rates and charges as set forth herein. The proposed change is required by Rural Development in connection with a loan by RD to the Association in the amount of \$780,000 to be evidenced by the issuance by the Association of its Promissory Note in such amount, which RD has agreed to purchase provided the Association meets certain conditions of RD, including revising the water rates and charges as set forth below:

### Current Monthly Rates

#### Customer Charge:

5/8" x 3/4" Meters:	\$ 4.65
1" Meters:	5.94
1-1/2" Meters:	9.59
2" Meters:	16.89
4" Meters:	24.19

#### Water Usage:

First 2,000 gallons	\$6.70 per 1,000 gallons
Next 8,000 gallons	6.44 per 1,000 gallons
Next 40,000 gallons	6.18 per 1,000 gallons
Next 50,000 gallons	5.93 per 1,000 gallons
All over 100,000 gallons	5.67 per 1,000 gallons

#### Connection Charges

##### Meter Size

5/8" x 3/4"	\$450.00
3/4"	500.00
1"	550.00
1-1/2"	700.00
2"	950.00

### Non-Recurring Charges

Field Collection Charge	\$25.00
Returned Check Fee	25.00
Customer Application Fee	25.00

**Proposed Monthly Rates**

Meter Size:

5/8" x 3/4"	First 2,000 gallons	\$19.80 minimum bill
1"	First 2,000 gallons	38.50 minimum bill
1-1/2"	First 2,000 gallons	55.30 minimum bill
2"	First 2,000 gallons	85.70 minimum bill
3"	First 2,000 gallons	115.70 minimum bill
4"	First 2,000 gallons	150.00 minimum bill
All sizes	Next 8,000 gallons	6.70 per 1,000 gallons
All sizes	Next 40,000 gallons	6.44 per 1,000 gallons
All sizes	Next 50,000 gallons	6.18 per 1,000 gallons
All sizes	All over 100,000 gallons	5.93 per 1,000 gallons

Connection Charges

Meter Size

5/8" x 3/4"	\$550.00
1"	650.00
1-1/2"	750.00
2"	900.00
3"	2,574.00
4"	3,445.00

Non-Recurring Charges

Regular Hours

After Hours

Reconnection/Disconnection Charge	\$25.00	\$45.00
Inspection Fee (New Meter Sets)	25.00	
Meter Re-Read (Reading Accurate)	25.00	
Meter Test (Customer Request)	35.00	
Returned Check Fee	25.00	

The RD loan proceeds will be used in conjunction with (i) an RD Grant in the amount of \$520,000; and (ii) a State Budget Allocation grant in the amount of \$350,000 to finance the cost of improvements to the waterworks system of the Association, consisting of the installation of approximately 19.4 miles of water line, a new booster pump station, telemetry system upgrades and a 200,000 gallon elevated water storage tank. Signed: John Lee Barnes, President, South Logan Water Association.