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

February 8, 2008

2008-52

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

Re: Mountain Water District - PSC Application

Dear Ms. O'Donnell:

Enclosed please find the original and ten (10) copies of the Application of the Mountain 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 (2) copies 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

Account No. 2286.0000

Re: Mountain Water District Waterworks Revenue Bonds, Series 2008, in the principal amount of $650,000 (Russell Fork Water Plant Project)

Mr. Kenneth Slone, State Director
Rural Development
771 Corporate Drive, Suite 200
Lexington, Kentucky 40503-5744
Phone: (859) 224-7336
Fax: (859) 224-7425

Mr. Ronnie Brooks
Rural Development
220 West First Street
Morehead, Kentucky 40351
Phone: (606) 784-6447
Fax: (606) 784-2076

Mr. Will Brown, Superintendent
Mountain Water District
P.O. Box 3157
Pikeville, Kentucky 41502-3157
Phone: (606) 631-9162
Fax: (606) 631-3087

Bryan K. Lovan, P.E.
O'Brien & Gere Engineers
1019 Majestic Drive, Suite 110
Lexington, Kentucky 40513
Telephone: (859) 223-0137
Fax: (859) 223-0629

Daniel Stratton, Esq.
Stratton, Hogg & Maddox, P.S.C.
P.O. Box 1530
Pikeville, Kentucky 41502-1530
Phone: (606) 437-7800
Fax: (606) 437-7569

W. Randall Jones, Esq.
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7534
Fax: (502) 569-7555

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MOUNTAIN WATER DISTRICT FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT, FINANCE AND INCREASE RATES PURSUANT TO KRS 278.023	)	**Case No.** 2008-52

APPLICATION

This Application of the Mountain Water District ("Applicant") respectfully shows:

1. That Applicant is a water district of Pike 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:

Mountain Water District
c/o Mr. Will Brown, Manager
P.O. Box 3157
Pikeville, Kentucky 41502-3157

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 and sewer system of Applicant; (ii) an Order approving increased rates; and (iii) approval of the proposed plan of financing said Project.

4. That the project consists of the construction and installation of a new 2,600 GPM pump station and certain renovations to the Russell Fork Water Treatment Plant.

5. That Applicant proposes to finance the construction of the Project through the issuance of $650,000 of its Waterworks Revenue Bonds. Applicant has a commitment from USDA, Rural Development ("RD") to purchase said $650,000 of bonds maturing over a 40-year period, at an interest rate of not exceeding 4.50% per annum, as set out in the RD Letter of Conditions filed herewith as an Exhibit.

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

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

A. Copy of RD Letter of Conditions.

B. Copy of RD Letter of Concurrence in Contract Award.

C. Copy of Preliminary and Final Engineering Reports.

D. 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.

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 Appalachian News-Express, which is the newspaper of general circulation in Applicant's service area and in Pike County, Kentucky. Said Notice sets out the current rates and the proposed rates of Applicant and a short description of the Project. A copy of said Notice is filed herewith as an Exhibit.

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

WHEREFORE, Applicant, the Mountain 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 $650,000 of Mountain Water District Waterworks Revenue Bonds at an interest rate of not exceeding 4.50% per annum.

c. An Order approving the proposed increased rates as set out in Section 24 of the RD Letter of Conditions, filed herewith as an Exhibit.

Mountain Water District

By: Joni Akers
Chairperson
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) 569-7525

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF PIKE)

The undersigned, Toni Akers, being duly sworn, deposes and states that she is the Chairperson of the Board of Commissioners of the Mountain Water District, Applicant, in the above proceedings; that she has read the foregoing Application and has noted the contents thereof; that the same is true of her own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this January 16th, 2008.

Toni Akers

Toni Akers, Chairperson
Mountain Water District

Subscribed and sworn to before me by Toni Akers, Chairperson of the Board of Commissioners of the Mountain Water District, on this January 16, 2008.

My Commission expires: April 4, 2009.

Laura Lobnette

Notary Public, Pike County, Kentucky

United States Department of Agriculture
Rural Development
Kentucky State Office

November 8, 2007

Ms. Toni Akers, Chairperson
Mountain Water District
P.O. Box 3157
Pikeville, Kentucky 41502-3157

Dear Ms. Akers:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. The loan 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 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 $650,000.

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

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

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

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

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

1. Number of Users and Their Contribution:

There shall be 15,614 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. 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.

3. Recommended Repayment Method:

Payments on this loan shall be made using the Preauthorized Debit (PAD) payment method. This procedure eliminates the need for paper checks and ensures timely receipt of RD loan payments. To initiate PAD payments, Form SF 5510, "Authorization Agreement for Preauthorized Payments," should be signed by the District to authorize the electronic withdrawal of funds from your designated bank account on the exact installment payment due date. The Area Director will furnish the necessary forms and further guidance on the PAD procedure.

4. 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 $290 per month into a "Funded Depreciation Reserve Account" until the account reaches $34,800. The deposits are to be resumed any time the account falls below the $34,800.

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 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.

The District also needs to fund an account for short-lived assets by depositing a sum of $32,272 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.

5. 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.

6. 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.

7. Organization:

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

8. 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, delayed payment penalties, disconnect/reconnect fees, bookkeeping, making and delivering required reports and audits.

9. Accounts, Records and Audits:

The 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.

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.

The District will be required to establish and maintain separate accounts for each system. Annual audits, budgets, and reports will be submitted to Rural Development showing separate accounts.

10. 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.

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 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 $724,000.

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.

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 "21" 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.

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.

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 District.

15. 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.

16. 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.

17. 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."

18. 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.

19. 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.

20. 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.

For each "construction account" as established, if the amount of RUS loan funds plus any applicant contributions or funds from other sources to be deposited into the account are expected to exceed $100,000 at any time, the financial institution will secure the amount in excess of $100,000 by pledging collateral with the Federal Reserve Bank in an amount not less than the excess in accordance with 7 CFR, 1902.7(a).

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.

Borrowers receiving federal loan and/or grant funds 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.

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

21. Cost of Facility:

Breakdown of Costs:

Development		$ 479,400
Legal and Administrative		9,600
Engineering		93,400
Interest		19,800
Contingencies		47,800
	TOTAL	$ 650,000

Financing:

RUS Loan		$ 650,000
	TOTAL	$ 650,000

22. Use of Remaining Project Funds:

After providing for all authorized costs, any remaining project funds will be considered to be RUS loan funds and refunded to RUS.

23. 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.

24. 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 Inch Meter:

First	2,000	gallons @ $	20.02 - Minimum Bill.
Next	8,000	gallons @ $	7.01 - per 1,000 gallons.
All Over	10,000	gallons @ $	6.22 - per 1,000 gallons.

1 Inch Meter:

First	5,000	gallons @ $	42.00 - Minimum Bill.
Next	5,000	gallons @ $	7.01 - per 1,000 gallons.
All Over	10,000	gallons @ $	6.22 - per 1,000 gallons.

2 Inch Meter:

First	20,000	gallons @ $	130.00 - Minimum Bill.
All Over	20,000	gallons @ $	6.22 - per 1,000 gallons.

3 Inch Meter:

First	30,000	gallons @ $	190.00 - Minimum Bill.
All Over	30,000	gallons @ $	6.22 - per 1,000 gallons.

4 Inch Meter:

First	50,000	gallons @ $	300.00 - Minimum Bill.
All Over	50,000	gallons @ $	6.22 - per 1,000 gallons.

6 Inch Meter:

First	100,000	gallons @ $	595.00 - Minimum Bill.
All Over	100,000	gallons @ $	6.22 - per 1,000 gallons.

Wholesale Rates:

Martin County Water District	$	2.40 - per 1,000 gallons.
Mingo County Public Service District	$	3.75 - per 1,000 gallons.
Nolin Public Service District	$	2.40 - per 1,000 gallons.
Elkhorn City, City of	$	2.25 - per 1,000 gallons, First 215,000/day.
	$	2.40 - per 1,000 gallons, Over 215,000/day.

Other Rates and Charges the District Proposes to Implement:

Line Leak Adjustment Rate	$	3.60 - per 1,000 gallons.

25. 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).

26. 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.

27. 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.

28. Mitigation Measures:

A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated August 27, 2007, from Ms. Lee Nalley.

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 August 24, 2007, 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. Any excavation by Contractor that uncovers a historical or archaeological artifact shall be immediately reported to Owner and a representative of Agency. Construction shall be temporarily halted ending the notification process and further directions issued by Agency after consultation with the State Historic Preservation Officer (SHPO).

E. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.

29. Final Approval Conditions:

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

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

Sincerely,

KENNETH SLONE
State Director

Enclosures

cc: Area Director - Morehead, Kentucky
Big Sandy ADD - Prestonsburg, Kentucky
Rubin and Hays - Louisville, Kentucky
Daniel Stratton - Pikeville, Kentucky
O'Brien & Gere - Lexington, Kentucky
PSC - ATTN: Bob Amato - Frankfort, Kentucky

United States Department of Agriculture
Rural Development
Kentucky State Office

February 8, 2008

SUBJECT: Mountain Water District
Russell Fork WTP Improvements
Contract Award Concurrence

TO: Area Director
Morehead, Kentucky

Based on the change order submitted for the proposed work and addition of all Rural Development contract requirements, RD concurs in the recommendation of the consulting engineer to allow the change order work to be performed by Howard Engineering and Construction, Inc., in the amount of $505,000.00. The contract has been reviewed and is in compliance with Rural Development regulations.

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

for KENNETH SLONE
State Director
Rural Development

cc: O'Brien and Gere, Inc.
Lexington, Kentucky

Randy Jones
Ruben and Hayes
Louisville, Kentucky

CERTIFICATE OF CHAIRPERSON OF MOUNTAIN WATER DISTRICT, AS TO STATEMENT REQUIRED BY SECTION 1(5) OF 807 KAR 5:069

I, Toni Akers, hereby certify that I am the duly qualified and acting Chairperson of the Mountain Water District, 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 O'Brien & Gere Engineers, Lexington, Kentucky, the Engineers for the District (the "Engineers").

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

1. That the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.

2. That all other state approvals and/or permits have already been obtained.

3. That the rates proposed by the District in its current Application filed with the Kentucky Public Service Commission are contemplated to produce total revenue requirements set out in the Engineering Reports prepared by such Engineers and filed with the Public Service Commission.

4. That it is now contemplated that construction of the Project will begin on or about March 1, 2008, and will end on or about July 29, 2008.

IN TESTIMONY WHEREOF, witness my signature this January 16th 2008.

Toni Akers

Chairperson
Mountain Water District

STATE OF KENTUCKY)
) SS
COUNTY OF PIKE)

Subscribed and sworn to before me by Toni Akers, Chairperson of the Board of Commissioners of the Mountain Water District, on this January 16th, 2008.

Laura Robinette

Notary Public
In and For Said State and County
Pike County, Kentucky
Commission Expires April 4, 2009

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 Mountain Water District of a change to the District's rate schedule as set forth herein. The proposed rate change is required by Rural Development in connection with a loan by USDA, Rural Development ("RD") to the District in the amount of $650,000 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 its water rates and charges as set forth below:

Current Monthly Rates

5/8" x 3/4" Meters:

First 2,000 gallons	$18.06 minimum bill
Next 8,000 gallons	6.03 per 1,000 gallons
All over 10,000 gallons	5.24 per 1,000 gallons

1" Meters:

First 5,000 gallons	$36.15 minimum bill
Next 5,000 gallons	6.03 per 1,000 gallons
All over 10,000 gallons	5.24 per 1,000 gallons

2" Meter:

First 20,000 gallons	$118.70 minimum bill
All over 20,000 gallons	5.24 per 1,000 gallons

3" Meter:

First 30,000 gallons	$171.10 minimum bill
All over 30,000 gallons	5.24 per 1,000 gallons

4" Meter:

First 50,000 gallons	$275.90 minimum bill
All over 50,000 gallons	5.24 per 1,000 gallons

6" Meter:

First 100,000 gallons	$537.90 minimum bill
All over 100,000 gallons	5.24 per 1,000 gallons

Current Wholesale Rates

Martin County Water District	$1.80 per 1,000 gallons
Mingo County Public Service District	3.63 per 1,000 gallons
City of Elkhorn City	1.58 per 1,000 gallons

Current Other Rates and Charges

Line Leak Adjustment Rate	$3.37 per 1,000 gallons

Proposed Monthly Rates

5/8" x 3/4" Meters:

First 2,000 gallons	$20.02 minimum bill
Next 8,000 gallons	7.01 per 1,000 gallons
All over 10,000 gallons	6.22 per 1,000 gallons

1" Meters:

First 5,000 gallons	$42.00 minimum bill
Next 5,000 gallons	7.01 per 1,000 gallons
All over 10,000 gallons	6.22 per 1,000 gallons

2" Meter:

First 20,000 gallons	$130.00 minimum bill
All over 20,000 gallons	6.22 per 1,000 gallons

3" Meter:

First 30,000 gallons	$190.00 minimum bill
All over 30,000 gallons	6.22 per 1,000 gallons

4" Meter:

First 50,000 gallons	$300.00 minimum bill
All over 50,000 gallons	6.22 per 1,000 gallons

6" Meter:

First 100,000 gallons	$595.00 minimum bill
All over 100,000 gallons	6.22 per 1,000 gallons

Proposed Wholesale Rates

Martin County Water District	$2.40 per 1,000 gallons
Mingo County Public Service District	3.75 per 1,000 gallons
City of Elkhorn City	
First 215,000 gallons per day	$2.25 per 1,000 gallons
All over 215,000 gallons per day	2.40 per 1,000 gallons

Proposed Other Rates and Charges

Line Leak Adjustment Rate	$3.60 per 1,000 gallons

The RD loan proceeds will be used to finance the cost of extensions, additions and improvements to the existing waterworks system of the District, consisting of the construction and installation of a 2,600 GPM pump station and certain renovations to the Russell Fork Water Treatment Plant. Signed: Toni Akers, Chairperson, Mountain Water District

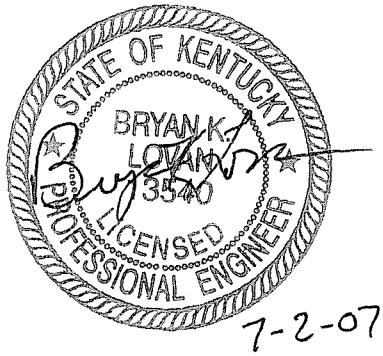
Preliminary Engineering Report
and
Summary Addendum
Mountain Water District
Water Treatment Plant Upgrade
July 2007

prepared by:

O'Brien & Gere
1019 Majestic Drive, Suite 110
Lexington, Kentucky 40513
859.223.0137

Submitted By:

Bryan K. Lovan, P.E.
Project Engineer



7-2-07

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1. Introduction

1.1 Purpose

The purpose of this report is to address the improvements to the Russell Fork Water Treatment Plant (WTP) that is owned and operated by the Mountain Water District. The improvements are:

1. Install a new high service pump and wet well with penetrations to the existing clearwell and connect into the distribution system.
2. Repair leaks between the filter/contact chamber and Actiflo Process area and leaks in the High Service Pump pit.
3. Repair/replace pneumatic actuated filter valve for Filter No. 4.
4. Correct drainage around the housekeeping pads of Actiflo units No. 1 and No. 2.
5. Replace existing polymer mixing/transfer unit that is in poor condition.
6. Replace existing bulk chemical feed transfer pumps with new chemical resistant pumps.
7. Seal all concrete floor surfaces in the chemical feed areas with a chemical resistant coating system.
8. Retrofit existing high service pump piping with isolation valves and install suction inlet bells on clearwell suction lines.

The estimated construction cost will be determined based on the requirements presented in this report and recommendations made to keep the total project costs within the budgeted project amount of $650,000. This report will be reviewed and approved by the Owner prior to the completion of the design.

1.2 Background

The existing WTP is located approximately 15 miles southwest of Pikeville, Kentucky on US-460. The treatment plant withdraws water from the Russell Fork of the Levisa Fork of the Big Sandy River in Pike County. The plant is a surface water treatment plant that uses the Actiflo microsand flocculation process to treat the raw water prior to filtration. The present plant was constructed using two Actiflo Treatment units with a combined capacity of 2.0 MGD. The addition of a third Actiflo treatment unit is currently under construction along with providing much needed grit removal

equipment. This will allow the plant to achieve an ultimate production rate of 3.0 MGD. The present demand required the existing 2.0-MGD plant to operate in excess of the plant's rated capacity at certain times. Therefore, the plant capacity was increased and the third Actiflo treatment unit added.

The raw water source is Russell Fork and the intake is located approximately 1,100 feet south of the WTP on US-460. The raw water is pumped to the WTP from Russell Fork. The water has a large amount of grit and silt that create treatment and O&M problems for the plant operators. Therefore, a grit removal system is proposed. The grit that is removed will be discharged to Harless Creek that is tributary to Russell Fork. Harless Creek discharges to Russell Fork downstream of the raw water intake.

1.3 Project Funding

The Mountain Water District has requested funding from the USDA Rural Development in the amount of $650,000 designated for these proposed improvements to the Russell Fork WTP. The funds will be used to negotiate an amendment to the construction contract with the contractor currently under contract.

2. Proposed Improvements

2.1 Install New High Service Pump and Wet Well

The WTP currently has two horizontal centrifugal high service pumps located in the high service pump pit area connected to the clearwell via a common 12-inch DIP header. During high demand periods that require the use of both pumps or when the clearwell's water level is below the mid-point, the existing high service pumps experience signs of cavitation and are not able to meet the system demands.

The current pumps are rated at approximately 1,550 gpm each and it is proposed to install one vertical turbine high pump rated at 2,500 gpm with variable frequency drive (VFD) controls to meet the new 3.0 MGD WTP's average demands and to meet peak system hourly demands of 3.6 MGD.

The new high service pump will be installed in a newly constructed 12-foot x 15-foot concrete wet well adjacent to the exiting plant near the northwest corner. A new 30-inch DIP will connect the existing clearwell to the new wet well. The wet well will be designed where the new pumps will have adequate volume of water to pump without

cavitation when the existing clearwell water level is at the lowest level. The existing high service pumps will be maintained as back-up pumps for redundancy requirements. The high service pump and wet well will be designed to meet Hydraulic Institute Standard requirements.

2.2 Repair leaks in the Actiflo Process area and High Service Pump pit

A leak has developed within the Actiflo process area and high service pump pit and is considered essential to the structural integrity of the building and important to the overall housekeeping. The source of this leak originates in the wall between the Actiflo area and the filters. This work is difficult to estimate, as the origin of the leak(s) is not apparent. Investigations during design could require destructive inspections that may aggravate the situation and call for immediate temporary repairs. Therefore, it is recommended that this work be while a construction contractor is on site. The contractor would then propose on the work by a subcontractor who specializes in crack/leak repair.

2.3 Repair/replace pneumatic actuated filter valve for Filter No. 4

The existing pneumatic control valve for the backwash line on filter no. 4 does not close completely. This valve needs to be repaired or replaced with a fully functioning valve that will provide a tight seal when closed. This is necessary to prevent any cross-contamination during backwashing of the remaining filters and during filter-to-waste operations.

2.4 Correct drainage around the housekeeping pads of Actiflo units No. 1 and No. 2

The existing concrete housekeeping pads beneath Actiflo units No. 1 and No. 2 will be corrected to provided adequate drainage for the wash-down water and controlled seepage and to prevent the unit's steel frames from corroding due to the continuous contact with the water under the units.

2.5 Replace existing polymer mixing/transfer unit

The existing polymer mixing/transfer unit for the Actiflo treatment process is in disrepair and needs to be replaced. This unit is necessary for the addition of the chemical polymer to bind the micro-sand particles with the raw water to create the ballasted floc. The unit has experience several problems since it was first placed in service and needs to be replace with another more reliable and robust unit. All necessary spare parts, pumps, and mixers will be supplied

for reliability and redundancy to keep the unit in good operating condition.

2.6 Replace existing bulk chemical feed transfer pumps

The existing bulk chemical feed transfer pumps for all bulk chemicals have fallen into disrepair and suffered from chemical corrosion. The pumps need to be replaced with chemical resistance pumps for each type chemical and place chemically resistant pump pads.

The WTP has currently replaced one pump and has installed a temporary pump for one chemical. These pumps are necessary to transfer the chemicals from the bulk tanks to the day tanks on the second level each and every day. These units have started experiencing problems and needs to be replaced with more reliable and robust units. All necessary spare parts and seals will be supplied for reliability and redundancy to keep the units in good operating condition.

2.7 Seal concrete floor surfaces in the chemical feed areas with a chemical resistant coating system

The existing chemical feed and storage tank area's concrete floor has suffered from chemical attack and corrosion. There are several areas in the chemical feed rooms and around each bulk storage tank that have severe pitting of the concrete floor due to chemical spills, overflows, or splashing. The existing floor does not have a resistant coating system to protect from chemical attack.

It is proposed that all concrete floor areas subject to chemical exposure be blasted, cleaned, and two coats of a two part vinylester chemical resistant coating system. For the heavily pitted areas, self-leveling resistant filler will be applied prior to the applying the chemical resistant coating system.

2.8 Install isolation valves and suction inlet bells in the High Service Pump pit

The WTP currently has two horizontal centrifugal high service pumps located in the high service pump pit area connected to the clearwell via a common 12-inch DIP header. This common header does not allow for the isolation of either high service pump from the clearwell and to be removed for repairs and while still maintain service to the other pump. It is proposed to install isolation valves between each high service pump's suction header and the clearwell.

Also, during high demand periods that require the use of both pumps or when the clearwell's water level is below the mid-point, the existing high service pumps experience signs of severe cavitation and vibration. This is caused by the high headloss in the suction piping due to the entrance losses in the clearwell piping. From investigation of the clearwell piping, it was discovered that the suction pipe has a "plain end" entrance. The Hydraulic Institute Standards recommend that all submerged pipes have a flared inlet bell with a diameter of two times greater than the suction pipe. It is proposed that while the other work is being conducted on the clearwell that these flared inlet bells be installed on the existing piping.

2.9 Instrumentation

The treatment plant has the instrumentation necessary for process control and reporting. Under the proposed project, the existing instrumentation will be modified to provide the necessary process control for the new high service pump and modify the existing SCADA system to integrate these changes.

3. Project Cost Estimate

3.1 Project Estimate

Estimates were used to develop the preliminary construction estimate. TABLE 1 provides the preliminary construction cost estimate for the improvements necessary to procure and install the proposed work as well as the total estimated project cost.

O'BRIEN & GERE

PRELIMINARY OPINION OF PROJECT COST

Project : Russell Fork WTP Renovation

Date : 07/02/07 Job No. :

Revised : 07/02/07 Est. By: BKL

ITEM NO.	SUMMARY OF:	QUANTITY NO. OF UNITS	UNIT MEAS.	COST PER UNIT		TOTAL COST
1	High Service Pumps & New Wet Well & Tie into Distribution System	1	LS	$ 282,500.00		$ 282,500.00
2	Repair Leaks Between Filter/Contact Chamber and Actiflo Area and Leaks in High Service Pit	1	LS	$ 5,500.00		$ 5,500.00
3	Repair/Replace Pneumatic Actuated Valve Filter #4	1	LS	$ 12,000.00		$ 12,000.00
4	Fix Drainage on Housekeeping Pads of Actiflo Units #1 &#2	2	LS	$ 6,500.00		$ 13,000.00
5	Replace Polymer Mixing/Transfer Unit	1	LS	$ 4,500.00		$ 4,500.00
6	Replace Chemical Feed and Bulk Transfer Pumps	6	EA	$ 3,500.00		$ 21,000.00
7	Seal Concrete in Chemical Areas					
	Chemical Bulk Storage Area	1300	SF	$ 8.00		$ 10,400.00
	Polymer Feed & Flouride Area	250	SF	$ 8.00		$ 2,000.00
	Chemical Area Hallway	260	SF	$ 6.50		$ 1,690.00
	Upper Level Chemical Feed Area	675	SF	$ 7.50		$ 5,062.50
8	Retrofit Piping in High Service Pit & Install Valve & Bells On Clearwell Suction Lines	1	LS	$ 20,000.00		$ 20,000.00
9	Misc. Elec. Work	15.0%	LS	$ -		$ 48,000.00
10	Instrumentation / SCADA Work	7.5%	LS	$ -		$ 21,200.00
11	Misc. Site Grading / Yard Piping	1	LS	$ 32,500.00		$ 32,500.00
	SUBTOTAL AMOUNT					**$ 479,352.50**
	CONSTRUCTION CONTINGENCY			10%		**$ 47,900.00**
	TOTAL ESTIMATED CONSTRUCTION COST					**$ 527,252.50**
	PRELIMINARY ENGINEERING REPORT					**$ 7,500.00**
	ENGINEERING DESIGN	10.38%				**$ 49,770.00**
	RESIDENT INSPECTION	7.52%				**$ 36,100.00**
	BOND AND LOCAL ATTORNEY					**$ 9,550.00**
	INTERIM FINANCING					**$ 19,827.50**
	TOTAL ESTIMATED PROJECT COST					**$ 650,000.00**

4. Construction Schedule

4.1 Construction Schedule

The District currently has a contractor on site and under contract for work on the plant to install equipment for additional capacity that these proposed improvements are a necessary part of the daily operation of the WTP. Therefore it is important to understand that the inherent delays in waiting until this current work is completed, procuring another contractor, materials and equipment would cause the equipment to continue to fall into disrepair and experience problems. A total project construction period of 270 days is anticipated.

5. Recommendations

1. The engineer recommends that the Mountain Water District negotiate a change order with the existing contractor for the proposed work and equipment.
2. The design should be completed and submitted to the DOW for review and approval.
3. Resident Inspection is recommended only for the duration that the contractor actively building the high service pump wet well and/or installing the equipment. The amount of resident inspection should be weighed against the need to budget approximately 5% for contingency following the receipt of the negotiated bids.

KENTUCKY GUIDE 7
MAY 1998

SUMMARY ADDENDUM

TO

PRELIMINARY ENGINEERING REPORT

DATED: **July 2007**

FOR

Mountain Water District

APPLICANT CONTACT PERSON: **Will Brown**

APPLICANT PHONE NUMBER: **606.631.9162**

APPLICANT TAX IDENTIFICATION NUMBER (TIN): **61-1098805**

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.

General

A. Proposed Project: Provide a brief description of the proposed project. In addition to this summary, the applicant/engineer should submit a project map of the service area.

This project will involve renovations to the Russell Fork Water Treatment Plant. The detailed cost estimate attached to the Preliminary Engineering Report list twelve items that will be installed, replaced, or repaired.

II. FACILITY CHARACTERISTICS OF EXISTING SEWER SYSTEM

A. Sewage Treatment:

1. *Type: Extended Aeration*
2. *Method of Sludge Disposal: Trucked to City of Pikeville's WWTP*
3. *Cost per 1,000 gallons if sewage treatment is contracted: $250 per sludge truckload*
4. *Date Constructed: 1997*

B. Treatment Capacity of Sewage Treatment Plant: 200,000 gallons

C. Type of Sewage Collector System (Describe): Primarily gravity with some force main

D. Number and Capacity of Sewage Lift Stations: eighteen - range from 500 GPD to 135,000 GPD

E. Sewage Collection System:

Lineal Feet of Collector Lines, by size: *6"____* *8"____* *10"____* *12"____*

Total: 73,920 lf

Date(s) Constructed:

F. Conditions of Existing System. Briefly describe the conditions and suitability for continued use of facilities now owned by the applicant. Include any major renovation that will be needed within five to ten years.

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 Mountain Water District produces and purchases water. It owns a water treatment plant on the Russell Fork at Marrowbone in southeast Pike County. The District purchases water from the City of Pikeville and City of Williamson WV. The District sells a small amount of water regularly to the Martin County Water District and daily to the City of Elkhorn City.

The purchase contracts with Pikeville and Williamson are for 45 and 40 million gallons per day. The Russell Fork WTP has a capacity of 3.0 MGD.

If the applicant purchases water:

Seller(s):

1. City of Pikeville
2. City of Williamson WV

Price/1,000 gallons:

1. $1.44 per 1,000 gallons
2. $1.31 per 1,000 gallons

Present Estimated Market Value of Existing System: $

B. Water Storage:

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

Number of Storage Structures - 53

Total Storage Volume Capacity - 6,332,000 gallons

Date Storage Tank(s) Constructed – 1971 to present

C. Water Distribution System:

Pipe Material - PVC, ductile iron

Lineal Feet of Pipe: 3"- 56.3 miles 4" - 152 miles
6" – 151 miles 8" – 121.9 miles
10" – 20 miles 12" – 0.03 miles
16" - 10.47 miles

Date(s) Water Lines Constructed - 1971 to present

Number and Capacity of Pump Station(s) 73; various capacities ranging from 10 GPM to 2000 GPM

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 system is in good to excellent condition.

E. Percentage of Water Loss Existing System -

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
1988	RD	389,000	June/Dec	100%		
1990	RD	346,000	June/Dec	100%		
1992	RD	1,246,000	June/Dec	100%		
1992	KIA	69,305	July/Jan	100%		
1994	RD	573,000	June/Dec	100%		
1994	KIA	3,611,485	July/Jan	100%		
1994	KIA	237,243	July/Jan	100%		
1994	KIA	314,403	July/Jan		100%	
1995	RD	1,204,000	June/Dec	100%		
1998	RD	163,700	June/Dec		100%	$430,542 (12/31/05)
1999	RD	2,380,500	June/Dec	100%		
2002	RD	789,000	June/Dec	100%		
2002	KIA	1,121,409	July/Jan	100%		
2002	KIA	924,251	July/Jan		100%	
2003	RD	426,000	June/Dec		100%	
2004	RD	1,760,000	June/Dec	100%		
2004	KIA	176,309	July/Jan		100%	
2005	RD	740,000	June/Dec		100%	

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

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

		PAYMENT YEAR: 2008		PAYMENT YEAR: 2009		PAYMENT YEAR: 2010	
DATE OF ISSUE	BOND HOLDER	PRINCIPAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	INTEREST PAYMENT
1988	RD	10,400	18,550	11,000	18,020	11,500	17,500
1990	RD	9,400	19,550	9,900	19,050	10,400	18,550
1992	RD	25,300	60,800	26,600	59,500	28,000	58,140
1992	KIA	11,000	1,775	11,360	1,400	11,740	1,025
1994	RD	10,850	24,870	11,340	24,380	11,900	23,850
1994	KIA	281,900	58,800	290,150	50,500	281,900	58,800
1994	KIA	18,500	4,000	19,040	3,440	19,620	2,900
1994	KIA	23,200	2,055	23,500	1,750	23,800	1,450
1995	RD	10,400	25,350	10,850	24,900	11,340	24,380
1998	RD	2,410	7,100	2,520	7,000	2,640	6,860
1999	RD	33,230	103,800	34,800	102,300	36,360	100,670
2002	RD	11,120	26,100	11,520	25,680	12,000	25,270
2002	KIA	54,900	16,410	55,900	15,420	56,920	14,400
2002	KIA	51,210	15,310	52,150	14,380	53,100	13,440
2003	RD	4,660	18,325	4,880	18,110	5,100	17,900
2004	RD	18,400	76,560	19,240	75,700	20,125	74,825
2004	KIA	10,610	2,000	10,715	1,800	10,825	1,700
2005	RD	7,740	30,075	8,060	29,750	8,400	29,410

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
SEE ATTACHED LIST						

VI. LAND AND RIGHTS - EXISTING SYSTEM(S)

Number of Treatment Plant Sites:	Water – 1	***Sewer***
Number of Storage Tank Sites:	Water -	***Sewer***
Number of Pump Stations:	Water -	***Sewer***
Total Acreage:	Water -	***Sewer***
Purchase Price:	Water $	***Sewer $***

Short Term Loans FY 2006

Vendor	Description	Amt	Due Date	Payoff Date
Chrysler Financial	V#87 02 Dodge Ram Utility Pickup	$453.78	24th	07/24/07
Chrysler Financial	V#83 02 Dodge Dakota 4x4	$356.94	17th	06/17/07
Chrysler Financial	V#84 02 Dodge Dakota 4x4	$356.97	24th	06/24/07
Chrysler Financial	V#86 02 Dodge Ram Utility Pickup	$453.78	24th	07/24/07
CTB	V#108 06 Ford Ranger 4x2	$454.64	26th	07/26/09
CTB	V#96 05 Dodge Dakota	$379.53	19th	12/19/09
CTB	V#104 06 Ford Ranger 4x4 Extened Cab	$658.61	26th	07/26/09
CTB	V#105 06 Ford Ranger 4x4	$590.13	25th	07/25/09
CTB	V#101 06 Ford F250 Utility Bed 4x4	$684.82	25th	02/25/11
CTB	V#94 04 Dodge 2500 Ram	$474.28	20th	08/20/09
CTB	V#92 04 Dodge Dakota	$309.64	10th	01/10/09
CTB	V#95 05 Dodge Dakota	$375.52	14th	12/14/09
CTB	V#106 06 Ford F250	$626.07	15th	09/15/11
CTB	V#111 06 Ford F350	$719.16	15th	09/15/11
CTB	V#93 04 Dodge Dakota 4x4	$374.82	10th	06/10/09
CTB	V#99 05 Ford Ranger	$413.50	10th	09/10/07
CTB	V#97 05 Dodge Dakota	$370.01	1st	01/01/10
CTB	V#107 06 Ford F250	$626.07	15th	09/15/11
CTB	Consolidated Loan	$6,126.40	3rd	02/03/08
GMAC	V#85 02 Chevy 2500HD 4WD	$539.35	5th	07/05/07
GMAC	V#91 03 Chevy Silverado 4x4	$371.66	13th	06/13/08
Komatsu	Lease on Komatsu	$1,069.50	6th	07/06/07
Komatsu	Lease on Komatsu	$1,069.50	6th	07/06/07
Fifth Third Bank	Greg's Company Vehicle	$650.00	25th	06/25/09
First National Bank	V#100 Ford Expedition	$837.16	30th	05/30/10
First National Bank	V#103 06 GMC Sierra	$641.62	12th	07/12/11
First National Bank	V#87(Pikeville Truck)	$500.42	22nd	10/22/10
First National Bank	V#95(Pikeville) Bucket Truck	$697.44	14th	12/14/10
First National Bank	V#96 Dodge Dakota 4x4	$1,058.57	29th	07/29/08
		$22,239.89		

VII. NUMBER OF EXISTING USERS

	Water	*Sewer*
Residential (In Town)*		
Residential (Out of Town)*	15,187	1,904
Non-Residential (In Town)		
Non-Residential (Out of Town)	924	298
Total	16,111	2,202
Number of Total Potential Users Living in the Service Area		

*Note: Residential Users: Classify by type of user regardless of quantity of water used. This classification should include those meters serving individual rural residence.

VIII. CURRENT WATER AND SEWER CONNECTION FEES FOR EACH SIZE WATER METER CONNECTION

Meter Size	Water Connection Fee	Sewer Connection Fee
5/8" x 3/4"	$675.00	$700.00
1 – Inch & larger	Actual Cost	Actual Cost

IX. SEWER RATES (EXISTING SYSTEM)

Percentage of water bill _____%. Minimum Charge $ _____.

Other: (Sewer charge if not based on water bill)

First 2,000 Gallons	***$14.00 minimum bill***
Over 2,000 Gallons	***$6.00 per 1,000 Gallons***

Date this rate went into effect: 11/1/06

X. WATER RATES EXISTING SYSTEM

Existing Rate Schedule:	5/8" meter	
	First 2,000 Gallons	$18.06 minimum bill
	Next 8,000 Gallons	$6.03 per 1,000 gallons
	Over 10,000 Gallons	$5.24 per 1,000 gallons

1" meter

First 5,000 Gallons	$36.15 minimum bill
Next 5,000 Gallons	$6.03 per 1,000 gallons
Over 10,000 Gallons	$.24 per 1,000 gallons

2" meter

First 20,000 Gallons	$118.70 minimum bill
Over 20,000 Gallons	$5.24 per 1,000 gallons

3" meter

First 30,000 Gallons	$171.10 minimum bill
Over 30,000 Gallons	$5.24 per 1,000 gallons

4" meter

First 50,000 Gallons	$275.90 minimum bill
Over 50,000 Gallons	$5.24 per 1,000 gallons

6" meter

First 100,000 Gallons	$537.90 minimum bill
Over 100,000 Gallons	$5.24 per 1,000 gallons

Wholesale Rates

Martin County Water District	$1.80 per 1,000 gallons
Mingo County WV	$3.63 per 1,000 gallons
Elkhorn City	$1.58 per 1,000 first 215,000 gallons per day
	$2.40 per 1,000 over 215,000 gallons per day

Date This Rate Went into Effect: December 15, 2002

XIII. FACILITY CHARACTERISTICS OF PROPOSED SEWER SYSTEM

A. Sewage Treatment: ***NOT APPLICABLE***

1. Type:

2. Method of Sludge Disposal:

3. Cost per 1,000 gallons if sewage treatment is contracted:

B. Treatment Capacity of Sewage Treatment Plant:

C. Type of Sewage Collector System (Describe):

D. Number and Capacity of Sewage Lift Stations:

E. Sewage Collection System:

Lineal Feet of Collector Lines, by size: *6"____* *8"____*
10"____ *12"____* *Larger*

XIV. LAND AND RIGHTS - PROPOSED SEWER SYSTEM

Number of Treatment Plant Sites

Number of Pump Stations

Number of Other Sites

Total Acreage

Purchase Price

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 Elevated Tank
Standpipe Other

Number of Storage Structures

Total Storage Volume Capacity

C. Water Distribution System: -

Pipe Material PVC

Lineal Feet of Pipe: 3" Diameter – 4"
6" 8" –
10" 12" - LF

Number and Capacity of Pump Station(s) -

XVI. LAND AND RIGHTS - PROPOSED WATER SYSTEM

Number of Treatment Plant Sites 1 - existing Marrowbone water treatment plant

Number of Pump Sites

Number of Other Sites

Total Acreage

Purchase Price

XVII. NUMBER OF NEW SEWER USERS

Residential (In Town)*

Residential (Out of Town)*

Non-Residential (In Town)

Non-Residential (Out of Town)

Total

Number of Total Potential Users Living in the Service Area

*** NOTE: Residential Users: Classify by type of user regardless of quantity of water used. This classification should include those meters serving individual rural residences.***

XVIII. PROPOSED SEWER CONNECTION FEES FOR EACH SIZE METER CONNECTION

Meter Size	***Connection Fee***
5/8" x 3/4"	
1 – Inch and larger	

XI. ANALYSIS OF ACTUAL SEWER USAGE - EXISTING SYSTEM

MONTHLY SEWER USAGE	Residential			Non-Residential		
	Average	No. of Users	Usage 1,000	Average	No. of Users	Usage 1,000
5/8 & 3/4 meter						
0 - 2,000 Gal.	1,087	495	538	800	129	103
2,001 & Over.	4,851	980	4,754	33,093	180	5,957
Monthly Totals		1,475	5,292		309	6,060
Annual Totals		**17,700**	**63,505**		**3,708**	**72,719**

XII. ANALYSIS OF ACTUAL WATER USAGE - EXISTING SYSTEM

MONTHLY WATER USAGE	Residential			Non-Residential		
	Average	No. of Users	Usage 1,000	Average	No. of Users	Usage 1,000
5/8 & 3/4 meter						
Customer with Multiple Minimums						
0 - 2,000 Gal.	2,482	18	44,679	2,621	29	75,999
2,001 - 10,000 Gal.	6,745	38	256,316	6,204	72	446,664
10,000 & Over	26,289	16	420,630	31,658	26	823,118
Subtotal		*72*	*721,625*		*127*	*1,345,781*
Customers with Single Minumums						
0 - 2,000 Gal.	1,009	3,930	3,966,586	703	312	219,224
2,001 - 10,000 Gal.	4,407	10,277	45,291,124	4,809	213	1,024,229
10,000 & Over	15,680	489	7,667,287	21,320	56	1,193,919
Subtotal		*14,696*	*56,924,997*		*581*	*2,437,372*
1 inch meter						
0 - 5,000 Gal.	2,107	5	10,537	1,893	22	41,641
5,001 - 10,000 Gal.	8,035	3	24,104	7,243	8	57,946
10,001 & Over	15,240	2	30,480	43,102	23	991,348
Customer with Multiple Minimums				14,751	2	29,501
Subtotal		*10*	*65,121*		*53*	*1,120,436*
2 inch meter						
0 - 20,000 Gal.		0	0	5,824	21	122,300
20,001 & Over		0	0	130,450	46	6,000,700
Customer with Multiple Minimums		0	0	16,483	1	16,483
Subtotal		*0*	-		*67*	*6,139,483*
4 inch meter						
0 - 50,000 Gal.		0	0	13,333	1	13,333
50,001 & Over		0	0	312,375	4	1,249,500
Subtotal		*0*	-	*325,708*	*5*	*1,262,833*
Wholesale						
Martin County WD				357,708	1	357,708
Mingo County Public Service District				71,467	1	71,467
Nolin Public Service District				-	1	-
Elkhorn City				6,297,166	1	6,297,166
Monthly Totals		14,778	57,711,743		837	19,032,246
Annual Totals		177,336	692,540,916		10,044	228,386,952

XIX. NUMBER OF NEW WATER USERS

Residential (In Town)*	0
Residential (Out of Town)*	0
Non-Residential (In Town)	0
Non-Residential (Out of Town)	0
Total	0

Number of Total Potential Users Living in the Service Area

* Note: Residential Users: Classify by type of user regardless of quantity of water used. This classification should include those meters serving individual rural residences.

XX. PROPOSED WATER CONNECTION FEES FOR EACH SIZE METER CONNECTION

Meter Size	Connection Fee
5/8" x 3/4"	$800.00
1 – Inch and larger	Actual Cost

XXI. SEWER RATES - PROPOSED

A. Proposed Rate Schedule without RUS Grant: ***NO CHANGE IN SEWER RATES PROPOSED***

XXII. WATER RATES - PROPOSED -

A. Proposed Rate Schedule without RUS Grant:
5/8 Inch Meter:

First	2,000	Gallons @	$20.02	Minimum
Next	8,000	Gallons @	$7.01	per 1,000 Gallons
All Over	10,000	Gallons @	$6.22	per 1,000 Gallons

1 Inch Meter

First	5,000	Gallons @	$42.00	Minimum
Next	5,000	Gallons @	$7.01	per 1,000 Gallons
All Over	10,000	Gallons @	$6.22	per 1,000 Gallons

2 Inch Meter

First	20,000	Gallons @	$130.00	Minimum
All Over	20,000	Gallons @	$6.22	per 1,000 Gallons

3 Inch Meter

First	30,000	Gallons @	$190.00	Minimum
All Over	30,000	Gallons @	$6.22	per 1,000 Gallons

4 Inch Meter

First	50,000	Gallons @	$300.00	Minimum
All Over	50,000	Gallons @	$6.22	per 1,000 Gallons

6 Inch Meter

First	100,000	Gallons @	$595.00	Minimum
All Over	100,000	Gallons @	$6.22	per 1,000 Gallons

Wholesale Rates:

Martin County Water District	$2.40 per 1,000 Gallons
Mingo County Public Service District	$3.75 per 1,000 Gallons
Nolin Public Service District	$2.40 per 1,000 Gallons
Elkhorn City, City of	$2.25 per 1,000 Gallons First 215,000/day
	$2.40 per 1,000 Gallons Over 215,000/day

Other Rates & Charges District Proposes to Implement:

Line Leak Adjustment Rate	$3.60 Per 1,000Gallons

Multi-Unit Master Meter	The monthly charge for customers who have requested water service through a master meter for multi-unit service shall be the larger of:

a. The number of housing units times the minimum water charge per unit, based on the District's standard service meter minimum charge, or;
b. The amount based on the average gallons used per housing unit at the current rate schedule times the number of housing units, in the multiple-unit facility.

Surcharges Charges

As per contract with the South Williamson Development Company, the following charges will be billed to users within the Southside Mall. These charges are not a part of the District's rate structure but are based on Mall charges relative to meter size.

5/8 inch	$ 11.30
¾ inch	$ 15.05
1 inch	$ 33.88
1 ½ inch	$ 60.27
2 inch	$ 80.30
3 inch	$ 125.47

Non-Recurring Charges

5/8 x ¾ Inch[1] Connection and Installation	$800.00
1Inch[1] Connection and Installation	Actual Cost of Construction
Over 1 Inch[2] Connection and Installation	Actual Cost of Construction
Hydrant Connection and Installation	$2,500.00
Service Charge 1*	$35.00
Service Charge 2**	$25.00
Return Check Fee	$25.00
Deposit – ¾" Meter	$75.00
Deposit – 1" Meter	$200.00
Deposit – 2" Meter	$750.00
Deposit – 4" Meter	$1,500.00

*Service Charge 1 is charged to customers for the following services: Meter Connection, Meter Reconnection, and Meter Test (if the meter tests within allowable limits).

**Service Charge 2 is charged to customers for the following services: investigative services when no problem is found with meter or the District's portion of the service line and collection of payment of delinquent accounts at point of service.

[1] District's Standard Service
[2] Non-standard Service

Sprinkler and Hydrant Charges

Size of Connection	Monthly Charge
4 Inch	$20.00
6 Inch	$35.00
8 Inch	$75.00

XXIII. FORECAST OF SEWER - INCOME - EXISTING SYSTEM

MONTHLY SEWER USAGE

	Residential					Non-Residential				
	Average	Average Rate	No. of Users	Usage 1,000	Income	Average	Average Rate	No. of Users	Usage 1,000	Income
5/8 & 3/4 meter										
0 - 2,000 Gal.	1,087	14.00	495	538	$ 6,930.00	800.00	14.00	129	140	$ 1,806.00
2,001 & Over.	4,851	31.11	980	4,754	$ 30,483.88	33,093.00	200.56	180	873	$ 5,599.08
	Monthly Total:		*1,475*	*5,292*	*$ 37,413.88*			*309*	*1,013*	*$ 7,405.08*
Average Monthly Rate					$ 23.53					$ 21.68
Average Monthly Usage				3,588					3,280	
	Annual Total:			**63,505**	**$ 448,966.56**				**12,161**	**$ 88,860.96**

XXIV. FORECAST OF SEWER - INCOME - NEW USERS - EXTENSION ONLY

MONTHLY SEWER USAGE

	Residential					Non-Residential				
	Average	Average Rate	No. of Users	Usage 1,000	Income	Average	Average Rate	No. of Users	Usage 1,000	Income
5/8 & 3/4 meter										

NOT APPLICABLE TO THIS PROJECT

XXV. FORECAST OF WATER - INCOME - EXISTING SYS

MONTHLY WATER USAGE

	Average	Average Rate
5/8 & 3/4 meter		
Customer with Multiple Minimums - see note 1		
0 - 2,000 Gal.	2,482	$ 20.02
2,001 - 10,000 Gal.	6,745	$ 53.28
10,000 & Over	26,289	$ 177.42
Subtotal		
Customers with Single Minumums		
0 - 2,000 Gal.	1,009	$ 20.02
2,001 - 10,000 Gal.	4,407	$ 36.89
10,000 & Over	15,680	$ 111.43
Subtotal		
1 inch meter		
0 - 5,000 Gal.	2,107	$ 42.00
5,001 - 10,000 Gal.	8,035	$ 63.27
10,001 & Over	15,240	$ 109.64
Subtotal		
2 inch meter		
0 - 20,000 Gal.	-	-
20,001 & Over	-	-
Subtotal		
4 inch meter		
0 - 50,000 Gal.	-	-
50,001 & Over	-	-
Subtotal		
Wholesale		
Martin County WD		
Mingo County Public Service District		
Nolin Public Service District		
Elkhorn City		
Monthly Totals		
Annual Totals		

Note 1 - Customers with multiple minimums are facilities \

Note 2 - The income projected from sales to Elkhorn City
117 days in which sales exceeded 215,000 gallo

XXVI. FORECAST OF WATER - INCOME - NEW USERS

MONTHLY WATER USAGE

	Residentia			
	Average	Average Rate	No. of Users	No. Minim
5/8 & 3/4 meter				

NC

XXVII. CURRENT OPERATING BUDGET - (SEWER SYSTEM) - EXISTING USERS

Year Ending 2006

A.	Operating Income:		
	Sewer Revenue	$	878,667
	Late Charge Fees		
	Other (Describe)		
	Less Allowances and Deductions		
	Total Operating Income	$	878,667
B.	Operation and Maintenance Expenses: (Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)		
	Operation Expense	$	751,361
	Maintenance Expense		
	Customer Accounts Expense	$	1,859
	Administrative and General Expense	$	12,822
	Total Operating Expenses	$	766,042
	Net Operating Income	$	112,625
C.	Non-Operating Income:		
	Interest Income		
	Other (Identify)		
	Total Non-Operating Income	$	-
D.	Net Income	$	112,625
E.	Debt Repayment:		
	RD Interest	$	47,963
	RD Principal	$	4,500
	Non-RD Interest	$	22,168
	Non-RD Principal	$	61,149
	Total Debt Repayment	$	135,780
F.	Balance Available for Coverage and Depreciation	$	(23,155)

XXVIII. PROPOSED OPERATING BUDGET - (SEWER SYSTEM) - EXISTING USERS

Year Ending 2008

A.	Operating Income:	
	Sewer Revenue	$0
	Late Charge Fees	$0
	Other (Describe) Hook On Fees	$0
	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)	
	Operation Expense	
	Maintenance 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

XXIX. PROPOSED OPERATING BUDGET - (SEWER SYSTEM) - NEW USERS

Year Ending 2008

A.	Operating Income:	
	Sewer Revenue	$ -
	Late Charge Fees	
	Other (Describe) Tap Fees & Misc	
	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)	
	Operation Expense	
	Maintenance 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) *Accured Taxes*	
	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

XXX. CURRENT OPERATING BUDGET - (WATER SYSTEM) - EXISTING

(1st Full Year of Operation) Year Ending 2006

A.	Operating Income:	
	Water Sales	$6,765,753
	Disconnect/Reconnect/Late Charge Fees	$ 242,630
	Other (Describe)	$ 109,840
	Less Allowances and Deductions	
	Total Operating Income	$7,118,223
B.	Operation and Maintenance Expenses: (Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)	
	Source of Supply Expense	$6,086,900
	Pumping Expense	
	Water Treatment Expense	$ 6,395
	Transmission and Distribution Expense	$ 35,215
	Customer Accounts Expense	$ 15,060
	Administrative and General Expense	$ 103,871
	Total Operating Expenses	$6,247,441
	Net Operating Income	$ 870,782
C.	Non-Operating Income:	
	Interest Income	$ 46,975
	Gains on Dispositions	$ 41,649
	Other (Identify)	$ (2,762)
	Total Non-Operating Income	$ 85,862
D.	Net Income	$ 956,644
E.	Debt Repayment:	
	RD Interest	$ 386,055
	RD Principal	$ 208,500
	Reserve	$ 98,450
	Non-RD Interest	$ 136,211
	Non-RD Principal	$ 564,563
	Total Debt Repayment	$1,393,779
F.	Balance Available for Coverage and Depreciation	$ (437,135)

XXXI. PROPOSED OPERATING BUDGET - (WATER SYSTEM) - EXISTING USERS

(1st Full Year of Operation) Year Ending 2008

A.	Operating Income:	
	Water Sales	$ 7,640,380
	Disconnect/Reconnect/Late Charge Fees	$ 279,025
	Other (Describe)	$ 120,000
	Less Allowances and Deductions	
	Total Operating Income	$ 8,039,405
B.	Operation and Maintenance Expenses: (Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)	
	Source of Supply Expense	$ 6,512,983
	Pumping Expense	
	Water Treatment Expense	$ 6,500
	Transmission and Distribution Expense	$ 36,000
	Customer Accounts Expense	$ 18,000
	Administrative and General Expense	$ 110,000
	Total Operating Expenses	$ 6,683,483
	Net Operating Income	$ 1,355,922
C.	Non-Operating Income:	
	Interest on Deposits	$ 48,000
	Other (Identify)	
	Total Non-Operating Income	$ 48,000
D.	Net Income	$ 1,403,922
E.	Debt Repayment:	
	RD Interest	$ 386,594
	RD Principal	$ 228,000
	Reserve	$ 98,450
	Non-RD Interest	$ 121,691
	Non-RD Principal	$ 297,491
	Total Debt Repayment	$ 1,132,226
F.	Balance Available for Coverage and Depreciation	$ 271,696

XXXII. PROPOSED OPERATING BUDGET - (WATER SYSTEM) - NEW USERS ONLY

(1st Full Year of Operation) Year Ending 2008

A.	Operating Income:	
	Water Sales	$ -
	Disconnect/Reconnect/Late Charge Fees	
	Other (Describe)	
	Less Allowances and Deductions	
	Total Operating Income	$ -
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	$ -
	Net Operating Income	$ -
C.	Non-Operating Income:	
	Interest on Deposits	
	Other (Identify)	
	Total Non-Operating Income	$ -
D.	Net Income	$ -
E.	Debt Repayment:	
	RD Interest	
	RD Principal	
	Reserve	
	Non-RD Interest	
	Non-RD Principal	
	Total Debt Repayment	$ -
F.	Balance Available for Coverage and Depreciation	$ -

XXXIII. ESTIMATED PROJECT COST -SEWER

	Collection	Treatment	Total
Development			$ -
Land and Rights			$ -
Legal			$ -
Engineering			$ -
Interest			$ -
Contingencies			$ -
Initial O & M			$ -
Other			$ -
TOTAL	$ -	$ -	$ -

XXXV. PROPOSED PROJECT FUNDING - SEWER

	Collection	Treatment	Total
Applicant - User Contribution Fees			$ -
Other - Applicant Contribution			$ -
RUS Loan			$ -
RUS Grant			$ -
ARC Grant (If applicable			$ -
CDBG (If applicable)			$ -
Other (Specify)			$ -
TOTAL	$ -	$ -	$ -

XXXVI. ESTIMATED PROJECT COST - WATER

Development			$	479,352.50
Land and Rights			$	-
Legal			$	9,550.00
Engineering			$	93,370.00
Interest			$	19,827.50
Contingencies			$	47,900.00
Initial O & M			$	-
Other			$	-
TOTAL			$	650,000.00

XXXVII. PROPOSED PROJECT FUNDING - WATER

Applicant - User Connection Fees				
Other Applicant Contribution				
RD Financial Assistance	loan	$ 650,000	$	650,000.00
	grant	$ -		
Other (Specify)			$	-
Other (Specify)				
Other (Specify)				
Other (Specify)				
TOTAL			$	650,000.00

MOUNTAIN WATER DISTRICT

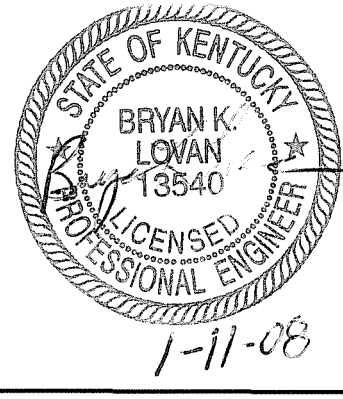
Final Engineering Report
RUSSELL FORK WATER TREATMENT PLANT IMPROVEMENTS

JANUARY 2008

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



1-11-08

O'BRIEN & GERE

FINAL ENGINEERING REPORT
MOUNTAIN WATER DISTRICT
RUSSELL FORK WATER TREATMENT PLANT IMPROVEMENTS
JANUARY 2008

Project Background

The existing WTP is located approximately 15 miles southwest of Pikeville, Kentucky on US-460. The treatment plant withdraws water from the Russell Fork of the Levisa Fork of the Big Sandy River in Pike County. The plant is a surface water treatment plant that uses the Actiflo microsand flocculation process to treat the raw water prior to filtration. The present plant was constructed using two Actiflo Treatment units with a combined capacity of 2.0 MGD. The addition of a third Actiflo treatment unit is currently under construction along with providing much needed grit removal equipment. This will allow the plant to achieve an ultimate production rate of 3.0 MGD. The present demand required the existing 2.0-MGD plant to operate in excess of the plant's rated capacity at certain times. Therefore, the plant capacity was increased and the third Actiflo treatment unit added.

Need for Project

During the preliminary engineering phase of the project numerous items were identified as needing repair or replacement. The reason for the repair or replacement is explained in detail in the *Preliminary Engineering Report, July 2007.*

Proposed Project

The project consist of the following improvements:

1. New 2600 GPM pump station including the piping, valves, precast vaults, magnetic flow meter, controls, electrical for a complete functioning system
2. Drain repairs on housekeeping pads of Actiflo units 1 and 2
3. Replace 2 polymer and 2 fluoride feed pumps
4. Replace 2 chemical feed and bulk transfer pumps
5. Repair leaks between filter/contact chamber and Actiflo area and leaks in high service pit
6. Repair/replace pneumatic actuated valve filter #4
7. Install curbs and aluminum covers over the existing clearwell hatches between Actiflo units 2 and 3
8. Install concrete supports under the existing steel pipe supports in the Actiflo area

Conclusions and Recommendations

It was recommended to the District and to Rural Development that the above improvements could be accomplished in a more expedient manner if the District, through its engineers, negotiated a change order with the contractor that is currently expanding the capacity of the water treatment plant.

Rural Development approved this approach as long as Rural Development documents were incorporated into the existing contract between Mountain Water District and Howard Engineering & Construction, Inc.

O'Brien & Gere Engineers, Inc. negotiated with Howard Engineering & Construction, Inc. and arrived at the following budget:

Construction	$505,000
Legal	$9,550
Interim Financing	$19,800
Engineering	101,610
Contingency	$13,540
	$650,000

The funding for the project consist of:

RD Loan	$650,000

Based on the negotiated price, the funding available covers all project costs. O'Brien & Gere has recommended to the District that it accept the negotiated change order with Howard Engineering & Construction Inc.

Attachments

1. Letter to Will Brown from Bryan Lovan, PE dated 1/4/2008
2. Contract Change Order No. 2 between Mountain Water District and Howard Engineering and Construction, Inc.

O'BRIEN & GERE

January 4, 2008

Mr. Will Brown, Manager
Utility Management Group, LLC
Mountain Water District
P.O. Box 3157
Pikeville, Kentucky 41502

Re: Russell Fork Water Treatment Plant Improvements
High Service Pump Change Order
Mountain Water District

File: 41907.200.008

Dear Will:

We are writing this letter to recommend the approval of Change Order No. 2 for the completion of the high service pump and other miscellaneous work outlined in Howard Engineering & Construction, Inc. letter dated January 3, 2008, with the exception of item numbers 3, 4, & 5. Item numbers 3 & 4 have been modified to reduce the total cost within budget and item number 5 was temporarily removed due to being over-budget. This change order will be for the complete the installation of the following items:

1. New 2600 GPM pump station including the piping, valves, precast vaults, magnetic flow meter, controls, electrical for a complete functioning system
2. Fix drainage on housekeeping pads of Actiflo units #1 and #2
3. Replace 2 polymer feed pumps and 2 fluoride feed pumps
4. Replace 2 chemical feed and bulk transfer pumps
5. Seal concrete in chemical areas – *Temporarily Removed from Project*
6. Repair leaks between filter/contact chamber and Actiflo area and leaks in high service pit
7. Repair/ Replace pneumatic actuated valve filter #4
8. Install curbs and aluminum covers over the existing clearwell hatches between Actiflo units #2 and #3
9. Install concrete supports under the existing steel pipe supports in Actiflo area

Our recommendation is to execute a change order to complete the installation of the above items. We have finished negotiations with Howard Engineering & Construction on the cost and while the cost was higher than anticipated, we were able to take advantage of some overall cost savings. As it stands now, this total cost is $505,500 for the additional work (concrete vault, piping, pump, electrical, etc.) to complete the listed items.

Additionally, it is recommended that Mountain Water District directly purchase the major equipment items so that they may see a savings of approximately $12,000 from the contractor not having to pay sales tax on the equipment.

I trust that the information provided above is sufficient to allow you to make the necessary decisions regarding the project. If you need any additional information or have any questions regarding this matter, please contact me.

Respectfully submitted,
O'BRIEN & GERE ENGINEERS, INC.

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

cc: File

1019 Majestic Drive / Suite 110 / Lexington, KY 40513
(859) 223-0137 / FAX (859) 223-0629 a http://www obg com

Form Approved
OMB NO 0575-0042

Form RD 1924-7
(Rev 2/97)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT AND
FARM SERVICE AGENCY

CONTRACT CHANGE ORDER

ORDER NO. **2**
DATE **1/7/08**
STATE **Kentucky**
COUNTY **PIKE**

CONTRACT FOR: **Mountain Water District** **Russell**
Fork Water Treatment Plant Improvements

OWNER: **Mountain Water District, P.O. Box 3157, Pikeville, Kentucky 41502**

TO: **Howard Engineering & Construction, Inc., 1303 South Main Street, London, KY 40741**
(Contractor)

You are hereby requested to comply with the following changes from the contract plans and specifications:

Description of Changes (Supplemental Plans and Specifications Attached)	DECREASE In Contract Price	INCREASE In Contract Price
1. New 2600 GPM pump station including the piping, valves, precast vaults, magnetic flow meter, controls, electrical for a complete		$ 477,500.00
2. Fix drainage on housekeeping pads of Actiflo units #1 and #2		$ 4,000.00
3. Replace 2 polymer feed pumps and 2 fluoride feed pumps		$ 9,800.00
4. Replace 2 chemical feed and bulk transfer pumps		$ 10,000.00
5. Repair leaks between filter/contact chamber and Actiflo area and leaks in high service pit		$ 800.00
6. Repair/ Replace pneumatic actuated valve filter #4		$ 10,000.00
7. Install curbs and aluminum covers over the existing clearwell hatches between Actiflo units #2 and #3		$ 4,000.00
8. Install concrete supports under the existing steel pipe supports in Actiflo area		$ 2,000.00
9 Cost Savings for Mountain Water District to purchase major equipment - Deduct for	$ 12,600.00	
This Change Order No 2 and its noted revisions and attachments to the Drawings and Specifications shall supplement, amend, and become a part of the Contract Documents, Drawings, and Specifications. *All requirements of the attached USDA-RD and EJCDC documents shall be included and become a part of the Contract* 10 Documents for this Contract		**N/A**
TOTALS	$ 12,600.00	$ 518,100.00
NET CHANGE IN CONTRACT PRICE		$ 505,500.00