

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

April 19, 2013

RECEIVED

APR 23 2013

PUBLIC SERVICE
COMMISSION

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

Re: Cumberland County Water District PSC Application - KRS 278.023

Dear Mr. Derouen:

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

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

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

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jlm
Enclosures
cc: Distribution List

DISTRIBUTION LIST

**Re: Cumberland County Water District Waterworks Revenue Bonds, Series 2013,
in the principal amount of \$487,000.**

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

Phone: (859) 224-7336

Mr. Kevin Antle
USDA, Rural Development
957 Campbellsville Road
Columbia, Kentucky 42728-1901

Telephone: (270) 384-6431
Fax: (270) 384-6351

Mr. Stephen Capps, Chairman
Cumberland County Water District
133 Lower River Street
Burkesville, Kentucky 42717

Telephone: (270) 864-3133
Fax: (270) 864-3865

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

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

Lindsey G. Bell, Esq.
Attorney at Law
P.O. Box 720
Burkesville, Kentucky 42717

Phone: (270) 864-2602
Fax: (270) 864-1575

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

RECEIVED

APR 23 2013

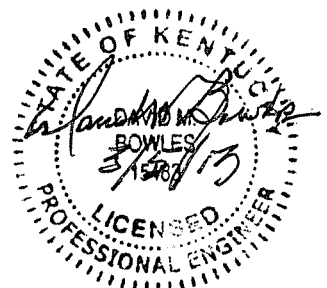
PUBLIC SERVICE
COMMISSION

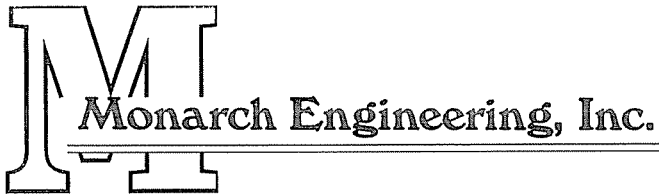
FINAL ENGINEERING REPORT

2012 WATER SYSTEM IMPROVEMENTS

CUMBERLAND COUNTY WATER DISTRICT
CUMBERLAND COUNTY, KENTUCKY

MARCH 2013





March 3, 2013

Mr. Stephen L. Capps, Chairman
Cumberland County Water District
133 Lower River Street
Burkesville, Kentucky 42717

Re: 2012 Water System Improvements

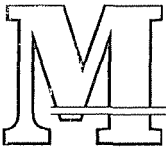
Dear Mr. Capps:

On February 27, 2013, bids were received by the Cumberland County Water District for the construction of water system extensions and improvements. The work consisted of three contracts and they were as follows:

- Contract 1 – Water Line & 1880 Pump Station Repair
- Contract 2 – Marrowbone Water Storage Tank
- Contract 3 – Exterior Coating of the Highway 61 Water Tank

Four bids were received for Contract 1 and the lowest was submitted by Cleary Construction Inc. from Tompkinsville, KY for the amount of \$154,612.00. Two bids were received for Contract 2 and the lowest was submitted by Kentucky Glass Lined Tanks Systems, Inc. from Lexington, KY for the amount of \$498,491.00. Two bids were received for Contract 3 and the lowest was submitted by Caldwell Tanks, Inc. from Louisville, KY for the amount of \$89,455.00. A copy of all bids received is attached in the form of a Bid Tabulation.

In determining the best option for consideration of contract award, please refer to the "Summary Of Bids" which is attached. The amount of available funds is \$796,000.00 which includes all project costs including construction, contingency, engineering, and other project costs as outlined in the USDA Letter of Conditions dated June 18, 2012. Consideration of awarding all three contracts would have a total cost of \$962,430.00 resulting in a cost overrun of \$166,430.00. Awarding Contracts 1 & 2 has a total cost of \$854,019.00 resulting in a cost overrun of \$58,019.00. To award only Contract 2 which has a total cost of \$666,672.00 results in an under run of \$129,328.00 but it does not include the necessary pipeline section that would connect the tank to the distribution system, which is a part of Contract 1.



February 3, 2013

Page Two

In evaluating the priority of work as bid, it is our opinion that the construction of the Marrowbone water tank and associated pipeline which is all of Contract 2 and a portion of Contract 1 would be primary. Due to the fact that there are insufficient funds to construct the entire project, the upgrade to the Highway 1880 pump station and exterior painting of the Highway 61 water tank would be secondary and should be postponed until additional funds are available. Based on this conclusion, to consider all of Contract 2 and the portion of Contract 1 that consists of the water line, the total project cost is \$729,235.32 which leaves a surplus of \$66,764.38. Therefore, based on the funds available we recommend that you award Contract 2 in the amount of \$498,491.00 to Kentucky Glass Lined Tanks Systems, Inc. and in order to construct only the portion of Contract 1 that consists of the water line, award Contract 1 in the amount of \$154,612.00 to Cleary Construction, Inc. in conjunction with a deductive change order in the amount of \$103,000.00 that removes the work regarding the Highway 1880 pump station. This action would be in compliance with the Contract provisions that Contract award must be based on the lowest Base Bid, and is contingent upon concurrence of Cleary Construction, Inc. for the reduction of the Contract, which has been confirmed via telephone conversation between myself and Darren Cleary, President of Cleary Construction Inc. This recommendation is contingent upon approval from the U.S. Department of Agriculture and the Kentucky Public Service Commission.

A copy of the Final Budget is attached and the Contingency line item is based on a ten percent amount of the proposed construction award in addition to the above mentioned surplus amount of \$66,764.38.

Should you need additional information, please advise.

Sincerely,

A handwritten signature in cursive script, appearing to read 'David M. Bowles', is written over a horizontal line.

David M. Bowles, P.E.

/dmb

Attachments

**FINAL BUDGET
2012 WATER SYSTEM IMPROVEMENTS
CUMBERLAND COUNTY WATER DISTRICT
CUMBERLAND COUNTY, KENTUCKY
FEBRUARY 2013**

AWARD CONTRACT 2 AND A PORTION OF CONTRACT 1

PROJECT COSTS

DEVELOPMENT

CONTRACT 1 - WATER LINE & PUMP STATION	\$51,612.00
CONTRACT 2 - MARROWBONE WATER TANK	<u>498,491.00</u>
TOTAL DEVELOPMENT	550,103.00
CONTINGENCY	121,774.38
ENGINEERING DESIGN	55,065.31
CONSTRUCTION INSPECTION	39,057.31
INTEREST	10,000.00
LEGAL & ADMINISTRATIVE	<u>20,000.00</u>
TOTAL PROJECT COSTS PHASE 2 AS BID	\$796,000.00

**FINAL BUDGET
2012 WATER SYSTEM IMPROVEMENTS
CUMBERLAND COUNTY WATER DISTRICT
CUMBERLAND COUNTY, KENTUCKY
FEBRUARY 2013**

AWARD CONTRACT 2 AND A PORTION OF CONTRACT 1

PROJECT FINANCING

RURAL DEVELOPMENT GRANT	\$309,000.00
RURAL DEVELOPMENT LOAN	<u>487,000.00</u>
TOTAL PROJECT COSTS	\$796,000.00

BID TABULATIONS
CUMBERLAND COUNTY WATER DISTRICT
2012 WATER SYSTEM IMPROVEMENTS
CONTRACT NO. 1
MARROWBONE STORAGE TANK TRANSMISSION MAIN
& 1880 PUMP STATION REHABILITATION
CUMBERLAND COUNTY, KENTUCKY
BID DATE: FEBRUARY 27, 2013 @ 11:00 A.M. LOCAL TIME

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

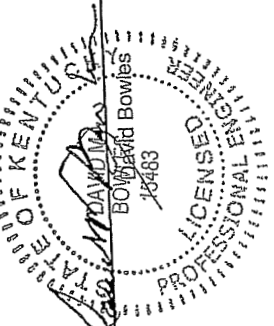
ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	BASE BID					
1	8-inch PVC SDR-21 Water Line	1,300 LF	\$22.00	\$28,600.00	\$16.75	\$21,775.00
2	Bore & Case for 8-inch Water Line	60 LF	214.50	12,870.00	96.15	5,769.00
3	8-inch Gate Valve	1 EA	1,650.00	1,650.00	1,258.00	1,258.00
4	Connection	1 EA	1,100.00	1,100.00	1,000.00	1,000.00
5	Re-grade & Gravel Existing Access Road	1 LS	7,392.00	7,392.00	10,000.00	10,000.00
6	Booster Pump Station Rehabilitation	1 LS	6,000.00	6,000.00	6,500.00	6,500.00
	6A) Demolition & Removal	1 LS	6,500.00	6,500.00	10,600.00	10,600.00
	6B) Building Modification & Improvements	1 LS	21,700.00	21,700.00	18,785.00	18,785.00
	6C) New Booster Pump	1 LS	48,000.00	48,000.00	19,615.00	19,615.00
	6D) New Piping & Appurtenances	1 LS	3,800.00	3,800.00	2,700.00	2,700.00
	6E) Paint & Coatings	1 LS	17,000.00	17,000.00	58,643.00	58,643.00
	6F) Electrical & Mechanical	1 LS				
	TOTAL BASE BID			\$154,612.00		\$156,645.00

Cleary Construction, Inc.
 2006 Edmonton Road
 Tompkinsville, KY 42167

Cumberland Pipeline, LLC
 P.O. Box 277
 Russell Springs, KY 42642

THE ABOVE IS A TRUE AND COMPLETE TABULATION OF BIDS RECEIVED AT 11:00A.M. LOCAL TIME, WEDNESDAY, FEBRUARY 27, 2013 AT THE CUMBERLAND COUNTY WATER DISTRICT.

BY: Raymond Bowles Date 2/13/13



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

BID TABULATIONS
CUMBERLAND COUNTY WATER DISTRICT
2012 WATER SYSTEM IMPROVEMENTS
CONTRACT NO. 1

MARROWBONE STORAGE TANK TRANSMISSION MAIN
& 1880 PUMP STATION REHABILITATION
CUMBERLAND COUNTY, KENTUCKY

BID DATE: FEBRUARY 27, 2013 @ 11:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	Stotts Construction Co., Inc.		Salmon Construction, Inc.	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	BASE BID CONTRACT					
1	8-Inch PVC SDR-21 Water Line	1,300 LF	\$21.00	\$27,300.00	\$32.44	\$42,172.00
2	Bore & Case for 8-Inch Water Line	60 LF	130.00	7,800.00	131.11	7,866.60
3	8-Inch Gate Valve	1 EA	1,300.00	1,300.00	1,600.00	1,600.00
4	Connection	1 EA	1,000.00	1,000.00	2,000.00	2,000.00
5	Re-grade & Gravel Existing Access Road	1 LS	7,000.00	7,000.00	6,000.00	6,000.00
6	Booster Pump Station Rehabilitation					
	6A) Demolition & Removal	1 LS	5,000.00	5,000.00	12,000.00	12,000.00
	6B) Building Modification & Improvements	1 LS	15,000.00	15,000.00	53,000.00	53,000.00
	6C) New Booster Pump	1 LS	22,800.00	22,800.00	33,000.00	33,000.00
	6D) New Piping & Appurtenances	1 LS	17,000.00	17,000.00	26,000.00	26,000.00
	6E) Paint & Coatings	1 LS	3,000.00	3,000.00	6,000.00	6,000.00
	6F) Electrical & Mechanical	1 LS	63,000.00	63,000.00	71,645.00	71,645.00
	TOTAL BASE BID			\$170,200.00		\$261,283.60

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

BID TABULATIONS
CUMBERLAND COUNTY WATER DISTRICT
2012 WATER SYSTEM IMPROVEMENTS
CONTRACT NO. 2
MARROWBONE WATER STORAGE TANK REPLACEMENT
CUMBERLAND COUNTY, KENTUCKY
BID DATE: FEBRUARY 27, 2013 @ 11:00 A.M. LOCAL TIME

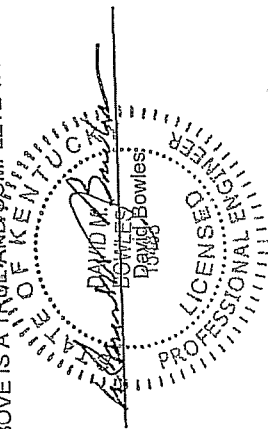
ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
BASE BID						
1	300,000 Gallon Ground Storage Tank	1	LS	\$175,444.00	\$188,500.00	\$188,500.00
	1A) Site Work	1	LS	59,733.00	43,500.00	43,500.00
	1B) Foundation	1	LS	184,166.00	255,000.00	255,000.00
	1C) Steel Reservoir	1	LS	N/A	N/A	N/A
	1D) Coatings	1	LS	55,482.00	38,000.00	38,000.00
	1E) Piping & Appurtenances	1	LS			0.00
2	150,000 Gallon Ground Storage Tank	1	LS	23,666.00	30,000.00	30,000.00
	Demolition					
TOTAL BASE BID				\$498,491.00		\$555,000.00

Kentucky Glass Lined Tank Systems, Inc.
 P.O. Box 13370
 Lexington, KY 40583

Caldwell Tanks, Inc.
 P.O. Box 35770
 Louisville, KY 40232

THE ABOVE IS A TRUE AND COMPLETE TABULATION OF BIDS RECEIVED AT 11:00A.M. LOCAL TIME, WEDNESDAY, FEBRUARY 27, 2013 AT THE CUMBERLAND COUNTY WATER DISTRICT.

BY: David M. Bowles Date 2/23/13



MONARCH ENGINEERING, INC.

556 Carlton Drive

Lawrenceburg, KY 40342

Phone (502) 839-1310

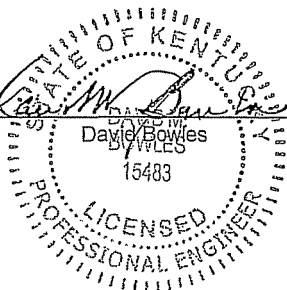
Fax (502) 839-1373

BID TABULATIONS
CUMBERLAND COUNTY WATER DISTRICT
2012 WATER SYSTEM IMPROVEMENTS
CONTRACT NO. 3
SOUTH HIGHWAY 61 WATER STORAGE TANK REHABILITATION
CUMBERLAND COUNTY, KENTUCKY
BID DATE: FEBRUARY 27, 2013 @ 11:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	Caldwell Tanks, Inc. P.O. Box 35770 Louisville, KY 40232		Huffman Tank & Tower, Inc. 210 Burkesville Rd. Albany, KY 42602	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	BASE BID					
1	Complete Removal & Replication of Exterior Steel Coating System	1 LS	\$68,200.00	\$68,200.00	\$104,000.00	\$104,000.00
2	Miscellaneous Repairs & Modifications					
	2A) Adjustment of Loose Windage Rods	10 EA	300.00	3,000.00	500.00	5,000.00
	2B) Replacement of Middle Level Struts	4 EA	1,400.00	5,600.00	2,500.00	10,000.00
	2C) Caulk Exterior Skip-Weld Seams Under Balcony & Struts	790 LF	4.00	3,160.00	5.00	3,950.00
	2D) Fill/Surface Sharp Edged Pits & Pits Deeper than 1/16"	80 SF	4.00	320.00	10.00	800.00
	2E) Weld Pits Deeper than 3/16"	50 SI	5.00	250.00	30.00	1,500.00
	2F) Grind All Sharp Edges, Burrs, & Weld Spatter Flush with Adjacent Surfaces	1 LS	\$500.00	500.00	\$1,000.00	1,000.00
	2G) Replace Existing Fall Prevention Cables on Leg & Roof Ladders with Aluminum Notched Rail Fall Prevention System	1 LS	3,900.00	3,900.00	6,000.00	6,000.00
	2H) Install New Aluminum Climb Prevention Gate at the Base of the Leg Ladder	1 LS	1,325.00	1,325.00	3,000.00	3,000.00
	2I) Repair Concrete Leg Foundation Piers	1 LS	1,000.00	1,000.00	1,850.00	1,850.00
	2J) Sweep Blast and Coat Exposed Concrete Foundation Surfaces.	1 LS	2,200.00	2,200.00	1,000.00	1,000.00
	TOTAL BASE BID			\$89,455.00		\$138,100.00

THE ABOVE IS A TRUE AND COMPLETE TABULATION OF BIDS RECEIVED AT 11:00A.M. LOCAL TIME, WEDNESDAY, FEBRUARY 27, 2013 AT THE CUMBERLAND COUNTY WATER DISTRICT.

BY:



2/3/13
Date

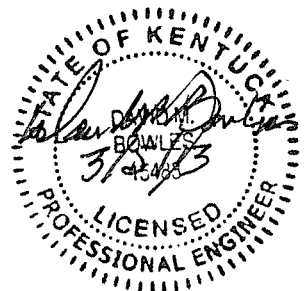
RECEIVED

APR 23 2013

PUBLIC SERVICE
COMMISSION

**PRELIMINARY ENGINEERING REPORT
FOR THE
CUMBERLAND COUNTY WATER DISTRICT
CUMBERLAND COUNTY, KENTUCKY
WATER SYSTEM IMPROVEMENTS**

DECEMBER 2011



**PRELIMINARY ENGINEERING REPORT
WATER SYSTEM IMPROVEMENTS
CUMBERLAND COUNTY WATER DISTRICT
CUMBERLAND COUNTY, KENTUCKY**

I. GENERAL

This Preliminary Engineering Report is intended to analyze the proposed water system improvements that are being planned by the Cumberland County Water District. Improvements to the water system consist of the replacement of one water storage tank and the renovation of an existing water storage tank and pump station. Included in this report are maps of the proposed service area showing the intended locations of the proposed improvements along with cost estimates.

II. PROJECT PLANNING AREA

The proposed 300,000 gallon Marrowbone Water Storage tank will be constructed near Kentucky 90 on the ridge overlooking the community of Marrowbone. The water storage tank renovation will take place at the existing 100,000 gallon elevated water storage tank which is located adjacent to Kentucky Highway 61 in south central Cumberland County. The water booster pump station renovation will take place at the existing pump station which is located adjacent to Kentucky Highway 1880 in northeastern Cumberland County. Attached topographic maps display the location of all planned construction activities.

The topography of these areas varies from relatively flat to gently rolling hills and includes some areas of very steep and rugged terrain. The land use varies with the terrain and includes all types, including agricultural, residential, commercial and industrial.

III. EXISTING FACILITIES

The Cumberland County Water District owns and operates a water distribution system that serves nearly 2,450 residential and nonresidential customers throughout Cumberland County. The District was formed as a result of a 1996 merger between the Marrowbone Water District and the South Cumberland Water District, both of which served the rural areas of Cumberland County. Both Water Districts were initially formed in the 1960's; with many of the systems initial components being constructed during that decade. The merger coincided with the completion of a major project that included an expansion of Marrowbone's existing water treatment plant and construction of the Jackson Hollow transmission main which linked the two Districts.

The recent completion of a new water treatment plant by the City of Burkesville along with construction of the District's Jackson Hollow Pump Station has allowed the District to shut down its aging and undersized water treatment plant. The District now purchases all water for resale from the Burkesville and the City of Albany. Currently, portions of the system north of the Cumberland River are supplied solely by the City of Burkesville

via the Jackson Hollow Pump Station. The portions of the system south of Cumberland River are supplied through multiple connections with the City of Burkesville and the City of Albany. Water Purchase contracts with each supplier have recently been updated and at present the District does not exceed the contracted amounts.

The water distribution system consists of a network of water supply and distribution mains along with a series of water tanks and pump stations. This includes various size water lines ranging from 2-inch to 8-inch, seven pumps stations, and five water storage tanks rated at 500,000 gallons. The majority of the system has been in place for less than 40 years. Pipe material within the system consists of cast iron and asbestos cement for the older lines and plastic for the newer ones.

The District operates the water system through a Board of Commissioners, a general manager, office personnel and field personnel. The Board of Commissioners consists of a chairman and four commissioners, all of which are appointed by the Cumberland County Fiscal Court.

Information regarding the current rate structure, annual operating and maintenance data, a tabulation of monthly users and revenue, and a list of the outstanding bonds can be found in the summary addendum which will be submitted at a later date.

IV. NEED FOR THE PROJECT

The 150,000 gallon Marrowbone Water Storage Tank was another of the initial tanks built within the distribution system. It serves the northwest portion of Cumberland County, including the community of Marrowbone. Although Marrowbone is an unincorporated community, it still represents the second largest area of population in Cumberland County. Residential and commercial growth in the area has resulted in a greatly increased demand for potable water. The increased demand has overwhelmed the existing structure's storage capacity, which has lead to decreased system pressures. During emergencies and other instances of peak demand, the tank lacks the volume required to provide an adequate supply of potable water and fire protection for existing users. These existing shortfalls indicate the current storage tank has exceeded the limits of its original design, and should be replaced.

The South 61 100,000 gallon elevated water storage tank is also located in the southern portion of Cumberland County, and works in conjunction with the Highway 449 Tank to serve customers around Dale Hollow Lake. The tank has only received one interior recoating and no exterior coating replacement since its construction in the early 1970's. The structure's exterior is beginning to experience large scale paint loss. There are also certain structural and safety components which will require repair in order to ensure its continued operation.

The Kentucky Highway 1880 pump station serves the northeast portion of Cumberland County. The location of the existing station is on a significant incline. Heavy rain and

flooding associated with past disasters has resulted in failures of the embankment. This results in significant movement of the station's discharge piping. In some instances the station has even been disconnected from the piping all together. This reoccurring incident has negatively affected the discharge connection of the booster pumps resulting in several makeshift repairs over the past year. The reoccurring damage has taken its toll on the entire station and the whole unit is in desperate need of renovation to assure its continued operation.

V. ALTERNATIVES CONSIDERED

Based on the need for potable water due to the continued demand for service and also the growth that the Water District has experienced, the Cumberland County Water District must take the necessary steps to continue to provide service as required by the Kentucky Division of Water and the Kentucky Public Service Commission. Final determinations were made based on the consideration of the most cost effective approach in meeting the Water District's water demands without burdening the District's ability to meet its financial obligations that are expected once all of the improvements have been completed.

The renovation of the existing Marrowbone Water Storage Tanks was considered to address the structural and coating issues that are present. However, the renovation of the existing structure would do nothing to increase the amount of water storage.

Alternatives considered for the South Highway 61 Water Storage Tank and the Highway 1880 pump station would be the construction of new structures instead of the renovation of the existing tanks; however this would not be cost effective to the District at this time.

VI. PROPOSED PROJECT

A new 300,000 gallon ground storage tank is proposed to replace the existing Marrowbone Water Storage Tank. The proposed tank will continue be known as the Marrowbone Water Storage Tank and will double the storage available for existing users in the area. The increased capacity will allow the District to provide a high level of service to existing residential and commercial customers. The system will be better equipped to supply users during and after future natural disasters. This includes providing continuous service and fire protection during extreme weather events. Given the commercial activities located in the Marrowbone area, implementation of this project is also of great economic importance.

The proposed renovation of the South 61 Tank will consist of repair and replacement of all damage structural members and a complete recoating of all exterior surfaces. With today's advanced coatings and better application methods, the renovation will allow the tank to provide trouble free storage for a minimum of twenty years before any significant maintenance or restoration will be required. With proper coating maintenance the tank

itself will remain in operation for hundreds of years. Like the proposed South Cumberland Storage Tank, this tank will be a critical component of the District's distribution system as it pertains to the future potable water supply in southern Cumberland County.

The improvements to the existing KY Highway 1880 pump station will restore all station components so that the system will function correctly. The restoration will include measures to prevent the damage that has occurred in the past and will ensure that the pump station is able to function during heavy or prolonged rainfall. Given that this station supplies the entire northeast portion of the system, outages resulting from the current conditions have had a drastic impact on the area's customers, both residential and commercial. In order to prevent this negative situation from continuing, the proposed renovation needs to be implemented as soon as possible.

An itemized cost estimate is included in this report and outlines all of the individual construction items along with their associated estimated unit costs. A summary cost estimate recaps all of the project costs and outlines the funding scheme for the project, which is also included in this report. The total cost of the expansion and improvements is estimated to be \$796,000 with funding being provided by USDA Rural Development loan and grant funds.

VII. CONCLUSIONS AND RECOMMENDATIONS

Based on the need for the Cumberland County Water District to continue to supply their customers with a sufficient and dependable potable water supply along with the capability to transport water throughout the District's water system, it is recommended that the Cumberland County Water District pursue the financial assistance as outlined above in order that these improvements can be implemented. The Water District is the only major supplier of potable water within the rural area of Cumberland County and their system is situated such that these improvements could be made without adversely affecting service to their other customers.

**PRELIMINARY COST ESTIMATE
 WATER SYSTEM IMPROVEMENTS
 CUMBERLAND COUNTY WATER DISTRICT
 CUMBERLAND COUNTY, KENTUCKY
 DECEMBER 2011**

PROJECT COSTS

DEVELOPMENT

1880 BOOSTER PUMP STATION RENOVATION	114,000
HIGHWAY 61 WATER TANK UPGRADE	70,000
300,000 GALLON MARROWBONE TANK	<u>392,000</u>
TOTAL DEVELOPMENT	\$576,000
CONTINGENCY	57,000
ENGINEERING DESIGN	61,000
CONSTRUCTION INSPECTION	42,000
PRELIMINARY ENGINEERING REPORT	10,000
ADDITIONAL ENGINEERING	20,000
LEGAL	20,000
INTEREST	<u>10,000</u>
TOTAL PROJECT COSTS	\$796,000

PROJECT FUNDING

RURAL DEVELOPMENT GRANT	\$250,000
RURAL DEVELOPMENT LOAN	<u>546,000</u>
TOTAL PROJECT FUNDING	\$796,000

**PRELIMINARY COST ESTIMATE
 WATER SYSTEM IMPROVEMENTS
 MARROWBONE WATER TANK REPLACEMENT
 CUMBERLAND COUNTY WATER DISTRICT
 CUMBERLAND COUNTY, KENTUCKY
 DECEMBER 2011**

ITEM NO.	DESCRIPTION	QUANTITY	UNIT COST	TOTAL COST
1	Site Work	1 LS	\$15,000.00	\$15,000.00
2	Foundation	1 LS	60,000.00	60,000.00
3	Fabrication	1 LS	150,000.00	150,000.00
4	Coatings	1 LS	60,000.00	60,000.00
5	8-Inch Water Line	3,600 LF	20.00	72,000.00
6	Tank Piping	1 LS	15,000.00	15,000.00
7	Telemetry	1 LS	15,000.00	15,000.00
8	Fencing	1 LS	5,000.00	5,000.00
	SUBTOTAL			\$392,000.00
	CONTINGENCY			39,000.00
	TOTAL CONSTRUCTION			\$431,000.00

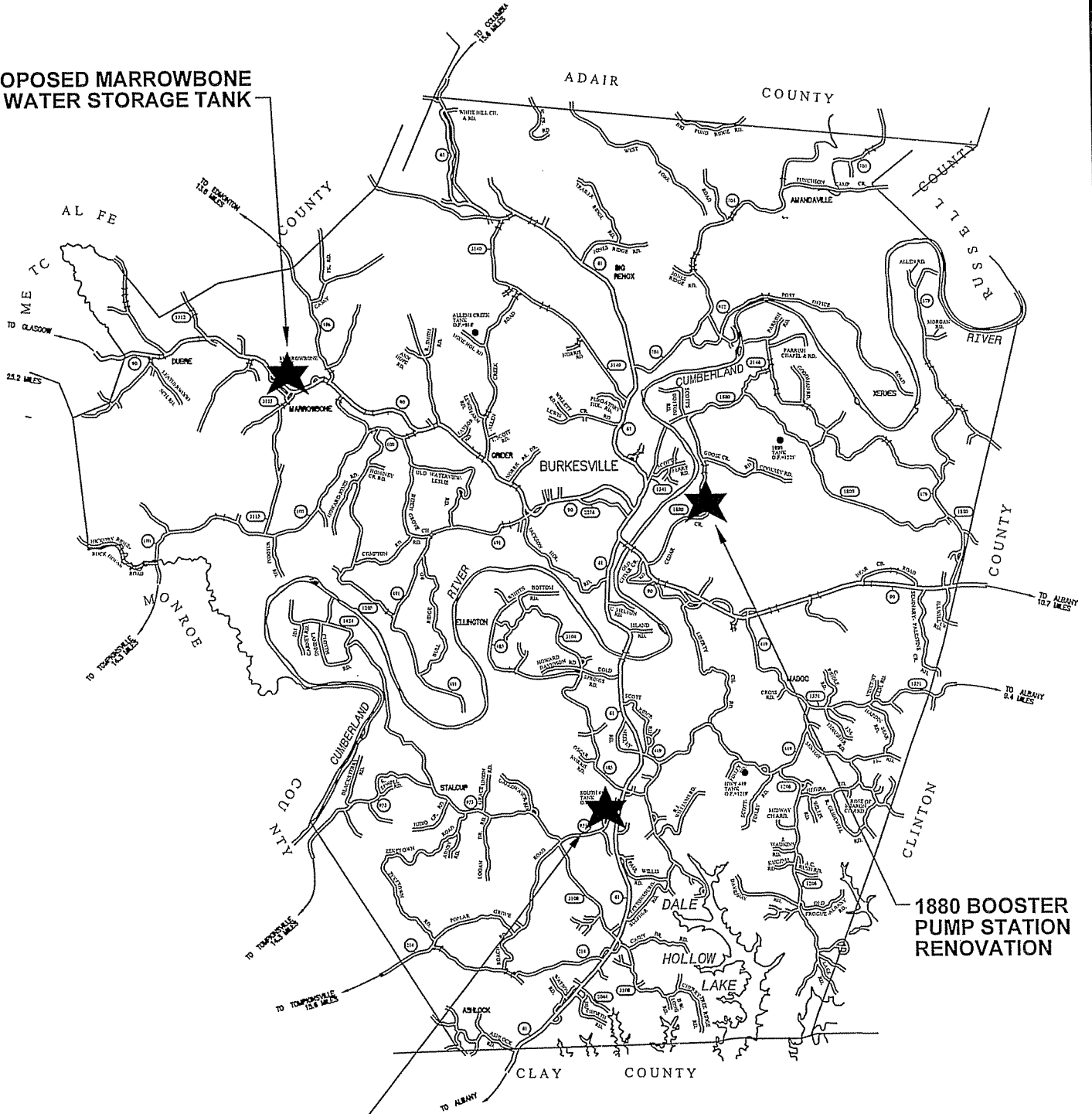
**PRELIMINARY COST ESTIMATE
 WATER SYSTEM IMPROVEMENTS
 HIGHWAY 61 TANK RENOVATION
 CUMBERLAND COUNTY WATER DISTRICT
 CUMBERLAND COUNTY, KENTUCKY
 DECEMBER 2011**

ITEM NO.	DESCRIPTION	QUANTITY	UNIT COST	TOTAL COST
1	Prepare Exterior Surface for Coating	1 LS	\$15,000.00	\$15,000.00
2	Apply Prime Coating	1 LS	18,000.00	18,000.00
3	Apply Finish Coating	1 LS	25,000.00	25,000.00
4	Adjust Windage Rods	10 EA	800.00	8,000.00
5	Replace Middle Level Struts	4 EA	1,000.00	4,000.00
	SUBTOTAL			\$70,000.00
	CONTINGENCY			7,000.00
	TOTAL CONSTRUCTION			\$77,000.00

**PRELIMINARY COST ESTIMATE
 WATER SYSTEM IMPROVEMENTS
 1880 BOOSTER PUMP STATION UPGRADE
 CUMBERLAND COUNTY WATER DISTRICT
 CUMBERLAND COUNTY, KENTUCKY
 DECEMBER 2011**

ITEM NO.	DESCRIPTION	QUANTITY	UNIT COST	TOTAL COST
1	Piping	1 LS	\$30,000.00	\$30,000.00
2	Booster Pump	2 EA	12,000.00	24,000.00
3	Electrical	1 LS	35,000.00	35,000.00
4	Mechanical	1 LS	10,000.00	10,000.00
5	Building Renovation	1 LS	10,000.00	10,000.00
6	Demolition of Existing Components	1 LS	5,000.00	5,000.00
	SUBTOTAL			\$114,000.00
	CONTINGENCY			11,000.00
	TOTAL CONSTRUCTION			\$125,000.00

**PROPOSED MARROWBONE
WATER STORAGE TANK**



**1880 BOOSTER
PUMP STATION
RENOVATION**

**KENTUCKY HIGHWAY 61
WATER STORAGE TANK
RENOVATION**

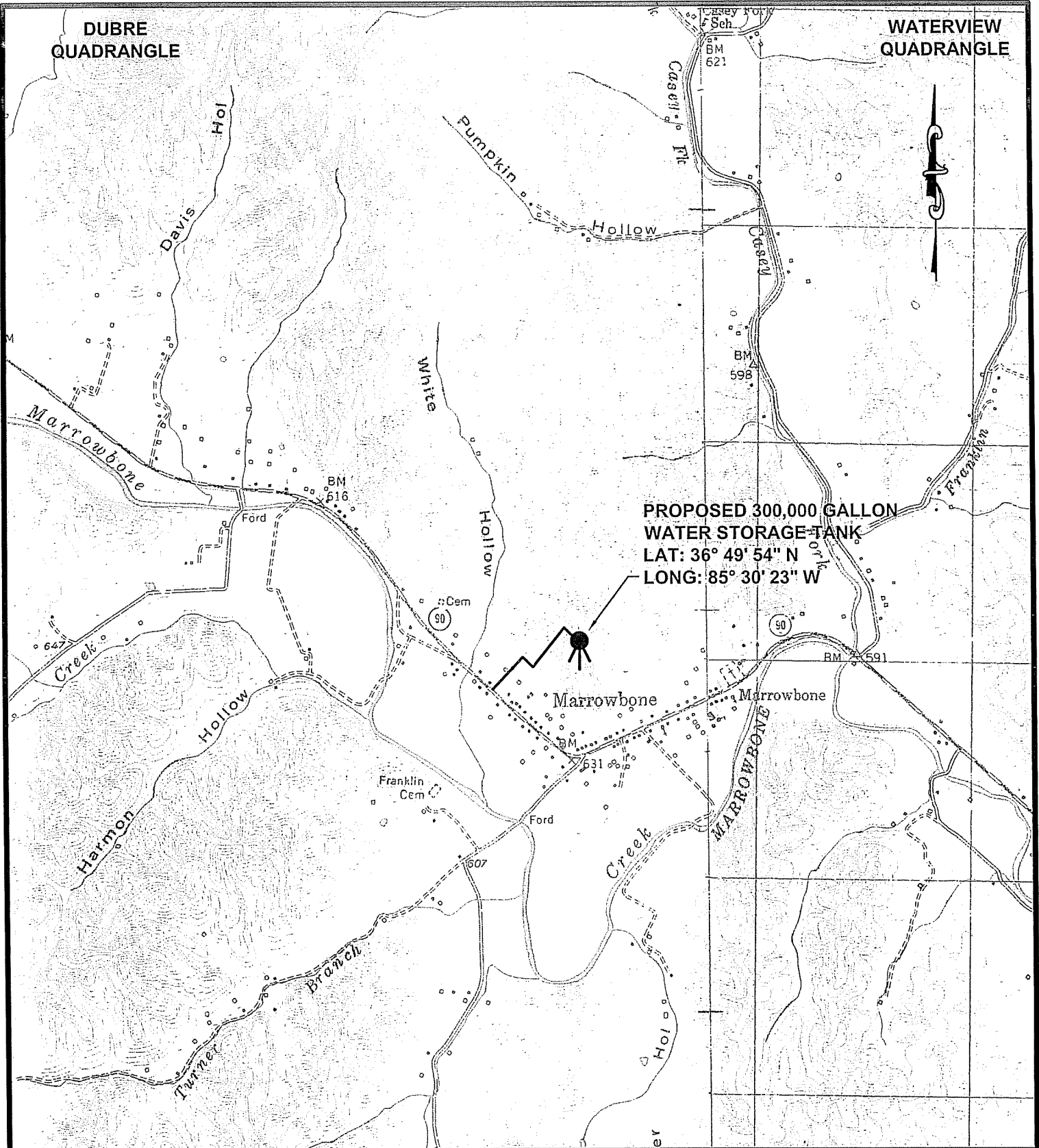
**PROJECT LOCATION MAP
WATER SYSTEM IMPROVEMENTS
CUMBERLAND COUNTY WATER DISTRICT**

M
Monarch Engineering, Inc.

556 Carlton Drive
Lawrenceburg, KY

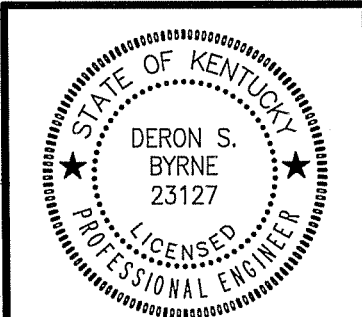
DUBRE
QUADRANGLE

WATERVIEW
QUADRANGLE



**PROPOSED 300,000 GALLON
WATER STORAGE TANK**
 LAT: 36° 49' 54" N
 LONG: 85° 30' 23" W

SCALE 1" = 2,000'

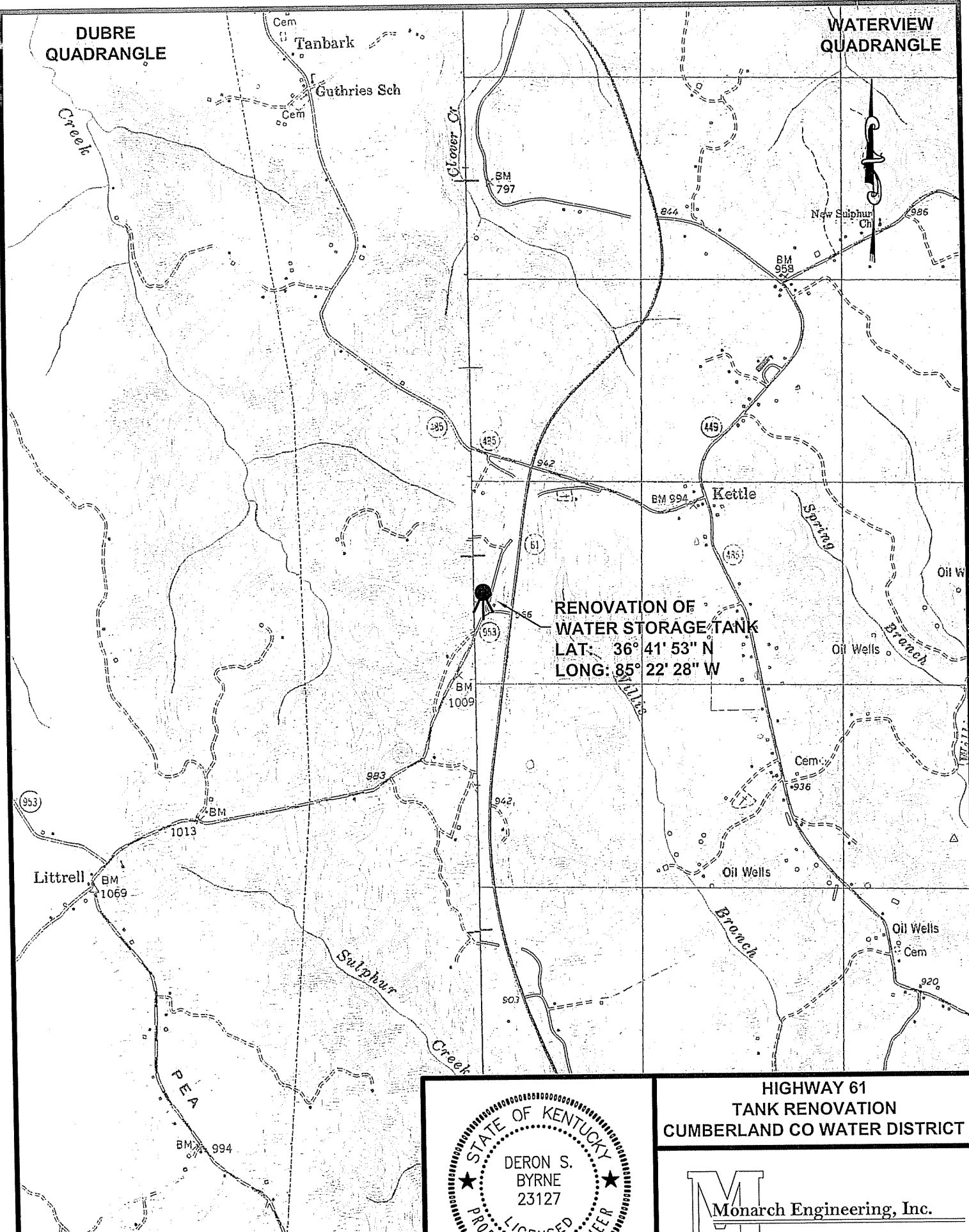


**MARROWBONE 300,000 GALLON
WATER STORAGE TANK
CUMBERLAND CO WATER DISTRICT**

M
Monarch Engineering, Inc.
 556 Carlton Drive
 Lawrenceburg, KY

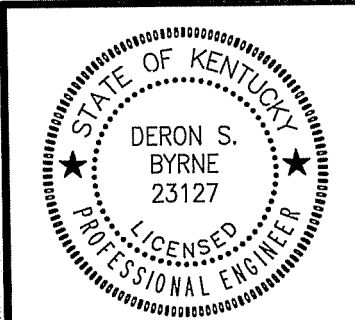
DUBRE
QUADRANGLE

WATERVIEW
QUADRANGLE

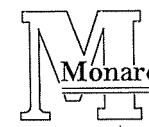


RENOVATION OF
WATER STORAGE TANK
LAT: 36° 41' 53" N
LONG: 85° 22' 28" W

SCALE 1" = 2,000'

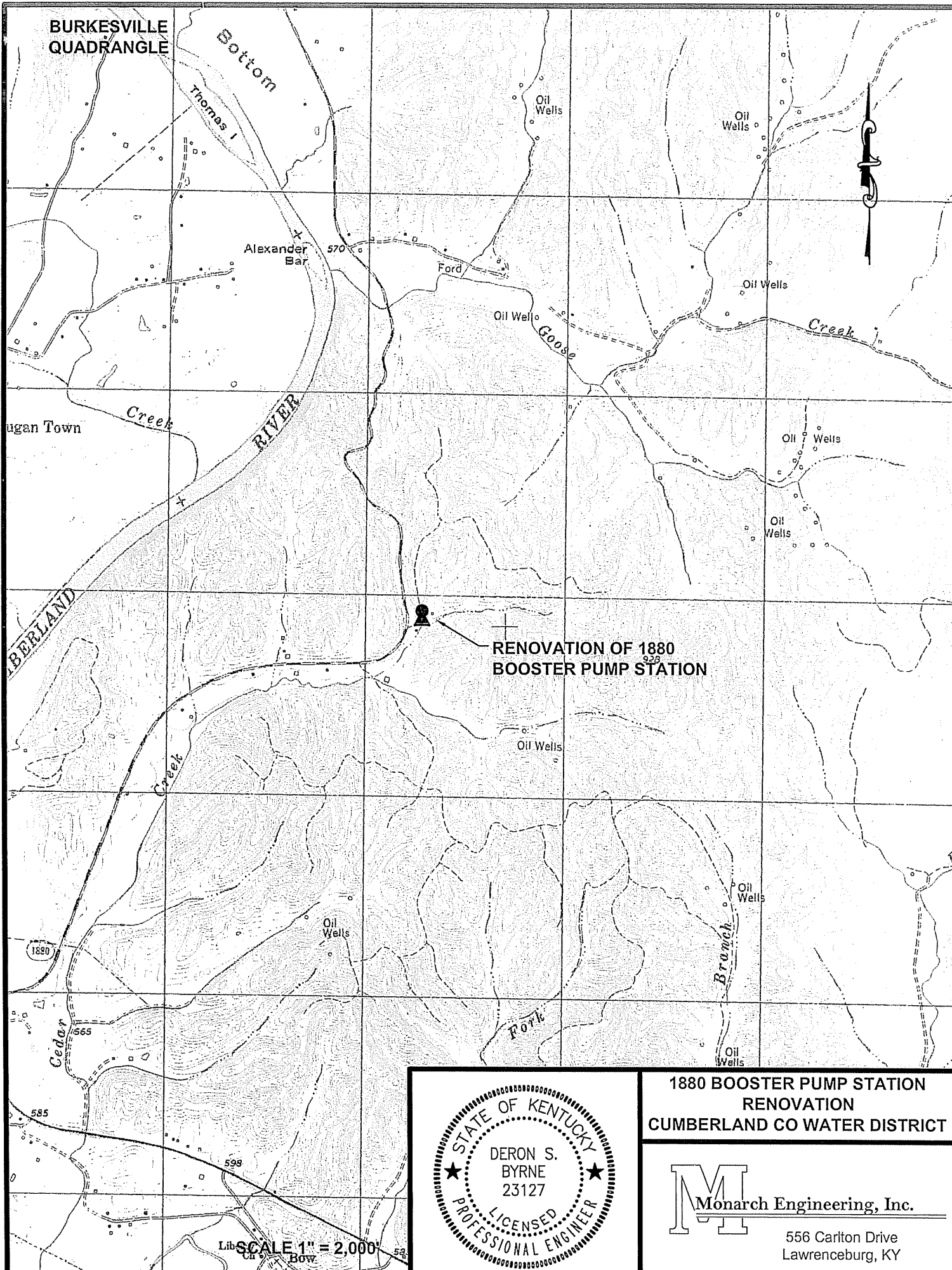


HIGHWAY 61
TANK RENOVATION
CUMBERLAND CO WATER DISTRICT



Monarch Engineering, Inc.

556 Carlton Drive
Lawrenceburg, KY



1880 BOOSTER PUMP STATION
 RENOVATION
 CUMBERLAND CO WATER DISTRICT

M
 Monarch Engineering, Inc.
 556 Carlton Drive
 Lawrenceburg, KY

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 23 2013

PUBLIC SERVICE
COMMISSION

In the Matter of:

**THE APPLICATION OF THE CUMBERLAND)
COUNTY WATER DISTRICT FOR A)
CERTIFICATE OF PUBLIC CONVENIENCE) Case No. 2013-_____
AND NECESSITY 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 Cumberland County 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:

Cumberland County Water District
c/o Mr Steve Capps, Chairman
133 Lower River Street
Burkesville, Kentucky 42717

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 the construction and installation of (i) approximately 1,300 linear feet of 8 inch waterline and appurtenances; and (ii) a 300,000 gallon ground storage tank (including the demolition of an existing 150,000 gallon ground storage tank).

5. That Applicant proposes to finance the construction of the Project through (i) the issuance of \$487,000 of its Waterworks Revenue Bonds; and (ii) a USDA, Rural Development ("RD") grant in the amount of \$309,000. Applicant has a commitment from RD to purchase said \$487,000 of bonds maturing over a 40-year period, at an interest rate not to exceed 2.75% 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, as amended (**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 Chairman 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.

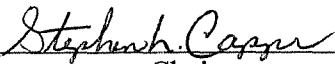
8. That Applicant has arranged for the publication, prior to or at the same time this Application is filed, of a Notice of Proposed Rate Change pursuant to Section 2 of 807 KAR 5:069, in the newspaper of general circulation in Applicant's service area. Said Notice sets out the current rates and the proposed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

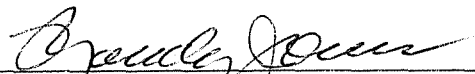
9. That the foregoing constitutes the documents necessary to obtain the approval of the Kentucky Public Service Commission in accordance with Section 278.023 of the Kentucky Revised Statutes and in accordance with the "Filing Requirements" specified in 807 KAR 5:069, Section 1.

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

- a. A Certificate of Public Convenience and Necessity permitting Applicant to construct a water system improvement project.
- b. An Order approving the financing arrangements made by Applicant, viz., (i) the issuance of \$487,000 of Cumberland County Water District Waterworks Revenue Bonds at an interest rate not to exceed 2.75% per annum; and (ii) an RD grant in the amount of \$309,000.
- c. An Order approving the proposed water rates as set out in Section 27 of the RD Letter of Conditions, as amended filed herewith as an Exhibit.

Cumberland County Water District

By: 
Chairman
Board of Water Commissioners


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



United States Department of Agriculture
Rural Development
Kentucky State Office

June 18, 2012

Steve Capps, Chairman
Cumberland County Water District
133 Lower River Street
Burkesville, Kentucky 42717

Dear Mr. Capps:

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 \$487,000; a RUS grant not to exceed \$309,000. No applicant cash contribution will be required.

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 2,421 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 2 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 \$175 per month into a "Funded Debt Reserve Account" until the account reaches \$21,000. The deposits are to be resumed any time the account falls below the \$21,000.

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 \$667 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 revenues 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, in accordance with subsection 1780.47 of RUS Instruction 1780.

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 \$250,000.
- 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	\$ 576,000
Legal and Administrative	20,000
Engineering	133,000
Interest	10,000
Contingencies	<u>57,000</u>
TOTAL	\$ 796,000

Financing:

RUS Loan	\$ 487,000
RUS Grant	<u>309,000</u>
TOTAL	\$ 796,000

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" Meters

First	2,000	gallons @ \$	26.00. - Minimum Bill.
Next	3,000	gallons @ \$	7.50. - per 1,000 gallons.
Next	5,000	gallons @ \$	6.50. - per 1,000 gallons.
All Over	10,000	gallons @ \$	5.50. - per 1,000 gallons.

1" Meters

First	5,000	gallons @ \$	48.50. - Minimum Bill.
Next	5,000	gallons @ \$	6.50. - per 1,000 gallons.
All Over	10,000	gallons @ \$	5.50. - per 1,000 gallons.

1 1/2" Meters

First	12,500	gallons @ \$	94.25. - Minimum Bill.
All Over	12,500	gallons @ \$	5.50. - per 1,000 gallons.

2" Meters

First	25,000	gallons @ \$	163.50. - Minimum Bill.
All Over	25,000	gallons @ \$	5.50. - per 1,000 gallons.

Dale Hollow Meter:

First	300,000	gallons @ \$	1,676.00. - Minimum Bill.
All Over	300,000	gallons @ \$	5.50. - 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. Mitigation Measures:

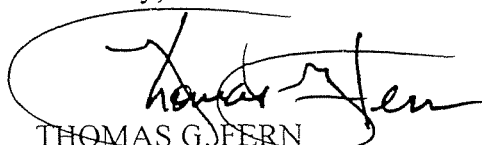
- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated July 28, 2011, from Ms. Lee Nalley.
- B. The design and construction shall be in compliance with the requirements of the U.S. Fish and Wildlife Service as requested by letter dated February 2, 2012, and signed by Virgil Lee Andrews, Jr., Field Supervisor.
- C. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without effect after construction is complete. The Army Corps of Engineers Nationwide Permit No. 12 applies to all floodplain and wetland utility line construction.
- D. 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.

32. 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 - Columbia, Kentucky

Lake Cumberland ADD – Russell Springs, Kentucky
Monarch Engineering - Lawrenceburg, Kentucky
PSC - ATTN: Dennis Jones - Frankfort, Kentucky



United States Department of Agriculture
Rural Development
Kentucky State Office

March 19, 2013

Steve Capps, Chairman
Cumberland County Water District
133 Lower River Street
Burkesville, Kentucky 42717

Re: Letter of Conditions Dated June 18, 2012

Dear Mr. Capps:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated June 18, 2012. The purpose of this amendment is to revise the cost of the proposed project and revise the rates and charges.

Paragraph numbered "24" is revised to read as follows:

" 24. Cost of Facility:

Breakdown of Costs:

Development	\$ 550,103
Legal and Administrative	20,000
Engineering	94,122
Interest	10,000
Contingencies	<u>121,775</u>
TOTAL	\$ 796,000

Financing:

RUS Loan	\$ 487,000
RUS Grant	<u>309,000</u>
TOTAL	\$ 796,000 "

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>

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).

Paragraph numbered "27" is revised to read as follows:

“ 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" Meters

First	2,000	gallons @ \$	27.00. - Minimum Bill.
Next	3,000	gallons @ \$	7.50. - per 1,000 gallons.
Next	5,000	gallons @ \$	6.50. - per 1,000 gallons.
All Over	10,000	gallons @ \$	5.50. - per 1,000 gallons.

1" Meters

First	5,000	gallons @ \$	49.50. - Minimum Bill.
Next	5,000	gallons @ \$	6.50. - per 1,000 gallons.
All Over	10,000	gallons @ \$	5.50. - per 1,000 gallons.

1 1/2" Meters

First	12,500	gallons @ \$	95.25. - Minimum Bill.
All Over	12,500	gallons @ \$	5.50. - per 1,000 gallons.

2" Meters

First	25,000	gallons @ \$	164.50. - Minimum Bill.
All Over	25,000	gallons @ \$	5.50. - per 1,000 gallons.

Dale Hollow Meter:

First	300,000	gallons @ \$	1,677.00. - Minimum Bill.
All Over	300,000	gallons @ \$	5.50. - 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 - Columbia, Kentucky
Lake Cumberland ADD - Russell Springs, Kentucky

Rubin & Hays - Louisville, Kentucky
Lindsey G. Bell - Burkesville, Kentucky
Monarch Engineering - Lawrenceburg, Kentucky
PSC - ATTN: Dennis Jones - Frankfort, Kentucky



United States Department of Agriculture
Rural Development
Kentucky State Office

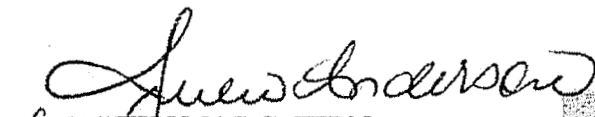
April 11, 2013

SUBJECT: Cumberland County Water District
Water System Improvements
Contract Award Concurrence

TO: Area Director
Columbia, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of Contract 1 to the low bidder, Cleary Construction, Inc., in the amount of \$154,612, contingent upon a change order being executed in the amount of 103,000.00, to bring the contract within available project funds, and the award of Contract 2 to the low bidder, Kentucky Glass Lines Tanks Systems, in the amount of \$498,491.00. Contract 3 will not be awarded at this time due to cost overrun within the project budget.

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


THOMAS G. FERN
State Director
Rural Development

cc: Monarch Engineering
Lawrenceburg, Kentucky

Randy Jones
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>

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, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).

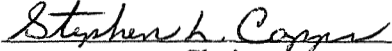
**CERTIFICATE OF CHAIRMAN OF CUMBERLAND COUNTY WATER DISTRICT,
AS TO STATEMENT REQUIRED BY SECTION 1(5) OF 807 KAR 5:069**

I, the undersigned, hereby certify that I am the duly qualified and acting Chairman of the Cumberland County 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 Monarch, Engineering, Inc., Lawrenceburg, Kentucky, the Engineers for the District (the "Engineers").

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

1. That the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.
2. That all other state approvals and/or permits have already been obtained.
3. That the rates proposed by the District in its current Application filed with the 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 June 1, 2013, and will end on or about March 1, 2014.

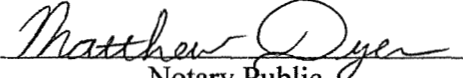
IN TESTIMONY WHEREOF, witness my signature this April 18, 2013.



Chairman
Cumberland County Water District

STATE OF KENTUCKY)
) SS
COUNTY OF CUMBERLAND)

Subscribed and sworn to before me by Steve Capps, Chairman of the Board of Commissioners of the Cumberland County Water District, on this April 18, 2013.



Notary Public
In and For Said State and County

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 Cumberland County 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 \$487,000 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" Meters

First 2,000 gallons	\$19.48 minimum bill
Next 3,000 gallons	7.10 per 1,000 gallons
Next 5,000 gallons	5.90 per 1,000 gallons
All over 10,000 gallons	4.80 per 1,000 gallons

1" Meters

First 5,000 gallons	\$40.78 minimum bill
Next 5,000 gallons	5.90 per 1,000 gallons
All over 10,000 gallons	4.80 per 1,000 gallons

1-1/2" Meters

First 12,500 gallons	\$82.28 minimum bill
All over 12,500 gallons	4.80 per 1,000 gallons

2" Meters

First 25,000 gallons	\$142.28 minimum bill
All over 25,000 gallons	4.80 per 1,000 gallons

Proposed Monthly Water Rates

5/8" x 3/4" Meters

First 2,000 gallons	\$27.00 minimum bill
Next 3,000 gallons	7.50 per 1,000 gallons
Next 5,000 gallons	6.50 per 1,000 gallons
All over 10,000 gallons	5.50 per 1,000 gallons

1" Meters

First 5,000 gallons	\$49.50 minimum bill
Next 5,000 gallons	6.50 per 1,000 gallons
All over 10,000 gallons	5.50 per 1,000 gallons

1-1/2" Meters

First 12,500 gallons	\$95.25 minimum bill
All over 12,500 gallons	5.50 per 1,000 gallons

2" Meters

First 25,000 gallons	\$164.50 minimum bill
All over 25,000 gallons	5.50 per 1,000 gallons

The RD loan proceeds will be used in conjunction with a \$309,000 RD grant to finance the cost of the construction and installation of (i) approximately 1,300 linear feet of 8 inch waterline and appurtenances; and (ii) a 300,000 gallon ground storage tank (including the demolition of an existing 150,000 gallon ground storage tank). Signed, Steve Capps, Chairman, Cumberland County Water District.