



OFFICE OF THE BREATHITT COUNTY ATTORNEY

BRENDON D. MILLER

1149 MAIN STREET
JACKSON, KENTUCKY 41339
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E-mail: bdmiller@setel.com

RECEIVED

FEB 01 2010

PUBLIC SERVICE
COMMISSION

STANLEY T. TURNER
ASSISTANT COUNTY ATTORNEY

PHONE: (606) 666-3809
FAX: (606) 666-4422
CHILD SUPPORT: (606) 666-5927

January 29, 2010

Mr. Gerald E. Wuetcher
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

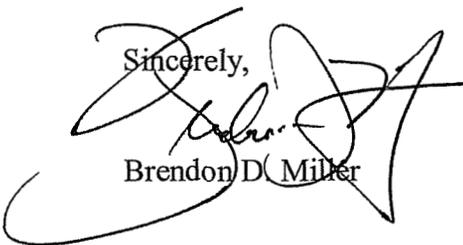
RE: Breathitt County Water District
Case No. 2010- 00042

Dear Mr. Wuetcher:

Per our conversation earlier this week, enclosed please find two originals of the Application of the Breathitt County Water District for a Certificate of Public Convenience and Necessity to construct and finance pursuant to KRS 278.023.

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

Sincerely,


Brendon D. Miller

Enclosures

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2010 - 00042**

**RECEIVED
FEB 01 2010
PUBLIC SERVICE
COMMISSION**

In the Matter of:

**THE APPLICATION OF THE BREATHITT COUNTY WATER DISTRICT OF
BREATHITT COUNTY, KENTUCKY, FOR A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY TO CONSTRUCT AND FINANCE,
PURSUANT TO KRS 278.023.**

APPLICATION

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

1. That the Applicant is a water district of Breathitt County, Kentucky, created and existing under and by virtue of Chapter 74 of the Kentucky Revised Statutes.
2. That the post office address of the Applicant is:
Breathitt County Water District
1137 Main Street
Jackson, Kentucky 41339
3. That Applicant pursuant to the provisions of KRS 278.020 and KRS 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; and (ii) approval of the proposed plan of financing said project.
4. The part of the project that is being funded by the ARRA loan includes the following: 22, 500 feet of 8" PVC water pipe, 9,700 feet of 6" PVC water pipe, 6,900 feet of 4" PVC water pipe with appurtenances and 79 service meters. There are two waterline extensions associated with this part of the project. The first line begins at the intersection of KY 30 and KY 1114 and proceeds south along KY 1114 for approximately 4 miles of the end of KY 1114 at Houston Road. The second line beings along KY 2469 at approximately mile point 7 and proceeds along KY 2569 to approximately mile point 5.5. It then Crosses the Middle Fork of the Kentucky River to Jetts Creek Road. From there the waterline continues to the intersection with KY 1202. It then continues along KY 1202 to approximately mile point 1.4.

5. That the Applicant proposes to finance the construction of the ARRA Project through the issuance of a \$572,000.00 Drinking Water SRF Loan with 54.1% loan forgiveness (\$309,452.00 forgiveness) and a total loan indebtedness of \$262,548.00. Applicant has a commitment from the Kentucky Infrastructure Authority (KIA) for said loan in the sum of \$262,548.00, financed for a term of 20 years at an interest rate of 1.00% per annum, as set out in the KIA Assistance Agreement. This agreement is shown as Appendix "B" to the Final Engineering Report (FER) 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 the ARRA KIA Assistance Agreement is attached as Appendix "B" of the FER.
 - B. Copy of Email of Concurrence in Change Order from the Division of Water is attached to this Application.
 - C. Copy of the Preliminary Engineering Report amended to the Final Engineering Report.
 - D. Certified statement from the Chairperson of the Applicant, based upon statements of the Engineers for Applicant, concerning the following:
 1. The proposed plans and specifications for the Project have been designated 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 Engineering Report.
 2. All other state approvals have already been obtained, including the approval of the Kentucky Division of Water, attached as Appendix "C" of the FER and the Email of Concurrence in Change Order from the Division of Water attached to this Application.
 3. The existing rates of Applicant shall produce the total revenue requirements set out in the engineering reports, therefore no rate increase is necessary, and
 4. Setting out the date of November 21, 2009, when construction began and December 31, 2009, when construction ended.
8. The foregoing constitutes the documents necessary to obtain the approval of the Kentucky Public Service Commission in accordance with Section 278.020 of the KRS and in accordance with the "Filing Requirements" specified in 807 KAR 5:609, Section 1.

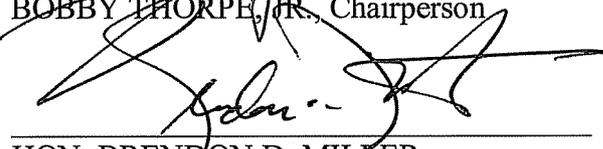
WHEREFORE, Applicant, the Breathitt County Water District, asks that the Public Service Commission of the Commonwealth of Kentucky grant to Applicant the following:

- a. A Certificate of Public Convenience and Necessity permitting Applicant to construct a waterworks project consisting of extensions, additions, and improvements of the existing waterworks system of Applicant.
- b. An order approving the financing arrangements made by Applicant, viz. execution of a \$572,000.00 Drinking Water SRF Loan with 54.1% loan forgiveness (\$309,452.00 forgiveness) and a total loan indebtedness of \$262,548.00 to the Kentucky Infrastructure Authority for the Breathitt County Water District financed for a period 20 years at an interest rate of 1.00% per annum. This new loan will not cause the existing user rates to change.

BREATHITT COUNTY WATER DISTRICT

By:


BOBBY THORPE, JR., Chairperson


HON. BRENDON D. MILLER
Breathitt County Attorney
Counsel for Applicant
1149 Main Street
Jackson, Kentucky 41339
(606) 666-4400

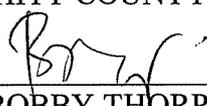
VERIFICATION

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this the 29th day of January, 2010.

BREATHITT COUNTY WATER DISTRICT

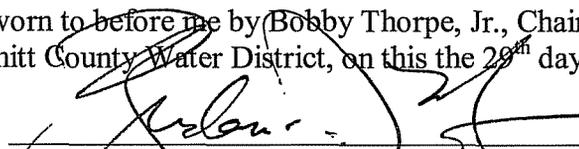
By:


BOBBY THORPE, JR., Chairperson

COMMONWEALTH OF KENTUCKY

COUNTY OF BREATHITT

The foregoing was subscribed and sworn to before me by Bobby Thorpe, Jr., Chairperson of the Board of Commissioners of the Breathitt County Water District, on this the 29th day of January, 2010.



NOTARY PUBLIC
Commission Expires: 9-7-2012

**CERTIFICATE OF CHAIRPERSON OF BREATHITT COUNTY
WATER DISTRICT, AS TO STATEMENT REQUIRED BY
SECTION 1 (5) OF 807 KAR 5:06**

I, BOBBY THORPE, JR., hereby certify that I am the duly qualified and acting Chairperson of the Breathitt County Water District, and that said District is in the process of arranging to finance the construction of extensions, additions and improvements to the existing waterworks system of the District (the "Project"), in cooperation with Nesbitt Engineering, Inc., Lexington, Kentucky, the Engineers for the District (the "Engineers").

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

1. The proposed plans and specifications for the Project have been designated 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 as contained in the Preliminary Engineering Report Amended to Final Engineering Report.

2. All other state approvals have already been obtained, including the approval of the Kentucky Division of Water, attached as Appendix "C" of the Preliminary Engineering Report Amended to Final Engineering Report, and the Email of Concurrence in Change Order attached to the Application herein.

3. The Existing rates of the District filed with the Public Service Commission of Kentucky are projected to produce total revenue requirements set out in the Engineering Reports, prepared by the Engineers and filed with the Public Service Commission.

4. That construction of the KY 30 West ARRA Project began on or about November 21, 2009, and ended on or about December 31, 2009.

IN TESTIMONY WHEREOF, witness my signature this 29th day of January, 2010.

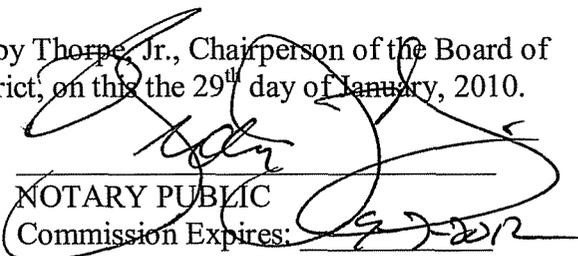
BREATHITT COUNTY WATER DISTRICT

By: 
BOBBY THORPE, JR., Chairperson

STATE OF KENTUCKY

COUNTY OF BREATHITT

Subscribed and sworn to before me by Bobby Thorpe, Jr., Chairperson of the Board of Commissioners of the Breathitt County Water District, on this the 29th day of January, 2010.


NOTARY PUBLIC

Commission Expires: 9-7-2012

ATTACHMENT "B"
TO PSC FILING

Main, Ora C.

From: Tucker, Sarah (EEC) [sarah.tucker@ky.gov]
Sent: Monday, July 13, 2009 10:53 AM
To: Main, Ora C.
Subject: RE: Breathitt County - KY 30 West ARRA Project

Yes, sorry. I have been meaning to contact you. I heard from KIA late last week and we came to the conclusion that a change order will be fine for this situation.

Sarah Tucker

KY Division of Water
Water Infrastructure Branch
Engineering Section
(502) 564-3410 x4836
Fax (502) 564-0111

-----Original Message-----

From: Main, Ora C. [mailto:omain@nei-ky.com]
Sent: Monday, July 13, 2009 10:51 AM
To: Tucker, Sarah (EEC)
Subject: RE: Breathitt County - KY 30 West ARRA Project

Sarah,
Wanted to see if there was a decision reached related to doing the KY 30 West ARRA project by Change Order, naturally with the appropriate paperwork and certifications submitted by the contractor.

Thanks.
Have a Great Day!!

Ora

omain@nei-ky.com
(859) 685 - 4531 (direct line)
(859) 797 - 6197 (cell)

-----Original Message-----

From: Tucker, Sarah (EEC) [mailto:sarah.tucker@ky.gov]
Sent: Friday, June 26, 2009 3:46 PM
To: Main, Ora C.
Subject: RE: Breathitt County - KY 30 West ARRA Project

I need to clarify one point. In the attached letter, it says that only the portion of the project that funding was available for was bid. When we spoke on the phone, you explained that the entire contract was bid but the contract was only signed for the portion of the project that the funding was available for. Please let me know which situation is accurate. Thanks.

Sarah Tucker

KY Division of Water
Water Infrastructure Branch
Engineering Section
(502) 564-3410 x4836
Fax (502) 564-0111

-----Original Message-----

From: Main, Ora C. [mailto:omain@nei-ky.com]

Sent: Friday, June 26, 2009 3:24 PM

To: Tucker, Sarah (EEC)

Cc: smithjl@kih.net; breathittwater@yahoo.com; Reid, Kenneth D.; Nesbitt, Paul D.;
gandwconst@windstream.net

Subject: FW: Breathitt County - KY 30 West ARRA Project

Sarah,

As we discussed today, the letter that I had mailed approx. one month ago to Solitha is attached. As the letter states, KY DOW and KIA could have one of the first stimulus packages completed on this project by using a change order with an existing contractor. This would be a very large feather in both organizations caps.

Granted, he would have to provide a Certification that would cover all stipulations of the ARRA funds, before executing a contract with him.

This contractor G&W from Morehead is an excellent contractor who does outstanding work both in efficiency and expertise.

Let's work together to find a way to make this work and satisfy the requirements of all parties.

Thanks for your time and attention to this matter.

Have a Great Day!!

Ora

omain@nei-ky.com

(859) 685 - 4531 (direct line)

(859) 797 - 6197 (cell)

-----Original Message-----

From: omain@nei-ky.com [mailto:omain@nei-ky.com]

Sent: Friday, June 26, 2009 4:19 PM

To: Main, Ora C.

Subject:



nesbitt engineering, inc.
providing proven solutions since 1976

227 North Upper Street
Lexington, KY 40507-1016

RECEIVED

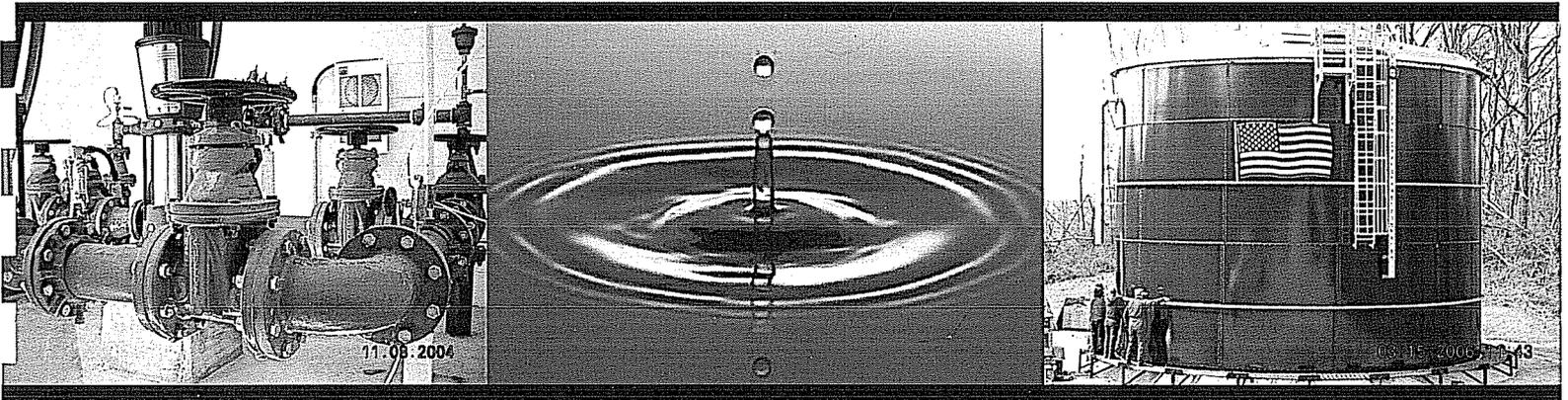
January 2010

FEB 01 2010

**Breathitt County Water District
KY 30 West Waterline Extension
Jackson, Kentucky**

PUBLIC SERVICE
COMMISSION

**Preliminary Engineering Report
Amended to
Final Engineering Report**



Jason Richardson, Judge/Executive

Breathitt County Water District Commissioners
Bobby Thorpe, Chairman

Sammie Turner, Vice Chairman
Eugene Turner, Member

Eva Fugate, Secretary
Kash Noble, Treasurer

SUBMITTED TO:
Breathitt County Water District

PREPARED BY:
Nesbitt Engineering, Inc.
Offices in Lexington—Hazard—Prestonsburg

Providing

Proven

Solutions Since 1976

Preliminary Engineering Report Amended to Final Engineering Report
KY 30 West Waterline Extension
Breathitt County Water District, Jackson, Kentucky

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| Appendix D | KIA – ARRA Conditional Commitment Letter | |
| | KIA – ARRA Conditional Commitment Letter November 24, 2009 | |
| | KIA – ARRA Conditional Commitment Letter July 15, 2009 | |

nesbitt engineering, inc.

Preliminary Engineering Report Amended to Final Engineering Report
KY 30 West Waterline Extension
Breathitt County Water District, Jackson, Kentucky

Chapter 1 – General

Breathitt County, which encompasses the City of Jackson, is located in the eastern coalfields of Kentucky, approximately 85 miles south and east of Lexington on KY 15, and approximately 34 miles north of Hazard. Jackson, the county seat, is a fourth class city located near the center of Breathitt County. The County borders Wolfe, Lee, Owsley, Perry, Knott, and Magoffin Counties. (See Figure 1)

The 2000 US Census figure for Breathitt County is 16,100 persons. There are 6,170 occupied housing units in Breathitt County and therefore 2.61 persons per household.

Major highways passing through Jackson and/or Breathitt County are KY 15, KY 30, KY 52, KY 315, KY 1110, KY 476 and KY 205. Some of these areas already have potable water available for residents and this proposed project will bring potable water to the residents along KY 30, KY 1114 and including portions of Highland Road, Mullin Road, and Jetts Creek Road as well as other minor roads.

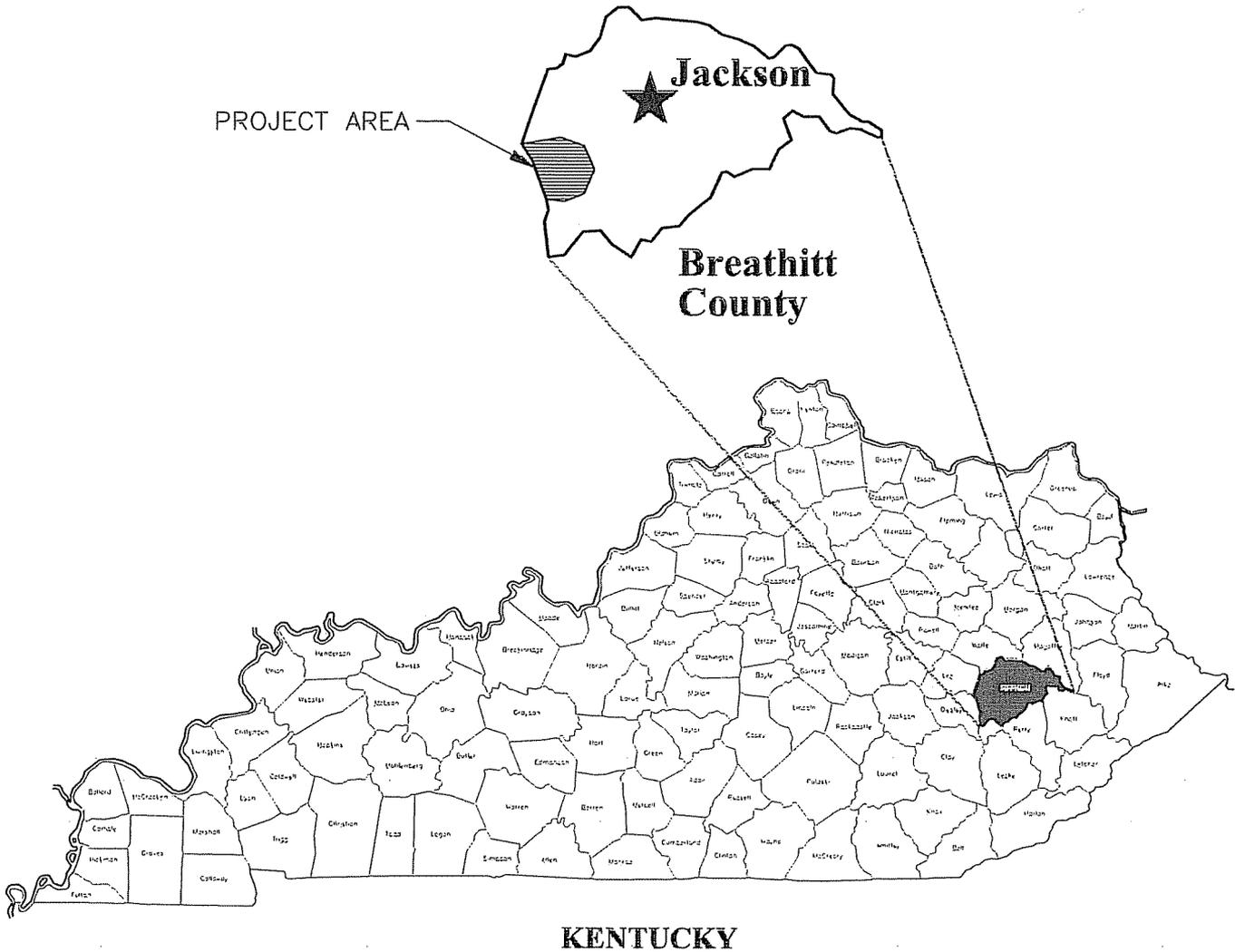
The part of this project that is being funded by the ARRA loan includes the following. 22,500 feet of 8" PVC water pipe, 9,700 feet of 6" PVC water pipe, 6,900 feet of 4" PVC water pipe with appurtenances and 79 service meters. The majority of the lines will be installed on the Dept. of Transportation right of way, which is covered by the approved Encroachment Permit.

Construction bids for the entire project were received on January 14, 2009. The part of the project which is funded by an ARRA loan was taken out of the original project due to the lack of funding at that time (April 2009). When the information on the ARRA funds was made available in May, this same section was added by contract change order #2 provided in Appendix "A".

The ARRA loan Assistance Agreement between the Kentucky Infrastructure Authority (KIA) and Breathitt County Fiscal Court has been executed for this Project. The Agreement is dated December 1, 2009. A copy of the Agreement is included as Appendix "B" to this report.

Currently, the District does not have any long term debt, with the exception of a \$350,000 Rural Development debt. Customer service rates are sufficient to meet the current debt service of the existing RD debt and therefore, there are no plans to increase user rates due to this project.

nesbitt engineering, inc.



NESBITT ENGINEERING, INC.
ENGINEERS • SURVEYORS • SCIENTISTS

**NESBITT
ENGINEERING**
1911

FIGURE 1

**LOCATION MAP
KY 30 WEST WATERLINE EXTENSION
BREATHITT COUNTY WATER DISTRICT**

DRAWN BY:
MMS

DISK/FILE NAME:
\\FER FIGURE 1.DWG

JOB NO.:
998.25

DATE:
01/30/2009

LAST PLOT DATE:

SCALE:
NOT TO SCALE

Chapter 2 – Project Planning Area

Breathitt County Water District (BCWD) is a Class "C" Water District organized in August 2003 by the Breathitt County Judge Executive. The County Judge then appointed the Chairman and four other commissioners to serve on the Water District's Board.

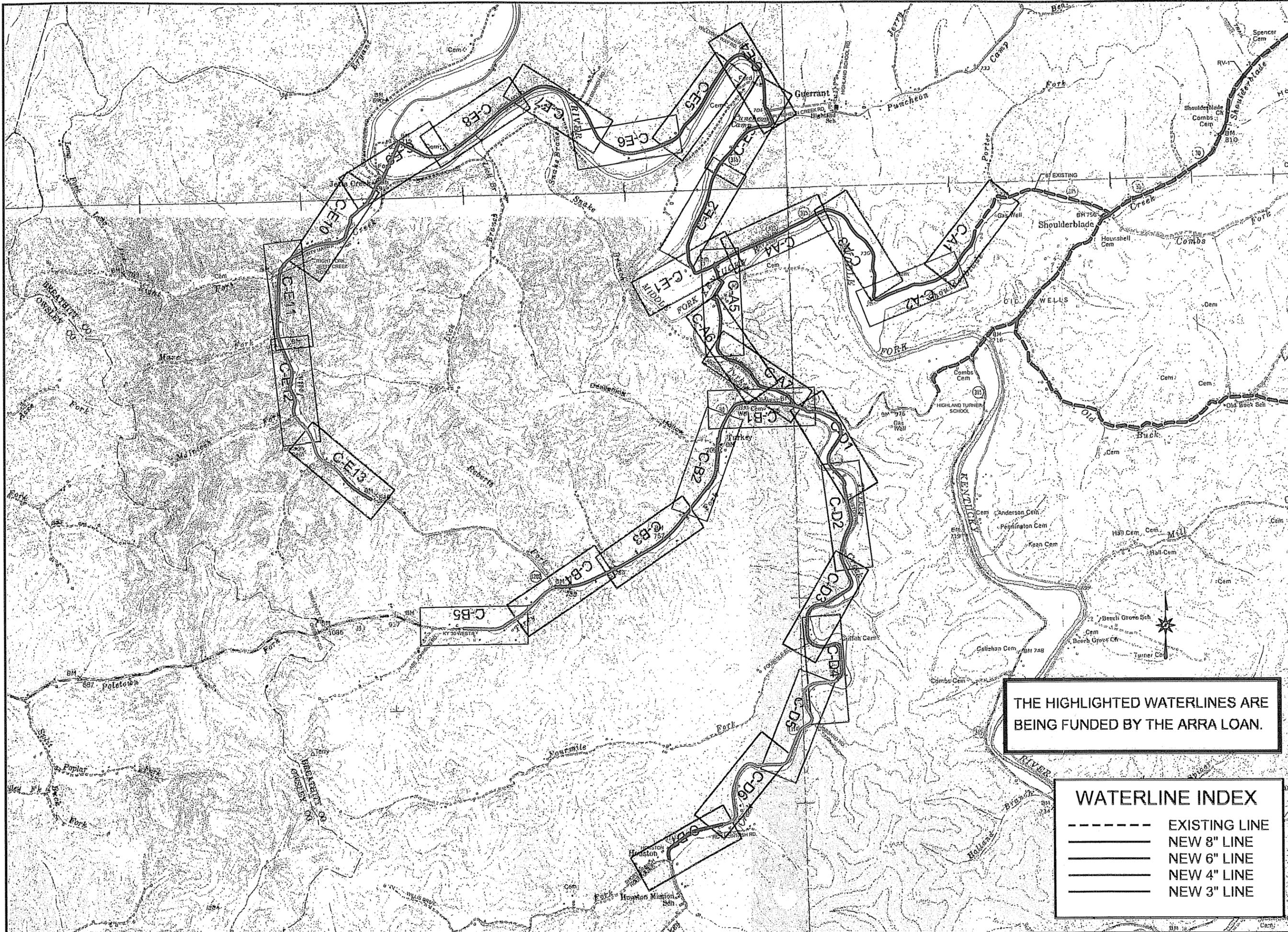
Currently, the BCWD has approximately 775 customers. Upon Completion of the Canoe Waterline Extension it is estimated that BCWD will have approximately 875 customers.

Jackson, the county seat, operates an independent water system (Jackson Municipal Water Works), drawing water from the North Fork of the Kentucky River. The system currently serves 2,000 households. The water treatment plant (WTP), capable of producing 2.5 MGD, is expected to supply the potable water product to the various county water line extensions. Daily production by Jackson Municipal Water Works is currently 875,000-950,000 gallons (~35-40% of plant capacity). Their storage capacity is presently 925,000 gallons

This proposed project is the continuation of BCWD's effort to deliver potable drinking water to all residents outside Jackson's service area. Jackson's WTP is expected to have more than adequate capacity to supply the needed potable water for this proposed project.

See Figure 2 which shows the total Water Distribution Project Area for the KY 30 West corridor project. It also defines the part of the project that is funded by the ARRA loan.

Breathitt County has 6,170 occupied housing units per the 2000 US Census report. The entire KY 30 West Waterline Extension project area has approximately 111 residential households. This project has a maximum overall concentration of approximately 16 homes per mile. Most of the housing is currently served by privately operated wells. Most of the water obtained from drilled wells in Breathitt County is extremely hard and contains noticeable amounts of iron.



THE HIGHLIGHTED WATERLINES ARE BEING FUNDED BY THE ARRA LOAN.

WATERLINE INDEX

| | |
|--|---------------|
| | EXISTING LINE |
| | NEW 8" LINE |
| | NEW 6" LINE |
| | NEW 4" LINE |
| | NEW 3" LINE |

LAST PLOTTED:
 LAST SAVED:

BREATHITT COUNTY WATER DISTRICT
BREATHITT COUNTY, KENTUCKY
KY 30 WEST WATERLINE EXTENSION
CONTRACT 1

SHEET INDEX

| | |
|---|--|
| NESBITT ENGINEERING, INC. ENGINEERS - SURVEYORS - RECORDERS BREATHITT COUNTY WATER DISTRICT KY 30 WEST WATERLINE EXTENSION | JOB NO.: 990.215 DATE: 07-31-08 DRAWN BY: [blank] CHECKED BY: [blank] |
|---|--|

INDEX

Chapter 3 – Existing Facilities/Need for Project

There is no potable water to the proposed project area. Residents in this area must rely either on wells, springs or hauled water for their domestic water needs. Breathitt County is one of the last counties in the Commonwealth to be provided treated water in the rural areas of the County.

The well water is extremely hard and contains noticeable amounts of iron. Salty water may be found from 50 feet to several hundred feet below the level of the principal valley bottoms. Where springs supply water, the yield is rarely more than 5 GPM. A more reliable and healthy source for water is needed.

The ARRA funded part of the proposed project will consist of approximately 8.7 miles of various sized water lines ranging in sizes from 8-inch to 4-inch. These waterlines will be served by the existing BCWD distribution system on KY 397 and the source of water for this project will come from the Jackson Municipal Water Works thru a master meter located on KY 30 near Belcher Fork.

The completed project would bring potable water service to some 111 homes and some small businesses. The ARRA funded part will serve 79 of the total 111 homes.

The 2000 US Census reports 2.61 persons per household so the maximum total service population will be approximately (2.61 x 111) 290 persons. At a conservative usage rate of 100 gallons per person per day, this would equate to a base water supply requirement of approximately 29,000 GPD. This amount would require Jackson's WTP to increase their production by 1.0 % of their rated capacity, but would still have them under 50 % of their rated 2.5 MGD capacity.

Chapter 4 – Proposed Project/Project Cost/Financing

The proposed KY 30 West Waterline Extension Project was bid on January 14, 2009. There were ten bidders on the Waterline Contract. Bids which were submitted were very competitive.

The Drinking Water SRF Project Cost Summary and Proposed Funding Sources are provided in Appendix "A" based upon the bids that were received on January 14, 2009.

G & W Construction Company was awarded the KY 30 West contract, however after the contract was awarded, Change Order #1 was issued to reduce the size of the project due to the lack of available funds. Since the start of construction the additional funds became available and Change Order #2 (included in appendix A) was issued to the contractor, bringing the project back to its original size.

Debt service calculations are as follows:

Existing annual debt service for the KY 30 East Project = 2.75% for 30 years, which equates to an annual payment of \$14,904.

New ARRA debt service for the KY 30 West Project = 1.00% for 20 years, which equates to an annual payment of \$15,173.

The Kentucky Infrastructure Authority, during their review of the funding application, conducted a Financial Analysis of the Breathitt County Water District. This analysis is attached as appendix D, KIA – ARRA Conditional Commitment Letter, Project Review, Section #8 (Financial Analysis), Exhibit #1 (Cash Flow Analysis).

Chapter 5 – Conclusions & Recommendations

The health, environmental, land use, and economic enhancement issues combined, necessitate the need for this water system extension in Breathitt County.

This project will also provide a reliable water supply to add additional customers from branch lines along side roads of KY 30 in the future. Additionally, the availability of reliable, clean, and chlorinated water from the centralized source will improve the economy of scale for both the BCWD and the Jackson Municipal Water Works.

nesbitt engineering, inc.

Preliminary Engineering Report Amended to Final Engineering Report
KY 30 West Waterline Extension
Breathitt County Water District, Jackson, Kentucky

Appendix A
Project Cost

Change Order # 2

breathitt engineering, inc.

DOW

CONTRACT CHANGE ORDER

Nesbitt Engineering, Inc.
227 North Upper Street
Lexington, Kentucky 40507

| | |
|-----------|-----------------|
| Order No. | # 2 |
| Date | October 6, 2009 |
| State | Kentucky |
| County | Breathitt |

Contract For: KY 30 West Waterline Extension Project

Owner: Breathitt County Water District, Jackson, Kentucky

To: G & W Construction Company, Inc.
(Contractor)

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

| Description of Changes (Supplemental Plans and Specifications Attached, if necessary) | | | | | DECREASE in Contract Price | INCREASE in Contract Price |
|--|---------------------------|------|----------|------------|-------------------------------|-------------------------------|
| Item No. | Description | Unit | Quantity | Unit Price | | |
| | * see attached for backup | | | | | \$ 472,253.10 |
| TOTALS | | | | | | |
| NET CHANGE IN CONTRACT PRICE | | | | | | \$ 472,253.10 |

Justification:
To construct project as bid.

The amount of the Contract will be (~~decreased~~) (~~increased~~) (~~unchanged~~) by the sum of: **Four Hundred Seventy-two Thousand, Two Hundred Fifty-three Dollars and ten cents (\$ 472,253.10).**

The Contract #1 Total, including Change Orders #1 will therefore be: **One Million, Forty-four Thousand, One Hundred Eight-seven Dollars and Fourteen cents, (\$ 1,044,187.14).**

The Contract Period provided for Completion will be (~~decreased~~) (~~increased~~) (~~unchanged~~): 70 Days.
Contract Completion Date will therefore be January 16, 2010.

This document will become a supplement to the Contract and all provisions will apply hereto.

Requested

Bobby Thorpe Jr.
(Owner) Bobby Thorpe Jr., Breathitt County Water District

10-21-09
(Date)

Recommended

Ora C. Main, PE
(Engineer) Ora C. Main, PE Nesbitt Engineering, Inc.

10/21/09
(Date)

Accepted

Gabe Alderman
(Contractor) Gabe Alderman, G & W Construction Co., Inc.

10/21/09
(Date)

Approved

See Approval Letter

11-5-09
(Date)

This information will be used as a record of any changes to the original construction contract dated: April 29, 2009

Breathitt County Water District

CO #2 Form of Proposal KY 30 West Waterline Extension

| Item No. | Description | Unit | Quantity | Unit Cost | Total Cost |
|---|---|------|----------|-------------|---------------------|
| 1 | 6" Tie-In | EA | 0 | | |
| 2 | 8" CL 200 SDR 21 PVC Main | LF | 8,412 | \$ 11.01 | \$92,616.12 |
| 3 | 6" CL 200 SDR 21 PVC Main | LF | 16,767 | \$ 8.19 | \$137,321.73 |
| 4 | 4" CL 200 SDR 21 PVC Main | LF | 5,318 | \$ 5.94 | \$31,588.92 |
| 5 | 3" CL 200 SDR 21 PVC Main | LF | 3,005 | \$ 5.46 | \$16,407.30 |
| 6 | 8" C900 DR18 PVC Main | LF | 1,165 | \$ 12.45 | \$14,504.25 |
| 7 | 6" C900 DR18 PVC Main | LF | 3,915 | \$ 9.21 | \$36,057.15 |
| 8 | 8" Fusible C900 Main (Under River) | LF | 0 | \$ 98.56 | |
| 9 | 6" Fusible C900 Main (Under River) | LF | 250 | \$ 92.18 | \$23,045.00 |
| 10 | 8" Gate Valve and Box | EA | 2 | \$ 1,079.90 | \$2,159.80 |
| 11 | 6" Gate Valve and Box | EA | 2 | \$ 767.58 | \$1,535.16 |
| 12 | 4" Gate Valve and Box | EA | 2 | \$ 668.17 | \$1,336.34 |
| 13 | 3" Gate Valve and Box | EA | 2 | \$ 632.40 | \$1,264.80 |
| 14 | 6" Blow-Off Valve Assembly | EA | 0 | \$ 904.05 | \$0.00 |
| 15 | 4" Blow-Off Valve Assembly | EA | 0 | \$ 795.90 | \$0.00 |
| 16 | 3" Blow-Off Valve Assembly | EA | 2 | \$ 753.45 | \$1,506.90 |
| 17 | 8" x 6" Reducer | EA | 1 | \$ 282.61 | \$282.61 |
| 18 | 6" x 4" Reducer | EA | 2 | \$ 258.58 | \$517.16 |
| 19 | 4" x 3" Reducer | EA | 2 | \$ 255.44 | \$510.88 |
| 20 | 5/8 x 3/4 radio read meter and box | EA | 10 | \$ 703.12 | \$7,031.20 |
| 21 | 5/8 x 3/4 radio read meter and box w/priv | EA | 22 | \$ 786.73 | \$17,308.06 |
| 22 | 3/4" polyethylene service line | LF | 1,600 | \$ 5.20 | \$8,320.00 |
| 23 | Air Relief Valve & Box | EA | 2 | \$ 580.15 | \$1,160.30 |
| 24 | Ductile Iron Pipe 8" Class 350 | LF | 90 | \$ 25.06 | \$2,255.40 |
| 25 | Ductile Iron Pipe 6" Class 350 | LF | 432 | \$ 20.16 | \$8,709.12 |
| 26 | Ductile Iron Pipe 4" Class 350 | LF | 54 | \$ 18.09 | \$976.86 |
| 27 | Ductile Iron Pipe 4" Class 350 | LF | 54 | \$ 18.09 | \$976.86 |
| 28 | Flushing Hydrant Assembly | EA | 14 | \$ 3,062.27 | \$42,871.78 |
| 29 | Roadway Boring, Pipe and Installation | LF | 140 | \$ 101.71 | \$14,239.40 |
| 30 | Concrete Replacement 4 1/2" thick | SY | 25 | \$ 40.00 | \$1,000.00 |
| 31 | Bituminous Pavement Replacement 3" thick | SY | 25 | \$ 30.00 | \$750.00 |
| 32 | DGA Replacement 6" thick | SY | 200 | \$ 30.00 | \$6,000.00 |
| Total Base Bid - Items 1 thru 32 = | | | | | \$472,253.10 |
| Total Base Bid (written) = <u>Four Hundred Seventy-two Thousand, two Hundred Fifty-three dollars and Ten cents (\$ 472,253.10)</u> | | | | | |

**Preliminary Engineering Report Amended to Final Engineering Report
KY 30 West Waterline Extension
Breathitt County Water District, Jackson, Kentucky**

**Appendix B
Project Funding**

KIA – American Recovery & Reinvestment Act Assistance Agreement

breathitt engineering, inc.

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

FUND F

PROJECT NUMBER: F2 09-05
BORROWER: Breathitt County Water District
BORROWER'S ADDRESS: 1137 Main Street
Jackson, Kentucky 41339
DATE OF ASSISTANCE AGREEMENT: December 1, 2009
CFDA NO.: 66.468

ASSISTANCE AGREEMENT

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ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of the date set forth on the cover page hereof (the "Assistance Agreement") by and between the KENTUCKY INFRASTRUCTURE AUTHORITY, a body corporate and politic, constituting a public corporation and governmental agency and instrumentality of the Commonwealth of Kentucky (the "Authority") and the Governmental Agency identified on the cover of this Assistance Agreement (the "Governmental Agency"):

WITNESSETH

WHEREAS, the General Assembly of the Commonwealth of Kentucky, being the duly and legally constituted legislature of Kentucky at its 1988 Regular Session, enacted House Bill 217 amending Chapter 224A of the Kentucky Revised Statutes (the "Act"), creating the "Kentucky Infrastructure Authority" to serve the public purposes identified in the Act; and

WHEREAS, the Authority has established its Program as hereinafter defined, for the purpose of providing financial assistance to Governmental Agencies, as defined in the Act, in connection with the acquisition and construction of Projects, as defined in the Act, in order to preserve, protect, upgrade, conserve, develop, utilize and manage the resources of the Commonwealth of Kentucky (the "Commonwealth") for the protection and preservation of the health, safety, convenience, and welfare of the Commonwealth and its citizens, and in that respect to assist and cooperate with Governmental Agencies in achieving such purposes; and

WHEREAS, the Program is funded in part, pursuant to the Capitalization Grant Operating Agreement between the Authority and the U.S. Environmental Protection Agency dated as of November 1, 1998, as amended, supplemented or restated from time to time (the "Federal Agreement"), under which the Authority is responsible for providing certain "match funding" described in the Federal Agreement; and

WHEREAS, the Authority has issued, and will issue from time to time, its revenue bonds pursuant to a General Trust Indenture dated as of February 1, 2000 (the "Indenture") between the Authority and U.S. Bank, National Association, as lawful successor in interest to National City Bank of Kentucky (the "Trustee"), in order to provide the "match funding" for the Program; and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable to finance the acquisition and construction of the Project, as hereinafter defined, and the Authority has determined that the Project is a Project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Authority; and

WHEREAS, the Governmental Agency desires to enter into this Assistance Agreement with the Authority for the purpose of securing from the Authority the repayable Loan hereinafter identified; and

WHEREAS, the Authority is willing to cooperate with the Governmental Agency in making available the Loan pursuant to the Act and the Indenture to be applied to the Project upon the conditions hereinafter enumerated and the covenants by the Governmental Agency

herein contained to repay the Loan and the interest thereon from the sources herein provided, all as hereinafter more specifically provided; and

WHEREAS, the Authority and the Governmental Agency have determined to enter into this Assistance Agreement pursuant to the terms of the Act and the Indenture and to set forth their respective duties, rights, covenants, and obligations with respect to the acquisition, construction and financing of the Project and the repayment of the Loan and the interest thereon;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN SET FORTH, THE LOAN HEREBY EFFECTED AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED BY EACH PARTY, THE PARTIES HERETO MUTUALLY COVENANT AND AGREE, EACH WITH THE OTHER AS FOLLOWS:

ARTICLE I

DEFINITIONS

All of the terms utilized in this Assistance Agreement will have the same definitions and meaning as ascribed to them in the Act and the Indenture, which Act and Indenture are hereby incorporated in this Assistance Agreement by reference, the same as if set forth hereby verbatim; provided, however, that those definitions utilized in the Act and the Indenture having general application are hereby modified in certain instances to apply specifically to the Governmental Agency and its Project.

"*Act*" shall mean Chapter 224A of the Kentucky Revised Statutes, as amended.

"*Administrative Fee*" means the charge of the Authority for the servicing of the Loan, which is the annual percentage charged against the unpaid principal balance of the Loan as identified in the Project Specifics.

"*Architects*" means the firm of consulting architects employed by the Governmental Agency in connection with the Project identified in the Project Specifics.

"*ARRA*" shall mean the American Recovery and Reinvestment Act of 2009.

"*Assistance Agreement*" shall mean this agreement made and entered into by and between a Governmental Agency and the Authority, as authorized by the Act, providing for a Loan to the Governmental Agency by the Authority, and for the repayment thereof to the Authority by the Governmental Agency.

"*Authority*" shall mean the Kentucky Infrastructure Authority created by the Act, a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the Commonwealth of Kentucky, or such other designation as may be effected by future amendments to the Act.

"*Bond*" or "*Bonds*" or "*Revenue Bonds*" shall mean any Kentucky Infrastructure Authority Bond or Bonds, or the issue of such Bonds, as the case may be, authenticated and delivered under the Indenture.

"*Business Day*" shall mean any day other than a Saturday, Sunday or other legal holiday on which the general offices of the Commonwealth are closed.

"*Cabinet*" means the Energy and Environment Cabinet of the Commonwealth.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended, and shall include the Regulations of the United States Department of the Treasury promulgated thereunder.

"*Commonwealth*" shall mean the Commonwealth of Kentucky.

"*Construction*" shall mean construction as defined in the Act.

"*Debt Obligations*" shall mean those outstanding obligations of the Governmental Agency identified in the Project Specifics outstanding as of the date of this Assistance Agreement or issued in the future in accordance with the terms hereof, payable from the income and revenues of the System.

"*Drinking Water Supply Project*" shall mean the planning, design and construction of drinking water treatment and distribution systems, including expenditures to address Federal Act health goals, or to address situations where compliance standards have been exceeded or to prevent future violations of rules, and may further include drinking water treatment plants, including basins for rapid mix, flocculation, coagulation, filtration, pre-treatment disinfection, and disinfection prior to entry to the distribution system; distribution systems; storage tanks; intake lines and short-term water storage; clearwells; drilled wells and wellhead areas; and any other structure or facility considered necessary by the Cabinet to the efficient and sanitary operation of a public water system and complies with the requirements of the Federal Act.

"*Engineers*" means the firm of consulting engineers employed by the Governmental Agency in connection with the Project identified in the Project Specifics.

"*Federal Act*" shall mean the Federal Safe Drinking Water Act, as amended, 42 U.S.C. Section 1401, et seq.

"*Governmental Agency*" shall mean any incorporated city or municipal corporation, or other agency or unit of government within the Commonwealth, now having or hereafter granted the authority and power to finance, acquire, construct, and operate infrastructure projects, including specifically but not by way of limitation, incorporated cities, counties, including any counties containing a metropolitan sewer district, sanitation districts, water districts, sewer construction districts, metropolitan sewer districts, sanitation taxing districts, and any other agencies, commissions, districts, or authorities (either acting alone, or in combination with one another pursuant to any regional or area compact, or multi-municipal agreement), now or hereafter established pursuant to the laws of the Commonwealth having and possessing such described powers; and for the purposes of this Assistance Agreement shall mean the Governmental Agency identified in the Project Specifics.

"*Indenture*" shall mean the General Trust Indenture dated as of February 1, 2000 between the Authority and the Trustee.

"*Interagency Agreement*" means the Memorandum of Understanding dated as of July 1, 1999 between the Authority and the Cabinet, as the same may be amended or supplemented from time to time.

"*Loan*" shall mean the loan effected under this Assistance Agreement from the Authority to the Governmental Agency in the principal amount set forth in the Project Specifics, for the purpose of defraying the costs incidental to the Construction of the Project.

"*Loan Rate*" means the rate of interest identified in the Schedule of Payments.

"*Person*" shall mean any individual, firm, partnership, association, corporation or Governmental Agency.

"*Program*" shall mean the program authorized by KRS 224A.1115 and the Indenture as the "federally assisted drinking water revolving fund" for financing Projects through Loans by the Authority to Governmental Agencies and shall not be deemed to mean or include any other programs of the Authority.

"*Project*" shall mean, when used generally, a Drinking Water Supply Project, and when used in specific reference to the Governmental Agency, the Project described in the Project Specifics.

"*Project Commencement Date*" means the date construction of the Project commences, or the date contracts have been executed for construction of the Project.

"*Project Specifics*" means those specific details of the Project identified in Exhibit A hereto, all of which are incorporated by reference in this Assistance Agreement.

"*Requisition for Funds*" means the form attached hereto as Exhibit B to be utilized by the Governmental Agency in obtaining disbursements of the Loan from the Authority as the Construction of the Project progresses.

"*Resolution*" means the resolution of the Governmental Agency in the form attached hereto as Exhibit D authorizing the execution of this Assistance Agreement.

"*Schedule of Payments*" means the principal and interest requirements of the Loan as set forth in Exhibit F hereto, to be established and agreed to upon or prior to the completion of the Project.

"*Schedule of Service Charges*" shall mean those general charges to be imposed by the Governmental Agency for services provided by the System, as set forth in Exhibit C hereto, and such other revenues identified in Exhibit C hereto from which the Loan is to be repaid, which Schedule of Service Charges shall be in full force and effect to the satisfaction of the Authority prior to the disbursement of any portion of the Loan hereunder.

"*Service Charges*" shall mean any monthly, quarterly, semi-annual, or annual charges, surcharges or improvement benefit assessments to be imposed by a Governmental Agency, or by the Authority, in respect of the System, which Service Charges arise by reason of the existence of, and requirement of, any Assistance Agreement and for the purposes of this Assistance Agreement said Service Charges shall be no less than those set forth in the Schedule of Service Charges.

"*System*" shall mean the water system owned and operated by the Governmental Agency of which the Project shall become a part and from the earnings of which (represented by the Service Charges) the Governmental Agency shall repay the Authority the Loan hereunder.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of Authority. The Authority represents and warrants for the benefit of the Governmental Agency as follows:

(A) The Authority is a body corporate and politic constituting a governmental agency and instrumentality of the Commonwealth, has all necessary power and Authority to enter into, and perform its obligations under, this Assistance Agreement, and has duly authorized the execution and delivery of this Assistance Agreement.

(B) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing.

(C) To the knowledge of the Authority, there is no litigation or proceeding pending or threatened against the Authority or any other person affecting the right of the Authority to execute or deliver this Assistance Agreement or to comply with its obligations under this Assistance Agreement. Neither the execution and delivery of this Assistance Agreement by the Authority, nor compliance by the Authority with its obligations under this Assistance Agreement, require the approval of any regulatory body, or any other entity, which approval has not been obtained.

(D) The authorization, execution and delivery of this Assistance Agreement and all actions of the Authority with respect thereto, are in compliance with the Act, the Federal Act, ARRA and any regulations issued thereunder.

Section 2.2. Representations and Warranties of the Governmental Agency. The Governmental Agency hereby represents and warrants for the benefit of the Authority as follows:

(A) The Governmental Agency is a duly organized and validly existing Governmental Agency, as described in the Act, with full power to own its properties, conduct its affairs, enter into this Assistance Agreement and consummate the transactions contemplated hereby.

(B) The negotiation, execution and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite action of the governing body of the Governmental Agency.

(C) This Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability hereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

(D) To the knowledge of the Governmental Agency, there is no controversy or litigation of any nature pending or threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under this Assistance Agreement or to proceed with the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of this Assistance Agreement or the Construction of the Project, or in any way contesting or affecting the validity of this Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of this Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Assistance Agreement.

(E) The authorization and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation or other document or law affecting the Governmental Agency or its governing body.

(F) Attached hereto as Exhibit D is a true, accurate and complete copy of the resolution or ordinance of the governing body of the Governmental Agency approving and authorizing the execution and delivery of this Assistance Agreement. Such resolution or ordinance was duly enacted or adopted at a meeting of the governing body of the Governmental Agency at which a quorum was present and acting throughout; such resolution or ordinance is in full force and effect and has not been superseded, altered, amended or repealed as of the date hereof; and such meeting was duly called and held in accordance with law.

(G) All actions taken by the Governmental Agency in connection with this Assistance Agreement and the Loan described herein and the Project have been in full compliance with the provisions of the Kentucky Open Meeting Law, KRS 61.805 to 61.850.

(H) The Governmental Agency has all licenses, permits and other governmental approvals (including but not limited to all required approvals of the Kentucky Public Service Commission) required to own, occupy, operate and maintain the Project, to charge and collect the Service Charges and to enter into this Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Project, and has full right, power and authority to perform the acts and things as provided for in this Assistance Agreement.

(I) Legal counsel to the Governmental Agency has duly executed and delivered the opinion of legal counsel substantially in the form set forth in Exhibit E hereto.

(J) The Governmental Agency is in full compliance with all federal and state labor and procurement laws in connection with the planning, design, acquisition and construction of the Project.

(K) Project is consistent with the water supply plan developed pursuant to 401 KAR 4:220 for the county in which the Governmental Agency is located.

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

Section 3.1. Determination of Eligibility. Pursuant to the terms of the Act and the Indenture, the Authority has determined that the Governmental Agency's Project is a Drinking Water Supply Project or other Infrastructure Project permitted under the Act and the Governmental Agency is entitled to financial assistance from the Authority in connection with financing the Construction of the Project.

Section 3.2. Principal Amount of Loan Established; Loan Payments; Disbursement of Funds. The principal amount of the Loan shall be the Loan Amount as identified in the Project Specifics, subject to such adjustments, including principal forgiveness, as may be set forth in the Schedule of Payments. Principal payments shall be made semiannually in the amounts and on the dates to be established by the Schedule of Payments, which Schedule of Payments shall provide for approximately level debt service payments over the Repayment Term set forth in the Project Specifics, commencing with the Amortization Commencement Date set forth in the Project Specifics.

The Loan shall bear interest, payable semiannually, at the Loan Rate identified in the Project Specifics, and after the Amortization Commencement Date, in the amounts (based on such Loan Rate) and on the dates set forth in the Schedule of Payments; provided that, should an Event of Default occur, such payments of interest shall be made on the first day of each month during the continuation of such Event of Default.

The Authority shall advance the proceeds of the Loan as Construction of the Project progresses upon the submission by the Governmental Agency of a Requisition for Funds in substantially the same form as Exhibit B hereto. Each such Requisition of Funds shall be accompanied by a Buy-American Certification in substantially the same form as Exhibit B-1 attached hereto. Each disbursement under a Requisition for Funds representing a portion of the principal amount of the Loan shall bear interest at the Loan Rate from the date of the disbursement; and shall be subject to the further requirements set forth in Article IV hereof.

Payments of principal and interest on the Loan shall be made at the principal office of the Authority or the Trustee, as designated by the Authority.

Section 3.3. Governmental Agency's Right to Prepay Loan. The Governmental Agency shall have the right to prepay and retire the entire amount of the Loan at any time without penalty upon written notice to the Authority no less than five (5) Business Days in advance of said prepayment.

Notwithstanding the foregoing, upon the determination by the Authority that it intends to issue revenue bonds secured by a pledge of the payments on the Loan, the Authority shall advise the Governmental Agency (i) of its intention to proceed with the authorization of such bonds (ii) of the limitation on prepayments after such bonds are issued and (iii) that the Governmental Agency has thirty (30) days from its receipt of said notice to exercise its option to prepay the Loan. Upon the expiration of said thirty day period the Governmental Agency's right to prepay the Loan shall be limited to the terms described in such notice.

Section 3.4. Subordination of Loan. The Authority hereby agrees that, subject to compliance by the Governmental Agency with any covenants and conditions set forth in Exhibit G hereto, the source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable from the revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics and all such Debt Obligations that may hereafter be issued on a parity with the Debt Obligations identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.6 (D) hereof.

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

Section 4.1. Covenants of Governmental Agency and Conditions of Loan. By the execution of this Assistance Agreement, the Governmental Agency agrees that prior to any requests for the disbursement of all or a portion of the Loan made hereunder, the Governmental Agency shall supply the Authority and the Cabinet appropriate documentation, satisfactory to the Authority indicating the following:

(A) That the Authority and the Cabinet and any appropriate regulatory agency of the Commonwealth as may be designated by the Authority or the Cabinet, and their respective duly authorized agents, shall have the right at all reasonable times, subject to prior notice to the Governmental Agency, to examine and inspect the Project.

(B) All real estate and interest in real estate and all personal property constituting the Project and the sites of the Project heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency and constitute a part of the System.

(C) In the event the Governmental Agency is required to provide financing for the Project from sources other than the Authority (as described in the Project Specifics) the Authority shall have the right to receive such reasonable proofs as it may require of the ability of the Governmental Agency to finance the costs of the Construction of the Project over and above the Loan, prior to the disbursement by the Authority of any portion of the Loan.

(D) The Governmental Agency shall do all things necessary to acquire all proposed and necessary sites, easements and rights of way necessary or required in respect of the Project and demonstrate its ability to construct the Project in accordance with the plans, design and specifications prepared for the Governmental Agency by the Engineers.

(E) Actual construction and installation incident to the Project shall be performed by the lump-sum (fixed price) contract method, and adequate legal methods of obtaining public, competitive bidding will be employed prior to the awarding of the construction contract for the Project in accordance with Kentucky law.

(F) Unless construction of the Project has already been initiated as of the date of this Assistance Agreement, pursuant to due compliance with state law and applicable regulations, the Project will not be advertised or placed on the market for construction bidding by the Governmental Agency until the final plans, designs and specifications therefor have been approved by such state and federal agencies and authorities as may be legally required, and until written notification of such approvals has been received by the Governmental Agency and furnished to the Cabinet.

(G) Duly authorized representatives of the Cabinet and such other agencies of the Commonwealth and the United States Government as may be charged with responsibility will have reasonable access to the construction work whenever it is in preparation or progress, and the Governmental Agency will assure that the contractor or contractors will provide facilities for such access and inspection.

(H) The construction contract or contracts shall require the contractor to comply with all provisions of federal and state law legally applicable to such work, and any amendments or modifications thereto, together with all other applicable provisions of law, to cause appropriate provisions to be inserted in subcontracts to insure compliance therewith by all subcontractors subject thereto, and to be responsible for the submission of any statements required of subcontractors thereunder.

(I) A work progress schedule utilizing a method of standard acceptance in the engineering community shall be prepared prior to the institution of construction in connection with each construction contract, or, if construction has already been initiated as of the date of this Assistance Agreement, at the earliest practicable date, to indicate the proposed schedule as to completion of the Project, and same shall be maintained monthly thereafter to indicate the actual construction progress of the Project.

(J) Prior to the award of the construction contract and prior to the commencement of construction, the Governmental Agency will arrange and conduct a conference as to the Project said conference to include representatives of the Authority, the Governmental Agency, the Cabinet and any other participating federal or state agency, the Engineers, and all construction contractors, such conference to be held in accordance with guidelines established by the Authority and the Cabinet. A written brief of said conference summarizing the construction schedule, fund requirements schedule, payment authorizations, responsible parties for approval of all facets of the construction work and payment therefor, and other pertinent matters shall be prepared and distributed to each agency involved, and all construction contractors and Engineers. Provided, however, that in the event construction shall have been initiated as of the date of this Assistance Agreement, this provision may be waived.

(K) All construction contracts will be so prepared that federal participation costs, if any, and state participation costs may be readily segregated from local participation costs, if any, and from each other, and in such manner that all materials and equipment furnished to the Governmental Agency may be readily itemized.

(L) Any change or changes in a construction contract will be promptly submitted to the Cabinet and any state or federal agencies.

(M) The Construction, including the letting of contracts in connection therewith, will conform in all respects to applicable requirements of federal, state and local laws, ordinances, rules and regulations.

(N) The Governmental Agency will proceed expeditiously with and complete the Project in accordance with the approved surveys, plans specifications and designs or amendments thereto, prepared by the Engineers for the Governmental Agency and approved by state and federal agencies.

(O) The Governmental Agency will erect at the Project sites, signs satisfactory to the Authority and the United States Environmental Protection Agency noting the participation of the American Recovery and Reinvestment Act in the financing of the Project.

(P) Except as otherwise provided in this Assistance Agreement, the Governmental Agency shall have the sole and exclusive charge of all details of the Construction.

(Q) The Governmental Agency shall keep complete and accurate records of the costs of acquiring the Project sites and the costs of Construction. The Governmental Agency shall permit the Authority and the Cabinet, acting by and through their duly authorized representatives, and the duly authorized representatives of state and/or federal agencies to inspect all books, documents, papers and records relating to the Project at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority and the Cabinet such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state assistance.

(R) The Governmental Agency shall require that each construction contractor or contractors furnish a performance and a payment bond in an amount at least equal to one hundred percent (100%) of the contract price or the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

(S) The Governmental Agency shall require that each of its contractors and all subcontractors maintain during the life of the construction contract, worker's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the contractor shall maintain builders risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor, and all subcontractors, as their interests may appear.

(T) The Governmental Agency shall provide and maintain competent and adequate resident engineering services covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that Construction conforms to the approved plans, specifications and designs prepared by the Engineers. Such resident engineer shall certify to the Cabinet, any involved state or federal agencies, and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or, approved amendments thereto.

(U) The Governmental Agency shall demonstrate to the satisfaction of the Authority the legal capability of the Governmental Agency to enact, adopt, levy, charge, collect, enforce and remit to the Authority and the Cabinet the Service Charges of the Governmental Agency described in the Schedule of Service Charges attached to and made a part of this Assistance Agreement as Exhibit C and submit proof satisfactory to the Authority that the Service Charges are in full force and effect as of the date of submission of the initial Requisition for Funds.

(V) The Project Commencement Date shall be no later than February 16, 2010.

(W) The Governmental Agency covenants that the Project is comprised of improvements constituting green infrastructure, water or energy efficiency improvements or other environmentally innovative activities.

Section 4.2. Additional Conditions to Disbursement Required Under the Federal Agreement and ARRA. The Governmental Agency, in order to comply with the terms and conditions of the Federal Agreement, further covenants and further agrees to additional conditions to disbursement, as follows:

(A) Notwithstanding any other agreements contained herein regarding the maintenance of books and records, that it shall maintain Project accounts in accordance with generally accepted governmental accounting standards, as required by the Federal Agreement. The Governmental Agency shall retain such records for no less than three (3) years following the final payment by the Governmental Agency under this Assistance Agreement or if any portion of the Project is disposed of, until at least three (3) years after such disposition; provided that if any litigation, claim, appeal or audit is commenced prior to the end of such period such records shall be maintained until the completion of such action or until three (3) years after such commencement, whichever is later.

(B) That it has not and will not apply any other federal funding to the Project in a manner that would cause it to receive "double benefits" as described in Section 603 of the Water Quality Act of 1987.

(C) That all property required for the completion of the Project shall be obtained, by easement, purchase or other means acceptable to the Authority, prior to commencement of construction and that the relocation of any Person resulting therefrom be in accordance with 49 CFR24 for Uniform Relocation Assistance and Real Property Acquisition Act of 1970.

(D) That all Project contractors shall be required to retain Project records for the periods established for the retention of the Governmental Agency's records in Section 4.2(A).

(E) That, as required by 40 CFR 35.2218, all engineering services regarding construction and regarding the first year of operation of the Project shall be provided for, including the following:

(1) The operation of the Project and the revision of the operations and maintenance manual as necessary to accommodate actual operating experience; and

(2) The training of operating personnel, including preparation of curricula and training material for operating personnel.

(F) That it shall advise the Cabinet and the Authority in writing of the date for initiation of operation of the Project.

(G) That it shall provide that qualified inspectors are present at the construction site. A summary of such inspector's qualifications and experience shall be submitted to the Cabinet and the Authority.

(H) That it shall notify the Authority and the Cabinet of the completion date of the Project.

(I) That it agrees to the terms and conditions of its application for assistance and the Authority's commitment to provide assistance, the terms of which are incorporated herein by reference.

(J) That all measures required to minimize water pollution to affected waters shall be employed in the Project including compliance with Section 404 of PL 92-500, as amended, it being understood that approval of the Project does not constitute sanction or approval of any changes or deviations from established water quality standards, criteria implementation dates, or dates established by enforcement proceedings.

(K) That no portion of the proceeds of the Loan shall be disbursed unless the Project Commencement Date is on or prior to February 16, 2010.

Section 4.3. Disbursements of Loan; Requisition for Funds. The Governmental Agency shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) and the Cabinet a Requisition for Funds prior to the fifth day of each month (or such other designated period as is acceptable to the Authority), in substantially the same form as that attached to this Assistance Agreement as Exhibit B and Exhibit B-1 and made a part hereof, accompanied by, to the extent requested by the Authority, the following documentation:

(A) A full and complete accounting of the costs of the Project to be obligated by contract or otherwise during the month in question, or already obligated and not included in any previous accounting;

(B) A full and complete accounting of any costs of the Project paid by the Governmental Agency from its own funds with the approval of the Authority and not included in any previous accounting for which it seeks reimbursement;

(C) A full and complete accounting of any costs of the Project paid or requisitioned under any other financing, loan, bond, grant or similar agreement or paid from its own funds for which it does not seek reimbursement and which have not been identified in any previous requisition form.

(D) The Contractor's estimate of work performed during the preceding month pursuant to construction contracts for the Project and payment thereunder due, together with the Engineer's and Governmental Agency's approval thereof for disbursement by the Authority.

Upon the Authority's receipt of the Requisition for Funds, and such additional documentation as it may require, and subject to certification by the Cabinet, the Authority may direct the Trustee to remit the amount requested to the Governmental Agency as a draw upon the Loan.

ARTICLE V

CERTAIN COVENANTS OF THE GOVERNMENTAL AGENCY; PAYMENTS TO BE MADE BY GOVERNMENTAL AGENCY TO THE AUTHORITY

Section 5.1. Imposition of Service Charges. The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Assistance Agreement, pursuant to which the Loan is to be made by the Authority to the Governmental Agency as specified herein and in the Act and the Indenture. The Governmental Agency hereby further irrevocably covenants and agrees that it already has, or will, to the extent necessary, immediately impose Service Charges upon all persons, firms and entities to whom or which services are provided by the System, such Service Charges to be no less than as set forth in Exhibit C annexed hereto. If so required, such Service Charges shall be in addition to all other rates, rentals and service charges of a similar nature of the Governmental Agency now or hereafter authorized by law, and now or hereafter being levied and collected by the Governmental Agency and shall be levied and collected solely for the purpose of repaying to the Authority all sums received from the Authority as representing the Loan in respect of the Project.

Section 5.2. Governmental Agency's Obligation to Repay Loan. The obligation of the Governmental Agency to repay to the Authority the amount of the Loan from the Service Charges shall not be revocable, and in the event that services supplied by the Project shall cease, or be suspended for any reason, the Governmental Agency shall continue to be obligated to repay the Loan from the Services Charges. In the event the Governmental Agency defaults in the payment of any Service Charges to the Authority, the amount of such default shall bear interest at the per annum rate equal to the Default Rate set forth in the Project Specifics, from the date of the default until the date of the payment thereof.

Section 5.3. Covenant to Adjust Service Charges. In the event, for any reason, the Schedule of Service Charges shall prove to be insufficient to provide to the Authority the minimum sums set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, the Governmental Agency hereby covenants and agrees that it will, upon notice by the Authority, to the full extent authorized by law, both federal and state, immediately adjust and increase such Schedule of Service Charges, or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments, to provide for the operation of the System as required under this Assistance Agreement and to make the required deposits to the Maintenance and Replacement Reserve.

Section 5.4. Adequacy of Service Charges. The Service Charges herein covenanted to be imposed by the Governmental Agency shall be fixed at such rate or rates (and it is represented that the Schedule set forth in Exhibit C hereto so qualifies), as shall be at least adequate to make the payments at the times and in the amounts set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project not less frequently than the Service Charge Payment

period set forth in the Project Specifics, and shall be remitted to the Authority by the Governmental Agency with a report showing collections and any delinquencies.

Section 5.5. Covenant to Establish Maintenance and Replacement Reserve. The Governmental Agency shall establish a special account identified as a "Maintenance and Replacement Reserve". The Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to the amount set forth in the Project Specifics at the times set forth in the Project Specifics. Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the unbudgeted costs of replacing worn or obsolete portions of the Project.

Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspections. The Governmental Agency hereby irrevocably covenants and agrees with the Authority:

(A) That, as aforesaid, it will at all times impose, prescribed, charge and collect the Service Charges set forth in Exhibit C as shall result in net revenues to the Governmental Agency at least adequate to provide for the payments to the Authority required by this Assistance Agreement, to provide for the operation of the System and to make the required deposits to the Maintenance and Replacement Reserve.

(B) That it will furnish to the Authority and the Cabinet not less than annually reports of the operations and income and revenues of the System, and will permit authorized agents of the Authority to inspect all records, accounts and data of the System at all reasonable times.

(C) That it will collect, account for and promptly remit to the Authority those specific revenues, funds, income and proceeds derived from Service Charges incident to this Assistance Agreement.

(D) That it will notify the Authority in writing of its intention to issue bonds or notes payable from the revenues of the System not less than thirty (30) days prior to the sale of said obligations. It further covenants that it will not issue any notes, bonds or other obligations payable from the revenues of the System, if the pledge of the revenues of the System to the repayment of such obligations is to rank on a parity with, or superior to, the pledge of the revenues of the System for the repayment of the Loan granted under this Assistance Agreement, unless the Governmental Agency has secured the consent of the Authority not less than fifteen (15) days prior to the issuance of such obligations.

Section 5.7. Segregation of Funds. The Governmental Agency shall at all times account for the income and revenues of the System and distinguish same from all other revenues, moneys and funds of the Governmental Agency, if any.

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

Section 6.1. Further Assurance. At any time and all times the Governmental Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the Governmental Agency may hereafter become bound to pledge or assign.

Section 6.2. Completion of Project. The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project in accordance with the plans, designs and specifications prepared by the Engineers for the Governmental Agency.

Section 6.3. Establishment of Completion Date. The completion date for the Project shall be evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Governmental Agency stating that, except for amounts retained by the Authority for costs of the Project not then due and payable, (i) the Construction has been completed and all labor, services, materials, supplies, machinery and equipment used in such Construction have been paid for, (ii) all other facilities necessary in connection with the Project have been acquired, constructed, equipped and installed and all costs and expenses incurred in connection therewith have been paid, (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped and installed to his satisfaction.

Section 6.4. Commitment to Operate. The Governmental Agency hereby covenants and agrees to commence operation of the Project immediately on completion of construction and not to discontinue operations or dispose of such Project without the approval of the Authority.

Section 6.5. Continue to Operate. The Governmental Agency hereby covenants and agrees to continuously operate and maintain the Project in accordance with applicable provisions of federal and state law and to maintain adequate records relating to said operation; said records to be made available to the Authority upon its request at all reasonable times.

Section 6.6. Tax Covenant. In the event the Authority issues Bonds which are intended to be excludable from gross income for federal income tax purposes to provide the funds for the Loan, the Governmental Agency shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion and shall take such actions as may be directed by the Authority in order to accomplish the foregoing. The Governmental Agency shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business, (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business, (iii) any management agreement for the operation of the System or (iv) any federal guarantee of its obligations hereunder without the prior written consent of the Authority. The Governmental Agency will not acquire or pledge any obligations which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 6.7. Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in accordance with the "Uniform System of

Accounts" established by the Commonwealth, in which complete and accurate entries shall be made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within one hundred eighty (180) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity. All recipients and subrecipients expending \$500,000 or more in a year in Federal awards must have a single or program-specific audit conducted for that year in accordance with OMB Circular A-133.

Section 6.9. General Compliance With All Duties. The Governmental Agency shall faithfully and punctually perform all duties with reference to the Project and the System required by the Constitution and laws of the Commonwealth, and by the terms and provisions of this Assistance Agreement and any other Debt Obligations.

Section 6.10. General. The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of the Act, the Federal Act and this Assistance Agreement in accordance with the terms of such provisions including the Additional Covenants and Agreements, if any, set forth in Exhibit G hereto.

Section 6.11. Further Covenants under the Federal Agreement. The Governmental Agency shall comply with all further requirements or conditions which may arise from time to time in order to assure compliance with the Federal Act, and with the agreements of the Authority set forth in the Federal Agreement, including but not limited to the following:

(A) The Governmental Agency shall provide all information requested of it by the Authority or the Cabinet so that (i) the Grants Information Control System, referred to in the Federal Agreement, can be maintained, (ii) the accounting and auditing procedures required by the Federal Act can be maintained and (iii) the Authority can furnish the information required of its under the Federal Agreement.

(B) Qualified operating personnel, properly certified by the Cabinet, shall be retained by the Governmental Agency to operate the Project during the entire term of this Assistance Agreement. An approved plan of operating and an operations and maintenance manual for the Project shall be provided by the Governmental Agency to the Cabinet and the Authority. The Project shall be operated and maintained in an efficient and effective manner.

(C) All residents in the service area of the Project must be offered the same opportunity to become users of the Project regardless of race, creed, color, or level of income.

(D) The Governmental Agency shall comply with provisions contained in the following federal regulations, orders, acts and circulars and the following statutes and regulations of the Commonwealth.

(1) Federal Cross-Cutters

Environmental Authorities

- (a) Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- (b) Clean Air Act, Pub. L. 84-159, as amended
- (c) Coastal Barrier Resources Act, Pub. L. 97-348
- (d) Coastal Zone Management Act, Pub. L. 93-583, as amended
- (e) Endangered Species Act, Pub. L. 93-205, as amended
- (f) Environmental Justice, Executive Order 12898
- (g) Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- (h) Protection of Wetlands, Executive Order 11990
- (i) Farmland Protection Policy Act, Pub. L. 97-98
- (j) Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- (k) National Historic Preservation Act of 1966, PL 89-665, as amended
- (l) Safe Drinking Water Act, Pub. L. 93-523, as amended
- (m) Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

- (a) Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372
- (b) Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.
- (c) Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended
- (d) Debarment and Suspension, Executive Order 12549

Social Policy Authorities

- (a) Age Discrimination Act of 1975, Pub. L. 94-135
- (b) Title VI of the Civil Rights Act of 1964, Pub. L. 88-352
- (c) Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
- (d) Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)
- (e) Equal Employment Opportunity, Executive Order 11246
- (f) Women's and Minority Business Enterprise, Executive Orders 11625, 12138, and 12432

(g) Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590

(2) State:

(a) KRS 224

(b) KRS 224A.1115 Federally Assisted Drinking Water Revolving Fund

(c) KRS Chapter 337, Labor Laws

(d) 401 KAR Chapter 5

Section 6.12. Covenants Under ARRA. The Governmental Agency covenants and agrees that it shall comply with all further requirements or conditions which may arise from time to time in order to insure compliance with ARRA, including but not limited to the following:

- (A) The Governmental Agency shall require all laborers and mechanics employed by contractors and subcontractors on the Project shall be paid wages at rates not less than prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of Chapter 31 of title 40, United States Code.
- (B) No portion of the Loan shall be used by the Governmental Agency for the construction, alteration, maintenance or repair of a public building or public work unless all of the iron, steel and manufactured goods used in the Project is produced in the United States unless (i) a waiver is provided to the Governmental Agency by the United States Environmental Protection Agency or (ii) compliance would be inconsistent with the United States' obligations under international agreements.
- (C) Not later than 10 days after the end of each calendar quarter, the Governmental Agency shall submit reports to the Authority complying with the requirements of Section 1512(c) and Title VII of ARRA.
- (D) The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of ARRA.
- (E) If the Project, or any portion thereof, has been qualified as a green infrastructure water or energy efficiency project, the Governmental Agency shall notify the Authority in writing of any changes to the Project resulting in an alteration of the business case requirements set forth in attached Exhibit H. No such changes shall be undertaken unless the Authority shall have provided the Governmental Agency with express written consent to such changes.

Section 6.13. Continuing Disclosure Obligation. The Governmental Agency covenants and agrees that notwithstanding any other provision of this Assistance Agreement to the contrary, upon written notice from the Authority that the Schedule of Payments provides ten percent (10%) or more of the debt service requirements on an issue of the Authority's Bonds and that compliance by the Governmental Agency with the requirements of Securities and Exchange Commission Rule 15c2-12, as amended (the "SEC Rule") is required in connection with the

Authority's Bonds, the Governmental Agency shall provide to the Authority such information as may be required by the Rule, within the time periods set out in such notice by the Authority, to enable the Authority to establish to the satisfaction of prospective purchasers of the Authority's Bonds that the requirements of the SEC Rule will be satisfied in connection with the issuance of the Authority's Bonds. The Governmental Agency further understands and agrees that the Authority shall act as the Governmental Agency's disclosure agent for purposes of compliance with the SEC Rule and that upon a failure by the Governmental Agency to provide the information required to be provided under the SEC Rule within the time frame specified in such notice, the Authority and/or the beneficial owners and holders of the Authority's Bonds shall be specifically granted the right of enforcing the provisions of this Section 6.12 by an action in mandamus, for specific performance, or similar remedy to compel performance.

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

Section 7.1. Maintain System. The Governmental Agency agrees that during the entire term of this Assistance Agreement, it will keep the Project, including all appurtenances thereto, and the equipment and machinery therein, in good and sound repair and good operating condition at its own cost so that the completed Project will continue to provide the services for which the System is designed.

Section 7.2. Additions and Improvements. The Governmental Agency shall have the privilege of making additions, modifications and improvements to the sites of the Project, and to the Project itself from time to time provided that said additions, modifications and improvements do not impair the operation or objectives of the Project. The Cost of such additions, modifications and improvements shall be paid by the Governmental Agency, and the same shall be the property of the Governmental Agency and shall be included under the terms of this Assistance Agreement as part of the site of the Project, or the Project, as the case may be. Nothing herein contained shall be construed as precluding the Authority and the Governmental Agency from entering into one or more supplementary Assistance Agreements providing for an additional Loan or Loans in respect of additional Projects undertaken by the Governmental Agency.

Section 7.3. System Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not, without the prior written consent of the Authority, which consent shall not be unreasonably withheld, sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the System or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 7.4. Compliance with State and Federal Standards. The Governmental Agency agrees that it will at all times provide operation and maintenance of the Project to comply with the water quality standards, if any, established by any state or federal agency. The Governmental Agency agrees that qualified operating personnel properly certified by the Commonwealth will be retained to operate the Project during the entire term of this Assistance Agreement.

Section 7.5. Access to Records. The Governmental Agency agrees that it will permit the Authority and any state or federal agency and their respective agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the Project at any reasonable time following completion of construction of the Project, and commencement of operations thereof.

Section 7.6. Covenant to Insure - Casualty. The Governmental Agency agrees to insure the Project facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

Section 7.7. Authority as Named Insured. Any insurance policy issued pursuant to Section 7.5 hereof, shall be so written or endorsed as to make losses, if any, payable to the Governmental Agency, and to the Authority, as their interests may appear.

Section 7.8. Covenant to Insure - Liability. The Governmental Agency agrees that it will carry public liability insurance with reference to the Project with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal injury, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

Section 7.9. Covenant Regarding Worker's Compensation. Throughout the entire term of this Assistance Agreement, the Governmental Agency shall maintain worker's compensation coverage, or cause the same to be maintained.

Section 7.10. Application of Casualty Insurance Proceeds. If, prior to the completion of the term of this Assistance Agreement, the Project shall be damaged or partially or totally destroyed by fire, windstorm or other casualty, there shall be no abatement or reduction in the amount payable by the Governmental Agency pursuant to the terms of this Assistance Agreement and the Governmental Agency will (1) promptly repair, rebuild or restore the Project damaged or destroyed; and (2) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Governmental Agency necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Governmental Agency, and shall be promptly applied as herein provided.

Section 7.11. Eminent Domain. In the event that title to, or the temporary use of, the Project, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, there shall be no abatement or reduction in the minimum amounts payable by the Governmental Agency to the Authority pursuant to the terms of this Assistance Agreement, and any and all net proceeds received from any award made in such eminent domain proceedings shall be paid to and held by the Governmental Agency in a separate condemnation award account and shall be applied by the Governmental Agency in either or both of the following ways, as shall be determined by the Governmental Agency in its sole discretion:

(A) The restoration of the improvements located on the Project sites to substantially the same condition as prior to the exercise of said power of eminent domain; or

(B) The acquisition of additional property, if necessary, and the acquisition of additional facilities by construction or otherwise, equivalent to the Project facilities, which property and facilities shall be deemed to be a part of the Project sites and a part of the Project facilities and to be substituted for Project facilities so taken by eminent domain, without the payment of any amount other than herein provided, to the same extent as if such property and facilities were specifically described herein.

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section 7.11, shall be paid to the Governmental Agency upon delivery to the Authority of a certificate signed by an authorized officer of the Governmental Agency to the effect that the Governmental Agency has

complied with either subparagraph (A) or (B), or both, of this Section, and written approval of such certificate by an authorized officer of the Authority. In no event will the Governmental Agency voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Project or any part thereof without the written consent of the Authority.

Section 7.12. Flood Insurance. All structures located in flood prone areas shall be covered by flood insurance carried by the Governmental Agency for an amount equal to the total Project cost excluding the cost of land and any uninsurable improvements, or for the maximum limit available under the National Flood Insurance Act of 1968, as amended, whichever is less, for the entire useful life of the Project.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. The following will be "Events of Default" under this Assistance Agreement and the term "Event of Default" or "Default" will mean, whenever it is used in this Assistance Agreement, any one or more of the following events:

(A) Failure by the Governmental Agency to pay any payments specified herein at the times specified herein.

(B) Failure by the Governmental Agency to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (A) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied will have been given to the Governmental Agency by the Authority unless the Authority agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Governmental Agency within the applicable period and diligently pursued until such failure is corrected.

(C) The dissolution or liquidation of the Governmental Agency, or the voluntary initiation by the Governmental Agency of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Governmental Agency of any such proceeding which will remain undismitted for sixty (60) days, or the entry by the Governmental Agency into an agreement of composition with creditors or the failure generally by the Governmental Agency to pay its debts as they become due.

(D) A default by the Governmental Agency under the provisions of any agreements relating to its Debt Obligations.

Section 8.2. Remedies on Default. Whenever any Event of Default referred to in Section 8.1 has occurred and is continuing (other than an event of default arising under Section 6.13 of this Assistance Agreement), the Authority may, without any further demand or notice, take one or any combination of the following remedial steps:

(A) Declare all payments due hereunder, as set forth in the Schedule of Payments, to be immediately due and payable.

(B) Exercise all the rights and remedies of the Authority set forth in the Act.

(C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this Assistance Agreement.

(D) Submit a formal referral to the appropriate federal agency, as required by the Federal Agreement.

The sole remedies for an Event of Default under this Assistance Agreement arising by virtue of the failure of the Governmental Agency to comply with the provisions of Section 6.10 hereof shall be those remedies specifically set forth in Section 6.10 hereof

Section 8.3. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Authority under this Assistance Agreement, the Authority shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Authority may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

Section 8.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 8.5. Consent to Powers of Authority Under Act. The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges in respect of the Project upon the occurrence of an Event of Default, and the Governmental Agency hereby covenants and agrees that if the Authority should in the future have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Assistance Agreement.

Section 8.6. Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 8.7. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto will default under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1. Approval not to be Unreasonably Withheld. Any approval of the Authority required by this Assistance Agreement shall not be unreasonably withheld and shall be deemed to have been given on the thirtieth (30th) day following the submission of any matter requiring approval to the Authority, unless disapproved in writing prior to such thirtieth (30th) day. Any provision of this Assistance Agreement requiring the approval of the Authority or the satisfaction or the evidence of satisfaction of the Authority shall be interpreted as requiring action by an authorized officer of the Authority granting, authorizing or expressing such approval or satisfaction, as the case may be, unless such provision expressly provides otherwise.

Section 9.2. Approval. This Agreement is made subject to, and conditioned upon, the approval of this Assistance Agreement by the Secretary or Assistant Secretary of the Finance and Administration Cabinet.

Section 9.3. Effective Date and Early Termination. This Assistance Agreement shall become effective as of the date first set forth hereinabove and shall continue in full force and effect until the date the obligations of the Governmental Agency pursuant to the provisions of this Assistance Agreement have been fully satisfied. Notwithstanding the foregoing, in the event the Project Commencement Date shall not have occurred on or prior to February 16, 2010, this Assistance Agreement shall terminate on February 17, 2010.

Section 9.4. Binding Effect. This Assistance Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the parties, without the written consent of the other party.

Section 9.5. Severability. In the event that any provision of this Assistance Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 9.6. Assignability. The rights of the Authority under this Assistance Agreement shall be assignable by the Authority without the consent of the Governmental Agency, but none of the rights, duties or obligations of the Governmental Agency under this Assistance Agreement shall be assignable by the Governmental Agency without the prior written consent of the Authority.

Section 9.7. Execution in Counterparts. This Assistance Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Section 9.8. Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

Section 9.9. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Assistance Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Assistance Agreement to be executed by their respective duly authorized officers as of the day and year above written.

ATTEST:

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

By: _____

Title: _____

Title: _____

ATTEST:

**GOVERNMENTAL AGENCY:
BREATHITT COUNTY WATER DISTRICT**

Title: Secretary

By: _____
Title: Chairman

APPROVED:

EXAMINED:

SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

ENERGY AND ENVIRONMENT
CABINET OF THE COMMONWEALTH OF KENTUCKY

By: _____
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY

APPROVED
FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
BREATHITT COUNTY WATER DISTRICT
PROJECT SPECIFICS
F2 09-05 (increase)

GOVERNMENTAL AGENCY:

Name: BREATHITT COUNTY WATER DISTRICT
 1137 Main Street
 Jackson, Kentucky 41339

Contact
 Person: John L. Smith
 (606) 666-3800, extension 250

SYSTEM: Drinking Water

PROJECT: The Breathitt County Water District is requesting a \$52,000 (10%) increase to its previously approved \$520,000 Drinking Water SRF loan from the American Recovery and Reinvestment Act to extend water service to 32 residential customers located in western Breathitt County. The project will extend service from the Highland Turner Elementary School to the Owsley County line. In addition, the project will also service households along Highway 1202, 1114 and 2469.

PROJECT BUDGET:

| | <u>Total</u> |
|-------------------------|---------------------|
| Administrative Expenses | \$ 33,125 |
| Engineering Fees | \$ 226,151 |
| Construction | \$ 1,050,483 |
| Contingency | \$ 10,201 |
| Other | \$ 2,040 |
| TOTAL | \$ 1,322,000 |

FUNDING SOURCES:

| | <u>Amount</u> | <u>%</u> |
|-------------|---------------|----------|
| Fund F Loan | \$ 572,000 | 43% |
| HB608 | \$ 750,000 | 57% |
| Total | \$ 1,322,000 | 100% |

KIA DEBT SERVICE:

| | |
|--|------------------|
| Construction Loan | \$ 572,000 |
| Less: Principal Forgiveness (54.1%) | \$ 309,452 |
| Amortized Amount | \$ 262,548 |
| Interest Rate | 1.00% |
| Loan Term (Years) | 20 |
| Estimated Annual Debt Service | \$ 14,517 |
| Administrative Fee (0.25%) | \$ 656 |
| Total Estimated Annual Debt Service | \$ 15,173 |

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 6/1/10).

Full principal and interest payments will commence within one year of initiation of operation (estimated 12/1/10).

REPLACEMENT RESERVE ACCOUNT: \$ 1,400 ANNUAL AMOUNT
 \$ 14,000 TOTAL AMOUNT

The annual replacement cost is \$1,400. This amount should be added to the replacement account each December 1 until the balance reaches \$14,000 and maintained for the life of the loan.

ADMINISTRATIVE FEE: 0.25%

DEFAULT RATE: 8.00%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

| <u>Debt Issue</u> | <u>Outstanding</u> | <u>Maturity</u> |
|-------------------|--------------------|-----------------|
| Line of Credit | \$1,267,334 | 2010 |
| Total | \$1,267,334 | |

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person) _____
Death or Personal Injury (per occurrence) _____
Property Damage on System _____

EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED DECEMBER 1, 2009
LOAN NO. F2 09-05

Request No. _____

Dated: _____

Original sent to: Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

Copy sent to: SRP and SPAP Section Manager
Division of Water
Energy and Environment Cabinet
200 Fair Oaks, 4th Floor
Frankfort, Kentucky 40601

FROM: Breathitt County Water District (the "Governmental Agency")

Gentlemen:

The above identified Governmental Agency has entered into an Assistance Agreement with the Kentucky Infrastructure Authority (the "Authority") for the acquisition and construction of drinking water supply facilities, described in the Assistance Agreement as the "Project."

Pursuant to the Assistance Agreement, we hereby certify that we have incurred the following expenses in connection with the Project and that the Authority's funding share of these expenses is in the amount so denoted in this request totaling \$_____.

Documentation supporting the expenses incurred and identified per this request are attached.

ELIGIBLE PROJECT EXPENSES INCURRED

| <u>Contractor</u> | <u>Expenses this Request</u> | <u>Expenses to Date</u> |
|-------------------|----------------------------------|-----------------------------|
|-------------------|----------------------------------|-----------------------------|

Total

ALLOCATION OF FUNDING FOR EXPENSES

| <u>Funding Source</u> | <u>Portion of Expenses this Request</u> | <u>Portion of Expenses Total to Date</u> |
|-----------------------|---|--|
|-----------------------|---|--|

Totals

The Governmental Agency certifies it has also paid Project expenses for planning and design or has submitted requisitions to the applicable funding sources for Project expenses, which have not been identified in any previous Request or Payment, as follows:

| <u>Funding Source</u> | <u>Amount of Payment or Requisition</u> | <u>Date of Payment or Requisition</u> |
|-----------------------|---|---|
|-----------------------|---|---|

Respectfully submitted,

Governmental Agency

By: _____

Title _____

CERTIFICATE OF CONSULTING ENGINEERS AS TO
PAYMENT REQUEST

The undersigned, a duly qualified and licensed Engineer hereby certifies that he or she represents the Governmental Agency submitting this request in connection with the "Eligible Project" and that all expenses represented in this request were duly incurred for the Construction of the "Project," that the Authority's funding share of these expenses is accurately represented and that such expenses have not been the subject of any request for disbursement previously submitted.

Engineer/Architect

Firm Name

EXHIBIT B-1

BUY-AMERICAN CERTIFICATION ACCOMPANYING PAY REQUESTS

BUY AMERICAN AFFIRMATION

Section 1605 of the American Recovery and Reinvestment Act (ARRA) states that:

"None of the funds appropriated or otherwise made available by this Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States."

To meet this requirement, the undersigned hereby certifies that all of the material, equipment and accessories which are to be represented by expenditures of this pay request and any other expenditures of the Project to be partially or fully funded by monies from the American Recovery and Reinvestment Act, has been manufactured from domestic construction material as defined by 40 CFR 35.936-13(D).

If any expenditures reflected in this Pay Request or expenditures made from other funding sources during the period covered by this Pay Request are not in compliance with Section 1605, documentation is attached hereto reflecting the waiver obtained or applicable hereto that allows the incorporation of a non-American component(s).

Name of Governmental Agency

Name of Contractor

Signature of Authorized Official

Signature of Authorized Official

Title

Title

Date

Date

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

See Attached

EXHIBIT D

RESOLUTION

RESOLUTION OF THE BREATHITT COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF DECEMBER 1, 2009 BETWEEN THE BREATHITT COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Breathitt County Water District ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Governmental Agency's Water System (the "Project") and

WHEREAS, the Governmental Agency has made application to the Kentucky Infrastructure Authority (the "Authority") for the purpose of providing monies to acquire and construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an assistance agreement dated as of December 1, 2009 (the "Assistance Agreement") with the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Breathitt County Water District, as follows:

SECTION 1. That the Governing Authority hereby approves and authorizes the Assistance Agreement between the Governmental Agency and the Authority substantially in the form on file with the Governmental Agency for the purpose of providing the necessary financing to the Governmental Agency for the acquisition and construction of the Project.

SECTION 2. That the Chairman and Secretary of the Governmental Agency be and hereby are authorized, directed and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on _____, 2009.

Chairman

Attest:

Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Breathitt County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of said City at a meeting duly held on _____, 2009; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this ____ day of _____, 2009.

Secretary

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and
Breathitt County Water District, dated as of December 1, 2009

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the Breathitt County Water District, hereinafter referred to as the "Governmental Agency". I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the drinking water supply project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority ("Authority") and the Governmental Agency is being authorized, executed and delivered.

I have reviewed the form of Assistance Agreement by and between the Authority and the Governmental Agency, the resolution or ordinance of the governing authority authorizing the execution and delivery of said Assistance Agreement.

Based upon my review I am of the opinion that:

1) The Governmental Agency is a duly organized and existing political subdivision or body politic of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

2) The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

3) The Governmental Agency has all necessary power and authority (i) to enter into, perform and consummate all transactions contemplated by the Assistance Agreement, and (ii) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

4) The Service Charges, as defined in the Assistance Agreement, are in full force and effect and have been duly and lawfully adopted by the Governmental Agency.

5) The execution and delivery of the Assistance Agreement and the performance by the Governmental Agency of its obligations thereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, lease, note or other obligation or instrument, binding upon the Governmental Agency, or any of its properties or assets. The Governmental Agency has obtained each and every authorization, consent, permit, approval or license of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution, delivery or performance by the Governmental Agency of the Assistance Agreement and the imposition of the Service Charges.

6) To the best of my knowledge after due inquiry there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) the valid existence of the Governmental Agency, (ii) the right or title of the members and officers of the Governmental Agency to their respective positions, (iii) the authorization, execution, delivery or enforceability of the Assistance Agreement or the application of any monies or security therefor, (iv) the construction of the Project, (v) the validity or enforceability of the Service Charges or (vi) that would have a material adverse impact on the ability of the Governmental Agency to perform its obligations under the Assistance Agreement.

7) None of the proceedings or authority heretofore had or taken by the Governmental Agency for the authorization, execution or delivery of the Assistance Agreement has or have been repealed, rescinded, or revoked.

8) To the best of my knowledge, the Governmental Agency has fully complied with all federal and state labor and procurement laws in connection with the construction of the Project.

9) All proceedings and actions of the Governmental Agency with respect to which the Assistance Agreement is to be delivered were had or taken at meetings properly convened and held in substantial compliance with the applicable provisions of Sections 61.805 to 61.850 of the Kentucky Revised Statutes.

Very truly yours,

EXHIBIT F

TO ASSISTANCE AGREEMENT BETWEEN
BREATHITT COUNTY WATER DISTRICT ("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

Total Loan to be Repaid by
Governmental Agency to
Kentucky Infrastructure Authority \$ _____

Principal and Interest Payable
on Each June 1 and December 1

It is understood and agreed by the parties to this Assistance Agreement that this Exhibit F is an integral part of the Assistance Agreement between the Governmental Agency and the Kentucky Infrastructure Authority.

IN WITNESS WHEREOF, the parties have caused this Exhibit F to Assistance Agreement to be executed by their respective duly authorized officers as of the date of said Assistance Agreement.

KENTUCKY INFRASTRUCTURE AUTHORITY

By: _____

Title: _____

Governmental Agency

By: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

None

EXHIBIT H
BUSINESS CASE REQUIREMENTS FOR GREEN PROJECT RESERVE

Not Applicable

46298.1

Preliminary Engineering Report Amended to Final Engineering Report
KY 30 West Waterline Extension
Breathitt County Water District, Jackson, Kentucky

Appendix C
Kentucky Division of Water Approval Letters

neabitt engineering, inc.



STEVEN L. BESHEAR
GOVERNOR

LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
14 REILLY ROAD
FRANKFORT, KENTUCKY 40601
www.kentucky.gov

November 5, 2009

Mr. Ora Main, PE
Nesbitt Engineering, Inc.
227 North Upper Street
Lexington, KY 40507

RE: Breathitt Co Water District,
AI # 45303, APE20090001
PWSID # 0131012-09-001
Contract I, Change Order #2
KY 30 West Waterline Extension- ERF
Breathitt County, KY

Dear Mr. Main :

We have reviewed Change Order #2 for the above referenced project. This change order is construct the project as bid.

Therefore, the following adjustments to the contract have been made:

| | | |
|---|----|--------------|
| The contract sum prior to this change order | \$ | 571,934.04 |
| Change Order #2 (Increase) | \$ | 472,253.10 |
| New contract price: | \$ | 1,044,187.14 |
| Number of Days (Increase) | | 70 |

This is to advise that Change Order #2 for the above referenced project is APPROVED with respect to sanitary features of design. All stipulations contained in our original letter dated December 10, 2008 (PWSID#0131012-08-004) remain in effect.

This change order has also been reviewed with respect to SRF and ARRA guidelines and approval. SRF loan expenditures are allowed up to but not to exceed the loan amount. Please refer to your loan agreement for allowed expenditures.

If you have any questions concerning this project, please contact Sarah Tucker, at (502) 564-8158, extension 4836.

Sincerely,

Solitha Dharman, PE
Supervisor, Engineering Section
Water Infrastructure Branch
Division of Water

SD:SAT

C: Breathitt County Water District
Bryan Kirby, CEDA
Kentucky Infrastructure Authority
Buddy Griffin, SRF & SPAP Section

STEVEN L. BESHEAR
GOVERNOR



LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET

DEPARTMENT FOR ENVIRONMENTAL PROTECTION

DIVISION OF WATER

200 FAIR OAKS LANE, 4TH FLOOR

FRANKFORT, KENTUCKY 40601

www.kentucky.gov

October 22, 2009

Mr. John Covington
Executive Director
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

Re: DWERF #103 (ARRA)
Breathitt Co Water District--45303
Activity ID: FGL20100006
Assistance Agreement
Watershed Name: Middle Fork
Kentucky River, mouth
Watershed Code (HUC11): 05100202040

Dear Mr. Covington:

The Division of Water hereby certifies that the referenced project is entitled to an Assistance Agreement from the Drinking Water State Revolving Fund, and that the project is in compliance with federal and state requirements. The project is eligible to receive \$520,000.00 for KY 30 West Waterline Extension.

If you should have any questions or require additional information, please contact Buddy Griffin, Project Administrator, at (502) 564-8158, extension 4971.

Sincerely,

A handwritten signature in cursive script that reads "Shafiq S. Amawi".

Shafiq S. Amawi, Manager
Water Infrastructure Branch
Division of Water

SSA:bg

C: Peck, Shaffer & Williams
Bobby Thorpe, Jr., Chairman/Breathitt County Water District
Bryan Kirby/WJL Associates
Ken Reid/Nesbitt Engineering, Inc.

STEVEN L. BESHEAR
GOVERNOR



LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT KENTUCKY 40601
www.kentucky.gov

October 22, 2009

Breathitt County Water District
Attn: Bobby Thorpe, Jr.
1137 Main Street
Jackson, Kentucky 41339

Re: DWERF #103 (ARRA)
Breathitt Co Water District--45303
Activity ID: FGL20100009
Watershed Name: Middle Fork Kentucky
River, mouth
Watershed Code (HUC11): 05100202040

Dear Mr. Thorpe:

The Project Review and Cost Summary which you submitted for your Drinking Water State Revolving Fund project has been reviewed and is approved for selection of the lowest acceptable bidder:

Contract Number: 1
Contractor's Name: G & W Construction Company, Inc.
Amount of Contract: \$985,931.56

You may award contracts and issue work orders to begin construction. Upon your issuance of a Notice to Proceed, please send one copy to the Division of Water. Our approval of contracts is not required prior to issuance of a work order. The executed contract documents shall contain the contractor's payment and construction schedules.

Payments cannot be processed until the loan agreement has been executed by all parties. All payments must be requested by you and supported by adequate documentation of costs and labor compliance.

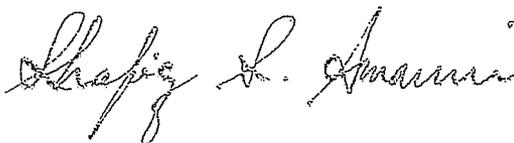
You are reminded that this project is subject to the requirements of Executive Order 11246 which prohibits discrimination based on race, color, religion, sex, or national origin and requires contractors and subcontractors on federally assisted construction projects to take affirmative action to employ women and minorities and to ensure that discrimination does not occur. The Office of Federal Contract Compliance, U.S. Department of Labor, published additional Regulations, 41 CFR 60-4, in the April 7, 1978, Federal Register, Vol. 43, No. 68, to further implement Title VI of the Civil Rights Act of 1964, as amended, and Executive Order 11246, as amended. As recipient, you are to ensure that contracts under this loan are administered so as to be in compliance with these requirements.

Breathitt County Water District
ATA Approval
Page Two

All change orders must have the approval of this office. If another contract in which participation is desired will be let, a revised Project Review and Cost Summary must be submitted.

Your construction of this project is a step forward in protecting our valuable water resources. Do not hesitate to contact Buddy Griffin, at (502) 564-8158, extension 4971.

Sincerely,

A handwritten signature in cursive script that reads "Shafiq S. Amawi".

Shafiq S. Amawi, Manager
Water Infrastructure Branch
Division of Water

SSA:bg

C: Kasi White, Kentucky Infrastructure Authority

STEVEN L. BESHEAR
GOVERNOR



LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT, KENTUCKY 40601
www.kentucky.gov

December 10, 2008

Mr. John Lester Smith, Chairman
Breathitt Co Water District
1137 Main St Ste 305
Jackson (Breathitt), KY 41339

RE: Breathitt Co Water District
AI # 45303, APE20080004
PWSID # 0131012-08-004
KY 30 West Waterline Extensions
Breathitt County, KY

Dear Mr. Smith:

We have reviewed the plans and specifications for the above referenced project. The plans include the construction of approximately 38,292 feet of 8-inch, 31,406 feet of 6-inch, 12,337 feet of 4-inch and 3,052 feet of 3-inch PVC waterlines. This is to advise that plans and specifications for the above referenced project are APPROVED with respect to sanitary features of design, as of this date with the requirements contained in the attached construction permit as well as the enclosed stream crossing documents.

Based on the hydraulic analysis/data submitted, the areas served by the following extension(s) are considered to be underserved:

- a) Line A (KY 315 & Mullins Road),
- b) Line D (KY 1114),
- c) Line E (KY 315 & Jetts Creek Road).

This designation indicates that without improvements to the existing infrastructure, future extensions may not be able to provide the required minimum pressure of 30 psi on the discharge side of customers' meters. Without improvements to the infrastructure, future extensions may be denied. The underserved designation may be used to help prioritize areas under the Governor's 2020 plan for funding future infrastructure improvements

If you have any questions concerning this project, please contact Ms. Sarah Tucker at 502-564-8158 extension 4836.

Sincerely,

A handwritten signature in cursive script that reads "Solitha W. Dharman".

Solitha Dharman, PE
Supervisor, Engineering Section
Water Infrastructure Branch
Division of Water

SD:ST

Enclosures

C: Nesbitt Engineering Inc
Breathitt County Health Department
Public Service Commission

Distribution-Major Construction

Breathitt Co Water District

Subject Item Inventory

Activity ID No.: APE20080004

Subject Item Inventory:

| ID | Designation | Description |
|-----------|-------------|--|
| AIO045303 | | |
| PORT16 | Water Line | 38,292 feet of 8-inch, 31,406 feet of 6-inch, 12,337 feet of 4-inch and 3,052 feet of 3-inch PVC |

Subject Item Groups:

ID Description

GACT9 38,292 feet of 8-inch, 31,406 feet of 6-inch, 12,337 feet of 4-inch and 3,052 feet of 3-inch PVC

Components

PORT16 38,292 feet of 8-inch, 31,406 feet of 6-inch, 12,337 feet of 4-inch and 3,052 feet of 3-inch PVC

KEY

ACTV = Activity

AREA = Area

EQPT = Equipment

PERS = Personnel

STOR = Storage

TRMT = Treatment

AIOO = Agency Interest

COMB = Combustion

MNPT = Monitoring Point

PORT = Transport

STRC = Structure

Distribution-Main Construction

Breathitt Co Water District

Facility Requirements

Activity ID No.: APE20080004

Page 1 of 8

FACT9 (KY 30 West Waterline Ext.) 38,292 feet of 8-inch, 31,406 feet of 6-inch, 12,337 feet of 4-inch and 3,052 feet of 3-inch PVC:

Monitoring Requirements:

| Condition No. | Parameter | Condition |
|---------------|-----------|--|
| M-1 | Coliform | The presence or absence of total Coliform monitored by sampling and analysis as needed shall be determined for the new or relocated water line(s). Take samples at connection points to existing lines, at 1 mile intervals, and at dead ends without omitting any branch of the new or relocated water line. Sample bottles shall be clearly identified as "special" construction tests. [401 KAR 8:100 Section 1(7), 401 KAR 8:150 Section 4, Recommended Standards for Water Works 8.5.6] This requirement is applicable during the following months: All Year. Statistical basis: Instantaneous determination. |

Submittal/Action Requirements:

Coliform:

| Condition No. | Condition |
|---------------|---|
| S-1 | Coliform For new construction projects, the distribution system, using the most expedient method, shall submit Coliform test results to the Cabinet: Due immediately following disinfection and flushing. [401 KAR 8:150 Section 4(2)] |
| S-2 | For proposed changes to the approved plan, submit information: Due prior to any modification to the Cabinet for approval. Changes to the approved plan shall not be implemented without the prior written approval of the Cabinet. [401 KAR 8:100 Section 1(8)] |
| S-3 | The person who presented the plans shall submit the professional engineer's certification: Due when construction is complete to the Division of Water. The certification shall be signed by a registered professional engineer and state that the water project has been constructed and tested in accordance with the approved plans, specifications, and requirements. [401 KAR 8:100 Section 1(8)] |

Distribution-Major Construction

Breathitt Co Water District

Facility Requirements

Activity ID No.: APE20080004

GACT9 (continued):

Narrative Requirements:

Additional Limitations:

| Condition No. | Condition |
|---------------|---|
| T-1 | Additional Limitations: Chlorinated water resulting from disinfection of project components shall be disposed in a manner which will not violate 401 KAR 5:031. [401 KAR 8:020 Section 2(20)] |
| T-2 | This project has been permitted under the provisions of KRS Chapter 224 and regulations promulgated pursuant thereto. Issuance of this permit does not relieve the applicant from the responsibility of obtaining any other approvals, permits or licenses required by this Cabinet and other state, federal and local agencies. Further, this permit does not address the authority of the permittee to provide service to the area to be served. [401 KAR 8:100 Section 1(7)] |
| T-3 | Unless construction of this project is begun within 1 year from the issuance date of this permit, the permit shall expire. If requested prior to the permit expiration, an official extension from the Division of Water may be granted. If this permit expires, the original plans and specifications may be resubmitted for a new comprehensive review. If you have any questions concerning this project, please contact the Drinking Water Branch at 502/564-3410. [401 KAR 8:100 Section 1(9)] |
| T-4 | During construction, a set of approved plans and specification shall be available at the job site at all times. All work shall be performed in accordance with the approved plans and specifications. [401 KAR 8:100 Section 1(7)(a)] |

Distribution-Major Construction

Breathitt Co Water District
Facility Requirements

Activity ID No.: APE20080004

Page 3 of 8

PORT16 (Water Line) 38,292 feet of 8-inch, 31,406 feet of 6-inch, 12,337 feet of 4-inch and 3,052 feet of 3-inch PVC:

Limitation Requirements:

| Condition No. | Parameter | Condition |
|---------------|-----------|---|
| L-1 | Depth | A continuous and uniform bedding shall be provided in the trench for all buried pipe. Backfill material shall be tamped in layers around the pipe and to a sufficient height above the pipe to adequately support and protect the pipe. Stones found in the trench shall be removed for a Depth ≥ 6 in below the bottom of the pipe. [Recommended Standards for Water Works 8.5.2] This requirement is applicable during the following months: All Year. Statistical basis: Not applicable. |
| L-2 | Depth | All water lines shall be covered to a Depth ≥ 30 in to prevent freezing. [Recommended Standards for Water Works 8.5.3, 401 KAR 8:100 Section 1(7)] This requirement is applicable during the following months: All Year. Statistical basis: Minimum. |
| L-3 | Diameter | All water lines shall have Diameter ≥ 3 in. [Recommended Standards for Water Works 8.1.4] This requirement is applicable during the following months: All Year. Statistical basis: Minimum. |
| L-4 | Diameter | Water lines with Diameter < 6 in shall not have fire hydrants. [Recommended Standards for Water Works 8.1.5] This requirement is applicable during the following months: All Year. Statistical basis: Minimum. |
| L-5 | Diameter | All new and existing water lines serving fire hydrants or where fire protection is provided shall have Diameter ≥ 6 in. [Recommended Standards for Water Works 8.1.2] This requirement is applicable during the following months: All Year. Statistical basis: Minimum. |
| L-6 | Distance | Water lines shall have a sufficient quantity of valves so that inconvenience and sanitary hazards will be minimized during repairs. A valve spacing Distance ≤ 1.0 mi should be utilized. [Recommended Standards for Water Works 8.2] This requirement is applicable during the following months: All Year. Statistical basis: Not applicable. |
| L-7 | Distance | Hydrant drains shall not be connected to sanitary sewers or storm drains and shall be located a Distance > 10 ft from sanitary sewers and storm drains. [Recommended Standards for Water Works 8.3.4] This requirement is applicable during the following months: All Year. Statistical basis: Not applicable. |
| L-8 | Distance | Except when not practical, water lines shall be laid a horizontal Distance ≥ 10 ft from any existing or proposed sewer. The distance shall be measured edge to edge. In cases where it is not practical to maintain a 10 foot separation, water lines may be installed closer to a sewer provided that the water lines shall be laid in a separate trench or on an undisturbed shelf located on one side of the sewer at such an elevation that the bottom of the water line is at least 18 inches above the top of the sewer. [Recommended Standards for Water Works 8.6.2] This requirement is applicable during the following months: All Year. Statistical basis: Not applicable. |

Distribution-Major Construction

Breathitt Co Water District

Facility Requirements

Activity ID No.: APE20080004

Page 4 of 8

PORT16 (continued):

Limitation Requirements:

| Condition No. | Parameter | Condition |
|---------------|-----------------------|---|
| L-9 | Distance | <p>When water lines and sewers cross.</p> <ol style="list-style-type: none">1) water lines shall be laid such that either<ol style="list-style-type: none">a) the the top of the water line is a vertical Distance ≥ 18 in below the bottom of the sewer line orb) the bottom of the water line is a vertical Distance ≥ 18 in above the top of the sewer line.2) 1 full length of the water pipe shall be located so that both joints of the water pipe will be as far from the sewer as possible. and3) special structural support for the water and sewer pipes may be required. [Recommended Standards for Water Works 8.6.3] This requirement is applicable during the following months: All Year. Statistical basis: Not applicable. |
| L-10 | Distance | <p>The open end of an air relief pipe from automatic valves shall be extended a Distance ≥ 1.0 ft above grade and provided with a screened, downward-facing elbow. The pipe from a manually operated valve shall be extended to the top of the pit. Use of manual air relief valves is recommended wherever possible. [Recommended Standards for Water Works 8.4.2] This requirement is applicable during the following months: All Year. Statistical basis: Not applicable.</p> |
| L-11 | Pressure | <p>Pipes shall not be installed unless all points of the distribution system remain designed for ground level Pressure ≥ 20 psi under all conditions of flow. [Recommended Standards for Water Works 8.1.1] This requirement is applicable during the following months: All Year. Statistical basis: Minimum.</p> |
| L-12 | Pressure | <p>Pressure ≥ 30 psi must be available on the discharge side of all meters. [401 KAR 8:100 Section 4(2)] This requirement is applicable during the following months: All Year. Statistical basis: Instantaneous determination.</p> |
| L-13 | Residual Disinfection | <p>New or relocated water lines shall be thoroughly disinfected (in accordance with AWWA Standard C651) upon completion of construction and before being placed into service. To disinfect the new or relocated lines use chlorine or chlorine compounds in such amounts as to produce an initial disinfectant concentration of at least 50 ppm and a Residual Disinfection ≥ 25 ppm at the end of 24 hours. Follow the line disinfection with thorough flushing and place the lines into service if, and only if, Coliform monitoring applicable to the line does not show the presence of Coliform.</p> <p>If Coliform is detected, repeat flushing of the line and Coliform monitoring. If Coliform is still detected, repeat disinfection and flushing as if the line has never been disinfected. Continue the described process until monitoring does not show the presence of Coliform. [401 KAR 8:150 Section 4(1), Recommended Standards for Water Works 8.5.6] This requirement is applicable during the following months: All Year. Statistical basis: Minimum.</p> |

Distribution-Major Construction

Breathitt Co Water District
Facility Requirements

Activity ID No.: APE20080004

Page 5 of 8

PORT16 (continued):

Limitation Requirements:

| Condition No. | Parameter | Condition |
|---------------|-----------|--|
| L-14 | Velocity | <p>Except in underserved areas, each blow-off, fire hydrant, or flush hydrant shall be sized so that Velocity ≥ 2.5 ft/sec can be achieved in the water main served by the blow-off or hydrant during flushing.</p> <p>Based on the hydraulic analysis/data submitted, the areas served by the following extension(s) are considered to be underserved:</p> <ul style="list-style-type: none">a) Line A (KY 315 & Mullins Road),b) Line D (KY 1114),c) Line E (KY 315 & Jetts Creek Road). <p>This designation indicates that without improvements to the existing infrastructure, future extensions may not be able to provide the required minimum pressure of 30 psi on the discharge side of customers' meters. Without improvements to the infrastructure, future extensions may be denied. The underserved designation may be used to help prioritize areas under the Governor's 2020 plan for funding future infrastructure improvements. [Recommended Standards for Water Works 8.1.6.b. 401 KAR 8:100 Section 1(7)] This requirement is applicable during the following months: All Year. Statistical basis: Minimum.</p> |

Monitoring Requirements:

| Condition No. | Parameter | Condition |
|---------------|-----------|--|
| M-1 | leaks | <p>The presence or absence of leaks monitored by physical testing as needed shall be determined in all types of installed pipe. Pressure testing and leakage testing shall be in accordance with the latest edition of AWWA Standard C600. [Recommended Standards for Water Works 8.5.5] This requirement is applicable during the following months: All Year. Statistical basis: Instantaneous determination.</p> |

Narrative Requirements:

Additional Limitations:

| Condition No. | Condition |
|---------------|--|
| T-1 | <p>Additional Limitations: Water line installation shall be in accordance with AWWA standards or manufacturer recommendations. [Recommended Standards for Water Works 8.5.1]</p> |

Distribution-Major Construction

Breathitt Co Water District
Facility Requirements

Activity ID No.: APE200S0004

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PORT16 (continued):

Narrative Requirements:

Additional Limitations:

| Condition No. | Condition |
|---------------|--|
| T-2 | <p>Additional Limitations: Pipes, fittings, valves and fire hydrants shall conform to the latest standards issued by the AWWA or NSF (if such standards exist). PVC and PE piping used must be certified to ANSI/NSF Standard 61. [Recommended Standards for Water Works 8.0.1]</p> |
| T-3 | <p>Additional Limitations: At high points in water lines, where air can accumulate, provisions shall be made to remove the air by means of hydrants or air relief valves. Automatic air relief valves shall not be used in situations where manhole or chamber flooding may occur. [Recommended Standards for Water Works 8.4.1]</p> |
| T-4 | <p>Additional Limitations: All tees, bends, plugs and hydrants shall be provided with reaction blocking, tie rods or joints designed to prevent movement. [Recommended Standards for Water Works 8.5.4]</p> |
| T-5 | <p>Additional Limitations: A flush hydrant or blow-off shall be required at the end of each dead end line that is less than 6 inches in diameter. [Recommended Standards for Water Works 8.1.6]</p> |
| T-6 | <p>Additional Limitations: For each fire or flush hydrant, auxiliary valves shall be installed in the hydrant lead pipe. [Recommended Standards for Water Works 8.3.3]</p> |
| T-7 | <p>Additional Limitations: No flushing device, blow-off, or air relief valve shall be directly connected to any sewer. Chambers, pits or manholes containing valves, blow-offs, meters, or other such appurtenances shall not be directly connected to any storm drain or sanitary sewer. Such chambers, pits or manholes shall be drained to absorptions pits underground or to the surface of the ground where they are not subject to flooding by surface water. [Recommended Standards for Water Works 8.1.6, Recommended Standards for Water Works 8.4.3]</p> |
| T-8 | <p>Additional Limitations: If water lines are installed or replaced in areas of organic contamination or in areas within 200 ft of underground or petroleum storage tanks, ductile iron or other nonpermeable materials shall be used in all portions of the water line installation or replacement. [401 KAR 8:100 Section 1(5)(d)6, Recommended Standards for Water Works 8.0.2]</p> |
| T-9 | <p>Additional Limitations: No water pipe shall pass through or come in contact with any part of a sewer manhole. [Recommended Standards for Water Works 8.6.6]</p> |

Distribution-Main Construction

Breathitt Co Water District

Facility Requirements

Activity 1D No.: APE20080004

PORT16 (continued):

Narrative Requirements:

Additional Limitations:

| Condition No. | Condition |
|---------------|--|
| T-10 | Additional Limitations: If a fire sprinkler system is to be installed, a double check detector assembly approved for backflow prevention shall be utilized. The double check detector assembly of the system shall be accessible for testing. [401 KAR 8:100 Section 1(7)] |
| T-11 | Additional Limitations: If water lines cross a stream or wetland, the provisions in the attached Water Quality Certification shall apply. If you have any questions please contact the Water Quality Certification Supervisor of the Water Quality Branch at (502) 564-2225. [401 KAR 8:100 Section 1(7)] |

Subfluvial Pipe Crossings:

| Condition No. | Condition |
|---------------|--|
| T-12 | Subfluvial Pipe Crossings: For subfluvial pipe crossings, a floodplain construction permit will not be required pursuant to KRS 151.250 if the following requirements of 401 KAR 4:050 Section 2 are met. 1) No material may be placed in the stream or in the flood plain of the stream to form construction pads, coffer dams, access roads, etc. during construction of pipe crossings. 2) Crossing trenches shall be backfilled as closely as possible to the original contour. 3) All excess material resulting from construction displacement in a crossing trench shall be disposed of outside the flood plain. 4) For erodible channels, there shall be at least 30 inches of backfill on top of all pipe or conduit points in the crossing. 5) For nonerodible channels, pipes or conduits in the crossing shall be encased on all sides by at least 6 inches of concrete with all pipe or conduit points in the crossing at least 6 inches below the original contour of the channel. [401 KAR 8:100 Section 1(7)] |

Distribution-Major Construction

Breathitt Co Water District
Facility Requirements

Activity ID No.: APE20080004

Page 8 of 8

PORT16 (continued):

Narrative Requirements:

Subfluvial Pipe Crossings:

| Condition | Condition |
|-----------|--|
| T-13 | <p>Subfluvial Pipe Crossings: For subfluvial pipe crossings greater than 15 feet in width,</p> <ol style="list-style-type: none">1) the pipe shall be of special construction, having flexible, restrained, or welded watertight joints, and2) valves shall be provided at both ends of water crossings so that the section can be isolated for testing or repair. <p>Valves shall</p> <ol style="list-style-type: none">a) be easily accessible,b) not be subject to flooding, andc) if closest to the supply source, be in a manhole with permanent taps made on each side of the valve to allow insertion of a small meter to determine leakage and for sampling purposes. [Recommended Standards for Water Works 3.7.2] |



COMMONWEALTH OF KENTUCKY
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
FRANKFORT OFFICE PARK
14 REILLY RD
FRANKFORT KY 40601

**General Certification--Nationwide Permit #12
Utility Line Backfill and Bedding**

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

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

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

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

3. Removal of riparian vegetation in the utility line right-of-way shall be limited to that necessary for equipment access. Effective erosion and sedimentation control measures must be employed at all times during the project to prevent degradation of waters of the Commonwealth. Site regarding and reseeding will be accomplished within 14 days after disturbance.



4. Utility line construction projects through jurisdictional wetlands shall not result in conversion of the area to non-wetland status.
5. This General Certification shall not apply to those waters of the Commonwealth identified as Outstanding State Resource Waters, Exceptional Waters or Cold Water Aquatic Habitat Waters, as designated by the Division of Water. An individual Water Quality Certification will be required for projects in these waters.

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

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

401 KAR 4:050. Construction exemptions.

RELATES TO: KRS 151.110, 151.250, 151.310

STATUTORY AUTHORITY: KRS 151.230, 151.250

NECESSITY, FUNCTION, AND CONFORMITY: In the course of regulating construction in or along streams pursuant to KRS 151.250, the Natural Resources and Environmental Protection Cabinet frequently encounters actions or proposed actions which are of such nature or location as to have little potential for damage or such that any damage which would occur is limited in extent to the immediate vicinity of the action. This administrative regulation exempts construction of this type from the provisions of KRS 151.250.

Section 1. A construction permit pursuant to KRS 151.250 shall not be required for construction in or along a stream whose watershed is less than one (1) square mile, except for the construction of dams as defined by KRS 151.100 or other water impounding structures or for any construction that does or may endanger life or cause severe damage to residential or commercial property.

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

- (1) During the construction of the crossing, no material may be placed in the stream or in the flood plain of the stream to form construction pads, coffer dams, access roads, etc., unless prior approval has been obtained from the cabinet.
- (2) The trench shall be backfilled as closely as possible to the original contour. All excess material from construction of the trench shall be disposed of outside of the flood plain unless the applicant has received prior approval from the cabinet to fill within the flood plain.
- (3) For subfluvial crossings of erodible channels, there shall be at least thirty (30) inches clear to the top of the pipe or conduit at all points.
- (4) For subfluvial crossings of nonerodible channels, there shall be at least six (6) inches of clear cover above the top of the pipe or conduit at all points, and the pipe or conduit shall be encased on all sides by at least six (6) inches of concrete.
- (5) The weight of a pipe and its contents during normal operating conditions at all points must exceed that of an equal volume of water, or the applicant must provide the division with sufficient information to show that the pipe and joints have sufficient strength. (7 Ky.R. 365; eff. 11-6-83.)

Appendix D
KIA – ARRA Conditional Commitment Letter

- 1. November 24, 2009 - Conditional Commitment Letter**
- 2. July 15, 2009 - Conditional Commitment Letter**



Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

John E. Covington III
Executive Director

November 24, 2009

John L. Smith, Chairman
Breathitt County Water District
1137 Main Street
Jackson, Kentucky 41339

**KENTUCKY INFRASTRUCTURE AUTHORITY
AMERICAN RECOVERY AND REINVESTMENT ACT
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F2 09-05)
10% INCREASE**

Dear Chairman Smith:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. Your request to the Authority for a \$52,000 increase to your American Recovery and Reinvestment Act ("ARRA") loan was approved on November 24, 2009. The project entails extending water service to 32 residential customers in western Breathitt County subject to the conditions stated below. The amended total cost of the project shall not exceed \$1,322,000 of which the Authority loan shall provide \$572,000 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Breathitt County Water District upon satisfactory performance of the conditions set forth in this letter. A period of three months from the date of this letter (January 15, 2009) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. No extensions shall be granted. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the

following terms:

1. The Authority project loan shall not exceed \$572,000.
2. The loan shall contain principal forgiveness in the amount of 54.1%.
3. The loan shall bear interest at the rate of 1.00% per annum commencing with the first draw of funds.
4. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
5. Interest shall be payable on the unforgiven amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
6. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
7. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "F" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public

Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be preformed for the life of the loan.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within three (3) months from bid opening.
3. The Borrower must agree to expend all Authority loan funds within six (6) months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.
8. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
9. The Authority to Award Package documentation shall be submitted to and approved by DOW.

10. An environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds, within the term of this binding commitment and prior to project bid.
11. Technical plans and specifications and a complete DWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
12. A clear site certificate shall be obtained and DOW representatives shall be notified for attendance of the pre-construction conference.
13. Project changes or additions shall require a complete environmental and change order review before they can be included in the DWSRF loan project.

The following is a list of American Recovery and Reinvestment Act conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. A sign shall be erected at the construction site in a form as prescribed by the Authority. The sign shall indicate that project funding has been provided in whole or in part by ARRA.
2. The project specifications must include the ARRA supplemental general conditions.
3. The project shall comply with the Buy American requirements of ARRA.
4. The project shall use federal wage rates as described in the Davis/Bacon Act.
5. The project shall comply with the reporting requirements of ARRA.
6. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.
7. The project shall be under construction contract by February 10, 2010. If this deadline is not met, the funding commitment will be rescinded.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Chairman Smith
November 24, 2009
Page 5

Sincerely,



John E. Covington, III
Executive Director

Attachments

cc: Bryan Kirby, Community & Economic Development/WJL Associates
Sandra Dunahoo, Nesbitt Engineering, Inc.
SRF Section, Water Infrastructure Branch, Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State Local Debt Office, Department for Local Government
Borrower File - BREATHITT COUNTY WATER DISTRICT - F2 09-05

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.

Accepted

Date

**AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND F2 09-05)**

Borrower Information:

Name: _____

Address: _____

City: _____ State: KY Zip: _____

Telephone: _____ Contact: _____

Federal I.D. # _____

Financial Institution Information:

Bank Name: _____

Branch: _____ Phone No: _____

City: _____ State: _____ Zip: _____

Transit / ABA No.: _____

Account Name: _____

Account Number: _____

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature: _____ Date: _____

Name Printed: _____ Job Title: _____

Please return completed form to:

**Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157**

ATTACHMENT A

**BREATHITT COUNTY WATER DISTRICT
F2 09-05
INCREASE**

| | | | | |
|--|--|--------------------------------------|------------------------------|------------------------|
| EXECUTIVE SUMMARY | | Reviewer: | Kasi White | |
| KENTUCKY INFRASTRUCTURE AUTHORITY | | Date: | November 24, 2009 | |
| FUND F, FEDERALLY ASSISTED DRINKING WATER | | KIA Loan Number: | F2 09-05 (increase) | |
| REVOLVING LOAN FUND | | WRIS Number | WX21025005 | |
| BORROWER: | BREATHITT COUNTY WATER DISTRICT | | | |
| | Breathitt County | | | |
| BRIEF DESCRIPTION: | The Breathitt County Water District is requesting a \$52,000 (10%) increase to its previously approved \$520,000 Drinking Water SRF loan from the American Recovery and Reinvestment Act to extend water service to 32 residential customers located in western Breathitt County. The project will extend service from the Highland Turner Elementary School to the Owsley County line. In addition, the project will also service households along Highway 1202, 1114 and 2469. | | | |
| PROJECT FINANCING: | | PROJECT BUDGET | | |
| Fund F Loan | \$ | 572,000 | Administrative Expenses | 33,125 |
| HB608 | \$ | 750,000 | Engineering Fees | 226,151 |
| TOTAL | \$ | 1,322,000 | Construction | 1,050,483 |
| | | | Contingency | 10,201 |
| | | | Other | 2,040 |
| | | | TOTAL | 1,322,000 |
| REPAYMENT | | | Est. Annual | |
| | Rate | 1.00% | Payment | \$15,173 |
| | Term | 20 years | 1st Payment | 6 Mo. after first draw |
| PROFESSIONAL SERVICES | Engineer | Nesbitt Engineering, Inc. | | |
| | Bond Counsel | Peck, Shafer, & Williams | | |
| PROJECT SCHEDULE | | | | |
| | Bid Opening: | March, 2009 | | |
| | Construction Start: | November 1, 2009 (Change order date) | | |
| | Construction Stop: | April 15, 2010 | | |
| DEBT PER CUSTOMER | Existing: | \$ | 1,977 | |
| | Proposed: | \$ | 722 | |
| OTHER DEBT | See Attached | | | |
| OTHER STATE-FUNDED PROJECTS LAST 5 YRS | See Attached | | | |
| RESIDENTIAL RATES | | <u>Users</u> | <u>Avg. Bill</u> | |
| | Current | 641 | \$39.80 (for 4,000 gallons) | |
| | Proposed | 32 | \$39.80 (for 4,000 gallons) | |
| REGIONAL COORDINATION | This project is consistent with regional planning recommendations. | | | |
| CASHFLOW | Cash Available for | | Income after Debt | |
| | Debt Service | Debt Service | Service | Coverage Ratio |
| PSC Report 2006 | (15,725) | 0 | (15,725) | n/a |
| PSC Report 2007 | 6,578 | 0 | 6,578 | n/a |
| PSC Report 2008 | (47,133) | 45,070 | (92,203) | (1.05) |
| Projected 2009 | (96,660) | 37,500 | (134,160) | (2.58) |
| Projected 2010 | 46,974 | 45,813 | 1,161 | 1.03 |
| Projected 2011 | 41,046 | 22,173 | 18,873 | 1.85 |
| Projected 2012 | 36,014 | 29,926 | 6,088 | 1.20 |
| Projected 2013 | 34,548 | 29,926 | 4,622 | 1.15 |

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER REVOLVING LOAN FUND (FUND "F")
BREATHITT COUNTY WATER DISTRICT
BREATHITT COUNTY**

**PROJECT REVIEW
WX21025011**

I. PROJECT DESCRIPTION

The Breathitt County Water District is requesting a \$52,000 (10%) increase to its previously approved \$520,000 Drinking Water SRF loan from the American Recovery and Reinvestment Act to extend water service to 32 residential customers located in western Breathitt County. The project will extend service from the Highland Turner Elementary School to the Owsley County line. In addition, the project will also service households along Highway 1202, 1114 and 2469.

The waterlines that are being funded with ARRA were bid and then change ordered out of a contract earlier this year. Once the district found out that they had been selected for the ARRA monies, they proceeded to change order the work back into the original contract. The increase is being requested to cover the increase in materials costs from the estimate in the original bid to the costs at the time the work was changed ordered back into the contract and provide for a small contingency for the project.

II. PROJECT BUDGET

| | Total |
|-------------------------|-------------------|
| Administrative Expenses | \$ 33,125 |
| Engineering Fees | 226,151 |
| Construction | 1,050,483 |
| Contingency | 10,201 |
| Miscellaneous | 2,040 |
| TOTAL | \$ 520,000 |

III. PROJECT FUNDING

| Funding Sources | Amount | % |
|------------------------|-------------------|-------------|
| Fund F Loan | \$ 520,000 | 43% |
| HB608 Grant | 750,000 | 57% |
| Total | \$ 520,000 | 100% |

IV. KIA DEBT SERVICE

| | REVISED | ORIGINAL | INCREASE |
|--|------------------|------------------|-----------------|
| Construction Loan | \$ 572,000 | \$ 520,000 | \$ 52,000 |
| Less: Principal Forgiveness (54.1%) | 309,452 | 281,320 | 28,132 |
| Amortized Loan Amount | \$262,548 | \$238,680 | \$23,868 |
| Interest Rate | 1.00% | 1.00% | 1.00% |
| Loan Term (Years) | 20 | 20 | 20 |
| Estimated Annual Debt Service | \$ 14,157 | \$ 13,197 | \$ 1,320 |
| Administrative Fee (0.25%) | 656 | 597 | 60 |
| Total Estimated Annual Debt Service | \$ 15,173 | \$ 13,794 | \$ 1,379 |

V. PROJECT SCHEDULE

| | |
|---------------------|------------------|
| Bid Opening: | March, 2009 |
| Construction Start: | November 1, 2009 |
| Construction Stop: | April 15, 2010 |

VI. RATE STRUCTURE

| Customers | Current | Proposed | Total |
|-------------|---------|----------|-------|
| Residential | 641 | 32 | 673 |
| Commercial | 0 | 0 | 0 |
| Industrial | 0 | 0 | 0 |
| | 641 | 32 | 673 |

Rates

The monthly charge for water utility service is:

| | Effective |
|--|------------|
| Effective Date | 10/11/2005 |
| First 2,000 gallons | \$19.90 |
| All Over 2,000 gallons (per 1,000 gallon) | \$9.95 |
| Monthly Residential Rate for 4,000 gallons | \$39.80 |

VII. DEMOGRAPHICS

The Breathitt County Water District serves approximately 641 customers in Breathitt County which has a population of 13,500. In 2000, the County's Median Household Income (MHI) level was \$19,155. The median household income for the Commonwealth is \$33,672. Based on median household income, the project will qualify for the 1% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the utility was obtained from the Public Service Commission Annual Report years ended December 31, 2006, 2007 and 2008.

HISTORICAL

The Breathitt County Water District (BCWD) was created in 2003 to provide water service to unserved residences in Breathitt County. The district purchases water from the City of Jackson under a fifty-year long water purchase contract which specifies that the city will provide up to 2,500,000 gallons per month at a rate not to exceed 118 gallons per minute. The agreement will expire in 2053.

As with any start-up, it takes time to recoup the initial investment. So it is with the BCWD. The district has spent the five years since inception running water lines. In 2007, revenue increased 106% from \$88,610 to \$182,601. An additional 25% increase was experienced in 2008 when revenues rose to \$228,531. During 2006 and 2007, the profit margin for the newly formed district was negligible. In 2008, the district took out a line of credit to use as interim financing for a waterline extension project that was to be funded by line item grant funds. The \$45,000 interest costs for the \$1.2 million credit line plunged the cashflow into a negative state. However, the cost of this interim financing was recouped when the line item grant funds became available and the line of credit has since been repaid. As of the date of the original, the district had no outstanding long-term debt.

PROJECTED

Since 2008, the district has entered into an agreement with U.S. Rural Development for \$350,000 to finance water line extensions. The project is currently underway and is expected to go into repayment in 2010. The first 2 years of repayment are interest only at 2% interest. The remaining terms will consist of principal and interest for 38 additional years.

Projections are based on the following assumptions:

- An additional 318 customers will be added to the system by December 2009. This represents 50% of the available customers on the line extensions.
- An additional 32 customers will be added to the system by December 2010. This represents 10% of the available customers on the line extensions.
- Expenses are projected to increase by 4% annually plus the cost of water for the additional customers.
- Average water use was calculated to be 5,000 per month per customer, based off of the information in the 2008 PSC report.
- The replacement reserve is \$1,400 annually.
- Debt service on the new KIA loan will be \$15,173 annually beginning in December 2010 which represents an increase of \$1,379 from the original approval.

Based on the above assumptions, the Breathitt County Water District will meet the required cash flow through the projected years. A debt coverage ratio of 1.85 is projected by the water system in 2011, the first full year of debt service payments. A debt coverage of 1.20 is projected in 2012 when both the RD and KIA loans will be in full repayment.

REPLACEMENT RESERVE

Based on the information provided in the application the annual replacement cost is \$1,400. This amount should be added to the replacement account each December 1 until the balance reaches \$14,000 and maintained for the life of the system.

IX. DEBT OBLIGATIONS

| Debt Issue | Outstanding | Maturity |
|----------------|--------------------|-----------|
| Line of Credit | \$1,267,334 | 1/20/2010 |
| Total | \$1,267,334 | |

X. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

| Project Title | Funding Source | Amount | Type |
|---|----------------|-------------|-------|
| Water Line Extensions | SCC | \$1,079,304 | Grant |
| Water Line Extensions | HB 269 | \$2,726,804 | Grant |
| Water Line Extensions Highway 52, Highway 541, Highway 15 and Highway 205 | HB 267 | \$1,388,888 | Grant |
| Various Water and Sewer Projects | HB 267 | \$500,000 | Grant |
| Hwy 15 South (Watts) Extension | HB 608 | \$1,600,000 | Grant |
| Extension on Highway 205/1812 to Wolfe County Line, Including the Vancleve Fire Department and HWY 3193 to River Bridge and Highway 15 South at Watts | HB 380 | \$1,200,000 | Grant |
| Hwy 30 West Project | HB 608 | \$750,000 | Grant |
| Canoe Waterline Extension – P059 | HB 410 | \$345,479 | Grant |
| Waterline Extensions for Bowling's Creek and Brushes Branch Road - P065 | HB 410 | \$241,000 | Grant |

XI. CONTACTS

Applicant

| | |
|---------|---|
| Name | BREATHITT COUNTY WATER DISTRICT |
| Address | 1137 Main Street Jackson, Kentucky 41339 |
| County | Breathitt County |
| Contact | John L. Smith |
| Phone | (606) 666-3800, extension 250 |
| Email | breathittwater@yahoo.com |

Engineer

Name Sandra Dunahoo
Firm Nesbitt Engineering, Inc.
Address 227 North Upper Street
Lexington, Kentucky 40507-1016
Phone (859) 233-3111
Email sdunahoo@nei-ky.com

Applicant Contact

Name Community & Economic Development/WJL Associates
Address P.O. Box 855
Richmond, Kentucky 40476
Contact Bryan Kirby
Phone (859) 624-3396
Email Ceda205@aol.com

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions and the additional ARRA conditions.

**EXHIBIT 1
BREATHITT COUNTY WATER DISTRICT
CASHFLOW ANALYSIS**

| | PSC Report 2006 | % Change | PSC Report 2007 | % Change | PSC Report 2008 | Projected 2009 | Projected 2010 | Projected 2011 | Projected 2012 | Projected 2013 |
|--|--------------------|-------------|--------------------|-------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues | | | | | | | | | | |
| Water Revenues | 88,610 | 106% | 182,601 | 25% | 228,531 | 233,102 | 422,948 | 432,500 | 442,052 | 455,313 |
| Total Revenues | 88,610 | 106% | 182,601 | 25% | 228,531 | 233,102 | 422,948 | 432,500 | 442,052 | 455,313 |
| Expenses | | | | | | | | | | |
| Administrative & Operating Expense | 105,450 | 68% | 177,053 | 80% | 318,008 | 330,036 | 376,254 | 390,339 | 404,915 | 419,644 |
| Depreciation | 121,135 | 67% | 202,701 | 40% | 283,242 | 294,572 | 303,322 | 336,372 | 349,827 | 363,820 |
| Replacement Reserve (new KIA Loan) | | | | | | 0 | 0 | 1,400 | 1,400 | 1,400 |
| Total Expenses | 226,585 | 68% | 379,754 | 58% | 601,250 | 624,608 | 679,576 | 728,111 | 756,141 | 784,864 |
| Net Income Cash | (137,975) | 43% | (197,153) | 89% | (372,719) | (391,506) | (256,628) | (295,611) | (314,090) | (329,550) |
| Non-Operating Revenues and Expenses | | | | | | | | | | |
| Interest Income | 1,115 | | 1,030 | | 269 | 274 | 280 | 285 | 277 | 279 |
| Other Income | 0 | | 0 | | 42,075 | 0 | 0 | 0 | 0 | 0 |
| Total Non-Operating Rev & Exp | 1,115 | | 1,030 | | 42,344 | 274 | 280 | 285 | 277 | 279 |
| Add Non-Cash Expenses | | | | | | | | | | |
| Depreciation | 121,135 | | 202,701 | | 283,242 | 294,572 | 303,322 | 336,372 | 349,827 | 363,820 |
| Cash Available for Debt Service | (15,725) | | 6,578 | | (47,133) | (96,660) | 46,974 | 41,046 | 36,014 | 34,548 |
| Debt Service | | | | | | | | | | |
| Existing Loan Debt | 0 | | 0 | | 45,070 | 37,500 | 37,500 | 0 | 0 | 0 |
| New RD Debt | | | | | | | 7,000 | 7,000 | 14,753 | 14,753 |
| New KIA Fund F Loan | | | | | | | 1,313 | 15,173 | 15,173 | 15,173 |
| Total Debt Service | 0 | | 0 | | 45,070 | 37,500 | 45,813 | 22,173 | 29,926 | 29,926 |
| Income After Debt Service | (15,725) | | 6,578 | | (92,203) | (134,160) | 1,161 | 18,873 | 6,088 | 4,622 |
| Debt Coverage Ratio | n/a | | n/a | | (1.05) | (2.58) | 1.03 | 1.85 | 1.20 | 1.15 |

**BREATHITT COUNTY WATER DISTRICT
BALANCE SHEETS**

| ASSETS | 2006 | 2007 | 2008 | Upon Project Completion |
|--------------------------------------|------------------|------------------|-------------------|------------------------------------|
| Current Assets | | | | |
| Cash and Cash Equivalents | 78,334 | 75,154 | 55,263 | 18,873 |
| Accounts Receivable | 5,905 | 15,236 | 20,945 | 24,087 |
| Total Current Assets | 84,239 | 90,390 | 76,208 | 42,960 |
| Property, Plant and Equipment | | | | |
| Utility Systems | 6,375,640 | 9,329,214 | 13,881,781 | 15,553,781 |
| Less Depreciation | (184,865) | (387,566) | (670,808) | (712,608) |
| Total Fixed Assets | 6,190,775 | 8,941,648 | 13,210,973 | 14,841,173 |
| Total Assets | 6,275,014 | 9,032,038 | 13,287,181 | 14,884,133 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts Payable | 1,195 | 5,622 | 9,919 | 10,117 |
| Accrued Liabilities | 1,184 | 2,226 | 479 | 479 |
| Current Maturities of Long Term Debt | 0 | 0 | 0 | 11,921 |
| Total Current Liabilities | 2,379 | 7,848 | 10,398 | 22,517 |
| Long Term Liabilities | | | | |
| Long Term Debt, Less Current Portion | 0 | 0 | 1,267,334 | 910,079 |
| Total Long Term Liabilities | 0 | 0 | 1,267,334 | 910,079 |
| Total Liabilities | 2,379 | 7,848 | 1,277,732 | 932,596 |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net | 5,869,882 | 8,817,560 | 12,178,264 | 13,950,376 |
| Unrestricted (deficit) | 402,753 | 206,630 | (168,815) | 1,161 |
| Total Retained Earnings | 6,272,635 | 9,024,190 | 12,009,449 | 13,951,536 |
| Total Liabilities and Equity | 6,275,014 | 9,032,038 | 13,287,181 | 14,884,133 |
| Balance Sheet Analysis | | | | |
| Current Ratio | 35.41 | 11.52 | 7.33 | 1.91 |
| Debt to Equity | 0.00 | 0.00 | 0.11 | 0.07 |
| Working Capital | 81,860 | 82,542 | 65,810 | 20,443 |

11/24/2009

Fund F Executive Summary Breathitt Co. WD ARRA F2 09-05 (Increase)



KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

Steven L. Beshear
Governor

John E. Covington III
Executive Director

July 15, 2009

John L. Smith, Chairman
Breathitt County Water District
1137 Main Street
Jackson, Kentucky 41339

**KENTUCKY INFRASTRUCTURE AUTHORITY
AMERICAN RECOVERY AND REINVESTMENT ACT
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F2 09-05)**

Dear Chairman Smith:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On July 9, 2009, the Authority approved your American Recovery and Reinvestment Act ("ARRA") loan to extend water service to 32 residential customers in western Breathitt County subject to the conditions stated below. The total cost of the project shall not exceed \$520,000 of which the Authority loan shall provide \$520,000 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Breathitt County Water District upon satisfactory performance of the conditions set forth in this letter. A period of three months from the date of this letter (10/15/2009) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. No extensions shall be granted. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$520,000.
2. The loan shall contain principal forgiveness in the amount of 54.1%.
3. The loan shall bear interest at the rate of 1.00% per annum commencing with the first draw of funds.
4. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
5. Interest shall be payable on the unforgiven amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
6. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
7. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "F" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be preformed for the life of the loan.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within three (3) months from bid opening.
3. The Borrower must agree to expend all Authority loan funds within six (6) months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.
8. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
9. The Authority to Award Package documentation shall be submitted to and approved by DOW.

10. An environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds, within the term of this binding commitment and prior to project bid.
11. Technical plans and specifications and a complete DWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
12. A clear site certificate shall be obtained and DOW representatives shall be notified for attendance of the pre-construction conference.
13. Project changes or additions shall require a complete environmental and change order review before they can be included in the DWSRF loan project.

The following is a list of American Recovery and Reinvestment Act conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. A sign shall be erected at the construction site in a form as prescribed by the Authority. The sign shall indicate that project funding has been provided in whole or in part by ARRA.
2. The project specifications must include the ARRA supplemental general conditions.
3. The project shall comply with the Buy American requirements of ARRA.
4. The project shall use federal wage rates as described in the Davis/Bacon Act.
5. The project shall comply with the reporting requirements of ARRA.
6. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.
7. The project shall be under construction contract by February 10, 2010. If this deadline is not met, the funding commitment will be rescinded.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Chairman Smith
July 15, 2009
Page 5

Sincerely,



Kasi L. White
Financial Analyst

Attachments

cc: Bryan Kirby, Community & Economic Development/WJL Associates
Sandra Dunahoo, Nesbitt Engineering, Inc.
Lola Lyle, Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State Local Debt Office, Department for Local Government
Borrower File - BREATHITT COUNTY WATER DISTRICT - F2 09-05

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.

Accepted

Date

**AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND F2 09-05)**

Borrower Information:

Name: _____
Address: _____
City: _____ State: KY Zip: _____
Telephone: _____ Contact: _____
Federal I.D. # _____

Financial Institution Information:

Bank Name: _____
Branch: _____ Phone No: _____
City: _____ State: ____ Zip: _____
Transit / ABA No.: _____
Account Name: _____
Account Number: _____

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature: _____ Date: _____
Name Printed: _____ Job Title: _____

Please return completed form to: **Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157**

ATTACHMENT A

**BREATHITT COUNTY WATER DISTRICT
F2 09-05**

| EXECUTIVE SUMMARY | | Reviewer: | Sandy Williams |
|---|---|---------------------------|------------------------------------|
| KENTUCKY INFRASTRUCTURE AUTHORITY | | Date: | July 9, 2009 |
| FUND F, FEDERALLY ASSISTED DRINKING WATER | | KIA Loan Number: | F2 09-05 |
| REVOLVING LOAN FUND | | WRIS Number | WX21025005 |
| BORROWER: | BREATHITT COUNTY WATER DISTRICT | | |
| | Breathitt County | | |
| BRIEF DESCRIPTION: | The Breathitt County Water District is requesting \$520,000 to extend water service to 32 residential customers located in western Breathitt County. The project will extend service from the Highland Turner Elementary School to the Owsley County line. In addition, the project will also service households along Highway 1202, 1114 and 2469. | | |
| PROJECT FINANCING: | | PROJECT BUDGET | |
| Fund F Loan | \$ 520,000 | Administrative Expenses | 20,000 |
| TOTAL | \$ 520,000 | Engineering Fees - Design | 73,000 |
| | | Construction | 388,000 |
| | | Contingency | 39,000 |
| | | TOTAL | 520,000 |
| REPAYMENT | | Est. Annual | |
| | Rate | 1.00% | Payment \$13,794 |
| | Term | 20 years | 1st Payment 6 Mo. after first draw |
| PROFESSIONAL SERVICES | Engineer | Nesbitt Engineering, Inc. | |
| | Bond Counsel | Peck, Shafer, & Williams | |
| PROJECT SCHEDULE | | | |
| | Bid Opening: | August 15, 2009 | |
| | Construction Start: | August 25, 2009 | |
| | Construction Stop: | April 15, 2010 | |
| DEBT PER CUSTOMER | Existing: | \$ 1,977 | |
| | Proposed: | \$ 897 | |
| OTHER DEBT | See Attached | | |
| OTHER STATE-FUNDED PROJECTS LAST 5 YRS | See Attached | | |
| RESIDENTIAL RATES | | <u>Users</u> | <u>Avg. Bill</u> |
| | Current | 641 | \$39.80 (for 4,000 gallons) |
| | Proposed | 32 | \$39.80 (for 4,000 gallons) |
| REGIONAL COORDINATION | This project is consistent with regional planning recommendations. | | |
| CASHFLOW | Cash Available for | Income after Debt | |
| | Debt Service | Debt Service | Service Coverage Ratio |
| Audited 2005 | -15,725 | 0 | -15,725 n/a |
| Audited 2006 | 6,578 | 0 | 6,578 n/a |
| Audited 2007 | -47,133 | 45,070 | -92,203 -1.05 |
| Projected 2008 | -97,358 | 37,500 | -134,858 -2.60 |
| Projected 2009 | 52,620 | 51,397 | 1,223 1.02 |
| Projected 2010 | 52,395 | 20,794 | 31,602 2.52 |
| Projected 2011 | 45,752 | 28,547 | 17,205 1.60 |
| Projected 2012 | 38,668 | 28,547 | 10,121 1.35 |

Reviewer: Sandy Williams

Date: July 9, 2009

Loan Number: F2 09-05

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER REVOLVING LOAN FUND (FUND "F")
BREATHITT COUNTY WATER DISTRICT, BREATHITT COUNTY**

**PROJECT REVIEW
WX21025011**

I. PROJECT DESCRIPTION

The Breathitt County Water District is requesting \$520,000 to extend water service to 32 residential customers located in western Breathitt County. The project will extend service from the Highland Turner Elementary School to the Owsley County line. In addition, the project will also service households along Highway 1202, 1114 and 2469.

This project is funded with ARRA funding.

II. PROJECT BUDGET

| | <u>Total</u> |
|---------------------------|----------------|
| Administrative Expenses | 20,000 |
| Engineering Fees - Design | 73,000 |
| Construction | 388,000 |
| Contingency | 39,000 |
| TOTAL | 520,000 |

III. PROJECT FUNDING

| <u>Funding Sources</u> | <u>Amount</u> | <u>%</u> |
|------------------------|----------------|-------------|
| Fund F Loan | 520,000 | 100% |
| Total | 520,000 | 100% |

IV. KIA DEBT SERVICE

| | | |
|--|-----------|---------------|
| Construction Loan | | 520,000 |
| Less: Principal Forgiveness (54.1%) | | 281,320 |
| Amortized Loan Amount | \$ | 238,680 |
| Interest Rate | | 1.00% |
| Loan Term (Years) | | 20 |
| Estimated Annual Debt Service | \$ | 13,197 |
| Administrative Fee (0.25%) | | 597 |
| Total Estimated Annual Debt Service | \$ | 13,794 |

V. PROJECT SCHEDULE

Bid Opening: August 15, 2009
Construction Start: August 25, 2009
Construction Stop: April 15, 2010

VI. RATE STRUCTURE

| Customers | Current | Proposed | Total |
|-------------|---------|----------|-------|
| Residential | 641 | 32 | 673 |
| Commercial | 0 | 0 | 0 |
| Industrial | 0 | 0 | 0 |
| | 641 | 32 | 673 |

Rates

The monthly charge for water utility service is:

| | Effective |
|--|------------|
| Effective Date | 10/11/2005 |
| First 2,000 gallons | \$19.90 |
| All Over 2,000 gallons (per 1,000 gallon) | \$9.95 |
| Monthly Residential Rate for 4,000 gallons | \$39.80 |

VII. DEMOGRAPHICS

The Breathitt County Water District serves approximately 641 customers in Breathitt County which has a population of 13,500. In 2000, the County's Median Household Income (MHI) level was \$19,155. The median household income for the Commonwealth is \$33,672. Based on median household income, the project will qualify for the 1% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the utility was obtained from the Public Service Commission Annual Report years ended December 31, 2006, 2007 and 2008.

HISTORICAL

The Breathitt County Water District (BCWD) was created in 2003 to provide water service to unserved residences in Breathitt County. The district purchases water from the City of Jackson under a fifty-year long water purchase contract which specifies that the City will provide up to 2,500,000 gallons per month at a rate not to exceed 118 gallons per minute. The agreement will expire in 2053.

As with any start-up, it takes time to recoup the initial investment. So it is with the BCWD. The district has spent the five years since inception running water lines. In 2007, revenue increased 106% from \$88,610 to \$182,601. An additional 25% increase

was experienced in 2008 when revenues rose to \$228,531. During 2006 and 2007, the profit margin for the newly formed district was negligible. In 2008, the district took out a line of credit to use as interim financing for a waterline extension project that was to be funded by line item grant funds. The \$45,000 interest costs for the \$1.2 million credit line plunged the cashflow into a negative state. However, the cost of this interim financing was recouped when the line item grant funds became available. This line of credit has since been repaid. As of the end of 2008, the district had no outstanding long-term debt.

PROJECTED

Since 2008, the district has entered into an agreement with U.S. Rural Development for \$350,000 to finance water line extensions. The project is currently underway and is expected to go into repayment in 2010. The first 2 years of repayment are interest only at 2% interest. The remaining terms will consist of principal and interest for 38 additional years.

Projections are based on the following assumptions:

- An additional 318 customers will be added to the system by December 2009. This represents 50% of the available customers on the line extensions.
- An additional 32 customers will be added to the system by December 2010. This represents 10% of the available customers on the line extensions.
- Expenses are projected to increase by 4% annually plus the cost of water for the additional customers.
- Average water use was calculated to be 5,000 per month per customer, based off of the information in the 2008 PSC report.
- The replacement reserve is \$1,000 annually.
- Debt service on the new KIA loan will be \$13,794 annually beginning in December 2010.

Based on the above assumptions, the Breathitt County Water District will meet the required cash flow through the projected years. A debt coverage ratio of 2.52 is projected by the water system in 2011, the first full year of debt service payments. A debt coverage of 1.60 is projected in 2012 when both the RD and KIA loans will be in full repayment.

REPLACEMENT RESERVE

Based on the information provided in the application the annual replacement cost is \$1,000. This amount should be added to the replacement account each December 1 until the balance reaches \$10,000 and maintained for the life of the system.

IX. DEBT OBLIGATIONS

| Debt Issue | <u>Outstanding</u> | <u>Maturity</u> |
|----------------|--------------------|-----------------|
| Line of Credit | <u>\$1,267,334</u> | 1/20/2010 |
| Total | \$1,267,334 | |

X. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

| <u>Project Title</u> | <u>Funding Source</u> | <u>Amount</u> | <u>Type</u> |
|---|-----------------------|---------------|-------------|
| Water Line Extensions | SCC | \$1,079,304 | Grant |
| Water Line Extensions | HB 269 | \$2,726,804 | Grant |
| Water Line Extensions Highway 52, Highway 541, Highway 15 and Highway 205 | HB 267 | \$1,388,888 | Grant |
| Various Water and Sewer Projects | HB 267 | \$500,000 | Grant |
| Hwy 15 South (Watts) Extension | HB 608 | \$1,600,000 | Grant |
| Extension on Highway 205/1812 to Wolfe County Line, Including the Vancleve Fire Department and HWY 3193 to River Bridge and Highway 15 South at Watts | HB 380 | \$1,200,000 | Grant |
| Hwy 30 West Project | HB 608 | \$750,000 | Grant |
| Canoe Waterline Extension - P059 | HB 410 | \$345,479 | Grant |
| Waterline Extensions for Bowling's Creek and Brushes Branch Road - P065 | HB 410 | \$241,000 | Grant |

XI. CONTACTS

Applicant

Name BREATHITT COUNTY WATER DISTRICT
 Address 1137 Main Street
 Jackson, Kentucky 41339
 County Breathitt County
 Contact John L. Smith
 Phone (606) 666-3800, extension 250
 Email breathittwater@yahoo.com

Engineer

Name Sandra Dunahoo
 Firm Nesbitt Engineering, Inc.
 Address 227 North Upper Street
 Lexington, Kentucky 40507-1016
 Phone (859) 233-3111
 Email sdunahoo@nei-ky.com

Applicant Contact

Name Community & Economic Development/WJL Associates
 Address P.O. Box 855
 Richmond, Kentucky 40476
 Contact Bryan Kirby
 Phone (859) 624-3396
 Email ceda205@aol.com

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions, the additional ARRA conditions, and the following special condition.

1. The Breathitt County Water District agrees to rebid the ARRA project if KIA concludes that the ARRA project cannot be added to an existing project via a change-order.

**EXHIBIT 1
BREATHITT COUNTY WATER DISTRICT
CASHFLOW ANALYSIS**

| | PSC Report 2006 | % Change | PSC Report 2007 | % Change | PSC Report 2008 | Projected 2009 | Projected 2010 | Projected 2011 | Projected 2012 | Projected 2013 |
|--|--------------------|-------------|--------------------|-------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues | | | | | | | | | | |
| Water Revenues | 88,610 | 106% | 182,601 | 25% | 228,531 | 233,102 | 419,331 | 438,411 | 447,179 | 456,123 |
| Total Revenues | 88,610 | 106% | 182,601 | 25% | 228,531 | 233,102 | 419,331 | 438,411 | 447,179 | 456,123 |
| Expenses | | | | | | | | | | |
| Administrative & Operating Expense | 105,450 | 68% | 177,053 | 80% | 318,008 | 330,728 | 366,980 | 385,285 | 400,696 | 416,724 |
| Depreciation | 121,135 | 67% | 202,701 | 40% | 283,242 | 288,907 | 294,685 | 307,685 | 313,839 | 320,115 |
| Replacement Reserve (new KIA Loan) | | | | | | 0 | 0 | 1,000 | 1,000 | 1,000 |
| Total Expenses | 226,585 | 68% | 379,754 | 58% | 601,250 | 619,635 | 661,665 | 693,970 | 715,535 | 737,839 |
| Net Income Cash | (137,975) | 43% | (197,153) | 89% | (372,719) | (386,534) | (242,334) | (255,559) | (268,356) | (281,717) |
| Non-Operating Revenues and Expenses | | | | | | | | | | |
| Interest Income | 1,115 | | 1,030 | | 269 | 269 | 269 | 269 | 269 | 269 |
| Other Income | | | | | 42,075 | | | | | |
| Total Non-Operating Rev & Exp | 1,115 | -8% | 1,030 | 4011% | 42,344 | 269 | 269 | 269 | 269 | 269 |
| Add Non-Cash Expenses | | | | | | | | | | |
| Depreciation | 121,135 | | 202,701 | | 283,242 | 288,907 | 294,685 | 307,685 | 313,839 | 320,115 |
| Cash Available for Debt Service | (15,725) | | 6,578 | | (47,133) | (97,358) | 52,620 | 52,395 | 45,752 | 38,668 |
| Debt Service | | | | | | | | | | |
| Existing Loan Debt | 0 | | 0 | | 45,070 | 37,500 | 37,500 | 0 | 0 | 0 |
| New RD Debt | | | | | | | 7,000 | 7,000 | 14,753 | 14,753 |
| New KIA Fund F Loan | | | | | | | 6,897 | 13,794 | 13,794 | 13,794 |
| Total Debt Service | 0 | | 0 | | 45,070 | 37,500 | 51,397 | 20,794 | 28,547 | 28,547 |
| Income After Debt Service | (15,725) | | 6,578 | | (92,203) | (134,858) | 1,223 | 31,602 | 17,205 | 10,121 |
| Debt Coverage Ratio | n/a | | n/a | | (1.05) | (2.60) | 1.02 | 2.52 | 1.60 | 1.35 |

**BREATHITT COUNTY WATER DISTRICT
BALANCE SHEETS**

| | ASSETS | 2006 | 2007 | 2008 | Upon Project Completion |
|--|---------------|-------------------------|-------------------------|--------------------------|------------------------------------|
| Current Assets | | | | | |
| Cash and Cash Equivalents | | 78,334 | 75,154 | 55,263 | 65,384 |
| Accounts Receivable | | 5,905 | 15,236 | 20,945 | 24,087 |
| Total Current Assets | | <u>84,239</u> | <u>90,390</u> | <u>76,208</u> | <u>89,471</u> |
| Property, Plant and Equipment | | | | | |
| Utility Systems | | 6,375,640 | 9,329,214 | 13,881,781 | 14,751,781 |
| Less Depreciation | | (184,865) | (387,566) | (670,808) | (670,808) |
| Total Fixed Assets | | <u>6,190,775</u> | <u>8,941,648</u> | <u>13,210,973</u> | <u>14,080,973</u> |
| Total Assets | | <u><u>6,275,014</u></u> | <u><u>9,032,038</u></u> | <u><u>13,287,181</u></u> | <u><u>14,170,444</u></u> |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | | 1,195 | 5,622 | 9,919 | 10,117 |
| Compensated Absences | | | | | 0 |
| Accrued Liabilities | | 1,184 | 2,226 | 479 | 479 |
| Current Maturities of Long Term Debt | | | | | 10,837 |
| Total Current Liabilities | | <u>2,379</u> | <u>7,848</u> | <u>10,398</u> | <u>21,433</u> |
| Long Term Liabilities | | | | | |
| Long Term Debt, net of Discounts, Less Current Portion | | 0 | 0 | 1,267,334 | 588,680 |
| Total Long Term Liabilities | | <u>0</u> | <u>0</u> | <u>1,267,334</u> | <u>588,680</u> |
| Total Liabilities | | <u><u>2,379</u></u> | <u><u>7,848</u></u> | <u><u>1,277,732</u></u> | <u><u>610,113</u></u> |
| NET ASSETS | | | | | |
| Invested in Capital Assets, Net | | 5,869,882 | 8,817,560 | 12,178,264 | 13,668,994 |
| Unrestricted (deficit) | | 402,753 | 206,630 | (168,815) | (108,664) |
| Total Retained Earnings | | <u>6,272,635</u> | <u>9,024,190</u> | <u>12,009,449</u> | <u>13,560,330</u> |
| Total Liabilities and Equity | | <u><u>6,275,014</u></u> | <u><u>9,032,038</u></u> | <u><u>13,287,181</u></u> | <u><u>14,170,443</u></u> |
| Balance Sheet Analysis | | | | | |
| Current Ratio | | 35.41 | 11.52 | 7.33 | 4.17 |
| Debt to Equity | | 0.00 | 0.00 | 0.11 | 0.04 |
| Working Capital | | 81,860 | 82,542 | 65,810 | 68,037 |