

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

June 18, 2007

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

RECEIVED
JUN 19 2007
PUBLIC SERVICE
COMMISSION

Re: Martin County Water District

Case No. 2007-00245

Dear Ms. O'Donnell:

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

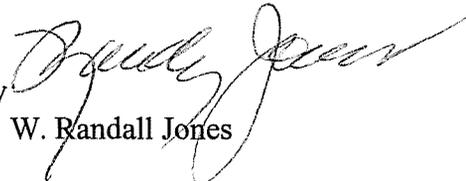
Also enclosed are eleven (11) copies of the exhibits required pursuant to 807 KAR 5.069, **with the exception of the Preliminary and Final Engineering Reports, of which two copies are enclosed.**

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

Sincerely,

Rubin & Hays

By


W. Randall Jones

WRJ:jkm
Enclosures
cc: Distribution List

DISTRIBUTION LIST

Account No. 1306.0000

Re: Martin County Water District Waterworks Revenue Bonds, Series 2007, in the principal amount of \$1,151,000, consisting of \$910,000 of Series A Bonds and \$241,000 of Series B Bonds

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

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

Mr. Ronnie Brooks
Rural Development
220 West First Street
Morehead, Kentucky 40351

Telephone: (606) 784-6447
Fax: (606) 784-2076

Mr. Joe Hammond, Manager
Martin County Water District
HC 69, Box 875
Inez, Kentucky 41224

Telephone: (606) 298-3885
Fax: (606) 298-4913

Brian Cumbo, Esq.
Attorney at Law
P.O. Box 1844
Inez, Kentucky 41224

Telephone: (606) 298-0428
Fax: (606) 298-0316

Ms. Holly Nicholas
O'Brien & Gere Engineers
1019 Majestic Drive, Suite 110
Lexington, Kentucky 40503

Telephone: (859) 223-0137
Fax: (859) 223-0629

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

Telephone: (502) 569-7534
Fax: (502) 569-7555

JUN 14 2007

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 19 2007

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF MARTIN COUNTY WATER)
DISTRICT OF MARTIN COUNTY, KENTUCKY,)
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO CONSTRUCT, FINANCE)
AND INCREASE RATES PURSUANT TO KRS 278.023.)

CASE NO. 2007-00245

APPLICATION

This Application of the Martin County Water District ("Applicant") of Martin County, Kentucky, respectfully shows:

1. That Applicant is a water district of Martin County, 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:

Martin County Water District
c/o Mr. Joe Hammond, Manager
HC 69, Box 875
Inez, Kentucky 41224-9406

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 waterworks construction project, consisting of extensions, additions, and improvements (the "Project") to the existing waterworks system of Applicant; (ii) an Order approving increased rates; and (iii) approval of the proposed plan of financing said Project.

4. The project consists of the construction and installation of two (2) 500,000 gallon water storage tanks and appurtenances and the demolition of an existing 300,000 gallon water storage tank.

5. That Applicant proposes to finance the construction of the Project through (i) the issuance of \$1,151,000 of its Waterworks Revenue Bonds, consisting of \$910,000 of Series A Bonds and \$241,000 of Series B Bonds, and (ii) a Rural Development ("RD") Grant in the amount of \$490,000. Applicant has a commitment from RD to purchase said \$1,151,000 of bonds maturing over a 40-year period, at an interest rate of not exceeding 4.375% per annum as to the Series A

Bonds and 4.125% as to the Series B Bonds, 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 Bid Award.
- C. Certified statement from the Chairperson 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.
- D. Copy of Preliminary and Final Engineering Reports.

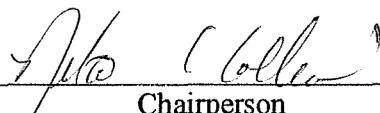
8. That Applicant has arranged for the publication, prior to or at the same time this Application is filed, of a Notice of Proposed Rate Change pursuant to Section 2 of 807 KAR 5:069, in the *Mountain Citizen*, which is the newspaper of general circulation in Applicant's service area and in Martin County,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

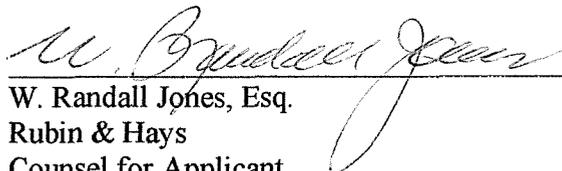
9. That the foregoing constitutes the documents necessary to obtain the approval of the Public Service Commission in accordance with Section 278.023 of the Kentucky Revised Statutes and in accordance with the "Filing Requirements" specified in 807 KAR 5:069, Section 1.

WHEREFORE, Applicant, the Martin County 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 waterworks project consisting of extensions, additions, and improvements to the existing waterworks system of Applicant.
- b. An Order approving the financing arrangements made by Applicant, viz., the issuance of (i) \$1,151,000 of Martin County Water District Waterworks Revenue Bonds, consisting of \$910,000 of Series A Bonds and \$241,000 of Series B Bonds at an interest rate of not exceeding 4.375% per annum as to the Series A Bonds and 4.125% as to the Series B Bonds, and (ii) an RD Grant in the amount of \$490,000.
- c. An Order approving the proposed increased rates as set out in Section 27 of the RD Letter of Conditions, as amended filed herewith as an Exhibit.

MARTIN COUNTY WATER DISTRICT

By: 
Chairperson
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) 569-7534



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

June 9, 2006

Mr. Greg Scott, Chairman
Martin County Water District
HC 69 Box 875
Inez, Kentucky 41224

Dear Mr. Scott:

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 \$910,000 and a RUS grant not to exceed \$490,000.

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, 14th 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 3,169 water users, all of which are existing users. The Area Director will review and authenticate the number of users prior to advertising for construction bids. No contribution is required from the District.

2. Grant Agreement:

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

3. Drug-Free Work Place:

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

4. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed 40 years from the date of the Bond. Principal payment will not be deferred for a period in excess of two years from the date of the Bond. Payments will be in accordance with applicable KRS, which requires interest to be paid semi-annually (January 1st and July 1st) and principal will be due on or before the first of January. Rural Development may require the District to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the bond is held or insured by RUS. Monthly payments will be approximate amortized installments.

5. Recommended Repayment Method:

Payments on this loan can be made using the Preauthorized Debit (PAD) payment method. This procedure eliminates the need for paper checks and ensures timely receipt of RD loan payments. To initiate PAD payments, Form SF 5510, "Authorization Agreement for Preauthorized Payments," should be signed by the 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.

6. Reserve Accounts:

Reserves must be properly budgeted to maintain the financial viability of any operation. Reserves are important to fund unanticipated emergency maintenance and repairs and assist with debt service should the need arise.

The District will be required to deposit \$415 per month into a "Funded Depreciation Reserve Account" until the account reaches \$49,800. The deposits are to be resumed any time the account falls below the \$49,800.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the District's prior bond ordinances.

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational.

The District also needs to fund an account for short-lived assets by depositing a sum of \$3,584 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District's water system.

7. Security Requirements:

A pledge of gross water revenue will be provided in the Bond Resolution. Bonds shall rank on a parity with existing bonds, if possible.

If this is not possible, the bond will be subordinate and junior to the existing bonds, in which case the District will be required to abrogate its right to issue additional bonds ranking on a parity with the existing bonds, so long as any unpaid indebtedness remains on this bond issue.

8. Land Rights and Real Property:

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

9. Organization:

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

10. Business Operations:

The District will be required to operate the system under a well-established set of resolutions, rules and regulations. A budget must be established annually and adopted by the District after review by Rural Development. At no later than loan pre-closing, the District will be required to furnish a prior approved management plan to include, as a minimum, provisions for management, maintenance, meter reading, miscellaneous services, billing, collecting, bookkeeping, making and delivering required reports and audits.

11. Accounts, Records and Audits:

The 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 District shall be required to submit a copy of its audit agreement for review and concurrence by Rural Development prior to pre-closing the loan.

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

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

13. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the District. The District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$114,000.
- D. Real Property Insurance - The District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures. The amounts of coverage should be based on recommendations obtained by the District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

14. Planning and Performing Development:

- A. The engineer should not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost shown in paragraph "24" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 210 days from this date, and prepare bid documents. The Area Director is prepared to furnish the necessary guide to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.

- B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:
1. Final plans, specifications and bid documents.
 2. Applicant's letter on efforts to encourage small business and minority-owned business participation.
 3. Legal Service Agreements.
 4. Engineering Agreements.

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

Prior to receipt of an authorization to advertise for construction bids, the District will obtain advance clearance from Bond Counsel regarding compliance with KRS 424 pertaining to publishing of the advertisement for construction bids in local newspapers and the period of time the notice is required to be published.

15. Civil Rights & Equal Opportunity:

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

A. Section 504 of the Rehabilitation Act of 1973:

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

B. Civil Rights Act of 1964:

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

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

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

D. Age Discrimination Act of 1975:

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

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

16. Closing Instructions:

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

17. Compliance with Special Laws and Regulations:

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

18. Treatment Plant/System Operator:

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

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

- A. Form RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."
- B. Form RD 400-1, "Equal Opportunity Agreement."
- C. Form RD 400-4, "Assurance Agreement."
- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."
- G. RUS Bulletin 1780-22, "Eligibility Certification."

20. Refinancing and Graduation Requirements:

The District is reminded that if at any time it shall appear to the Government that the District is able to refinance the amount of the RUS indebtedness then outstanding, in whole or in part, by obtaining a loan from commercial sources at reasonable rates and terms, upon the request of the Government, the District will apply for and accept such loan in sufficient amount to repay the Government.

21. Commercial Interim Financing:

The District will be required to use commercial interim financing for the project during construction for the RUS loan portion of the financing, if available at reasonable rates and terms.

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

22. Disbursement of Project Funds:

A construction account for the purpose of disbursement of project funds (RUS) will be established by the District prior to start of construction. The position of officials entrusted with the receipt and disbursement of RUS project funds will be covered by a "Fidelity Bond," with USDA Rural Development as Co-Obligee, in the amount of construction funds on hand at any one time during the construction phase.

During construction, the District shall disburse project funds in a manner consistent with subsection 1780.76 (e) of RUS Instruction 1780. Form RD 1924-18, "Partial Payment Estimate," or similar form approved by Rural Development, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to Rural Development for review and acceptance. Prior to disbursement of funds by the District, the Board of Directors shall review and approve each payment estimate. All bills and vouchers must be approved by Rural Development prior to payment by the District.

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

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

23. Disbursement of Grant Funds:

The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of obligations due and payable by the 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.

24. Cost of Facility:

Breakdown of Costs:

Development	\$ 962,500
Land and Rights	5,000
Legal and Administrative	11,800
Engineering	167,900
Interest	10,000
Refinancing	152,500
Contingencies	<u>90,300</u>
TOTAL	\$ 1,400,000

Financing:

RUS Loan	\$ 910,000
RUS Grant	<u>490,000</u>
TOTAL	\$ 1,400,000

25. Use of Remaining Project Funds:

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

26. Proposed Operating Budget:

You will be required to submit to Rural Development a copy of your proposed annual operating budget that supports the proposed loan repayment prior to this agency giving you written authorization to proceed with the bidding phase. The operating budget should be based on a typical year cash flow, subject to completion of this project in the first full year of operation. Form RD 442-7, "Operating Budget," or similar form may be utilized for this purpose.

27. Rates and Charges:

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

Water rates will be at least:

5/8" x 3/4" Meter:

First	2,000	gallons @ \$	18.00 - Minimum Bill.
All Over	2,000	gallons @ \$	6.00 - per 1,000 gallons.

1" Meter:

First	3,000	gallons @ \$	24.00 - Minimum Bill.
All Over	3,000	gallons @ \$	6.00 - per 1,000 gallons.

1 1/2" Meter:

First	4,000	gallons @ \$	30.00 - Minimum Bill.
All Over	4,000	gallons @ \$	6.00 - per 1,000 gallons.

2" Meter:

First	6,000	gallons @ \$	42.00 - Minimum Bill.
All Over	6,000	gallons @ \$	6.00 - per 1,000 gallons.

3" Meter:

First	12,000	gallons @ \$	78.00 - Minimum Bill.
All Over	12,000	gallons @ \$	6.00 - per 1,000 gallons.

4" Meter:

First	25,000	gallons @ \$	156.00 - Minimum Bill.
All Over	25,000	gallons @ \$	6.00 - per 1,000 gallons.

6" Meter:

First	112,000	gallons @ \$	678.00 - Minimum Bill.
All Over	112,000	gallons @ \$	6.00 - per 1,000 gallons.

8" Meter:

First	494,000	gallons @ \$	2,970.00 - Minimum Bill.
All Over	494,000	gallons @ \$	6.00 - per 1,000 gallons.

28. Compliance with the Bioterrorism Act:

Prior to pre-closing the loan, the District will provide a certification they have completed a Vulnerability Assessment (VA) and prepared an emergency response plan (ERP) as required by the Safe Drinking Water Act (SDWA).

29. Floodplain Construction:

The District will be required to pass and adopt a Resolution or amend its By-Laws whereby the District will deny any water service to any future customer wishing to build on or develop property located within a designated floodplain. If a customer or developer requests service for construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the District and Rural Development officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP) and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

30. Water Withdrawal Permit:

The District will be required to obtain satisfactory evidence that a revised water withdrawal permit has been secured from the Division of Water. The permit must be obtained prior to the commencement of construction on the water project.

31. Mitigation Measures:

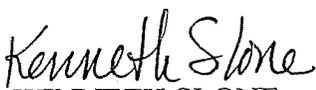
- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated April 13, 2006, from Mr. Ronald W. Cook, Manager.
- B. The design and construction shall be in compliance with the requirements of the U.S. Fish and Wildlife Service as requested by letter dated March 7, 2006, 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 effect 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.

32. 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 - Morehead, Kentucky
Rural Development Manager - Prestonsburg, Kentucky
Big Sandy ADD - Prestonsburg, Kentucky
Brian Cumbo - Inez, Kentucky
✓Rubin and Hays - Louisville, Kentucky
O'Brien & Gere - Lexington, Kentucky
PSC - ATTN: Bob Amato - Frankfort, Kentucky



United States Department of Agriculture
Rural Development
Kentucky State Office

June 1, 2007

Ms. Anita Collier, Chairperson
Martin County Water District
HC 69 Box 875
Inez, Kentucky 41224

Re: Letter of Conditions Dated June 9, 2006

Dear Ms. Collier:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated June 9, 2006. The purpose of this amendment is to amend the conditions of loan approval subsequent to the revised cost estimate after bidding, and to provide conditions relative to a subsequent RUS loan of \$241,000.

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

“ This letter is not to be considered as loan and grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,151,000 and a RUS grant not to exceed \$490,000. ”

Paragraph numbered “6” is revised to read as follows:

“ 6. Reserve Accounts:

Reserves must be properly budgeted to maintain the financial viability of any operation. Reserves are important to fund unanticipated emergency maintenance, pay for repairs, and assist with debt service should the need arise.

The District will be required to deposit \$520 per month into a "Funded Depreciation Reserve Account" until the account reaches \$62,400. The deposits are to be resumed any time the account falls below the \$62,400.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the District's prior bond ordinances.

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational.

The District also needs to fund an account for short-lived assets by depositing a sum of \$3,584 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District's water system. ”

771 Corporate Drive • Suite 200 • Lexington, KY 40503
Phone: (859) 224-7336 • Fax: (859) 224-7444 • TDD: (859) 224-7422 • Web: <http://www.rurdev.usda.gov/ky>

Committed to the future of rural communities.

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To file a complaint of discrimination write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, SW, Washington, DC 20250-9410
or call (800) 795-3272 (voice) or (202) 720-6362 (TDD).

Paragraph numbered "13.C" is revised to read as follows:

" 13. Insurance and Bonding:

The following insurance and bonding will be required:

- C. Fidelity Bond - The District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$127,000. "

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

" 24. Cost of Facility:

Breakdown of Costs:

Development	\$ 1,199,127
Land and Rights	8,000
Legal and Administrative	13,950
Engineering	198,010
Interest	10,000
Refinance Bank of Inez Loan	152,070
Contingencies	<u>59,843</u>
TOTAL	\$ 1,641,000

Financing:

RUS Loan	\$ 1,151,000
RUS Grant	<u>490,000</u>
TOTAL	\$ 1,641,000 "

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

" 27. Rates and Charges:

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

Water rates will be at least:

5/8" x 3/4" Meter:

First	2,000	gallons @ \$	20.00 - Minimum Bill.
All Over	2,000	gallons @ \$	6.55 - per 1,000 gallons.

1" Meter:

First 3,000 gallons @ \$ 26.55 - Minimum Bill.
All Over 3,000 gallons @ \$ 6.55 - per 1,000 gallons.

1" x 1/2" Meter:

First 4,000 gallons @ \$ 33.10 - Minimum Bill.
All Over 4,000 gallons @ \$ 6.55 - per 1,000 gallons.

2" Meter:

First 6,000 gallons @ \$ 46.20 - Minimum Bill.
All Over 6,000 gallons @ \$ 6.55 - per 1,000 gallons.

3" Meter:

First 12,000 gallons @ \$ 85.50 - Minimum Bill.
All Over 12,000 gallons @ \$ 6.55 - per 1,000 gallons.

4" Meter:

First 25,000 gallons @ \$ 170.65 - Minimum Bill.
All Over 25,000 gallons @ \$ 6.55 - per 1,000 gallons.

6" Meter:

First 112,000 gallons @ \$ 740.50 - Minimum Bill.
All Over 112,000 gallons @ \$ 6.55 - per 1,000 gallons.

8" Meter:

First 494,000 gallons @ \$ 3,242.60 - Minimum Bill.
All Over 494,000 gallons @ \$ 6.55 - per 1,000 gallons.

Water Sales provided to the Federal Correctional Institute will be in accordance with existing contract and any amendments thereto. ”

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

Sincerely,



KENNETH SLONE
State Director

- cc: Area Director - Morehead, Kentucky
- Rural Development Manager - Prestonsburg, Kentucky
- Big Sandy ADD - Prestonsburg, Kentucky
- Rubin and Hays - Louisville, Kentucky
- Brian Cumbo - Inez, Kentucky
- O'Brien & Gere - Lexington, Kentucky
- PSC - ATTN: Bob Amato - Frankfort, Kentucky



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

June 6, 2007

SUBJECT: Martin County Water District
Water Storage Tank Replacement
Contract Award Concurrence

TO: Area Director
Morehead, 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, Kentucky Glass Lined Tanks, in the amount of \$1,199,126.20.

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


KENNETH SLONE
State Director
Rural Development

cc: O'Brien and Gere
Lexington, Kentucky

~~Rubin and Hays~~
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>

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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 Martin County Water District, of a change to the District's rate schedule as set forth herein.

The proposed rate change is required by the United States Department of Agriculture, acting by and through Rural Development ("RD"), in connection with a loan by RD to the District in the amount of \$1,151,000 to be evidenced by the issuance by the District of its Waterworks Revenue Bonds in such amount, which RD has agreed to purchase provided the District meets certain conditions of RD, including revising the current water rates as set forth below:

Current Monthly Water Rates

5/8" x 3/4" Meter:

First 2,000 gallons	\$13.00 minimum bill
All over 2,000 gallons	3.05 per 1,000 gallons

1" Meter:

First 3,000 gallons	\$16.05 minimum bill
All over 3,000 gallons	3.05 per 1,000 gallons

1.5" Meter:

First 4,000 gallons	\$19.10 minimum bill
All over 4,000 gallons	3.05 per 1,000 gallons

2" Meter:

First 6,000 gallons	\$25.20 minimum bill
All over 6,000 gallons	3.05 per 1,000 gallons

3" Meter:

First 12,000 gallons	\$43.50 minimum bill
All over 12,000 gallons	3.05 per 1,000 gallons

4" Meter:

First 25,000 gallons	\$83.15 minimum bill
All over 25,000 gallons	3.05 per 1,000 gallons

6" Meter:

First 112,000 gallons	\$348.50 minimum bill
All over 112,000 gallons	3.05 per 1,000 gallons

8" Meter:

First 494,000 gallons	\$1,513.60 minimum bill
All over 494,000 gallons	3.05 per 1,000 gallons

Proposed Monthly Water Rates

5/8" x 3/4" Meter:

First 2,000 gallons	\$20.00 minimum bill
All over 2,000 gallons	6.55 per 1,000 gallons

1" Meter:

First 3,000 gallons	\$26.55 minimum bill
All over 3,000 gallons	6.55 per 1,000 gallons

1.5" Meter:

First 4,000 gallons	\$33.10 minimum bill
All over 4,000 gallons	6.55 per 1,000 gallons

2" Meter:

First 6,000 gallons	\$46.20 minimum bill
All over 6,000 gallons	6.55 per 1,000 gallons

3" Meter:

First 12,000 gallons	\$85.50 minimum bill
All over 12,000 gallons	6.55 per 1,000 gallons

4" Meter:

First 25,000 gallons	\$170.65 minimum bill
All over 25,000 gallons	6.55 per 1,000 gallons

6" Meter:

First 112,000 gallons	\$740.50 minimum bill
All over 112,000 gallons	6.55 per 1,000 gallons

8" Meter:

First 494,000 gallons	\$3,242.60 minimum bill
All over 494,000 gallons	6.55 per 1,000 gallons

The RD loan proceeds will be used in conjunction with an RD Grant in the amount of \$490,000 to finance the cost of extensions, additions and improvements to the existing waterworks system of the District, consisting of the construction and installation of two (2) 500,000 gallon water storage tanks and appurtenances and the demolition of an existing 300,000 gallon water storage tank.
Signed: Nita Collier, Chairperson, Martin County Water District

Case No- 2007-00245

RECEIVED
JUN 19 2007
PUBLIC SERVICE
COMMISSION

MARTIN COUNTY WATER DISTRICT

**Preliminary Engineering Report
Water Storage Tank Replacement**

November 2005

**O'Brien & Gere Engineers, Inc.
1019 Majestic Drive, Suite 110
Lexington, Kentucky 40513
859.223.0137
www.obg.com**

Submitted By:


**Bryan K. Lovan, P.E., P.L.S.
Project Engineer**



6-6-07



**PRELIMINARY ENGINEERING REPORT
MARTIN COUNTY WATER DISTRICT
WATER STORAGE TANK REPLACEMENT
NOVEMBER 2005**

Project Planning Area

Martin County encompasses 231 square miles. The territory of the Martin County Water District is the entire county. This project will replace the water storage tank above the water treatment plant that acts as the treatment plant clearwell. The terrain of this area is mountainous.

The predominate land uses in the project area are residential, mining, and forest. The project site, shown on Map 1, is not in the 100-year floodplain. No historic sites have yet been identified. The Kentucky Heritage Council will require an archaeological survey of the tank site if not previously disturbed. There are no identified threatened or endangered species in the project area.

Martin County experienced a decrease in population from 1980 to 1990 but a slight increase from 1990 to the year 2000 Census. The Kentucky State Data Center projects a slight increase in population over the next 25 years. The 2000 population according to the U.S. Census was 12,578. The State Data Center estimates a 2010 population of 13,716 and projects a year 2030 population of 14,579.

Existing Facilities

The Martin County Water District is the result of the merger of the Martin County Water District No. 1 and Martin County Water District #2. This merger occurred in August 1996. Map 2 at the end of this report shows the location of existing water mains and storage facilities for the District.

The Martin County Water District No. 1 was constructed in the late 1960's with a grant and loan from the Economic Development Administration. Major expansion/renovation of the raw water system and water treatment plant was undertaken in 1988 and 1996.

The water treatment plant was expanded/renovated in 1988. A project completed in 1996 renovated a portion of the plant that was not part of the 1988 project. The system is in fair condition and has a design capacity of 2.0 MGD. The source of supply is the Crum Reservoir that is augmented by water from the Tug Fork River. The District has a total storage capacity currently of 3,469,000 gallons. After this project the storage capacity will be increased to 4,469,000. The District currently has approximately 163 miles of water main ranging from 2 inch to 16 inch.



Information regarding the District's operating and maintenance cost, users analysis, and proposed rate adjustment is located in the Summary/Addendum attached to this Report.

Need for Project

The existing 300,000 gallon storage tank located above the water treatment plant that operates as a clearwell, is undersized and in disrepair. To have the required detention time for proper disinfection of the drinking water, additional clearwell capacity is needed. The existing line from the plant to the clearwell has broken several times and is located in very rough terrain which is very difficult to access and repair therefore it needs to be replaced with a new ductile iron main.

Alternatives Considered

The only viable alternative would be to construct a concrete clearwell on the plant site. However, there isn't enough land available owned by the District. Land surrounding the water treatment plant is occupied by residential development and it is not available.

The environmental considerations for this project include noise, dust, and traffic control associated with construction. Short-term impact will be limited to the construction period and will produce no long-term adverse environmental impacts. Appropriate mitigation efforts during construction will be utilized.

Land will be needed for the storage tank and an easement for the access road and waterline to the storage tank.

The mountainous terrain of the area will effect the ease of construction and to an extent the methods of construction. No other construction problems are anticipated.

Proposed Project

The project includes the construction of two (2) 650,000-gallon clearwell tanks above the water treatment plant. The existing 300,000- gallon tank will be demolished after construction is completed on the new tanks. Also included is the replacement of the existing 10" PVC main from the plant to the clearwell tank with a new 10" or 12" ductile iron main from the plant to the new clearwell tanks site, approximately 1,500 LF.

KENTUCKY GUIDE 7
MAY 1998

SUMMARY ADDENDUM
TO
PRELIMINARY ENGINEERING REPORT
DATED: **December 2005**
FOR
Martin County Water District

APPLICANT CONTACT PERSON: **Joe Hammond, Manager**

APPLICANT PHONE NUMBER: **606.298.3885**

APPLICANT TAX IDENTIFICATION NUMBER (TIN): **61-0714043**

ITEMS IN BOLD ITALIC PRINT ARE APPLICABLE TO SEWER SYSTEMS.

In order to avoid unnecessary delays in application processing, the applicant and its consulting engineer should prepare a summary of the preliminary report in accordance with this Guide.

Please complete the applicable sections of the Summary Addendum. *Please note, if water and sewer revenue will both be taken as security for the loan, all user information and characteristics of both utility systems will be needed even though the project will benefit only one utility.*

Feasibility review and grant determinations may be processed more accurately and more rapidly if the Summary/Addendum is submitted simultaneously with the preliminary engineering report, or as soon thereafter as possible.

III. FACILITY CHARACTERISTICS OF EXISTING WATER SYSTEM

- A. Water Source: Describe adequacy of source (quality and quantity). Include an explanation of raw water source, raw water intake structure, treatment plant capacity, and current level of production (WTP). Also describe the adequacy of Water Purchase Contract if applicable.

The Martin County Water District has an intake structure located on the Tug Fork of the Big Sandy River. The capacity of the intake is 6.0 MGD. Water is pumped from the river to the Crum Reservoir. The water flows by gravity from the reservoir to the water treatment plant. Capacity of the water treatment plant is 2.0 MGD.

The District has in place purchase contracts with three other suppliers – Cities of Prestonsburg and Kermit, West Virginia and the Mountain Water District.

If the applicant purchases water:

Seller(s):

1. City of Prestonsburg
2. Mountain Water District
3. City of Kermit, WV

Price/1,000 gallons:

1. \$3.05
2. \$1.73
3. \$1.91

Present Estimated Market Value of Existing System: \$

- B. Water Storage:

Type: Ground Storage Tank - X Elevated Tank -
 Standpipe - Other

Number of Storage Structures - 16

Total Storage Volume Capacity - 3,469,000

Date Storage Tank(s) Constructed – late 1960s to present

- C. Water Distribution System:

Pipe Material - PVC, AC, ductile iron, cast iron

Lineal Feet of Pipe: 2" – 22,400 LF 3" - 19,660 LF 4" – 266,110 LF
 6" – 372,990 LF 8" – 146,735 LF
 10" – 24,565 LF 12" – 1,501 LF
 14" – 3,000 LF 16" – 6,760 LF

Date(s) Water Lines Constructed - late 1960s to present

Number and Capacity of Pump Station(s) – Eleven (11)

1. KY 40 East – 670 GPM
2. Big Elk - 240 GPM
3. KY 292 South - 40 GPM
4. Turkey - 130 GPM
5. KY 40 West - 90 GPM
6. Calloway - 420 GPM
7. Middlefork - 90 GPM
8. Peter Cave - 130 GPM
9. Davella Road - 350 GPM
10. Buffalo Horn - 60 GPM
11. KY 645 - Not in service

D. Condition of Existing Water System:

Briefly describe the condition and suitability for continued use of facility now owned by the applicant. Include any major renovation that will be needed within five to ten years.

The intake structure was constructed in the mid 1990s and is in good condition. The water treatment plant has original components constructed in the late 1960s and additions that were added in the mid-1980s. The District is in the process of designing improvements to the water treatment plant with funds from the Kentucky General Assembly.

E. Percentage of Water Loss Existing System - Thirty (30%)

IV. EXISTING LONG-TERM INDEBTEDNESS

A. List of Bonds and Notes:

DATE OF ISSUE	BOND HOLDER	PRINCIPAL BALANCE	PAYMENT DATE	BOND TYPE* WATER/SEWER	AMOUNT ON DEPOSIT IN RESERVE ACCOUNT
1972	EDA	53,000	Jan/July	100%	\$2,343.93
1978	GMAC	284,000	Jan/July	100%	
1997	KIA	1,081,975	June/Dec	100%	
1999	RD	515,000	Jan/July	100%	
2002	RD	587,300	Jan/July	100%	

* If a combined issue, show attributable portion to each system.

** This project was bid in late 2003 but exceeded the approved budget. The District is working with its engineer to re-size portions of the project. Construction is expected to begin in mid to late spring 2004.

B. Principal and Interest Payments: (Begin with Next Fiscal Year Payment)

DATE OF ISSUE	BOND HOLDER	PAYMENT YEAR: 2006		PAYMENT YEAR: 2007		PAYMENT YEAR: 2008	
		PRINCIPAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	INTEREST PAYMENT
1972	EDA	11,000	1,575	12,000	1,160	12,000	715
1978	GMAC	21,000	13,200	22,000	12,150	23,000	11,050
1997	KIA	35,870	31,665	36,955	30,580	38,070	29,460
1999	RD	8,000	22,840	8,000	22,480	8,500	22,120
2002	RD	7,100	26,120	7,400	25,800	7,800	25,470

V. EXISTING SHORT-TERM INDEBTEDNESS

A. List of All Short Term Debts: (Do Not Show Any Debt Listed in Paragraph IV above)

LENDER OR LESSOR	DATE OF ISSUE (MONTH & YEAR)	PRINCIPAL PAYMENT	PURPOSE (WATER and/or SEWER)	PAYMENT DATE	PRINCIPAL & INTEREST PAYMENT	DATE TO BE PAID IN FULL
Inez Bank	2005	\$150,000	Water	Interest qtrly	\$153,500	12/07/05

VI. LAND AND RIGHTS - EXISTING SYSTEM(S)

Number of Treatment Plant Sites:	Water – 1	<i>Sewer</i>
Number of Storage Tank Sites:	Water - 16	<i>Sewer</i>
Number of Pump Stations:	Water - 11	<i>Sewer</i>
Total Acreage:	Water -	<i>Sewer</i>

VIII. ANALYSIS OF ACTUAL WATER USAGE - EXISTING SYSTEM

Section A

MONTHLY SEWER USAGE	Average	Residential		Commercial	
		No of Users	Usage 1,000	No of Users	Usage 1,000
<i>5/8 x 3/4 meter</i>					
1,000 - 2,000 Gal.	2,000	325	650	65	130
2,000 - 3,000 Gal.	3,000	191	573	6	18
3,000 - 4,000 Gal.	4,000	150	600	6	24
4,000 - 5,000 Gal.	5,000	130	650	2	10
5,000 - 6,000 Gal.	6,000	85	510	3	18
6,000 - 7,000 Gal.	7,000	83	581	5	35
7,000 - 8,000 Gal.	8,000	58	464	1	8
8,000 - 9,000 Gal.	9,000	33	297	0	0
9,000 - 10,000 Gal.	10,000	28	280	0	0
10,000 - 11,000 Gal.	11,000	19	209	0	0
11,000 - 12,000 Gal.	12,000	9	108	3	36
12,000 - 13,000 Gal.	13,000	9	117	0	0
13,000 - 14,000 Gal.	14,000	6	84	0	0
14,000 - 15,000 Gal.	15,000	5	75	1	15
15,000 - 16,000 Gal.	16,000	4	64	0	0
16,000 - 17,000 Gal.	17,000	3	51	0	0
17,000 - 18,000 Gal.	18,000	3	54	0	0
18,000 - 19,000 Gal.	19,000	5	95	1	19
19,000 - 20,000 Gal.	20,000	3	60	0	0
20,000 & Over	27,313	16	437	13	572
	<i>Subtotal</i>	<i>1,165</i>	<i>5,959</i>	<i>106</i>	<i>885</i>
Average Monthly Rate					
Average Monthly Usage			5,115		8,349
<i>1 inch meter</i>					
100,000 & Over	117,000	0	0	1	117
	<i>Subtotal</i>	<i>0</i>	<i>-</i>	<i>1</i>	<i>117</i>
<i>2 inch meter</i>					
0 - 100,000 Gal.	58,000	0	0	1	58
	<i>Subtotal</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>58</i>
<i>4 inch meter</i>					
100,000 & Over	828,000	0	0	1	828
	<i>Subtotal</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>828</i>
Totals		1,165	5,959	109	1,888

VIII. ANALYSIS OF ACTUAL WATER USAGE - EXISTING SYSTEM

Section B

MONTHLY WATER USAGE	Average	Residential		Commercial	
		No. of Users	Usage 1,000	No. of Users	Usage 1,000
<i>5/8 x 3/4 meter</i>					
0 - 2,000 Gal.	2,000	375	750	61	122
2,000 - 3,000 Gal.	3,000	218	654	11	33
3,000 - 4,000 Gal.	4,000	187	748	6	24
4,000 - 5,000 Gal.	5,000	182	910	11	55
5,000 - 6,000 Gal.	6,000	94	564	6	36
6,000 - 7,000 Gal.	7,000	91	637	7	49
7,000 - 8,000 Gal.	8,000	60	480	5	40
8,000 - 9,000 Gal.	9,000	57	513	4	36
9,000 - 10,000 Gal.	10,000	30	300	4	40
10,000 - 11,000 Gal.	11,000	31	341	2	22
11,000 - 12,000 Gal.	12,000	16	192	0	0
12,000 - 13,000 Gal.	13,000	16	208	3	39
13,000 - 14,000 Gal.	14,000	9	126	1	14
14,000 - 15,000 Gal.	15,000	10	150	6	90
15,000 - 16,000 Gal.	16,000	4	64	1	16
16,000 - 17,000 Gal.	17,000	8	136	2	34
17,000 - 18,000 Gal.	18,000	8	144	1	18
18,000 - 19,000 Gal.	19,000	6	114	0	0
19,000 - 20,000 Gal.	20,000	6	120	3	60
20,000 & Over	45,000	38	1,710	10	450
	<i>Subtotal</i>	<i>1,446</i>	<i>8,861</i>	<i>144</i>	<i>1,178</i>
Average Monthly Rate					
Average Monthly Usage			6,128		8,181
<i>1 inch meter</i>					
0 - 50,000 Gal.	8,750	0	0	4	35
50,000 - 99,000 Gal.	89,500	0	0	2	179
	<i>Subtotal</i>	<i>0</i>	<i>0</i>	<i>6</i>	<i>214</i>
<i>1.5 inch meter</i>					
0 - 100,000 Gal.	25,500	0	0	2	51
100,000 - 999,000 Gal.	221,000	0	0	1	221
	<i>Subtotal</i>	<i>0</i>	<i>0</i>	<i>3</i>	<i>272</i>
<i>2 inch meter</i>					
0 - 50,000 Gal.	3,500	0	0	2	7
50,000 - 100,000 Gal.	79,000	0	0	3	237
100,000 - 200,000 Gal.	167,500	0	0	2	335
200,000 & Over	421,000	0	0	1	421
	<i>Subtotal</i>	<i>0</i>	<i>0</i>	<i>8</i>	<i>1,000</i>
<i>3 inch meter</i>					
Section A (formerly MCWD #2)	15.356 m			1	15,356
Totals		1,446	8,861	162	18,020

XV. FACILITY CHARACTERISTICS OF PROPOSED WATER SYSTEM

A. Water Source: Describe adequacy of source (quality and quantity). Include an explanation of raw water source, raw water intake structure, treatment plant capacity, and current level of production (WTP). Also describe the adequacy of Water Purchase Contract if applicable.

B. Water Storage:

Type:	Ground Storage Tank	X	Elevated Tank	X
	Standpipe		Other	

Number of Storage Structures Two (2)

Total Storage Volume Capacity 1.3m gallons

C. Water Distribution System: -

Pipe Material: Ductile Iron

Lineal Feet of Pipe:	3" Diameter –	4"
	6"	8" –
	10" 3,500 lf	12"

Number and Capacity of Pump Station(s) -

XVI. LAND AND RIGHTS - PROPOSED WATER SYSTEM

Number of Treatment Plant Sites

Number of Pump Sites

Number of Other Sites Two (2)

Total Acreage

Purchase Price \$5,000.00

XX. PROPOSED WATER CONNECTION FEES FOR EACH SIZE METER CONNECTION

<u>Meter Size</u>	<u>Connection Fee</u>
5/8" x 3/4"	No Change
1 – Inch and larger	

XXI. SEWER RATES - PROPOSED

A. Proposed Rate Schedule without RUS Grant:

Percentage of water bill _____%. Minimum Charge _____.

Other (If charge not based on water bill)

Proposed Rate Schedule: (Without RUS Grant)

<i>First</i>	_____	<i>Gallons @</i>	<i>\$</i> _____	<i>Minimum</i>
<i>Next</i>	_____	<i>Gallons @</i>	<i>\$</i> _____	<i>per 1,000 Gallons</i>
<i>Next</i>	_____	<i>Gallons @</i>	<i>\$</i> _____	<i>per 1,000 Gallons</i>
<i>All Over</i>	_____	<i>Gallons @</i>	<i>\$</i> _____	<i>per 1,000 Gallons</i>

The above proposed rate, without RUS grant, must be completed for each grant. If the applicant/engineer desires, there is no objection to recommending a proposed rate with an estimated RUS grant in the Table below. However, the preparer should remember that the Table (A) above must be completed prior to Table (B).

B. Recommended Rate Schedule with RUS Grant:

Percentage of water bill _____%. Minimum Charge _____.

Other (If charge not based on water bill)

Proposed Rate Schedule: (Without RUS Grant)

<i>First</i>	_____	<i>Gallons @</i>	<i>\$</i> _____	<i>Minimum</i>
<i>Next</i>	_____	<i>Gallons @</i>	<i>\$</i> _____	<i>per 1,000 Gallons</i>
<i>Next</i>	_____	<i>Gallons @</i>	<i>\$</i> _____	<i>per 1,000 Gallons</i>
<i>All Over</i>	_____	<i>Gallons @</i>	<i>\$</i> _____	<i>per 1,000 Gallons</i>

If more than one rate, use additional sheets.

XXII. WATER RATES - PROPOSED

A. Proposed Rate Schedule without RUS Grant:

First	<u>2,000</u>	Gallons @	<u>\$18.20</u>	Minimum
Next	<u> </u>	Gallons @	<u> </u>	per 1,000 Gallons
Next	<u> </u>	Gallons @	<u> </u>	per 1,000 Gallons
Next	<u> </u>	Gallons @	<u> </u>	per 1,000 Gallons
Next	<u> </u>	Gallons @	<u> </u>	per 1,000 Gallons
All Over	<u>2,000</u>	Gallons @	<u>\$6.20</u>	per 1,000 Gallons

The above proposed rate, without RUS grant, must be completed for each grant. If the applicant/engineer desires, there is no objection to recommending a proposed rate with an estimated RUS grant in the Table below. However, the preparer should remember that the Table (A) above must be completed prior to Table (B).

B. Recommended Rate Schedule with RUS Grant:

First	<u>2,000</u>	Gallons @	<u>\$18.00</u>	Minimum
Next	<u> </u>	Gallons @	<u> </u>	per 1,000 Gallons
Next	<u> </u>	Gallons @	<u> </u>	per 1,000 Gallons
Next	<u> </u>	Gallons @	<u> </u>	per 1,000 Gallons
Next	<u> </u>	Gallons @	<u> </u>	per 1,000 Gallons
All Over	<u>2,000</u>	Gallons @	<u>\$6.00</u>	per 1,000 Gallons

If more than one rate, use additional sheets.

XIV. FORECAST OF WATER - INCOME - EXISTING SYSTEM
Section A

MONTHLY WATER USAGE	Average	Average Rate	Residential			Commercial		
			No. of Users	Usage 1,000	Income	No. of Users	Usage 1,000	Income
<i>5/8 x 3/4 meter</i>								
1,000 - 2,000 Gal.	2,000	18.00	351	702	6,318	65	130	1,170
2,000 - 3,000 Gal.	3,000	24.00	206	618	4,944	6	18	144
3,000 - 4,000 Gal.	4,000	30.00	162	648	4,860	6	24	180
4,000 - 5,000 Gal.	5,000	36.00	140	700	5,040	2	10	72
5,000 - 6,000 Gal.	6,000	42.00	92	552	3,864	3	18	126
6,000 - 7,000 Gal.	7,000	48.00	89	623	4,272	5	35	240
7,000 - 8,000 Gal.	8,000	54.00	63	504	3,402	1	8	54
8,000 - 9,000 Gal.	9,000	60.00	36	324	2,160	0	0	0
9,000 - 10,000 Gal.	10,000	66.00	30	300	1,980	0	0	0
10,000 - 11,000 Gal.	11,000	72.00	20	220	1,440	0	0	0
11,000 - 12,000 Gal.	12,000	78.00	10	120	780	3	36	234
12,000 - 13,000 Gal.	13,000	84.00	10	130	840	0	0	0
13,000 - 14,000 Gal.	14,000	90.00	6	84	540	0	0	0
14,000 - 15,000 Gal.	15,000	96.00	5	75	480	1	15	96
15,000 - 16,000 Gal.	16,000	102.00	4	64	408	0	0	0
16,000 - 17,000 Gal.	17,000	108.00	3	51	324	0	0	0
17,000 - 18,000 Gal.	18,000	114.00	3	54	342	0	0	0
18,000 - 19,000 Gal.	19,000	120.00	5	95	600	1	19	120
19,000 - 20,000 Gal.	20,000	126.00	3	60	378	0	0	0
20,000 & Over	27,313	169.88	17	464	2,888	13	572	246
<i>Sub-Total</i>			<i>1,255</i>	<i>6,388</i>	<i>\$45,860</i>	<i>106</i>	<i>885</i>	<i>\$2,682</i>
Average Monthly Rate	36.54							
Average Monthly Usage				5,090			8,349	
<i>1 inch meter</i>								
117,000	708.00	0	0	0	0	1	0	708
100,000 & Over	<i>Subtotal</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>\$ -</i>	<i>1</i>	<i>-</i>	<i>\$ 708</i>
<i>2 inch meter</i>								
58,000	354	0	0	0	0	1	0	354
0 - 100,000 Gal.	<i>Subtotal</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>\$ -</i>	<i>1</i>	<i>0</i>	<i>\$ 354</i>
<i>4 inch meter</i>								
828,000	4974	0	0	0	0	1	828	4,974
100,000 & Over	<i>Subtotal</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>\$ -</i>	<i>1</i>	<i>828</i>	<i>\$ 4,974</i>
Totals			1,255	6,388	\$ 45,860	109	1,713	\$ 8,718

Annual Total: \$ 550,319 \$ 104,616

XIV. FORECAST OF WATER - INCOME - EXISTING SYSTEM

Section B

MONTHLY WATER USAGE	Average	Average Rate	Residential			Commercial		
			No. of Users	Usage 1,000	Income	No. of Users	Usage 1,000	Income
<i>5/8 x 3/4 meter</i>								
1,000 - 2,000 Gal.	2,000	18.00	427	854	7,686	61	122	1,098
2,000 - 3,000 Gal.	3,000	24.00	248	744	5,952	11	33	264
3,000 - 4,000 Gal.	4,000	30.00	213	852	6,390	6	24	180
4,000 - 5,000 Gal.	5,000	36.00	207	1,035	7,452	11	55	396
5,000 - 6,000 Gal.	6,000	42.00	107	642	4,494	6	36	252
6,000 - 7,000 Gal.	7,000	48.00	103	721	4,944	7	49	336
7,000 - 8,000 Gal.	8,000	54.00	68	544	3,672	5	40	270
8,000 - 9,000 Gal.	9,000	60.00	65	585	3,900	4	36	240
9,000 - 10,000 Gal.	10,000	66.00	34	340	2,244	4	40	264
10,000 - 11,000 Gal.	11,000	72.00	35	385	2,520	2	22	144
11,000 - 12,000 Gal.	12,000	78.00	18	216	1,404	0	0	0
12,000 - 13,000 Gal.	13,000	84.00	18	234	1,512	3	39	252
13,000 - 14,000 Gal.	14,000	90.00	10	140	900	1	14	90
14,000 - 15,000 Gal.	15,000	96.00	11	165	1,056	6	90	576
15,000 - 16,000 Gal.	16,000	102.00	5	80	510	1	16	102
16,000 - 17,000 Gal.	17,000	108.00	9	153	972	2	34	216
17,000 - 18,000 Gal.	18,000	114.00	9	162	1,026	1	18	114
18,000 - 19,000 Gal.	19,000	120.00	7	133	840	0	0	0
19,000 - 20,000 Gal.	20,000	126.00	7	140	882	3	60	378
20,000 & Over	45,000	276.00	43	1,935	11,868	10	450	2,760
<i>Sub-Total</i>			<i>1,644</i>	<i>10,060</i>	<i>\$70,224</i>	<i>144</i>	<i>1,178</i>	<i>\$7,932</i>
Average Monthly Rate		42.72						
Average Monthly Usage		6,119			8,181			
<i>1 inch meter</i>								
0 - 50,000 Gal.	8,750	58.50	0	0	0	4	35	234
50,000 - 99,000 Gal.	89,500	543.00	0	0	0	2	179	1,086
<i>Subtotal</i>			<i>0</i>	<i>0</i>	<i>\$ -</i>	<i>6</i>	<i>214</i>	<i>\$ 1,320</i>
<i>1.5 inch meter</i>								
0 - 100,000 Gal.	25,500	159.00	0	0	0	2	51	318
100,000 - 999,000 Gal.	221,000	1,332.00	0	0	0	1	221	1,332
<i>Subtotal</i>			<i>0</i>	<i>0</i>	<i>\$ -</i>	<i>3</i>	<i>272</i>	<i>\$ 1,650</i>
<i>2 inch meter</i>								
0 - 50,000 Gal.	3,500	27.00	0	0	0	2	7	54
50,000 - 100,000 Gal.	79,000	480.00	0	0	0	3	237	1,440
100,000 - 200,000 Gal.	167,500	1,011.00	0	0	0	2	335	2,022
200,000 & Over	421,000	2,532.00	0	0	0	1	421	2,532
<i>Subtotal</i>			<i>0</i>	<i>0</i>	<i>\$ -</i>	<i>8</i>	<i>1,000</i>	<i>\$ 6,048</i>
Totals			1,644	10,060	\$ 70,224	161	2,664	\$ 16,950

Annual Total:

\$ 842,688

\$ 203,400

XV. FORECAST OF WATER - INCOME - NEW USERS - EXTENSION ONLY

MONTHLY WATER USAGE	Average	Average Rate	Residential			Commercial		
			No. of Users	Usage 1,000	Income	No. of Users	Usage 1,000	Income
<i>5/8 x 3/4 meter</i>								
1,000 - 2,000 Gal.	2,000	17.50		0	0		0	0
2,000 - 3,000 Gal.	3,000	23.00		0	0		0	0
3,000 - 4,000 Gal.	4,000	28.50		0	0		0	0
4,000 - 5,000 Gal.	5,000	34.00		0	0		0	0
5,000 - 6,000 Gal.	6,000	39.50		0	0		0	0
6,000 - 7,000 Gal.	7,000	45.00		0	0		0	0
7,000 - 8,000 Gal.	8,000	50.50		0	0		0	0
8,000 - 9,000 Gal.	9,000	56.00		0	0		0	0
9,000 - 10,000 Gal.	10,000	61.50		0	0		0	0
10,000 - 11,000 Gal.	11,000	67.00		0	0		0	0
11,000 - 12,000 Gal.	12,000	72.50		0	0		0	0
12,000 - 13,000 Gal.	13,000	78.00		0	0		0	0
13,000 - 14,000 Gal.	14,000	83.50		0	0		0	0
14,000 - 15,000 Gal.	15,000	89.00		0	0		0	0
15,000 - 16,000 Gal.	16,000	94.50	0	0	0		0	0
16,000 - 17,000 Gal.	17,000	100.00	0	0	0		0	0
17,000 - 18,000 Gal.	18,000	105.50	0	0	0		0	0
18,000 - 19,000 Gal.	19,000	111.00	0	0	0		0	0
19,000 - 20,000 Gal.	20,000	116.50	0	0	0		0	0
20,000 - 25,000 Gal.	45,000	156.72	0	0	0		0	0
	<i>Sub-Total</i>		0	0	\$0	0	0	\$0
Average Monthly Rate			#DIV/0!					
Average Monthly Usage			#DIV/0!				0	
<i>2 inch meter</i>								
	25,000	144.00	0	0	0		0	0
	<i>Subtotal</i>		0	0	0	0	- \$	-
<i>6 inch meter</i>								
	4,290,000	23601.50	0	0	0		0	0
	<i>Subtotal</i>		0	0	0	0	- \$	-
Totals			-	-	\$ -	-	- \$	-
Annual Total:					\$ -		\$ -	

XVI. CURRENT OPERATING BUDGET - (As of the last full operating year)
 Year Ending 2003

A.	Operating Income:	
	Water Sales	\$1,156,159
	Disconnect/Reconnect/Late Charge Fees	
	Other (Describe)	
	Less Allowances and Deductions	
	Total Operating Income	\$1,156,159
B.	Operation and Maintenance Expenses: (Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)	
	Source of Supply Expense	\$109,583
	Pumping Expense	\$121,394
	Water Treatment Expense	\$219,463
	Transmission and Distribution Expense	\$301,614
	Customer Accounts Expense	\$120,437
	Administrative and General Expense	\$120,969
	Total Operating Expenses	\$993,460
		\$162,699
C.	Non-Operating Income:	
	Interest on Deposits	
	Other (Identify)	
	Total Non-Operating Income	\$0
D.	Net Income	\$162,699
E.	Debt Repayment:	
	RD Interest	\$25,105
	RD Principal	\$13,200
	Non-RD Interest	\$52,880
	Non-RD Principal	\$60,805
	Total Debt Repayment	\$151,990
F.	Balance Available for Coverage and Depreciation	\$10,709

XVII PROPOSED OPERATING BUDGET - (WATER SYSTEM) - EXISTING & NEW USERS
 (1st Full Year of Operation) Year Ending 2007

A.	Operating Income:	
	Water Sales	\$ 1,701,023
	Disconnect/Reconnect/Late Charge Fees	
	Other (Describe)	
	Less Allowances and Deductions	
	Total Operating Income	<u>\$ 1,701,023</u>
B.	Operation and Maintenance Expenses: (Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)	
	Source of Supply Expense	\$ 170,600
	Pumping Expense	
	Water Treatment Expense	\$ 344,200
	Transmission and Distribution Expense	\$ 551,800
	Customer Accounts Expense	\$ 105,700
	Administrative and General Expense	\$ 88,500
	Total Operating Expenses	<u>\$ 1,260,800</u>
	Net Operating Income	<u>\$ 440,223</u>
C.	Non-Operating Income:	
	Interest on Deposits	
	Other (Identify)	
	Total Non-Operating Income	\$ -
D.	Net Income	<u>\$ 440,223</u>
E.	Debt Repayment:	
	RD Interest	\$ 93,300
	RD Principal	\$ 24,400
	Non-RD Interest	\$ 79,425
	Non-RD Principal	\$ 193,455
	Total Debt Repayment	<u>\$ 390,580</u>
F.	Balance Available for Coverage and Depreciation	<u>\$ 49,643</u>

XVIII. PROPOSED OPERATING BUDGET - (WATER SYSTEM) - NEW USERS ONLY
 (1st Full Year of Operation) Year Ending 200__

A.	Operating Income:	
	Water Sales	\$0
	Disconnect/Reconnect/Late Charge Fees	
	Other (Describe)	
	Less Allowances and Deductions	
	Total Operating Income	\$0
B.	Operation and Maintenance Expenses: (Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)	
	Source of Supply Expense	
	Pumping Expense	
	Water Treatment Expense	
	Transmission and Distribution Expense	
	Customer Accounts Expense	
	Administrative and General Expense	
	Total Operating Expenses	\$0
	Net Operating Income	\$0
C.	Non-Operating Income:	
	Interest on Deposits	
	Other (Identify)	
	Total Non-Operating Income	\$0
D.	Net Income	\$0
E.	Debt Repayment:	
	RD Interest	
	RD Principal	
	Non-RD Interest	
	Non-RD Principal	
	Total Debt Repayment	\$0
F.	Balance Available for Coverage and Depreciation	\$0

XXXV. ESTIMATED PROJECT COST - WATER

Development		\$	962,500.00
Land and Rights		\$	5,000.00
Legal		\$	11,790.00
Engineering		\$	167,890.00
Interest		\$	10,000.00
Contingencies		\$	96,250.00
Initial O & M			
Other		\$	152,070.00
TOTAL			<u><u>\$ 1,405,500.00</u></u>

XXXVI. PROPOSED PROJECT FUNDING - WATER

Applicant - User Connection Fees

Other Applicant Contribution

RD Financial Assistance	loan	\$	985,000	\$ 1,405,500.00
	grant	\$	420,500	

Other (Specify)

Other (Specify)

Other (Specify)

Other (Specify)

TOTAL			<u><u>\$ 1,405,500.00</u></u>
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RECEIVED

JUN 19 2007

PUBLIC SERVICE
COMMISSION

Case No. 2007-00245

MARTIN COUNTY WATER DISTRICT

**Final Engineering Report
Water Storage Tank Replacement**

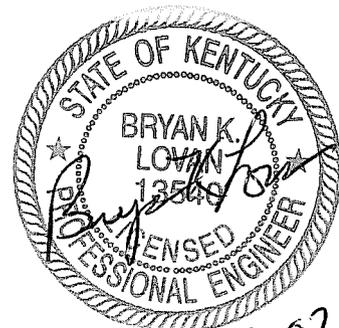
May 2007

O'Brien & Gere Engineers, Inc.
1019 Majestic Drive, Suite 110
Lexington, Kentucky 40513
859.223.0137
www.obg.com

Submitted By:



Bryan K. Lovan, P.E., P.L.S.
Project Engineer



6-6-07



**FINAL ENGINEERING REPORT
MARTIN COUNTY WATER DISTRICT
WATER STORAGE TANK REPLACEMENT
MAY 2007**

Project Planning Area

Martin County encompasses 231 square miles. The territory of the Martin County Water District is the entire county. This project will replace the water storage tank above the water treatment plant that acts as the treatment plant clearwell. The terrain of this area is mountainous.

The predominate land uses in the project area are residential, mining, and forest. The project site is not in the 100-year floodplain. No historic sites were identified. The Kentucky Heritage Council did not require an archaeological survey of the tank site. There are no identified threatened or endangered species in the project area.

Martin County experienced a decrease in population from 1980 to 1990 but a slight increase from 1990 to the year 2000 Census. The Kentucky State Data Center projects a slight increase in population over the next 25 years. The 2000 population according to the U.S. Census was 12,578. The State Data Center estimates a 2010 population of 13,716 and projects a year 2030 population of 14,579.

Existing Facilities

The Martin County Water District is the result of the merger of the Martin County Water District No. 1 and Martin County Water District #2. This merger occurred in August 1996.

The Martin County Water District No. 1 was constructed in the late 1960's with a grant and loan from the Economic Development Administration. Major expansion/renovation of the raw water system and water treatment plant was undertaken in 1988 and 1996.

The water treatment plant was expanded/renovated in 1988. A project completed in 1996 renovated a portion of the plant that was not part of the 1988 project. The system is in fair condition and has a design capacity of 2.0 MGD. The source of supply is the Crum Reservoir that is augmented by water from the Tug Fork River. The District has a total storage capacity currently of 3,469,000 gallons. After this project the storage capacity will be increased to 4,469,000. The District currently has approximately 163 miles of water main ranging from 2 inch to 16 inch.



Need for Project

The existing 300,000 gallon storage tank located above the water treatment plant that operates as a clearwell, is undersized and in disrepair. To have the required detention time for proper disinfection of the drinking water, additional clearwell capacity is needed. The existing line from the plant to the clearwell has broken several times and is located in very rough terrain which is very difficult to access and repair therefore it needs to be replaced with a new ductile iron main.

Alternatives Considered

The only viable alternative would be to construct a concrete clearwell on the plant site. However, there isn't enough land available owned by the District. Land surrounding the water treatment plant is occupied by residential development and it is not available without considerable acquisition cost.

The environmental considerations for this project include noise, dust, and traffic control associated with construction. Short-term impact will be limited to the construction period and will produce no long-term adverse environmental impacts. Appropriate mitigation efforts during construction will be utilized.

Land has been acquired for the storage tank and an easement for the access road and waterline to the storage tank.

The mountainous terrain of the area will effect the ease of construction and to an extent the methods of construction. No other construction problems are anticipated.

Proposed Project

The project includes the construction of two (2) 500,000-gallon clearwell tanks above the water treatment plant. The existing 300,000- gallon tank will be demolished after construction is completed on the new tanks. Also included is the replacement of the existing 10" PVC main from the plant to the clearwell tank with a new 14" ductile iron main from the plant to the new clearwell tanks site, approximately 1,500 LF.

Conclusions and Recommendations

There is one construction contract encompassing all the work to be completed. The project was advertised for construction bids with the bid opening held Tuesday May 15, 2007. A bid tabulation form located in Attachment 1 at the back of this report shows all the bidders and their respective bids. The low bidder was Kentucky Glass Lined Tank Systems, Inc. O'Brien and Gere is familiar with this contractor and consider them to be a qualified contractor submitting a qualified bid. The low bid was for \$1,199,126.20.



The project budget according to the Rural Development Letter of Conditions is:

Construction	\$962,500
Land & Rights	\$5,000
Legal & Administrative	\$11,800
Engineering	\$167,900
Interest	\$10,000
Refinancing	\$152,500
Contingencies	<u>\$90,300</u>
	\$1,400,000

The funding for the project consist of:

RD Loan	\$910,000
RD Grant	<u>\$490,000</u>
	\$1,400,000

The low bid received is greater than the amount budgeted for construction. The only possible change to the project would be to replace the ductile iron pipe with PVC pipe. There is very little savings that can be achieved by changing the ductile iron pipe to PVC and based on the terrain that this pipe must be laid, it is not recommended to change to PVC material.

It is the recommendation of O'Brien & Gere Engineers, Inc. that the District requests additional funding from Rural Development and accepts the bid of Kentucky Glass Lined Tank Systems, Inc. This recommendation was presented to the Martin County Water District Board at its monthly meeting, Mary 21, 2007. The Board voted to proceed with requesting additional funds and increase the amount borrowed by \$241,000 if no additional Rural Development grant funds can be obtained. O'Brien & Gere's letter of recommendation is located in Attachment 1.

This project will require a rate increase to the District's customers. The rates proposed in the Preliminary Engineering Report/Summary Addendum are not adequate, as there have been changes in the District's obligations and financial status since the submission of the Summary Addendum and the project cost based on bids exceeds current committed funds.

The District obtained a loan from the Kentucky Association of Counties for purchase of vehicles and operating equipment. This information was not included in the initial rate analysis. Also, the Kentucky Public Service Commission conducted a management audit of the District and a recommendation of the audit was that the rates be increased an additional amount to give the District the opportunity to earn funds that can be put back into infrastructure rehabilitation. The rates proposed are as follows:



5/8 Inch Meter
\$20.00 Minimum (2,000 gallons)
\$6.55 per 1,000 thereafter

1 Inch Meter
\$26.55 Minimum (3,000 gallons)
\$6.55 per 1,000 thereafter

1.5 Inch Meter
\$33.10 Minimum (4,000 gallons)
\$6.55 per 1,000 thereafter

2 Inch Meter
\$46.20 Minimum (6,000 gallons)
\$6.55 per 1,000 thereafter

3 Inch Meter
\$85.50 Minimum (12,000 gallons)
\$6.55 per 1,000 thereafter

4 Inch Meter
\$170.65 Minimum (25,000 gallons)
\$6.55 per 1,000 thereafter

6 Inch Meter
\$740.50 Minimum (112,000 gallons)
\$6.55 per 1,000 thereafter

8 Inch Meter
\$3,242.60 Minimum (494,000 gallons)
\$6.55 per 1,000 thereafter

Located in Attachment 2 to this report are three revised pages to the Summary Addendum to the Preliminary Engineering Report. These pages are the Forecast of Water Income, the Proposed Operating Budget, and the Estimated Project Cost/Proposed Project Funding.

ATTACHMENT 1



O'BRIEN & GERE

May 13, 2007

Mr. Joe Hammond
Martin County Water District
HC 59, Box 875
Inez, KY 41224

RE: Recommendation of Award
Contract No. 23 - Clearwell Tank Replacement

Dear Mr. Hammond:

Bids for the above referenced project were opened Tuesday, May 15, 2007 at 1:00 pm local time. Three (3) bids were opened and publicly read. The low bidder was Kentucky Glass Lined Tank Systems, Inc. with a bid of \$1,199,126.20. This bid is \$200,773.80 lower than the second bidder Kentucky Glass Lined Tank Systems, Inc. has installed tanks in Kentucky for over twenty years, and we have worked with them on numerous projects, therefore we consider this a qualified bid.

The low bid is approximately \$240,000 above the project funds that we have available to complete this project. As a tank project, there are only minor modifications that may be implemented to reduce the costs. The 14" Ductile Iron pipe could be replaced with 14" PVC SDR 18 (CL 235) pipe at an estimated savings of \$43,000, but this would not be our recommendation due to the rock conditions and the importance of this line to serve your system.

However, it would be our recommendation to pursue additional funding from Rural Development in the form of an additional loan (or grant if available) that will be passed on in the new rate increase at a rate of \$0.05 per \$100,000 dollars borrowed, and allow you to keep your debt ratio at an acceptable level. Holly Nicholas, with our office has conferred with Vernon Brown of Rural Development and they are in agreement in the financial feasibility for this option.

Enclosed along with this letter is the bid tabulation worksheet.

If you have any questions or need additional information please contact me at your convenience.

Sincerely,

O'BRIEN & GERE ENGINEERS, INC.

Riley Sumner
Project Associate

C: File

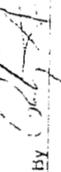
BID TABULATION

MARTIN COUNTY WATER DISTRICT
 Contract 23 - Clearwell Tank Replacement
 Tuesday, May 15, 2007

Item No.	Description	Quantity	Unit	Amount			Average Bid Amount
				KY Glass Lined Tanks Lexington, KY	Welding, Inc. Charleston, WV	Label Construction London, KY	
1A	500,000 gallon welded steel water tank w/foundation and excavation North Tank	1	Lump Sum	N/A	\$ 450,000.00	\$ 450,000.00	\$ 470,000.00
1B	500,000 gallon glass lined water tank w/foundation and excavation North Tank	1	Lump Sum	\$ 325,148.00	N/A	N/A	\$ 325,148.00
2A	500,000 gallon welded steel water tank w/foundation and excavation South Tank	1	Lump Sum	N/A	\$ 400,000.00	\$ 450,000.00	\$ 445,000.00
2B	500,000 gallon glass lined water tank w/foundation and excavation South Tank	1	Lump Sum	\$ 317,187.00	N/A	N/A	\$ 317,187.00
3	Site Grading, Access Road, and Site Restoration	1	Lump Sum	\$ 143,333.00	\$ 120,000.00	\$ 90,000.00	\$ 117,777.67
4	Inlet/Outlet Piping, Valves, Fittings, and Electric	1	Lump Sum	\$ 131,390.00	\$ 100,000.00	\$ 90,000.00	\$ 107,130.00
5	Demolition and Removal of Existing Tank and Foundation	1	Lump Sum	\$ 15,778.00	\$ 50,000.00	\$ 15,000.00	\$ 77,259.33
6	Geotechnical Investigation, Report, Foundation Design for Both Tanks	1	Lump Sum	\$ 8,888.00	\$ 15,000.00	\$ 6,000.00	\$ 9,962.67
7	Pre Fabricated Fiberglass Bulking w/Chlorine Analyzer and Appurtenances	1	Lump Sum	\$ 9,333.00	\$ 20,000.00	\$ 18,000.00	\$ 15,777.67
8	2" PVC SDR 21 Water Service Line	800	LF	\$ 7,552.00	\$ 12,000.00	\$ 12,000.00	\$ 10,517.33
9	14" MJ Ductile Iron C153 Water Main	2740	LF	\$ 240,317.20	\$ 352,900.00	\$ 221,940.00	\$ 231,785.73
TOTAL BID CALCULATED BID AMOUNT				\$ 1,199,126.20	\$ 1,399,900.00	\$ 1,433,940.00	

The above is a true and complete tabulation of the bids received @ 1 pm local time Tuesday, May 15, 2007
 I certify that this is true and accurate tabulation of the bids

O'BRIEN & GERRIT ENGINEERS, INC.

By: 

Riley Sumner

ATTACHMENT 2

FORECAST OF WATER - INCOME - EXISTING SYSTEM - MARTIN COUNTY WATER DISTRICT

MONTHLY WATER USAGE	Average	Average Rate	Residential			Commercial		
			No. of Users	Usage 1,000	Income	No. of Users	Usage 1,000	Income
<i>5/8 x 3/4 meter</i>								
1,000 - 2,000 Gal.	2,000	20.00	778	1,556	15,560	126	252	2,520
2,000 - 3,000 Gal.	3,000	26.55	454	1,362	12,054	17	51	451
3,000 - 4,000 Gal.	4,000	33.10	375	1,500	12,413	12	48	397
4,000 - 5,000 Gal.	5,000	39.65	347	1,735	13,759	13	65	515
5,000 - 6,000 Gal.	6,000	46.20	199	1,194	9,194	9	54	416
6,000 - 7,000 Gal.	7,000	52.75	192	1,344	10,128	12	84	633
7,000 - 8,000 Gal.	8,000	59.30	131	1,048	7,768	6	48	356
8,000 - 9,000 Gal.	9,000	65.85	101	909	6,651	4	36	263
9,000 - 10,000 Gal.	10,000	72.40	64	640	4,634	4	40	290
10,000 - 11,000 Gal.	11,000	78.95	55	605	4,342	2	22	158
11,000 - 12,000 Gal.	12,000	85.50	28	336	2,394	3	36	257
12,000 - 13,000 Gal.	13,000	92.05	28	364	2,577	3	39	276
13,000 - 14,000 Gal.	14,000	98.60	16	224	1,578	1	14	99
14,000 - 15,000 Gal.	15,000	105.15	16	240	1,682	7	105	736
15,000 - 16,000 Gal.	16,000	111.70	9	144	1,005	1	16	112
16,000 - 17,000 Gal.	17,000	118.25	12	204	1,419	2	34	237
17,000 - 18,000 Gal.	18,000	124.80	12	216	1,498	1	18	125
18,000 - 19,000 Gal.	19,000	131.35	12	228	1,576	1	19	131
19,000 - 20,000 Gal.	20,000	137.90	10	200	1,379	3	60	414
20,000 & Over	36,156	243.72	60	2,169	14,623	23	828	5,606
<i>Sub-Total</i>			<i>2,899</i>	<i>16,218</i>	<i>\$126,233</i>	<i>250</i>	<i>1,869</i>	<i>\$13,990</i>
Average Monthly Rate								
Average Monthly Usage			5,594			7,476		
<i>1 inch meter</i>								
0 - 50,000 Gal.	8,750	64.21	0	0	0	4	35	257
50,000 - 99,000 Gal.	89,500	593.13	0	0	0	2	179	1,186
100,000 & Over	117,000	773.25	0	0	0	1	0	773
<i>Subtotal</i>			<i>0</i>	<i>0</i>	<i>0</i>	<i>7</i>	<i>214</i>	<i>2,216</i>
<i>1.5 inch meter</i>								
0 - 100,000 Gal.	25,500	173.93	0	0	0	2	51	348
100,000 - 999,000 Gal.	221,000	1,454.45	0	0	0	1	221	1,454
<i>Subtotal</i>			<i>0</i>	<i>0</i>	<i>0</i>	<i>3</i>	<i>272</i>	<i>1,802</i>
<i>2 inch meter</i>								
0 - 50,000 Gal.	3,500	29.83	0	0	0	2	7	60
50,000 - 70,000 Gal.	58,000	386.80	0	0	0	1	58	387
50,000 - 100,000 Gal.	79,000	524.35	0	0	0	3	237	1,573
100,000 - 200,000 Gal.	167,500	1,104.03	0	0	0	2	335	2,208
200,000 & Over	421,000	2,764.45	0	0	0	1	421	2,764
<i>Subtotal</i>			<i>0</i>	<i>0</i>	<i>0</i>	<i>9</i>	<i>1058</i>	<i>6992</i>
<i>4 inch meter</i>								
100,000 & Over	828,000	5,430.30	0	0	0	1	828	5,430
<i>Subtotal</i>			<i>0</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>828</i>	<i>5,430</i>
Totals			2,899	16,218	126,233	270	4,241	30,431

Annual Total:

\$1,514,801

\$365,177

XVII PROPOSED OPERATING BUDGET - (WATER SYSTEM) - EXISTING & NEW USERS
 (1st Full Year of Operation) Year Ending 2008

A.	Operating Income:		
	Water Sales	\$	1,879,979
	Disconnect/Reconnect/Late Charge Fees		
	Other (Describe)		
	Less Allowances and Deductions		
	Total Operating Income	\$	1,879,979
B.	Operation and Maintenance Expenses:		
	(Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)		
	Source of Supply Expense	\$	180,000
	Pumping Expense		
	Water Treatment Expense	\$	350,000
	Transmission and Distribution Expense	\$	560,000
	Customer Accounts Expense	\$	110,000
	Administrative and General Expense	\$	100,000
	Short Lived Assets	\$	43,000
	Total Operating Expenses	\$	1,343,000
	Net Operating Income	\$	536,979
C.	Non-Operating Income:		
	Interest on Deposits		
	Other (Identify) <i>Depreciation Reserve Account</i>	\$	(20,000)
	Total Non-Operating Income	\$	(20,000)
D.	Net Income	\$	516,979
E.	Debt Repayment:		
	RD Interest	\$	99,800
	RD Principal	\$	26,820
	Non-RD Interest	\$	90,600
	Non-RD Principal	\$	215,000
	Total Debt Repayment	\$	432,220
F.	Balance Available for Coverage and Depreciation	\$	84,759
	Coverage Ratio		1.20

XXXV. ESTIMATED PROJECT COST - WATER

Development	\$ 1,199,126 20
Land and Rights	\$ 8,000 00
Legal	\$ 13,950 00
Engineering	\$ 198,010 00
Interest	\$ 10,000 00
Contingencies	\$ 59,843.80
Initial O & M	
Other	\$ 152,070 00
TOTAL	<u>\$ 1,641,000 00</u>

XXXVI. PROPOSED PROJECT FUNDING - WATER

Applicant - User Connection Fees

Other Applicant Contribution

RD Financial Assistance	loan	\$ 910,000	\$ 1,641,000 00
	add'l loan	\$ 241,000	
	grant	\$ 490,000	

Other (Specify)

Other (Specify)

Other (Specify)

Other (Specify)

TOTAL	<u>\$ 1,641,000 00</u>
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