

JOHN N. HUGHES
ATTORNEY AT LAW
PROFESSIONAL SERVICE CORPORATION
124 WEST TODD STREET
FRANKFORT, KENTUCKY 40601

TELEPHONE: (502) 227-7270

JNHUGHES@fewpb.net

November 18, 2013

Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RECEIVED

NOV 18 2013

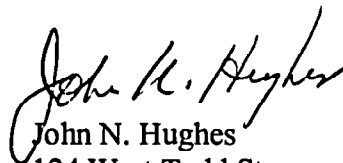
PUBLIC SERVICE
COMMISSION

Re: Case No. 2013-00092

Dear Mr. Derouen:

Mountain Water District, Respondent and the Petitioners submit their Joint Stipulation and Recommended Settlement in this matter. The settlement resolves all issues raised in the complaint and is submitted for Commission review and approval.

If you have any questions about this filing, please contact me.



John N. Hughes
124 West Todd St.
Frankfort, KY 40601
(502) 227 7270
jnhughes@fewpb.net

Attorney for Respondent

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION

RECEIVED
NOV 18 2013
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

CLARK MCCOY; DEBBIE MCCOY;)	
DAVID VARGO; PATRICIA VARGO;)	
MIKE COCHRAN; IRENE COCHRAN; AND)	
DARRELL OWENS)	PETITIONERS
)	CASE No.
)	2013 -
)	00092
VS:)	
)	
MOUNTAIN WATER DISTRICT)	RESPONDENT

.....

JOINT STIPULATION AND RECOMMENDED SETTLEMENT

It is the intent and purpose of the parties to these proceedings, namely Clark McCoy; Debbie McCoy; David Vargo; Patricia Vargo; Mike Cochran; Irene Cochran; and Darrell Owens, and Mountain Water District to express their consent on a mutually satisfactory agreement of all the issues in Case No. 2013-00092.

It is understood by the parties that this Joint Stipulation and Recommended Settlement ("Stipulation") is not binding upon the Public Service Commission ("Commission"), and does not represent agreement on any specific legal theory, however, the adoption of this Stipulation will eliminate the need for the Commission and the parties to expend significant resources in litigation of this proceeding.

Based upon the parties' participation in this proceeding and the materials on file with the Commission, and upon the belief that these materials adequately support this Stipulation, the parties stipulate the following:

1. This Stipulation is submitted for purposes of this case only, and is not deemed binding upon the parties in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving the parties.

2. The parties acknowledge and agree that approval by the Commission is necessary for this Settlement Agreement to be effective and binding on either party. If the Commission issues an order adopting this Stipulation in its entirety, each of the parties agree that neither will file an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such order.

3. If this Stipulation is not adopted in its entirety, each party reserves the right to accept the changes and adopt those changes as part of the Stipulation, or to withdraw from it and require that the proceedings go forward upon any or all matters, and that in such event, the terms of this Stipulation shall not be deemed binding upon the parties, nor shall such Stipulation be admitted into evidence or referred to or relied upon in any manner by any party, the Commission, or its Staff in any such hearing.

4. The parties agree that this Stipulation is reasonable and in the best interests of all concerned, and urge the Commission to adopt it in its entirety.

5. During the course of this proceeding before the Public Service Commission, the Complainants and Defendant herein, identified a number of issues and questions relating to the development of a wastewater treatment

project for the Belfry/Pond Creek area of Pike County, Kentucky (hereinafter referred to as the "Belfry/Pond Creek WWTP").

6. This Stipulation is intended as a resolution of all disputes, issues and questions concerning the development of the Belfry/Pond Creek WWTP of Pike County, Kentucky. This Stipulation sets forth the terms and conditions under which the Mountain Water District will pursue the development of the Belfry/Pond Creek WWTP, and are specifically stated as follows:

- a. Mountain Water District ("MWD") agrees to authorize Big Sandy Area Development District ("BSADD") to become the project administrator for purposes of funding the Belfry/Pond Creek WWTP. BSADD's role as administrator for funding would not apply to actual construction of the project, which will be administered by MWD.
- b. The parties agree to adopt the attached funding model recently submitted by BSADD as a framework for securing the necessary funds for construction of this project, subject to whatever applicable changes may be necessary along the way. (See Exhibit 1). The parties acknowledge that an RD loan will be necessary to complete this project, but the size of that loan will vary based on available grants that may be obtained for this project. MWD reserves the right to approve any debt assumed for this project. If it is determined not to be economically feasible for MWD to assume the debt, the scope of the project may be reduced or modified. MWD will further agree to apply for the necessary Rural Development loans and grants to cover the remaining cost. The parties acknowledge that any RD loan may be subject to terms and conditions outside the requirements of an ordinary loan transaction.
- c. MWD will agree that if its current application for a CDBG grant for the Douglas wastewater plant at Shelby Valley is not approved, then in such event, MWD agrees to make the Belfry/Pond Creek WWTP its first priority for a CDBG grant in the next available funding cycle, assuming it qualifies for the same, and receives the prerequisite approval of the Pike County Fiscal Court.

- d. The parties acknowledge that while all of the Petitioners are in the Belfry/Pond Creek 201 Facilities Plans, the current construction options will not reach all the Petitioners; that the current plant will need to be expanded in order to do so; and the time table and funding for future expansion is unknown at this time. The parties agree to the terms of the recommended settlement with the full understanding that wastewater treatment services may not be provided to one or more of them under this agreement.
- e. The parties agree that the case will be dismissed with prejudice upon execution of a final settlement agreement containing the terms set forth herein.

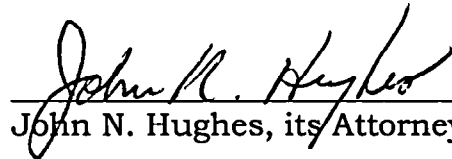
AGREED: this _____ day of _____, 2013.

ATTORNEYS FOR PETITIONERS



Christian Harris, Esq.

MOUNTAIN WATER DISTRICT



John N. Hughes, its Attorney



Daniel P. Stratton, its Attorney

CERTIFICATE OF MAILING

The undersigned hereby certifies that a true and accurate copy of the foregoing was mailed on the _____ day of _____, 2013, to the following:

Christian R. Harris, Esq.
719 Forest Hills Road
Forest Hills, Kentucky 41572
Attorney for Petitioners

John N. Hughes, Esq.
Attorney at Law
124 West Todd Street
Frankfort, Kentucky 40601
Counsel for MWD

Daniel P. Stratton, Esq.
Stratton Law Firm, P.S.C.
Post Office Box 1530
Pikeville, Kentucky 41502
Co-counsel for MWD

Roy Sawyers
District Administrator
Mountain Water District
Post Office Box 3157
Pikeville, Kentucky 41502

Proposed: Belfry – Pond Sewer Project SX21195692

Preliminary Budget:

Acquisition	\$ 250,175
Eng. Design	\$ 253,543
Eng. Construction	\$ 108,661
Eng. Inspection	\$ 354,524
Construction	\$5,884,244
Miscellaneous	\$ 10,604
Contingency	\$ 588,424
Legal	\$ 25,000
Interim Interest	\$ 98,000
Environmental	\$ 3,500
Admin	\$ 78,220
TOTAL	\$7,654,895

Funding Sources:

HB 1 LGEDF	\$2,850,000	(Committed)
HB 265 LGEDF	\$ 308,846	(Committed)
ARC	\$ 500,000	(Proposed)
USDA-RD Loan	\$2,797,234	(Proposed)
USDA-RD Grant	<u>\$1,198,815</u>	(Proposed)
TOTAL	\$7,654,895	

USDA-RD could fund with a combination loan/grant; must take loan funds in order to receive grant dollars. Up to a 40-year term dependent upon the life of the infrastructure; rates set quarterly;

ARC funding pre-application due in December; awards are typically made Spring/Summer; \$500,000 is typically the maximum amount funded and funding is very limited therefore competitive;

Alternate funding source: KIA's SRF funding; project must be listed on Intended Use Plan (invitations forthcoming this Fall) for funding in 2015; current rate of 1.75% with a 20-year term; Pike does not qualify for the 10% principle forgiveness under the program per demographics;