

# Rubin & Hays

ATTORNEYS AT LAW

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

February 5, 2008

RECEIVED

FEB - 6 2008

PUBLIC SERVICE  
COMMISSION

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

CASE NO: 2008-00045

Re: U.S. 60 Water District - Public Service Commission Application for the Water System Improvements Project

Dear Ms. O'Donnell:

Enclosed please find the original and ten (10) copies of the Application of the U.S. 60 Water District for a *Certificate of Public Convenience and Necessity* to construct and finance a water improvement project and increase rates pursuant to KRS 278.023.

Also enclosed are eleven (11) copies of the exhibits required, with the **exception of the Preliminary and Final Engineering Reports two (2) are enclosed.**

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**

**Re: U.S. 60 Water District Waterworks Revenue Bonds, Series 2008, in the principal amount of \$764,000, consisting of \$145,000 of Series A Bonds and \$619,000 of Series B Bonds**

**Account No. 851.0000**

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

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

Mr. John Johnson  
USDA, Rural Development  
90 Howard Drive, Suite 3  
Shelbyville, Kentucky 40065-9113

Telephone: (502) 633-3294  
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Mr. Darrell Dees  
U.S. 60 Water District  
P. O. Box 97  
Bagdad, Kentucky 40003

Telephone: (502) 747-8942

Mr. Warner A. Broughman  
Warner A. Broughman & Associates  
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Telephone: (859) 271-1778

Donald T. Prather, Esq.  
Mathis, Riggs & Prather, P.S.C.  
500 Main Street  
P.O. Box 1059  
Shelbyville, Kentucky 40066-1059

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W. Randall Jones, Esq.  
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Kentucky Home Trust Building  
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Louisville, Kentucky 40202

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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED  
FEB - 6 2008  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE APPLICATION OF U.S. 60 WATER DISTRICT )  
OF SHELBY AND FRANKLIN COUNTIES, KENTUCKY )  
FOR A CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY TO CONSTRUCT, FINANCE )  
AND INCREASE RATES PURSUANT TO KRS 278.023. )

CASE NO. 2008-00045

APPLICATION

This Application of the U.S. 60 Water District of Shelby and Franklin Counties, Kentucky ("Applicant"), respectfully shows:

1. That Applicant is a water district of Shelby, Franklin, Spencer and Anderson 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:  
  
U.S. 60 Water District  
c/o Mr. Darrell Dees, Manager  
P.O. Box 97  
Bagdad, Kentucky 40003
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 revised rates; and (iii) approval of the proposed plan of financing said Project.
4. That the proposed project includes the construction and installation of approximately 36,000 linear feet of 12 inch transmission main and approximately 41,000 linear feet of 6 inch distribution pipe to serve new customers in Spencer County.
5. That Applicant proposes to finance the construction of the Project through (i) the issuance of \$764,000 of its Waterworks Revenue Bonds; (ii) a USDA, Rural Development ("RD") Grant in the amount of \$272,900; (iii) a Kentucky Infrastructure Authority ("KIA") grant in the amount of \$700,065; and (iv) a contribution from Applicant in the amount of \$18,720. Applicant

has a commitment from RD to purchase said \$764,000 of bonds (in two series, consisting of \$145,000 of Series A Bonds and \$619,000 of Series B Bonds) maturing over a 40-year period, at an interest rate not exceeding 4.50% per annum as to the Series A Bonds and 4.625% per annum as to the Series B Bonds, as set out in the RD Letter of Conditions, as amended, 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. 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 Sentinel-News, the Spencer Magnet, and the State Journal, which are the newspapers of general circulation in Applicant's service area. Said Notice sets out the Applicant's current rates and proposed rates and a short description of the Project. A copy of said Notice is filed herewith as an Exhibit.

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, U.S. 60 Water District of Shelby and Franklin Counties, Kentucky, 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) \$764,000 of U.S. 60 Water District Waterworks Revenue Bonds at an interest rate of not exceeding 4.50% per annum as to the Series A Bonds and 4.625% per annum as to the Series B Bonds; (ii) an RD Grant in the amount of \$272,900; (iii) a KIA grant in the amount of \$700,065; and (iv) an Applicant contribution in the amount of \$18,720.
- c. An Order approving the proposed increased rates as set out in Section 25 of the Amended RD Letter of Conditions filed herewith as an Exhibit.

U.S. 60 WATER DISTRICT OF SHELBY AND  
FRANKLIN COUNTIES, KENTUCKY

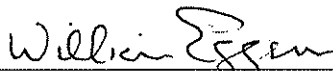
By: William Egan CHAIRMAN  
Chairman  
Board of Water Commissioners

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

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF SHELBY )

The undersigned, William Eggen, being duly sworn, deposes and states that he is the Chairman of the Board of Commissioners of the U.S. 60 Water District of Shelby and Franklin Counties, Kentucky, Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this February 1, 2008.

 *William Eggen* Chairman  
\_\_\_\_\_  
William Eggen, Chairman  
U.S. 60 Water District of Shelby and Franklin  
Counties, Kentucky

Subscribed and sworn to before me by William Eggen, Chairman of the Board of Commissioners of the U.S. 60 Water District of Shelby and Franklin Counties, Kentucky, on this February 1, 2008.

My Commission expires: 8-28-2010.

 *Vanessa D. Lewis*  
\_\_\_\_\_  
Notary Public





United States  
Department of  
Agriculture

Rural  
Development

771 Corporate Drive, Suite 200  
Lexington, KY 40503-5477  
(859) 224-7336 TTY(859) 224-7422

May 27, 2003

**COPY FOR YOUR  
INFORMATION**

Mr. William Eggen, Chairman  
U.S. 60 Water District  
P.O. Box 97  
Bagdad, Kentucky 40003

Dear Mr. Eggen:

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 \$764,000, a RUS grant not to exceed \$272,900, and a Kentucky Infrastructure Authority (KIA) 2020 grant of \$744,000. The RUS loan will be separated into two Bond Issues (Series A and Series B). The Series A will be \$145,000 at poverty interest rate, and the Series B will be \$619,000 at market interest rate.

If Rural Development makes the loan, the interest rate will be the lower of the rate in effect at the time of loan approval or the rate in effect at the time of loan closing, unless the applicant otherwise chooses. The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire that further consideration be given to your application.

The "Letter of Intent to Meet Conditions" must be executed within three weeks from the date of this letter or it becomes invalid unless a time extension is granted by Rural Development.

If the conditions set forth in this letter are not met within 240 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application.

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



1. Number of Users and Their Contribution:

There shall be 2,027 water users, of which 1,957 are existing users and 70 are new users contributing \$36,100 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 Rural Development Manager 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 two years from the date of the bond. Payments will be in accordance with applicable KRS, which requires interest to be paid semi-annually (February 1st and August 1st) and principal will be due on or before the first of February. 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 Rural Development Manager 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 \$370.00 per month into a "Funded Depreciation Reserve Account" until the account reaches \$44,400. The deposits are to be resumed any time the account falls below the \$44,400.

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 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 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 annual budgets and year-end reports (annual audits) in accordance with subsection 1780.47 of RUS Instruction 1780 and RUS Staff Instruction 1780-4, a copy of which is enclosed.

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 \$90,000.
- 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 Rural Development Manager is prepared to furnish the necessary guide for him to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.
- B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:
  - 1. Final plans, specifications and bid documents.
  - 2. Applicant's letter on efforts to encourage small business and minority-owned business participation.
  - 3. Legal Service Agreements.
  - 4. Engineering Agreements.

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

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 water system, be denied the benefits of the water 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. System Operator:

The Water District is reminded that the 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	\$ 1,450,400
Land and Rights	8,000
Legal and Administrative	13,500
Engineering	170,100
Interest	30,000
Contingencies	<u>145,000</u>
TOTAL	\$ 1,817,000

## Financing:

RUS Loan	\$ 764,000
RUS Grant	272,900
KIA 2020 Grant	744,000
Applicant Contribution	<u>36,100</u>
TOTAL	\$ 1,817,000

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/KIA 2020 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 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	1,000	gallons @ \$	12.86 - Minimum Bill.
Next	2,000	gallons @ \$	6.41 - per 1,000 gallons.
Next	2,000	gallons @ \$	5.15 - per 1,000 gallons.
All Over	5,000	gallons @ \$	4.54 - per 1,000 gallons.

1" Meter:

First	5,000	gallons @ \$	35.98 - Minimum Bill.
All Over	5,000	gallons @ \$	4.54 - per 1,000 gallons.

2" Meter:

First	25,000	gallons @ \$	126.78 - Minimum Bill.
All Over	25,000	gallons @ \$	4.54 - per 1,000 gallons.

Bulk User Rate:

First	1,000	gallons @ \$	2.70 - Minimum Bill.
All Over	1,000	gallons @ \$	2.70 - per 1,000 gallons.

26. Water Purchase Contract:

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

27. Commitment of KIA 2020 Grant:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the KIA 2020 grant in the amount of \$744,000.

28. 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 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 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.

29. Mitigation Measures:


- A. The project shall be in compliance with all requirements noted in the Kentucky Department for Local Government letter dated May 30, 2002, 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 March 14, 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.

30. Final Approval Conditions:

Final approval of this loan will depend on your willingness, with the assistance of all your co-workers, to meet the conditions of this letter in an orderly and systematic manner. Then too, final approval will depend on funds being available.

If you desire to proceed with your application, the Rural Development Manager will allot a reasonable portion of time to provide guidance in application processing.

Sincerely,

  
KENNETH SLONE  
State Director

Enclosures

cc: Rural Development Manager - Shelbyville, Kentucky  
Community Development Manager - New Castle, Kentucky  
KIPDA ADD - Louisville, Kentucky  
Don Prather - Shelbyville, Kentucky  
✓Rubin and Hays - Louisville, Kentucky  
Warner A. Broughman, III - Lexington, Kentucky  
PSC - ATTN: Bob Amato - Frankfort, Kentucky





United States Department of Agriculture  
Rural Development  
Kentucky State Office

January 8, 2008

Mr. William Egen, Chairman  
U.S. 60 Water District  
P.O. Box 97  
Bagdad, Kentucky 40003

Re: Letter of Conditions Dated May 27, 2003

Dear Mr. Egen:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated May 27, 2003. The purpose of this amendment is to update project costs, funding sources, and proposed rate schedules, and to make other editorial changes in accordance with the 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 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 \$764,000; a RUS grant not to exceed \$272,900; a Kentucky Infrastructure Authority (KIA) 2020 grant of \$700,065; and a cash contribution from the North Shelby Water Company in the amount of \$740,498. ”

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	\$ 2,097,747
Legal and Administrative	19,240
Engineering	256,973
Interest	30,000
Contingencies	<u>112,223</u>
TOTAL	\$ 2,516,183

Financing:

RUS Loan	\$ 764,000
RUS Grant	272,900
KIA Grant	700,065
North Shelby Water Co. Contribution	740,498
Applicant Contribution/Connection Fees	<u>38,720</u>
TOTAL	\$ 2,516,183 "

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

" 24. Use of Remaining Project Funds:

The applicant contribution/connection fees and North Shelby Water Company contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining project funds will be considered to be RUS/KIA 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 "25" is revised to read as follows:

" 25. Rates and Charges:

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

Water rates will be at least:

5/8" x 3/4" Meter:

First	1,000	gallons @ \$	12.86 - Minimum Bill.
Next	2,000	gallons @ \$	6.41 - per 1,000 gallons.
Next	2,000	gallons @ \$	5.15 - per 1,000 gallons.
All Over	5,000	gallons @ \$	4.54 - per 1,000 gallons.

1" Meter:

First	5,000	gallons @ \$	35.98 - Minimum Bill.
All Over	5,000	gallons @ \$	4.54 - per 1,000 gallons.

2" Meter:

First	25,000	gallons @ \$	126.78 - Minimum Bill.
All Over	25,000	gallons @ \$	4.54 - per 1,000 gallons.

Bulk User Rate:

First	1,000	gallons @ \$	2.70 - Minimum Bill.
All Over	1,000	gallons @ \$	2.70 - per 1,000 gallons.

Wholesale Water:

Sales to co-owner North Shelby Water Company from 16" line  
 First 1,000 gallons @ \$ 26.36 - Minimum Bill.  
 All Over 1,000 gallons @ \$ 2.02 - per 1,000 gallons.

Fire Hydrants:

Rental by fire districts \$ 5.00 - per month per hydrant.  
 Rental by private party \$ 5.00 - per month per hydrant. "

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

" 27. Commitment of Other Project Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to loan pre-closing for the KIA grant in the amount of \$700,065 and for the North Shelby Water Company contribution in the amount of \$740,498.25. "

Paragraph numbered "31" is added to read as follows:

" 31. Compliance with the Bioterrorism Act:

Prior to pre-closing the loan, the Water 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
- KIPDA ADD - Louisville, Kentucky
- Donald T. Prather - Shelbyville, Kentucky
- ✓ Rubin and Hays - Louisville, Kentucky
- Warner A. Broughman, III - Lexington, Kentucky
- PSC - ATTN: Bob Amato - Frankfort, Kentucky



United States Department of Agriculture  
Rural Development  
Kentucky State Office

January 28, 2008

Mr. William Egen, Chairman  
U.S. 60 Water District  
P.O. Box 97  
Bagdad, Kentucky 40003

Re: Letter of Conditions Dated May 27, 2003

Dear Mr. Egen:

This letter shall serve as Amendment No. 2 to the Letter of Conditions dated May 27, 2003. The purpose of this amendment is to revise project costs, funding sources, and wholesale water rates. This revision is necessary due to North Shelby Water District's withdrawal from the project.

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 \$764,000; a RUS grant not to exceed \$272,900; a Kentucky Infrastructure Authority (KIA) 2020 grant of \$700,065; and new user connection fees contributing the amount of \$18,720. "

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

" 22. Cost of Facility:

Breakdown of Costs:

Development	\$ 1,423,137
Legal and Administrative	19,240
Engineering	192,144
Interest	30,000
Contingencies	<u>91,164</u>
TOTAL	\$ 1,755,685

U.S. 60 Water District

Page 2

## Financing:

RUS Loan	\$ 764,000
RUS Grant	272,900
KIA Grant	700,065
New User Connection Fees	<u>18,720</u>
TOTAL	\$ 1,755,685 "

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

" 24. Use of Remaining Project Funds:

The new user 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/KIA 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 "25" is revised to read as follows:

" 25. Rates and Charges:

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

Water rates will be at least:

5/8" x 3/4" Meter:

First	1,000	gallons @ \$	12.86 - Minimum Bill.
Next	2,000	gallons @ \$	6.41 - per 1,000 gallons.
Next	2,000	gallons @ \$	5.15 - per 1,000 gallons.
All Over	5,000	gallons @ \$	4.54 - per 1,000 gallons.

1" Meter:

First	5,000	gallons @ \$	35.98 - Minimum Bill.
All Over	5,000	gallons @ \$	4.54 - per 1,000 gallons.

2" Meter:

First	25,000	gallons @ \$	126.78 - Minimum Bill.
All Over	25,000	gallons @ \$	4.54 - per 1,000 gallons.

Bulk User Rate:

First	1,000	gallons @ \$	2.70 - Minimum Bill.
All Over	1,000	gallons @ \$	2.70 - per 1,000 gallons.

U.S. 60 Water District

Page 3

Wholesale Water:

Sales to other utilities for resale

First 25,000 gallons @ \$ 126.78 - Minimum Bill.

All Over 25,000 gallons @ \$ 4.54 - per 1,000 gallons.

Fire Hydrants:

Rental by fire districts \$ 5.00 - per month per hydrant.

Rental by private party \$ 5.00 - per month per hydrant. "

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

" 27. Commitment of Other Project Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to loan pre-closing for the KIA grant in the amount of \$700,065 and for the new user connection fees contributing the amount of \$18,720. "

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

Sincerely,

*Kenneth Stone*  
KENNETH STONE  
State Director

- cc: Area Director - Shelbyville, Kentucky
- KIPDA ADD - Louisville, Kentucky
- Donald T. Prather - Shelbyville, Kentucky
- Robin and Hays - Louisville, Kentucky
- Warner A. Broughman, III - Lexington, Kentucky
- PSC - ATTN: Bob Amato - Frankfort, Kentucky







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

January 29, 2008

**SUBJECT:** US 60 Water District  
US 60 Transmission Project  
Contract Award Concurrence

**TO:** Area Director  
Shelbyville, Kentucky

This letter of concurrence is to replace the previous concurrence dated January 17, 2008 for the same project. Due to a financial contributor withdrawing from the project, the project budget and construction costs have been revised to reflect the changes. Based on the bids received and the new recommendation of the consulting engineer, Rural Development concurs in the award of subject contract to the low bidder, Southern Backhoe, Inc., in the amount of \$1,423,136.95.

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

  
KENNETH SLONE  
State Director  
Rural Development

**cc:** Warner Broughman, III  
Lexington, Kentucky

~~Randy Jones~~  
Ruben 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>

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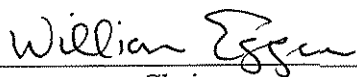
**CERTIFICATE OF CHAIRMAN OF U.S. 60 WATER DISTRICT OF SHELBY AND  
FRANKLIN COUNTIES, KENTUCKY, AS TO STATEMENT REQUIRED BY  
SECTION 1(5) OF 807 KAR 5:069**

I, William Eggen, hereby certify that I am the duly qualified and acting Chairman of the U.S. 60 Water District of Shelby and Franklin Counties, Kentucky, and that said District is in the process of arranging to finance the construction of extensions, additions and improvements to the existing waterworks system of the District (the "Project"), in cooperation with Warner A. Broughman III and Associates, 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:

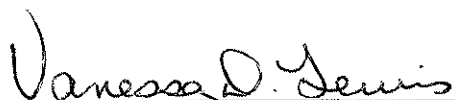
1. That the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.
2. That all other state approvals and/or permits have already been obtained.
3. That the rates proposed by the District in its current Application filed with the Public Service Commission of Kentucky 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 February 29, 2008, and will end on or about August 31, 2008.

IN TESTIMONY WHEREOF, witness my signature this February 1, 2008.

 **CHAIRMAN**  
Chairman  
U.S. 60 Water District of Shelby and  
Franklin Counties, Kentucky

STATE OF KENTUCKY    )  
                                  ) SS  
COUNTY OF SHELBY    )

Subscribed and sworn to before me by William Eggen, Chairman of the Board of Commissioners of the U.S. 60 Water District of Shelby and Franklin Counties, Kentucky, on this February 1, 2008.

  
Notary Public  
In and For Said State and County

(Seal of Notary)

*My commission expires 8-28-2010.*



## 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 U.S. 60 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 the RD to the District in the amount of \$764,000 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 water rates as set forth below:

### Current Monthly Rates

#### 5/8" x 3/4" Meters:

First 1,000 gallons	\$11.19 minimum bill
Next 2,000 gallons	5.79 per 1,000 gallons
Next 2,000 gallons	4.69 per 1,000 gallons
All over 5,000 gallons	4.15 per 1,000 gallons

#### 1" Meters:

First 5,000 gallons	\$32.15 minimum bill
All over 5,000 gallons	4.15 per 1,000 gallons

#### 2" Meter:

First 25,000 gallons	\$115.18 minimum bill
All over 25,000 gallons	4.15 per 1,000 gallons
Bulk Sales	\$2.54 per 1,000 gallons

### Proposed Monthly Rates

#### 5/8" x 3/4" Meters:

First 1,000 gallons	\$12.86 minimum bill
Next 2,000 gallons	6.41 per 1,000 gallons
Next 2,000 gallons	5.15 per 1,000 gallons
All over 5,000 gallons	4.54 per 1,000 gallons

#### 1" Meters:

First 5,000 gallons	\$35.98 minimum bill
All over 5,000 gallons	4.54 per 1,000 gallons

#### 2" Meter:

First 25,000 gallons	\$126.78 minimum bill
All over 25,000 gallons	4.54 per 1,000 gallons

**Bulk Sales:**

First 1,000 gallons	\$2.70 minimum bill
All over 1,000 gallons	\$2.70 per 1,000 gallons

**Wholesale Water:**

**Sales to other utilities for resale:**

First 25,000 gallons	\$126.78 minimum bill
All over 25,000 gallons	4.54 per 1,000 gallons

**Fire Hydrants:**

Rental by fire districts	\$5.00 per month per hydrant
Rental by private party	\$5.00 per month per hydrant

The RD loan proceeds will be used in conjunction with a contribution from the District in the amount of \$18,720, an RD grant in the amount of \$272,900, and a KIA grant in the amount of \$700,065 to finance the construction and installation of approximately 36,000 linear feet of 12 inch transmission main and approximately 41,000 linear feet of 6 inch distribution pipe to serve new customers in Spencer County. Signed: William Eggen, Chairman, U.S. 60 Water District, Bagdad, Kentucky.

**US 60 WATER DISTRICT  
U.S. 60 TRANSMISSION MAIN  
FINAL ENGINEERING REPORT  
January 24, 2008**

**RECEIVED**

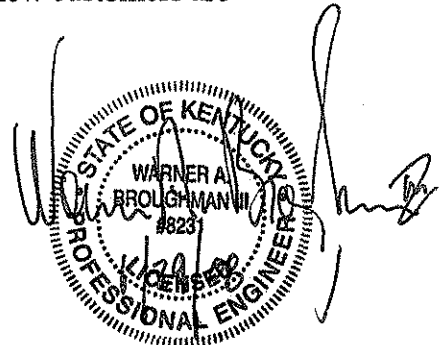
FEB - 6 2008

PUBLIC SERVICE  
COMMISSION

The project encompassed by the US 60 Water District is the construction of approximately 35,797 linear feet of 16-inch ductile iron transmission main from the supplier ( Frankfort Electric and Water Plant Board) at Bridgeport to the District's central water storage tank at Peytona. In addition, the District is extending approximately 41,048 linear feet of 6-inch PVC distribution pipe into the un-served portion of Spencer County. The Spencer County extension will initially serve 30 new customers, growing to more than 70 new customers in the immediate future.

The low bidding contractor for the project is Southern Backhoe, Inc, 808 Main Street, Campbellsville, Kentucky with a winning bid \$1,423,136.95 for the 12-inch line. The method of financing the project is a combination of Kentucky Infrastructure Authority (KIA )and Rural Development (RD) grants and a loan from the Rural Development. KIA has awarded two grants of \$650,000 and \$50,065 for the project. RD has awarded a grant of \$272,900 and is providing a loan in the amount of \$764,000. The new customers are contributing \$18,720. The final estimate for the project is as follows:

Contract #1, pipelines	\$1,423,136.95
Local Counsel	6,740.00
Bond Counsel	12,500.00
Engineering Design	118,581.00
Construction Inspection	73,563.00
Interim Financing	30,000.00
Contingency (6%)	<u>91,164.05</u>
Total Project Cost	\$1,755,685.00



The District will need to increase rates to finance the project. The following rates will be needed to maintain the District:

**5/8"x3/4" Meter**

First 1,000 gallons	\$12.86 (minimum bill)
Next 2,000 gallons	6.41 per 1000 gallons
Next 2,000 gallons	5.15 per 1000 gallons
Over 5,000 gallons	4.54 per 1000 gallons

**1" Meter**

First 5,000 gallons	\$35.98 (minimum bill)
All over 5,000 gallons	4.54 per 1,000 gallons

**US 60 WATER DISTRICT  
U.S. 60 TRANSMISSION MAIN  
FINAL ENGINEERING REPORT  
January 24, 2008**

**2" Meter**

First 25,000 gallons	\$126.78 (minimum bill)
All over 25,000 gallons	4.54 per 1,000 gallons

**Bulk User Rate**

First 1,000 gallons	\$2.70 (minimum bill)
Next 1,000 gallons	2.70 per 1,000 gallons

**Wholesale water**

Sales to other utilities for resale	
First 25,000 gallons	\$126.78 (minimum bill)
Over 25,000 gallons	4.54 per 1000 gallons

**Fire Hydrants**

Rental by fire districts	\$5.00 per month per hydrant
Rental by private party	\$5.00 per month per hydrant



RECEIVED

FEB - 6 2008

PUBLIC SERVICE  
COMMISSION


**U.S. 60  
WATER DISTRICT**

**BAGDAD, KENTUCKY**

**TRANSMISSION MAIN  
SYSTEM  
IMPROVEMENTS  
INCLUDING  
SUMMARY ADDENDUM**

**JUNE 2002**

**REVISED SEPTEMBER 2007**

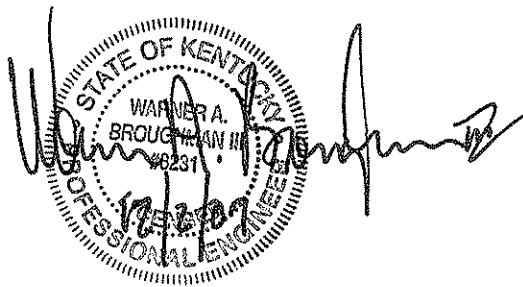
 Warner A. Broughman III  
and Associates

**3161 Custer Drive, Suite 6  
Lexington, Kentucky 40517  
(859) 271-1778**

**PROJECT NO. 99-25  
02-02**

© by Warner A. Broughman III & Associates June, 2002  
© Revised September 18, 2007

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**U.S. 60 WATER COMPANY  
WADDY, KENTUCKY**

**COMMISSIONERS**

William Eggen, Chairman  
John Roberts, Commissioner  
David Brewer, Treasurer  
Hobert Hearn, Commissioner  
Steve Miller, Secretary

**ATTORNEY**

Don Prather

**Manager**

Darrell Dees

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**PRELIMINARY ENGINEERING REPORT**

**for**

**TRANSMISSION MAIN**  
**AND**  
**SYSTEM IMPROVEMENTS**  
**INCLUDING**  
**SUMMARY ADDENDUM**

**U. S. 60 WATER COMPANY**  
**BAGDAD, KENTUCKY**

**JUNE 2002**

**REVISED SEPTEMBER 18, 2007**

**Warner A. Broughman III & Associates**  
**3161 Custer Drive Suite 6**  
**Lexington, Kentucky 40517**  
**(859) 271-1778**

**PRELIMINARY ENGINEERING REPORT**  
**for**  
**TRANSMISSION LINES & SYSTEM IMPROVEMENTS**  
**of**  
**U. S. 60 WATER DISTRICT**

**1. INTRODUCTION**

The purpose of this report is to present engineering information and economic feasibility for improvements to the public water supply system of the U. S. 60 Water District of Shelby and Franklin County, Kentucky. The firm of Warner A. Broughman III & Associates was retained by the District to investigate their existing water distribution system and to make specific recommendations for improvements.

Primary consideration was given to increasing the flow of water from the supplier to the system. The secondary consideration is the extension of distribution lines into Spencer County. Numerous field and office studies were made to determine the desirability and feasibility of various alternatives. This report presents the conclusions and recommendations of the Engineer.

**2. SERVICE AREA**

The U. S. 60 Water District provides potable water to approximately 1,850 customers in an area roughly following U. S. 60 and Kentucky Highway 395 in southeastern Shelby County and southwestern Franklin County (see Figure 1), and a small portion of Anderson County and northeast Spencer County. The service area includes the communities of Clay Village, Peytona, Waddy, Harrisonville, and Graefenburg in Shelby County, and a portion of Bridgeport in Franklin County. More specifically, the area is defined by Shelby, Franklin, Anderson and Spencer County Court Orders as seen in Figure 1 "District Boundary" following this section.

The Water District's service area is bounded on the north by the North Shelby Water Company, on the west by the City of Shelbyville, on the south by the City of Taylorsville, and

Taylorville Lake and on the east by the City of Frankfort, Farmdale Water District and Alton Water District.

The terrain itself is gently rolling to rolling topography with occasional hills or knobs and steeper areas near the larger streams. Elevations range from a low of approximately 680 feet above mean sea level at Benson Creek in Bridgeport, to some 1,188 feet above mean sea level on Jephtha Knob near Clay Village.

The major underlying rock formations consist chiefly of limestone with considerable interbedding of shale. Most of the soils have a moderate to high fertility. Not surprisingly, the major land use in the District is for agriculture while rural residential tracts are the second largest. Ground water availability is generally poor in the U. S. 60 Water District. Few wells drilled in the shale or shaly limestone formations yield enough water for domestic use. Expected yield for a well in this part of Kentucky is less than 5 gallons per minute. There are several springs in this area, but most go dry in late summer.

Because of the agricultural need for water, the area is dotted with numerous man-made farm ponds. These, of course, draw down considerably during the summer months. Benson Creek, a tributary of the Kentucky River, and Guist Creek Lake, and Taylorville Lake are the major bodies of surface water in the District.

### **3. EXISTING FACILITIES**

#### **3.1 PHYSICAL PLANT**

Following this section is Figure 2: U. S. 60 Water District map that provides a graphic representation of the physical plant.

##### **3.1.1 SOURCES**

The U. S. 60 Water District purchases finished water from the City of Frankfort, Kentucky, whose source is the Kentucky River. The U. S. 60 system does not contain any treatment facilities. The physical plant consists of a distribution system made up of some 35 miles of pipeline, four water storage tanks, and two water pumping stations (See Figure 2). The majority of the distribution system was constructed in 1965 when the District first began operation. In the 1965 effort, a 4" diameter



**Figure 1: DISTRICT BOUNDARY**

All that land in Franklin County, Kentucky lying within the following described boundary:

BEGINNING at a point in the center of U.S. Highway 60 in the center of South Benson Creek; thence northwesterly to the intersection with Ky. Highway 1665 with the mean sea level elevation contour line of 750 feet, thence with said 750 feet contour line in a northerly direction generally along the east side of said Ky. 1665 to a point, said point being 1100 feet east of the centerline of Ky. 1665 and 1300 feet south of the centerline of Pea Ridge Road; thence north 800 feet to a point in the west property line of Dorothy Kirk, thence with said property line to the center of Pea Ridge Road, thence north to the center of Benson Creek; thence west along the center of Benson Creek and North Benson Creek to the Franklin-Shelby County line; thence south along said county line to a point one mile south of U.S. Highway 60; thence in an easterly direction one mile south of and parallel to U.S. Highway 60 to a point one mile south of the intersection of U.S. Highway 60 and South Benson Creek; thence north to the beginning point.

All that land in Shelby County, Kentucky lying within the following described boundary:

BEGINNING at a point in the centerline of U.S. Highway 60, said point being 3000 feet east of the centerline of Guist Creek; thence due north approximately 1000 feet to the centerline of the main stem of Guist Creek Lake; thence in a northeasterly direction along said centerline of the main stem of Guist Creek Lake (Tick Creek) to a point which is one mile north of U.S. Highway 60; thence in an easterly direction one mile north of and parallel to U.S. Highway 60 to the Shelby-Franklin County line thence with the Shelby County line in a southerly direction to the intersection of the Shelby, Anderson and Spencer County lines; thence in a northwesterly direction with the Shelby-Spencer County line to the centerline of Guist Creek; thence in a northerly direction with the centerline of Guist Creek to the centerline of Hoopers Station Road; thence due north to the southern right-of-way of I-64; thence in an easterly direction with the southern right-of-way of I-64 to a point 1000 feet west of the intersection of I-64 and Hoopers Station Road; thence crossing I-64 in a northeasterly direction 1000 feet northwest of and parallel

to the centerline of Hoopers Station Road to a point, said point being on a line, said line beginning at a point 6.5 miles due west of the intersection of the Shelby-Anderson County line and Kentucky Highway 637 (now Kings Highway) and terminating at a point in the centerline of U.S. Highway 60 3000 feet east of the centerline of Guist Creek; thence along said line in a northerly direction to the point of beginning.

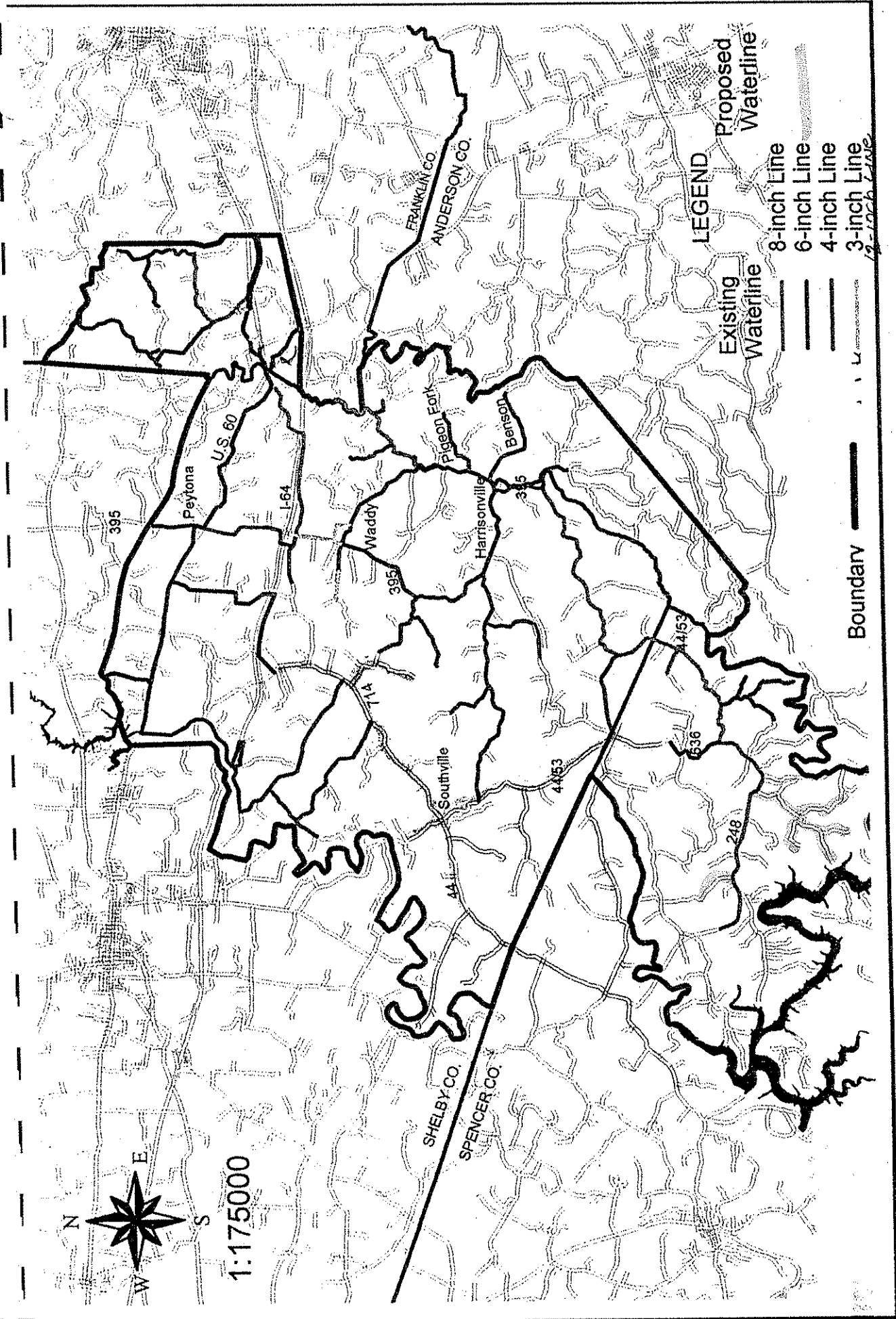
All that land in Spencer County, Kentucky, lying within the following described boundary:

BEGINNING at a point in the Spencer County boundary with Shelby and Anderson Counties: thence south along the Anderson County line to the Nelson County line; thence southwest approximately one mile along the Nelson County line to a point in the center of Taylorsville Lake; thence with the centerline of said lake to Beech Creek; thence northeast along Beech Creek to the head of Ten Mile Creek said point being one-half mile southwest of the Spencer and Shelby County line; thence one-half mile northeast to the Spencer and Shelby County line; thence southeast along said county line approximately 4.5 miles to the point of beginning.

All that land in Anderson County, Kentucky, lying within the following described boundary:

BEGINNING at a point in the Anderson County line, common with Shelby and Franklin Counties, thence along the Anderson and Franklin County line to Benson Creek; thence south along Benson Creek to a point 1000 feet northeast of the Benson Road bridge; thence south with a line running 1000 feet from and parallel to Kentucky Highway 50 to a point on that line due southeast of the intersection of Kentucky 50 and Tracy Road; thence southwest approximately 6 miles to a point, said point being 1000 feet south of Pleasant Hill church; thence northwest 1000 feet south of the Pleasant Hill Church; thence northwest 1000 feet from and parallel to Kentucky Highways 44/53 to a point in the Anderson-Spencer County line; thence northeast with the Anderson-Spencer County line to the Shelby County line; thence northeast with the Shelby-Anderson County line to the point of beginning.

Figure 2: U.S. 60 WATER DISTRICT MAP



Warner A. Broughman III  
 and Associates  
 Lexington Kentucky

# U.S. 60 Water District

Distribution System

connection to the City of Frankfort's system at Bridgeport and constructed westerly 2.0-miles along U.S. Highway 60. The trunk was increased to 6" diameter and continued 5.5-miles along U. S. Highway 60 to Peytona. At Peytona the water line continues 2.6-miles along U. S. Highway 60 to Keys Road at Guist Creek Lake. At the same time a 4" diameter pipeline was constructed 3.0-

miles along Kentucky Highway 395 from Peytona to Waddy. In addition, some 2.0-miles of 4" and smaller lateral distribution mains were also installed. The 1965 improvements utilized Asbestos Cement pipe. Between the Districts original 1965 construction and 1978, some 2.5-miles of additional pipelines were constructed. Because of elevation extreme, a small pump and pressure tank serves the Jephtha Knob Road.

The District made large extension and renovations in 1978, 1984, and 1998 constructing a new tank to replace the inadequate tank at Waddy, renovation of the pump station and constructing new pipelines. The new pipelines extend the distribution system west along U. S. 60 to KY 714, south along KY 714 and KY 1790 and south along Wentworth Road (Buzzard Roost). A larger line was constructed to connect to the supply at Bridgeport. These pipelines were constructed using PVC pipes.

The District made several extensions in 1992 adding new pipeline along Catridge Road in Shelby County; Benson and Avenstoke Roads in Anderson County; and Sheepen, Taylor Branch and Botkin Roads and Kentucky Hwy 1665 in Franklin County. The 1998 project added a new elevated water storage tank and 15-miles of pipelines in Spencer County along Smitha road, Murphy Lane, KY 636 and KY 248.

All of the U.S. 60 water is bought wholesale from the Frankfort Electric and Water Board. All of the water that is purchased is already treated and the District does not have its own treatment facilities. The District sold more than 142 million gallons of water in 2001. The following Table 1 breaks down sales and purchases of water.

**Table 1 - 2001 Water Usage**

<b>USAGE</b>	<b>GALLONS</b>
Purchased	142,466,200
Sales	115,032,100
Leaks and Breaks	15,369,120
Line Flushing	2,269,049
<b>TOTAL</b>	<b>275,136,469</b>

Source: J. Sutherland Balance Sheet December 31, 2001

## 4. EXISTING FINANCIAL STATUS

### 4.1 REVENUE

The total 2001 revenue for the District was approximately \$654,490 resulting from the sale of approximately 115,032,100 gallons of water. For 2001 the District had a net income of \$52,361.

**Table 2 - 2001 INCOME**

All Customers	\$807,538.00
Fire Protection Services	\$ 1,080.00
<b>TOTAL</b>	<b>\$808,618.00</b>

Source: Raisor, Zapp & Woods, PSC Balance Sheet December 31, 2006

The District charges all residential customers according to the rate schedule shown in Table 3: Water Rates. The complete tariff is contained in the Appendix.

**Table 3 - WATER RATES**

<b>GALLONS/MONTH</b>	<b>COST PER 1000 GALLONS</b>
First 1000	\$11.19 (minimum bill)
Next 2000	\$ 5.79
Next 2000	\$ 4.69
Over 5000	\$ 4.15

Source: PSC Tariff Effective April 26, 2005

## 4.2 DEBT

The District is current on its long term debt obligations. See the following table, "Long-Term Debts" for information regarding these outstanding debts.

**Table 4 - LONG-TERM DEBTS**

YEAR ISSUED	TYPE	AMOUNT	INTEREST RATE	AMOUNT OUTSTANDING	LENGTH
1986	Bond	\$360,000	7.625%	\$300,000	20 Years
1992	Bond	\$294,000	6.125%	\$262,000	40 Years
1991	Note	\$227,564	6.9%	\$ 60,000	20 Years
1993	Note	\$510,875	4.539%	\$240,000	20 Years
1998	Bond	\$460,700	4.5%	\$428,500	40 Years
1993	Lease	\$237,000	4.539%	\$110,000	20 Years
1996	Lease	\$ 82,000	5.524%	\$ 52,000	20 Years

Source: Raisor, Zapp & Woods, PSC Audit December 31, 2006

The 1986, 1992, and 1998 bonds are unsettled revenue bond issues with the Rural Development agency of the U.S. Department of Agriculture (formerly Farmers Home Administration). The two notes are with the Kentucky Infrastructure Authority. The two fixed-rate leases are with the Kentucky Association of Counties through the Shelby County Fiscal Court. All payments occur annually except for the two leases that occur monthly.

The 1986 bond issue of \$350,000 at 7.625% interest has a remaining balance of \$300,000. The 1992 bond issue of \$262,000 at 6.125% interest has a balance of \$278,400. The 1998 bond issue of \$460,700 at 4.5% interest has a balance of \$428,500. The District has two notes with the

Kentucky Infrastructure Authority. The first note is for \$227,564 at 6.9% and has a balance of \$60,000. The second note is for \$510,857 and has a remaining balance of \$240,000. The KaCO Leasing Trust holds a fixed rate lease for \$237,000 at 4.539% interest with a remaining balance of \$110,000. A second lease of \$82,000 at 5.524% interest has a remaining balance of \$52,000.

## **5. PROPOSED FACILITIES AND SERVICES**

The U.S. 60 Water District has been supplying potable water to its customers since 1966. These thirty-six years of operation have produced increased demands on the system.

The District proposes to extend a new transmission main from Bridgeport in Franklin County to Graefenburg in Shelby County. The water line will extend along U.S. Highway 60. The extension will serve no new customers along the route. A hydraulic analysis was conducted on the water distribution system, as it would exist with the proposed transmission main. The calculations were based upon an average flow of 0.6-gpm for each customer and 5-gpm for dead end lines.

New distribution mains are proposed for several unserved areas of Spencer County. Ten Mile, Sego, Cull and Stoney Hollow Roads along with Cook and Mitchell Lanes are all unserved roads in Spencer County. The water mains will be extended along these roads.

### **5.1 STORAGE**

The Water District currently has four storage facilities with a total capacity of 535,000 gallons. Of this amount approximately 367,500 gallons can be considered available storage. The average daily sale was 315,156 gallons in 2001.

### **5.2 SOURCE**

The current source of water for the U.S. 60 Water District is water purchased from the City of Frankfort. The Frankfort Plant Board has a modern treatment plant rated at 18 million gallons per day. The Plant Board's 2001 production averaged about 8.153-mgd. The Plant Board currently charges the U.S. 60 Water District a wholesale price of \$1.539 per 1,000 gallons. Alternate sources include buying water from the City of Shelbyville or constructing a water treatment plant. The region within the boundaries of the Water District contains only two large bodies of surface water: 1) Guist Lake, which is the impoundment source for the City of

Shelbyville; and 2) Taylorsville Lake. In addition, there are relatively limited quantities of groundwater. The construction of a treatment plant, would make producing water quite expensive.

### **5.3 DISTRIBUTION SYSTEM**

The proposed transmission main will allow the District to bring in sufficient water to service its existing customers' property and reduce operating time on pumps and personnel. The existing 4-inch and 6-inch pipelines can no longer provide water in a timely fashion. The 12-inch pipeline will allow 1,000 to 1,500 gpm of water from the supplier to enter the U.S. 60 distribution system.

The planned distribution lines into Spencer County consist of 6-inch and 8-inch PVC lines along the rural areas. The line will be fed from the existing system of 8-inch mains and elevated storage tank.

### **5.4 PRESSURE**

During average conditions, the existing distribution system maintains static pressures from about 35 psi to over 100 psi in the lower part of the system. During withdrawals, of course, the system's dynamic pressures are somewhat less. Under normal operating condition such pressure drops are barely noticeable to the majority of the District's customers. The proposed changes (i.e. new water storage tank, line upgrade, and pump upgrade) will not appreciably affect the system's static pressure. But, they are expected, however, to improve residual pressures during peak demands.

## **6. COST ESTIMATES**

An itemized estimate of the cost of the project outlined in the previous discussion is given below in Table 3 - Project Cost. These costs are approximate only and are based on available information on the costs of similar 2006 projects.



**Table 5 - PROJECT COST**  
**CONSTRUCTION COST**

<b>TRANSMISSION LINE</b>					
38,000	L.F.	12-inch Pipelines	@	\$ 20.00	\$ 760,000.00
6	EACH	12-inch Valves	@	\$ 1,000.00	\$ 6,000.00
350	L.F.	20-inch Road Bores	@	\$ 120.00	\$ 42,000.00
300	L.F.	12-inch Creek Crossing	@	\$ 80.00	\$ 24,000.00
10	EACH	6-inch Valves	@	\$ 400.00	\$ 4,000.00
38	EACH	Fire Hydrant and Valves	@	\$ 1,800.00	\$ 68,400.00
10	C.Y.	Class C Concrete	@	\$ 150.00	\$ 1,500.00
800	TONS	Crushed Stone	@	\$ 10.00	\$ 8,000.00
38,000	L.F.	Seeding and Sodding	@	\$ 0.50	\$ 19,000.00
20	TONS	Bituminous Replacement	@	\$ 50.00	\$ 1,000.00
5	EACH	Blowoff	@	\$ 400.00	\$ 2,000.00
1	EACH	200,000 Gallon Standpipe	@	\$200,000.00	\$ 200,000.00
1	EACH	Pump Station	@	\$ 80,000.00	\$ 80,000.00
				<b>SUBTOTAL</b>	<b>\$1,215,900.00</b>
<b>DISTRIBUTION LINES</b>					
7500	L.F.	8-inch Pipelines	@	\$ 8.50	\$ 63,750
18,980	L.F.	6-inch Pipelines	@	\$ 7.50	\$ 142,350.00
2	EACH	8-inch Value	@	\$ 550.00	\$ 1,100.00
5	EACH	6-inch Value	@	\$ 450.00	\$ 2,250.00
50	L.F.	Creek Crossing	@	\$ 40.00	\$ 2,000.00
5	EACH	Fire Hydrants	@	\$ 2,000.00	\$ 10,000.00
4	EACH	Blowoff	@	\$ 750.00	\$ 3,000.00
4	EACH	Altitude Valve	@	\$ 750.00	\$ 3,000.00
500	TONS	Crushed Stone	@	\$ 11.00	\$ 55.00
10	C.Y.	Concrete	@	\$ 150.00	\$ 1,500.00
				<b>SUBTOTAL</b>	<b>\$ 234,450.00</b>
<b>TOTAL CONSTRUCTION COST</b>					<b>\$1,450,350.00</b>

**Table 5 - PROJECT COST, *Continued***

<b>NON CONSTRUCTION COSTS</b>		
Land and Right-of-Way		\$ 0.00
Engineering Design @ 8.35%		\$ 118,581.00
Construction Inspection @ 5.18%		\$ 73,563.00
Local Counsel		\$ 8,000.00
Bond Counsel		\$ 10,000.00
Interim Financing		\$ 30,000.00
Contingency 10%		\$ 142,000.00
	<b>SUBTOTAL</b>	<b>\$ 382,144.00</b>
<b>TOTAL PROJECT COST</b>		<b>\$1,802,276.00</b>

## **7. ANNUAL OPERATING BUDGET**

### **7.1 INCOME**

The existing rate schedule for the U.S. 60 Water District is shown in Table 3. It was pointed out earlier in this report that the District generated \$808,616 with their current rate schedule in 2006. Interest, dividend and non-operating income added \$32,475 to the total revenues for 2006. After expenses, this gave net income of \$41,736.

Total income for 2007 should be as follows:

**Table 6 - PROJECTED INCOME**

<b>REVENUE</b>	<b>AMOUNT</b>
Sale of Water	\$810,000.00
Interest Earned	\$ 22,000.00
Service Charge	\$ 21,000.00
Miscellaneous	\$ 11,000.00
<b>TOTAL</b>	<b>\$864,000.00</b>

### **7.2 OPERATION & MAINTENANCE COSTS**

The 2006 year end records reflect various expenses for operation and maintenance of the system. Evaluation of those expenses along with the addition of 30 new customers from normal growth suggests that the following expenditures will occur in the first year after construction.

Those expenses suggests that the following expenditures will occur in 2008:

**Table 7 - PROJECTED EXPENSES**

<b>PROPOSED ANNUAL OPERATING BUDGET</b>	
<b>EXPENSE</b>	<b>COST</b>
Purchased Water	\$285,000.00
Pumping	\$ 22,000.00
Maintenance	\$ 13,900.00
Meter Readings	\$ 20,000.00
Administration	\$211,721.00
<b>TOTAL</b>	<b>\$552,621.00</b>

### **7.3 DEBT REPAYMENTS**

The current debt of the District is \$1,056,300 in Rural Development bonds, \$632,477 in Kentucky Infrastructure Authority Notes and leases with the Kentucky Association of Counties Leasing Trust for \$240,000. The yearly debt service amounts to \$154,780 for the four types of debt.

The total projected expenses for the District are \$707,401 in operating and debt service plus \$181,093 in depreciation for total of \$888,494. The expected revenue from existing customers is \$864,000.

The new project will add \$40,068 in debt service, including 20% bond coverage, and \$45,423 in additional depreciation, for a total projected expense of \$85,491. The new debt service results in a revenue shortfall of \$109,985.

## 8. CONCLUSIONS AND RECOMMENDATIONS

The Kentucky Infrastructure Authority has awarded the District a \$650,000 grant for the transmission line and tank and a \$50,065 grant for distribution lines in Spencer County to complete the project outlined herein. The transmission main is necessary in order to add any new customers in Spencer or other counties. The distribution lines are to serve water to unserved areas in low income rural areas of Spencer County.

It is recommended that the District apply for a loan and grant package through Rural Development. The loan is recommended to be \$912,500 and the grant is expected to be \$500,000.

The total number of customers on the district as of September 1, 2007 is 2,246, including eight churches, two truck stops and two schools. The total number of existing Spencer County residential customers is 188 and the number of new Spencer County residential customers is 30.

The additional debt service will necessitate a rate increase of approximately 14%. The rate schedule in Table 10 shows the proposed rates. It is recommended that the District petition the PSC to audit our accounts and recommend a new water rate.

**Table 10 - PROPOSED WATER RATES**

<b>GALLONS/MONTH</b>	<b>COST PER 1000 GALLONS</b>
First 1000	\$12.86 (minimum bill)
Next 2000	\$ 6.41
Next 2000	\$ 5.15
Over 5000	\$ 4.54

