

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

CASE NO: 2008-00242

June 26, 2008

Ms. Stephanie Stumbo
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

RECEIVED

JUN 30 2008

PUBLIC SERVICE
COMMISSION

Re: Morgan County Water District PSC Application

Dear Ms. Stumbo:

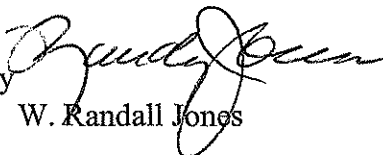
Enclosed please find the original and ten (10) copies of the Application of the Morgan County Water District for a Certificate of Public Convenience and Necessity to construct, finance and increase rates pursuant to KRS 278.023.

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

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

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jkm
Enclosures

cc: Distribution List

DISTRIBUTION LIST

Account No. 2571.0000

Re: Morgan County Water District Waterworks Revenue Bonds, Series 2008, in the principal amount of \$1,446,000

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

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

Ms. Pam Farmer
Rural Development
220 West First Street
Morehead, Kentucky 40351

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

Ms. Cindy Montgomery, Manager
Morgan County Water District
408 Prestonsburg Street
West Liberty, Kentucky 41472

Telephone: (606) 743-1204
Fax: (606) 743-3895

Mr. Larry Cann
Cann-Tech, LLC
1100 Glensboro Road
Park View Center, Suite 9
Lawrenceburg, Kentucky 40342

Telephone: (502) 859-0907

Steve O'Connor, Esq.
Attorney at Law
522 Prestonsburg Street
West Liberty, Kentucky 41472

Telephone: (606) 743-7621
Fax: (606) 743-1001

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

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

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 30 2008

PUBLIC SERVICE
COMMISSION

In the Matter of:

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

Case No. 2008- 00242

APPLICATION

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

1. That Applicant is a water district of Morgan 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:

Morgan County Water District
c/o Mr. Roy Collett, Chairman
408 Prestonsburg Street
West Liberty, Kentucky 41472

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 the proposed financing; and (iii) an Order approving increased rates.

4. That the Phase 12 Project consists of the construction and installation of approximately 189,100 linear feet of 3, 4 and 6 inch water main and appurtenances.

5. That Applicant proposes to finance the construction of the Project through (i) the issuance of \$1,446,000 of its Waterworks Revenue Bonds; (ii) a USDA, Rural Development ("RD") grant in the amount of \$754,000; (iii) an Appalachian Regional Commission ("ARC") grant in the amount of \$500,000; and (iv) an Applicant contribution in the amount of \$50,000. Applicant has a commitment from RD to purchase said \$1,446,000 of bonds maturing over a 40-year period, at an

interest rate of not exceeding 4.125% per annum, 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 Contract Award.
- C. Copy of Preliminary and Final Engineering Reports.
- D. Certified statement from the Chairman of Applicant, based upon statements of the Engineers for Applicant, concerning the following:
 - (1) The proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066, Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10;
 - (2) All other state approvals or permits have already been obtained;
 - (3) The proposed rates of Applicant shall produce the total revenue requirements set out in the engineering reports; and
 - (4) Setting out the dates when it is anticipated that construction will begin and end.


8. That Applicant has arranged for the publication, prior to or at the same time this Application is filed, of a Notice of Proposed Rates pursuant to Section 2 of 807 KAR 5:069, in the Licking Valley Courier, which is the newspaper of general circulation in Applicant's service area and in Morgan 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 Morgan County Water District, asks that the Public Service Commission of the Commonwealth of Kentucky grant to Applicant the following:

- a. A Certificate of Public Convenience and Necessity permitting Applicant to construct a waterworks project consisting of extensions, additions, and improvements to the waterworks system of Applicant.
- b. An Order approving the financing arrangements made by Applicant, viz., the issuance of (i) \$1,446,000 of Morgan County Water District Waterworks Revenue Bonds at an interest rate of not exceeding 4.125% per annum; (ii) an RD grant in the amount of \$754,000; (iii) an ARC grant in the amount of \$500,000; and (iv) an Applicant contribution in the amount of \$50,000.
- c. An Order approving the increased rates as set out in Section 29 of the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

MORGAN COUNTY WATER DISTRICT

By: 
Chairman
Board of Water Commissioners


W. RANDALL JONES, ESQ.
RUBIN & HAYS
Counsel for Applicant
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 569-7525



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

April 25, 2007

Mr. Roy Collett, Chairman
Morgan County Water District
408 Prestonsburg Street
West Liberty, Kentucky 41472

Dear Mr. Collett:

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 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 grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,446,000; a RUS grant not to exceed \$754,000; and an Appalachian Regional Commission (ARC) grant in the amount of \$500,000.

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

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

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

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

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

771 Corporate Drive • Suite 200 • Lexington, KY 40503
Phone: (859) 224-7338 • Fax: (859) 224-7444 • TDD: (859) 224-7422 • Web: <http://www.rurdev.usda.gov/ky>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, SW, Washington, DC 20250-9410
or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

1. Number of Users and Their Contribution:

There shall be 2,507 water users, of which 2,314 are existing users and 193 are new users contributing \$50,000 in connection fees toward the cost of the project. The connection fees will be collected prior to advertising for construction bids and will be placed in the construction account at loan pre-closing, unless spent for authorized purposes prior to loan pre-closing. The Area Director will review and authenticate the number of users and amount of connection fees prior to advertising for construction bids.

2. Grant Agreement:

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

3. Drug-Free Work Place:

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

4. Repayment Period:

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

5. Recommended Repayment Method:

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

6. Reserve Accounts:

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

The District will be required to deposit \$635 per month into a "Funded Depreciation Reserve Account" until the account reaches \$76,200. The deposits are to be resumed any time the account falls below the \$76,200.

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 \$3,047 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District's water system.

7. Security Requirements:

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

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

8. Land Rights and Real Property:

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

9. Organization:

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

10. Business Operations:

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

11. Accounts, Records and Audits:

The District will be required to maintain adequate records and accounts and submit 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.

The enclosed audit booklet will be used as a guide for preparation of audits. The District shall be required to submit a copy of its audit agreement for review and concurrence by Rural Development prior to pre-closing the loan.

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

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

13. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the District. The District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$241,000.
- D. Real Property Insurance - The District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures. The amounts of coverage should be based on recommendations obtained by the District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

14. Planning and Performing Development:

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

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

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

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

15. Civil Rights & Equal Opportunity:

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

A. Section 504 of the Rehabilitation Act of 1973:

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

B. Civil Rights Act of 1964:

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

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

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

D. Age Discrimination Act of 1975:

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

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

16. Closing Instructions:

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

17. Compliance with Special Laws and Regulations:

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

18. System Operator:

The District is reminded that the system operator must have an Operator's Certificate issued by the State.

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

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

20. Refinancing and Graduation Requirements:

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

21. Commercial Interim Financing:

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

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

22. Disbursement of Project Funds:

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

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

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

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

23. Disbursement of Grant Funds:

The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of obligations due and payable by the District. Grant funds, upon receipt, must be deposited in an interest bearing account in accordance with 7 CFR part 3016 (as applicable). Interest earned on grant funds in excess of \$100 (as applicable) per year will be submitted to RUS at least quarterly.

24. Cost of Facility:

Breakdown of Costs:

Development	\$ 2,140,000
Land and Rights	50,000
Legal and Administrative	32,000
Engineering	284,000
Interest	30,000
Contingencies	<u>214,000</u>

TOTAL \$ 2,750,000

Financing:

RUS Loan	\$ 1,446,000
RUS Grant	754,000
ARC Grant	500,000
Connection Fees	<u>50,000</u>
TOTAL	\$ 2,750,000

25. Review of Expenses

Upon review of the historical and proposed Operation and Maintenance expenses for the Water District, it has been noted that the expenses are excessive in relation to other similar Water Districts. Management should review all O&M costs and develop a plan to limit unnecessary or excessive expenses as possible.

26. Commitment of Other Project Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the ARC grant in the amount of 500,000.

27. Use of Remaining Project Funds:

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

28. 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.

29. Rates and Charges:

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

Water rates will be at least:

5/8" x 3/4" Meter Size:

First	2,000	gallons @ \$	19.41 - Minimum Bill.
Next	3,000	gallons @ \$	7.03 - per 1,000 gallons.
Next	5,000	gallons @ \$	6.43 - per 1,000 gallons.
Next	5,000	gallons @ \$	5.83 - per 1,000 gallons.
All Over	15,000	gallons @ \$	5.23 - per 1,000 gallons.

1" Meter Size:

First	5,000	gallons @ \$	40.50 - Minimum Bill.
Next	5,000	gallons @ \$	6.43 - per 1,000 gallons.
Next	5,000	gallons @ \$	5.83 - per 1,000 gallons.
All Over	15,000	gallons @ \$	5.23 - per 1,000 gallons.

2" Meter Size:

First	15,000	gallons @ \$	101.80 - Minimum Bill.
All Over	15,000	gallons @ \$	5.23 - per 1,000 gallons.

Wholesale Rates:

City of Campton	\$	2.71 - per 1,000 gallons.
City of Frenchburg	\$	2.71 - per 1,000 gallons.

30. Water Purchase Contract:

The 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.

31. 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).

32. 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.

33. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated July 31, 2006, 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 November 8, 2006, and signed by Virgil Lee Andrews, Jr., Field Supervisor.

- C. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without effect after construction is complete. The Army Corps of Engineers Nationwide Permit No. 12 applies to all floodplain and wetland utility line construction.
- D. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.

34. 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,


for KENNETH SLONE
State Director

Enclosures

- cc:
- Area Director - Morehead, Kentucky
 - Rural Development Manager - West Liberty, Kentucky
 - Gateway ADD - Owingsville, Kentucky
 - Rubin and Hays - Louisville, Kentucky
 - Steve O'Conner - West Liberty, Kentucky
 - Cann-Tech, LLC - Lawrenceburg, Kentucky
 - PSC - ATTN: Bob Amato - Frankfort, Kentucky



United States Department of Agriculture
Rural Development
Kentucky State Office

June 19, 2008

Mr. Roy Collett, Chairman
Morgan County Water District
408 Prestonsburg Street
West Liberty, Kentucky 41472

Re: Letter of Conditions Dated April 25, 2007

Dear Mr. Collett:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated April 25, 2007. The purpose of this amendment is to revise the number of existing and new users, revise the rates and charges, and make other editorial changes in accordance with RUS Instructions.

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

" 1. Number of Users and Their Contribution:

There shall be 2,380 water users, of which 2,272 are existing users and 108 are new users contributing \$50,000 in connection fees toward the cost of the project. The connection fees will be collected prior to advertising for construction bids and will be placed in the construction account at loan pre-closing, unless spent for authorized purposes prior to loan pre-closing. The Area Director will review and authenticate the number of users and amount of connection fees prior to advertising for construction bids. "

Paragraph numbered "29" is revised to read as follows:

" 29. 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.

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

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To file a complaint of discrimination write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, SW, Washington, DC 20250-9410
or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

Water rates will be at least:

5/8- and 3/4-Inch Meters:

First	2,000	gallons @ \$	20.41 - Minimum
Next	3,000	gallons @ \$	7.33 - per 1,000 gallons.
Next	5,000	gallons @ \$	6.73 - per 1,000 gallons.
Next	5,000	gallons @ \$	6.13 - per 1,000 gallons.
All Over	15,000	gallons @ \$	5.53 - per 1,000 gallons.

1-Inch Meter:

First	5,000	gallons @ \$	42.50 - Minimum Bill.
Next	5,000	gallons @ \$	6.73 - per 1,000 gallons.
Next	5,000	gallons @ \$	6.13 - per 1,000 gallons.
All Over	15,000	gallons @ \$	5.53 - per 1,000 gallons.

2-Inch Meter:

First	15,000	gallons @ \$	105.80 - Minimum Bill.
All Over	15,000	gallons @ \$	5.53 - per 1,000 gallons.

Wholesale Rates:

City of Campton	\$ 2.85 - per 1,000 gallons.
City of Frenchburg	\$ 2.85 - per 1,000 gallons.

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

Sincerely,


 KENNETH SLONE
 State Director

cc: Area Director - Morehead, Kentucky
 Gateway ADD - Morehead, Kentucky
 Rubin & Hays - Louisville, Kentucky
 Steve O'Conner - West Liberty, Kentucky
 Cann-Tech, LLC - Lawrenceburg, Kentucky
 PSC - ATTN: Dennis Jones - Frankfort, Kentucky



United States Department of Agriculture
Rural Development
Kentucky State Office

June 19, 2008

SUBJECT: Morgan County Water District
Phase I2- Water Line Extensions
Contract Award Concurrence

TO: Area Director
Morehead, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of subject contract to the low bidder, H2O Construction, Co., in the amount of \$1,602,632.80.

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


KENNETH SLONE
State Director
Rural Development

cc:

**CERTIFICATE OF CHAIRMAN OF THE MORGAN COUNTY WATER DISTRICT,
AS TO STATEMENT REQUIRED BY SECTION 1(5) OF 807 KAR 5:069**

I, Roy Collett, hereby certify that I am the duly qualified and acting Chairman of the Morgan County Water District of Morgan County, Kentucky, and that said District is in the process of arranging to finance the construction of extensions, additions and improvements to the waterworks system of the District (the "Project"), in cooperation with Cann-Tech, LLC, Lawrenceburg, 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 August 1, 2008, and will end on or about April 27, 2009.

IN TESTIMONY WHEREOF, witness my signature this June 20 2008.



Chairman

Morgan County Water District

STATE OF KENTUCKY)
) SS
COUNTY OF MORGAN)

Subscribed and sworn to before me by Roy Collett, Chairman of the Board of Commissioners of the Morgan County Water District, on this June 20 2008.



Notary Public

In and For Said State and County

NOTICE OF PROPOSED RATE CHANGE

In accordance with the regulations 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 Morgan County Water District of a change to the District's rate schedule as set forth herein. The proposed rate change is required by USDA, Rural Development in connection with a loan by RD to the District in the amount of \$1,446,000 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 as set forth below:

Current Monthly Rates

5/8" x 3/4" Meters:

First 2,000 gallons	\$19.65 minimum bill
Next 3,000 gallons	7.15 per 1,000 gallons
Next 5,000 gallons	6.55 per 1,000 gallons
Next 5,000 gallons	5.95 per 1,000 gallons
All over 15,000 gallons	5.35 per 1,000 gallons

1" Meter:

First 5,000 gallons	\$41.10 minimum bill
Next 5,000 gallons	6.55 per 1,000 gallons
Next 5,000 gallons	5.95 per 1,000 gallons
All over 15,000 gallons	5.35 per 1,000 gallons

2" Meter:

First 15,000 gallons	\$103.60 minimum bill
All over 15,000 gallons	5.35 per 1,000 gallons

Current Wholesale Rates

City of Campton	\$2.83 per 1,000 gallons
City of Frenchburg	2.83 per 1,000 gallons

Proposed Monthly Rates

5/8" x 3/4" Meters:

First 2,000 gallons	\$20.41 minimum bill
Next 3,000 gallons	7.33 per 1,000 gallons
Next 5,000 gallons	6.73 per 1,000 gallons
Next 5,000 gallons	6.13 per 1,000 gallons
All over 15,000 gallons	5.53 per 1,000 gallons

1" Meter:

First 5,000 gallons	\$42.50 minimum bill
Next 5,000 gallons	6.73 per 1,000 gallons
Next 5,000 gallons	6.13 per 1,000 gallons
All over 15,000 gallons	5.53 per 1,000 gallons

2" Meter:

First 15,000 gallons	\$105.80 minimum bill
All over 15,000 gallons	5.53 per 1,000 gallons

Proposed Wholesale Rates

City of Campton	\$2.85 per 1,000 gallons
City of Frenchburg	2.85 per 1,000 gallons

The RD loan proceeds will be used in conjunction with (i) an RD grant in the amount of \$754,000; (ii) an Appalachian Regional Commission grant in the amount of \$500,000; and (iii) connection fees in the amount of \$50,000 to finance the Phase 12 project, consisting of the construction and installation of approximately 189,100 linear feet of 3, 4 and 6 inch water line and appurtenances. Signed: Roy Collett, Chairman, Morgan County Water District



MR



Engineers

Planners

Managers

May 20, 2008

Ms. Cindy Montgomery, Manager
 Morgan County Water District
 408 Prestonsburg Street
 West Liberty, KY 41472

RECEIVED

JUN 30 2008

PUBLIC SERVICE
 COMMISSION

Reference: Final Engineering Report
 Phase 12 – Water Line Extension
 Morgan County Water District

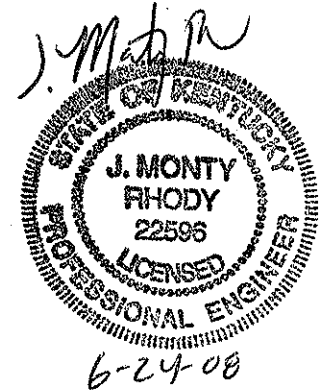
Dear Ms. Montgomery:

As you are aware, the above referenced project was bid May 6, 2008. The low bidder for Phase 12 was H2O Construction Co., Inc. from Pikeville, KY with a Total Base Bid of \$1,602,632.80.

Attached please find a copy of the bid tabulation for the project. The following is a summary of the financing and budget for this project.

Project Budget	Letter of Conditions	Current (As Bid)
Development	\$2,140,000.00	\$1,602,632.80
Contingencies	\$214,000.00	\$809,941.51
Engineering	\$284,000.00	\$225,425.69
Legal and Administrative	\$32,000.00	\$32,000.00
Land and Rights	\$50,000.00	\$50,000.00
Interest	\$30,000.00	\$30,000.00
Total Project Cost	\$2,750,000.00	\$2,750,000.00

Project Financing	Letter of Conditions
RUS Loan	\$1,446,000.00
RUS Grant	\$754,000.00
ARC Grant	\$500,000.00
Connection Fees	\$50,000.00
Total Project Cost	\$2,750,000.00



1100 Glensboro Rd., Suite 9
 Park View Center
 Lawrenceburg, KY 40342
 Phone: (502) 859-0907 • Fax: (502) 859-0668
 Email: waterboy@kih.net

May 20, 2008

Page 2

The letter of conditions from Rural Development dated April 25, 2007 states that the Morgan County Water District shall have 193 new users signed for the Phase 12 Water Line Extension to be able to repay the loan. However, Morgan County Water District currently has 99 new customers signed up. Therefore the Water District has agreed to raise their water rates to make up for the shortage of new users. In addition to the shortage of signed customers, the City of West Liberty has increased their wholesale rate to Morgan County Water District from \$2.41 per 1000 gallons to \$2.55 per 1000 gallons. It appears that the Morgan County Water District will need to increase rates to generate approximately \$43,000 per year. Please find attached existing and proposed water rates that are estimated to generate the needed revenue.

All of H2O Construction Co., Inc. references which consisted of utility companies and engineering firms, indicate that they are capable of completing this project. Also, it appears the project can be completed with the available funding and with the rate increase. Therefore, we recommend this contract be approved and allowed to go forward.

If you have any questions or need anything, please contact me at our office.

Sincerely,
CANN-TECH, LLC



Monty Rhody, P.E.
Project Manager

Attachments

CC: Mr. Tim Conley, Morgan County Judge Executive
Ms. Pamela Farmer, Rural Development
Mr. Randy Jones, Rubin Hays
Mr. Steve O'Connor, Morgan County Attorney
All Bidding Contractors – Bid Tab Only

**EXISTING WATER RATES
MORGAN COUNTY WATER DISTRICT
MAY 2008**

5/8 and 3/4 Inch Meter

First	2,000 Gallons @	\$19.41 minimum
Next	3,000 Gallons @	\$7.03 per 1,000 Gallons
Next	5,000 Gallons @	\$6.43 per 1,000 Gallons
Next	5,000 Gallons @	\$5.83 per 1,000 Gallons
Next	Gallons @	\$ per 1,000 Gallons
Next	Gallons @	\$ per 1,000 Gallons
All Over	15,000 Gallons @	\$5.23 per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons @	\$40.50 minimum
Next	5,000 Gallons @	\$6.43 per 1000 Gallons
Next	5,000 Gallons @	\$5.83 per 1000 Gallons
Over	15,000 Gallons @	\$5.23 per 1000 Gallons

2-Inch Meter

First	15,000 Gallons @	\$101.80 minimum
Over	15,000 Gallons @	\$5.23 per 1,000 Gallons

Wholesale Water Rate \$2.71 per 1000 Gallons

**PROPOSED WATER RATES
MORGAN COUNTY WATER DISTRICT
MAY 2008**

5/8 and 3/4 Inch Meter

First	2,000 Gallons @	\$20.41 minimum
Next	3,000 Gallons @	\$7.33 per 1,000 Gallons
Next	5,000 Gallons @	\$6.73 per 1,000 Gallons
Next	5,000 Gallons @	\$6.13 per 1,000 Gallons
Next	Gallons @	\$ per 1,000 Gallons
Next	Gallons @	\$ per 1,000 Gallons
All Over	15,000 Gallons @	\$5.53 per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons @	\$42.50 minimum
Next	5,000 Gallons @	\$6.73 per 1000 Gallons
Next	5,000 Gallons @	\$6.13 per 1000 Gallons
Over	15,000 Gallons @	\$5.53 per 1000 Gallons

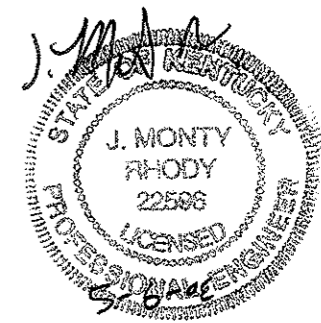
2-Inch Meter

First	15,000 Gallons @	\$105.80 minimum
Over	15,000 Gallons @	\$5.53 per 1,000 Gallons

Wholesale Water Rate \$2.85 per 1000 Gallons

BID TABULATION
Phase 12 Water Line Extension
Morgan County Water District
5/6/2008

We certify that, to the best of our knowledge, the bid tabulation is an accurate representation of the bids received on May 6, 2008.



NO.	ITEM	QUANT.	UNIT	H2O Construction, Co, Inc.		R. Risner Construction Inc.		Stotts Construction Co Inc		B.P. Pipeline, LLC		Southern Backhoe Inc.		G. and W. Construction Co., Inc.	
				UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL
1	6-in. PVC SDR 21 Class 200 p.s.i.	1,600	LF	\$6.59	\$10,544.00	\$6.84	\$10,944.00	\$7.85	\$12,560.00	\$9.35	\$14,960.00	\$9.01	\$14,416.00	\$7.16	\$11,456.00
2	6-in. PVC SDR 17 Class 250 p.s.i.	33,000	LF	7.58	\$250,140.00	7.25	\$239,250.00	8.60	\$283,800.00	10.35	\$341,550.00	9.82	\$324,060.00	7.82	\$258,060.00
3	6-in. PVC C-900 Class 200 p.s.i.	19,500	LF	8.64	\$168,480.00	8.47	\$165,165.00	9.55	\$186,225.00	11.35	\$221,325.00	11.00	\$214,500.00	8.93	\$174,135.00
4	4-in. PVC SDR 21 Class 200 p.s.i.	6,300	LF	4.83	\$30,429.00	4.89	\$30,807.00	6.35	\$40,005.00	6.15	\$38,745.00	5.00	\$31,500.00	5.00	\$31,500.00
5	4-in. PVC SDR 17 Class 250 p.s.i.	27,940	LF	5.12	\$143,052.80	4.94	\$138,023.60	6.65	\$185,801.00	6.65	\$185,801.00	4.83	\$134,950.20	5.30	\$148,082.00
6	4-in. PVC C-900 Class 200 p.s.i.	58,530	LF	5.90	\$345,327.00	5.70	\$333,621.00	7.30	\$427,269.00	7.20	\$421,416.00	5.30	\$310,209.00	6.05	\$354,106.50
7	3-in. PVC SDR 21 Class 200 p.s.i.	4,100	LF	4.35	\$17,835.00	4.25	\$17,425.00	5.85	\$23,985.00	4.85	\$19,885.00	4.00	\$16,400.00	4.46	\$18,286.00
8	3-in. PVC SDR 17 Class 250 p.s.i.	41,900	LF	4.52	\$189,388.00	4.35	\$182,265.00	6.05	\$253,495.00	5.15	\$215,785.00	4.51	\$188,969.00	4.64	\$194,416.00
9	2-in. PVC SDR 17 Class 250 p.s.i.	1,900	LF	4.28	\$8,132.00	4.11	\$7,809.00	4.55	\$8,645.00	5.35	\$10,165.00	3.50	\$6,650.00	4.12	\$7,828.00
10	12-in. Steel Casing Unclassified Bore & Jack	245	LF	100.00	\$24,500.00	89.00	\$21,805.00	65.00	\$15,925.00	80.00	\$19,600.00	90.00	\$22,050.00	93.02	\$22,789.90
11	10-in. Steel Casing Unclassified Bore & Jack	845	LF	100.00	\$84,500.00	87.00	\$73,515.00	60.00	\$50,700.00	80.00	\$67,600.00	75.00	\$63,375.00	91.07	\$76,954.15
12	8-in. Steel Casing Unclassified Bore & Jack	245	LF	100.00	\$24,500.00	85.00	\$20,825.00	55.00	\$13,475.00	75.00	\$18,375.00	75.00	\$18,375.00	88.16	\$21,599.20
13	8-in. Steel Casing Unclassified Open Cut	95	LF	45.00	\$4,275.00	45.00	\$4,275.00	30.00	\$2,850.00	40.00	\$3,800.00	45.00	\$4,275.00	62.98	\$5,983.10
14	Creek Crossing Type A	15	LF	20.00	\$300.00	42.00	\$630.00	30.00	\$450.00	20.00	\$300.00	40.00	\$600.00	57.48	\$862.20
15	Creek Crossing Type B	1,725	LF	25.00	\$43,125.00	45.00	\$77,625.00	40.00	\$69,000.00	30.00	\$51,750.00	90.00	\$155,250.00	67.48	\$116,403.00
16	6-in. Gate Valve & Box	26	EA	650.00	\$16,900.00	660.00	\$17,160.00	600.00	\$15,600.00	600.00	\$15,600.00	575.00	\$14,950.00	730.45	\$18,991.70
17	4-in. Gate Valve & Box	37	EA	550.00	\$20,350.00	560.00	\$20,720.00	525.00	\$19,425.00	580.00	\$21,460.00	485.00	\$17,945.00	614.44	\$22,734.28
18	3-in. Gate Valve & Box	15	EA	500.00	\$7,500.00	525.00	\$7,875.00	490.00	\$7,350.00	550.00	\$8,250.00	410.00	\$6,150.00	575.52	\$8,632.80
19	2-in. Gate Valve & Box	3	EA	375.00	\$1,125.00	482.00	\$1,446.00	500.00	\$1,500.00	500.00	\$1,500.00	370.00	\$1,110.00	526.80	\$1,580.40
20	Fire Hydrant, 3 Nozzle	6	EA	2,800.00	\$16,800.00	2,800.00	\$16,800.00	2,300.00	\$13,800.00	2,500.00	\$15,000.00	3,200.00	\$19,200.00	2,723.82	\$16,342.92
21	6-in. Blowoff Assembly	1	EA	1,300.00	\$1,300.00	1,000.00	\$1,000.00	660.00	\$660.00	1,000.00	\$1,000.00	1,100.00	\$1,100.00	849.66	\$849.66
22	4-in. Blowoff Assembly	22	EA	1,200.00	\$26,400.00	800.00	\$17,600.00	575.00	\$12,650.00	700.00	\$15,400.00	900.00	\$19,800.00	707.63	\$15,567.86
23	3-in. Blowoff Assembly	13	EA	1,100.00	\$14,300.00	750.00	\$9,750.00	550.00	\$7,150.00	680.00	\$8,840.00	890.00	\$11,570.00	659.71	\$8,576.23
24	2-in. Blowoff Assembly	4	EA	1,000.00	\$4,000.00	750.00	\$3,000.00	525.00	\$2,100.00	680.00	\$2,720.00	850.00	\$3,400.00	615.31	\$2,461.24
25	Meter Setting Same Side	50	EA	650.00	\$32,500.00	600.00	\$30,000.00	700.00	\$35,000.00	700.00	\$35,000.00	720.00	\$36,000.00	639.20	\$31,960.00
26	Meter Setting Opposite Side	50	EA	725.00	\$36,250.00	850.00	\$42,500.00	900.00	\$45,000.00	800.00	\$40,000.00	1,600.00	\$80,000.00	900.51	\$45,025.50
27	Creek Crossing Meter Setting	1	EA	800.00	\$800.00	1,000.00	\$1,000.00	900.00	\$900.00	900.00	\$900.00	750.00	\$750.00	992.87	\$992.87
28	Additional Service Tubing	2,000	LF	3.44	\$6,880.00	4.35	\$8,700.00	5.00	\$10,000.00	4.00	\$8,000.00	4.20	\$8,400.00	4.32	\$8,640.00
29	Connection To Existing Line	27	EA	1,200.00	\$32,400.00	1,825.00	\$49,275.00	1,200.00	\$32,400.00	1,000.00	\$27,000.00	1,850.00	\$49,950.00	2,168.85	\$58,558.95
30	Pressure Reducing Station	1	EA	17,000.00	\$17,000.00	16,500.00	\$16,500.00	14,000.00	\$14,000.00	15,000.00	\$15,000.00	16,000.00	\$16,000.00	17,698.69	\$17,698.69
31	Gravel Replacement	25,000	LF	0.45	\$11,250.00	3.50	\$87,500.00	2.00	\$50,000.00	1.00	\$25,000.00	3.00	\$75,000.00	8.00	\$200,000.00
32	Blacktop Replacement	200	LF	27.00	\$5,400.00	25.00	\$5,000.00	30.00	\$6,000.00	10.00	\$2,000.00	40.00	\$8,000.00	20.00	\$4,000.00
33	6-inch Joint Restraint	80	EA	40.00	\$3,200.00	60.00	\$4,800.00	80.00	\$6,400.00	30.00	\$2,400.00	65.00	\$5,200.00	59.36	\$4,748.80
34	4-inch and 3-inch Joint Restraint	150	EA	25.00	\$3,750.00	60.00	\$9,000.00	60.00	\$9,000.00	22.00	\$3,300.00	56.00	\$8,400.00	59.36	\$8,904.00
Total Construction Cost					\$1,602,632.80		\$1,673,610.60		\$1,863,120.00		\$1,879,427.00		\$1,888,504.20		\$1,918,726.95

NO.	ITEM	QUANT.	UNIT	D.F. Bailey, Inc.		Clay Pipeline, Inc.		Tilton Excavating, LLC		Kenney, Inc.		Kinder Construction Co., Inc.		Garrison Construction Company, Inc.	
				UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL
1	6-in. PVC SDR 21 Class 200 p.s.i.	1,600	LF	\$8.18	\$13,088.00	\$9.25	\$14,800.00	\$9.85	\$15,760.00	\$9.20	\$14,720.00	\$8.94	\$14,304.00	\$9.88	\$15,808.00
2	6-in. PVC SDR 17 Class 250 p.s.i.	33,000	LF	9.05	\$298,650.00	9.60	\$316,800.00	10.68	\$352,440.00	10.31	\$340,230.00	9.96	\$328,680.00	9.94	\$328,020.00
3	6-in. PVC C-900 Class 200 p.s.i.	19,500	LF	10.23	\$199,485.00	9.75	\$190,125.00	11.91	\$232,245.00	11.09	\$216,255.00	11.48	\$223,860.00	11.33	\$220,935.00
4	4-in. PVC SDR 21 Class 200 p.s.i.	6,300	LF	5.24	\$33,012.00	6.50	\$40,950.00	5.54	\$34,902.00	6.99	\$44,037.00	6.67	\$42,021.00	7.22	\$45,486.00
5	4-in. PVC SDR 17 Class 250 p.s.i.	27,940	LF	5.59	\$156,184.60	6.70	\$187,198.00	5.78	\$161,493.20	7.36	\$205,638.40	6.97	\$194,741.80	7.28	\$203,403.20
6	4-in. PVC C-900 Class 200 p.s.i.	58,530	LF	6.33	\$370,494.90	7.50	\$438,975.00	6.65	\$389,224.50	8.12	\$475,263.60	8.36	\$489,310.80	8.27	\$484,043.10
7	3-in. PVC SDR 21 Class 200 p.s.i.	4,100	LF	4.30	\$17,630.00	6.85	\$28,085.00	4.90	\$20,090.00	6.15	\$25,215.00	6.03	\$24,723.00	5.80	\$23,780.00
8	3-in. PVC SDR 17 Class 250 p.s.i.	41,900	LF	4.52	\$189,388.00	6.00	\$251,400.00	5.14	\$215,366.00	6.45	\$270,255.00	6.79	\$284,501.00	6.04	\$253,076.00
9	2-in. PVC SDR 17 Class 250 p.s.i.	1,900	LF	3.55	\$6,745.00	6.00	\$11,400.00	4.49	\$8,531.00	5.85	\$11,115.00	5.64	\$10,716.00	4.86	\$9,234.00
10	12-in. Steel Casing Unclassified Bore & Jack	245	LF	107.35	\$26,300.75	88.00	\$21,560.00	80.00	\$19,600.00	110.00	\$26,950.00	115.39	\$28,270.55	211.93	\$51,922.85
11	10-in. Steel Casing Unclassified Bore & Jack	845	LF	90.70	\$76,641.50	85.00	\$71,825.00	80.00	\$67,600.00	110.00	\$92,950.00	113.19	\$95,645.55	182.60	\$154,297.00
12	8-in. Steel Casing Unclassified Bore & Jack	245	LF	85.24	\$20,883.80	85.00	\$20,825.00	75.00	\$18,375.00	99.00	\$24,255.00	109.91	\$26,927.95	151.68	\$37,161.60
13	8-in. Steel Casing Unclassified Open Cut	95	LF	45.71	\$4,342.45	45.00	\$4,275.00	35.00	\$3,325.00	44.00	\$4,180.00	93.11	\$8,845.45	85.01	\$8,075.95
14	Creek Crossing Type A	15	LF	19.30	\$289.50	50.00	\$750.00	50.00	\$750.00	44.00	\$660.00	125.21	\$1,878.15	59.29	\$889.35
15	Creek Crossing Type B	1,725	LF	45.34	\$78,211.50	50.00	\$86,250.00	80.00	\$138,000.00	44.00	\$75,900.00	53.84	\$92,874.00	77.00	\$132,825.00
16	6-in. Gate Valve & Box	26	EA	612.80	\$15,932.80	765.00	\$19,890.00	500.00	\$13,000.00	660.00	\$17,160.00	847.78	\$22,042.28	639.10	\$16,616.60
17	4-in. Gate Valve & Box	37	EA	493.67	\$18,265.79	670.00	\$24,790.00	450.00	\$16,650.00	578.00	\$21,386.00	661.84	\$24,488.08	499.90	\$18,496.30
18	3-in. Gate Valve & Box	15	EA	435.49	\$6,532.35	645.00	\$9,675.00	400.00	\$6,000.00	488.00	\$7,320.00	612.68	\$9,190.20	440.59	\$6,608.85
19	2-in. Gate Valve & Box	3	EA	351.93	\$1,055.79	570.00	\$1,710.00	350.00	\$1,050.00	440.00	\$1,320.00	507.92	\$1,523.76	381.48	\$1,144.44
20	Fire Hydrant, 3 Nozzle	6	EA	2,784.01	\$16,704.06	3,500.00	\$21,000.00	2,800.00	\$16,800.00	2,640.00	\$15,840.00	3,528.42	\$21,170.52	3,458.21	\$20,749.26
21	6-in. Blowoff Assembly	1	EA	1,081.83	\$1,081.83	1,120.00	\$1,120.00	1,000.00	\$1,000.00	1,100.00	\$1,100.00	981.29	\$981.29	1,320.00	\$1,320.00
22	4-in. Blowoff Assembly	22	EA	855.34	\$18,817.48	965.00	\$21,230.00	900.00	\$19,800.00	660.00	\$14,520.00	822.25	\$18,089.50	992.91	\$21,844.02
23	3-in. Blowoff Assembly	13	EA	783.20	\$10,181.60	925.00	\$12,025.00	850.00	\$11,050.00	660.00	\$8,580.00	712.58	\$9,263.54	885.20	\$11,507.60
24	2-in. Blowoff Assembly	4	EA	642.74	\$2,570.96	875.00	\$3,500.00	750.00	\$3,000.00	660.00	\$2,640.00	606.87	\$2,427.48	726.35	\$2,905.40
25	Meter Setting Same Side	50	EA	534.61	\$26,730.50	620.00	\$31,000.00	800.00	\$46,000.00	660.00	\$33,000.00	567.30	\$28,365.00	825.00	\$41,250.00
26	Meter Setting Opposite Side	50	EA	686.72	\$34,336.00	750.00	\$37,500.00	1,000.00	\$50,000.00	715.00	\$35,750.00	744.80	\$37,240.00	1,243.00	\$62,150.00
27	Creek Crossing Meter Setting	1	EA	615.08	\$615.08	820.00	\$820.00	1,000.00	\$1,000.00	770.00	\$770.00	874.93	\$874.93	1,540.00	\$1,540.00
28	Additional Service Tubing	2,000	LF	6.13	\$12,260.00	6.00	\$12,000.00	4.50	\$9,000.00	4.40	\$8,800.00	4.16	\$8,320.00	7.01	\$14,020.00
29	Connection To Existing Line	27	EA	1,699.66	\$45,890.82	1,800.00	\$48,600.00	2,000.00	\$54,000.00	1,320.00	\$35,640.00	1,403.12	\$37,884.24	1,859.00	\$50,193.00
30	Pressure Reducing Station	1	EA	16,832.21	\$16,832.21	17,000.00	\$17,000.00	20,000.00	\$20,000.00	16,500.00	\$16,500.00	16,704.12	\$16,704.12	17,270.00	\$17,270.00
31	Gravel Replacement	25,000	LF	8.67	\$216,750.00	3.00	\$75,000.00	5.00	\$125,000.00	4.40	\$110,000.00	5.36	\$134,000.00	2.75	\$68,750.00
32	Blacktop Replacement	200	LF	28.00	\$5,600.00	50.00	\$1,000.00	25.00	\$5,000.00	16.50	\$3,300.00	34.60	\$6,920.00	22.00	\$4,400.00
33	6-inch Joint Restraint	80	EA	39.83	\$3,186.40	100.00	\$8,000.00	100.00	\$8,000.00	33.00	\$2,640.00	52.75	\$4,220.00	40.26	\$3,220.80
34	4-inch and 3-inch Joint Restraint	150	EA	29.67	\$4,450.50	100.00	\$15,000.00	80.00	\$12,000.00	33.00	\$4,950.00	44.75	\$6,712.50	33.00	\$4,950.00
Total Construction Cost					\$1,949,141.17		\$2,055,078.00		\$2,090,051.70		\$2,168,840.00		\$2,257,716.69		\$2,337,893.32

**PRELIMINARY ENGINEERING REPORT
PHASE 12 WATER LINE EXTENSION PROJECT**

Prepared For

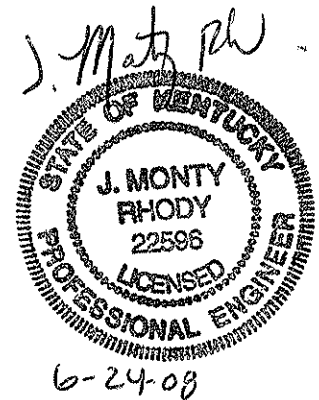
**MORGAN COUNTY WATER DISTRICT
408 Prestonsburg Street
West Liberty, Kentucky 41472
Phone (606) 743-1204**

RECEIVED
JUN 30 2008
PUBLIC SERVICE
COMMISSION

Prepared By:

CT **CANN-TECH, LLC**
Engineers · Planners · Managers

**1100 Glensboro Road
Park View Center, Suite 9
Lawrenceburg, Kentucky 40342
Phone (502) 859-0907
Fax (502) 859-5580**



JULY 2006

6-24-08

**PRELIMINARY ENGINEERING REPORT
PHASE 12 WATER LINE EXTENSION PROJECT**

Prepared For

**MORGAN COUNTY WATER DISTRICT
450 Prestonsburg Street
West Liberty, Kentucky 41472
Phone (606) 743-1204**

Prepared By:



**201 South Main Street
Lawrenceburg, Kentucky 40342
Phone (502) 859-0907
Fax (502) 859-5580**

JULY 2006

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I. Introduction

The Morgan County Water District is a water utility controlled by five board members. These board members control the Morgan County Water District by voting on issues concerning the District at their monthly meeting. The District is regulated by the Kentucky Division of Water (DOW) and the Public Service Commission (PSC).

Through the proposed Phase 12 Water Line Extension Project, the District will extend water service into un-served areas of Morgan County. Presently, water in the project area is supplied by wells and cisterns. The Morgan County Health Department has performed tests on water samples from the project area. It was found that many of the samples were contaminated and considered unsafe for human consumption. Lisa Cantrell of the Morgan County Health Department stated (See Appendix A) that harmful bacteria are especially hard on the very young, elderly and those with lowered immunity to disease. The proposed project should eliminate these existing health and sanitation hazards for those persons currently living in the proposed service area.

II. Existing Water System

The Morgan County Water District (MCWD) operates a water distribution system that is classified by the Division of Water as Class II-D. This classification means that the system serves a population of at least 500 but not more than 3,000.

The original portion of the MCWD system was constructed in 1990 and initially served approximately 270 customers. The distribution system has continued to grow and now serves about 1845 customers through approximately 360 miles of water main ranging in size from 2-inch through 8-inch diameter. The MCWD also has five (5) water storage tanks with a combined storage capacity of 656,000 gallons.

The Morgan County Water District currently has one project (Phase 11) under construction and two projects (Phase 11A and 11B) in the design stage. The phase 11 project is anticipated to be complete by January 2007. This project is being funded by a Rural Development Grant / Loan and an ARC grant. It is estimated that this project will serve approximately 238 new customers. Phase 11A and 11B are estimated to serve 105 and 87 new customers respectively.

The MCWD currently has three sources of water supply; the City of West Liberty, the Caverun Water Commission and City of Paintsville. This should allow the water district ample supply of water and greatly increase the flexibility of the water district.

The MCWD takes great pride in its ability to supply quality water to its customers and is continually trying to extend its service to rural areas and provide safe potable water to the residents.

III. The Proposed Project

The MCWD proposes to extend water services to rural areas of Morgan County in need of safe, potable water. The proposed water project will serve approximately 193 of 297 potential customers along the roads listed in Table 1 below (See Appendix B Project maps). A general breakdown of the project by road is also shown in Table 1. The proposed project will require approximately 42.6 miles of water line ranging in size from 3-inch to 6-inch diameter.

IV. Cost Summary

TABLE 1 - BREAKDOWN OF PROJECT BY ROADS

Road Name	Estimated Construction Cost, \$	Water Line Length Miles	Potential Customers	Line Size, Inches
Assembly of Faith Church Rd.	20,500	0.40	6	3
Wilson Cemetery Road	27,800	0.75	5	3
Right Fork Pleasant Road	26,800	0.50	5	3
Old Loop 519	32,100	0.95	2	3
Kendall Hill Road	15,500	0.40	3	3
Hwy. 1161	311,600	6.15	25	6
Coon Hollow Road	16,500	0.55	1	3
Rube Branch	12,800	0.25	4	3
Mortica Branch	30,000	0.75	6	3
Indian Branch	27,800	0.75	6	3
Gevedon Branch	63,700	1.38	10	3
Trace Fork	13,800	0.25	1	3
Steele Branch	31,300	0.75	7	3
Barker Branch	30,300	0.60	7	3
Benton Branch	25,000	0.30	5	3
Seller Phipps Road	21,000	0.40	5	3
Perkins Hollow Road	15,000	0.20	4	3
Perkins Cemetery Road	78,400	1.10	6	3
Hwy. 205	88,500	1.40	6	6
Demund Loop	56,600	1.10	8	4
Halsey Branch	81,200	2.15	8	4
Halsey Fork	72,400	1.60	12	4
R. Stacey Road	20,800	0.45	4	4
Nickels Branch	70,100	1.90	8	4
Walters Branch	52,600	1.35	8	4
Caskey Branch	19,800	0.55	2	3
Robinson Branch	22,000	0.45	2	3

**Preliminary Engineering Report
Phase 12 Water Line Extension Project**

Glen Lawson Road	32,000	0.75	4	3
Woody Cantrell	9,000	0.15	4	3
Pelfry Branch	22,300	0.50	6	3
Big Branch	25,920	0.25	7	3
Conley Branch	21,700	0.55	11	3
Muddy Branch	26,500	0.65	2	3
Old House Branch	53,600	1.25	5	3
Dedman Branch	56,500	1.05	18	4
Hinson Branch	19,400	0.30	6	3
Piney Branch	24,800	0.55	5	3
Splitwood Branch	32,100	0.95	1	3
Pasture Branch	21,200	0.45	2	3
Wheeler Raod	19,000	0.20	4	3
Keeton Branch	24,000	0.30	10	3
Little Caney Branch	76,200	1.65	10	4
Hwy.1715	310,380	1.35	15	4
Doc Ison Branch	11,900	0.25	2	3
Fyfee Branch	40,000	0.80	12	4
Left Fyfee Branch	19,600	0.45	7	3
TOTALS	2,130,000	42.6	297	

**TABLE 2 - MORGAN COUNTY WATER DISTRICT
PHASE 12 WATER LINE EXTENSIONS
ESTIMATED CONSTRUCTION COST**

NO.	ITEM	QUANTITY	UNIT	UNIT PRICE	TOTAL
1	6" PVC Water Line	62,000	LF	\$8.00	\$496,000
2	4" PVC Water Line	75,000	LF	\$6.00	\$450,000
3	3" PVC Water Line	90,000	LF	\$5.00	\$450,000
4	10" Steel Casing, Bore & Jack	600	LF	\$90.00	\$54,000
5	8" Steel Casing, Bore & Jack	1,400	LF	\$85.00	\$119,000
6	6" Gate Valve	35	EA	\$700.00	\$24,500
7	4" Gate Valve	22	EA	\$650.00	\$14,300
8	3" Gate Valve	18	EA	\$450.00	\$8,100
9	Flush Hydrant	11	EA	\$2,700.00	\$29,700
10	4" Blow Off Assembly	10	EA	\$750.00	\$7,500
11	3" Blow Off Assembly	34	EA	\$700.00	\$23,800
12	Air Release Valve	10	EA	\$1,000.00	\$10,000
13	Creek Crossing	1,200	LF	\$80.00	\$96,000
14	Meter Setting	193	EA	\$700.00	\$135,100
15	Connection	46	EA	\$2,000.00	\$92,000

**Preliminary Engineering Report
Phase 12 Water Line Extension Project**

Page 4

16	Pressure Regulating Valve with Vault	2	EA	\$5,000.00	\$10,000
17	Relocate Existing Pump Station	1	EA	\$45,000.00	\$45,000
18	Hydropneumatic Pump Station	1	EA	\$75,000.00	\$75,000
TOTAL					\$2,140,000

TABLE 3 - ESTIMATED PROJECT COST

Construction Cost	\$2,140,000
Contingencies	214,000
Engineering	162,000
Inspection	97,000
Legal and Administrative	32,000
Miscellaneous (PE Report, Archeological, PSC, Environmental Ass.)	25,000
Land and/or Rights	50,000
Interest During Construction	30,000
<hr/>	
TOTAL ESTIMATED PROJECT COST	\$2,750,000

V. Funding

Proposed funding for this project is being made available as shown in Table 4.

TABLE 4 - FUNDING SOURCES

Rural Development Grant	\$1,080,000
Rural Development Loan	\$1,620,000
Tap Fees	\$50,000
<hr/>	
TOTAL FUNDING	\$2,750,000

VI. Rate Analysis

A. Expenses

1. General

There are normally three components to be considered in calculating a system's total expenses. They are Operation and Maintenance Costs (O&M), Annual Debt Service (payment for principal and interest on the bonded indebtedness) and Coverage (monthly "set aside" from revenues to insure payment of Debt Service in "lean" times).

2. Operation and Maintenance Costs

The Operation and Maintenance costs are the largest and most variable portion of the budget. With historical data, a very good estimate of these costs can be made. Table 5 shows: the O&M costs for 2005; the estimated O&M costs for the three projects that the water district is undertaking, the proposed project; and the Total O&M costs for the existing, current and proposed projects.

TABLE 5 - PROPOSED O&M EXPENSES

Expense Description(3)	Existing System(1)	Current Projects(4)	Proposed Project (2)	Total
Water Purchase	\$269,230	\$35,588	\$15,973	\$320,791
Transmission & Distribution	\$305,057	\$12,000	\$10,000	\$327,057
Administrative	\$36,942	\$2,500	\$2,000	\$41,442
Pumping Expense	\$6,000	\$1,000	\$0	\$7,000
TOTAL O&M EXPENSES	\$617,229	\$51,088	\$27,973	\$696,290

(1) The values listed are based on the 2005 fiscal year audit.

(2) Assumes 193 customers using 3300 gallons per month (Phase 12). Cost of water purchase is \$2.09 per 1000 gallons (Average From City of West Liberty, Paintsville, and Caverun Water Commission)

(3) Does not include depreciation.

(4) Assumes 430 customers using 3300 gallons per month (Phase 11, 11A and 11B). Cost of water purchase \$2.09 per 1000 gallons (Average From City of West Liberty, Paintsville, and Caverun Water Commission).

3. Debt Service

The annual debt service (payment for principal and interest) is established in the bond ordinance for each bond issue. The actual payment is dependent on the interest rate and term of the bond issue. The RD's bonds are for a term of 40 years with principal payments deferred for the first two years. Based on the 2005 audit, the Morgan County Water District will have an annual P&I payment of approximately \$96,668 in existing bonds for the year 2007. In 2008, the annual P&I payment in bonds will be \$96,358.

The RD loan on the current projects as listed above is proposed to be \$1,000,000. The annual P&I for the project is estimated to be \$54,000, at the RD interest rate of 4.5%. The proposed project will have a bond issue of \$1,620,000 at an estimated interest rate of 4.5% interest. The annual P&I Payment is estimated to be \$87,500.

4. Coverage

Coverage is RD's requirement for establishing a monthly "set aside" to ensure payment of debt service should the utility have a "lean" year or some major unexpected cost. This money is a percent of the monthly revenues with a pre-established "cap." It is normally placed in a reserve account and is not available to the Utility for O&M Expenses without RD's approval.

The normal percent used by RD's for Coverage is 10% on each bond issue. That was the percent that was used in the following rate analysis for the MCWD.

5. Summary of Expenses

TABLE 6 - SUMMARY OF EXPENSES

<u>Service Area</u>	<u>Annual O&M Expenses</u>	<u>Debt Service</u>	<u>Coverage At 10%</u>	<u>Total</u>
Existing System	\$617,229	\$96,358 ⁽¹⁾	\$9,666	\$723,253
Current Projects	\$51,000	\$54,000	\$5,400	\$110,400
Proposed Project	\$28,000	\$87,500	\$8,750	\$124,250
TOTAL	\$696,229	\$237,858	\$23,816	\$957,903

(1) Debt Service due in 2008 according to 2005 audit.

Therefore, the MCWD needs to collect a minimum of \$957,903 annually to break even. Any amount in excess of that figure is surplus and can be used to make additional capital improvements to the water system and/or make repairs to the existing system.

B. Income Required

1. General

Income for a utility comes from several sources: the sale of water; interest income on investments; fees received from disconnect/reconnect/late charges and surcharges. The latter is an attempt to extend service into new areas by letting those that receive the service pay a more proportionate share of the cost. It also is an attempt at not making the first customers in a utility continually pay for expansion for that system.

The MCWD has not previously used a surcharge and it is felt that a surcharge will not be required for the proposed project.

2. Customers and Average Usage

The customer count and usage were provided by the MCWD.

TABLE 7 - SUMMARY OF CUSTOMER COUNT AND USAGE

<u>Service Area</u>	<u>Number of Customers</u>	<u>Average Monthly Usage, Gallons</u>
Existing System	1845	4000
Current Projects	430	3400
Proposed Project	190	3400

(1) Assumed same monthly usage since the socio-economic makeup of the proposed customers is equal to the existing customers.

3. Estimated Income

Based on the audited financial statements for the year ending 2005, operating income from water sales alone was \$728,976. Based on adding 430 new customers on the current project and 193 on the proposed project, at an average water usage rate of approximately \$32.79, the new customers should generate an additional \$171,964 and \$73,163 respectively in income by 2008 year end. Table

8 includes a summary of the estimated income calculations from water sales alone. Please see the Actual Water Usage Analysis and Forecasts in Appendix C.

TABLE 8 - ESTIMATED INCOME FROM WATER SALES ALONE

Service Area	Year End 2005	Year End⁽¹⁾ 2006	Year End⁽¹⁾ 2007	Projected⁽¹⁾ 2008
Existing System	\$728,976	\$745,950	\$763,450	\$780,949
Current Projects	----	\$165,141	\$168,552	\$171,964
Proposed Project	----	----	\$72,063	\$73,163
TOTAL ESTIMATED ANNUAL INCOME				\$1,026,076

(1) Project income includes 2.5% growth in system per year.

C. Summary of Rate Analysis

TABLE 9 - SUMMARY OF RATE ANALYSIS

Estimated Annual Expenses for Entire System (Including Proposed Project)	\$957,903
Estimated Income for Entire System (Including Proposed Project)	\$1,026,076
Estimated Surplus	\$68,173

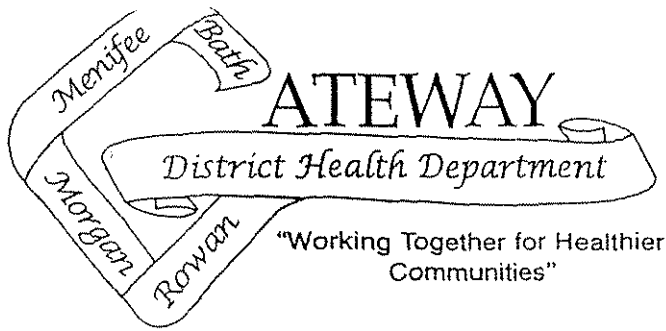
VII. Recommendation

It is recommended that the project be funded by a Rural Development Loan and Grant and a letter of conditions be issued as soon as possible.

Based on the above calculations, the proposed rates, along with the assumptions made, RD should allow the MCWD to construct the proposed project. It appears they can meet all current and proposed debts and expenses, and still have a surplus of funds.

APPENDIX A

HEALTH DEPARTMENT LETTER CONCERNING WATER QUALITY



Morgan Co. Health Center
493 Riverside Drive
West Liberty, KY 41472
(606) 768-2151
Fax: (606) 768-2153

January 27, 2006

Monty Rhody, P.E.
Cann-Tech, LLC
201 S. Main Street
Lawrenceburg, KY 40342

Received

JAN 30 2006

Re: Phase 11 Water Line Extensions
Morgan County Water District

Cann - Tech, LLC

Dear Mr. Rhody:

Many of the wells tested in Morgan County have been found to be contaminated with coliform bacteria or e-coli. These are organisms that indicate that the water supply may be contaminated with harmful bacteria. These harmful bacteria are especially hard on the very young, the very old and those with lowered immunity to disease. It is my opinion that the addition of public water, to any part of Morgan County, would most certainly be beneficial to the health of the people living in that area.

Sincerely,

Lisa A. Cantrell
Sr. Health Environmentalist

BATH

ME NIFEE

MORGAN

ROWAN

Equal Opportunity Employer M/F/H

APPENDIX B
PROJECTS MAPS

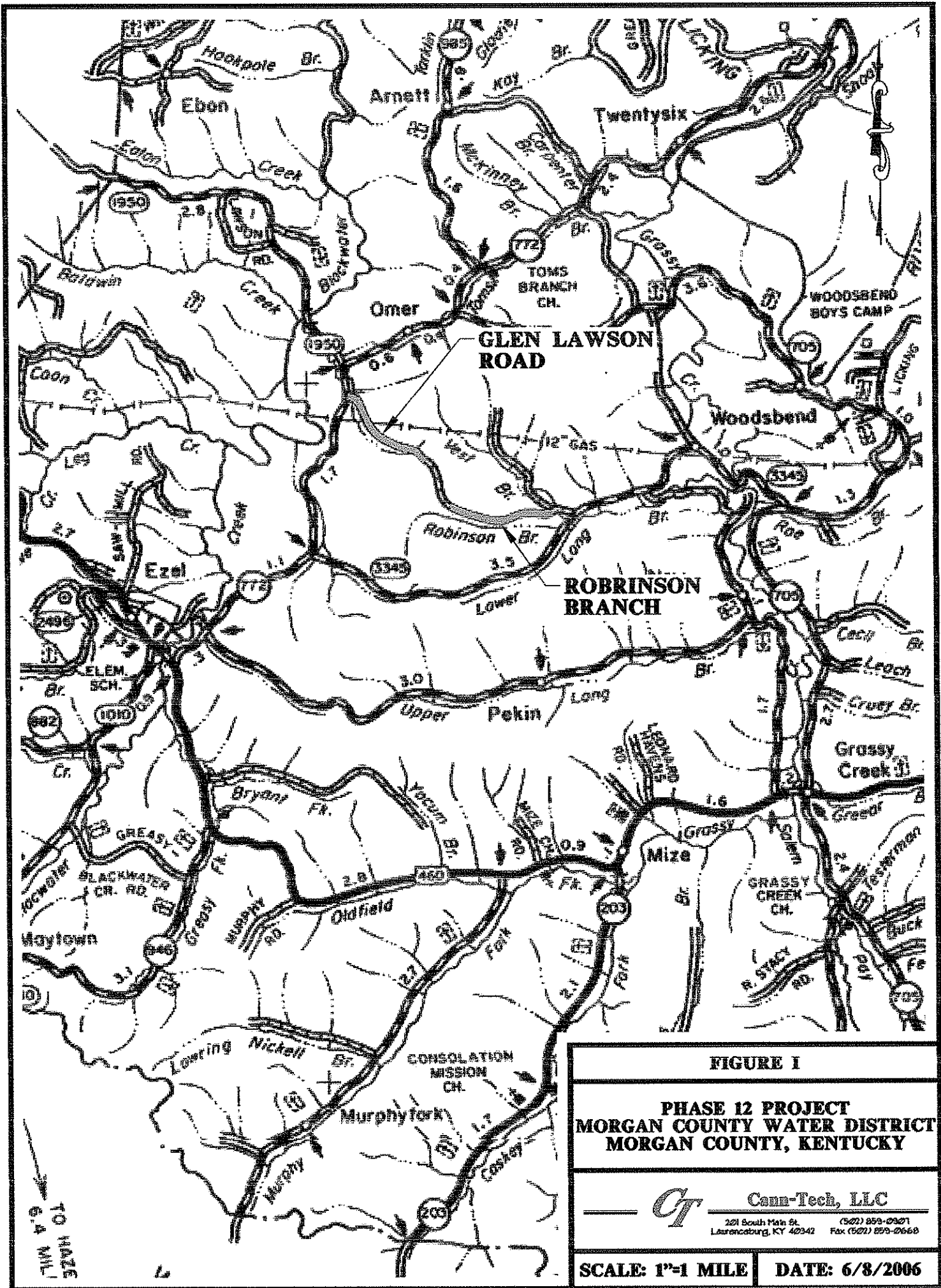
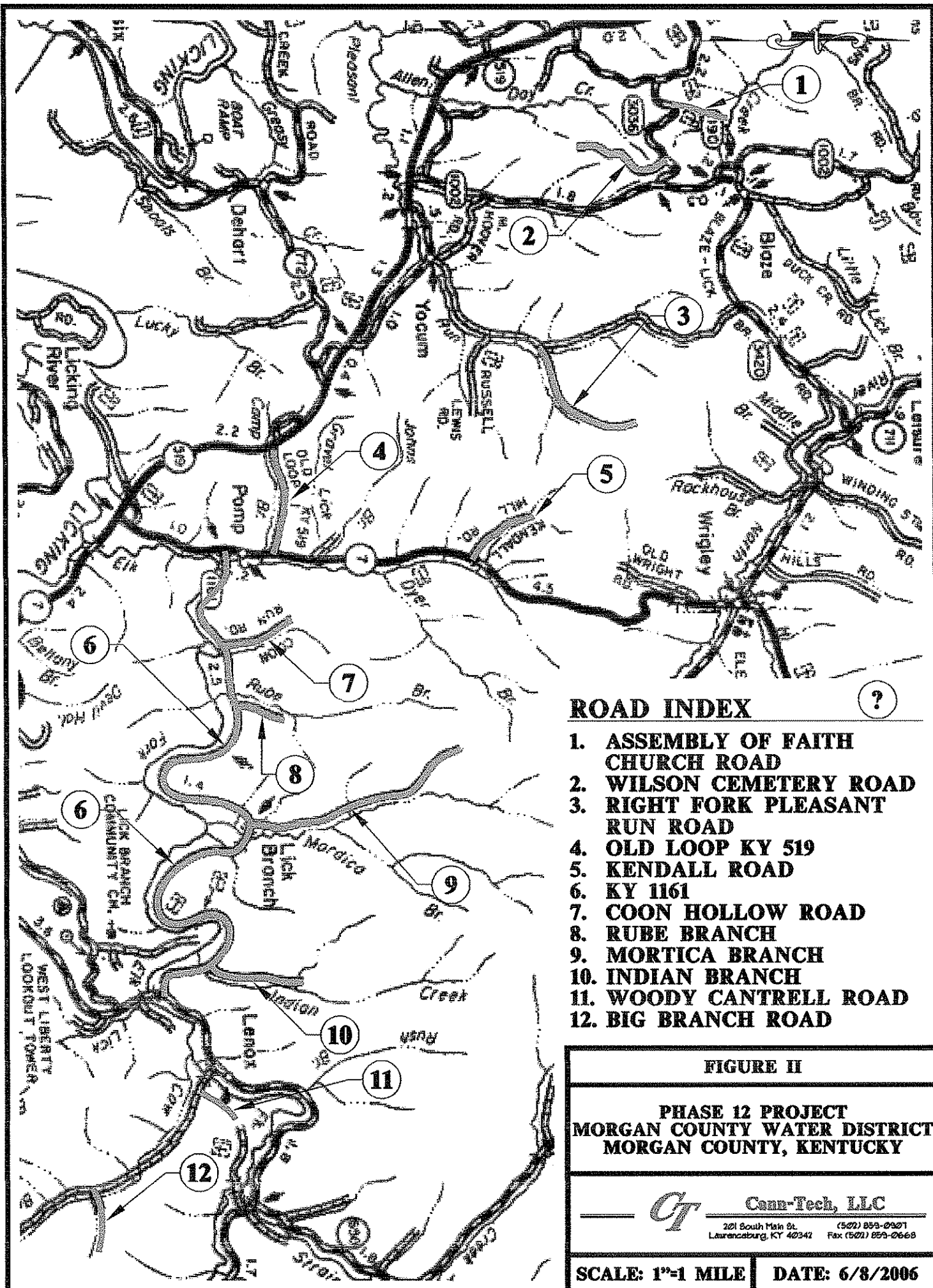


FIGURE I

PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY



Cann-Tech, LLC
 221 South Main St. (502) 859-0921
 Laurencburg, KY 40342 Fax: (502) 859-0668

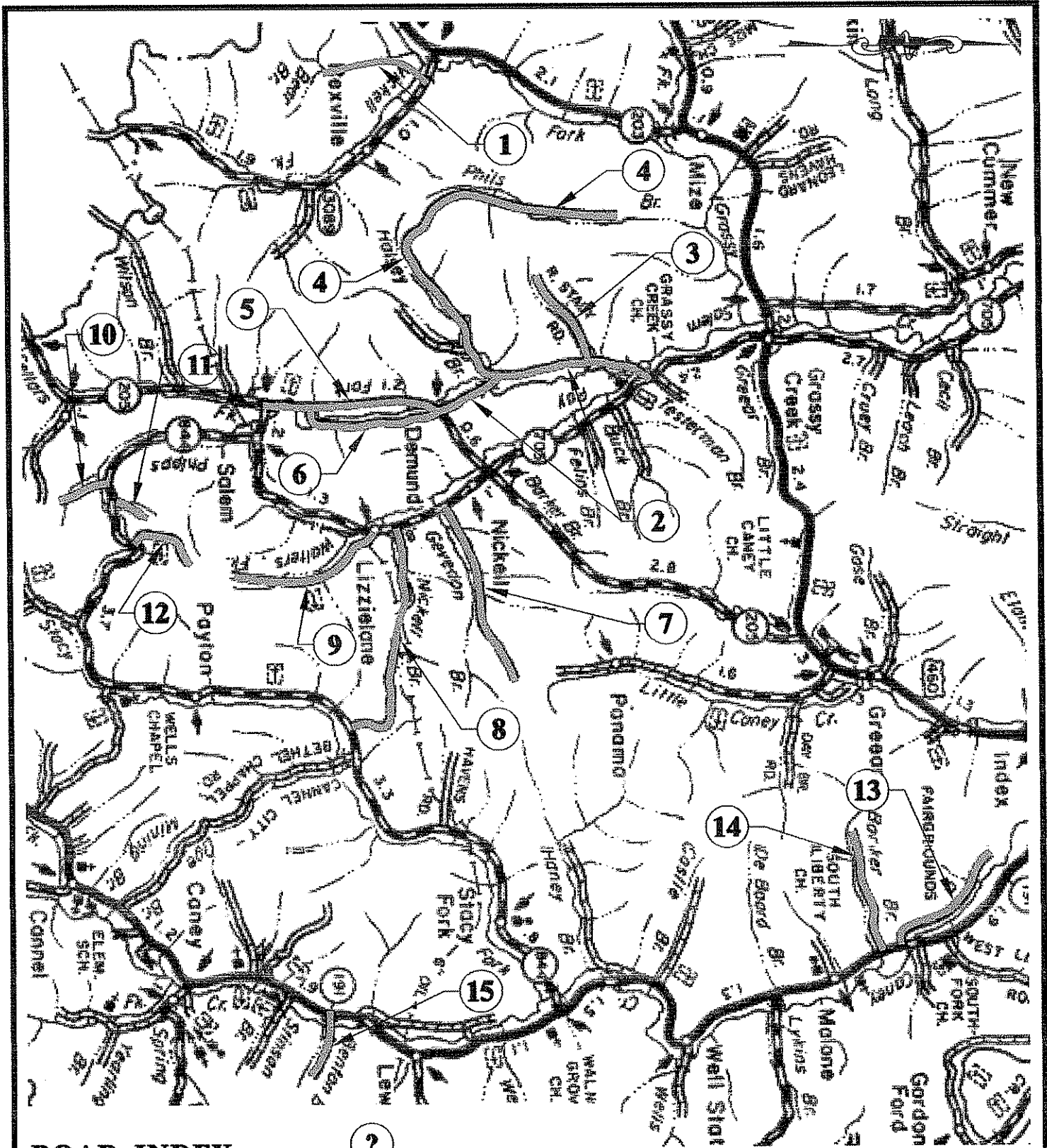
SCALE: 1"=1 MILE DATE: 6/8/2006



ROAD INDEX

1. ASSEMBLY OF FAITH CHURCH ROAD
2. WILSON CEMETERY ROAD
3. RIGHT FORK PLEASANT RUN ROAD
4. OLD LOOP KY 519
5. KENDALL ROAD
6. KY 1161
7. COON HOLLOW ROAD
8. RUBE BRANCH
9. MORTICA BRANCH
10. INDIAN BRANCH
11. WOODY CANTRELL ROAD
12. BIG BRANCH ROAD

FIGURE II	
PHASE 12 PROJECT MORGAN COUNTY WATER DISTRICT MORGAN COUNTY, KENTUCKY	
	Can-Tech, LLC <small>201 South Main St. (502) 859-0901 Laurensburg, KY 40342 Fax (502) 859-0668</small>
SCALE: 1"=1 MILE	DATE: 6/8/2006



ROAD INDEX

- | | |
|-------------------|---------------------------|
| 1. CASKEY BRANCH | 10. SELLERS PHIPP BRANCH |
| 2. R. STACEY ROAD | 11. PERKINS HOLLOW ROAD |
| 3. HALSEY BRANCH | 12. PERKINS CEMETERY ROAD |
| 4. HALSEY FORK | 13. STEELE BRANCH |
| 5. KY. 205 | 14. BARKER BRANCH |
| 6. DEMUND LOOP | 15. BENTON BRANCH |
| 7. GEVEDON BRANCH | |
| 8. NICKELL BRANCH | |
| 9. WALTERS BRANCH | |

FIGURE III

**PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY**

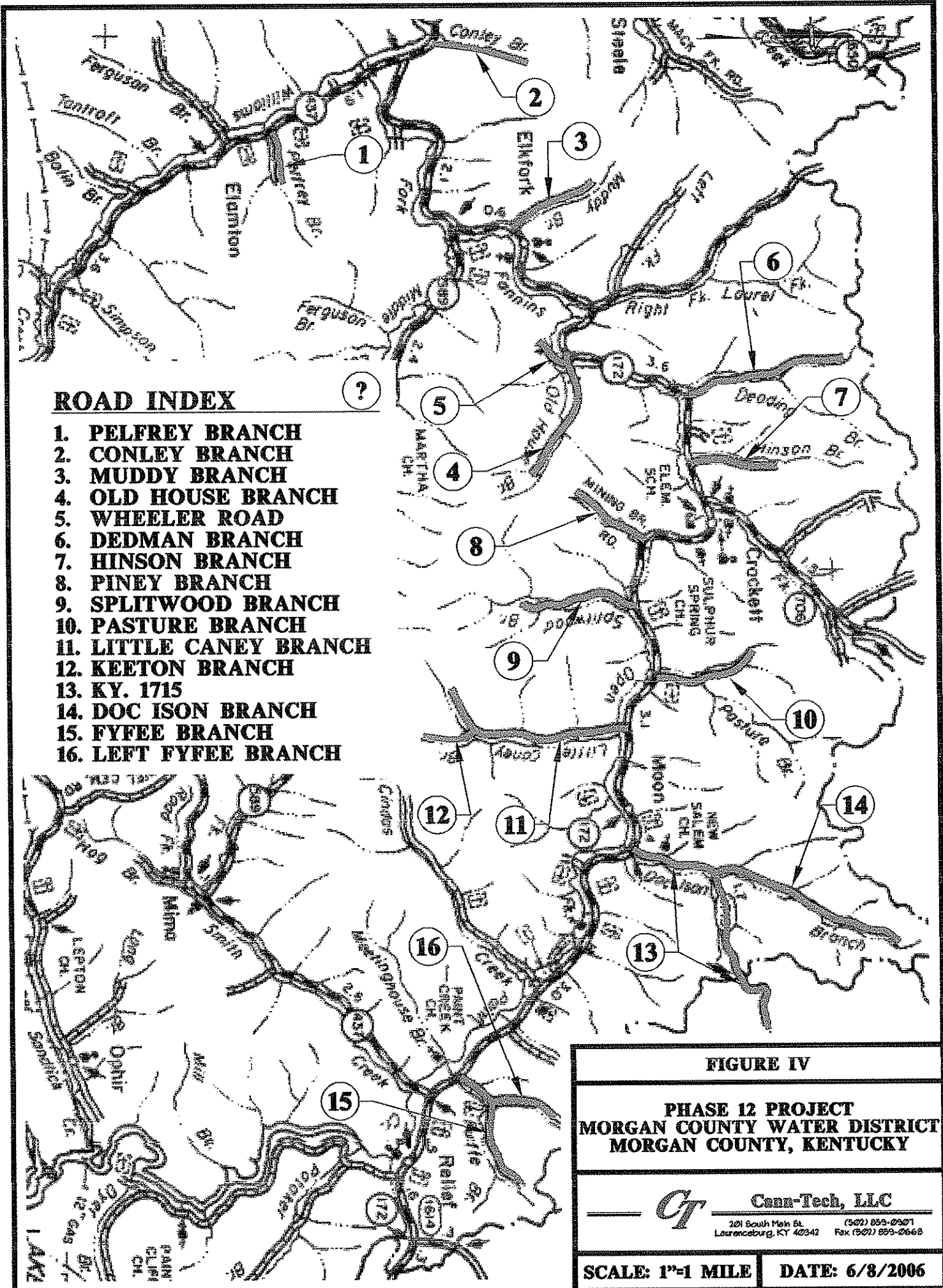


Cann-Tech, LLC

201 South Main St. (502) 853-0501
Laurencetown, KY 40342 Fax (502) 853-0668

SCALE: 1"=1 MILE

DATE: 6/8/2006



ROAD INDEX

- 1. PELFREY BRANCH
- 2. CONLEY BRANCH
- 3. MUDDY BRANCH
- 4. OLD HOUSE BRANCH
- 5. WHEELER ROAD
- 6. DEDMAN BRANCH
- 7. HINSON BRANCH
- 8. PINEY BRANCH
- 9. SPLITWOOD BRANCH
- 10. PASTURE BRANCH
- 11. LITTLE CANEY BRANCH
- 12. KEETON BRANCH
- 13. KY. 1715
- 14. DOC ISON BRANCH
- 15. FYFEE BRANCH
- 16. LEFT FYFEE BRANCH

FIGURE IV

**PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY**

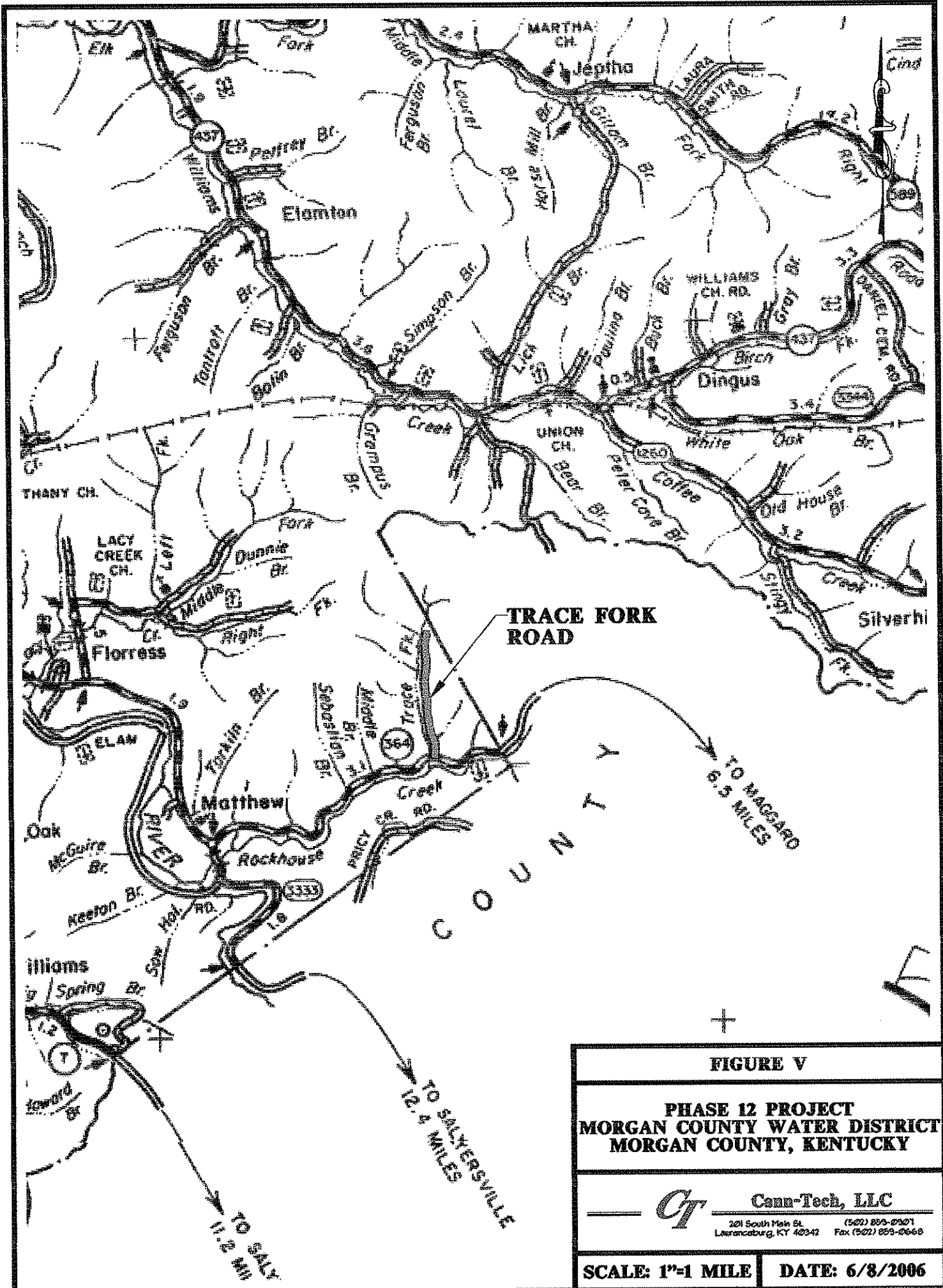


Cann-Tech, LLC

201 South Main St. (502) 853-0201
Laurensburg, KY 40342 Fax (502) 853-0668

SCALE: 1"=1 MILE

DATE: 6/8/2006



TRACE FORK ROAD

MORGAN COUNTY

FIGURE V

**PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY**



Cann-Tech, LLC

201 South Main St. (502) 895-0201
Lawrenceburg, KY 40342 Fax (502) 895-0668

SCALE: 1"=1 MILE

DATE: 6/8/2006

TO SALLY
11.2 MI

TO SALYERSVILLE
12.4 MILES

TO MARGARD
6.5 MILES

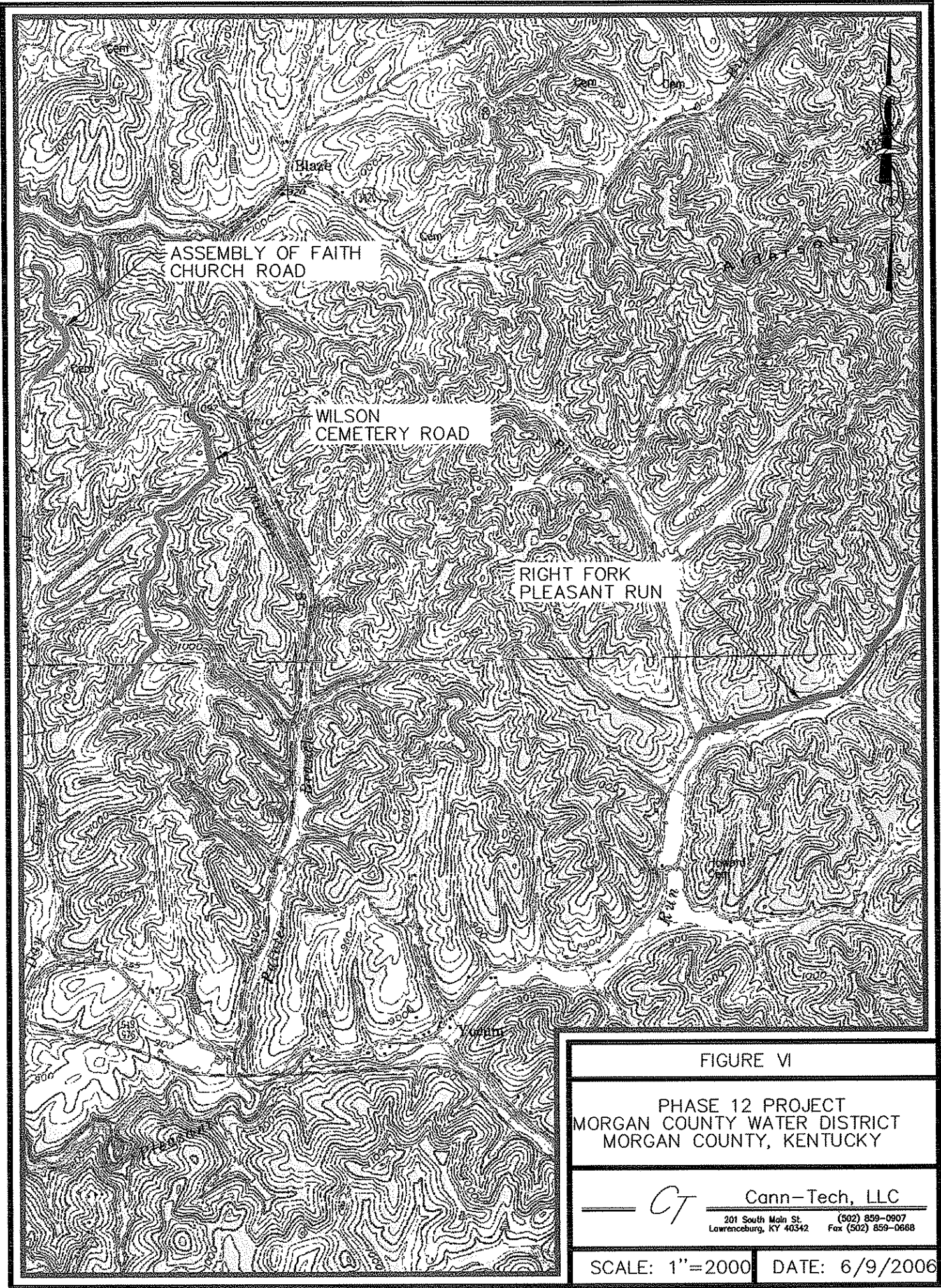
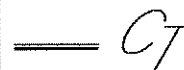


FIGURE VI

PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY



Cann-Tech, LLC

201 South Main St.
Lawrenceburg, KY 40342

(502) 859-0907
Fax (502) 859-0668

SCALE: 1"=2000

DATE: 6/9/2006

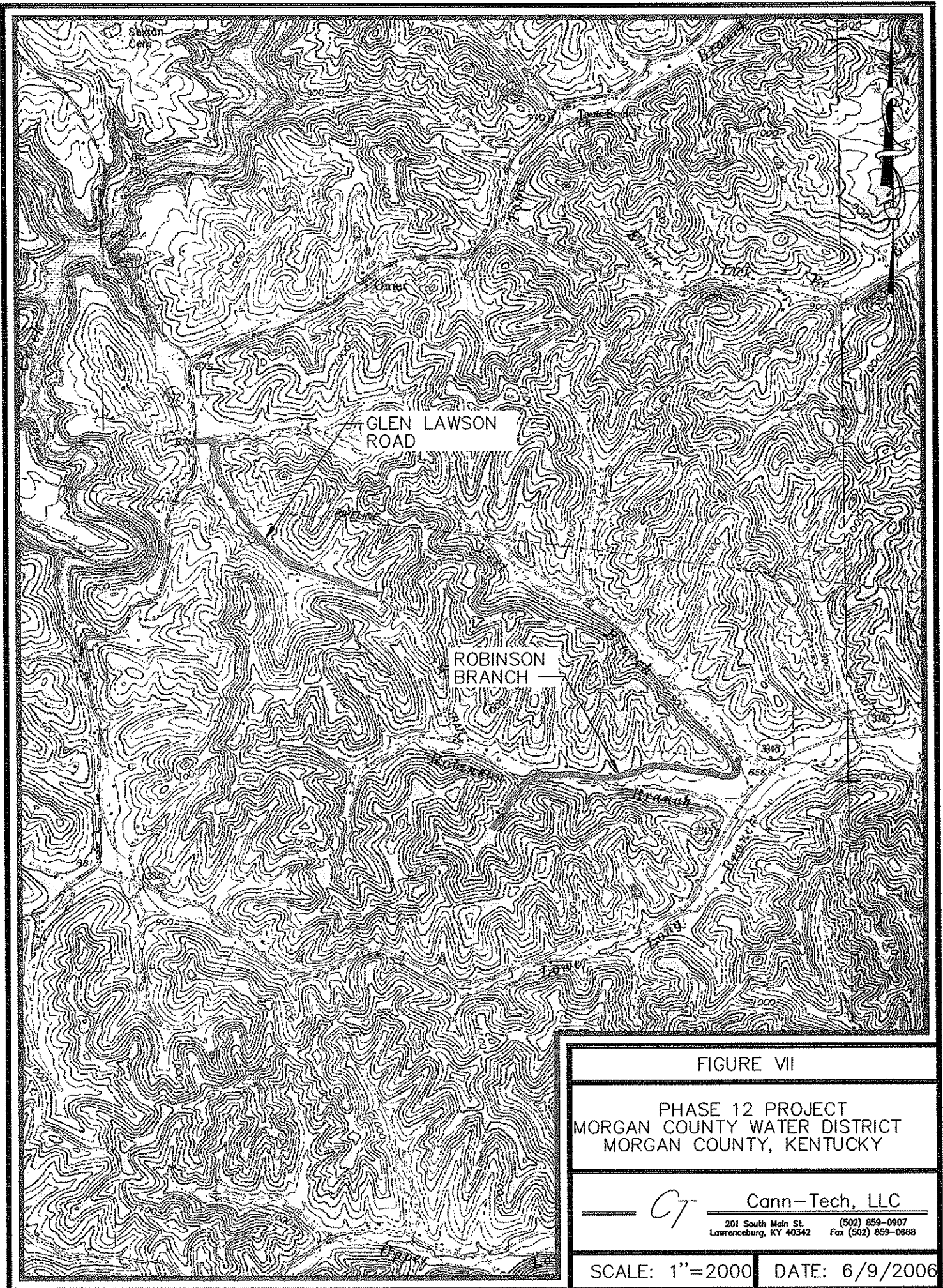


FIGURE VII

PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY



Cann-Tech, LLC

201 South Main St. (502) 859-0907
Lawrenceburg, KY 40342 Fax (502) 859-0668

SCALE: 1"=2000

DATE: 6/9/2006

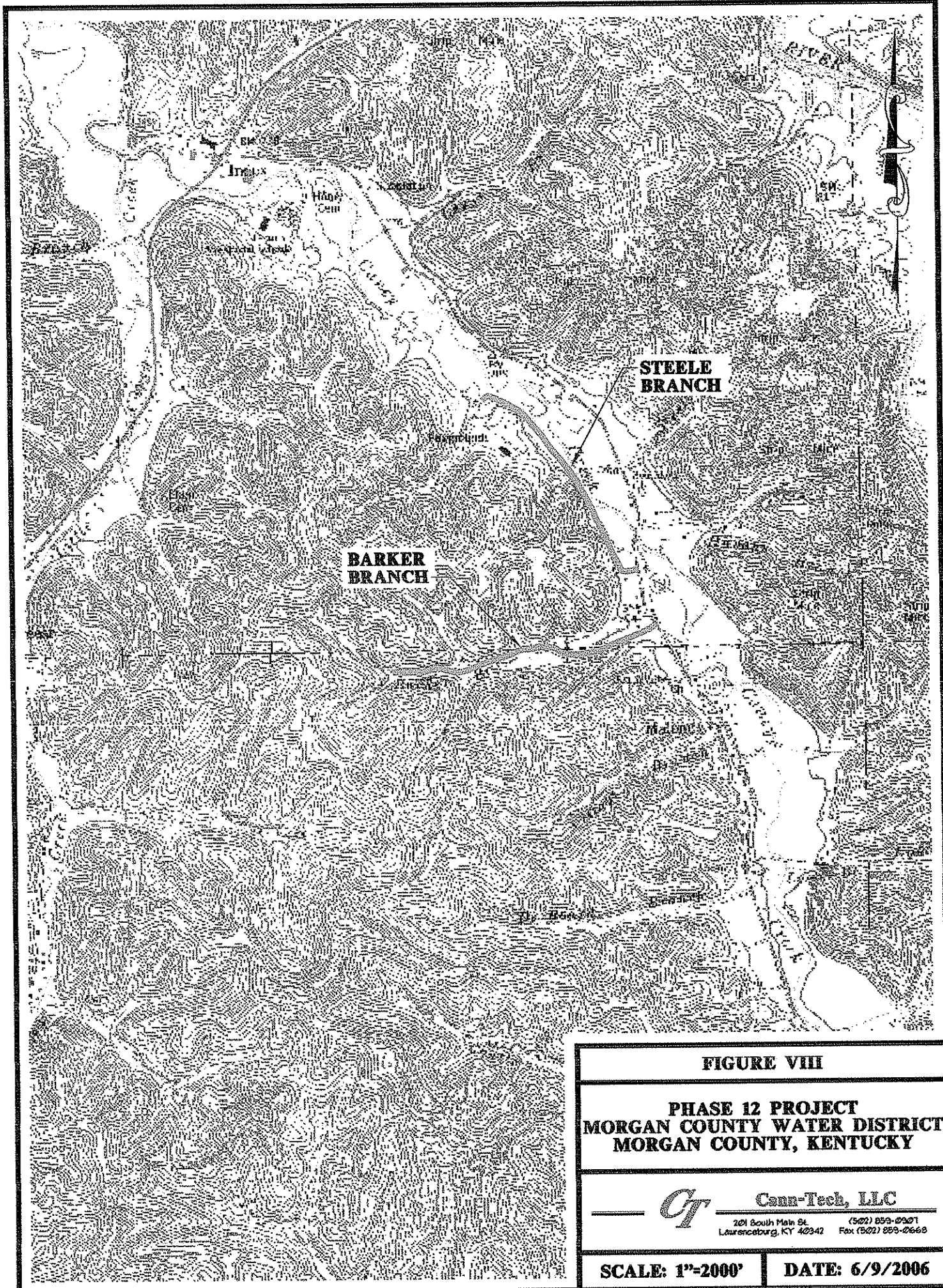


FIGURE VIII

**PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY**

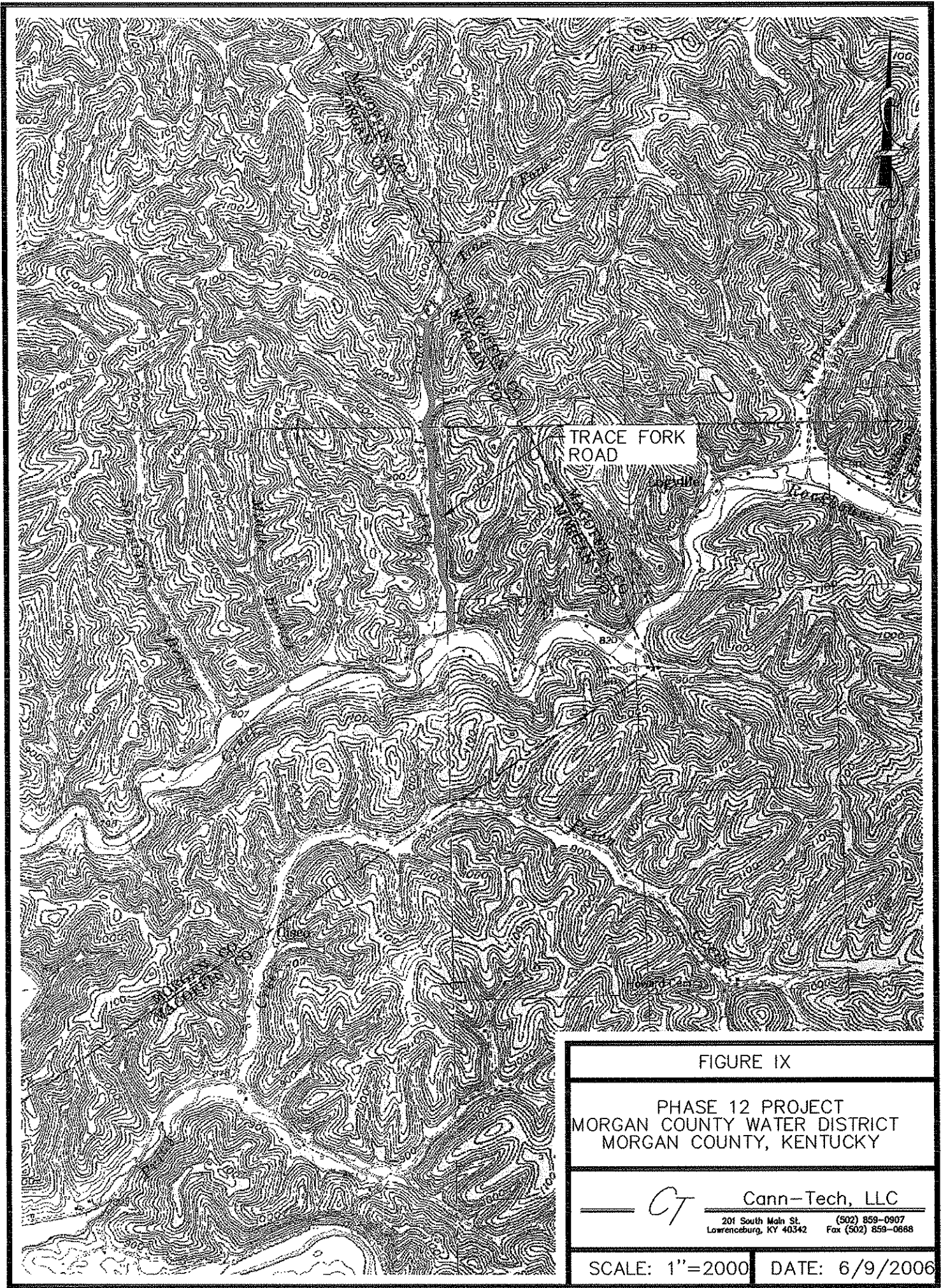


Cann-Tech, LLC

201 South Main St. (502) 859-0207
Laurencetown, KY 40342 Fax: (502) 859-0668

SCALE: 1"=2000'

DATE: 6/9/2006



TRACE FORK
ROAD

FIGURE IX

PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY



Cann-Tech, LLC

201 South Main St. (502) 859-0907
Lawrenceburg, KY 40342 Fax (502) 859-0688

SCALE: 1"=2000 DATE: 6/9/2006

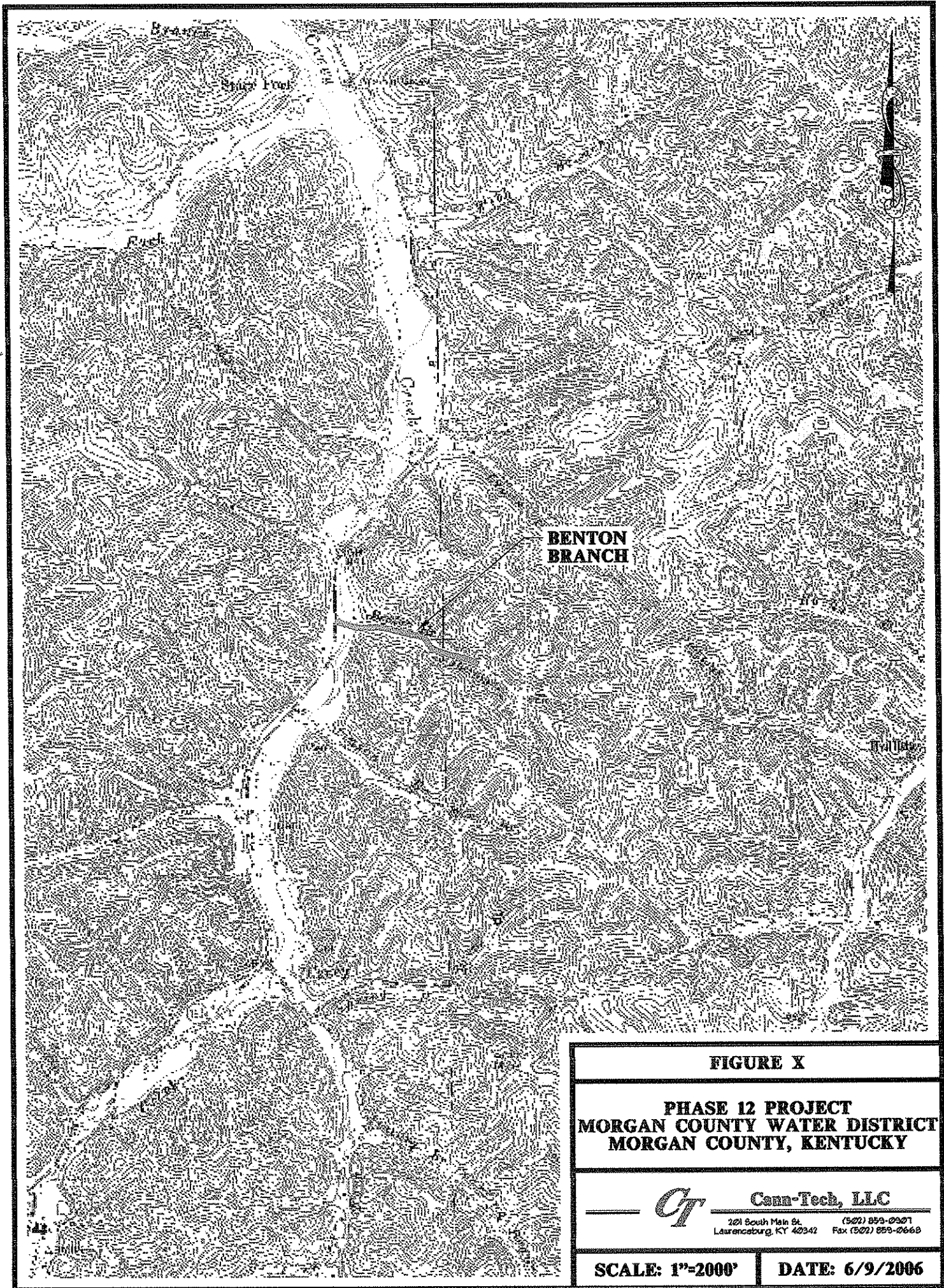


FIGURE X

**PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY**

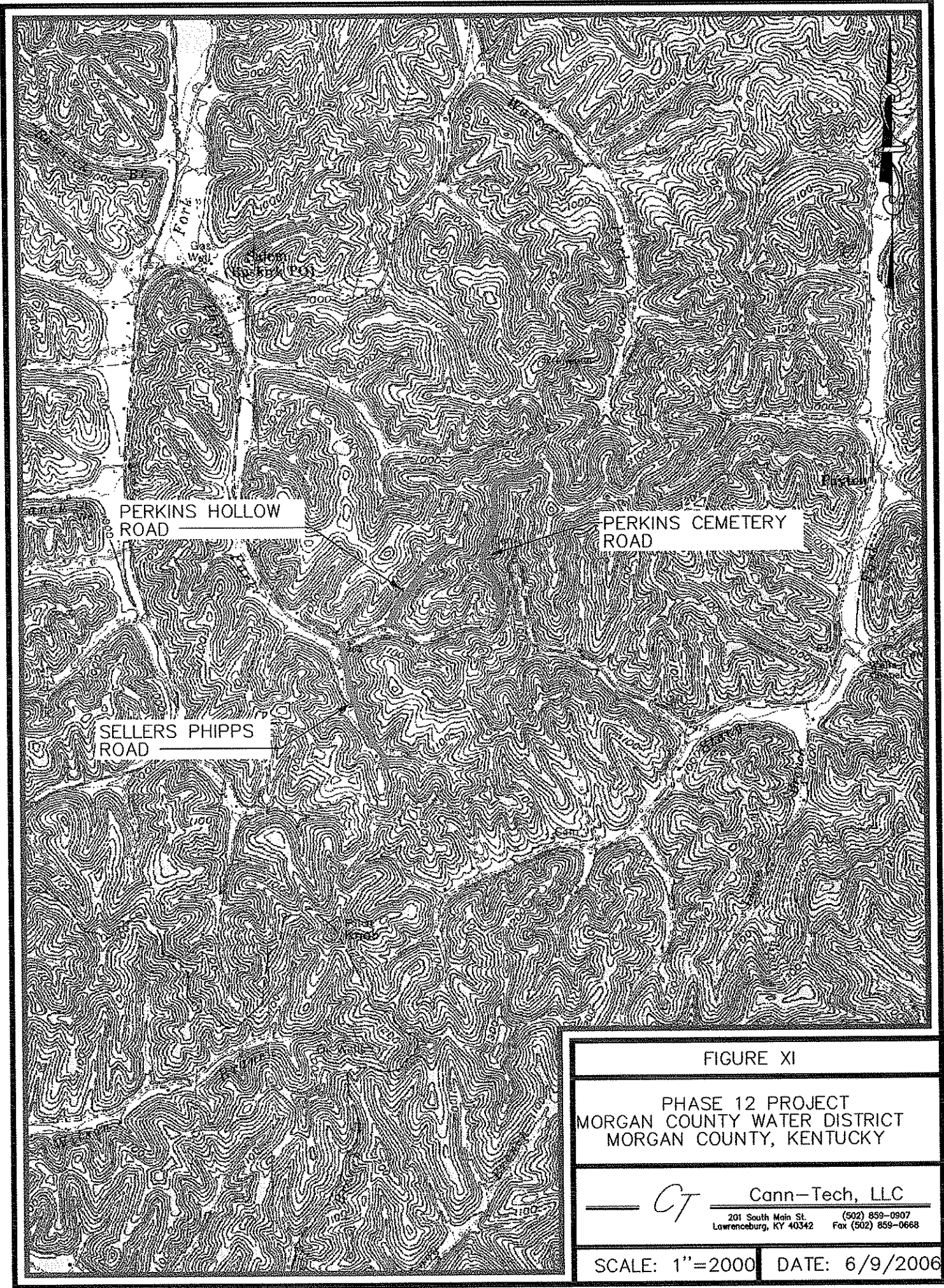


Cann-Tech, LLC

201 South Main St. (502) 853-0207
Laurensburg, KY 40342 Fax (502) 853-0668

SCALE: 1"=2000'

DATE: 6/9/2006



PERKINS HOLLOW ROAD

PERKINS CEMETERY ROAD

SELLERS PHIPPS ROAD

FIGURE XI

PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY

CT Cann-Tech, LLC
201 South Main St. (502) 859-0907
Lawrenceburg, KY 40342 Fax (502) 859-0668

SCALE: 1"=2000 DATE: 6/9/2006

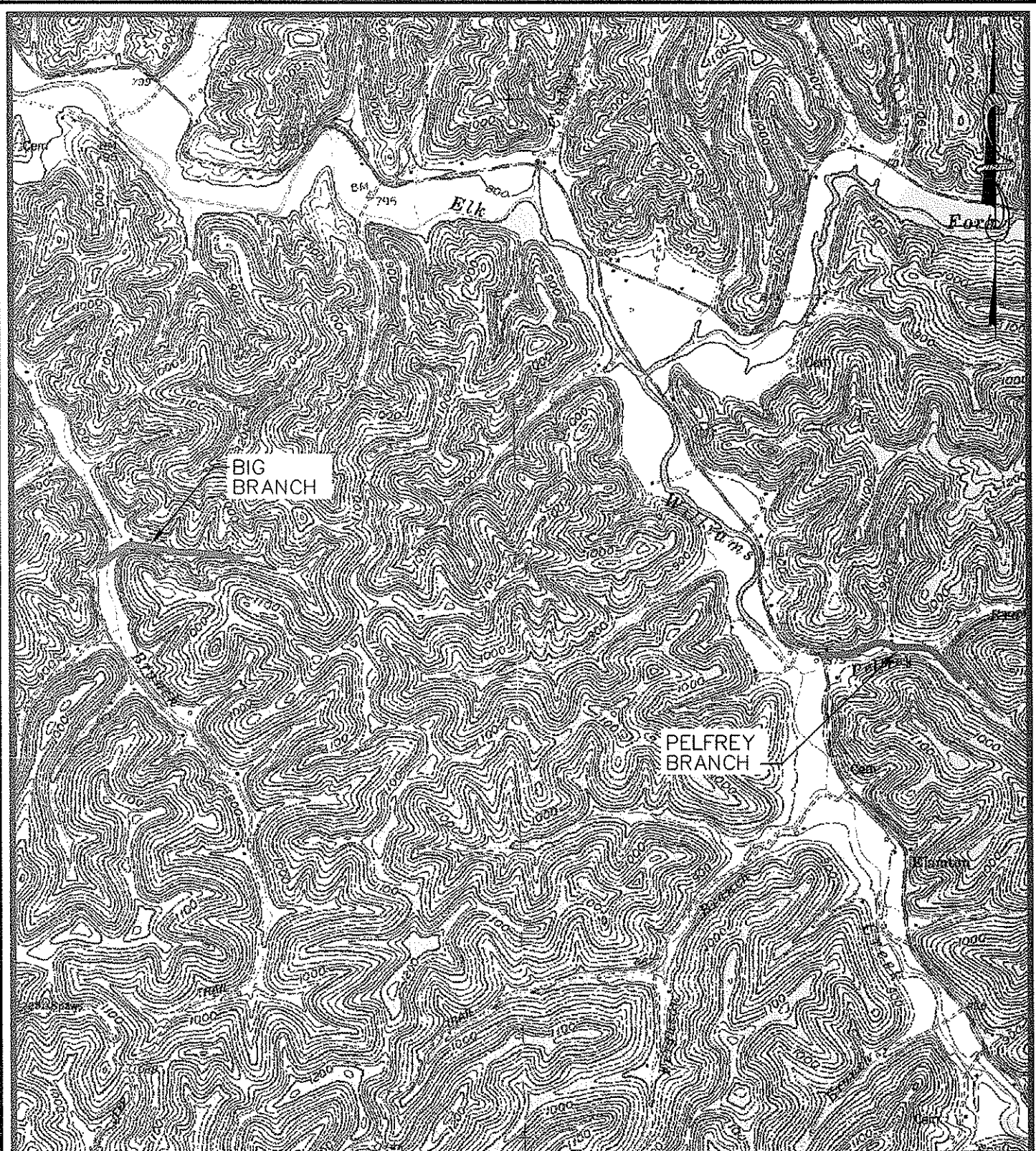


FIGURE XII

PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY



Cann-Tech, LLC

201 South Main St. (502) 859-0907
Lawrenceburg, KY 40342 Fax (502) 859-0668

SCALE: 1"=2000 DATE: 6/9/2006

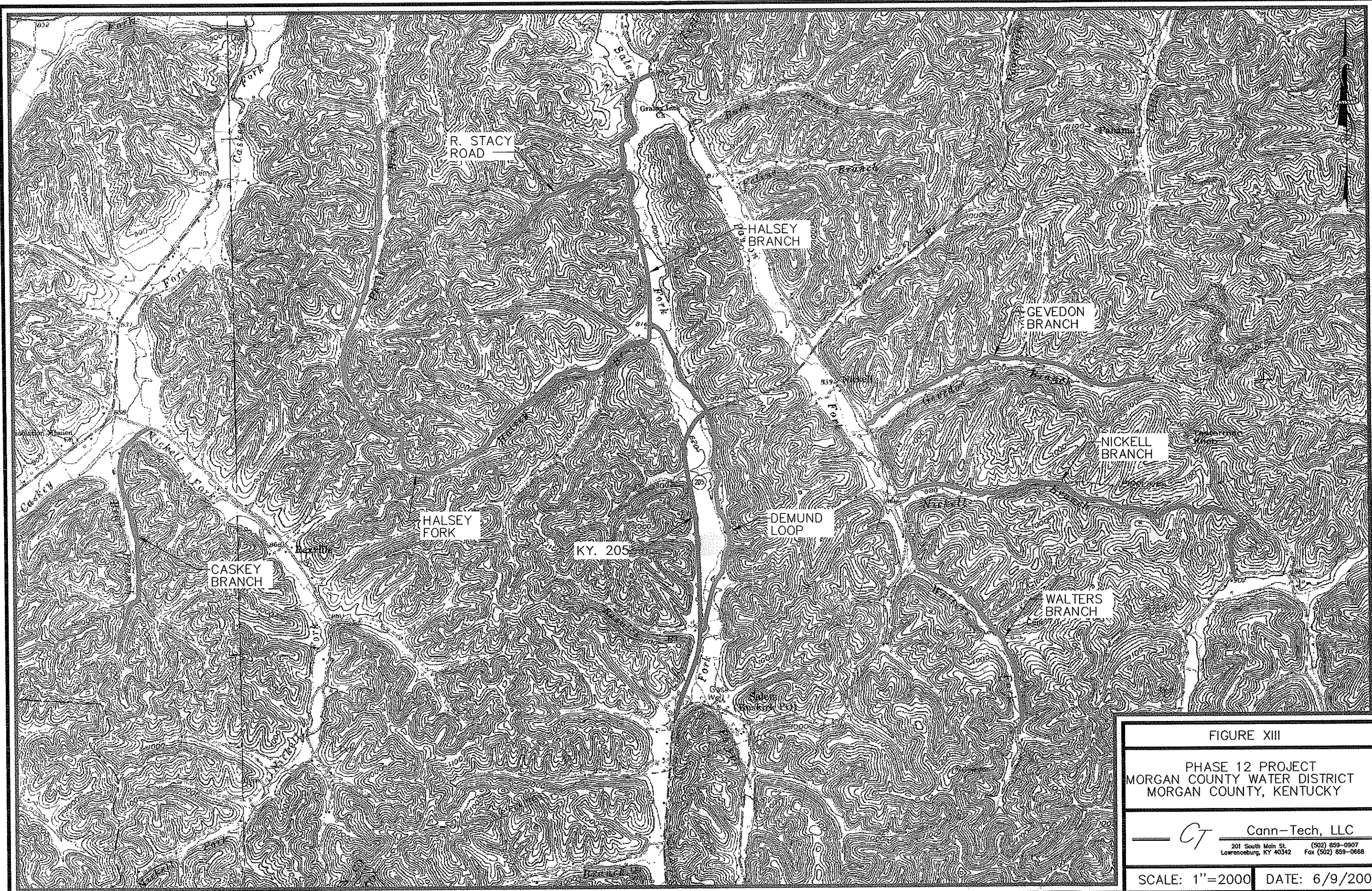

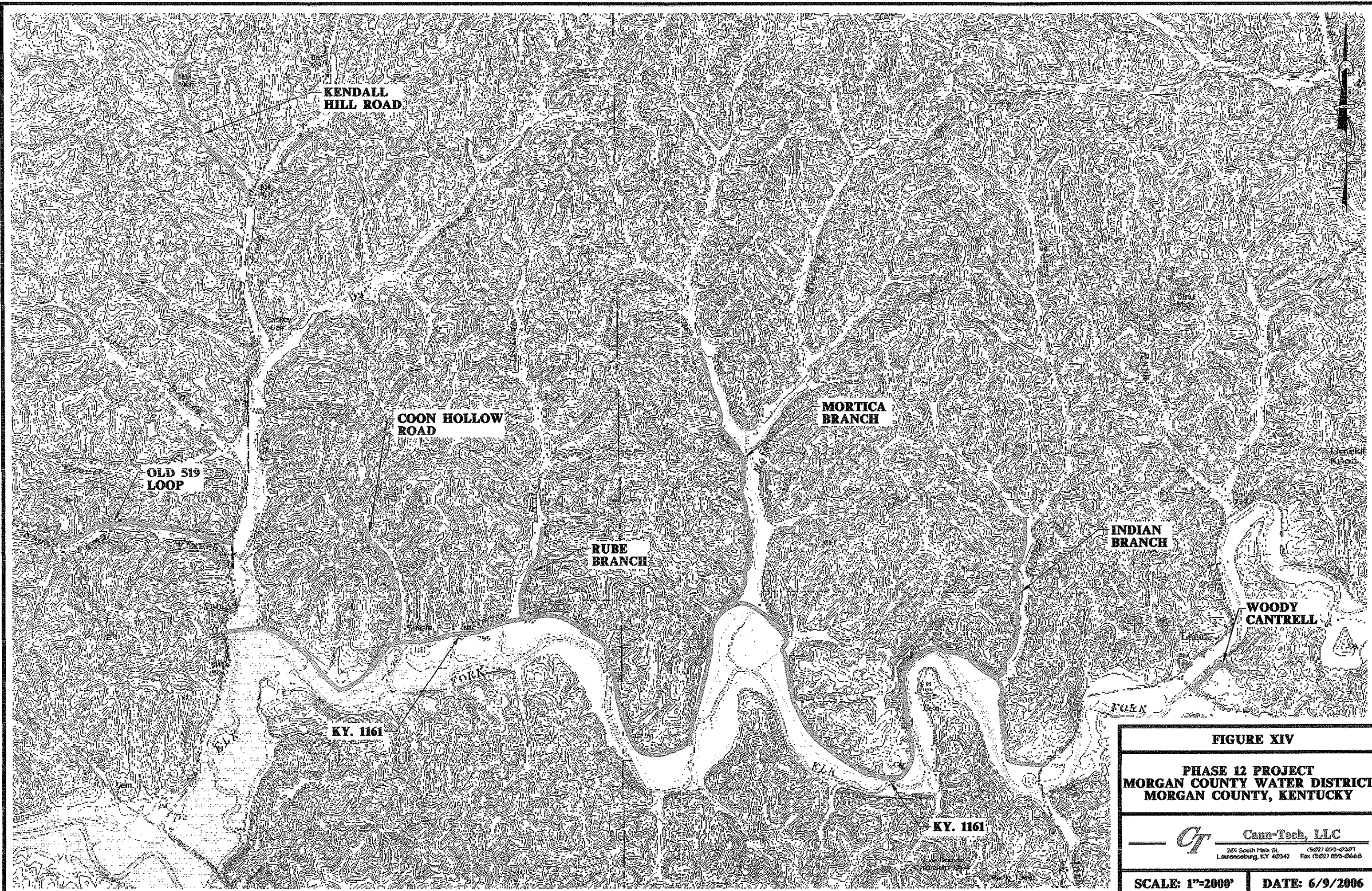


FIGURE XIII

PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY

 Cann-Tech, LLC
201 South Main St. (502) 859-0907
Lawrenceburg, KY 40342 Fax (502) 859-0668

SCALE: 1"=2000 DATE: 6/9/2006



**KENDALL
HILL ROAD**

**COON HOLLOW
ROAD**

**MORTICA
BRANCH**

**OLD 519
LOOP**

**RUBE
BRANCH**

**INDIAN
BRANCH**

KY. 1161

**WOODY
CANTRELL**

KY. 1161

FIGURE XIV

**PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY**

CT **Cann-Tech, LLC**
201 South Main St. (502) 853-0307
Laurensburg, KY 40342 Fax (502) 853-0668

SCALE: 1"=2000' **DATE: 6/9/2006**

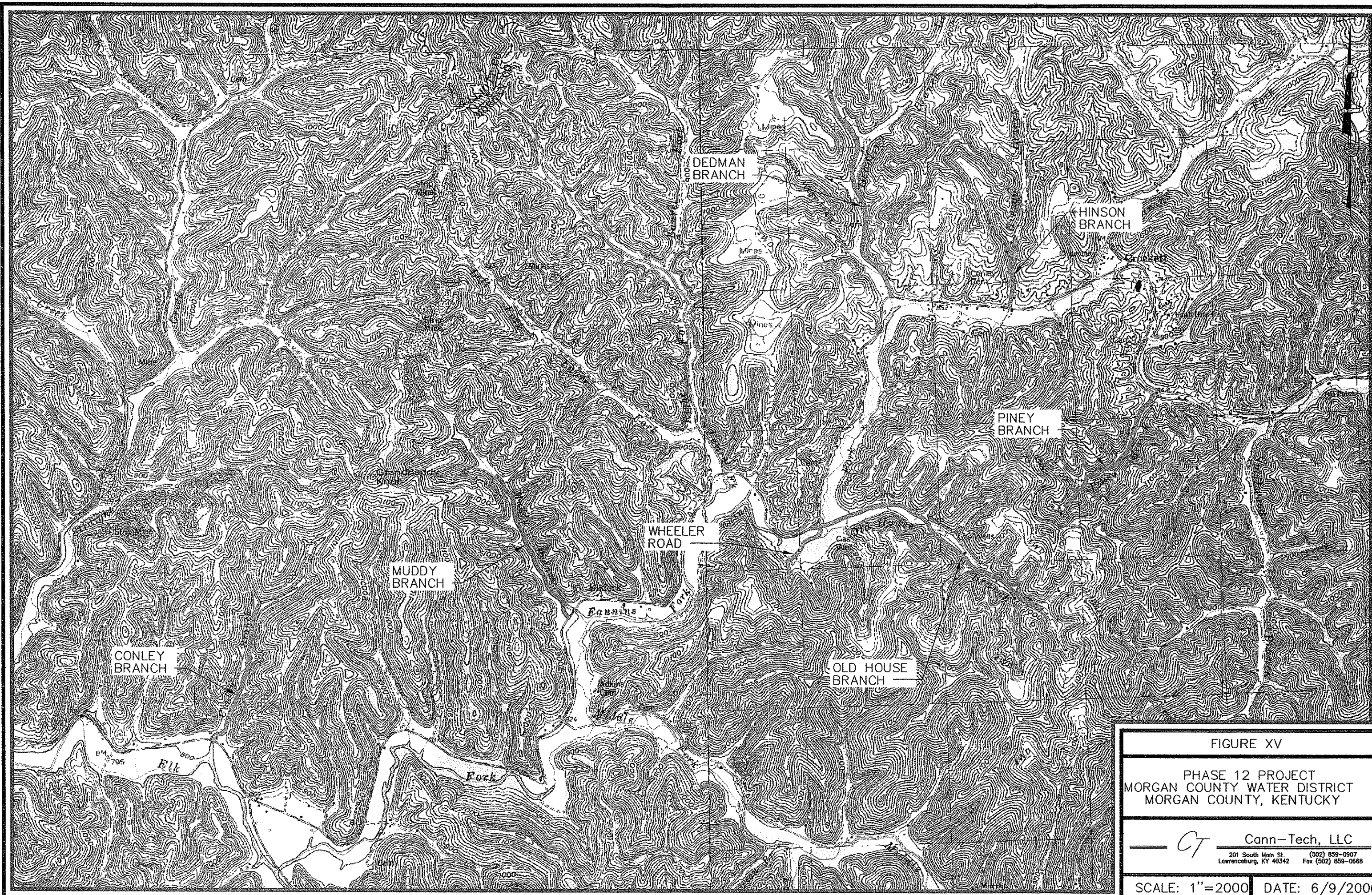


FIGURE XV

PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY

 Cann-Tech, LLC
201 South Main St. (502) 859-0907
Lawrenceburg, KY 40342 Fax (502) 859-0668

SCALE: 1"=2000 DATE: 6/9/2006

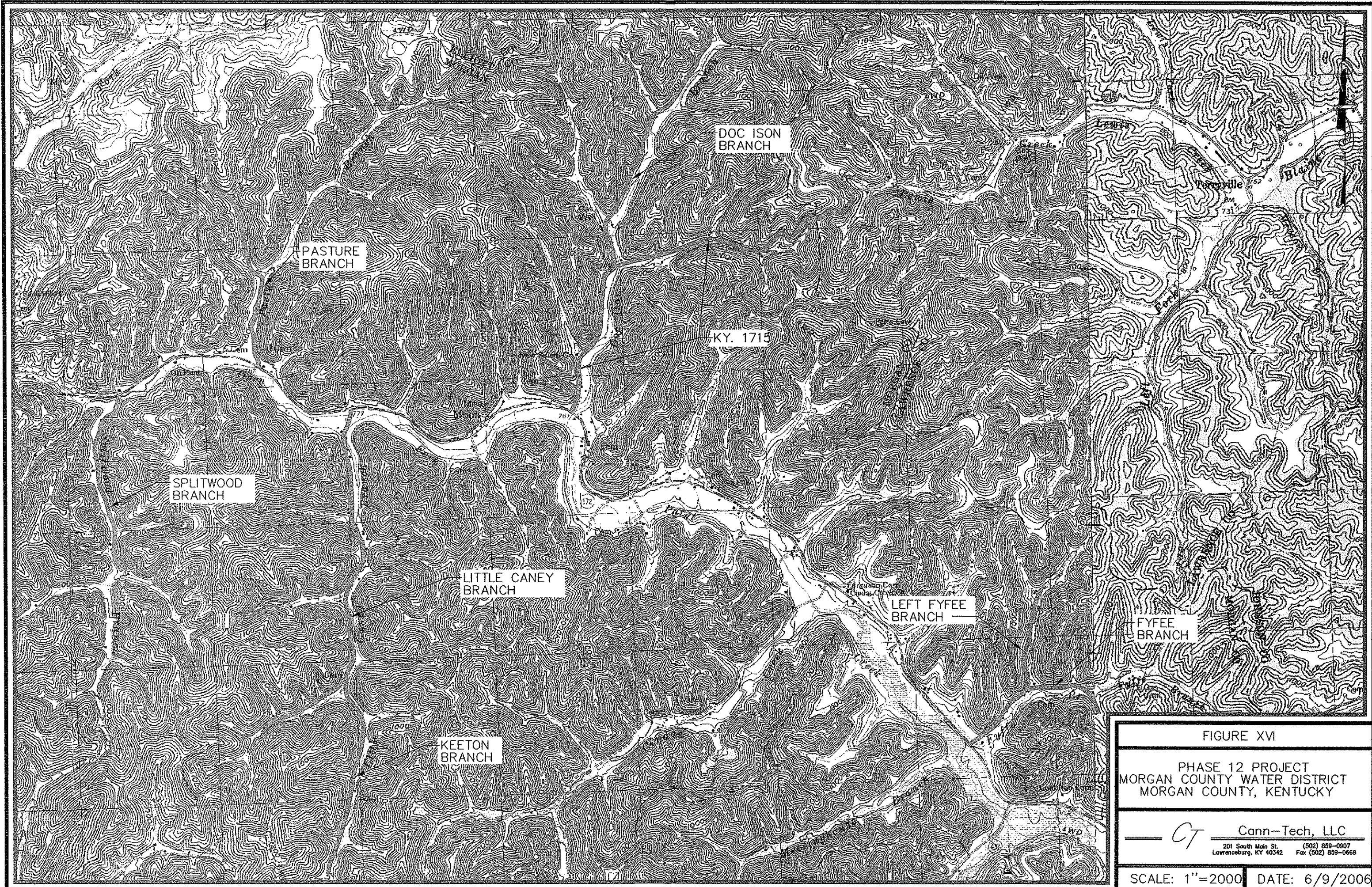


FIGURE XVI

PHASE 12 PROJECT
MORGAN COUNTY WATER DISTRICT
MORGAN COUNTY, KENTUCKY

 Cann-Tech, LLC
201 South Main St. (502) 859-0907
Lawrenceburg, KY 40342 Fax (502) 859-0668

SCALE: 1"=2000 DATE: 6/9/2006

APPENDIX C

ACTUAL WATER USAGE ANALYSIS AND FORECASTS

Forecast of Actual Water Usage - Existing System

For the period, January 1, 2005 to December 31, 2005

Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	350	175.00	6,793.50
1,000	2,000	1,500	311	466.50	6,036.51
2,000	3,000	2,500	270	675.00	6,189.75
3,000	4,000	3,500	242	847.00	7,249.11
4,000	5,000	4,500	182	819.00	6,731.27
5,000	6,000	5,500	138	759.00	6,032.67
6,000	7,000	6,500	90	585.00	4,513.05
7,000	8,000	7,500	76	570.00	4,299.70
8,000	9,000	8,500	60	510.00	3,780.30
9,000	10,000	9,500	34	323.00	2,360.79
10,000	11,000	10,500	16	168.00	1,209.04
11,000	12,000	11,500	7	80.50	569.77
12,000	13,000	12,500	5	62.50	436.13
13,000	14,000	13,500	5	67.50	465.28
14,000	15,000	14,500	6	87.00	593.31
15,000	over	45,375	5	226.88	1,303.31
TOTALS			1797	6,421.88	58,563.47

Annual Residential Water Sales \$702,761.66

Total Water Purchased and/or Produced (Gallons) 104,384,592

Total Water Sold (Gallons) 80,295,840

RESIDENTIAL AND NON-RESIDENTIAL COMBINED	
Total Users	1845
Total Annual Water Sales	\$728,976.16
Average Monthly Bill	\$32.93
Average Monthly Usage (Gallons)	3,627

Non-Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	26	13.00	504.66
1,000	2,000	1,500	5	7.50	97.05
2,000	3,000	2,500	3	7.50	68.78
3,000	4,000	3,500	3	10.50	89.87
4,000	5,000	4,500	0	0.00	0.00
5,000	6,000	5,500	1	5.50	43.72
6,000	7,000	6,500	4	26.00	200.58
7,000	8,000	7,500	0	0.00	0.00
8,000	9,000	8,500	0	0.00	0.00
9,000	10,000	9,500	0	0.00	0.00
10,000	11,000	10,500	0	0.00	0.00
11,000	12,000	11,500	1	11.50	81.40
12,000	13,000	12,500	0	0.00	0.00
13,000	14,000	13,500	1	13.50	93.06
14,000	15,000	14,500	1	14.50	98.89
15,000	over	53,315	3	159.95	906.56
TOTALS			48	269.45	2,184.54

Annual Non Residential Water Sales \$26,214.51

Forecast of Actual Water Usage - Existing System

For the period, January 1, 2006 to December 31, 2006

Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	359	179.50	6,968.19
1,000	2,000	1,500	319	478.50	6,191.79
2,000	3,000	2,500	277	692.50	6,350.23
3,000	4,000	3,500	248	868.00	7,428.84
4,000	5,000	4,500	187	841.50	6,916.20
5,000	6,000	5,500	141	775.50	6,163.82
6,000	7,000	6,500	92	598.00	4,613.34
7,000	8,000	7,500	78	585.00	4,412.85
8,000	9,000	8,500	62	527.00	3,906.31
9,000	10,000	9,500	35	332.50	2,430.23
10,000	11,000	10,500	16	168.00	1,209.04
11,000	12,000	11,500	7	80.50	569.77
12,000	13,000	12,500	5	62.50	436.13
13,000	14,000	13,500	5	67.50	465.28
14,000	15,000	14,500	6	87.00	593.31
15,000	over	45,375	5	226.88	1,303.31
TOTALS			1842	6,570.38	59,958.60

Annual Residential Water Sales \$719,503.22

Total Water Purchased and/or Produced (Gallons) 106,708,992

Total Water Sold (Gallons) 82,083,840

RESIDENTIAL AND NON-RESIDENTIAL COMBINED

Total Users 1891
Total Annual Water Sales \$745,950.64
Average Monthly Bill \$32.87
Average Monthly Usage (Gallons) 3,617

Non-Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	27	13.50	524.07
1,000	2,000	1,500	5	7.50	97.05
2,000	3,000	2,500	3	7.50	68.78
3,000	4,000	3,500	3	10.50	89.87
4,000	5,000	4,500	0	0.00	0.00
5,000	6,000	5,500	1	5.50	43.72
6,000	7,000	6,500	4	26.00	200.58
7,000	8,000	7,500	0	0.00	0.00
8,000	9,000	8,500	0	0.00	0.00
9,000	10,000	9,500	0	0.00	0.00
10,000	11,000	10,500	0	0.00	0.00
11,000	12,000	11,500	1	11.50	81.40
12,000	13,000	12,500	0	0.00	0.00
13,000	14,000	13,500	1	13.50	93.06
14,000	15,000	14,500	1	14.50	98.89
15,000	over	53,315	3	159.95	906.56
TOTALS			49	269.95	2,203.95

Annual Non Residential Water Sales \$26,447.43

Forecast of Actual Water Usage - Existing System

For the period, January 1, 2007 to December 31, 2007

Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	368	184.00	7,142.88
1,000	2,000	1,500	327	490.50	6,347.07
2,000	3,000	2,500	284	710.00	6,510.70
3,000	4,000	3,500	254	889.00	7,608.57
4,000	5,000	4,500	192	864.00	7,101.12
5,000	6,000	5,500	145	797.50	6,338.68
6,000	7,000	6,500	94	611.00	4,713.63
7,000	8,000	7,500	80	600.00	4,526.00
8,000	9,000	8,500	64	544.00	4,032.32
9,000	10,000	9,500	36	342.00	2,499.66
10,000	11,000	10,500	16	168.00	1,209.04
11,000	12,000	11,500	7	80.50	569.77
12,000	13,000	12,500	5	62.50	436.13
13,000	14,000	13,500	5	67.50	465.28
14,000	15,000	14,500	6	87.00	593.31
15,000	over	45,375	5	226.88	1,303.31
TOTALS			1888	6,724.38	61,397.45

Annual Residential Water Sales \$736,769.36

Total Water Purchased and/or Produced (Gallons) 109,119,192

Total Water Sold (Gallons) 83,937,840

RESIDENTIAL AND NON-RESIDENTIAL COMBINED	
Total Users	1938
Total Annual Water Sales	\$763,449.70
Average Monthly Bill	\$32.83
Average Monthly Usage (Gallons)	3,609

Non-Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	28	14.00	543.48
1,000	2,000	1,500	5	7.50	97.05
2,000	3,000	2,500	3	7.50	68.78
3,000	4,000	3,500	3	10.50	89.87
4,000	5,000	4,500	0	0.00	0.00
5,000	6,000	5,500	1	5.50	43.72
6,000	7,000	6,500	4	26.00	200.58
7,000	8,000	7,500	0	0.00	0.00
8,000	9,000	8,500	0	0.00	0.00
9,000	10,000	9,500	0	0.00	0.00
10,000	11,000	10,500	0	0.00	0.00
11,000	12,000	11,500	1	11.50	81.40
12,000	13,000	12,500	0	0.00	0.00
13,000	14,000	13,500	1	13.50	93.06
14,000	15,000	14,500	1	14.50	98.89
15,000	over	53,315	3	159.95	906.56
TOTALS			50	270.45	2,223.36

Annual Non Residential Water Sales \$26,680.35

Forecast of Actual Water Usage - Existing System

For the period, January 1, 2008 to December 31, 2008

Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	377	188.50	7,317.57
1,000	2,000	1,500	335	502.50	6,502.35
2,000	3,000	2,500	291	727.50	6,671.18
3,000	4,000	3,500	260	910.00	7,788.30
4,000	5,000	4,500	197	886.50	7,286.05
5,000	6,000	5,500	149	819.50	6,513.54
6,000	7,000	6,500	96	624.00	4,813.92
7,000	8,000	7,500	82	615.00	4,639.15
8,000	9,000	8,500	66	561.00	4,158.33
9,000	10,000	9,500	37	351.50	2,569.10
10,000	11,000	10,500	16	168.00	1,209.04
11,000	12,000	11,500	7	80.50	569.77
12,000	13,000	12,500	5	62.50	436.13
13,000	14,000	13,500	5	67.50	465.28
14,000	15,000	14,500	6	87.00	593.31
15,000	over	45,375	5	226.88	1,303.31
TOTALS			1934	6,878.38	62,836.29

Annual Residential Water Sales \$754,035.50

Total Water Purchased and/or Produced (Gallons) 111,529,392

Total Water Sold (Gallons) 85,791,840

RESIDENTIAL AND NON-RESIDENTIAL COMBINED	
Total Users	1985
Total Annual Water Sales	\$780,948.76
Average Monthly Bill	\$32.79
Average Monthly Usage (Gallons)	3,602

Non-Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	29	14.50	562.89
1,000	2,000	1,500	5	7.50	97.05
2,000	3,000	2,500	3	7.50	68.78
3,000	4,000	3,500	3	10.50	89.87
4,000	5,000	4,500	0	0.00	0.00
5,000	6,000	5,500	1	5.50	43.72
6,000	7,000	6,500	4	26.00	200.58
7,000	8,000	7,500	0	0.00	0.00
8,000	9,000	8,500	0	0.00	0.00
9,000	10,000	9,500	0	0.00	0.00
10,000	11,000	10,500	0	0.00	0.00
11,000	12,000	11,500	1	11.50	81.40
12,000	13,000	12,500	0	0.00	0.00
13,000	14,000	13,500	1	13.50	93.06
14,000	15,000	14,500	1	14.50	98.89
15,000	over	53,315	3	159.95	906.56
TOTALS			51	270.95	2,242.77

Annual Non Residential Water Sales \$26,913.27

Forecast of Actual Water Usage - Current Projects

For the period, January 1, 2006 to December 31, 2006

Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	87	43.50	1,688.67
1,000	2,000	1,500	75	112.50	1,455.75
2,000	3,000	2,500	65	162.50	1,490.13
3,000	4,000	3,500	58	203.00	1,737.39
4,000	5,000	4,500	43	193.50	1,590.36
5,000	6,000	5,500	33	181.50	1,442.60
6,000	7,000	6,500	21	136.50	1,053.05
7,000	8,000	7,500	18	135.00	1,018.35
8,000	9,000	8,500	14	119.00	882.07
9,000	10,000	9,500	8	76.00	555.48
10,000	11,000	10,500	3	31.50	226.70
11,000	12,000	11,500	1	11.50	81.40
12,000	13,000	12,500	1	12.50	87.23
13,000	14,000	13,500	1	13.50	93.06
14,000	15,000	14,500	1	14.50	98.89
15,000	over	45,375	1	45.38	260.66
TOTALS			430	1,491.88	13,761.75

Annual Residential Water Sales \$165,140.96

Total Water Purchased and/or Produced (Gallons) 23,273,250

Total Water Sold (Gallons) 17,902,500

RESIDENTIAL AND NON-RESIDENTIAL COMBINED	
Total Users	430
Total Annual Water Sales	\$165,140.96
Average Monthly Bill	\$32.00
Average Monthly Usage (Gallons)	3,469

Non-Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	0	0.00	0.00
1,000	2,000	1,500	0	0.00	0.00
2,000	3,000	2,500	0	0.00	0.00
3,000	4,000	3,500	0	0.00	0.00
4,000	5,000	4,500	0	0.00	0.00
5,000	6,000	5,500	0	0.00	0.00
6,000	7,000	6,500	0	0.00	0.00
7,000	8,000	7,500	0	0.00	0.00
8,000	9,000	8,500	0	0.00	0.00
9,000	10,000	9,500	0	0.00	0.00
10,000	11,000	10,500	0	0.00	0.00
11,000	12,000	11,500	0	0.00	0.00
12,000	13,000	12,500	0	0.00	0.00
13,000	14,000	13,500	0	0.00	0.00
14,000	15,000	14,500	0	0.00	0.00
15,000	over	53,315	0	0.00	0.00
TOTALS			0	0.00	0.00

Annual Non Residential Water Sales \$0.00

Forecast of Actual Water Usage - Current Projects

For the period, January 1, 2007 to December 31, 2007

Residential

First 2,000 Gal. at	\$19.41	minimum			
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.			
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.			
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.			
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.			
Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	89	44.50	1,727.49
1,000	2,000	1,500	77	115.50	1,494.57
2,000	3,000	2,500	67	167.50	1,535.98
3,000	4,000	3,500	59	206.50	1,767.35
4,000	5,000	4,500	44	198.00	1,627.34
5,000	6,000	5,500	34	187.00	1,486.31
6,000	7,000	6,500	22	143.00	1,103.19
7,000	8,000	7,500	18	135.00	1,018.35
8,000	9,000	8,500	14	119.00	882.07
9,000	10,000	9,500	8	76.00	555.48
10,000	11,000	10,500	3	31.50	226.70
11,000	12,000	11,500	1	11.50	81.40
12,000	13,000	12,500	1	12.50	87.23
13,000	14,000	13,500	1	13.50	93.06
14,000	15,000	14,500	1	14.50	98.89
15,000	over	45,375	1	45.38	260.66
TOTALS			440	1,520.88	14,046.04

Annual Residential Water Sales \$168,552.44

Total Water Purchased and/or Produced (Gallons) 23,725,650

Total Water Sold (Gallons) 18,250,500

RESIDENTIAL AND NON-RESIDENTIAL COMBINED	
Total Users	440
Total Annual Water Sales	\$168,552.44
Average Monthly Bill	\$31.92
Average Monthly Usage (Gallons)	3,457

Non-Residential

First 2,000 Gal. at	\$19.41	minimum			
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.			
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.			
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.			
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.			
Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	0	0.00	0.00
1,000	2,000	1,500	0	0.00	0.00
2,000	3,000	2,500	0	0.00	0.00
3,000	4,000	3,500	0	0.00	0.00
4,000	5,000	4,500	0	0.00	0.00
5,000	6,000	5,500	0	0.00	0.00
6,000	7,000	6,500	0	0.00	0.00
7,000	8,000	7,500	0	0.00	0.00
8,000	9,000	8,500	0	0.00	0.00
9,000	10,000	9,500	0	0.00	0.00
10,000	11,000	10,500	0	0.00	0.00
11,000	12,000	11,500	0	0.00	0.00
12,000	13,000	12,500	0	0.00	0.00
13,000	14,000	13,500	0	0.00	0.00
14,000	15,000	14,500	0	0.00	0.00
15,000	over	53,315	0	0.00	0.00
TOTALS			0	0.00	0.00

Annual Non Residential Water Sales \$0.00

Forecast of Actual Water Usage - Current Projects

For the period, January 1, 2008 to December 31, 2008

Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	91	45.50	1,766.31
1,000	2,000	1,500	79	118.50	1,533.39
2,000	3,000	2,500	69	172.50	1,581.83
3,000	4,000	3,500	60	210.00	1,797.30
4,000	5,000	4,500	45	202.50	1,664.33
5,000	6,000	5,500	35	192.50	1,530.03
6,000	7,000	6,500	23	149.50	1,153.34
7,000	8,000	7,500	18	135.00	1,018.35
8,000	9,000	8,500	14	119.00	882.07
9,000	10,000	9,500	8	76.00	555.48
10,000	11,000	10,500	3	31.50	226.70
11,000	12,000	11,500	1	11.50	81.40
12,000	13,000	12,500	1	12.50	87.23
13,000	14,000	13,500	1	13.50	93.06
14,000	15,000	14,500	1	14.50	98.89
15,000	over	45,375	1	45.38	260.66
TOTALS			450	1,549.88	14,330.33

Annual Residential Water Sales \$171,963.92

Total Water Purchased and/or Produced (Gallons) 24,178,050

Total Water Sold (Gallons) 18,598,500

RESIDENTIAL AND NON-RESIDENTIAL COMBINED	
Total Users	450
Total Annual Water Sales	\$171,963.92
Average Monthly Bill	\$31.85
Average Monthly Usage (Gallons)	3,444

Non-Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	0	0.00	0.00
1,000	2,000	1,500	0	0.00	0.00
2,000	3,000	2,500	0	0.00	0.00
3,000	4,000	3,500	0	0.00	0.00
4,000	5,000	4,500	0	0.00	0.00
5,000	6,000	5,500	0	0.00	0.00
6,000	7,000	6,500	0	0.00	0.00
7,000	8,000	7,500	0	0.00	0.00
8,000	9,000	8,500	0	0.00	0.00
9,000	10,000	9,500	0	0.00	0.00
10,000	11,000	10,500	0	0.00	0.00
11,000	12,000	11,500	0	0.00	0.00
12,000	13,000	12,500	0	0.00	0.00
13,000	14,000	13,500	0	0.00	0.00
14,000	15,000	14,500	0	0.00	0.00
15,000	over	53,315	0	0.00	0.00
TOTALS			0	0.00	0.00

Annual Non Residential Water Sales \$0.00

Forecast of Actual Water Usage - Proposed Phase 12 Project

For the period, January 1, 2007 to December 31, 2007

Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	39	19.50	756.99
1,000	2,000	1,500	35	52.50	679.35
2,000	3,000	2,500	29	72.50	664.83
3,000	4,000	3,500	26	91.00	778.83
4,000	5,000	4,500	19	85.50	702.72
5,000	6,000	5,500	15	82.50	655.73
6,000	7,000	6,500	10	65.00	501.45
7,000	8,000	7,500	8	60.00	452.60
8,000	9,000	8,500	6	51.00	378.03
9,000	10,000	9,500	4	38.00	277.74
10,000	11,000	10,500	1	10.50	75.57
11,000	12,000	11,500	1	11.50	81.40
12,000	13,000	12,500	0	0.00	0.00
13,000	14,000	13,500	0	0.00	0.00
14,000	15,000	14,500	0	0.00	0.00
15,000	over	45,375	0	0.00	0.00
TOTALS			193	639.50	6,005.22

Annual Residential Water Sales \$72,062.58

Total Water Purchased and/or Produced (Gallons) 9,976,200

Total Water Sold (Gallons) 7,674,000

RESIDENTIAL AND NON-RESIDENTIAL COMBINED	
Total Users	193
Total Annual Water Sales	\$72,062.58
Average Monthly Bill	\$31.12
Average Monthly Usage (Gallons)	3,313

Non-Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	0	0.00	0.00
1,000	2,000	1,500	0	0.00	0.00
2,000	3,000	2,500	0	0.00	0.00
3,000	4,000	3,500	0	0.00	0.00
4,000	5,000	4,500	0	0.00	0.00
5,000	6,000	5,500	0	0.00	0.00
6,000	7,000	6,500	0	0.00	0.00
7,000	8,000	7,500	0	0.00	0.00
8,000	9,000	8,500	0	0.00	0.00
9,000	10,000	9,500	0	0.00	0.00
10,000	11,000	10,500	0	0.00	0.00
11,000	12,000	11,500	0	0.00	0.00
12,000	13,000	12,500	0	0.00	0.00
13,000	14,000	13,500	0	0.00	0.00
14,000	15,000	14,500	0	0.00	0.00
15,000	over	53,315	0	0.00	0.00
TOTALS			0	0.00	0.00

Annual Non Residential Water Sales \$0.00

Forecast of Actual Water Usage - Proposed Phase 12 Project

For the period, January 1, 2008 to December 31, 2008

Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	41	20.50	795.81
1,000	2,000	1,500	35	52.50	679.35
2,000	3,000	2,500	30	75.00	687.75
3,000	4,000	3,500	27	94.50	808.79
4,000	5,000	4,500	19	85.50	702.72
5,000	6,000	5,500	15	82.50	655.73
6,000	7,000	6,500	10	65.00	501.45
7,000	8,000	7,500	8	60.00	452.60
8,000	9,000	8,500	6	51.00	378.03
9,000	10,000	9,500	4	38.00	277.74
10,000	11,000	10,500	1	10.50	75.57
11,000	12,000	11,500	1	11.50	81.40
12,000	13,000	12,500	0	0.00	0.00
13,000	14,000	13,500	0	0.00	0.00
14,000	15,000	14,500	0	0.00	0.00
15,000	over	45,375	0	0.00	0.00
TOTALS			197	646.50	6,096.92

Annual Residential Water Sales \$73,162.98

Total Water Purchased and/or Produced (Gallons) 10,085,400

Total Water Sold (Gallons) 7,758,000

RESIDENTIAL AND NON-RESIDENTIAL COMBINED	
Total Users	197
Total Annual Water Sales	\$73,162.98
Average Monthly Bill	\$30.95
Average Monthly Usage (Gallons)	3,282

Non-Residential

First 2,000 Gal. at	\$19.41	minimum
Next 3,000 Gal. at	\$7.03	per Thousand Gallons.
Next 5,000 Gal. at	\$6.43	per Thousand Gallons.
Next 5,000 Gal. at	\$5.83	per Thousand Gallons.
All Over 15,000 Gal. at	\$5.23	per Thousand Gallons.

Monthly Usage Gallons		Average Monthly Usage	No. of Users	Usage (1000-Gal.)	Monthly Income
From	To				
0	1,000	500	0	0.00	0.00
1,000	2,000	1,500	0	0.00	0.00
2,000	3,000	2,500	0	0.00	0.00
3,000	4,000	3,500	0	0.00	0.00
4,000	5,000	4,500	0	0.00	0.00
5,000	6,000	5,500	0	0.00	0.00
6,000	7,000	6,500	0	0.00	0.00
7,000	8,000	7,500	0	0.00	0.00
8,000	9,000	8,500	0	0.00	0.00
9,000	10,000	9,500	0	0.00	0.00
10,000	11,000	10,500	0	0.00	0.00
11,000	12,000	11,500	0	0.00	0.00
12,000	13,000	12,500	0	0.00	0.00
13,000	14,000	13,500	0	0.00	0.00
14,000	15,000	14,500	0	0.00	0.00
15,000	over	53,315	0	0.00	0.00
TOTALS			0	0.00	0.00

Annual Non Residential Water Sales \$0.00