

# Rubin & Hays

ATTORNEYS AT LAW

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

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

September 5, 2006

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

RECEIVED

SEP 8 2006

PUBLIC SERVICE  
COMMISSION

Re: Powells Valley Water District - KRS 278.023 Application

Dear Ms. O'Donnell:

*Case No. 2006-00404*

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

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

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

Sincerely,

Rubin & Hays

By   
W. Randall Jones

WRJ:jlm  
Enclosures  
cc: Distribution List

**DISTRIBUTION LIST**

**Account No. 158.0000**

Re: Powell's Valley Water District Water and Sewer Revenue Bonds, Series 2006

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

Telephone: (859) 224-7336  
Fax: (859) 224-7340

Mr. John Johnson  
Rural Development  
90 Howard Drive, Suite 3  
Shelbyville, Kentucky 40065

Telephone: (502) 633-3294  
Fax: (502) 633-0552

Mr. Kendell Knox, Manager  
Powell's Valley Water District  
P.O. Box 550  
Clay City, Kentucky 40312

Telephone: (606) 663-5870

Mr. Bryan Kirby  
Community & Economic Development Associates, Inc.  
P.O. Box 855  
Richmond, Kentucky 40476

Phone & Fax: (859) 624-3396

Mr. Ted Malone  
MSE of Kentucky, Inc.  
624 Wellington Way  
Lexington, Kentucky 40503

Telephone: (859) 223-5694  
Fax: (859) 223-2607

Jeffrey M. Stiles, Esq.  
P.O. Box 189  
Stanton, Kentucky 40380

Telephone: (606) 663-2303

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

Telephone: (502) 569-7525  
Fax: (502) 569-7555

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

SEP 8 2006

PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF POWELL'S VALLEY )  
WATER DISTRICT FOR A CERTIFICATE )  
OF PUBLIC CONVENIENCE AND )  
NECESSITY TO CONSTRUCT, FINANCE AND )  
INCREASE RATES PURSUANT TO KRS 278.023. )

CASE NO. 2006-00404

APPLICATION

This Application of the Powell's Valley Water District ("Applicant") respectfully shows:

1. That Applicant is a water district of Powell and Estill Counties, Kentucky, created and existing under and by virtue of Chapter 74 of the Kentucky Revised Statutes.

2. That the post office address of Applicant is:

Powell's Valley Water District  
c/o Mr. Kendall Knox, Manager  
P.O. Box 550  
Clay City, Kentucky 40312

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

4. That the project consists of the construction and installation of approximately 4,000 feet of 8 inch gravity sewer line, 1,000 feet of 6 inch force main, 4,000 feet of 2 inch force main, 2 lift stations and 12 grinder pump stations.

5. That Applicant proposes to finance the construction of the Project through (i) the issuance of \$27,000 of its Water and Sewer Revenue Bonds; (ii) a USDA, Rural Development ("RD") grant in the amount of \$256,000; (iii) an Appalachian Regional Commission ("ARC") grant in the amount of \$274,050; (iv) a Community Development Block Grant ("CDBG") in the amount of \$284,000; and (v) an Applicant contribution in the amount of \$3,000. Applicant has a commitment from RD to purchase said \$27,000 of bonds maturing over a 40-year period, at an interest rate of not exceeding 4.50% per annum, as set out in the RD Letter of Conditions filed herewith as an Exhibit.

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

7. That 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 Contract Award.
- C. Copy of Preliminary and Final Engineering Reports.
- D. Certified statement from the Chairman of Applicant, based upon statements of the Engineers for Applicant, concerning the following:
  - (1) The proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066, Section 4 (3) and (4); Section 5 (1); Sections 6 and 7; Section 8 (1) through (3); Section 9 (1) and Section 10;
  - (2) All other state approvals or permits have already been obtained;
  - (3) The proposed rates of 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 Citizen Voice and Times and the Clay City Times, which are the newspapers of general circulation in Applicant's service area and in Estill and Powell Counties, Kentucky. Said Notice sets out the current rates and the proposed rates of Applicant and a short description of the Project. A copy of said Notice is filed herewith as an Exhibit.

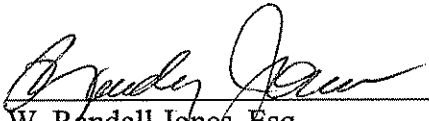
9. That the foregoing constitutes the documents necessary to obtain the approval of the Kentucky Public Service Commission in accordance with Section 278.023 of the Kentucky Revised Statutes and in accordance with the filing requirements specified in 807 KAR 5:069, Section 1.

WHEREFORE, Applicant, the Powell's Valley Water District asks that the Public Service Commission of the Commonwealth of Kentucky grant to Applicant the following:

- a. A Certificate of Public Convenience and Necessity permitting Applicant to construct a water and sewer project consisting of extensions, additions, and improvements to the existing water and sewer system of Applicant.
- b. An Order approving the financing arrangements made by Applicant, viz., the issuance of (i) \$27,000 of Powell's Valley Water District Water and Sewer Revenue Bonds at an interest rate of not exceeding 4.50% per annum; (ii) an RD grant in the amount of \$256,000; (iii) an ARC grant in the amount of \$274,050; (iv) a CDBG grant in the amount of \$284,000; and (v) an Applicant contribution in the amount of \$3,000.
- c. An Order approving the proposed increased rates as set out in Section 25 of the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

Powell's Valley Water District

By:   
Chairman  
Board of Water Commissioners

  
W. Randall Jones, Esq.  
Rubin & Hays  
Counsel for Applicant  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
(502) 569-7525

COMMONWEALTH OF KENTUCKY          )  
    ) SS:  
 COUNTY OF POWELL                                     )

The undersigned, Steve Everman, being duly sworn, deposes and states that he is the Chairman of the Board of Commissioners of the Powell's Valley Water District, 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, believes same to be true.

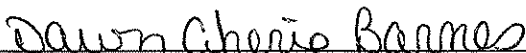
IN TESTIMONY WHEREOF, witness the signature of the undersigned on this August 30, 2006.



\_\_\_\_\_  
 Steve Everman, Chairman  
 Powell's Valley Water District

Subscribed and sworn to before me by Steve Everman, Chairman of the Board of Commissioners of the Powell's Valley Water District, on this August 30 2006.

My Commission expires: 8-27-2010.



\_\_\_\_\_  
 Dawn Cheryl Barnes  
 Notary Public, Powell County, Kentucky





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

January 20, 2005

Mr. Steve Everman, Chairman  
Powell's Valley Water District  
P.O. Box 550  
Clay City, Kentucky 40312

Dear Mr. Everman:

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 \$27,000, a RUS grant not to exceed \$256,000, and a Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) of \$284,000.

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:

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>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."  
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14<sup>th</sup> and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).



1. Number of Users and Their Contribution:

There shall be 2,190 existing water users and 78 sewer users, of which 40 are existing users and 38 are new users contributing \$3,000 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. No contribution is required from the Water District.

1a. 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.

1b. Drug-Free Work Place:

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

2. 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 2 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 Water 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.

3. 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 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.

4. Funded Depreciation Reserve Account:

The Water District will be required to deposit \$15.00 per month into a "Funded Depreciation Reserve Account" until the account reaches \$1,800. The deposits are to be resumed any time the account falls below the \$1,800.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the Water 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.

5. Security Requirements:

A combined pledge of gross water and sewer revenues 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 Water 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.

6. Land Rights and Real Property:

The Water 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.

7. Organization:

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

8. Business Operations:

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

9. Accounts, Records and Audits:

The Water District will be required to maintain adequate records and accounts and submit statistical and financial reports, quarterly and annually, in accordance with subsection 1780.47 of RUS Instruction 1780 and RUS Staff Instruction 1780-4, a copy of which is enclosed. The enclosed audit booklet will be used as a guide for preparation of audits. The Water District will be required to establish and maintain separate accounts for each system. Annual audits, budgets, and reports will be submitted to Rural Development showing separate accounts. The Water District shall be required to submit a copy of its audit agreement for review and approval prior to pre-closing the loan. Rural Development approval of the accounting system is required.

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

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

11. 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 Water District. The Water District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The Water District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The Water 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 \$152,000.
- D. Real Property Insurance - The Water 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 Water 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 Water District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

12. 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 210 days from this date, and prepare bid documents. The Area Director is prepared to furnish the necessary guide to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.

- B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:

1. Final plans, specifications and bid documents.
2. Applicant's letter on efforts to encourage small business and minority-owned business participation.
3. Legal Service Agreements.
4. Engineering Agreements.

Revision in these documents will be subject to Rural Development concurrence. Any agreements, contracts, etc. not reviewed and approved by Rural Development will not be eligible for payment from project funds or revenues from facilities financed by this Agency.

Prior to receipt of an authorization to advertise for construction bids, the Water 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.

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

The Water District 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 sewer system, be denied the benefits of the sewer system, or be subjected to discrimination.

14. 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 Water District.

15. Compliance with Special Laws and Regulations:

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

16. Treatment Plant/System Operator:

The Water District is reminded that the treatment plant and/or system operator must have an Operator's Certificate issued by the State.

17. Prior to Pre-Closing the Loan, the Water 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."

The Water District 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.

18. Refinancing and Graduation Requirements:

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

19. Commercial Interim Financing:

The Water 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 Water 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.

20. Disbursement of Project Funds:

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

During construction, the Water 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 Water 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 Water District.

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

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

21. 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 Water District. Grant funds, upon receipt, must be deposited in an interest bearing account in accordance with 7 CFR part 3016 (as applicable). Interest earned on grant funds in excess of \$100 (as applicable) per year will be submitted to RUS at least quarterly.

22. Cost of Facility:

Breakdown of Costs:

Development	\$ 437,000
Land and Rights	2,000
Legal and Administrative	8,000
Engineering	77,000
Interest	1,000
Contingencies	<u>45,000</u>
TOTAL	\$ 570,000

Financing:

RUS Loan	\$ 27,000
RUS Grant	256,000
HUD-CDBG	284,000
Applicant Contribution	<u>3,000</u>
TOTAL	\$ 570,000

23. 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 Clearing House (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.

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/HUD-CDBG 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.

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 and sewer systems and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

First	2,000	gallons @ \$	14.75 - Minimum Bill.
Next	2,000	gallons @ \$	6.71 - per 1,000 gallons.
Next	2,000	gallons @ \$	5.96 - per 1,000 gallons.
All Over	6,000	gallons @ \$	5.52 - per 1,000 gallons.

Sewer rates will be at least:

First	2,000	gallons @ \$	15.00 - Minimum Bill.
All Over	2,000	gallons @ \$	7.50 - per 1,000 gallons.

26. Commitment of HUD-CDBG Grant Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the HUD-CDBG grant in the amount of \$284,000.

27. Floodplain Construction:

The Water District will be required to pass and adopt a Resolution or amend its By-Laws whereby the Water District will deny any sewer 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 Water 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.

28. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Kentucky Department for Local Government letter dated December 12, 2003, from Mr. Ronald A. Cook, Manager.


- B. The design and construction shall be in compliance with the requirements of the U.S. Fish and Wildlife Service as requested by letter dated November 6, 2003, and signed by Virgil Lee Andrews, Jr., Field Supervisor.
- C. 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.
- 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.

29. 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,

  
KENNETH SLONE  
State Director

Enclosures

- cc: Area Director - Shelbyville, Kentucky  
Rural Development Manager - Winchester, Kentucky  
Bluegrass ADD - Lexington, Kentucky  
Jeffery M. Stiles - Stanton, Kentucky  
✓ Rubin and Hays - Louisville, Kentucky  
MSE, Inc. - Lexington, Kentucky  
PSC - ATTN: Bob Amato - Frankfort, Kentucky





United States Department of Agriculture  
Rural Development  
Kentucky State Office

June 19, 2006

Mr. Steve Everman, Chairman  
Powell's Valley Water District  
P.O. Box 550  
Clay City, Kentucky 40312

Re: Letter of Conditions Dated January 20, 2005

Dear Mr. Everman:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated January 20, 2005. The purpose of this amendment is to (1) revise the total cost of the project; (2) revise the funding sources to include an Appalachian Regional Commission (ARC) grant; (3) revise the Civil Rights and EEO statement; and (4) make other editorial changes in accordance with current Rural Utilities Service (RUS) Instructions.

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 \$27,000; a RUS grant not to exceed \$256,000; an Appalachian Regional Commission (ARC) grant of \$274,050; and a Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) of \$284,000. ”

Paragraph numbered “13” is revised to read as follows:

“ 13. 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 "22" is revised to read as follows:

“ 22. Cost of Facility:

## Breakdown of Costs:

Development	\$ 639,900
Land and Rights	32,800
Legal and Administrative	36,000
Engineering	102,850
Interest	500
Contingencies	<u>32,000</u>
TOTAL	\$ 844,050

## Financing:

RUS Loan	\$ 27,000
RUS Grant	256,000
ARC Grant	274,050
HUD-CDBG Grant	284,000
Applicant Connection Fees	<u>3,000</u>
TOTAL	\$ 844,050 ”

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

" 24. Use of Remaining Project Funds:

The applicant connection fees shall be considered as the first funds expended. After providing for all authorized costs, any remaining project funds will be considered to be RUS/ARC/HUD-CDBG 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. "

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

" 26. 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 ARC grant in the amount of \$274,050 and for the HUD-CDBG grant in the amount of \$284,000. "

Paragraph numbered "30" is added to read as follows:

" 30. 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 - Shelbyville, Kentucky  
Rural Development Manager - Winchester, Kentucky  
Bluegrass ADD - Lexington, Kentucky  
✓ Rubin and Hays - Louisville, Kentucky  
Jeffery M. Stiles - Stanton, Kentucky  
MSE, Inc. - Lexington, Kentucky  
PSC - ATTN: Bob Amato - Frankfort, Kentucky



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

August 21, 2006

Mr. Steve Everman, Chairman  
Powell's Valley Water District  
P.O. Box 550  
Clay City, Kentucky 40312

Re: Letter of Conditions Dated January 20, 2005

Dear Mr. Everman:

This letter shall serve as Amendment No. 2 to the Letter of Conditions dated January 20, 2005. The purpose of this amendment is to revise the required rate schedule in order to generate sufficient revenue to cover increased O&M.

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

" 25. Rates and Charges:

Rates and charges for facilities and services rendered by the District must be at least adequate to meet cost of maintaining, repairing and operating the water and sewer systems and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

First	2,000	gallons @ \$	15.75 - Minimum Bill.
Next	2,000	gallons @ \$	6.71. - per 1,000 gallons.
Next	2,000	gallons @ \$	5.96 - per 1,000 gallons.
All Over	6,000	gallons @ \$	5.52 - per 1,000 gallons.

Sewer rates will be at least:

First	2,000	gallons @ \$	15.50 - Minimum Bill.
All Over	2,000	gallons @ \$	7.75 - per 1,000 gallons.

Tap Fees:

Water	\$450.00
Sewer	\$450.00 "

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

Sincerely,

  
KENNETH SLONE  
State Director

cc: Area Director - Shelbyville, Kentucky  
Rural Development Manager - Winchester, Kentucky  
Bluegrass ADD - Lexington, Kentucky  
Jeffery Stiles - Stanton, Kentucky  
✓Rubin and Hays - Louisville, Kentucky  
MSE, Inc. - Lexington, Kentucky  
PSC - ATTN: Bob Amato - Frankfort, Kentucky





JUN 22 2006

United States Department of Agriculture  
Rural Development  
Kentucky State Office

June 21, 2006

COPY

SUBJECT: Powells Valley Water District  
Sanitary Sewer Extension- Contract 3  
Contract Award Concurrence

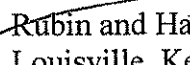
TO: Area Director  
Shelbyville, Kentucky

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, Music Construction, Inc., in the amount of \$639,900.00.

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

  
KENNETH SLONE  
State Director  
Rural Development

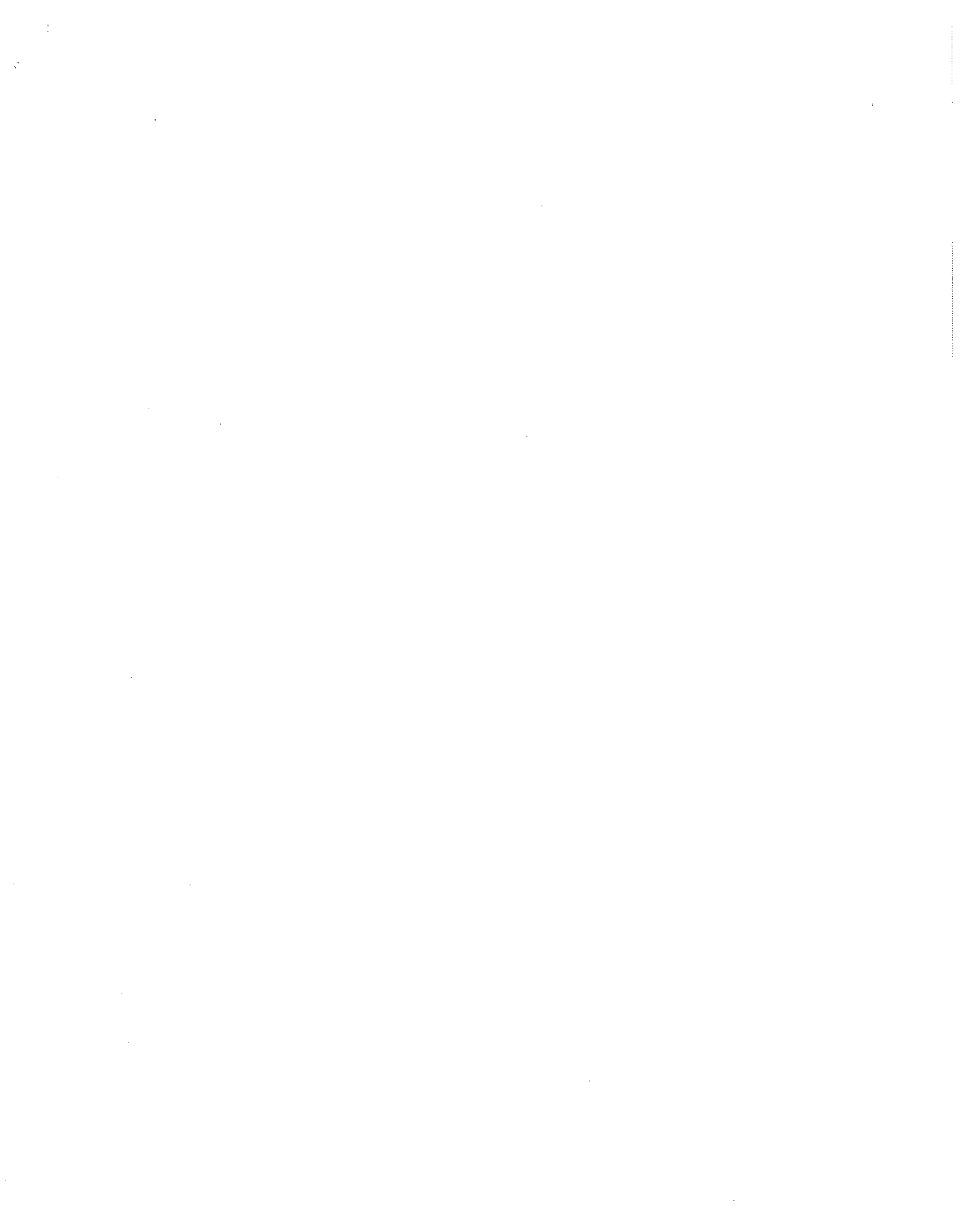
cc: MSE, Inc.  
Lexington, Kentucky

  
Rubin and Hayes  
Louisville, Kentucky

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>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."  
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14<sup>th</sup> and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).






**CERTIFICATE OF CHAIRMAN OF POWELL'S VALLEY WATER  
DISTRICT, AS TO STATEMENT REQUIRED  
BY SECTION 1(5) OF 807 KAR 5:069**

I, Steve Everman, hereby certify that I am the duly qualified and acting Chairman of the Powell's Valley Water District, and that said District is in the process of arranging to finance the construction of extensions, additions and improvements to the existing water and sewer system of the District (the "Project"), in cooperation with MSE of Kentucky, Lexington, Kentucky, the Engineers for the District (the "Engineers").

Based on information furnished to me by said Engineers for the District, 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 rates proposed by the District in its current Application filed with the Kentucky Public Service Commission are contemplated to produce total revenue requirements set out in the Engineering Reports prepared by such Engineers and filed with the Public Service Commission.
4. That it is now contemplated that construction of the Project will begin on or about October 15, 2006, and will end on or about March 30, 2007.

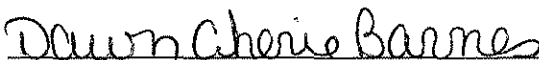
IN TESTIMONY WHEREOF, witness my signature this August 30, 2006.

  
\_\_\_\_\_

Chairman  
Powell's Valley Water District

STATE OF KENTUCKY )  
 ) SS  
COUNTY OF POWELL )

Subscribed and sworn to before me by Steve Everman, Chairman of the Board of Commissioners of the Powell's Valley Water District, on this August 30, 2006.

  
\_\_\_\_\_

Notary Public  
In and For Said State and County  
Powell County, Kentucky  
My Commission Expires 8-27-2010



## 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 Powell's Valley Water District of a change to the District's rate schedule as set forth herein. The proposed rate change is required by USDA, Rural Development in connection with a loan by RD to the District in the amount of \$27,000 to be evidenced by the issuance by the District of its Water and Sewer Revenue Bonds in such amount, which RD has agreed to purchase provided the District meets certain conditions of RD, including revising its rates as set forth below:

### Current Monthly Rates - Water

First 2,000 gallons	\$14.75 per 1,000 gallons
Next 2,000 gallons	6.71 per 1,000 gallons
Next 2,000 gallons	5.96 per 1,000 gallons
All over 6,000 gallons	5.52 per 1,000 gallons

### Current Water Connection/Tap-on Charges

5/8" x 3/4" meter	\$350.00
All larger meters	Actual Cost

### Current Monthly Rates - Sewer

First 2,000 gallons	\$15.00 per 1,000 gallons
All over 2,000 gallons	6.00 per 1,000 gallons

### Current Sewer Connection/Tap-on Charges

Gravity pumps	\$350.00
Grinder pumps	Actual Cost

### Proposed Monthly Rates - Water

First 2,000 gallons	\$15.75 minimum bill
Next 2,000 gallons	6.71 per 1,000 gallons
Next 2,000 gallons	5.96 per 1,000 gallons
All over 6,000 gallons	5.52 per 1,000 gallons

### Proposed Water Connection/Tap-on Charges

5/8" x 3/4" meter	\$450.00
All larger meters	Actual Cost

**Proposed Monthly Rates - Sewer**

First 2,000 gallons	\$15.50 per 1,000 gallons
All over 2,000 gallons	7.75 per 1,000 gallons

**Proposed Sewer Connection/Tap-on Charges**

Gravity pumps	\$450.00
Grinder pumps	Actual Cost

The RD loan proceeds will be used in conjunction with an RD Grant in the amount of \$256,000, an ARC grant in the amount of \$274,050, a CDBG grant in the amount of \$284,000 and a District contribution in the amount of \$3,000 to finance the cost of extensions, additions and improvements to the system of the District, consisting of the construction and installation of approximately 4,000 feet of 8 inch gravity sewer line, 1,000 feet of 6 inch force main, 4,000 feet of 2 inch force main, 2 lift stations and 12 grinder pump stations. Signed: Steve Everman, Chairman, Powell's Valley Water District

ATTORNEYS AT LAW

# Rubin & Hays

Kentucky Home Trust Bldg., 470 South Third St., Louisville, KY 40202

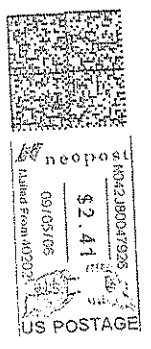
To

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

RECEIVED  
SEP 8 2006  
PUBLIC SERVICE  
COMMISSION



BOUND PRINTED MATTER



# Rubin & Hays

ATTORNEYS AT LAW

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

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

September 5, 2006

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

RECEIVED

SEP 8 2006

PUBLIC SERVICE  
COMMISSION

Re: **Powells Valley Water District - KRS 278.023**

Dear Ms. O'Donnell:

*Case No. 2006-00404*

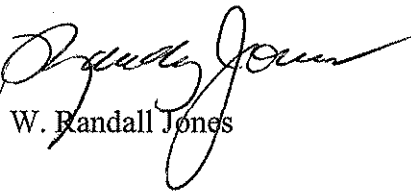
Enclosed please find two (2) Preliminary Engineering Reports and two (2) Final Engineering Reports, all of which have been originally signed, stamped and dated by the Engineer on the Project, Mr. Ted Malone of MSE of Kentucky, Inc.

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

Sincerely,

Rubin & Hays

By

  
W. Randall Jones

WRJ:jlm  
Enclosures  
cc: Distribution List

**DISTRIBUTION LIST**

**Account No. 158.0000**

Re: Powell's Valley Water District Water and Sewer Revenue Bonds, Series 2006

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

Telephone: (859) 224-7336  
Fax: (859) 224-7340

Mr. John Johnson  
Rural Development  
90 Howard Drive, Suite 3  
Shelbyville, Kentucky 40065

Telephone: (502) 633-3294  
Fax: (502) 633-0552

Mr. Kendell Knox, Manager  
Powell's Valley Water District  
P.O. Box 550  
Clay City, Kentucky 40312

Telephone: (606) 663-5870

Mr. Bryan Kirby  
Community & Economic Development Associates, Inc.  
P.O. Box 855  
Richmond, Kentucky 40476

Phone & Fax: (859) 624-3396

Mr. Ted Malone  
MSE of Kentucky, Inc.  
624 Wellington Way  
Lexington, Kentucky 40503

Telephone: (859) 223-5694  
Fax: (859) 223-2607

Jeffrey M. Stiles, Esq.  
P.O. Box 189  
Stanton, Kentucky 40380

Telephone: (606) 663-2303

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

Telephone: (502) 569-7525  
Fax: (502) 569-7555

RECEIVED

SEP 8 2006

PUBLIC SERVICE  
COMMISSION

PRELIMINARY ENGINEERING REPORT

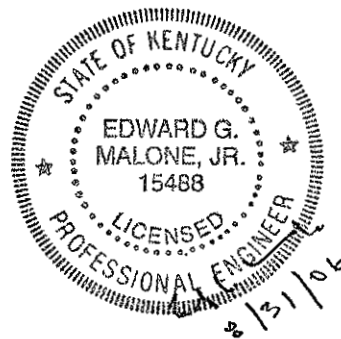
*Case No. 2006-00404*

POWELLS VALLEY WATER DISTRICT

SLADE-NADA AREA WASTEWATER FACILITIES - PHASE 2

POWELL COUNTY, KENTUCKY

MAY, 2004



**mse**



**Preliminary Engineering Report**  
**Powells Valley Water District**  
**Slade-Nada Area Wastewater Facilities - Phase 2**

**Prepared by**  
**Mayes, Sudderth & Etheredge, Inc.**  
**624 Wellington Way, Lexington, Kentucky 40503**  
**(859) 223-5694**

**May, 2004**

## **Table of Contents**

Part 1. General

Part 2. Project Planning Area

Part 3. Existing Facilities

Part 4. Need for Project

Part 5. Alternatives Considered

Part 6. Recommended Project

### Figures:

Existing (Phase 1) and Proposed (Phase 2) Facilities

Wetlands along Moreland Branch

Flood Hazard Areas along Moreland Branch

Aerial Photograph of Service Area

Photograph of Service Area

### Tables:

Collection Alternative A: Combined Gravity and Pressure Sewers

Collection Alternative B: Pressure Sewers

Proposed User Charges

## **Preliminary Engineering Report**

### **Powells Valley Water District**

#### **Slade-Nada Area Wastewater Facilities - Phase 2**

##### **Part 1. General**

Powells Valley Water District (the District) provides sanitary sewer service for the Slade and Nada areas of Powell County. Construction is complete on Phase 1, which includes sewer lines along Kentucky Routes 11 and 15 and treatment facilities.

Service is proposed for a primarily residential area that extends a little over a mile along Kentucky Route 77 (Nada Tunnel Road) and a short distance along county roads Hon Road Number 1 and Hon Road Number 2. Kentucky Route 77 lies in a narrow valley of Moreland Branch, a tributary to the Middle Fork of the Red River, with the road crossing the branch several times. Nada Tunnel Road leads to the Red River Gorge area which is a popular tourist destination and a National Scenic Byway.

There are approximately 53 residences, a general store and five churches in the phase 2 service area. Presently sewage flows to inadequate septic systems or by straight pipes into ditches or the stream.

##### **Part 2. Project Planning Area**

A. Location. Eastern Powell County, including the communities of Slade and Nada, was identified as an area where a need existed for sanitary sewer service. The planning area is shown in figure 1. Wetlands and flood hazard areas within the phase 2 project area are shown in figures 2 and 3. The planning area is within the watershed of the Middle Fork of the Red River. The Mountain Parkway and Kentucky Routes 11, 15 and 77 serve the area. The area includes a mixture of commercial, residential, and a small amount of agricultural land. With Natural Bridge State Resort Park and the Red River Gorge nearby, commercial activity is largely tourism related.

The commercial area is primarily near the interchange of the Mountain Parkway and the approach to the Natural Bridge State Resort Park. Residences are located throughout the planning area. Agricultural land lies along the Middle Fork of the Red River.

B. Environmental Resources. The phase 2 area is primarily residential. No prime farmlands, wetlands or sensitive areas will be disturbed by the project. The design of sanitary sewers will avoid unnecessary disturbance of trees. Most of the areas that will be disturbed by this project have already been disturbed by the construction of the highway and county roads. The project should have minimal effect on wildlife, since construction will be along the road in populated areas.

### C. Growth Areas and Population Trends

Population projections for the county and planning area:

Year	Powell County	Planning Area
1990	11,692	306
2000	12,157	313
2010	12,534	318
2020	12,702	332

Sources: (a) Kentucky Data Center, University of Louisville; (b) population estimate based on house count multiplied by 2.67 persons per household (per Kentucky State Data Center data for Powell County) and proportional to the population of the County.

### Part 3. Existing Facilities

A. Location. A wastewater treatment plant and collection lines have been constructed. The existing wastewater facilities are shown on figure 1.

B. History. Construction of collection and treatment facilities was completed in 2003.

C. Condition of Facilities. The treatment plant is meeting the effluent requirements. The facility was designed to treat 80,000 gallons per day. As of April, 2004 the facility is receiving about 5,000 gallons per day, with phase 1 customers continuing to connect to the system.

### Part 4. Need for Project

A. Health, Sanitation, and Security. Presently sewage flows to inadequate septic systems or by straight pipes into ditches or the stream. Moreland Branch is a tributary to the Middle Fork of the Red River, which is tributary to the Red River. Virtually all of Powell County's drinking water is treated by the Beech Fork Water Association, which has a raw water intake on the Red River near Stanton.

B. System O&M. The existing collection and treatment facilities are new. Operation and maintenance costs include labor for operations, electric service to the treatment facility and three pump stations, and replacement parts. The phase 2 project will have two system pump stations.

C. Growth. The treatment facilities were designed to treat 80,000 gallons per day in the year 2018. Construction of the collection system began with phase 1. The phase 2 project should contribute about 15,000 gallons per day initially.

### Part 5. Alternatives Considered

Practical alternatives include gravity sewers, pressure sewers, septic tank effluent sewers or combinations of the these. Factors determining the best alternative include economic considerations, operational requirements, or physical conditions which may require a particular alternative.

For the phase 2 system, in some places, there is insufficient usable right of way install gravity sewers, so a combination of gravity and pressure sewers (alternative A) and pressure sewers (alternative B) were considered.

### **Alternative A - Combination of Gravity and Pressure Sewers**

A. Description. For alternative A, eight inch gravity sewers would be constructed in areas where there are a number of structures in relatively close proximity and sufficient right of way to install gravity sewers. In other areas, each structure would have a grinder pump which would pump into a force main. Two distinct gravity systems would be installed, with lift stations and force mains connecting the first gravity system to the second, and the second gravity system to the existing system.

B. Design Criteria. For alternative A, eight inch gravity sewers would be used. This is the minimum diameter allowed by the Division of Water and would be adequate to serve the area. Pump stations would be designed to pump the peak flow and would provide a minimum of two feet per second velocity in the force mains. A four inch force main would be used in the upper area and a six inch force main would be used in the lower area.

C. Map. See figure 1 for layout.

D. Environmental Impacts. No additional environmental impact is anticipated for this alternative.

E. Land Requirements. Alternative A will require two lift station sites and about a 15 foot wide permanent easement for the mains.

F. Construction Problems. Alternative A will require greater depth and may encounter rock or high water problems. Gravity sewer construction requires greater construction width and access would be more difficult. This would require more traffic control.

G. Cost Estimates.

The following costs were anticipated:

Initial Cost	\$569,750
Annual O&M	\$ 11,000
Salvage Value	\$254,000
Total Present Worth	\$623,000

The present worth of each alternative is based on estimates of initial cost, salvage value and annual operation and maintenance cost. A detailed analysis of each alternative may be found in the appendix.

H. Advantages/Disadvantages. Alternative A has a higher estimated construction cost but will have lower operation and maintenance costs and is expected to have a lower present worth cost. Both alternatives will prevent raw sewage from entering the stream.

### **Alternative B - Pressure Sewers**

A. Description. For alternative B, each structure would have a grinder pump which would pump into a force main. The force main would connect to the existing system.

B. Design Criteria. For alternative B, a grinder pump would be installed at each structure. The grinder pumps would pump into force mains, with the diameter of the force mains increasing with the number of

users, from about an inch and a half to about four inches. A velocity of at least two feet per second is required to keep solids from depositing in the lines.

C. Map. See figure 1 for layout.

D. Environmental Impacts. No additional environmental impact is anticipated for this alternative.

E. Land Requirements. Alternative B will require about a 15 foot permanent easement for the mains.

F. Construction Problems. Alternative B will not require as great a depth as Alternative A and will encounter fewer rock or high water problems. Pressure sewer construction requires less construction width would require less traffic control.

G. Cost Estimates.

The following costs were anticipated:

Initial Cost	\$469,775
Annual O&M	\$ 21,000
Salvage Value	\$ 87,000
Total Present Worth	\$657,000

The present worth of each alternative is based on estimates of initial cost, salvage value and annual operation and maintenance cost. A detailed analysis of each alternative may be found in the appendix.

H. Advantages/Disadvantages. Alternative B has a lower estimated construction cost but it is expected to have higher operation and maintenance costs. Both alternatives will prevent raw sewage from entering the stream.

## **Part 6. Proposed Project**

A. Recommended Project. While present worth values for the two alternatives are similar, alternative A, a combination of gravity sewers and pressure sewers is recommended. The lower part of the service area is suitable for gravity sewers and there are enough sewer users to make them economically feasible. This is followed by a about a half mile section that is narrow and sparsely populated; in this area grinder pumps will serve about five residences. In the upper end of the service area there is room again to install gravity sewers and more sewer users.

B. Design. An eight inch gravity sewer will be constructed along Kentucky Route 77 and along Hon Road No. 1 and Hon Road No. 2. About 2,100 feet of eight inch sewer main will be constructed along Kentucky Route 77 and 700 feet of eight inch sewer main will be constructed along Hon Road No. 1 and about 200 feet of eight inch sewer main will be constructed along Hon Road No. 2. A pump station at the lower end of this gravity sewer section will pump sewage at a rate of 220 gallons per minute through about 500 feet of six inch force main under the Mountain Parkway and the Red River to an existing sewer force main.

Another section of about 1,200 feet of eight inch gravity sewer will be constructed along the upper end of Kentucky Route 77. At the lower end of this section of gravity sewer a pump station will pump 200 gallons per minute through approximately 4,000 feet of four inch force main to the lower gravity sewer section.

### C. Annual Operating Budget

Annual revenue is projected to be approximately \$47,366. (See proposed user charges.)

Operation and maintenance costs are expected to be about \$18,000. Costs are expected to be as follows:

	Phase 1	Phase 2
Electricity	\$6,300	\$7,200
Personnel	\$8,000	\$9,000
Parts and Supplies	\$1,700	\$1,800
Totals	\$16,000	\$18,000

### D. Project Costs

Project costs are expected to be as follows:

Development	\$411,000
Land and Rights	\$1,000
Legal and Administrative	\$38,000
Engineering	\$76,650
Interest	\$2,000
Contingencies	\$41,000
Total	\$569,750

### E. Project Funding

Funding is expected to be as follows:

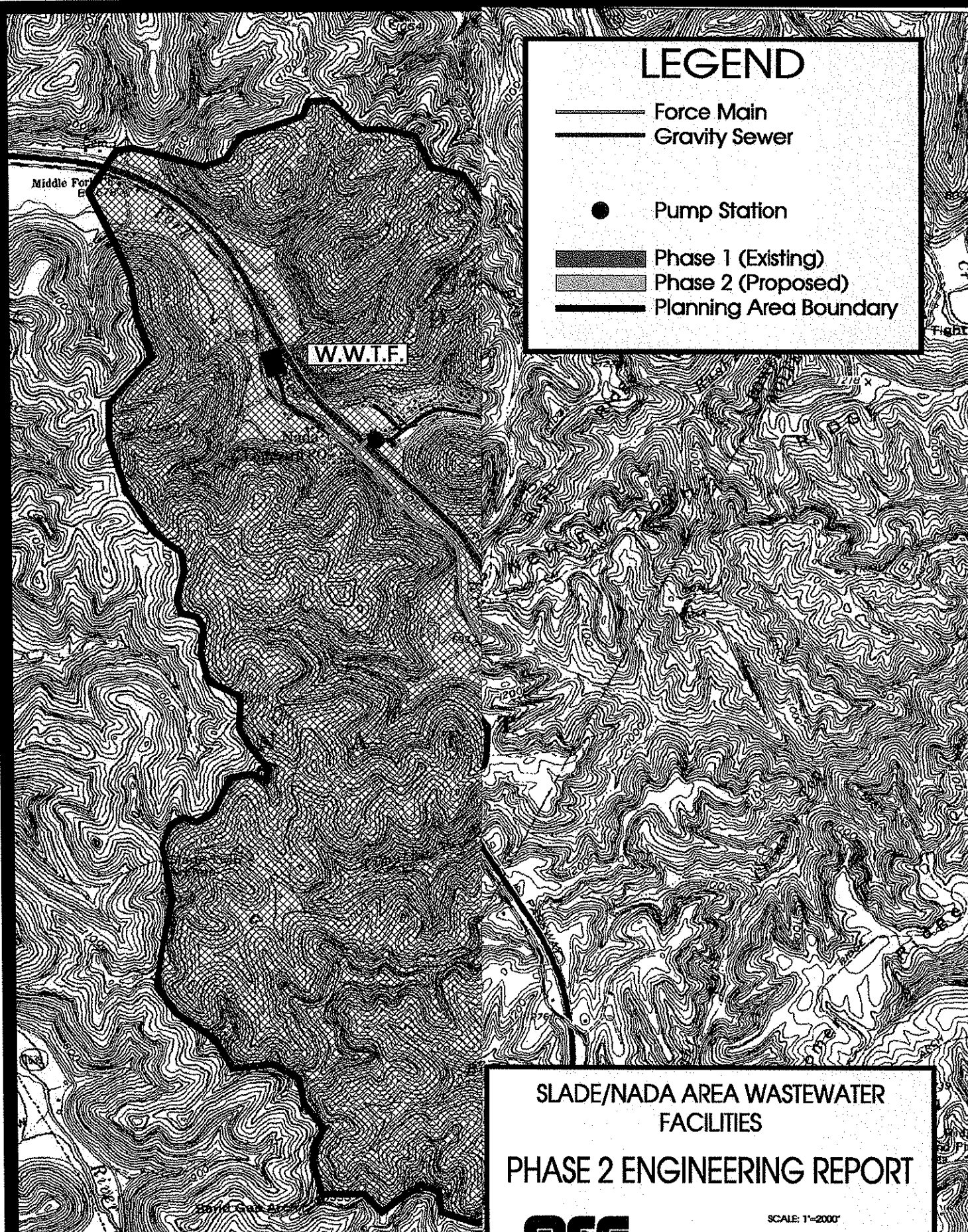
CDBG Grant	\$284,000
RD Funding	\$282,650
Local Funding	\$3,100
Total	\$569,750

### F. Recommendations

The project will provide sewer service for approximately 53 residences, a general store and five churches. The project should increase property values, improve the environment and reduce risk of disease. This project will permit subsequent activities intended to improve housing for an low income area that is within a popular tourism destination and at the doorstep of a National Scenic Byway.

# LEGEND

- Force Main
- Gravity Sewer
- Pump Station
- Phase 1 (Existing)
- Phase 2 (Proposed)
- Planning Area Boundary



## SLADE/NADA AREA WASTEWATER FACILITIES PHASE 2 ENGINEERING REPORT

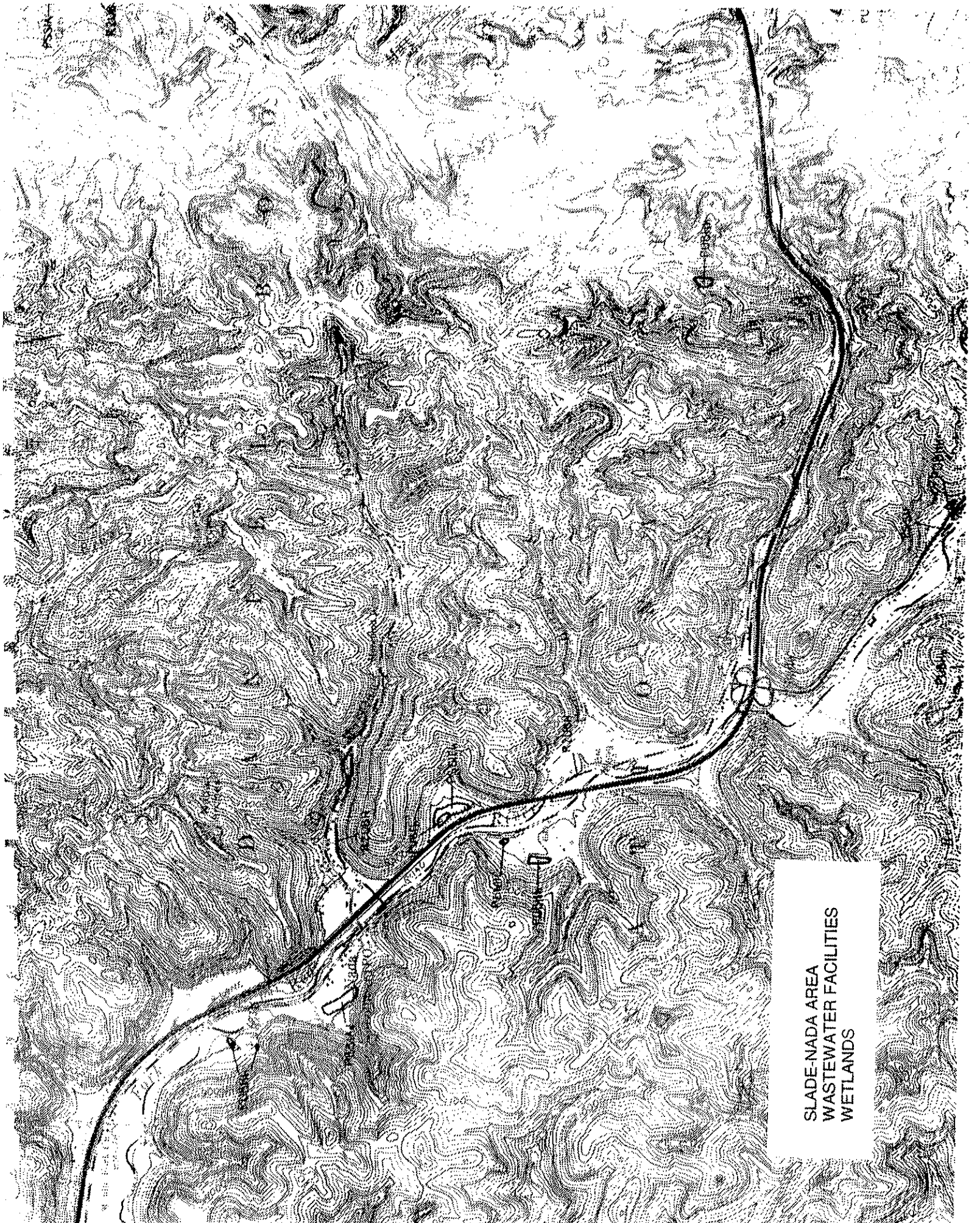


SCALE: 1"=2000'  
SOURCE: SLADE USGS TOPOGRAPHIC MAP

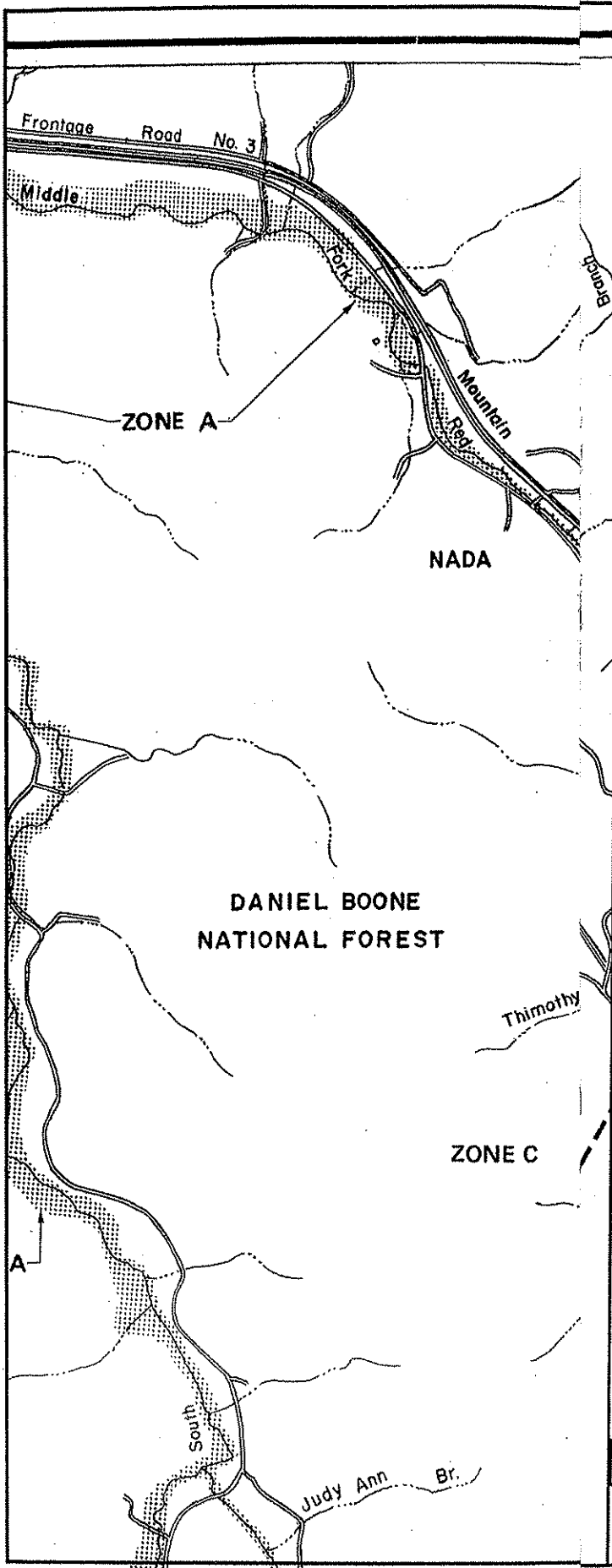
PL12.DWG



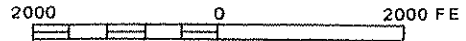




SLADE-NADA AREA  
WASTEWATER FACILITIES  
WETLANDS



APPROXIMATE SCALE



**NATIONAL FLOOD INSURANCE PROGRAM**

**FIRM**  
**FLOOD INSURANCE RATE MAP**

**POWELL COUNTY,  
 KENTUCKY**  
 (UNINCORPORATED AREAS)

**PANEL 100 OF 100**

**COMMUNITY-PANEL NUMBER**  
 210194 0100 B

**EFFECTIVE DATE:**  
 SEPTEMBER 27, 1985

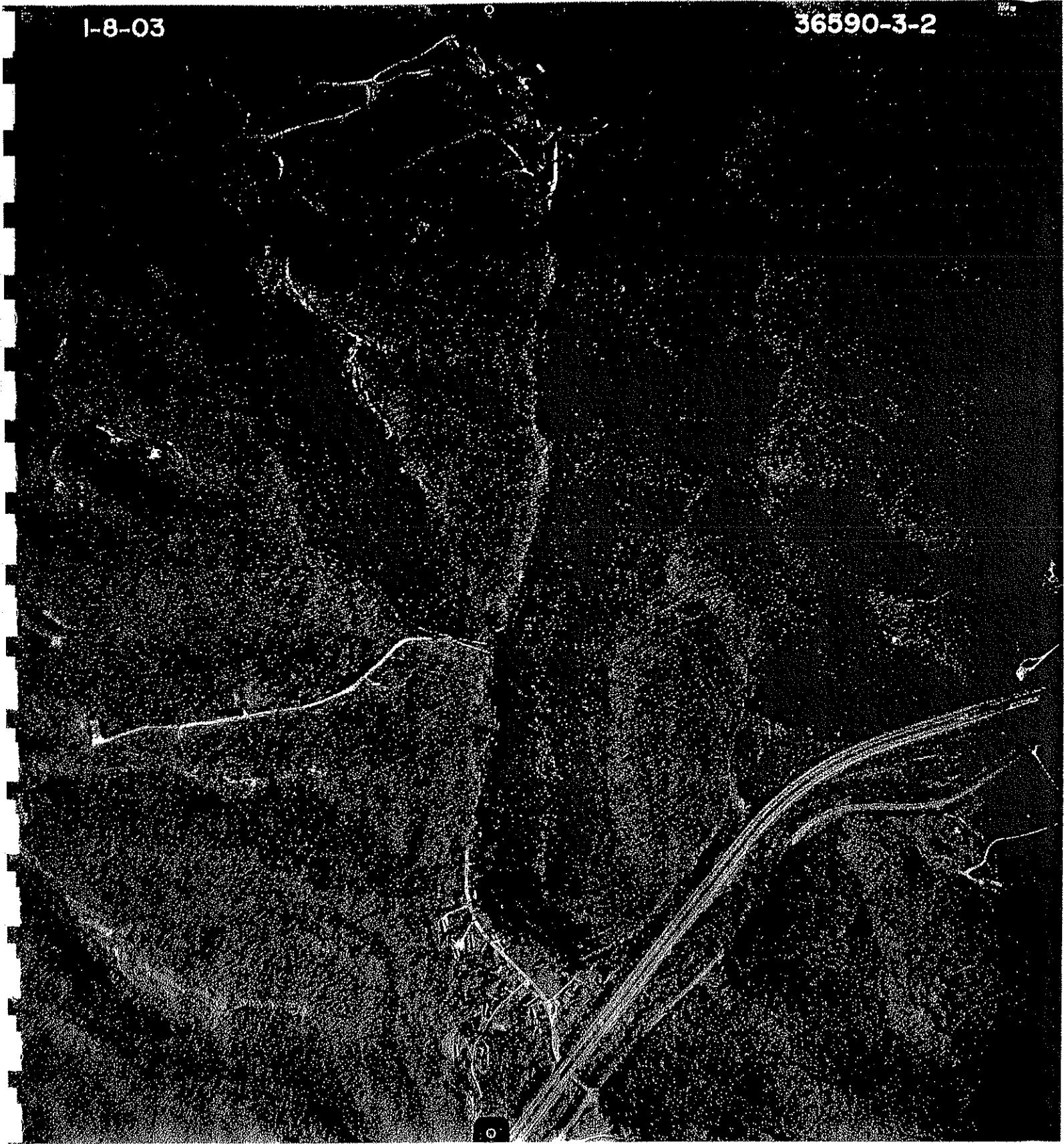


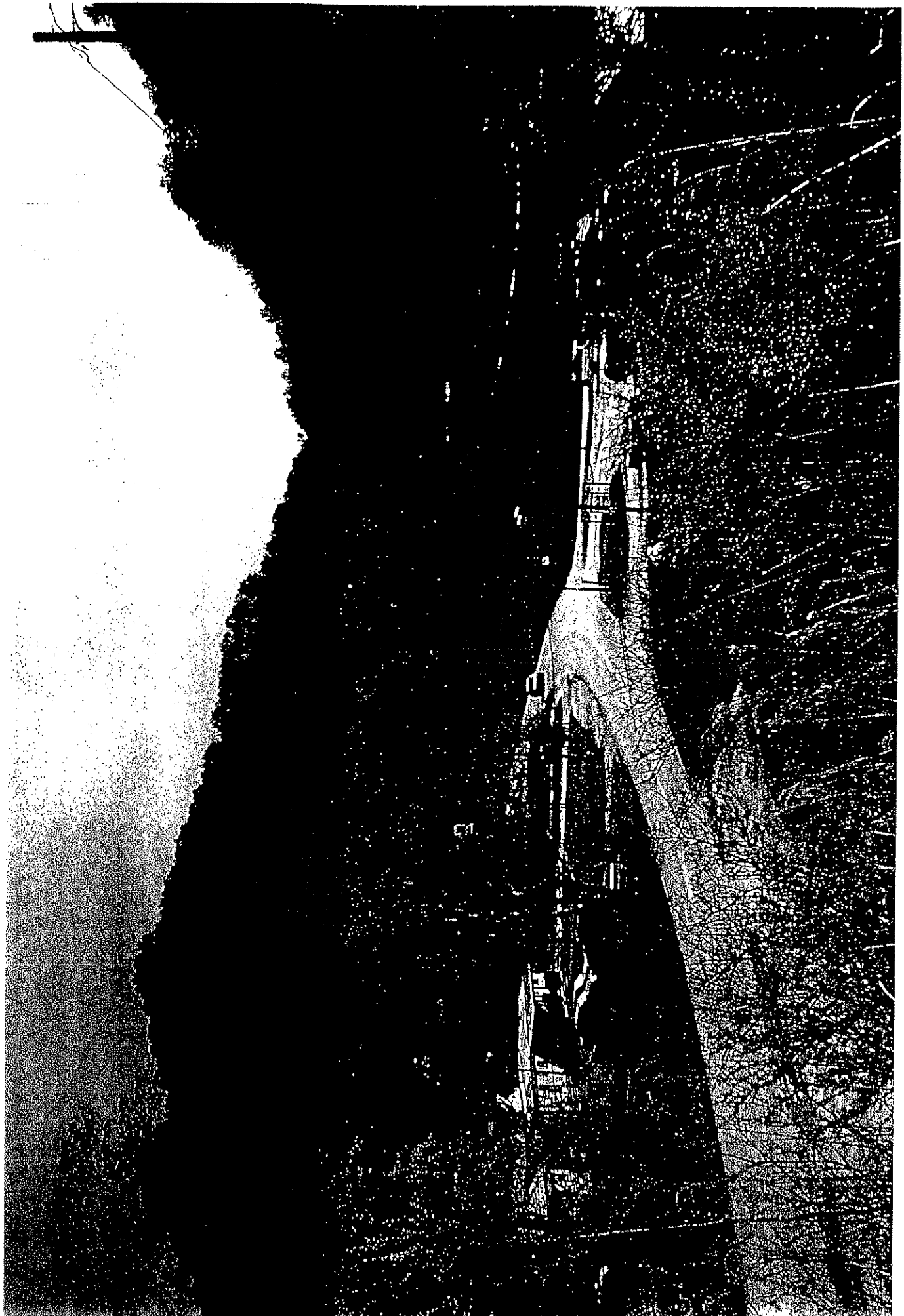
Federal Emergency Management Agency

This is an official copy of a portion of the above referenced flood map. It was extracted using F-MIT On-Line. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at [www.msc.fema.gov](http://www.msc.fema.gov)

1-8-03

36590-3-2





**Slade-Nada Area Wastewater Facilities Project**  
**Proposed User Charges (Based on Water Usage)**

\$15.00 minimum bill  
 \$7.50 /1000 gallons

<b>Existing Residential Customers</b>		<b>Rate</b>		<b>Revenue</b>	<b>Average Bill</b>
Gallons per year	790,240				
Bills per year	348	\$15.00	minimum bill	\$5,220	
Usage over 2000 gal./customer/month	94,240	\$7.50	/1000 gallons	\$707	
				<u>\$5,927</u>	\$17.03

<b>Existing Non-residential Customers</b>		<b>Rate</b>		<b>Revenue</b>	<b>Average Bill</b>
Gallons per year	3,392,430				
Bills per year	300	\$15.00	minimum bill	\$4,500	
Usage over 2000 gal./customer/month	2,792,430	\$7.50	/1000 gallons	\$20,943	
				<u>\$25,443</u>	\$84.81

<b>New Residential Customers</b>		<b>Rate</b>		<b>Revenue</b>	<b>Average Bill</b>
Gallons per year	1,460,230				
Bills per year	468	\$15.00	minimum bill	\$7,020	
Usage over 2000 gal./customer/month	524,230	\$7.50	/1000 gallons	\$3,932	
				<u>\$10,952</u>	\$23.40

<b>New Non-residential Customers</b>		<b>Rate</b>		<b>Revenue</b>	<b>Average Bill</b>
Gallons per year	24,000				
Bills per year	12	\$15.00	minimum bill	\$180	
Usage over 2000 gal./customer/month	0	\$7.50	/1000 gallons	\$0	
				<u>\$180</u>	\$15.00

Projected annual revenue for phases 1 and 2                      \$42,502

Rural Development Loans				\$327,000	
Annuity Factor	38	4.5%		<u>0.0554</u>	
Principal and Interest				\$18,116	
Coverage				<u>1.1</u>	
Debt Service (Principal, Interest & Coverage)				\$19,928	
Depreciation	2%			\$2,260	
Annual Operation and Maintenance Cost				<u>\$20,000</u>	
Annual Revenue Requirement				\$42,188	

**Collection Alternative A: Combined Gravity and Pressure Sewers**

**Estimate of Capital Cost, Annual O&M Costs, Salvage Value and Present Worth**

**A. Capital Cost:**

<b>Construction</b>				
Gravity Sewers	L.F.	4,400	20.00	88,000
Manholes	Ea.	26	1,400.00	36,400
Laterals	L.F.	2,600	15.00	39,000
Lift Station	Ea.	2	40,000.00	80,000
Force Main	L.F.	4,700	5.00	23,500
Grinder Pumps	Ea.	14	3,000.00	42,000
Service Line	L.F.	1,000	4.00	4,000
Casing Pipe for Gravity Sewers (Bore)	L.F.	40	120.00	4,800
Casing Pipe for Laterals (Bore)	L.F.	600	100.00	60,000
Casing Pipe for Force Mains	L.F.	120	80.00	9,600
Air/Vacuum Release Valve	Ea.	2	1,400.00	2,800
Creek Crossing	L.F.	200	80.00	16,000
Surface Restoration and Other Costs	L.S.	1	5,000.00	5,000
				-----
<b>Total Construction Cost</b>				<b>\$411,100</b>
 <b>Non-construction</b>				
Engineering				\$39,877
Inspection				28,773
Additional Services				8,000
Administrative and Legal				38,000
Land/Easements				1,000
Contingencies				41,000
Miscellaneous				2,000
				-----
<b>Total Cost</b>				<b>\$569,750</b>

**B. Annual Operation and Maintenance Costs**

Labor	\$5,000
Electricity	1,000
Repair and Replacement Parts	5,000
Total annual operation and maintenance costs	----- \$11,000

**C. Salvage Value** \$254,000

**D. Total Present Worth** \$623,000

(assuming interest rate of 8% over 20 years)

Source: Mayes, Sudderth & Etheredge, Inc. (4/04)

**Collection Alternative B: Pressure Sewers**

**Estimate of Capital Cost, Annual O&M Costs, Salvage Value and Present Worth**

**A. Capital Cost:**

Construction				
4 Inch Force Main	L.F.	4,000	5.00	\$20,000
3 Inch Force Main	L.F.	4,000	4.50	18,000
2 Inch Force Main	L.F.	1,100	4.00	4,400
1.5 Inch Service Line	L.F.	3,600	4.00	14,400
Casing Pipe for Force Main (Bore)	L.F.	760	80.00	60,800
Simplex Grinder Pump Station	Ea.	59	3,000.00	177,000
Air Release Valve	Ea.	10	1,400.00	14,000
Creek Crossing	L.F.	200	80.00	16,000
Surface Restoration and Other Costs	L.S.	1	5,000.00	5,000
				-----
Total construction cost				\$329,600
Non-construction				
Engineering				\$33,257
Inspection				24,918
Additional Services				8,000
Administrative and Legal				38,000
Land/Easements				1,000
Contingencies				33,000
Miscellaneous				2,000
				-----
Total Cost				\$469,775

**B. Annual Operation and Maintenance Costs**

Labor	\$10,000
Electricity	1,000
Repair and Replacement Parts	10,000
Total annual operation and maintenance costs	----- \$21,000

**C. Salvage Value** \$87,000

**D. Total Present Worth** \$657,000

(assuming interest rate of 8% over 20 years)

**FINAL ENGINEERING REPORT**

**POWELLS VALLEY WATER DISTRICT**

**SLADE-NADA AREA WASTEWATER FACILITIES - PHASE 2**

**POWELL COUNTY, KENTUCKY**

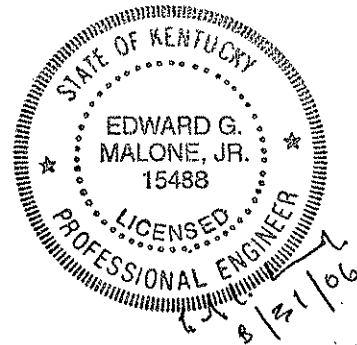
**RECEIVED**

SEP 8 2006

PUBLIC SERVICE  
COMMISSION

*Case No. 2006-00404*

**JUNE, 2006**



**nsc**



**Final Engineering Report**  
**Powells Valley Water District**  
**Slade-Nada Area Wastewater Facilities - Phase 2**

**Prepared by**  
**Mayes, Sudderth & Etheredge, Inc.**  
**624 Wellington Way, Lexington, Kentucky 40503**  
**(859) 223-5694**

**June, 2006**

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- Part 3. Existing Facilities
- Part 4. Need for Project
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- Wetlands along Moreland Branch
- Flood Hazard Areas along Moreland Branch
- Aerial Photograph of Service Area
- Photograph of Service Area

### Tables:

- Collection Alternative A: Combined Gravity and Pressure Sewers
- Collection Alternative B: Pressure Sewers
- Proposed User Charges

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- RUS Letter of Conditions, with Amendments No. 1 and No. 2
- ARC Grant Letter
- Environmental and Public Protection Cabinet approval of plans and specifications.
- Certified bid tabulation
- Engineer's recommendation to award contracts
- Proposed budget

## **Final Engineering Report**

### **Powells Valley Water District**

#### **Slade-Nada Area Wastewater Facilities - Phase 2**

##### **Part 1. General**

Powells Valley Water District (the District) provides sanitary sewer service for the Slade and Nada areas of Powell County. Construction is complete on Phase 1, which includes sewer lines along Kentucky Routes 11 and 15 and treatment facilities.

Service is proposed for a primarily residential area that extends a little over a mile along Kentucky Route 77 (Nada Tunnel Road) and a short distance along county roads Hon Road Number 1 and Hon Road Number 2. Kentucky Route 77 lies in a narrow valley of Moreland Branch, a tributary to the Middle Fork of the Red River, with the road crossing the branch several times. Nada Tunnel Road leads to the Red River Gorge area which is a popular tourist destination and a National Scenic Byway.

There are approximately 53 residences, a general store and five churches in the phase 2 service area. Presently sewage flows to inadequate septic systems or by straight pipes into ditches or the stream.

##### **Part 2. Project Planning Area**

A. Location. Eastern Powell County, including the communities of Slade and Nada, was identified as an area where a need existed for sanitary sewer service. The planning area is shown in figure 1. Wetlands and flood hazard areas within the phase 2 project area are shown in figures 2 and 3. The planning area is within the watershed of the Middle Fork of the Red River. The Mountain Parkway and Kentucky Routes 11, 15 and 77 serve the area. The area includes a mixture of commercial, residential, and a small amount of agricultural land. With Natural Bridge State Resort Park and the Red River Gorge nearby, commercial activity is largely tourism related.

The commercial area is primarily near the interchange of the Mountain Parkway and the approach to the Natural Bridge State Resort Park. Residences are located throughout the planning area. Agricultural land lies along the Middle Fork of the Red River.

B. Environmental Resources. The phase 2 area is primarily residential. No prime farmlands, wetlands or sensitive areas will be disturbed by the project. The design of sanitary sewers will avoid unnecessary disturbance of trees. Most of the areas that will be disturbed by this project have already been disturbed by the construction of the highway and county roads. The project should have minimal effect on wildlife, since construction will be along the road in populated areas.

### C. Growth Areas and Population Trends

Population projections for the county and planning area:

Year	Powell County	Planning Area
1990	11,692	306
2000	12,157	313
2010	12,534	318
2020	12,702	332

Sources: (a) Kentucky Data Center, University of Louisville; (b) population estimate based on house count multiplied by 2.67 persons per household (per Kentucky State Data Center data for Powell County) and proportional to the population of the County.

### Part 3. Existing Facilities

A. Location. A wastewater treatment plant and collection lines have been constructed. The existing wastewater facilities are shown on figure 1.

B. History. Construction of collection and treatment facilities was completed in 2003.

C. Condition of Facilities. The treatment plant is meeting the effluent requirements. The facility was designed to treat 80,000 gallons per day. As of April, 2004 the facility is receiving about 5,000 gallons per day, with phase 1 customers continuing to connect to the system.

### Part 4. Need for Project

A. Health, Sanitation, and Security. Presently sewage flows to inadequate septic systems or by straight pipes into ditches or the stream. Moreland Branch is a tributary to the Middle Fork of the Red River, which is tributary to the Red River. Virtually all of Powell County's drinking water is treated by the Beech Fork Water Association, which has a raw water intake on the Red River near Stanton.

B. System O&M. The existing collection and treatment facilities are new. Operation and maintenance costs include labor for operations, electric service to the treatment facility and three pump stations, and replacement parts. The phase 2 project will have two system pump stations.

C. Growth. The treatment facilities were designed to treat 80,000 gallons per day in the year 2018. Construction of the collection system began with phase 1. The phase 2 project should contribute about 15,000 gallons per day initially.

### Part 5. Alternatives Considered

Practical alternatives include gravity sewers, pressure sewers, septic tank effluent sewers or combinations of the these. Factors determining the best alternative include economic considerations, operational requirements, or physical conditions which may require a particular alternative.

For the phase 2 system, in some places, there is insufficient usable right of way install gravity sewers, so a combination of gravity and pressure sewers (alternative A) and pressure sewers (alternative B) were considered.

### **Alternative A - Combination of Gravity and Pressure Sewers**

A. Description. For alternative A, eight inch gravity sewers would be constructed in areas where there are a number of structures in relatively close proximity and sufficient right of way to install gravity sewers. In other areas, each structure would have a grinder pump which would pump into a force main. Two distinct gravity systems would be installed, with lift stations and force mains connecting the first gravity system to the second, and the second gravity system to the existing system.

B. Design Criteria. For alternative A, eight inch gravity sewers would be used. This is the minimum diameter allowed by the Division of Water and would be adequate to serve the area. Pump stations would be designed to pump the peak flow and would provide a minimum of two feet per second velocity in the force mains. A four inch force main would be used in the upper area and a six inch force main would be used in the lower area.

C. Map. See figure 1 for layout.

D. Environmental Impacts. No additional environmental impact is anticipated for this alternative.

E. Land Requirements. Alternative A will require two lift station sites and about a 15 foot wide permanent easement for the mains.

F. Construction Problems. Alternative A will require greater depth and may encounter rock or high water problems. Gravity sewer construction requires greater construction width and access would be more difficult. This would require more traffic control.

G. Cost Estimates.

The following costs were anticipated:

Initial Cost	\$569,750
Annual O&M	\$ 11,000
Salvage Value	\$254,000
Total Present Worth	\$623,000

The present worth of each alternative is based on estimates of initial cost, salvage value and annual operation and maintenance cost. A detailed analysis of each alternative may be found in the appendix.

H. Advantages/Disadvantages. Alternative A has a higher estimated construction cost but will have lower operation and maintenance costs and is expected to have a lower present worth cost. Both alternatives will prevent raw sewage from entering the stream.

### **Alternative B - Pressure Sewers**

A. Description. For alternative B, each structure would have a grinder pump which would pump into a force main. The force main would connect to the existing system.

B. Design Criteria. For alternative B, a grinder pump would be installed at each structure. The grinder pumps would pump into force mains, with the diameter of the force mains increasing with the number of

users, from about an inch and a half to about four inches. A velocity of at least two feet per second is required to keep solids from depositing in the lines.

C. Map. See figure 1 for layout.

D. Environmental Impacts. No additional environmental impact is anticipated for this alternative.

E. Land Requirements. Alternative B will require about a 15 foot permanent easement for the mains.

F. Construction Problems. Alternative B will not require as great a depth as Alternative A and will encounter fewer rock or high water problems. Pressure sewer construction requires less construction width would require less traffic control.

G. Cost Estimates.

The following costs were anticipated:

Initial Cost	\$469,775
Annual O&M	\$ 21,000
Salvage Value	\$ 87,000
Total Present Worth	\$657,000

The present worth of each alternative is based on estimates of initial cost, salvage value and annual operation and maintenance cost. A detailed analysis of each alternative may be found in the appendix.

H. Advantages/Disadvantages. Alternative B has a lower estimated construction cost but it is expected to have higher operation and maintenance costs. Both alternatives will prevent raw sewage from entering the stream.

## **Part 6. Proposed Project**

A. Recommended Project. While present worth values for the two alternatives are similar, alternative A, a combination of gravity sewers and pressure sewers is recommended. The lower part of the service area is suitable for gravity sewers and there are enough sewer users to make them economically feasible. This is followed by a about a half mile section that is narrow and sparsely populated; in this area grinder pumps will serve about five residences. In the upper end of the service area there is room again to install gravity sewers and more sewer users.

B. Design. An eight inch gravity sewer will be constructed along Kentucky Route 77 and along Hon Road No. 1 and Hon Road No. 2. About 2,100 feet of eight inch sewer main will be constructed along Kentucky Route 77 and 700 feet of eight inch sewer main will be constructed along Hon Road No. 1 and about 200 feet of eight inch sewer main will be constructed along Hon Road No. 2. A pump station at the lower end of this gravity sewer section will pump sewage at a rate of 220 gallons per minute through about 500 feet of six inch force main under the Mountain Parkway and the Red River to an existing sewer force main.

Another section of about 1,200 feet of eight inch gravity sewer will be constructed along the upper end of Kentucky Route 77. At the lower end of this section of gravity sewer a pump station will pump 200 gallons per minute through approximately 4,000 feet of four inch force main to the lower gravity sewer section.

### C. Annual Operating Budget

Annual revenue is projected to be approximately \$47,366. (See proposed user charges.)

Operation and maintenance costs are expected to be about \$18,000. Costs are expected to be as follows:

	Phase 1	Phase 2
Electricity	\$6,300	\$7,200
Personnel	\$8,000	\$9,000
Parts and Supplies	\$1,700	\$1,800
Totals	\$16,000	\$18,000

### D. Project Costs

Project costs are expected to be as follows:

Development	\$411,000
Land and Rights	\$1,000
Legal and Administrative	\$38,000
Engineering	\$76,650
Interest	\$2,000
Contingencies	\$41,000
Total	\$569,750

### E. Project Funding





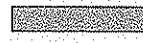

Funding is expected to be as follows:

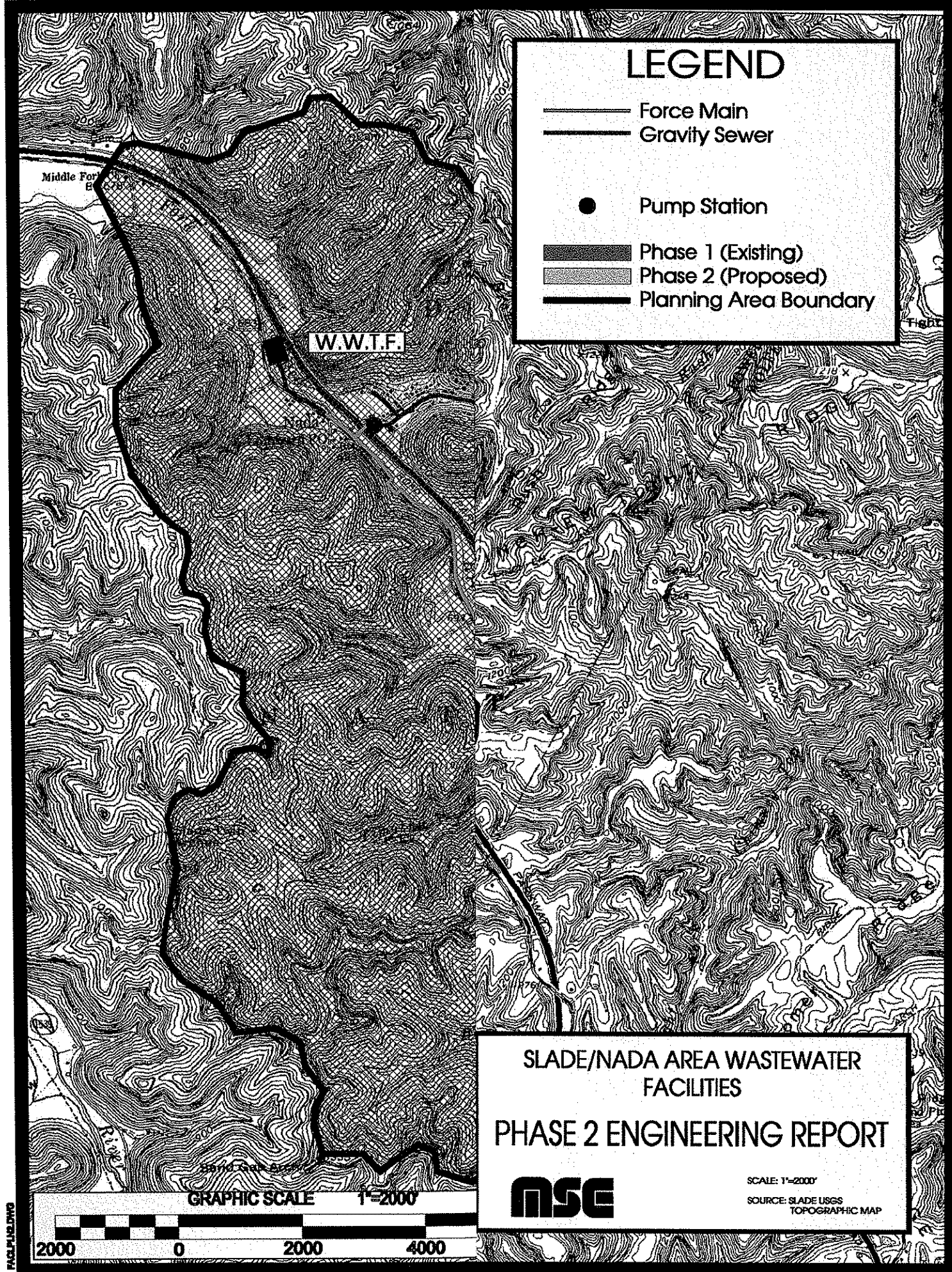
CDBG Grant	\$284,000
RD Funding	\$282,650
Local Funding	\$3,100
Total	\$569,750

### F. Recommendations

The project will provide sewer service for approximately 53 residences, a general store and five churches. The project should increase property values, improve the environment and reduce risk of disease. This project will permit subsequent activities intended to improve housing for an low income area that is within a popular tourism destination and at the doorstep of a National Scenic Byway.

# LEGEND

-  Force Main
-  Gravity Sewer
-  Pump Station
-  Phase 1 (Existing)
-  Phase 2 (Proposed)
-  Planning Area Boundary



## SLADE/NADA AREA WASTEWATER FACILITIES PHASE 2 ENGINEERING REPORT



SCALE: 1"=2000'  
SOURCE: SLADE USGS TOPOGRAPHIC MAP

GRAPHIC SCALE 1"=2000'

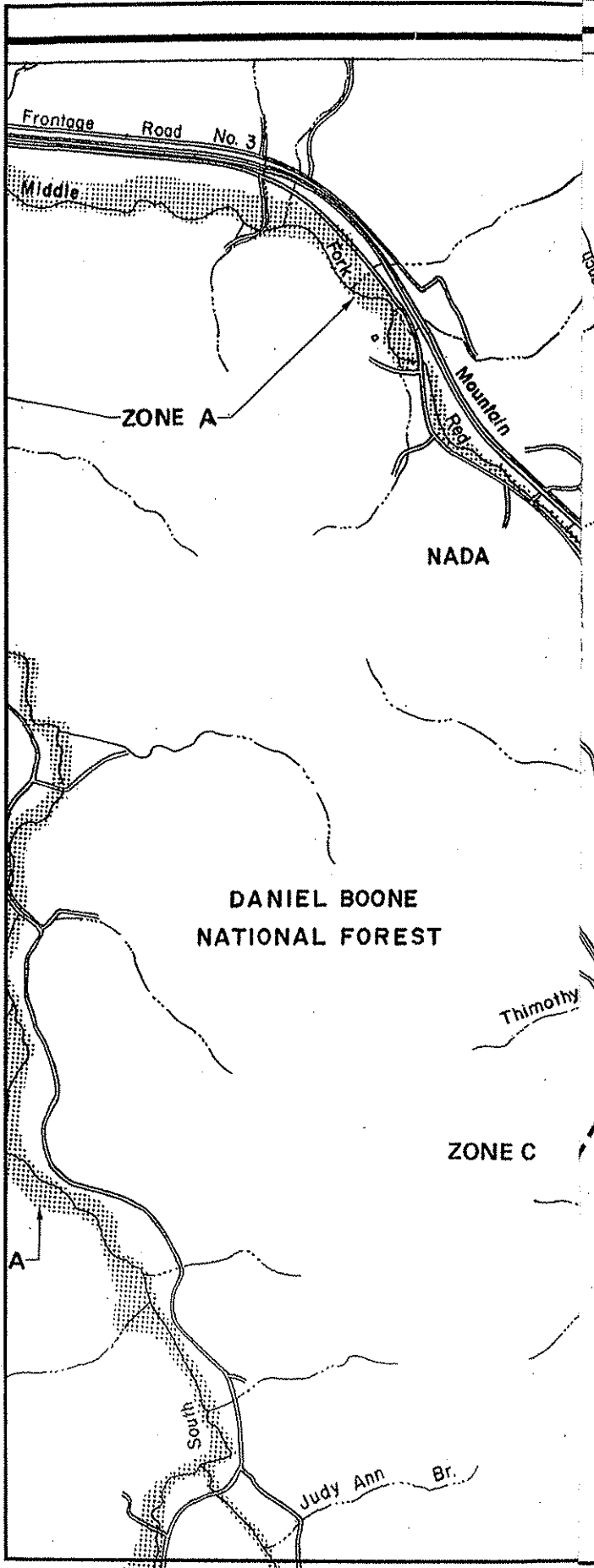


FACE PLATE.DWG

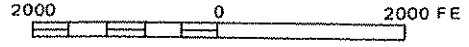




SLADE-NADA AREA  
WASTEWATER FACILITIES  
WETLANDS



APPROXIMATE SCALE



**NATIONAL FLOOD INSURANCE PROGRAM**

**FIRM**  
**FLOOD INSURANCE RATE MAP**

**POWELL COUNTY,  
 KENTUCKY**  
 (UNINCORPORATED AREAS)

**PANEL 100 OF 100**

**COMMUNITY-PANEL NUMBER**  
 210194 0100 B

**EFFECTIVE DATE:**  
 SEPTEMBER 27, 1985

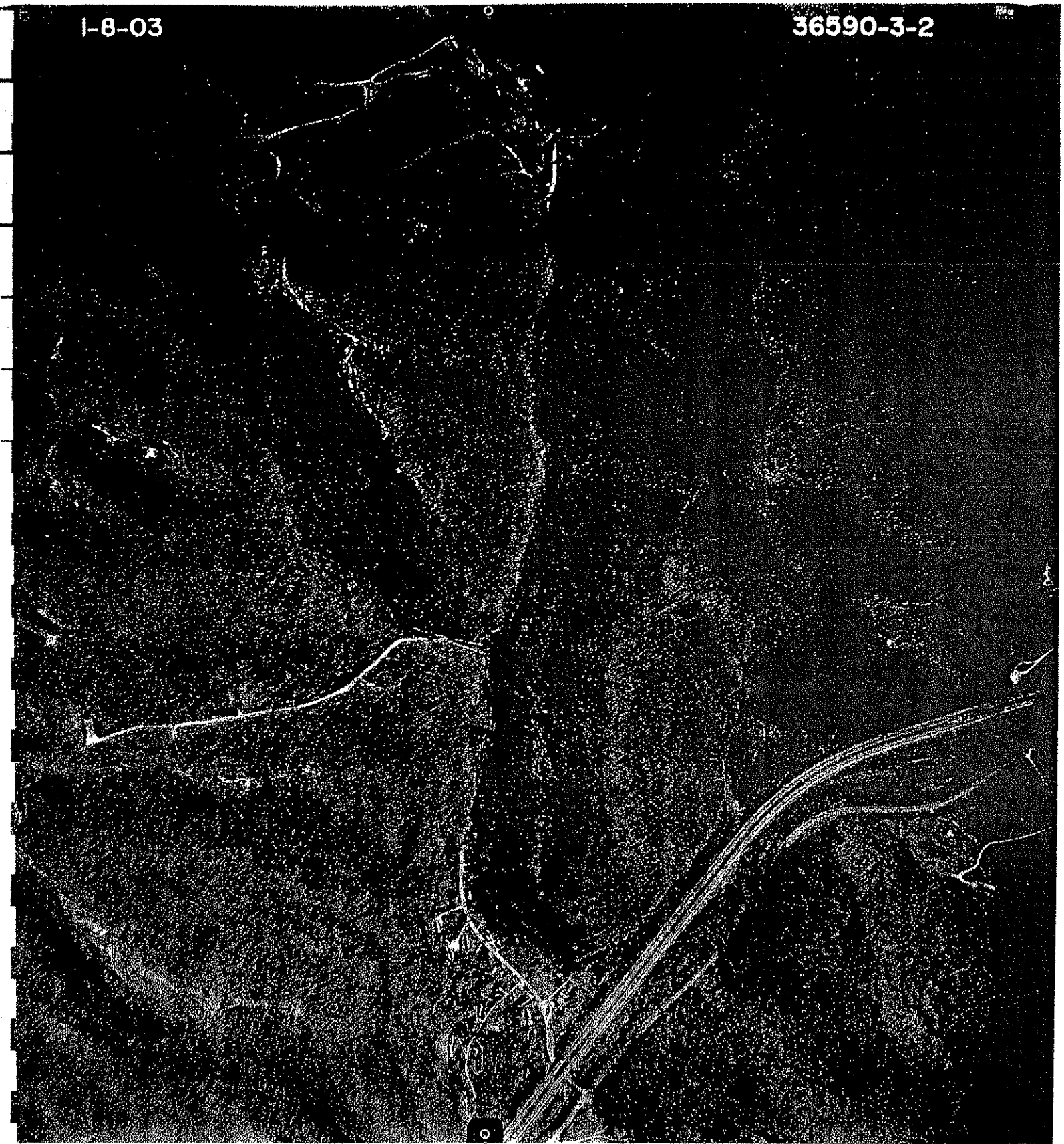


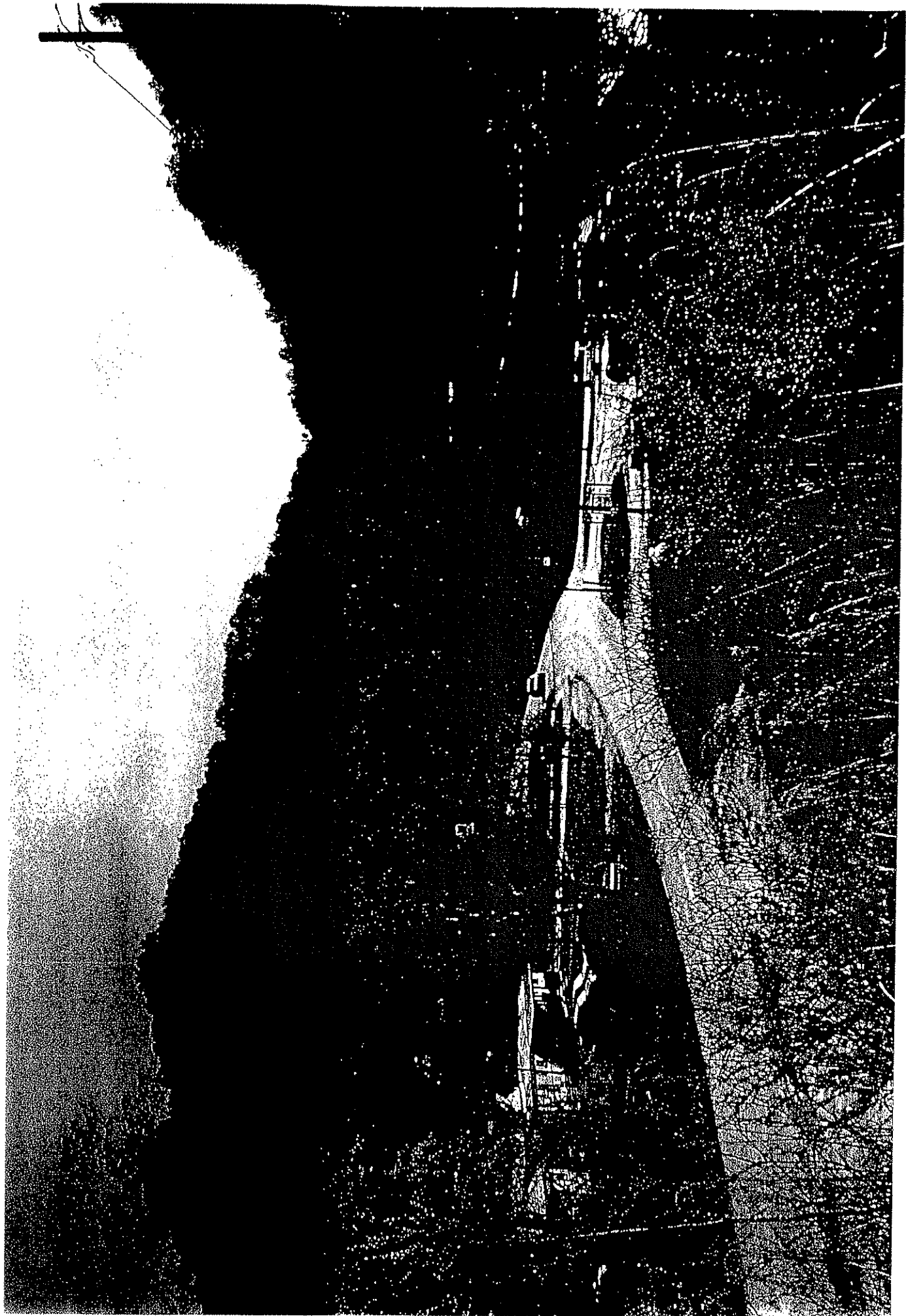
Federal Emergency Management Agency

This is an official copy of a portion of the above referenced flood map. It was extracted using F-MIT On-Line. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at [www.msc.fema.gov](http://www.msc.fema.gov)

1-8-03

36590-3-2





**Collection Alternative A: Combined Gravity and Pressure Sewers**

**Estimate of Capital Cost, Annual O&M Costs, Salvage Value and Present Worth**

**A. Capital Cost:**

<b>Construction</b>				
Gravity Sewers	L.F.	4,400	20.00	88,000
Manholes	Ea.	26	1,400.00	36,400
Laterals	L.F.	2,600	15.00	39,000
Lift Station	Ea.	2	40,000.00	80,000
Force Main	L.F.	4,700	5.00	23,500
Grinder Pumps	Ea.	14	3,000.00	42,000
Service Line	L.F.	1,000	4.00	4,000
Casing Pipe for Gravity Sewers (Bore)	L.F.	40	120.00	4,800
Casing Pipe for Laterals (Bore)	L.F.	600	100.00	60,000
Casing Pipe for Force Mains	L.F.	120	80.00	9,600
Air/Vacuum Release Valve	Ea.	2	1,400.00	2,800
Creek Crossing	L.F.	200	80.00	16,000
Surface Restoration and Other Costs	L.S.	1	5,000.00	5,000

Total Construction Cost	<u>\$411,100</u>
-------------------------	------------------

**Non-construction**

Engineering	\$39,877
Inspection	28,773
Additional Services	8,000
Administrative and Legal	38,000
Land/Easements	1,000
Contingencies	41,000
Miscellaneous	2,000

Total Cost	<u>\$569,750</u>
------------	------------------

**B. Annual Operation and Maintenance Costs**

Labor	\$5,000
Electricity	1,000
Repair and Replacement Parts	5,000

Total annual operation and maintenance costs	<u>\$11,000</u>
--	-----------------

**C. Salvage Value** \$254,000

**D. Total Present Worth** \$623,000

(assuming interest rate of 8% over 20 years)

Source: Mayes, Sudderth & Etheredge, Inc. (4/04)

## Collection Alternative B: Pressure Sewers

### Estimate of Capital Cost, Annual O&M Costs, Salvage Value and Present Worth

#### A. Capital Cost:

##### Construction

4 Inch Force Main	L.F.	4,000	5.00	\$20,000
3 Inch Force Main	L.F.	4,000	4.50	18,000
2 Inch Force Main	L.F.	1,100	4.00	4,400
1.5 Inch Service Line	L.F.	3,600	4.00	14,400
Casing Pipe for Force Main (Bore)	L.F.	760	80.00	60,800
Simplex Grinder Pump Station	Ea.	59	3,000.00	177,000
Air Release Valve	Ea.	10	1,400.00	14,000
Creek Crossing	L.F.	200	80.00	16,000
Surface Restoration and Other Costs	L.S.	1	5,000.00	5,000

Total construction cost \$329,600

##### Non-construction

Engineering	\$33,257
Inspection	24,918
Additional Services	8,000
Administrative and Legal	38,000
Land/Easements	1,000
Contingencies	33,000
Miscellaneous	2,000

Total Cost \$469,775

#### B. Annual Operation and Maintenance Costs

Labor	\$10,000
Electricity	1,000
Repair and Replacement Parts	10,000

Total annual operation and maintenance costs \$21,000

C. Salvage Value \$87,000

D. Total Present Worth \$657,000

(assuming interest rate of 8% over 20 years)

**Slade-Nada Area Wastewater Facilities Project**  
**Proposed User Charges (Based on Water Usage)**

\$15.50    *minimum bill*  
 \$7.75    /1000 gallons

<b>Existing Residential Customers</b>		<b>Rate</b>		<b>Revenue</b>	<b>Average Bill</b>
Gallons per year	790,240				
Bills per year	348	\$15.50	<i>minimum bill</i>	\$5,394	
Usage over 2000 gal./customer/month	94,240	\$7.75	/1000 gallons	\$730	
				<hr/>	
				\$6,124	\$17.60
<b>Existing Non-residential Customers</b>		<b>Rate</b>		<b>Revenue</b>	<b>Average Bill</b>
Gallons per year	3,392,430				
Bills per year	300	\$15.50	<i>minimum bill</i>	\$4,650	
Usage over 2000 gal./customer/month	2,792,430	\$7.75	/1000 gallons	\$21,641	
				<hr/>	
				\$26,291	\$87.64
<b>New Residential Customers</b>		<b>Rate</b>		<b>Revenue</b>	<b>Average Bill</b>
Gallons per year	1,460,230				
Bills per year	468	\$15.50	<i>minimum bill</i>	\$7,254	
Usage over 2000 gal./customer/month	524,230	\$7.75	/1000 gallons	\$4,063	
				<hr/>	
				\$11,317	\$24.18
<b>New Non-residential Customers</b>		<b>Rate</b>		<b>Revenue</b>	<b>Average Bill</b>
Gallons per year	24,000				
Bills per year	12	\$15.50	<i>minimum bill</i>	\$186	
Usage over 2000 gal./customer/month	0	\$7.75	/1000 gallons	\$0	
				<hr/>	
				\$186	\$15.50

Projected annual revenue for phases 1 and 2                    \$43,918

Rural Development Loans				\$327,000	
Annuity Factor	38		4.5%	0.0554	
Principal and Interest				<hr/>	
				\$18,116	
Coverage				1.1	
Debt Service (Principal, Interest & Coverage)				<hr/>	
				\$19,928	
Depreciation	2%			\$2,260	
Annual Operation and Maintenance Cost				<hr/>	
				\$21,500	
Annual Revenue Requirement				<hr/>	
				\$43,688	



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

January 20, 2005

Mr. Steve Everman, Chairman  
Powell's Valley Water District  
P.O. Box 550  
Clay City, Kentucky 40312

Dear Mr. Everman:

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 \$27,000, a RUS grant not to exceed \$256,000, and a Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) of \$284,000.

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:

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>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."  
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14<sup>th</sup> and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).



1. Number of Users and Their Contribution:

There shall be 2,190 existing water users and 78 sewer users, of which 40 are existing users and 38 are new users contributing \$3,000 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. No contribution is required from the Water District.

1a. 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.

1b. Drug-Free Work Place:

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

2. 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 2 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 Water 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.

3. 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 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.

4. Funded Depreciation Reserve Account:

The Water District will be required to deposit \$15.00 per month into a "Funded Depreciation Reserve Account" until the account reaches \$1,800. The deposits are to be resumed any time the account falls below the \$1,800.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the Water 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.

5. Security Requirements:

A combined pledge of gross water and sewer revenues 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 Water 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.

6. Land Rights and Real Property:

The Water 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.

7. Organization:

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

8. Business Operations:

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

9. Accounts, Records and Audits:

The Water District will be required to maintain adequate records and accounts and submit statistical and financial reports, quarterly and annually, in accordance with subsection 1780.47 of RUS Instruction 1780 and RUS Staff Instruction 1780-4, a copy of which is enclosed. The enclosed audit booklet will be used as a guide for preparation of audits. The Water District will be required to establish and maintain separate accounts for each system. Annual audits, budgets, and reports will be submitted to Rural Development showing separate accounts. The Water District shall be required to submit a copy of its audit agreement for review and approval prior to pre-closing the loan. Rural Development approval of the accounting system is required.

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

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

11. 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 Water District. The Water District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The Water District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The Water 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 \$152,000.
- D. Real Property Insurance - The Water 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 Water 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 Water District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

12. 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 210 days from this date, and prepare bid documents. The Area Director is prepared to furnish the necessary guide to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.

B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:

1. Final plans, specifications and bid documents.
2. Applicant's letter on efforts to encourage small business and minority-owned business participation.
3. Legal Service Agreements.
4. Engineering Agreements.

Revision in these documents will be subject to Rural Development concurrence. Any agreements, contracts, etc. not reviewed and approved by Rural Development will not be eligible for payment from project funds or revenues from facilities financed by this Agency.

Prior to receipt of an authorization to advertise for construction bids, the Water 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.

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

The Water District 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 sewer system, be denied the benefits of the sewer system, or be subjected to discrimination.

14. 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 Water District.

15. Compliance with Special Laws and Regulations:

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

16. Treatment Plant/System Operator:

The Water District is reminded that the treatment plant and/or system operator must have an Operator's Certificate issued by the State.

17. Prior to Pre-Closing the Loan, the Water 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."

The Water District 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.

18. Refinancing and Graduation Requirements:

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

19. Commercial Interim Financing:

The Water 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 Water 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.

20. Disbursement of Project Funds:

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

During construction, the Water 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 Water 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 Water District.

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

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

21. 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 Water District. Grant funds, upon receipt, must be deposited in an interest bearing account in accordance with 7 CFR part 3016 (as applicable). Interest earned on grant funds in excess of \$100 (as applicable) per year will be submitted to RUS at least quarterly.

22. Cost of Facility:

Breakdown of Costs:

Development	\$ 437,000
Land and Rights	2,000
Legal and Administrative	8,000
Engineering	77,000
Interest	1,000
Contingencies	<u>45,000</u>
TOTAL	\$ 570,000

Financing:

RUS Loan	\$ 27,000
RUS Grant	256,000
HUD-CDBG	284,000
Applicant Contribution	<u>3,000</u>
TOTAL	\$ 570,000

23. 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 Clearing House (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.

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/HUD-CDBG 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.

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 and sewer systems and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

First	2,000	gallons @ \$	14.75 - Minimum Bill.
Next	2,000	gallons @ \$	6.71 - per 1,000 gallons.
Next	2,000	gallons @ \$	5.96 - per 1,000 gallons.
All Over	6,000	gallons @ \$	5.52 - per 1,000 gallons.

Sewer rates will be at least:

First	2,000	gallons @ \$	15.00 - Minimum Bill.
All Over	2,000	gallons @ \$	7.50 - per 1,000 gallons.

26. Commitment of HUD-CDBG Grant Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the HUD-CDBG grant in the amount of \$284,000.

27. Floodplain Construction:

The Water District will be required to pass and adopt a Resolution or amend its By-Laws whereby the Water District will deny any sewer 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 Water 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.

28. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Kentucky Department for Local Government letter dated December 12, 2003, from Mr. Ronald A. Cook, Manager.

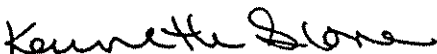
- B. The design and construction shall be in compliance with the requirements of the U.S. Fish and Wildlife Service as requested by letter dated November 6, 2003, and signed by Virgil Lee Andrews, Jr., Field Supervisor.
- C. The line design and construction shall be accomplished in a way that will leave 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.
- 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.

29. 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,

  
KENNETH SLONE  
State Director

Enclosures

cc: Area Director - Shelbyville, Kentucky  
Rural Development Manager - Winchester, Kentucky  
Bluegrass ADD - Lexington, Kentucky  
Jeffery M. Stiles - Stanton, Kentucky  
Rubin and Hays - Louisville, Kentucky  
✓MSE, Inc. - Lexington, Kentucky  
PSC - ATTN: Bob Amato - Frankfort, Kentucky





United States Department of Agriculture  
Rural Development  
Kentucky State Office

June 19, 2006

Mr. Steve Everman, Chairman  
Powell's Valley Water District  
P.O. Box 550  
Clay City, Kentucky 40312

Re: Letter of Conditions Dated January 20, 2005

Dear Mr. Everman:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated January 20, 2005. The purpose of this amendment is to (1) revise the total cost of the project; (2) revise the funding sources to include an Appalachian Regional Commission (ARC) grant; (3) revise the Civil Rights and EEO statement; and (4) make other editorial changes in accordance with current Rural Utilities Service (RUS) Instructions.

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 \$27,000; a RUS grant not to exceed \$256,000; an Appalachian Regional Commission (ARC) grant of \$274,050; and a Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) of \$284,000. ”

Paragraph numbered “13” is revised to read as follows:

“ 13. 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 "22" is revised to read as follows:

“ 22. Cost of Facility:

Breakdown of Costs:

Development	\$ 639,900
Land and Rights	32,800
Legal and Administrative	36,000
Engineering	102,850
Interest	500
Contingencies	<u>32,000</u>
TOTAL	\$ 844,050

Financing:

RUS Loan	\$ 27,000
RUS Grant	256,000
ARC Grant	274,050
HUD-CDBG Grant	284,000
Applicant Connection Fees	<u>3,000</u>
TOTAL	\$ 844,050 ”

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

" 24. Use of Remaining Project Funds:

The applicant connection fees shall be considered as the first funds expended. After providing for all authorized costs, any remaining project funds will be considered to be RUS/ARC/HUD-CDBG 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. "

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

" 26. 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 ARC grant in the amount of \$274,050 and for the HUD-CDBG grant in the amount of \$284,000. "

Paragraph numbered "30" is added to read as follows:

" 30. 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 - Shelbyville, Kentucky  
Rural Development Manager - Winchester, Kentucky  
Bluegrass ADD - Lexington, Kentucky  
Rubin and Hays - Louisville, Kentucky  
Jeffery M. Stiles - Stanton, Kentucky  
✓MSE, Inc. - Lexington, Kentucky  
PSC - ATTN: Bob Amato - Frankfort, Kentucky



United States Department of Agriculture  
Rural Development  
Kentucky State Office

August 21, 2006

Mr. Steve Everman, Chairman  
Powell's Valley Water District  
P.O. Box 550  
Clay City, Kentucky 40312

Re: Letter of Conditions Dated January 20, 2005

Dear Mr. Everman:

This letter shall serve as Amendment No. 2 to the Letter of Conditions dated January 20, 2005. The purpose of this amendment is to revise the required rate schedule in order to generate sufficient revenue to cover increased O&M.

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

" 25. Rates and Charges:

Rates and charges for facilities and services rendered by the District must be at least adequate to meet cost of maintaining, repairing and operating the water and sewer systems and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

First	2,000 gallons @ \$	15.75 - Minimum Bill.
Next	2,000 gallons @ \$	6.71. - per 1,000 gallons.
Next	2,000 gallons @ \$	5.96 - per 1,000 gallons.
All Over	6,000 gallons @ \$	5.52 - per 1,000 gallons.

Sewer rates will be at least:

First	2,000 gallons @ \$	15.50 - Minimum Bill.
All Over	2,000 gallons @ \$	7.75 - per 1,000 gallons.

Tap Fees:

Water	\$450.00
Sewer	\$450.00 "

771 Corporate Drive • Suite 200 • Lexington, KY 40503  
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or call (800) 795-3272 (voice) or (202) 720-8382 (TDD).

Powell's Valley Water District

Page 2

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

Sincerely,

  
KENNETH SLONE  
State Director

cc: Area Director - Shelbyville, Kentucky  
Rural Development Manager - Winchester, Kentucky  
Bluegrass ADD - Lexington, Kentucky  
Jeffery Stiles - Stanton, Kentucky  
Rubin and Hays - Louisville, Kentucky  
MSE, Inc. - Lexington, Kentucky  
PSC - ATTN: Bob Amato - Frankfort, Kentucky



APPALACHIAN  
REGIONAL  
COMMISSION

A Proud Past,  
A New Vision

Office of the Executive Director

July 28, 2006

The Honorable Ernie L. Fletcher  
Governor of Kentucky  
Room 100, Capitol Building  
Frankfort, Kentucky 40601

Re: Nada Tunnel Road Sewer Extension (KY-15417-214-06)

Dear Governor Fletcher:

Enclosed is a copy of the Appalachian Regional Commission's approval of a grant for the referenced project dated July 25, 2006.

Appalachian Regional Commission funds in the amount of \$274,050 have been made available to the Acting Administrator, Rural Utilities Service, U.S. Department of Agriculture.

A copy of the approval is enclosed.

Sincerely yours,

THOMAS M. HUNTER  
Executive Director

Enclosure

cc: State Alternate

1656 CONNECTICUT AVENUE, NW, SUITE 700 WASHINGTON, DC 20009-1068 (202) 884-7700 FAX (202) 884-7691 www.arc.gov

Alabama Kentucky Mississippi North Carolina Pennsylvania Tennessee West Virginia  
Georgia Maryland New York Ohio South Carolina Virginia



APPALACHIAN  
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COMMISSION

A Proud Past,  
A New Vision

REV (8-98)

### Notice to Obligate

To: Curtis M. Anderson, Acting Administrator  
Rural Utilities Service  
U.S. Department of Agriculture  
South Building, Room 5014  
14th & Independence Avenue, SW  
Washington, DC 20250  
Attn: Jayme Morris STOP Code 1570

cc: Mary Vance  
Financial Accounting Branch - St. Louis  
Rural Development  
FC-361  
POB 200011  
St. Louis, MO 63120-0011

Pursuant to the Appalachian Regional Development Act of 1965, as amended, the Appalachian Regional Commission has approved the referenced project under appropriation 46X0200. Rural Development has agreed to obligate and administer the grant under the Memorandum of Agreement between ARC and USDA.

ARC Project Number: KY-15417-06

Project Title: Nada Tunnel Road Sewer Extension

Grantee: Powell's Valley Water District  
(Powell County, KY)

Approved Funding:

ARC Section 214	\$ 274,050	32.00%
RD Grant (WEP)	256,000	30.00%
RD Loan (WEP)	27,000	3.00%
Other Federal	-	0.00%
State	284,000	34.00%
Local	3,000	0.00%
<u>Total Project Cost</u>	<u>\$ 844,050</u>	<u>100.00%</u>

Authorized USDA Administrative Charge: na

Approved:

JUL 25 2006

Anne B. Pope  
Federal Co-Chair

Date

1656 CONNECTICUT AVENUE, NW, SUITE 700 WASHINGTON, DC 20009-1068 (202) 884-7799 FAX (202) 884-7691 WWW.ARC.GOV  
Alabama Kentucky Mississippi North Carolina Pennsylvania Tennessee West Virginia  
Georgia Maryland New York Ohio South Carolina Virginia



APPALACHIAN REGIONAL COMMISSION

A Proud Past, A New Vision

**To:** Anne B. Pope, Federal Co-Chair

**Subject:** Nada Tunnel Road Sewer Extension  
KY-15417-214

**Grantee:** Powell's Valley Water District

**County:** Distressed: Powell

**Basic Agency:** Rural Development

**Goal:** ARC Goal 3, Objective 2. State Strategy 3.2.2: Consistent with the ARC policy for residential infrastructure projects, water supply and wastewater treatment projects will continue to be recommended for ARC funding assistance to alleviate environmental health concerns and ensure an acceptable quality of life for local residents.

**Purpose:** To eliminate water pollution and improve the quality of life for residents by providing sewer service along Nada Tunnel Road in Powell County.

<b>Funding:</b>	ARC	\$ 274,050 (DC)	32%
	Other Federal	256,000	30%
	State	284,000	34%
	Local	30,000	4%
	<b>Total</b>	<b>\$ 844,050</b>	<b>100%</b>

Other Federal: RD grant; State: CDBG; Local: RD loan = \$27,000; tap fees \$3,000.

**Description**

The Powell's Valley Water District will expand its sewer system to serve the Nada Tunnel Road area. The project will include 1.9 miles of sewer line and two pump stations, providing service to 53 homes, one business, and five churches.

**Rationale/Benefits:**

- The Nada Tunnel Road (KY Highway 77) is a designated National Scenic Byway that is the primary route linking Natural Bridge State Park and the Red River Gorge, near an interchange with the Mountain Parkway (ADHS Corridor I). Homes and businesses along the route are on small lots with poor soils. Septic tanks are not suitable for these conditions; some homes straightpipe waste to streams, resulting in contamination of water supplies.
- The Powell's Valley Water District operates a sewage treatment plant a short distance from the project area, and capacity to serve additional customers is available. After beginning a project to extend sewer service, bids were higher than expected, and the grantee has requested ARC funds to make up the difference.
- The project will eliminate water pollution and improve living conditions in a scenic corridor. Provision of sewer service is paramount to the protection and sustainable development of the area's tourism assets.

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Alabama	Kentucky	Mississippi	North Carolina	Pennsylvania	Tennessee	West Virginia
Georgia	Maryland	New York	Ohio	South Carolina	Virginia	



**Nada/Tunnel Road Sewer Extension  
KY-15417-214**

**Performance Measurements:**

Outputs:

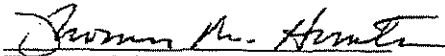
- Construction of 1.9 miles (9,932 LF) of sewer line and two pump stations.

Outcomes:

- Elimination of failing septic tanks and straightpipes along a National Scenic Byway. 53 households, 1 business, 5 churches served.

This project will have a primary impact on distressed counties. This project is consistent with the ARC Act and Code and is recommended for funding.

**RECOMMENDED:**

  
Thomas M. Hunter  
Executive Director



ENVIRONMENTAL AND PUBLIC PROTECTION CABINET  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

**Ernie Fletcher**  
Governor

Frankfort Office Park  
14 Reilly Road  
Frankfort, Kentucky 40601  
www.kentucky.gov

**LaJuana S. Wilcher**  
Secretary

January 04, 2006

Mr. Kendall Knox  
Powell Valley Water District  
P. O. Box 500  
Clay City, KY 40312

Re: Slade Nada Sewers Contract 3  
Powell County, Kentucky  
Project ID: 05-0874  
Slade Nada WWTP -- 15780  
Activity ID: APE20050001

Dear Mr. Knox:

In accordance with KRS Chapter 224.10-100 (19), the Environmental and Public Protection Cabinet approves the Construction Permit Application for Sewer Line Construction dated November 12, 2005.

If we can be of any further assistance or should you wish to discuss this correspondence, please do not hesitate to contact Mohammed Mohiuddin at 502/564-2225, extension 559.

Sincerely,

A handwritten signature in cursive script that reads "Harold Sparks".

Harold Sparks, P.E., Supervisor  
Wastewater Facilities Review Section  
Facilities Construction Branch  
Division of Water

HLS/MIM

c: Powell County Health Department  
MSE of Kentucky, Inc.  
Donna Sullivan, Plumbing

Attachment

**Sewer Line Construction**

Slade Nada WWTP  
Facility Requirements

Activity ID No.: APE20050001

**PORT2 (Slade Nada ) Slade Nada Sewers Contract 3:**

**Submittal/Action Requirements:**

---

Condition No.	Condition
S-1	When this system is completed, the applicant shall submit written certification: Due 30 calendar days after Completion of Construction to the Division of Water that the facilities have been constructed and tested in accordance with the approved plans and specifications and the above approval conditions. Such certification shall be signed by a registered professional engineer. Failure to certify may result in penalty assessment and/or future approvals being withheld. [401 KAR 5:005 Section 24(2)]

**Narrative Requirements:**

---

Condition No.	Condition
T-1	The plans and specifications submitted for the project are approved by the Environmental and Public Protection Cabinet as to sanitary features, subject to the requirements contained within the permit. [401 KAR 5:005 Section 24(4)(a)]
T-2	Authority to construct these sewers is hereby granted. This approval is issued under the provisions of KRS Chapter 224.10-100 (19) regulations promulgated pursuant thereto. Issuance of this permit does not relieve the permittee from the responsibility of obtaining any permits or licenses required by this Cabinet and other state, federal, and local agencies. [401 KAR 5:005 Section 24(4)(a)]
T-3	The plans include approximately 3,915 linear feet of 8 inch PVC sanitary sewers, a lift station with 2 pumps of 218 gpm with 16.4 feet TDH and approximately 975 linear feet of 6 inch PVC force main pipe and another lift station with 2 pumps of 38.6 gpm with 61.6 feet TDH and approximately 4,422 linear feet of 2 inch PVC force main pipe. The flow from these lines is to be treated at the Slade-Nada Wastewater Treatment Plant, KPDES Permit No. KY0104078, Powell County, Kentucky. [401 KAR 5:005 Section 24(4)(a)]
T-4	The types of sanitary sewer pipe shall be limited to the following: PVC. [401 KAR 5:005 Section 1(2)]
T-5	This subdivision sewer line extension approval is for 80 house connections. The anticipated flow is 28,000 gpd. [401 KAR 5:005 Section 1(2)]
T-6	PVC pipe material and joints shall conform to ASTM D-3034, latest revision. [Ten States (WW) 33.81]

## Sewer Line Construction

Slade Nada WWTP  
Facility Requirements

Activity ID No.: APE20050001

Page 2 of 3

### Narrative Requirements:

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Condition No.	Condition
T-7	PVC pressure pipe material and joints shall conform to ASTM D-2241, or latest revision. [Ten States (WW) 33.81]
T-8	Flexible thermoplastic sewer pipe installation for gravity sewers shall conform to ASTM D2321, latest revision. [Ten States (WW) 33.81]
T-9	Flexible thermoplastic sewer pipe installation for pressure sewers shall conform to ASTM D-2774, latest revision. [Ten States (WW) 33.81]
T-10	Gravity sewer lines and force mains shall have a minimum of thirty (30) inches of cover or provide comparable protection. [401 KAR 5:005 Section 8(9)]
T-11	A drop pipe shall be provided where the sewer enters the manhole at two feet or more above the manhole invert. [Ten States (WW) 34.2]
T-12	All sewers shall be low pressure air tested. A deflection test shall be performed on all gravity sanitary sewers using flexible pipe. The test shall be performed after the final backfill has been in place for at least thirty days. No pipe shall exceed a deflection of five percent. If the deflection test is to be run using a rigid ball or mandrel, it shall have a diameter equal to 95% of the inside diameter of the pipe. The test shall be performed without mechanical pulling devices. Each new manhole shall be tested for watertightness. [401 KAR 5:005 Section 8(6)(a)]
T-13	If gravity sewer lines and force mains are to be constructed in fill areas, the fill areas shall be compacted to ninety-five (95) percent density as determined by the Standard Proctor Density test or to a minimum of ninety (90) percent density as determined by the Modified Proctor Density test prior to the installation of the sewer lines. [401 KAR 5:005 Section 8(10)]
T-14	Sewers crossing water mains shall be laid to provide a vertical distance of 18 inches between the outside of the water main and the outside of the sewer. This shall be the case where the water main is either above or below the sewer. The crossing shall be arranged so that the sewer joints are equidistant and as far as possible from the water main joints. Where a water main crosses under a sewer, adequate structural support shall be provided for the sewer to prevent damage to the water main. [Ten States (WW) 38.32]
T-15	Sewers shall be laid at least 10 feet horizontally from any existing or proposed water main. The distance shall be measured from edge to edge. [Ten States (WW) 38.31]
T-16	The entrance of groundwater into, or loss of waste from, a new gravity sewer line shall be limited to 200 gpd per inch of diameter per mile of the gravity sewer line. This limitation includes manholes, gravity sewer lines, and appurtenances. [401 KAR 5:005 Section 8(5)]
T-17	Air release valves shall be installed at high points in any proposed force main. [401 KAR 5:005 Section 8(19)]
T-18	The minimum slope for any proposed six (6) inch line shall be 0.6 percent. The recommended slope for this line is 1.0 percent. [Ten States (WW) 33.4]

## Sewer Line Construction

Slade Nada WWTP  
Facility Requirements

Activity ID No.: APE20050001

Page 3 of 3

### Narrative Requirements:

Condition No.	Condition
T-19	Since the requirements of administrative regulations 401 KAR 4:050 are not met, a floodplain construction permit will be required pursuant to KRS 151:250. [401 KAR 4:050 Section 2]
T-20	An audible and visible alarm shall be provided at any proposed wastewater pump station. [Ten States (WW) 45]
T-21	Requirements for Sewer Line Extensions. All proposed pump station wetwells shall be sized such that, based on the average flow, the time to fill the wetwell from the pump-off elevation to the pump-on elevation shall not exceed thirty (30) minutes. [401 KAR 5:005 Section 8(16)]
T-22	Adequate thrust blocks shall be provided at all significant bends in any proposed sewer force main in order to prevent movement. [Ten States (WW) 48.4]
T-23	The integrity of any proposed force main shall be verified by leakage tests. The applicant shall describe the proposed testing methods and leakage limits in the specifications submitted with the permit application. [401 KAR 5:005 Section 8(6)(b)]
T-24	If the sewer line project will cross a stream or wetland, the attached Water Quality Certification will apply. Please read and make a part of any contract to install this sewer line. Direct any questions to the Water Quality Branch, 401 Certification Section at 502-564-2225, extension 485. [KRS 224.16-050]
T-25	Facilities shall be designed in accordance with the "Recommended Standards for Wastewater Facilities" of the Great Lakes-Upper Mississippi River Board of State Public Health and Environmental Managers, commonly referred to as "Ten States' Standards", 1990 edition. [401 KAR 5:005 Section 7(1)(a)]
T-26	The permit is issued to the applicant and the permittee shall remain the responsible party for compliance with all applicable statutes and administrative regulations until a notarized applicable change in ownership certification is submitted and the transfer of ownership is acknowledged by the cabinet. [401 KAR 5:005 Section 24(3)]
T-27	There shall be no deviations from the plans and specifications submitted with the application or the conditions specified unless authorized in writing by the cabinet. [401 KAR 5:005 Section 24(4)(b)1]
T-28	The issuance of a permit by the cabinet does not convey any property rights of any kind or any exclusive privilege. [401 KAR 5:005 Section 24(6)]
T-29	A permit to construct a facility shall be effective upon issuance unless otherwise conditioned. Construction shall be completed within twelve (12) months unless additional time is requested. If construction is not commenced within the twelve (12) months following a permit's issuance, a new permit shall be obtained before construction may begin. The cabinet may allow a single twelve (12) month extension to begin construction if site conditions have not changed. [401 KAR 5:005 Section 24(1)]
T-30	The Construction Permit is effective on January 4, 2006 and expires on January 4, 2007. [401 KAR 5:005 Section 24(1)]

LaJuana Wilcher  
Secretary



Ernie Fletcher  
Governor

COMMONWEALTH OF KENTUCKY  
ENVIRONMENTAL AND PUBLIC PROTECTION CABINET  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
Frankfort Office Park  
14 Rellly Road  
Frankfort, Kentucky 40601  
**General Certification--Nationwide Permit #12**  
**Utility Line Backfill and Bedding**

This General Certification is issued March 17, 2002, in conformity with the requirements of Section 401 of the Clean Water Act of 1977, as amended (33USC 1314), as well as Kentucky Statute KRS 224.16-070.

The Commonwealth of Kentucky hereby certifies under Section 401 of the Clean Water Act (CWA) that it has reasonable assurances that applicable water quality standards under Kentucky Administrative Regulations Title 401, Chapter 5, established pursuant to Sections 301, 302, 304, 306 and 307 of the CWA, will not be violated for the activity covered under 33 CFR Part 330 Appendix A (B) (12), namely utility line backfill and bedding provided that the following conditions are met:

1. This general Water Quality Certification is limited to the crossing of streams by utility lines. The length of a single utility stream crossing shall not exceed twice the width of the stream. This document does not authorize the installation of utility lines in a linear manner within the stream channel or below the top of the stream bank.
2. The provisions of 401 KAR 5:005 Section 8 are hereby incorporated into this General Water Quality Certification. Namely, "Sewer lines shall be located at least 50 feet away from a stream which appears as a blue line on a USGS 7 1/2 minute topographic map except where the sewer alignment crosses the stream. The distance shall be measured from the top of the stream bank. The cabinet may allow construction within the 50' buffer if adequate methods are used to prevent soil from entering the stream.

Gravity sewer lines and force mains that cross streams shall be constructed by methods that maintain normal stream flow and allow for a dry excavation. Water pumped from the excavation shall be contained and allowed to settle prior to re-entering the stream. Excavation equipment and vehicles shall operate outside of the flowing portion of the stream. Spoil material from the sewer line excavation shall not be allowed to enter the flowing portion of the stream." The provisions of this condition shall apply to all types of utility line stream crossings.

3. Removal of riparian vegetation in the utility line right-of-way shall be limited to that necessary for equipment access. Effective erosion and sedimentation control measures must be employed at all times during the project to prevent degradation of waters of the Commonwealth. Site regarding and reseeding will be accomplished within 14 days after disturbance.
4. Utility line construction projects through jurisdictional wetlands shall not result in conversion of the area to non-wetland status.
5. This General Certification shall not apply to those waters of the Commonwealth identified as Outstanding State Resource Waters, Exceptional Waters or Cold Water Aquatic Habitat Waters, as designated by the Division of Water. An individual Water Quality Certification will be required for projects in these waters.

Non-compliance with the conditions of this general certification or violation of Kentucky state water quality standards may result in civil penalties.

This general certification will expire on March 19, 2007, or sooner if the COE makes significant changes to this nationwide permit.



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## 401 KAR 4:050. CONSTRUCTION EXEMPTIONS

Section 2. A construction permit pursuant to KRS 151.250 shall not be required for a subfluvial utility or pipeline crossing provided that the construction of the crossing meets the following criteria:

- (1) During the construction of the crossing, no material may be placed in the stream or in the flood plain of the stream to form construction pads, coffer dams, access roads, etc., unless prior approval has been obtained from the cabinet.
- (2) The trench shall be backfilled as closely as possible to the original contour. All excess material from construction of the trench shall be disposed of outside of the flood plain unless the applicant has received prior approval from the cabinet to fill within the flood plain.
- (3) For subfluvial crossings of erodible channels, there shall be at least thirty (30) inches clear to the top of the pipe or conduit at all points.
- (4) For subfluvial crossings of nonerodible channels, there shall be at least six (6) inches of clear cover above the top of the pipe or conduit at all points, and the pipe or conduit shall be encased on all sides by at least six (6) inches of concrete.
- (5) The weight of a pipe and its contents during normal operation conditions at all points must exceed that of an equal volume of water, or the applicant must provide the division with sufficient information to show that the pipe and joints have sufficient strength. (7 Ky. R. 365; eff. 11-6-80.)

**Powells Valley Water District**  
**Contract 3: Sanitary Sewer Extension**  
**Bid Tabulation for Bids Received on March 7, 2006 at 1:00 PM**

		Music Construction, Inc.			Charles Contracting Co., Inc.			Silver Oaks Ventures, LLC			SJ Cox Enterprises, Inc.			R. Risner Construction Inc.		
No.	Description	Unit	Quantity	Unit Price	Extension	Unit Price	Extension	Unit Price	Extension	Unit Price	Extension	Unit Price	Extension	Unit Price	Extension	
1	A 8" Sewer Line, 0.0' to 6.0'	L.F.	3,110	40.00	124,400.00	60.00	186,600.00	40.00	124,400.00	40.00	124,400.00	42.00	130,620.00	42.00	130,620.00	
2	B 8" Sewer Line, 6.1' to 8.0'	L.F.	760	55.00	41,800.00	70.00	53,200.00	50.00	38,000.00	45.00	34,200.00	49.50	37,620.00	49.50	37,620.00	
3	C 8" Sewer Line, 8.1' to 10.0'	L.F.	50	70.00	3,500.00	80.00	4,000.00	75.00	3,750.00	50.00	2,500.00	59.00	2,950.00	59.00	2,950.00	
4	D 8" Sewer Line, 10.1' to 12.0'	L.F.	63	80.00	5,040.00	90.00	5,670.00	100.00	6,300.00	55.00	3,465.00	89.00	5,607.00	89.00	5,607.00	
5	E 8" Sewer Line, 12.1' to 14.0'	L.F.	29	90.00	2,610.00	100.00	2,900.00	150.00	4,350.00	70.00	2,030.00	100.00	2,900.00	100.00	2,900.00	
6	A 4" Standard Manhole	Ea.	21	1,750.00	36,750.00	2,000.00	42,000.00	2,400.00	50,400.00	2,100.00	44,100.00	2,600.00	54,600.00	2,600.00	54,600.00	
7	3 A 4" Drop Manhole	Ea.	3	3,500.00	10,500.00	3,000.00	9,000.00	3,000.00	9,000.00	2,950.00	8,850.00	4,800.00	14,400.00	4,800.00	14,400.00	
8	4 A Vertical Extension	V.F.	14	200.00	2,800.00	100.00	1,400.00	200.00	2,800.00	125.00	1,750.00	500.00	7,000.00	500.00	7,000.00	
9	5 A 8"x4" Service Tee	Ea.	17	100.00	1,700.00	50.00	850.00	50.00	850.00	70.00	1,190.00	900.00	15,300.00	900.00	15,300.00	
10	6 A 4" Laterals	L.F.	600	35.00	21,000.00	22.00	13,200.00	40.00	24,000.00	30.00	18,000.00	40.00	24,000.00	40.00	24,000.00	
11	7 A 6" Force Main	L.F.	972	15.00	14,580.00	20.00	19,440.00	18.00	17,496.00	20.00	19,440.00	30.00	29,160.00	30.00	29,160.00	
12	B 2" Force Main	L.F.	4,120	11.00	45,320.00	12.00	49,440.00	16.00	65,920.00	15.00	61,800.00	14.00	57,680.00	14.00	57,680.00	
13	8 A 1.5" Service Line	L.F.	1,800	10.00	18,000.00	10.00	18,000.00	14.00	25,200.00	10.00	18,000.00	12.75	22,950.00	12.75	22,950.00	
14	9 A Tee Connection	Ea.	10	400.00	4,000.00	40.00	400.00	500.00	5,000.00	400.00	4,000.00	400.00	4,000.00	400.00	4,000.00	
15	10 A Air/Vacuum Release Valves	Ea.	3	3,000.00	9,000.00	2,600.00	7,800.00	4,500.00	13,500.00	2,400.00	7,200.00	2,600.00	7,800.00	2,600.00	7,800.00	
16	11 A 16" Casing for Sewer, Bore	L.F.	220	200.00	44,000.00	150.00	33,000.00	225.00	49,500.00	240.00	52,800.00	165.00	36,300.00	165.00	36,300.00	
17	B 8" Casing for Sewer, Bore	L.F.	320	120.00	38,400.00	110.00	35,200.00	200.00	64,000.00	120.00	38,400.00	140.00	44,800.00	140.00	44,800.00	
18	A 16" Casing for Sewer, Open-Cut	L.F.	50	150.00	7,500.00	125.00	6,250.00	120.00	6,000.00	150.00	7,500.00	150.00	7,500.00	150.00	7,500.00	
19	B 8" Casing for Sewer, Open-Cut	L.F.	200	80.00	16,000.00	80.00	16,000.00	100.00	20,000.00	70.00	14,000.00	125.00	25,000.00	125.00	25,000.00	
20	13 A Type B Creek Crossing	L.F.	150	80.00	12,000.00	60.00	9,000.00	100.00	15,000.00	160.00	24,000.00	98.00	14,700.00	98.00	14,700.00	
21	14 A Duplex Non Clog Lift Station No. 1	L.S.	1	50,000.00	50,000.00	68,000.00	68,000.00	40,000.00	40,000.00	40,000.00	40,000.00	70,000.00	70,000.00	70,000.00	70,000.00	
22	B Gmder Lift Station No. 2	L.S.	1	45,000.00	45,000.00	28,000.00	28,000.00	30,000.00	30,000.00	30,000.00	30,000.00	50,000.00	50,000.00	50,000.00	50,000.00	
23	15 A Simplex Grinder Pump Stations	Ea.	12	4,000.00	48,000.00	5,000.00	60,000.00	3,500.00	42,000.00	5,000.00	60,000.00	6,800.00	81,600.00	6,800.00	81,600.00	
24	16 A Light Duty Bituminous Pavement	L.F.	250	20.00	5,000.00	10.00	2,500.00	40.00	10,000.00	20.00	5,000.00	18.00	4,500.00	18.00	4,500.00	
25	B Crushed Stone Pavement	L.F.	300	10.00	3,000.00	5.00	1,500.00	12.00	3,600.00	15.00	4,500.00	14.00	4,200.00	14.00	4,200.00	
26	17 A Grassed Surface Restoration	L.S.	1	10,000.00	10,000.00	2,500.00	2,500.00	5,000.00	5,000.00	5,000.00	5,000.00	10,000.00	10,000.00	10,000.00	10,000.00	
27	18 A Other Costs	L.S.	1	20,000.00	20,000.00	10,000.00	10,000.00	10,000.00	10,000.00	20,000.00	20,000.00	2,500.00	2,500.00	2,500.00	2,500.00	
					\$639,900.00		\$685,850.00		\$693,716.00		\$707,125.00		\$777,687.00		\$777,687.00	

I certify that this is an accurate tabulation of bids as received.  
**MSE of Kentucky, Inc.**

*[Signature]*

Edward G. Malone, Jr., P.E.



June 12, 2006

Mr. Steve Everman, Chairman  
Powells Valley Water District  
P.O. Box 550  
Clay City, Kentucky 40312

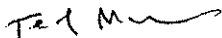
Re: Wastewater Facilities Contract 3: Sanitary Sewer Extension

Dear Mr. Everman:

Bids exceeded the project budget, but we understand that additional grant funds are available. Subject to the District receiving additional funding and concurrence of the funding agencies, we recommend award of Contract 3: Sanitary Sewer Extension to the low bidder, Music Construction, Inc., for the bid amount of \$639,900.00.

Sincerely,

MSE of Kentucky, Inc.



Ted Malone, P.E.  
Manager, General Civil Engineering

**Powells Valley Water District  
Phase 2 Sanitary Sewer Extensions  
Proposed Budget**

Breakdown of Costs:	Original	Revised June, 2006
Development	\$437,000	\$639,900
LMI Connections	\$0	\$32,800
Land and Rights	2,000	0
Legal and Administrative	8,000	36,000
Engineering	77,000	102,850
Interest	1,000	500
Contingencies	45,000	32,000
	-----	-----
	\$570,000	\$844,050
 Financing:		
RUS Loan	\$27,000	\$27,000
RUS Grant	\$256,000	\$256,000
HUD-CDBG	\$284,000	\$284,000
Applicant Contribution	\$3,000	\$3,000
ARC	\$0	\$274,050
	-----	-----
	\$570,000	\$844,050

RECEIVED  
SEP 8 2006  
PUBLIC SERVICE  
COMMISSION

ATTORNEYS AT LAW  
**Rubin & Hays**  
Connecticut Home Trust Bldg., 450 South Third St., Louisville, KY 40202

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

300ND PRINTED MATTER

