

Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410
Telephone (502) 569-7525 Telefax (502) 569-7555 www.rubinhays.com

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

December 20, 2012

RECEIVED

DEC 21 2012

PUBLIC SERVICE
COMMISSION

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

Re: Western Pulaski County Water District USDA, Rural Development Project

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the Western Pulaski County Water District for an Order approving construction financing and Certificate of Public Convenience and Necessity pursuant to KRS 278.023.

Also enclosed are eleven (11) copies of the exhibits required pursuant to 807 KAR 5.069, and 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:cr
Enclosures
cc: Distribution List

DISTRIBUTION LIST

**Re: Western Pulaski County Water District Waterworks Revenue Bonds, Series
2013, in the principal amount of \$1,400,000.**

Mr. Thomas G. Fern
State Director
USDA, Rural Development
771 Corporate Drive, Suite 200
Lexington, Kentucky 40503-5744

Phone: (859) 224-7336

Mr. Clay McKnight
USDA, Rural Development
100 Nami Plaza, Suite 3
London, Kentucky 40741

Phone: (606) 864-5168
Fax: (606) 878-7717

Mr. Don Calder, Chairman
Ms. Tammy Vaught
Western Pulaski County Water District
1059 West Highway 80
Somerset, Kentucky 42503

Telephone: (606) 679-1569
Fax: (606) 677-9449

Mr. David Bowles
Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, Kentucky 40342

Telephone: (502) 839-1310
Fax: (502) 839-1373

John T. Pruitt, Esq.
Attorney at Law
207 East Mt. Vernon Street
Somerset, Kentucky 42501

Phone: (606) 678-8171
Fax: (606) 679-7345

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

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

FINAL ENGINEERING REPORT

RECEIVED

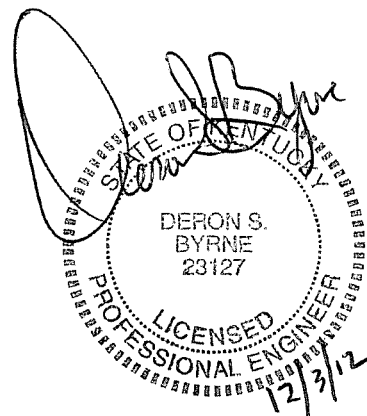
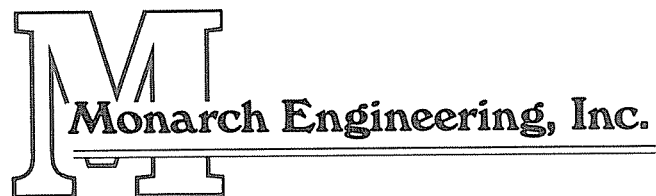
DEC 21 2012

WATER SYSTEM EXTENSION & IMPROVEMENTS
PUBLIC SERVICE COMMISSION

PHASE 1

WESTERN PULASKI COUNTY WATER DISTRICT
PULASKI COUNTY, KENTUCKY

OCTOBER 2012



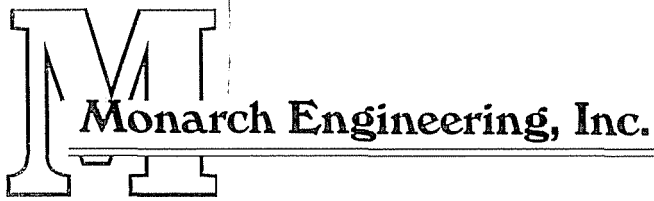
FINAL ENGINEERING REPORT

WATER SYSTEM EXTENSIONS &
IMPROVEMENTS

PHASE 1

WESTERN PULASKI COUNTY WATER DISTRICT
PULASKI COUNTY, KENTUCKY

OCTOBER 2012



October 15, 2012

Mr. Don Calder, Chairman
Western Pulaski County Water District
1059 West Highway 80
Somerset, KY 42503

Re: Water System Extensions & Improvements
Phase 1

Dear Mr. Calder

On October 10, 2012, bids were received by the Western Pulaski County Water District for construction of the Water System Extensions & Improvements – Phase 1. Twelve proposals were received, with the lowest being submitted by McGowan Excavating located in Nancy, KY in the amount of \$328,410.31. A summarized tabulation of all bids received and a Final Project Budget have been attached for your reference.

After evaluating the lowest bid submitted, it is our opinion that the proposal submitted by McGowan Excavating is within budget and given the competitive nature of the bids received, and the necessity of the proposed improvements, we recommend that the Water District consider awarding a contract to McGowan Excavating in the amount of \$328,410.31. This recommendation is contingent upon approval from USDA Rural Development and the Kentucky Public Service Commission.

As outlined on the Final Budget for Phase 1, there is now an amount of \$1,470,000.00 budgeted for the Phase 2 portion which consists of moving the southernmost connection to the City of Somerset to a point approximately one quarter mile south toward the water plant, and extending a 12-inch water main along the new Western Bypass Highway to the Bourbon Storage Tank and onward to improve service to the western portion of your water system. We encourage you to continue to negotiate with the City to reach an agreement with the proposed connection and once that is completed, plans are ready to begin accepting construction bids for this portion of the work.

Should you have any questions or require any additional information, please advise.

M

October 15, 2012
Page Two

Sincerely,



David M. Bowles, P.E.
President

Attachments

Cc: Barry Turner
Rural Development

FINAL COST ESTIMATE
WATER SYSTEM EXTENSIONS & IMPROVEMENTS - PHASE 1
WESTERN PULASKI COUNTY WATER DISTRICT
OCTOBER 15, 2012

PROJECT COSTS

DEVELOPMENT - PHASE 1	\$328,410.31
CONTINGENCY	33,592.43
ENGINEERING DESIGN (10.09%)	33,136.60
CONSTRUCTION INSPECTION (7.57%)	24,860.66
LEGAL & ADMINISTRATIVE	17,000.00
INTEREST	15,000.00
PHASE 2 PROJECT COSTS	<u>1,470,000.00</u>
TOTAL PROJECT COSTS	1,922,000.00


PROJECT FINANCING

RURAL DEVELOPMENT GRANT	\$522,000.00
RURAL DEVELOPMENT LOAN	<u>1,400,000.00</u>
TOTAL PROJECT COSTS	1,922,000.00

BID TABULATIONS
WESTERN PULASKI COUNTY WATER DISTRICT
WATER SYSTEM EXTENSIONS AND IMPROVEMENTS
PULASKI COUNTY, KENTUCKY
BID DATE: OCTOBER 10, 2012 @ 11:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	McGowan Excavating 285 Richardson Road Nancy, KY 42544		Clay Pipeline 70 Fox Hollow Road Manchester, KY 40962		Weddle Enterprises, Inc. 25 Shane's Lane Somerset, KY 42501	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
BASE BID								
1	3-inch PVC SDR 17 Water Line	3,400 LF	\$6.63	\$22,542.00	\$6.00	\$20,400.00	\$11.40	\$38,760.00
2	3-Inch PVC SDR 21 Water Line	29,895 LF	3.94	117,786.30	5.69	170,102.55	4.40	131,538.00
3	Bore & Case for 3-Inch Water Line	410 LF	81.08	33,242.80	45.00	18,450.00	87.70	35,957.00
4	Open Cut & Case for 3-Inch Water Line	20 LF	35.00	700.00	27.00	540.00	37.10	742.00
5	Creek Crossing for 3-Inch Water Line	15 LF	50.00	750.00	16.40	246.00	100.00	1,500.00
6	Free Bore for 3-Inch Water Line	120 LF	41.08	4,929.60	13.55	1,626.00	47.00	5,640.00
7	3-Inch Gate Valve	14 EA	696.00	9,744.00	695.00	9,730.00	675.00	9,450.00
8	2-Way Flush Hydrant	1 EA	2,700.00	2,700.00	3,007.00	3,007.00	2,993.00	2,993.00
9	Blowoff Assembly	9 EA	678.00	6,102.00	985.00	8,865.00	815.00	7,335.00
10	Connection	8 EA	1,500.00	12,000.00	1,132.00	9,056.00	1,110.00	8,880.00
11	Meter Setting	14 EA	636.00	8,904.00	586.00	8,204.00	525.00	7,350.00
12	Meter Reconnection	16 EA	200.00	3,200.00	328.00	5,248.00	200.00	3,200.00
13	3/4-Inch Service Tubing	1,500 LF	3.50	5,250.00	4.25	6,375.00	4.70	7,050.00
14	Master Meter Vault	9 EA	11,173.29	100,559.61	11,188.00	100,692.00	11,360.00	102,240.00
TOTAL BASE BID				\$328,410.31		\$362,541.55		\$362,635.00

THE ABOVE IS A TRUE AND COMPLETE TABULATION OF BIDS RECEIVED AT 11:00A.M. LOCAL TIME, WEDNESDAY, OCTOBER 10, 2012 AT THE WESTERN PULASKI COUNTY WATER DISTRICT.

BY: 
 David W. Bowles
 15483
 LICENSED PROFESSIONAL ENGINEER
 STATE OF KENTUCKY

10/15/12
 DATE

BID TABULATIONS
WESTERN PULASKI COUNTY WATER DISTRICT
WATER SYSTEM EXTENSIONS AND IMPROVEMENTS
PULASKI COUNTY, KENTUCKY
BID DATE: OCTOBER 10, 2012 @ 11:00 A.M. LOCAL TIME

MONARCH ENGINEERING, INC.
 556 Carleton Drive
 Lawrenceburg, KY 40342
 Phone (502) 839-1310
 Fax (502) 839-1373

ITEM NO.	DESCRIPTION	QUANTITY	Cumberland Pipeline, LLC		Grimes Const. Co., Inc.		Stotts Const. Co., Inc.	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	BASE BID							
1	3-Inch PVC SDR 17 Water Line	3,400 LF	\$5.50	\$18,700.00	\$7.00	\$23,800.00	\$6.50	\$22,100.00
2	3-Inch PVC SDR 21 Water Line	29,895 LF	3.75	112,106.25	4.72	141,104.40	6.10	182,359.50
3	Bore & Case for 3-Inch Water Line	410 LF	62.50	25,625.00	94.00	38,540.00	55.00	22,550.00
4	Open Cut & Case for 3-Inch Water Line	20 LF	55.00	1,100.00	25.00	500.00	40.00	800.00
5	Creek Crossing for 3-Inch Water Line	15 LF	67.00	1,005.00	95.00	1,425.00	30.00	450.00
6	Free Bore for 3-Inch Water Line	120 LF	40.00	4,800.00	35.00	4,200.00	30.00	3,600.00
7	3-inch Gate Valve	14 EA	635.00	8,890.00	725.00	10,150.00	800.00	11,200.00
8	2-Way Flush Hydrant	1 EA	3,200.00	3,200.00	2,500.00	2,500.00	2,500.00	2,500.00
9	Blowoff Assembly	9 EA	1,090.00	9,810.00	900.00	8,100.00	750.00	6,750.00
10	Connection	8 EA	1,600.00	12,800.00	1,500.00	12,000.00	1,100.00	8,800.00
11	Meter Setting	14 EA	725.00	10,150.00	725.00	10,150.00	600.00	8,400.00
12	Meter Reconnection	16 EA	400.00	6,400.00	300.00	4,800.00	370.00	5,920.00
13	3/4-Inch Service Tubing	1,500 LF	5.40	8,100.00	4.50	6,750.00	5.25	7,875.00
14	Master Meter Vault	9 EA	15,750.00	141,750.00	11,705.00	105,345.00	10,100.00	90,900.00
	TOTAL BASE BID			\$364,436.25		\$369,364.40		\$374,204.50

MONARCH ENGINEERING, INC.
 556 Carlton Drive
 Lawrenceburg, KY 40342
 Phone (502) 839-1310
 Fax (502) 839-1373

BID TABULATIONS
WESTERN PULASKI COUNTY WATER DISTRICT
WATER SYSTEM EXTENSIONS AND IMPROVEMENTS
 PULASKI COUNTY, KENTUCKY
BID DATE: OCTOBER 10, 2012 @ 11:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	Southern Backhoe, Inc. 808 West Main Street Campbellsville, KY 42718		Wilson & Roy Const., Inc. 50 Prather Drive Nancy, KY 42544		D & H Contracting Co., Inc. 2003 Lakeview Drive London, KY 40741	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	BASE BID							
1	3-Inch PVC SDR 17 Water Line	3,400 LF	\$6.47	\$21,998.00	\$7.00	\$23,800.00	\$6.57	\$22,338.00
2	3-Inch PVC SDR 21 Water Line	29,895 LF	4.90	146,485.50	6.90	206,275.50	6.00	179,370.00
3	Bore & Case for 3-Inch Water Line	410 LF	80.00	32,800.00	57.00	23,370.00	95.00	38,950.00
4	Open Cut & Case for 3-Inch Water Line	20 LF	50.00	1,000.00	41.00	820.00	60.00	1,200.00
5	Creek Crossing for 3-Inch Water Line	15 LF	100.00	1,500.00	100.00	1,500.00	75.00	1,125.00
6	Free Bore for 3-Inch Water Line	120 LF	35.00	4,200.00	45.00	5,400.00	40.00	4,800.00
7	3-Inch Gate Valve	14 EA	550.00	7,700.00	880.00	12,320.00	720.00	10,080.00
8	2-Way Flush Hydrant	1 EA	3,200.00	3,200.00	3,800.00	3,800.00	3,200.00	3,200.00
9	Blowoff Assembly	9 EA	800.00	7,200.00	1,000.00	9,000.00	882.00	7,938.00
10	Connection	8 EA	1,200.00	9,600.00	1,000.00	8,000.00	1,900.00	15,200.00
11	Meter Setting	14 EA	400.00	5,600.00	540.00	7,560.00	586.00	8,204.00
12	Meter Reconnection	16 EA	200.00	3,200.00	100.00	1,600.00	450.00	7,200.00
13	3/4-Inch Service Tubing	1,500 LF	4.00	6,000.00	4.50	6,750.00	4.00	6,000.00
14	Master Meter Vault	9 EA	14,000.00	126,000.00	12,000.00	108,000.00	15,750.00	141,750.00
	TOTAL BASE BID			\$376,483.50		\$418,195.50		\$447,355.00

MONARCH ENGINEERING, INC.
 556 Carlton Drive
 Lawrenceburg, KY 40342
 Phone (502) 839-1310
 Fax (502) 839-1373

BID TABULATIONS
WESTERN PULASKI COUNTY WATER DISTRICT
WATER SYSTEM EXTENSIONS AND IMPROVEMENTS
PULASKI COUNTY, KENTUCKY

BID DATE: OCTOBER 10, 2012 @ 11:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	Conley Gregory Const., Inc. P.O. Box 1835 Monticello, KY 42633		Twin States Utilities, Inc. P.O. Box 14 Mount Hermon, KY 42157		Norris Bros. Excavating 1007 Rodgers Road Crossville, TN 38572	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	BASE BID							
1	3-Inch PVC SDR 17 Water Line	3,400 LF	\$8.50	\$28,900.00	\$9.50	\$32,300.00	\$17.85	\$60,690.00
2	3-Inch PVC SDR 21 Water Line	29,895 LF	5.75	171,896.25	9.20	275,034.00	16.00	478,320.00
3	Bore & Case for 3-Inch Water Line	410 LF	72.25	29,622.50	65.00	26,650.00	125.00	51,250.00
4	Open Cut & Case for 3-Inch Water Line	20 LF	55.00	1,100.00	45.00	900.00	85.00	1,700.00
5	Creek Crossing for 3-Inch Water Line	15 LF	65.00	975.00	100.00	1,500.00	300.00	4,500.00
6	Free Bore for 3-Inch Water Line	120 LF	45.00	5,400.00	40.00	4,800.00	85.00	10,200.00
7	3-Inch Gate Valve	14 EA	985.00	13,790.00	900.00	12,600.00	600.00	8,400.00
8	2-Way Flush Hydrant	1 EA	3,150.00	3,150.00	3,500.00	3,500.00	2,800.00	2,800.00
9	Blowoff Assembly	9 EA	1,250.00	11,250.00	700.00	6,300.00	2,200.00	19,800.00
10	Connection	8 EA	1,200.00	9,600.00	1,500.00	12,000.00	2,700.00	21,600.00
11	Meter Setting	14 EA	560.00	7,840.00	550.00	7,700.00	600.00	8,400.00
12	Meter Reconnection	16 EA	350.00	5,600.00	300.00	4,800.00	550.00	8,800.00
13	3/4-Inch Service Tubing	1,500 LF	8.50	12,750.00	6.00	9,000.00	18.00	27,000.00
14	Master Meter Vault	9 EA	17,575.32	158,177.88	16,075.00	144,675.00	14,985.00	134,865.00
	TOTAL BASE BID			\$460,051.63		\$541,759.00		\$838,325.00

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**THE APPLICATION OF THE WESTERN PULASKI)
COUNTY WATER DISTRICT OF FOR A)
CERTIFICATE OF PUBLIC CONVENIENCE AND) Case No. 2012-_____
NECESSITY TO CONSTRUCT AND FINANCE)
PURSUANT TO THE PROVISIONS OF KRS 278.023)**

RECEIVED

DEC 21 2012

PUBLIC SERVICE
COMMISSION

A P P L I C A T I O N

This Application of the Western Pulaski County Water District (the "Applicant") respectfully shows:

1. That the 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 the Applicant is:

Western Pulaski County Water District
c/o Mr. Don Calder, Chairman
1059 West Highway 80
Somerset, Kentucky 42503

3. That the Applicant, pursuant to the provisions of KRS 278.020 and 278.023, seeks (i) a Certificate of Public Convenience and Necessity ("CPCN") permitting the Applicant to construct a waterworks construction project, consisting of extensions, additions, and improvements to the existing waterworks system of the Applicant; and (ii) approval of the proposed plan of financing.

4. That the construction project consists of Phase I and Phase II (hereinafter collectively referred to as the "Project"). In this Application, Applicant is seeking a CPCN for Phase I of the Project. Phase II is scheduled to be bid in 2013 after the resolution of certain outstanding issues. After Phase II is bid, Applicant will file another Application for a CPCN for Phase II. A description of Phase I is attached hereto as **Exhibit "A"**.

5. That the Applicant proposes to finance the construction of the Project through (i) the issuance of \$1,400,000 of its Waterworks Revenue Bonds; and (ii) a grant from USDA, Rural Development ("RD") in the amount of \$522,000. The RD financing covers Phases I and II, however, RD will not authorize the disbursement of an moneys for Phase II until same has been bid and the CPCN has been issued by the Kentucky Public Service Commission (the "Commission"). The Applicant has a commitment from RD to purchase said \$1,400,000 of bonds maturing over a 40-year period, at an interest rate of not exceeding 2.25% per annum, as set out in the RD Letter of Conditions filed herewith as an Exhibit.

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

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

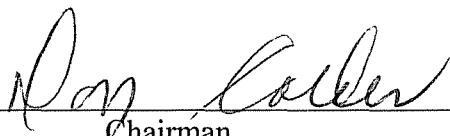
- A. **Exhibit "A"** - Project Description.
- B. **Exhibit "B"** - Copy of RD Letter of Conditions.
- C. **Exhibit "C"** - Copy of RD Letter of Concurrence in Bid Award.
- D. **Exhibit "D"** - Certified statement from the Chairman of the Applicant, based upon statements of the Engineers for the Applicant, 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 existing rates of the 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.
- E. Copy of Preliminary and Final Engineering Reports.

8. That the foregoing constitutes the documents necessary to obtain the approval of the 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.

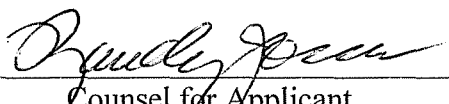
WHEREFORE, the Applicant, the Western Pulaski County Water District, asks that the Public Service Commission of the Commonwealth of Kentucky grant to the Applicant the following:

- a. A Certificate of Public Convenience and Necessity permitting the Applicant to construct Phase I of a waterworks project consisting of extensions, additions, and improvements to the existing waterworks system of the Applicant.
- b. An Order approving the financing arrangements made by the Applicant, viz., the issuance of \$1,400,000 of Western Pulaski County Water District Waterworks Revenue Bonds at an interest rate of not exceeding 2.25% per annum; and a grant from RD in the amount of \$522,000.

Western Pulaski County Water District

By: 
Chairman
Board of Water Commissioners

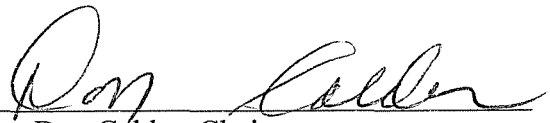
Rubin & Hays

By: 
Counsel for Applicant
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 569-7525

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF PULASKI)

The undersigned, Don Calder, being duly sworn, deposes and states that he is the Chairman of the Board of Commissioners of the Western Pulaski County Water District, the 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 December 13, 2012.



Don Calder, Chairman
Western Pulaski County Water District

Subscribed, sworn and acknowledged to before me by Don Calder, Chairman of the Board of Commissioners of the Western Pulaski County Water District on this December 13, 2012.

My Commission expires: 10/27/13.



Notary Public
In and for said County and State

**WESTERN PULASKI COUNTY WATER DISTRICT
PULASKI COUNTY, KENTUCKY
WATER SYSTEM EXTENSIONS & IMPROVEMENTS**

PROJECT DESCRIPTION

The proposed project consists of constructing approximately 30,315 LF of 3-inch water line along the following roads in Pulaski County and a portion of Russell County:

Browns Ridge Road and Finley Owens Road Area: The water line extension will serve approximately 40 unserved residences which include two side roads off of Browns Ridge Road. The new water line extension will be served by The City of Russell Springs through a master meter located near the Russell/Pulaski county line. The new water line extensions will consist of the totals for each road listed below.

Browns Ridge Road	15,000 LF of 3-Inch PVC Water Line
Davis Road	2,600 LF of 3-Inch PVC Water Line
Seelye Road	950 LF of 3-Inch PVC Water Line
Finley Owens Road	<u>7,000 LF</u> of 3-Inch PVC Water Line
	<i>25,550 LF</i>

Hendricks Road Area: The Hendricks Road in the Northeastern section of the WPCWD service area is also in need of public water. There are two signed customers and potentially a third customer. Residence in this area currently using water from wells or cisterns.

Hendricks Road	<u>3,400 LF</u> of 3-Inch PVC Water Line
	<i>3,400 LF</i>

Shoreline Drive and Hidaway Drive: These two drives consist of a water line replacement and a connection of two existing water lines, cutting of existing lines and installing blowoff assemblies on each. The Shoreline Drive has existing water line that has continually been a maintenance problem for WPCWD with leaks and breaks.

Shoreline Drive	1,100 LF of 3-Inch PVC Water Line Replacement
Hidaway Drive	<u>265 LF</u> of 3-Inch PVC Water Line Replacement
	<i>1,365 LF</i>

TOTAL 3-INCH WATER LINE = 30,315 LF



DEC 22 2011

United States Department of Agriculture
Rural Development
Kentucky State Office

December 20, 2011

Don Calder, Chairman
Western Pulaski County Water District
1059 W. Hwy 80
Somerset, Kentucky 42505

Dear Chairman Calder:

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

This letter is not to be considered as loan and grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,400,000 and a RUS grant not to exceed \$522,000.

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 210 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) 720-6382 (TDD).

1. Number of Users and Their Contribution:

There shall be 7,973 water users, of which 7,933 are existing users and 40 are new 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 \$465 per month into a "Funded Debt Reserve Account" until the account reaches \$55,800. The deposits are to be resumed any time the account falls below the \$55,800.

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

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

The District also needs to fund an account for short-lived assets by depositing a sum of \$2,500 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), 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.

Annual audits, budgets, and reports will be submitted to Rural Development.

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 \$375,000.
- 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 180 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 \$250,000 at any time, the financial institution will secure the amount in excess of \$250,000 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	\$ 1,515,000
Land and Rights	10,000
Legal and Administrative	17,500
Engineering	209,500
Interest	26,000
Contingencies	<u>144,000</u>
TOTAL	\$ 1,922,000

Financing:

RUS Loan	\$ 1,400,000
RUS Grant	<u>522,000</u>
TOTAL	\$ 1,922,000

25. Use of Remaining Project Funds:

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

26. 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.

27. 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 @ \$	14.36. - Minimum Bill.
All Over	2,000	gallons @ \$	5.26. - per 1,000 gallons.

1" Meter

First	10,000	gallons @ \$	56.44. - Minimum Bill.
All Over	10,000	gallons @ \$	5.26. - per 1,000 gallons.

1 1/2" Meter

First	15,000	gallons @ \$	82.74. - Minimum Bill.
All Over	15,000	gallons @ \$	5.26. - per 1,000 gallons.

2" Meter

First	20,000	gallons @ \$	109.04. - Minimum Bill.
All Over	20,000	gallons @ \$	5.26. - per 1,000 gallons.

3" Meter

First	30,000	gallons @ \$	161.64. - Minimum Bill.
All Over	30,000	gallons @ \$	5.26. - per 1,000 gallons.

28. 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.

29. 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).

30. 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.

31. 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.

32. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated July 12, 2011, from Ms. Lee Nalley.
- B. The design and construction shall be in compliance with the requirements of the U.S. Fish and Wildlife Service as requested by letter dated June 9, 2011, and signed by James Gruhala.
- C. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without effect after construction is complete. The Army Corps of Engineers Nationwide Permit No. 12 applies to all floodplain and wetland utility line construction.
- D. Any excavation by Contractor that uncovers a historical or archaeological artifact shall be immediately reported to Owner and a representative of Agency. Construction shall be temporarily halted pending the notification process and further directions issued by Agency after consultation with the State Historic Preservation Officer (SHPO).
- E. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.
- F. Best Management Practices shall be incorporated into the project design, construction, and maintenance.

33. 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,

A handwritten signature in black ink, appearing to read 'Thomas G. Fern', written over a large, light-colored scribble or stamp.

THOMAS G. FERN
State Director

Enclosures

cc: Area Director - London, Kentucky
Lake Cumberland ADD – Russell Springs, Kentucky
Rubin & Hays - Louisville, Kentucky
Ryan D. Morrow - Somerset, Kentucky
Bell Engineering - Lexington, Kentucky
PSC - ATTN: Dennis Jones - Frankfort, Kentucky



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


December 12, 2012

SUBJECT: Western Pulaski Water District
Water System Extensions and Improvements
Contract Award Concurrence

TO: Area Director
London, 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, McGowan Excavating, in the amount of \$328,410.31.

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


for THOMAS G. FERN
State Director
Rural Development

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

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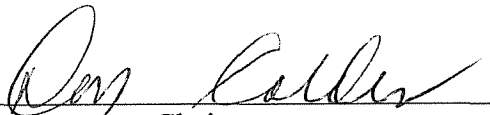
**CERTIFICATE OF CHAIRMAN OF
WESTERN PULASKI COUNTY WATER DISTRICT,
AS TO STATEMENT REQUIRED BY SECTION 1(5) OF 807 KAR 5:069**

I, Don Calder, hereby certify that I am the duly qualified and acting Chairman of the Western Pulaski 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 the Engineers for the District, Monarch Engineering, Inc., Lawrenceburg, Kentucky.

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 existing rates of the District shall produce the total revenue requirements set out in the engineering reports.
4. That it is now contemplated that construction of the Project will begin on or about March 1, 2013, and will end on or about August 1, 2013.

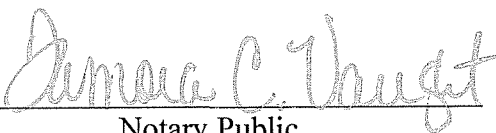
IN TESTIMONY WHEREOF, witness my signature this December 13, 2012.



Chairman
Western Pulaski County Water District

STATE OF KENTUCKY)
) SS
COUNTY OF PULASKI)

Subscribed and sworn to before me by Don Calder, Chairman of the Board of Commissioners of the Western Pulaski County Water District, on this December 13, 2012.



Notary Public
In and For Said State and County

(Seal of Notary)