

# Rubin & Hays

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PARALEGAL  
MARY M. EMBRY

August 29, 2006

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

RECEIVED  
AUG 30 2006  
PUBLIC SERVICE  
COMMISSION

Re: **Whitley County Water District - Case No. 2006-00367**

Dear Ms. O'Donnell:

Enclosed please find the original and ten (10) copies of the Amendment to Application of the Whitley County Water District. The purpose of the Amendment is to revise the water rates contained in the original Application.

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

Sincerely,

Rubin & Hays

By   
W. Randall Jones

WRJ:jl  
Enclosures  
cc: Distribution List

**DISTRIBUTION LIST**

Account No. 2344.0000

**Re: Whitley County Water District Waterworks Revenue Bonds, Series 2006 in the principal amount of \$295,000 (West Highway 92 Water Project)**

Mr. Kenneth Slone  
State Director  
Rural Development  
771 Corporate Drive, Suite 200  
Lexington, Kentucky 40503-5477

Telephone: (859) 224-7336  
Fax: (859) 224-7425

Mr. Tom Partin  
Rural Development  
95 South Laurel Road, Suite A  
London, Kentucky 40744

Telephone: (606) 864-2172  
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Ms. Kathy Moyers, Office Manager  
Whitley County Water District  
19 South Highway 25W  
Williamsburg, Kentucky 40769

Telephone: (606) 549-3600  
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Carlos E. Miller, P.E.  
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Frankfort, Kentucky 40601

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Williamsburg, Kentucky 40769

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

Telephone: (502) 569-7534  
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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 30 2006

PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WHITLEY COUNTY WATER )
DISTRICT FOR A CERTIFICATE OF PUBLIC )
CONVENIENCE AND NECESSITY TO CONSTRUCT, ) Case No. 2006-00367
FINANCE AND INCREASE RATES PURSUANT )
TO KRS 278.023. )

AMENDMENT TO APPLICATION

Whitley County Water District ("Applicant"), by Counsel, respectfully files this Amendment to it's Application in Case No. 2006-00367, as follows:

1. That Applicant filed a case under KRS 278.023 asking for an Order issuing a Certificate of Public Convenience and Necessity to construct a water improvement project, approval of the financing plan and approval of increased water rates.

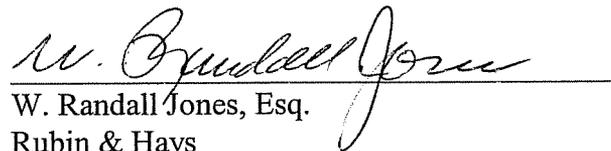
2. That it has been determined by USDA, acting through Rural Development ("RD"), that due to the fact that certain wholesale rates under which Applicant purchases water have recently been increased, the rates set forth in the original RD Letter of Conditions are not sufficient to generate the required revenues.

3. That accordingly, RD has issued Amendment No. 1 to the original Letter of Conditions, which Amendment sets forth new water rates Applicant is required to charge, said Amendment being attached hereto as Exhibit A.

4. That Applicant has arranged for the publication, prior to or at the same time this Amendment is filed, of a Revised Notice of Proposed Rate Change pursuant to Section 2 of 807 KAR 5:069, in the Whitley County News Journal, which is the newspaper of general circulation in Applicant's service area and in Whitley County, Kentucky. Said Notice sets out the Applicant's current rates and proposed rates and a short description of the Project. A copy of said Notice is filed herewith as an Exhibit.

WHEREFORE, Applicant, Whitley County Water District, by Counsel, asks that the Public Service Commission to issue it's Order as to the following:

- a. A Certificate of Public Convenience and Necessity permitting Applicant to construct a waterworks project consisting of extensions, additions, and improvements to the existing waterworks system of Applicant.
- b. An Order approving the financing arrangements made by Applicant, viz., the issuance of (i) \$295,000 of Whitley County Water District Waterworks Revenue Bonds at an interest rate of not exceeding 4.375% per annum; (ii) an RD grant in the amount of \$350,000; (iii) an ARC grant in the amount of \$400,000; (iv) a State Tobacco Fund grant in the amount of \$600,000; and (v) a District contribution in the amount of \$30,000.
- c. An Order approving the proposed increased rates as set out in Section 27 of Amendment No. 1 to the RD Letter of Conditions filed herewith as an Exhibit.

  
W. Randall Jones, Esq.  
Rubin & Hays  
Counsel for Applicant  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
(502) 569-7534



United States Department of Agriculture  
Rural Development  
Kentucky State Office

August 25, 2006

Mr. Walter B. Estes, Chairman  
Whitley County Water District  
19 South Highway 25W  
Williamsburg, Kentucky 40769

Re: Letter of Conditions Dated April 6, 2004

Dear Mr. Estes:

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 number of users; (2) revise the Civil Rights and EEO statement; (3) revise the cost of the facility; (4) revise the rates and charges; and (5) add the Compliance with the Bioterrorism Act statement.

Paragraph numbered "1" is revised to read as follows:

" 1. Number of Users and Their Contribution:

There shall be 2,856 water users, of which 2,811 are existing users and 45 are new users contributing \$30,000 in connection fees toward the cost of the project. The connection fees will be collected prior to advertising for construction bids and will be placed in the construction account at loan pre-closing, unless spent for authorized purposes prior to loan pre-closing. The Area Director will review and authenticate the number of users and amount of connection fees prior to advertising for construction bids. "

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.

771 Corporate Drive • Suite 200 • Lexington, KY 40503  
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"USDA is an equal opportunity provider, employer and lender."  
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1400 Independence Avenue, SW, Washington, DC 20250-9410  
or call (800) 795-3272 (voice) or (202) 720-6382 (TDD)

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                         | \$ 1,202,240   |
| Land and Rights                     | 10,000         |
| Legal and Administrative            | 24,000         |
| (Includes Tobacco Grant Admin. Fee) |                |
| Engineering                         | 169,710        |
| Interest                            | 50,000         |
| Reimbursement to                    | 46,400         |
| McCreary Co. Water District         |                |
| Contingencies                       | <u>172,650</u> |
| TOTAL                               | \$ 1,675,000   |

Financing:

|                           |                |
|---------------------------|----------------|
| RUS Loan                  | \$ 295,000     |
| RUS Grant                 | 350,000        |
| ARC Grant                 | 400,000        |
| State Tobacco Grant       | 600,000        |
| Applicant Connection Fees | <u>30,000</u>  |
| TOTAL                     | \$ 1,675,000 ” |

Paragraph numbered “27” is revised to read as follows:

“ 27. Rates and Charges:

Rates and charges for facilities and services rendered by the District must be at least adequate to meet cost of maintaining, repairing and operating the water 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    | 1,000   | gallons @ \$ | 18.93 - Minimum Bill.       |
| Next     | 4,000   | gallons @ \$ | 6.39 - per 1,000 gallons.   |
| Next     | 95,000  | gallons @ \$ | 5.97 - per 1,000 gallons.   |
| All Over | 100,000 | gallons @ \$ | 5.42 - per 1,000 gallons. ” |

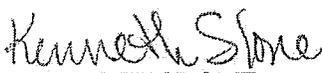
Paragraph numbered “33” is added to read as follows:

“ 33. 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). ”

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

Sincerely,

  
 KENNETH SLONE  
 State Director

- cc: Area Director - London, Kentucky
- Rural Development Manager - London, Kentucky
- Cumberland Valley ADD - London, Kentucky
- Rubin and Hays - Louisville, Kentucky
- Jane Butcher - Williamsburg, Kentucky
- Kenvirons, Inc. - Frankfort, Kentucky
- PSC - ATTN: Bob Amato - Frankfort, Kentucky

**REVISED 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 Whitley County Water District of a change to the District's rate schedule as set forth herein. The rate change is required by USDA, Rural Development in connection with a loan by RD to the District in the amount of \$295,000 to be evidenced by the issuance by the District of its Waterworks Revenue Bonds in such amount, which RD has agreed to purchase provided the District meets certain conditions of RD, including revising water rates as set forth below:

**Current Monthly Rates**

|                          |                        |
|--------------------------|------------------------|
| First 1,000 gallons      | \$14.83 minimum bill   |
| Next 4,000 gallons       | 5.10 per 1,000 gallons |
| Next 95,000 gallons      | 4.67 per 1,000 gallons |
| All over 100,000 gallons | 4.25 per 1,000 gallons |

**Proposed Monthly Rates**

|                          |                        |
|--------------------------|------------------------|
| First 1,000 gallons      | \$18.93 minimum bill   |
| Next 4,000 gallons       | 6.39 per 1,000 gallons |
| Next 95,000 gallons      | 5.97 per 1,000 gallons |
| All over 100,000 gallons | 5.42 per 1,000 gallons |

The RD project consists of the installation of approximately 78,700 linear feet of water lines and appurtenances and the construction of a 100,000 gallon water storage tank, which will serve approximately 100 new customers in the District's territory. Signed: Walter B. Estes, Chairman  
Whitley County Water District