

Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410
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CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

May 25, 2011

Mr. Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

RECEIVED
MAY 31 2011
PUBLIC SERVICE
COMMISSION

Re: Sharpsburg Water District PSC Application - KRS 278.023

Dear Mr. Derouen:


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

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

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

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jlm
Enclosures
cc: Distribution List

DISTRIBUTION LIST

Account #0127.0000

Re: Sharpsburg Water District Waterworks Revenue Bonds, Series 2011, in the principal amount of \$642,000

Mr. Thomas G. Fern
State Director
USDA, Rural Development
771 Corporate Drive, Suite 200
Lexington, Kentucky 40503-5477

Telephone: (859) 224-7336
Fax: (859) 224-7340

Mr. Elwood Howe
USDA, Rural Development
220 West First Street
Morehead, Kentucky 40351

Telephone: (606) 784-6447
Fax: (606) 784-2921

Ms. Gayle Haney
Sharpsburg Water District
P.O. Box 248
Sharpsburg, Kentucky 40374

Telephone: (606) 247-2861

Mr. Bob Sturdivant
HDR Engineering, Inc.
2517 Sir Barton Way
Lexington, Kentucky 40509

Telephone: (859) 223-3755
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Earl Rogers III, Esq.
Campbell, Rogers & Hill
154 Flemingsburg Road
Morehead, Kentucky 40351

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450 South Third Street
Louisville, Kentucky 40202

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY 31 2011

PUBLIC SERVICE
COMMISSION

In the Matter of:

**THE APPLICATION OF THE SHARPSBURG)
WATER DISTRICT FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY) Case No. 2011 - _____
TO CONSTRUCT, FINANCE AND INCREASE)
RATES PURSUANT TO KRS 278.023)**

A P P L I C A T I O N

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

1. That Applicant is a water district created and existing under and by virtue of Chapter 74 of the Kentucky Revised Statutes.

2. That the post office address of Applicant is:

Sharpsburg Water District
c/o Ms. Gayle Haney, Manager
P.O. Box 248
Sharpsburg, Kentucky 40374

3. That Applicant, pursuant to the provisions of KRS 278.023, seeks (i) a Certificate of Public Convenience and Necessity, permitting Applicant to construct a water system improvement project (the "Project"); (ii) an Order approving increased water rates; and (iii) approval of the proposed plan of financing said Project.

4. That the Project consists of the replacement of approximately 43,500 linear feet of 8 inch waterline and appurtenances and the replacement of service connections along various County roads.

5. That Applicant proposes to finance the construction of the Project through (i) the issuance of \$642,000 of its Waterworks Revenue Bonds; (ii) a USDA, Rural Development ("RD") grant in the amount of \$345,600; and (iii) an Appalachian Regional Commission ("ARC") grant in the amount of \$500,000. Applicant has a commitment from RD to purchase said \$642,000 of bonds maturing over a 40-year period, at an interest rate of not exceeding 2.375% per annum, as set out in the RD Letter of Conditions filed herewith as an Exhibit.

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

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

- A. Copy of RD Letter of Conditions (**Exhibit "A"**).
- B. Copy of RD Letter of Concurrence in Contract Award (**Exhibit "B"**).
- C. Copy of Preliminary and Final Engineering Reports.
- D. Certified statement from the Chairperson of Applicant (**Exhibit "C"**), based upon statements of the Engineers for Applicant, concerning the following:
 - (1) The proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.
 - (2) All other state approvals or permits have already been obtained;
 - (3) The proposed rates of Applicant shall produce the total revenue requirements set out in the engineering reports; and
 - (4) Setting out the dates when it is anticipated that construction will begin and end.

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

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

WHEREFORE, Applicant, the Sharpsburg 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 water system improvement project.
- b. An Order approving the financing arrangements made by Applicant, viz., (i) the issuance of \$642,000 of Sharpsburg Water District Waterworks Revenue Bonds at an interest rate of not exceeding 2.375% per annum; (ii) an RD grant in the amount of \$345,600; and (iii) an ARC grant in the amount of \$500,000.
- c. An Order approving the proposed water rates and charges as set out in Section 28 of the RD Letter of Conditions filed herewith as an Exhibit.

SHARPSBURG WATER DISTRICT

By: Becky M. Ritchie
Chairperson
Board of Water Commissioners

W. Randall Jones, Esq.
W. Randall Jones, Esq.
Rubin & Hays
Counsel for Applicant
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 569-7525

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF BATH)

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this May 19th, 2011.

Becky M. Ritchie
Becky Ritchie, Chairperson
Sharpsburg Water District

Subscribed and sworn to before me by Becky Ritchie, Chairperson of the Board of Commissioners of the Sharpsburg Water District, on this May 19th, 2011.

My Commission expires: 3-22-12.

Debbie L. Purvis
Notary Public



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

September 14, 2010

Ms. Becky Ritchie, Chairperson
Sharpsburg Water District
P O Box 248
Sharpsburg, Kentucky 40374

Dear Ms. Ritchie:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area office staff of USDA Rural Development. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by USDA Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application. It should also be understood that Rural Development is under no obligation to provide additional funds to meet an overrun in construction costs.

This letter is not to be considered as loan and grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$642,000; a RUS grant not to exceed \$345,600; and an Appalachian Regional Commission (ARC) grant in the amount of \$500,000.

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

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

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

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

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

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

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, SW, Washington, DC 20250-9410
or call (800) 795-3272 (voice) or (202) 720-6282 (TDD)

1. Number of Users and Their Contribution:

There shall be 1,456 water users, of which all are existing users. The Area Director will review and authenticate the number of users prior to advertising for construction bids.

2. Grant Agreement:

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

3. Drug-Free Work Place:

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

4. Repayment Period:

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

5. Recommended Repayment Method:

Payments on this loan shall be made using the Preauthorized Debit (PAD) payment method. This procedure eliminates the need for paper checks and ensures timely receipt of RD loan payments. To initiate PAD payments, Form RD 3550-28, "Authorization Agreement for Preauthorized Payments," should be signed by the District to authorize the electronic withdrawal of funds from your designated bank account on the exact installment payment due date. The Area Director will furnish the necessary forms and further guidance on the PAD procedure.

6. Reserve Accounts:

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

The District will be required to deposit \$220 per month into a "Funded Debt Reserve Account" until the account reaches \$26,400. The deposits are to be resumed any time the account falls below the \$26,400.

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

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

The District also needs to fund an account for short-lived assets by depositing a sum of \$250 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District's water system. This short-lived asset reserve amount replaces any previous short-lived assets requirements previously set with any prior RUS loan.

7. Security Requirements:

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

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

8. Land Rights and Real Property:

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

9. Organization:

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

10. Business Operations:

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

11. Accounts, Records and Audits:

The District will be required to maintain adequate records and accounts and submit annual budgets and year-end reports (annual audits)/statistical and financial reports, quarterly and annually, in accordance with subsection 1780.47 of RUS Instruction 1780.

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

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

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

13. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the District. The District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$87,000.
- D. Real Property Insurance - The District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures. The amounts of coverage should be based on recommendations obtained by the District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

14. Planning and Performing Development:

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

B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:

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

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

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

15. Civil Rights & Equal Opportunity:

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

A. Section 504 of the Rehabilitation Act of 1973:

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

B. Civil Rights Act of 1964:

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

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

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

D. Age Discrimination Act of 1975:

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

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

16. Closing Instructions:

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

17. Compliance with Special Laws and Regulations:

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

18. System Operator:

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

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

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

20. Refinancing and Graduation Requirements:

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

21. Commercial Interim Financing:

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

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

22. Disbursement of Project Funds:

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

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

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

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

Borrowers receiving federal loan and/or grant funds by EFT will have funds directly deposited to a specified account at a financial institution with funds being available to the recipient on the date of payment. The borrower should complete Form SF-3881, "Electronic Funds Transfer Payment Enrollment Form," for each account where funds will be electronically received. The

completed form(s) must be received by Rural Development at least thirty (30) days prior to the first advance of funds.

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

23. Disbursement of Grant Funds:

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

24. Cost of Facility:

Breakdown of Costs:

Development	\$ 1,149,000
Land and Rights	20,000
Legal and Administrative	21,500
Engineering	167,200
Interest	15,000
Contingencies	<u>114,900</u>
TOTAL	\$ 1,487,600

Financing:

RUS Loan	\$ 642,000
RUS Grant	345,600
ARC Grant	<u>500,000</u>
TOTAL	\$ 1,487,600

25. Commitment of Other Project Funds:

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

26. Use of Remaining Project Funds:

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

27. Proposed Operating Budget:

You will be required to submit to Rural Development a copy of your proposed annual operating budget that supports the proposed loan repayment prior to this agency giving you written authorization to proceed with the bidding phase. The operating budget should be based on a

typical year cash flow, subject to completion of this project in the first full year of operation. Form RD 442-7, "Operating Budget," or similar form may be utilized for this purpose.

28. Rates and Charges:

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

Water rates for residential and non residential users will be at least:

First	2,000	gallons @ \$	24.60. - Minimum Bill.
Next	3,000	gallons @ \$	5.81. - per 1,000 gallons.
Next	5,000	gallons @ \$	5.15. - per 1,000 gallons.
All Over	10,000	gallons @ \$	4.89. - per 1,000 gallons.

29. Water Purchase Contract:

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

30. Compliance with the Bioterrorism Act:

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

31. Floodplain Construction:

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

32. Division of Water (DOW) Health & Sanitary Certification:

The Median Household Income (MHI) for the District's service area qualifies this project for the poverty interest rate. A certification from the Division of Water stating this project will remove a health or sanitary problem will be required. This certification must be obtained prior to loan pre-closing.

35. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated December 16, 2009, from Ms. Lee Nalley.
- B. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without effect after construction is complete. The Army Corps of Engineers Nationwide Permit No. 12 applies to all floodplain and wetland utility line construction.
- C. Any excavation by Contractor that uncovers a historical or archaeological artifact shall be immediately reported to Owner and a representative of Agency. Construction shall be temporarily halted pending the notification process and further directions issued by Agency after consultation with the State Historic Preservation Officer (SHPO).
- D. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.
- E. Best Management Practices shall be incorporated into the project design, construction, and maintenance.

36. American Recovery and Reinvestment Act of 2009 ("Recovery Act").

Recovery Act requirements apply to this financing. In addition to the other conditions contained in this Letter of Conditions, you must understand and agree to these following conditions specific to the Recovery Act:

- A. Certifications. With respect to Recovery Act funds made available to State or local governments for infrastructure investments, Section 1511 of the Recovery Act requires the Governor, mayor or other chief executive, as appropriate, to certify that the infrastructure investment has been properly approved as required by law and that the chief executive accepts responsibility that the infrastructure investment is an appropriate use of taxpayer dollars. RD Water and Waste personnel will provide specific guidance on the information required in the certification.
- B. Reports on Use of Funds. Section 1512 of the Recovery Act requires each recipient receiving Recovery Act funding to provide specific information to the government on a periodic basis for inclusion in various internal and publicly-available reports. RD Water and Waste Program personnel will provide specific guidance on the type and frequency of information required to assist Recovery Act recipients in complying with this condition.
- C. Buy American. Section 1605 of the Recovery Act requires that all projects financed with Recovery Act funds be bid and constructed using only iron, steel and manufactured goods produced in the United States in accordance with Section 1605 of the Recovery Act. Specific guidance, including contract provisions to be included in any construction

contracts, is being formulated and drafted as of the date of this Letter of Conditions. RD Water and Waste Program personnel will provide specific guidance related to this condition as soon as it is available.

- D. Wage Rate Requirements. Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors for the project will be paid wages at rates not less than those prevailing on projects of a character similar in the locality where this project will occur. Specific guidance, including contract provisions to be included in any construction or otherwise related contracts, is being formulated and drafted as of the date of this Letter of Conditions. RD Water and Waste Program personnel will provide specific guidance related to this condition as soon as it is available.

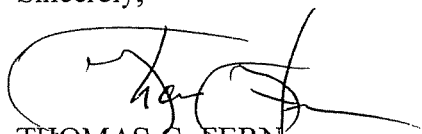
Compliance with the conditions in this section is required for financing under the Recovery Act. However, these conditions are not substitutes for, or in lieu of, the remaining conditions contained in this Letter of Conditions. Each of the conditions in this Letter of Conditions must also be understood and complied with to receive financing for your project.

37. Final Approval Conditions:

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

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

Sincerely,



THOMAS G. FERN
State Director

Enclosures

cc: Area Director - Morehead, Kentucky
Gateway ADD - Morehead, Kentucky
Rubin & Hays - Louisville, Kentucky
Earl Rogers - Morehead, Kentucky
HDR Engineers Inc. - Lexington, Kentucky
PSC - ATTN: Dennis Jones - Frankfort, Kentucky



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

May 19, 2011

Ms. Becky Ritchie, Chairman
Sharpsburg Water District
PO Box 248
Sharpsburg, Kentucky 40374

Re: Letter of Conditions Dated September 14, 2010

Dear Ms. Ritchie:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated September 14, 2010. The purpose of this amendment is to update the water rates.

Paragraph numbered "28" is revised to read as follows:

" 28. Rates and Charges:

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

Water rates will be at least:

5/8" x 3/4" Meter:

First	2,000	gallons @ \$	24.60. - Minimum Bill.
Next	3,000	gallons @ \$	5.81. - per 1,000 gallons.
Next	5,000	gallons @ \$	5.15. - per 1,000 gallons.
All Over	10,000	gallons @ \$	4.89. - per 1,000 gallons.

1" Meter:

First	5,000	gallons @ \$	42.03. - Minimum Bill.
Next	5,000	gallons @ \$	5.15. - per 1,000 gallons.
All Over	10,000	gallons @ \$	4.89. - per 1,000 gallons.

2" Meter

First	16,000	gallons @ \$	97.12. - Minimum Bill.
All Over	16,000	gallons @ \$	4.89. - per 1,000 gallons.

771 Corporate Drive • Suite 200 • Lexington, KY 40503
Phone: (859) 224-7336 • Fax: (859) 224-7344 • TDD: (859) 224-7422 • Web: <http://www.rurdev.usda.gov/ky>

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1400 Independence Avenue, SW, Washington, DC 20250-9410
or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

Schools:

First 50,000 gallons @ \$ 263.38. - Minimum Bill.
All Over 50,000 gallons @ \$ 4.89. - per 1,000 gallons.

Bulk Loading

\$9.00. - per 1,000 gallons. ”

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

Sincerely,

 THOMAS G. FERN
State Director

- cc: Area Director - Morehead, Kentucky
- Gateway ADD - Morehead, Kentucky
- Rubin & Hays - Louisville, Kentucky
- Earl Rogers - Morehead, Kentucky
- HDR Engineers Inc. - Lexington, Kentucky
- PSC - ATTN: Dennis Jones - Frankfort, Kentucky

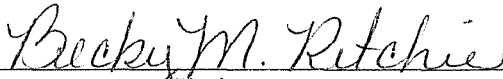
**CERTIFICATE OF CHAIRPERSON OF SHARPSBURG WATER DISTRICT,
AS TO STATEMENT REQUIRED BY SECTION 1(5) OF 807 KAR 5:069**

I, Becky Ritchie, hereby certify that I am the duly qualified and acting Chairperson of the Sharpsburg Water District, and that said District is in the process of arranging to finance the construction of improvements to the water system (the "Project"), in cooperation with HDR, 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. That the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.
2. That all other state approvals and/or permits have already been obtained.
3. That the rates proposed by the District in its current Application filed with the Public Service Commission of Kentucky are contemplated to produce total revenue requirements set out in the Engineering Reports prepared by such Engineers and filed with the Public Service Commission.
4. That it is now contemplated that construction of the Project will begin on or about July 1, 2011, and will end on or about March 1, 2012.

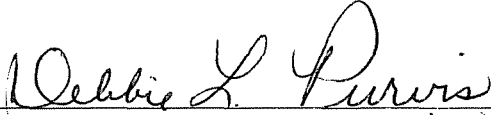
IN TESTIMONY WHEREOF, witness my signature this May 19th, 2011.



Chairperson
Sharpsburg Water District

STATE OF KENTUCKY)
) SS
COUNTY OF BATH)

Subscribed and sworn to before me by Becky Ritchie, Chairperson of the Board of Commissioners of the Sharpsburg Water District, on this May 19th, 2011.



Notary Public *expires 3-22-12*
In and For Said State and County



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

May 25, 2011

SUBJECT: Sharpsburg Water District
ARRA- KY Hwy 36 Water Main Replacement
Contract Award Concurrence

TO: Area Director
Morehead, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of subject contract to the low bidder, Beauty Ridge Contractors, LLC, in the amount of \$1,099,744.00.

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


THOMAS G. FERN
State Director
Rural Development

cc: HDR
Lexington, Kentucky

Rubin and Hays
Louisville, Kentucky

771 Corporate Drive • Suite 200 • Lexington, KY 40503
Phone: (859) 224-7300 • Fax: (859) 224-7425 • TDD: (859) 224-7422 • Web: <http://www.rurdev.usda.gov/ky>

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NOTICE OF PROPOSED RATE CHANGE

In accordance with the requirements of the Kentucky Public Service Commission as set out in 807 KAR 5:069, Section 2, notice is hereby given to the customers of the Sharpsburg Water District of a change in water rates for users of the District's water system. The changes in water rates are required by the U.S. Department of Agriculture, acting through Rural Development in connection with a loan by RD to the District in the amount of \$642,000 to be evidenced by the issuance by the District of its waterworks revenue bonds in such amount, which RD has agreed to purchase provided the District meets certain conditions of RD, including revising the water rates as set forth below:

Current Monthly Rates

5/8" x 3/4" meter

First 2,000 gallons	\$23.39 minimum bill
Next 3,000 gallons	5.52 per 1,000 gallons
Next 5,000 gallons	4.90 per 1,000 gallons
All over 10,000 gallons	4.65 per 1,000 gallons

1" meter

First 5,000 gallons	\$39.93 minimum bill
Next 5,000 gallons	4.90 per 1,000 gallons
All over 10,000 gallons	4.65 per 1,000 gallons

2" meter

First 16,000 gallons	\$92.32 minimum bill
All over 16,000 gallons	4.65 per 1,000 gallons

Schools

First 50,000 gallons	\$250.42 minimum bill
All over 50,000 gallons	4.65 per 1,000 gallons

Bulk Loading	\$9.00 per 1,000 gallons
--------------	--------------------------

Proposed Monthly Water Rates

5/8" x 3/4" meter

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1" meter

First 5,000 gallons	\$42.03 minimum bill
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All over 10,000 gallons	4.89 per 1,000 gallons

2" meter

First 16,000 gallons	\$97.12 minimum bill
All over 16,000 gallons	4.89 per 1,000 gallons

Schools

First 50,000 gallons	\$263.38 minimum bill
All over 50,000 gallons	4.89 per 1,000 gallons

Bulk Loading	\$9.00 per 1,000 gallons
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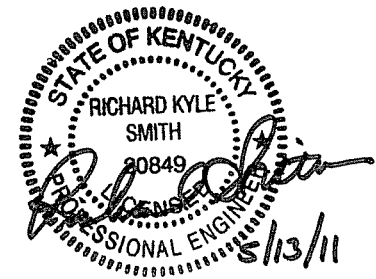
The RD loan proceeds will be used in conjunction with a \$345,600 RD grant and a \$500,000 ARC grant to finance the cost of the replacement of approximately 43,500 linear feet of 8 inch waterline and appurtenances and the replacement of service connections along various County roads. Signed, Becky Ritchie, Chairperson, Sharpsburg Water District.

Preliminary Engineering Report

KY Highway 36 Water Main Replacement Project

Sharpsburg Water District

January 2010



Prepared by:

*HDR Engineering, Inc.
2517 Sir Barton Way
Lexington, Kentucky 40509
(859) 223-3755*

HDR

***Preliminary Engineering Report
KY Highway 36 Water Main Replacement Project
Sharpsburg Water District***

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Preliminary Engineering Report
KY Highway 36 Water Main Replacement Project

Sharpsburg Water District

Introduction and Background

This report covers the KY Highway 36 Water Main Replacement project for the Sharpsburg Water District in Sharpsburg, Kentucky.

The Sharpsburg Water District (SWD) serves approximately 1,450 water customers in Bath and Nicholas Counties in Kentucky. The SWD service area includes predominantly rural areas near the community of Sharpsburg. The general location of the SWD service area is shown on Figure 1.

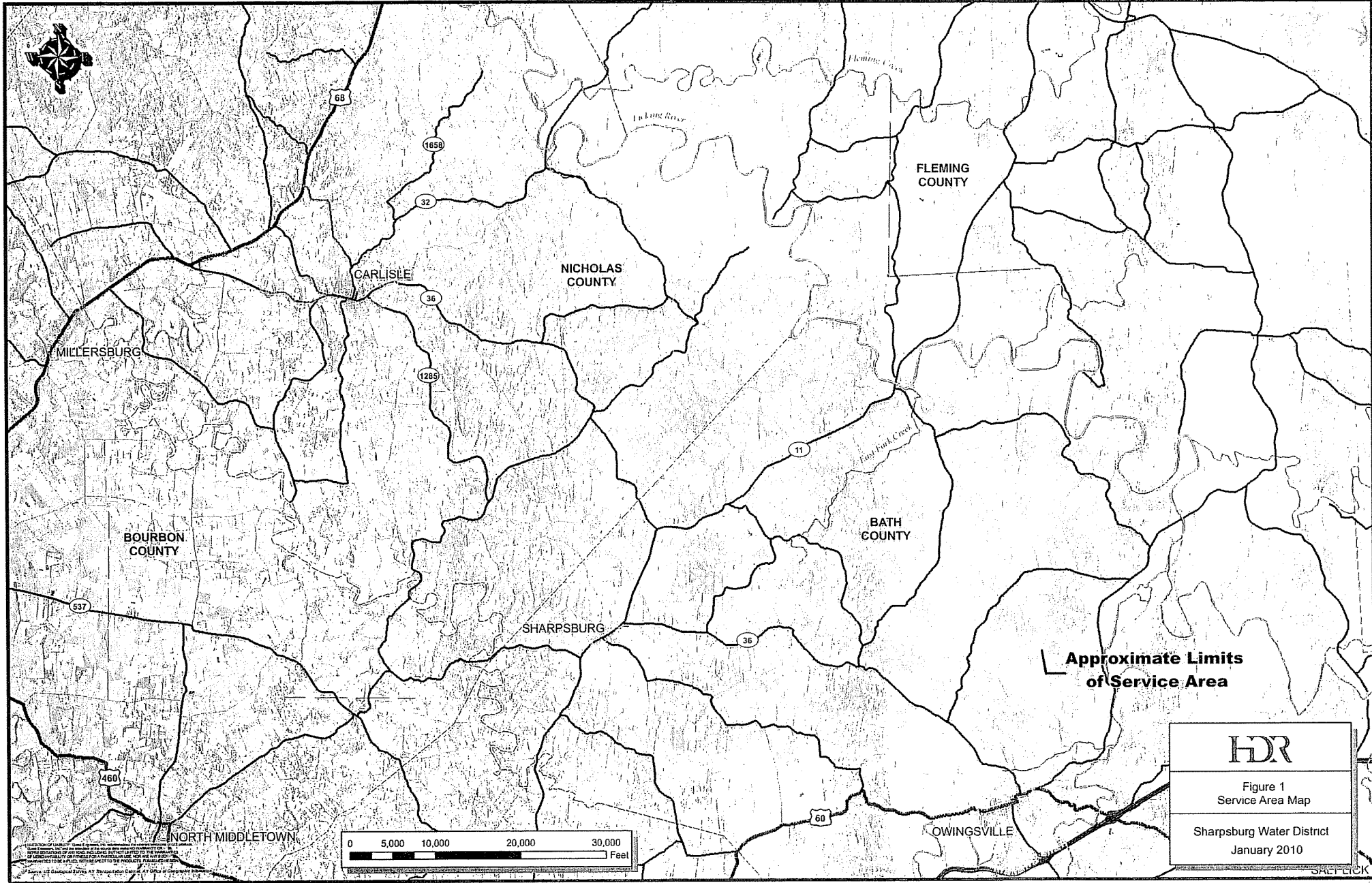
The SWD purchases water from the City of Carlisle and the Bath County Water District. The Carlisle master meter is located on Scrubgrass Road off KY Highway 36 in Nicholas County. The current contract with Carlisle is for 100,000 gallons per day (GPD). The Bath County master meter is located on KY Highway 36 at Burbridge Branch. The current contract with the Bath County Water District is for 288,000 GPD. The SWD operates two booster pump stations, one at each meter location. A chlorination station with sodium hypochlorite is located at the Burbridge Branch pump station.

The two distribution systems (Carlisle and Bath County) are interconnected by a valve located at the Bath/Nicholas County line on KY Highway 36 (Moorefield Road). The valve remains closed except in the event of an emergency. The valve may be opened to feed water from either the Bath County or Nicholas County side. The two systems combined include approximately 176 miles of water mains. Pipe materials include both asbestos cement (AC) and polyvinyl chloride (PVC) pipe. Approximate line quantities by size are listed in Table 1.

Table 1
Water Main Quantities by Size and Material
Sharpsburg Water District

<i>Pipe Size and Type¹</i>	<i>Approx. Length (miles)</i>
8-inch PVC	9.0
6-inch AC	13.0
6-inch PVC	15.0
4-inch AC	1.0
4-inch PVC	84.5
3-inch AC	2.0
3-inch PVC	50.5
2-inch PVC	1.0

Note: ¹PVC = polyvinyl chloride, AC = asbestos cement



HDR

Figure 1
Service Area Map

Sharpshurg Water District
January 2010

SCALE

The SWD has three storage tanks with a combined capacity of 319,000 gallons. The Reynoldsville elevated tank and Sharpsburg standpipe are on the Bath County system, and the Whetstone elevated tank is on the Carlisle system. Information on the storage tanks is listed in Table 2.

Table 2
Existing Storage Tanks
Sharpsburg Water District

<i>Location</i>	<i>Type</i>	<i>Capacity (gals.)</i>	<i>Year Built</i>	<i>Overflow Elevation (ft.)</i>
Cemetery/Sharpsburg	Standpipe	119,000	1963	1,125
Whetstone Road	Elevated	100,000	1991	1,139
Reynoldsville	Elevated	100,000	1985	1,160

Need for the Project

A summary of water purchased and sold for the first six months of 2009 from both the Carlisle and Bath County sources is presented in Table 3. As indicated in Table 3, there is a significant difference in the quantity of water purchased and sold. This is due to water loss in the distribution system. The problem is more prevalent on the Bath County side of the system. The water loss is adversely affecting the SWD's financial performance.

Table 3
Water Purchased and Sold
Sharpsburg Water District

<i>Month/Year</i>	<i>System</i>	<i>Water Purchased (gals)</i>	<i>Water Sold (gals)</i>	<i>Difference (gals)</i>
Jan. 09	Carlisle System	2,467,200	2,573,200	(106,000)
	Bath Co. System	6,522,000	5,038,400	1,483,600
	Total	8,989,200	7,611,600	1,377,600
Feb. 09	Carlisle System	2,113,100	2,129,200	(16,100)
	Bath Co. System	7,261,000	3,610,300	3,650,700
	Total	9,374,100	5,739,500	3,634,600
Mar. 09	Carlisle System	3,030,800	2,639,700	391,100
	Bath Co. System	5,305,000	4,103,200	1,201,800
	Total	8,335,800	6,742,900	1,592,900
Apr. 09	Carlisle System	2,715,100	2,343,000	372,100
	Bath Co. System	5,682,000	4,822,100	859,900
	Total	8,397,100	7,165,100	1,232,000
May 09	Carlisle System	2,765,800	2,560,200	205,600
	Bath Co. System	5,616,000	4,301,800	1,314,200
	Total	8,381,800	6,862,000	1,519,800
June 09	Carlisle System	3,312,500	3,103,400	209,100
	Bath Co. System	7,612,000	4,601,400	3,010,600
	Total	10,924,500	7,704,800	3,219,700
Total (6 mos.)		54,402,500	41,825,900	12,576,600
Avg. Daily		300,567	231,082	69,485

The existing 8-inch water line along KY Highway 36 is a significant source of existing water loss. The line is constructed of PVC and was installed in the early 1980's. The existing line has failed at numerous locations since its installation. This is likely due to poor construction practices and an inadequate pipe pressure class being installed in some areas.

The existing water line has been designated for replacement between the standpipe in Sharpsburg and the Burbridge Branch Road pump station, a total of approximately 44,000 linear feet (see Figure 2).

The SWD has also experienced numerous problems and leaks at service connections where polyethylene service tubing was installed. The general areas affected by this problem are indicated on Figure 2. It is the SWD's intent to replace the service connections in these areas as part of this project.

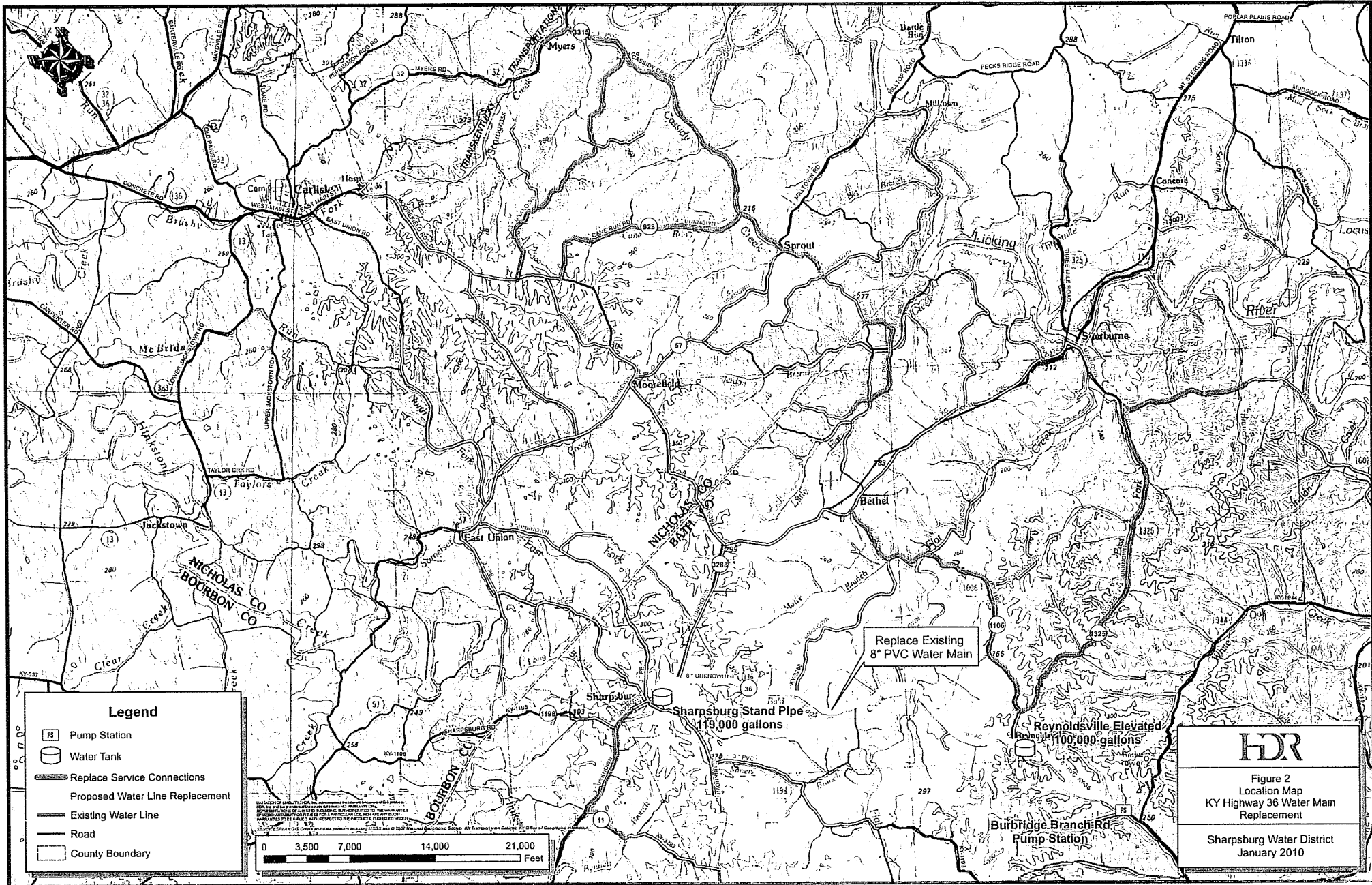
Environmental Resources in Project Area

Bath County is located in northeastern Kentucky, at the gateway to the Bluegrass Region near the foothills of the Cumberland Escarpment. The topography of Bath County is hilly to mountainous. However, there are some flat areas in the vicinity of Slate Creek at the western boundary of the county, and along parts of the Licking River valley at the eastern edge of the county.

The northern parts of the county are a moderately to deeply dissected upland area typical of the Outer Bluegrass (Eden Shale) Region. Maximum elevations are approximately 1,000 feet. Valleys are commonly 150 to 300 feet below the ridgetops.

The KY Highway 36 Water Main Replacement project will include some stream crossings but is not anticipated to involve any floodplain construction. The contractor will be responsible for obtaining a KPDES stormwater general permit, and for using best management practices to control soil erosion and prevent the flow of sediment from construction areas.

Nearly all of the existing KY Highway 36 water line was constructed within 20-foot permanent private easements. It is anticipated that most of the replacement line will be installed within the same easements. Service connections to be replaced will be installed at the same locations as existing service connections. As part of the State Clearinghouse review process, the project areas will be evaluated for impacts to archaeological and historic resources by the Kentucky Heritage Council. The project areas will also be evaluated for impacts to wetlands and federally listed endangered or threatened wildlife by the U.S. Fish and Wildlife Service.



Legend

- Pump Station
- Water Tank
- Replace Service Connections
- Proposed Water Line Replacement
- Existing Water Line
- Road
- County Boundary



Replace Existing
8" PVC Water Main

Sharpshurg Stand Pipe
119,000 gallons

Reynoldsville Elevated
110,000 gallons

Burbridge Branch Rd
Pump Station

HDR

Figure 2
Location Map
KY Highway 36 Water Main
Replacement

Sharpshurg Water District
January 2010

Portions of the work within the state highway rights-of-way will require Encroachment Permits from the Kentucky Transportation Cabinet, Department of Highways. Encasement pipe will be installed at locations where the water main crosses state highways.

Project Alternatives

Project alternatives are limited to a “No Action” alternative or a limited replacement of the existing water line and service connections. Due to the impact of water loss on the District’s operations, a “No Action” alternative is not feasible. Due to the extent of leaks that have occurred, the District has opted to replace the entire KY36 water line and as many leaking service connections as possible. This is the most cost-effective solution. The water line and service connection replacements will reduce water loss, reduce operation and maintenance costs, and improve service to the District’s customers.

Opinion of Probable Construction Cost

The opinion of probable construction cost for the KY Highway 36 Water Line Replacement project is \$1,149,000, as detailed in Table 4.

Table 4
Preliminary Opinion of Probable Construction Cost
KY Highway 36 Water Main Replacement
Sharpsburg Water District

Item No.	Description	Unit	Approx. Qty.	Preliminary Estimate	
				Unit Price	Total Item Amount
1	Mobilization/Demobilization/General Conditions	LS	1	\$75,300	\$75,300
2	8-inch PVC Water Line	LF	44,000	\$13	\$572,000
3	8-inch Gate Valve	EA	20	\$1,000	\$20,000
4	6-inch Gate Valve	EA	2	\$750	\$1,500
5	16-inch Steel Encasement Pipe, Bore & Jack	LF	200	\$350	\$70,000
6	Pavement Replacement	LF	375	\$40	\$15,000
7	Driveway Replacement (Crushed Stone)	LS	1	\$10,000	\$10,000
8	Replace Services Lines and Meters (Short)	EA	210	\$750	\$157,500
9	Replace Service Lines and Meters (Long)	EA	90	\$1,000	\$90,000
10	Line Marker	EA	12	\$100	\$1,200
11	Creek Crossings	LF	700	\$100	\$70,000
12	Air Release Valve	EA	10	\$5,000	\$50,000
13	Tie-in to Existing Water Line	EA	6	\$1,500	\$9,000
14	Erosion and Sediment Control	LS	1	\$7,500	\$7,500
OPINION OF PROBABLE CONSTRUCTION COST					\$1,149,000

Current Project Budget

The estimated total project cost and current project budget is \$1,487,600 as detailed in Table 5. The anticipated funding source is a USDA – Rural Development grant/loan and an Appalachian Regional Commission (ARC) grant. The project will be advertised for bids after funding is secured and all regulatory approvals and the necessary easements have been obtained. Construction is expected to begin in the summer of 2010.

Table 5
Project Budget
KY Highway 36 Water Main Replacement
Sharpsburg Water District

<i>Item</i>	<i>Budget Amount</i>
Construction	\$1,149,000
Administrative	\$11,500
Legal	\$5,000
Land, Easements	\$20,000
Planning/Environmental	\$10,000
Engineering and Resident Inspection	\$162,200
Interest During Construction	\$15,000
Contingency	\$114,900
TOTAL PROJECT BUDGET	\$1,487,600

Project Financing

The proposed financing for the project is shown in Table 6.

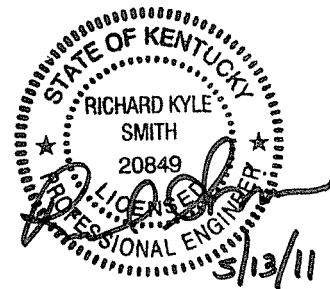
Table 6
Proposed Financing
KY Highway 36 Water Main Replacement
Sharpsburg Water District

<i>Agency</i>	<i>Amount</i>
Appalachian Regional Commission (Grant)	\$500,000
USDA – Rural Development (Loan)	\$612,600
USDA – Rural Development (Grant)	\$375,000
TOTAL PROJECT COST	\$1,487,600

Final Engineering Report
KY Highway 36
Water Main Replacement Project

Sharpsburg Water District

May 2011



Prepared by:

*HDR Engineering, Inc.
2517 Sir Barton Way
Lexington, Kentucky 40509
(859) 223-3755*

HDR

Final Engineering Report
KY Highway 36 Water Main Replacement Project
Sharpsburg Water District

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Final Engineering Report
KY Highway 36 Water Main Replacement Project
Sharpsburg Water District

Introduction and Background

This report covers the KY Highway 36 Water Main Replacement project for the Sharpsburg Water District in Sharpsburg, Kentucky.

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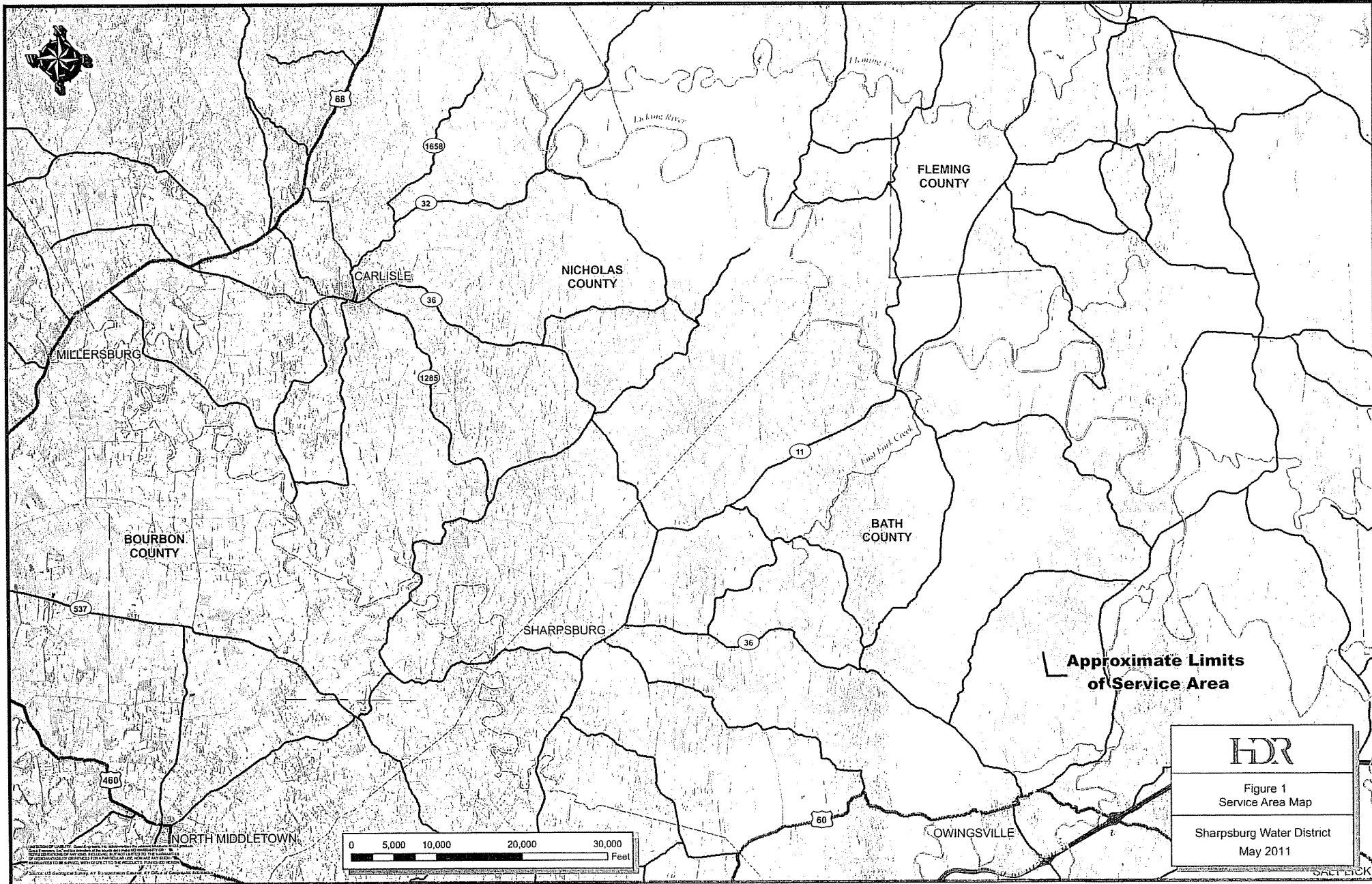
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3-inch PVC	50.5
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Note: ¹PVC = polyvinyl chloride, AC = asbestos cement



HDR
Figure 1 Service Area Map
Sharpsburg Water District May 2011

NORTH MIDDLETOWN



SALT LICK

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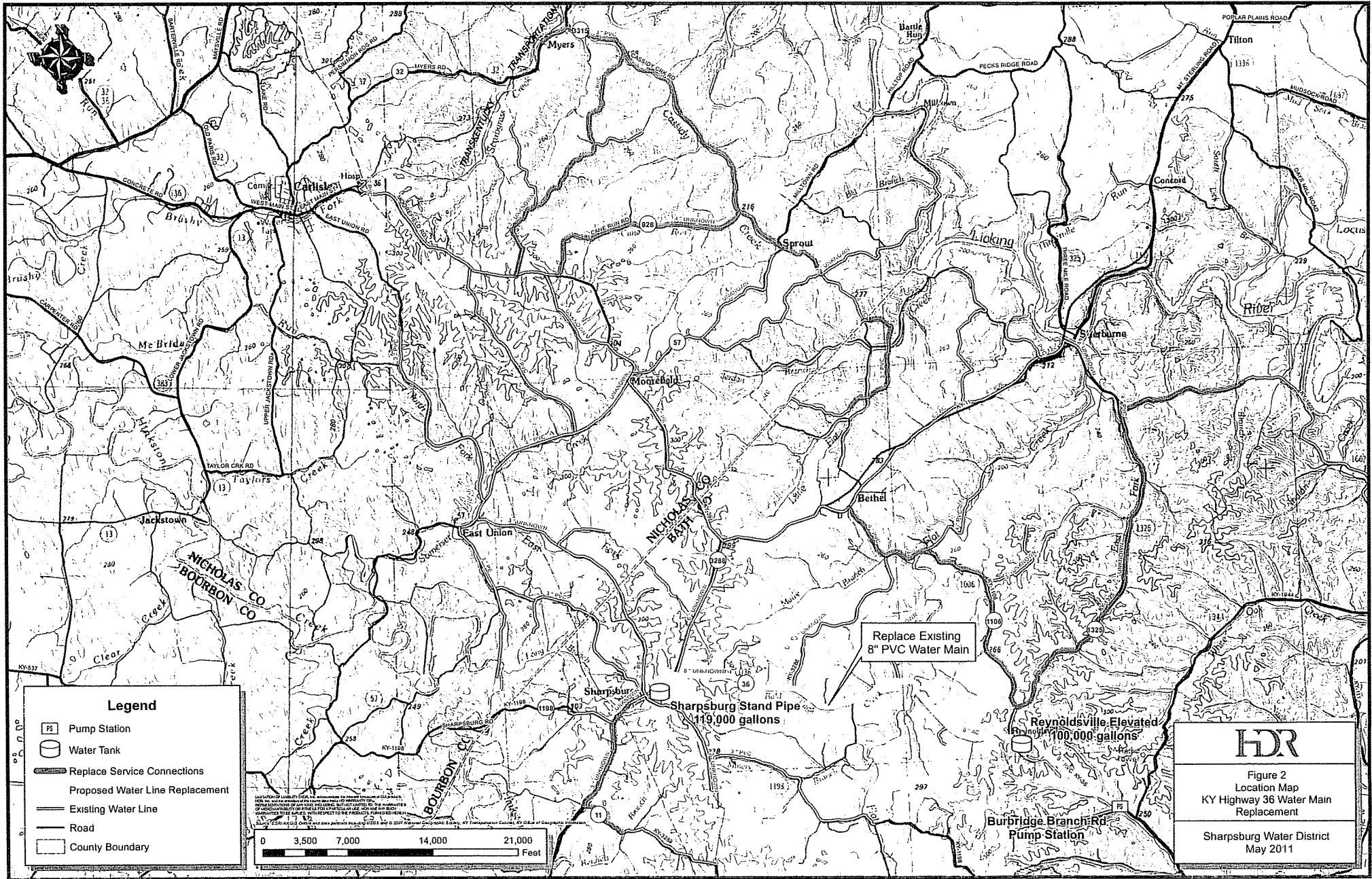
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Bath County is located in northeastern Kentucky, at the gateway to the Bluegrass Region near the foothills of the Cumberland Escarpment. The topography of Bath County is hilly to mountainous. However, there are some flat areas in the vicinity of Slate Creek at the western boundary of the county, and along parts of the Licking River valley at the eastern edge of the county.

The northern parts of the county are a moderately to deeply dissected upland area typical of the Outer Bluegrass (Eden Shale) Region. Maximum elevations are approximately 1,000 feet. Valleys are commonly 150 to 300 feet below the ridgetops.

The KY Highway 36 Water Main Replacement project will include some stream crossings but is not anticipated to involve any floodplain construction. The contractor will be responsible for obtaining a KPDES stormwater general permit, and for using best management practices to control soil erosion and prevent the flow of sediment from construction areas.

Nearly all of the existing KY Highway 36 water line was constructed within 20-foot permanent private easements. It is anticipated that most of the replacement line will be installed within the same easements. Service connections to be replaced will be installed at the same locations as existing service connections. As part of the State Clearinghouse review process, the project areas have been evaluated for impacts to archaeological and historic resources by the Kentucky Heritage Council. The project areas have also been evaluated for impacts to wetlands and federally listed endangered or threatened wildlife by the U.S. Fish and Wildlife Service.



Legend

- Pump Station
- Water Tank
- Replace Service Connections
- Proposed Water Line Replacement
- Existing Water Line
- Road
- County Boundary



Replace Existing
8" PVC Water Main

Sharpshur Stand Pipe
119,000 gallons

Reynoldsville Elevated Tank
100,000 gallons

Burbridge Branch Rd
Pump Station

HDR

Figure 2
Location Map
KY Highway 36 Water Main
Replacement

Sharpshur Water District
May 2011

Portions of the work within the state highway rights-of-way will require Encroachment Permits from the Kentucky Transportation Cabinet, Department of Highways. Encasement pipe will be installed at locations where the water main crosses state highways.

Project Alternatives

Project alternatives are limited to a “No Action” alternative or a limited replacement of the existing water line and service connections. Due to the impact of water loss on the District’s operations, a “No Action” alternative is not feasible. Due to the extent of leaks that have occurred, the District has opted to replace the entire KY36 water line and as many leaking service connections as possible. This is the most cost-effective solution. The water line and service connection replacements will reduce water loss, reduce operation and maintenance costs, and improve service to the District’s customers.

Preliminary Construction Cost (As-Bid)

The project was advertised for bids on March 30, 2011. Bids were opened on April 20, 2011 at the Sharpsburg Water District office. A total of seven bids were received. The low bidder was Beauty Ridge Contractors, LLC of South Shore, Kentucky. The low bid was \$1,099,744 for the Base Bid plus Additive Alternative No. 1, described as follows:

- Base Bid: KY Highway 36 Water Main Replacement
- Additive Alternative No. 1: Service Line Replacements (335 total)

The preliminary construction cost, as-bid, is presented in Table 4. Construction is anticipated to begin in July 2011.

Table 4
Preliminary Construction Cost (As-Bid)
KY Highway 36 Water Main Replacement
Sharpsburg Water District

Item No.	Description	Unit	Estimated Qty.	Bid Unit Price	Total Item Amount
BASE BID					
1	Mobilization	LS	1	\$1,000	\$1,000
2	Bonds and Insurance	LS	1	\$15,000	\$15,000
3	General Requirements	LS	1	\$3,500	\$3,500
4	3-inch PVC Water Line, Class 250, SDR 17	LF	450	\$5.00	\$2,250
5	4-inch PVC Water Line, C900, DR18	LF	80	\$5.00	\$400
6	6-inch PVC Water Line, C900, DR18	LF	230	\$8.00	\$1,840
7	8-inch PVC Water Line, C900, DR18	LF	43,500	\$12.75	\$554,625
8	Tie into 3-inch Water Line	EA	4	\$1,300	\$5,200
9	Tie into 4-inch Water Line	EA	2	\$1,300	\$2,600
10	Tie into 6-inch Water Line	EA	3	\$1,350	\$4,050
11	Tie into 8-inch Water Line	EA	1	\$1,550	\$1,550
12	3-inch Gate Valve	EA	4	\$641	\$2,564
13	4-inch Gate Valve	EA	2	\$693	\$1,386
14	6-inch Gate Valve	EA	1	\$826	\$826
15	8-inch Gate Valve	EA	13	\$1,141	\$14,833
16	8-inch x 8-inch Tapping Sleeve & Valve	EA	3	\$3,450	\$10,350
17	Air/Vacuum Release Valve	EA	14	\$827	\$11,578
18	16-inch Steel Encasement Pipe, Open Cut Creek Crossing	LF	700	\$55	\$38,500
19	16-inch Steel Encasement Pipe, Open Cut	LF	120	\$55	\$6,600
20	16-inch Steel Encasement Pipe, Bore & Jack	LF	200	\$130	\$26,000
21	8-inch Steel Encasement Pipe, Bore & Jack	LF	160	\$95	\$15,200
22	3/4-inch PE Service Line Reconnection, Short	EA	50	\$194	\$9,700
23	3/4-inch PE Service Line Reconnection, Long	EA	30	\$194	\$5,820
24	3/4-inch PE Service Pipe Replacement	LF	200	\$7.00	\$1,400
25	Meter Setting, Complete	EA	80	\$480	\$38,400
26	Bituminous Pavement Replacement	LF	120	\$55	\$6,600
27	Concrete Pavement Replacement	LF	50	\$55	\$2,750
28	Cut & Cap 8-inch Water Line	EA	4	\$750	\$3,000
29	Line Marker	EA	20	\$40	\$800
30	Erosion and Sediment Control	LS	1	\$2,500	\$2,500
31	Traffic Control	LS	1	\$1,000	\$1,000
32	Demobilization	LS	1	\$1.00	\$1
SUBTOTAL - BASE BID					\$791,823
ADDITIVE ALTERNATIVE NO. 1					
33	Mobilization	LS	1	\$100	\$100
34	Bonds and Insurance	LS	1	\$100	\$100
35	General Requirements	LS	1	\$100	\$100
36	3/4-inch PE Service Line Replacement, Short	EA	220	\$194	\$42,680
37	3/4-inch PE Service Line Replacement, Long	EA	115	\$244	\$28,060
38	3/4-inch PE Service Pipe Replacement	LF	750	\$7.00	\$5,250
39	1-inch PE Service Pipe Replacement	LF	6,400	\$7.20	\$46,080
40	2-inch PE Service Pipe Replacement	LF	3,300	\$7.50	\$24,750
41	Meter Setting, Complete	EA	335	\$480	\$160,800
42	Demobilization	LS	1	\$1.00	\$1
SUBTOTAL - ADDITIVE ALTERNATIVE NO. 1					\$307,921
TOTAL PRELIMINARY CONSTRUCTION COST (AS-BID)					\$1,099,744

Project Budget

The estimated total project cost and project budget is \$1,487,600 as detailed in Table 5. The funding sources include a USDA – Rural Development grant/loan and an Appalachian Regional Commission (ARC) grant.

Table 5
Project Budget
KY Highway 36 Water Main Replacement
Sharpsburg Water District

<i>Item</i>	<i>Budget Amount</i>
Construction	\$1,099,744
Administrative/Legal	\$11,500
Land and Right-of-Way	\$20,000
Planning/Env./Easement Prep	\$15,000
Engineering and Resident Inspection	\$162,200
Interest During Construction	\$15,000
Contingency	\$164,156
TOTAL PROJECT BUDGET	\$1,487,600

Project Financing

The summary of financing for the project is shown in Table 6.

Table 6
Project Financing
KY Highway 36 Water Main Replacement
Sharpsburg Water District

<i>Agency</i>	<i>Amount</i>
Appalachian Regional Commission (Grant)	\$500,000
USDA – Rural Development (Loan)	\$642,000
USDA – Rural Development (Grant)	\$345,600
TOTAL PROJECT COST	\$1,487,600