

# 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 30, 2014

RECEIVED

MAY - 1 2014

PUBLIC SERVICE  
COMMISSION

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

Re: Western Pulaski 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 Parksville Water District for a Certificate of Public Convenience and Necessity to construct a waterworks project 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 Final Engineering Reports, of which two copies are enclosed.**


**Please be advised that the Preliminary Engineering Report was filed in Case No. 2012-00582.**

**Electronic copies of the Plans and Specifications will be filed with the Commission once a Case number is assigned.**

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: 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 Fortress Properties Street, Suite 3  
London, Kentucky 40741

Phone: (606) 864-5168  
Fax: (855) 454-4516

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

PHASE 2  
WATER SYSTEM IMPROVEMENTS &  
EXTENSIONS  
&  
TELEMETRY CONTROL SYSTEM

RECEIVED

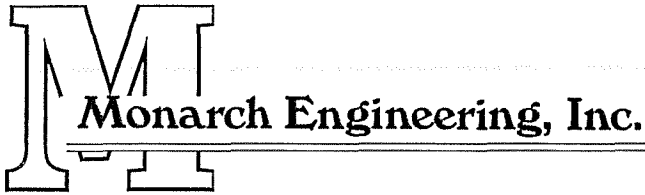
MAY - 1 2014

PUBLIC SERVICE  
COMMISSION

WESTERN PULASKI COUNTY WATER DISTRICT  
PULASKI COUNTY, KENTUCKY

APRIL 2014





April 14, 2014

Mr. Don Calder, Chairman  
Western Pulaski County Water District  
1059 West Highway 80  
Somerset, KY 42505

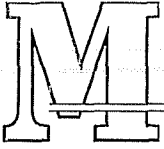
Re: Water System Improvements

Dear Mr. Calder:

Please consider this correspondence as a Letter of Recommendation for consideration of awarding construction bids to two contractors that have submitted the lowest bid for two separate disciplines of work. The first portion consists of water line extensions and water line replacements in the following areas: Water Line Replacements – Sleepy Hollow, Bridge Hollow, Three Springs Road, Ferry Road Cemetery, Water Line Extensions – Woods Road, Gaines Road, Compton Road, Spaw Cemetery Road, and Dudley Hill Road. On February 18, 2014 five bids were submitted for this work and the lowest was by D & H Contracting, Inc. in the amount of \$328,579.00.

The second portion consists of a telemetry control system to replace the partially inoperable system that the District currently has. The existing system has experienced several failures recently and consists of some obsolete control programming. The new system will provide for control and monitoring at 24 sites that are pump stations, water tanks, and master meters. On April 11, 2014 one bid was submitted for this work and the lowest was by HTI, Inc. in the amount of \$512,700.00. The nature of this work is specialized and not many companies provide this expertise, thus the submittal of one bid is not unusual for this field of work.

Combining the two lowest bids results in a total Development cost of \$841,279.00. Attached you will find the Final Budget that outlines all of the project costs for this phase along with a summarized bid tabulation of all bids received. As you will recall this is the second phase of a multi phased project, the first phase being identified and approved by the Kentucky Public Service Commission through Case No. 2012-00582, a copy of which is attached. The Final Budget consists of the costs for Development, Engineering Design and Construction Inspection, Legal and Administrative, Interest on the Interim Financing, and a ten percent Contingency. The total cost for this phase has been determined to be \$1,120,000.00 which will be financed by a low interest loan and grant from the U.S. Department of Agriculture.



April 14, 2014

Page Two

The initial amount of funds available for this multi phased project was \$1,922,000.00. The first phase total project cost was \$357,089.51 and combined with the second phase cost of \$1,120,000.00 results in a total cost of the two phases to be \$1,477,089.51 leaving an amount of \$444,910.49 to be considered for additional work. It is recommended that the remaining funds be used to address the District's water loss issue of which the majority of this second phase does. The water line replacements are in areas that have a historic record of line disruptions and the telemetry control system will allow the District to monitor the flow of water through the distribution system which will alert the District when flow rates rise abnormally or pump stations and water tank levels indicate unusual operations.

Therefore, we recommend that the District consider awarding a contract to D & H Contracting, Inc. in the amount of \$328,579.00 and also to HTI, Inc. in the amount of \$512,700.00. This recommendation is contingent upon approval from the U.S. Department of Agriculture through their Rural Development program, and also the Kentucky Public Service Commission.

Should you need additional information, please advise.

Sincerely,

A handwritten signature in cursive script, appearing to read 'David M. Bowles', is written above the printed name.

David M. Bowles, P.E.

Cc Clay McNight  
Rural Development

**FINAL BUDGET**  
**BRIDGE HOLLOW AREA WATER SYSTEM EXTENSIONS & REPLACEMENTS**  
**& TELEMETRY CONTROL SYSTEM**  
**WESTERN PULASKI COUNTY WATER DISTRICT**  
**APRIL 14, 2014**

**PROJECT COSTS**

DEVELOPMENT

WATER LINE EXTENSIONS & REPLACEMENTS	\$328,579.00
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TELEMETRY SYSTEM	512,700.00
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TOTAL DEVELOPMENT	\$841,279.00
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CONTINGENCY	84,692.64
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ENGINEERING DESIGN (9.12%)	76,724.64
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CONSTRUCTION INSPECTION (5.92%)	49,803.72
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LEGAL & ADMINISTRATIVE	17,500.00
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INTEREST	50,000.00
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<b>TOTAL PROJECT COSTS</b>	<b>\$1,120,000.00</b>
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**PROJECT FINANCING**

USDA RURAL DEVELOPMENT GRANT	\$522,000.00
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USDA RURAL DEVELOPMENT LOAN	1,042,910.49
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<b>TOTAL PROJECT COSTS</b>	<b>\$1,564,910.49</b>
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<b>BALANCE OF FUNDS</b>	<b>\$444,910.49</b>
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**BID TABULATIONS**  
**WESTERN PULASKI COUNTY WATER DISTRICT**  
**BRIDGE HOLLOW AREA WATER SYSTEM**  
**EXTENSIONS & REPLACEMENTS**  
**PULASKI COUNTY, KENTUCKY**


**BID DATE: FEBRUARY 18, 2014 @ 3:00 P.M. LOCAL TIME**

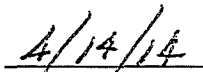
ITEM NO.	DESCRIPTION	QUANTITY	D & H Contracting Co., Inc. 2003 Lakeview Dr. London, KY 40741		McGowan Excavating, Inc. 285 Richardson Rd. Nancy, KY 42544		Twin States Utilities, Inc. P.O. Box 14 Mt. Hermon, KY 42157	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
<b>BASE BID</b>								
1	4-Inch PVC SDR 17 Water Line	480 LF	\$13.20	\$6,336.00	\$9.46	\$4,540.80	\$15.95	\$7,656.00
2	3-Inch PVC SDR 17 Water Line	16,140 LF	8.70	140,418.00	11.14	179,799.60	13.75	221,925.00
3	3-Inch PVC SDR 21 Water Line	6,240 LF	8.50	53,040.00	7.28	45,427.20	13.25	82,680.00
4	Bore & Case for 3-Inch Water Line	140 LF	110.00	15,400.00	110.00	15,400.00	65.00	9,100.00
5	Open Cut & Case for 3-Inch Water Line	30 LF	50.00	1,500.00	45.00	1,350.00	40.00	1,200.00
6	4-Inch Gate Valve	2 LF	925.00	1,850.00	850.00	1,700.00	615.00	1,230.00
7	3-Inch Gate Valve	13 LF	875.00	11,375.00	758.56	9,861.28	565.00	7,345.00
8	Blowoff Assembly	14 EA	1,200.00	16,800.00	946.75	13,254.50	800.00	11,200.00
9	Connection	10 EA	1,800.00	18,000.00	1,600.00	16,000.00	1,500.00	15,000.00
10	Meter Setting	4 EA	800.00	3,200.00	650.00	2,600.00	500.00	2,000.00
11	Tandem Meter Setting	6 EA	910.00	5,460.00	700.00	4,200.00	650.00	3,900.00
12	Meter Reconnection	64 EA	500.00	32,000.00	300.00	19,200.00	176.00	11,264.00
13	3/4-Inch Service Tubing	2,000 EA	5.00	10,000.00	4.50	9,000.00	7.50	15,000.00
14	Pavement Replacement	1,500 LF	8.00	12,000.00	20.00	30,000.00	5.00	7,500.00
15	Exploration	20 HR	60.00	1,200.00	100.00	2,000.00	150.00	3,000.00
<b>TOTAL BASE BID</b>				<b>\$328,579.00</b>		<b>\$354,333.38</b>		<b>\$400,000.00</b>

THE ABOVE IS A TRUE AND COMPLETE TABULATION OF BIDS RECEIVED AT 3:00P.M. LOCAL TIME, TUESDAY, FEBRUARY 18, 2014 AT THE WESTERN PULASKI COUNTY WATER DISTRICT.

\* DENOTES AN ARITHMETIC ERROR WAS MADE ON BASE BID, AMOUNT HAS BEEN CORRECTED TO REFLECT UNIT PRICE SUBMITTED.

BY:

  
 David M. Bowles, P.E.

  
 DATE

**BID TABULATIONS**  
**WESTERN PULASKI COUNTY WATER DISTRICT**  
**BRIDGE HOLLOW AREA WATER SYSTEM**  
**EXTENSIONS & REPLACEMENTS**  
**PULASKI COUNTY, KENTUCKY**

**BID DATE: FEBRUARY 18, 2014 @ 3:00 P.M. LOCAL TIME**

			K. Carrender Construction Co.* 200 Riggold Rd. Somerset, KY 42503		Stotts Construction Co., Inc. P.O. Box 1689 Columbia, KY 42728	
ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	<b>BASE BID</b>					
1	4-Inch PVC SDR 17 Water Line	480 LF	\$35.60	\$17,088.00	\$30.00	\$14,400.00
2	3-Inch PVC SDR 17 Water Line	16,140 LF	18.35	296,169.00	30.00	484,200.00
3	3-Inch PVC SDR 21 Water Line	6,240 LF	17.75	110,760.00	30.00	187,200.00
4	Bore & Case for 3-Inch Water Line	140 LF	100.00	14,000.00	150.00	21,000.00
5	Open Cut & Case for 3-Inch Water Line	30 LF	70.00	2,100.00	80.00	2,400.00
6	4-Inch Gate Valve	2 LF	975.00	1,950.00	1,100.00	2,200.00
7	3-Inch Gate Valve	13 LF	850.00	11,050.00	1,000.00	13,000.00
8	Blowoff Assembly	14 EA	1,350.00	18,900.00	1,200.00	16,800.00
9	Connection	10 EA	1,300.00	13,000.00	1,800.00	18,000.00
10	Meter Setting	4 EA	670.00	2,680.00	1,000.00	4,000.00
11	Tandem Meter Setting	6 EA	800.00	4,800.00	1,100.00	6,600.00
12	Meter Reconnection	64 EA	200.00	12,800.00	700.00	44,800.00
13	3/4-Inch Service Tubing	2,000 EA	13.75	27,500.00	15.00	30,000.00
14	Pavement Replacement	1,500 LF	21.25	31,875.00	50.00	75,000.00
15	Exploration	20 HR	200.00	4,000.00	350.00	7,000.00
	<b>TOTAL BASE BID</b>			<b>\$568,672.00</b>		<b>\$926,600.00</b>




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

**BID TABULATIONS**  
**WESTERN PULASKI COUNTY WATER DISTRICT**  
**SUPERVISORY CONTROL & DATA CONTROL**  
**(SCADA) CONTROL SYSTEM**  
**PULASKI COUNTY, KENTUCKY**  
**BID DATE: APRIL 11, 2014 @ 11:00 A.M. LOCAL TIME**

HTI, Inc.  
 9560 US Highway 62 E.  
 Horse Branch, KY 42349

ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST
<b>BASE BID CONTRACT</b>				
1	Water Office Master Terminal Unit	1 LS	\$82,200.00	\$82,200.00
2	Faubush Road Tanks Site	1 LS	21,600.00	21,600.00
3	Old Columbia Road Tank Site	1 LS	22,100.00	22,100.00
4	Pleasant Point Road Tank Site	1 LS	15,200.00	15,200.00
5	Denham Knob Tank Site	1 LS	21,300.00	21,300.00
6	Bourbon Road (South) Tank Site	1 LS	15,500.00	15,500.00
7	North Tank Site	1 LS	21,200.00	21,200.00
8	Hickory Nut Tank Site	1 LS	15,600.00	15,600.00
9	Hickory Nut Booster PS No. 1 Site	1 LS	19,500.00	19,500.00
10	Faubush Road Booster PS No. 1 Site	1 LS	17,600.00	17,600.00
11	Hickory Nut Booster PS No. 2 Site	1 LS	19,300.00	19,300.00
12	Clifty Road (North) Pump Station Site	1 LS	19,300.00	19,300.00
13	Bourbon Road (South) Booster Pump Station & Master Meter Site	1 LS	19,300.00	19,300.00
14	Lees Ford/Fishing Creek Bridge Pump Station (KY 80)	1 LS	18,700.00	18,700.00
15	KY Highway 1664 Master Meter Site	1 LS	17,800.00	17,800.00
16	KY Highway 235 Master Meter Site	1 LS	18,200.00	18,200.00
17	KY Highway 196 Master Meter Site	1 LS	18,500.00	18,500.00
18	KY Highway 80 Master Meter Site	1 LS	18,500.00	18,500.00
19	Oak Hill Road Master Meter Site	1 LS	18,500.00	18,500.00
20	North Master Meter Site	1 LS	18,100.00	18,100.00
21	Oakview Master Meter Site	1 LS	18,600.00	18,600.00
22	Slate Branch Road Master Meter Site	1 LS	\$18,600.00	18,600.00
23	Slate Branch/Bridge Hollow Road Master Meter Site	1 LS	18,800.00	18,800.00
24	Russell Springs Master Meter Site	1 LS	18,700.00	18,700.00
<b>TOTAL BASE BID CONTRACT</b>				<b>\$512,700.00</b>

THE ABOVE IS A TRUE AND COMPLETE TABULATION OF BIDS RECEIVED AT 11:00A.M. LOCAL TIME, FRIDAY, APRIL 11, 2014 AT THE WESTERN PULASKI COUNTY WATER DISTRICT.

BY:   
 David M. Bowles

  
 DATE

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY 4 2014

PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE APPLICATION OF THE WESTERN PULASKI )  
COUNTY WATER DISTRICT FOR A CERTIFICATE )  
OF PUBLIC CONVENIENCE AND NECESSITY TO ) CASE NO. 2012-00582  
CONSTRUCT AND FINANCE PURSUANT TO THE )  
PROVISIONS OF KRS 278.023 )

ORDER

Western Pulaski County Water District ("Western Pulaski") has applied to the Commission for a Certificate of Public Convenience and Necessity for the first phase of a two-phase waterworks construction project and for approval of its financing plan.

Western Pulaski proposes to construct a waterworks construction project, consisting of two phases, to extend water service to unserved persons and to improve system reliability in the southeastern portion of Western Pulaski's service area. The total cost of this project, including legal, engineering inspection, and engineering design costs is \$1,922,000.

The first phase of the project involves the construction of approximately 30,315 linear feet of 3-inch polyvinyl chloride water line along the areas of Browns Ridge Road, Finley Owens Road, Hendricks Road, Shoreline Drive, and Hideaway Drive in western Pulaski County, Kentucky. It will provide service to approximately 43 new customers and will improve the quality of service to existing customers on Shoreline Drive and Hideaway Drive. Total cost of this phase is \$452,000.

The second phase of the project involves the construction of two new pumping stations and the construction of a minimum of 6,500 feet of 10-inch water transmission

main. This construction is intended to improve water pressure and water volume in Western Pulaski's southeastern pressure zone. Total estimated cost of the second phase is \$1,470,000. Western Pulaski has not yet issued a request for bids on the second phase.

Western Pulaski proposes to finance the construction of this project through the sale of \$1,400,000 of Waterworks Revenue Bonds to Rural Development ("RD"), an agency of the United States Department of Agriculture, and a grant of \$522,000 from RD. RD will not authorize disbursement of any funds to Western Pulaski for the second phase of the project until this Commission has issued a Certificate of Public Convenience and Necessity for that phase.<sup>1</sup>

Western Pulaski has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.180, KRS 278.190, and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water districts and RD regarding construction projects, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and Western Pulaski, or to defer the issuance of all necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application when the evidence of record indicates that a water district's proposed facilities will result in the wasteful

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<sup>1</sup> App. ¶ 5. See also 7 U.S.C § 1780.15; Letter from Thomas G. Fern, State Director, Rural Development, to Don Calder, Chairman, Western Pulaski County Water District (Dec. 20, 2011) at ¶17.

duplication of facilities or excessive investment or its proposed rates are unfair, unjust, or unreasonable.

Western Pulaski's application met the minimum filing requirements of KRS 278.023 on January 25, 2013. The Commission, therefore, is not able to review this application using the same standards that are used for applications that are not filed pursuant to KRS 278.023.

IT IS THEREFORE ORDERED that:

1. Western Pulaski is granted a Certificate of Public Convenience and Necessity for Phase I of the proposed construction project.
2. Western Pulaski's proposed plan of financing is accepted.
3. Western Pulaski is authorized to issue Waterworks Revenue Bonds in an amount not to exceed \$1,400,000 to RD at an interest rate not exceeding 2.25 percent per annum.
4. The proceeds from the proposed issuance of Waterworks Revenue Bonds shall be used only for the first phase of the project as specified in Western Pulaski's application, and none of proceeds shall be used for the second phase until Western Pulaski obtains a Certificate of Public Convenience and Necessity for that phase of the project.
5. Western Pulaski shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
6. Western Pulaski shall file a copy of the "as-built" drawings and a certified statement from the engineer that the construction of the first phase of the project has

been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.

7. Western Pulaski shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. Western Pulaski shall notify the Commission in writing one week prior to the actual start of construction of the first phase of the project and at the 50 percent completion point.

9. Within 30 days of the date of the issuance of the proposed Waterworks Revenue Bonds, Western Pulaski shall file with the Commission a copy of the resolution authorizing such issuance and any documents referenced in that resolution that have not previously been filed with the Commission.

10. Any documents filed in the future pursuant to ordering paragraphs 6, 8, and 9 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

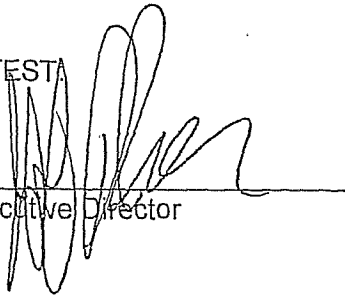
11. The Executive Director shall serve a copy of this Order upon the State Director of Rural Development.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

By the Commission

ENTERED <sup>A-</sup>  
FEB 11 2013  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST

  
\_\_\_\_\_  
Executive Director

Case No. 2012-00582

RECEIVED

MAY -1 2014

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE APPLICATION OF THE WESTERN )  
PULASKI COUNTY WATER DISTRICT FOR A )  
CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY TO CONSTRUCT A WATER ) Case No. 2014- \_\_\_\_\_  
SYSTEM IMPROVEMENTS PROJECT AND )  
INCREASE RATES PURSUANT TO KRS 278.023 )

APPLICATION

This Application of the Western Pulaski 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:

Western Pulaski County Water District  
c/o Mr. Don Calder, Chairman  
1059 West Highway 80  
Somerset, Kentucky 42503  
email address: [tvaughtwpcwd@windstream.net](mailto:tvaughtwpcwd@windstream.net)

3. That Applicant, pursuant to the provisions of KRS 278.023, seeks (i) a Certificate of Public Convenience and Necessity ("CPCN"), permitting Applicant to construct a water system improvements project - Phase 2 (the "Phase 2 Project"); and (ii) an Order approving increased water rates.

4. That the Phase 2 Project consists of the construction and/or installation of (i) approximately 22,860 linear feet of 3 and 4 PVC waterline and appurtenances; and (ii) a new Supervisory Control and Data Control ("SCADA") system which will oversee all activities at the SCADA remote sites (pump stations, tanks and master meters).

5. That Applicant proposes to finance the construction of the Phase 2 Project through (i) the issuance of \$1,400,000 of its Waterworks Revenue Bonds; and (ii) a USDA, Rural Development ("RD") grant in the amount of \$522,000. Applicant has a commitment from RD to

purchase said \$1,400,000 of bonds maturing over a 40-year period, at an interest rate not to exceed 2.25% per annum as set out in the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

6. That Applicant filed an Application with this Commission on December 21, 2012 (**Case No. 2012-00582**) seeking (i) the issuance of a CPCN to construct the Phase 1 Project; (ii) authorization to issue securities; and (iii) approval of the plan of financing pursuant to KRS 278.023. This Commission issued its Order on February 11, 2013 granting the Applicant's requests. Said Order provided that Applicant must seek another CPCN to construct the Phase 2 Project.

7. That Applicant does not contemplate having the Phase 2 Project constructed with any deviation from minimum construction standards of this Commission.

8. That Applicant files herewith the following Exhibits pursuant to 807 KAR 5:069, Section 2 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 Final Engineering Report and certified bid tabulations. The Preliminary Engineering Report was filed in **Case No. 2012-00582** and is incorporated herein by reference.
- 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 Phase 2 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 been obtained;
  - (3) The proposed rates of Applicant shall produce the total revenue requirements recommended in the engineering reports; and
  - (4) Setting out the dates when it is anticipated that construction will begin and end.

9. That Applicant has complied with the "public postings" requirement of 807 KAR 5:069, Section 3(1) by posting a copy of the Notice of Proposed Rate Change (the "Notice") in its place of business. Applicant maintains a website (wpcwd.com) and in accordance with 807 KAR 5:069, Section 3(2), Applicant shall post a copy of the Notice on its website and shall post a hyperlink to the location on this Commission's website where the case documents may be viewed. Applicant has arranged for the publication, prior to or at the same time this Application is filed, of



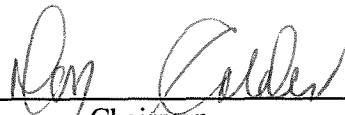
the Notice pursuant to 807 KAR 5:069, Section 3(2) in the newspapers of general circulation in Applicant's service area. Said Notice sets out content requirements of 807 KAR 5:069, Section 3(4). A copy of said Notice is filed herewith as **Exhibit "D"**. Applicant shall file with this Commission no later than fifteen (15) days from the date this Application was initially filed, an affidavit and tearsheet from the publisher as required by 807 KAR 5:069 Section 3(3)(b).

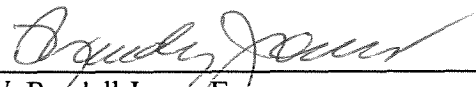
10. That the foregoing constitutes the documents necessary to obtain the approval of this Commission in accordance with Section 278.023 of the Kentucky Revised Statutes and in accordance with the "Filing Requirements" specified in 807 KAR 5:069, Section 2.

WHEREFORE, Applicant, the Western Pulaski 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 proposed water rates as set out in Section 27 of the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

Western Pulaski 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  
[wrjones@rubinhays.com](mailto:wrjones@rubinhays.com)

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF PULASKI )

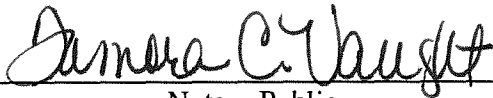
The undersigned, Don Calder, being duly sworn, deposes and states that he is the Chairman of the Board of Commissioners of the Western Pulaski County Water District, Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true 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.

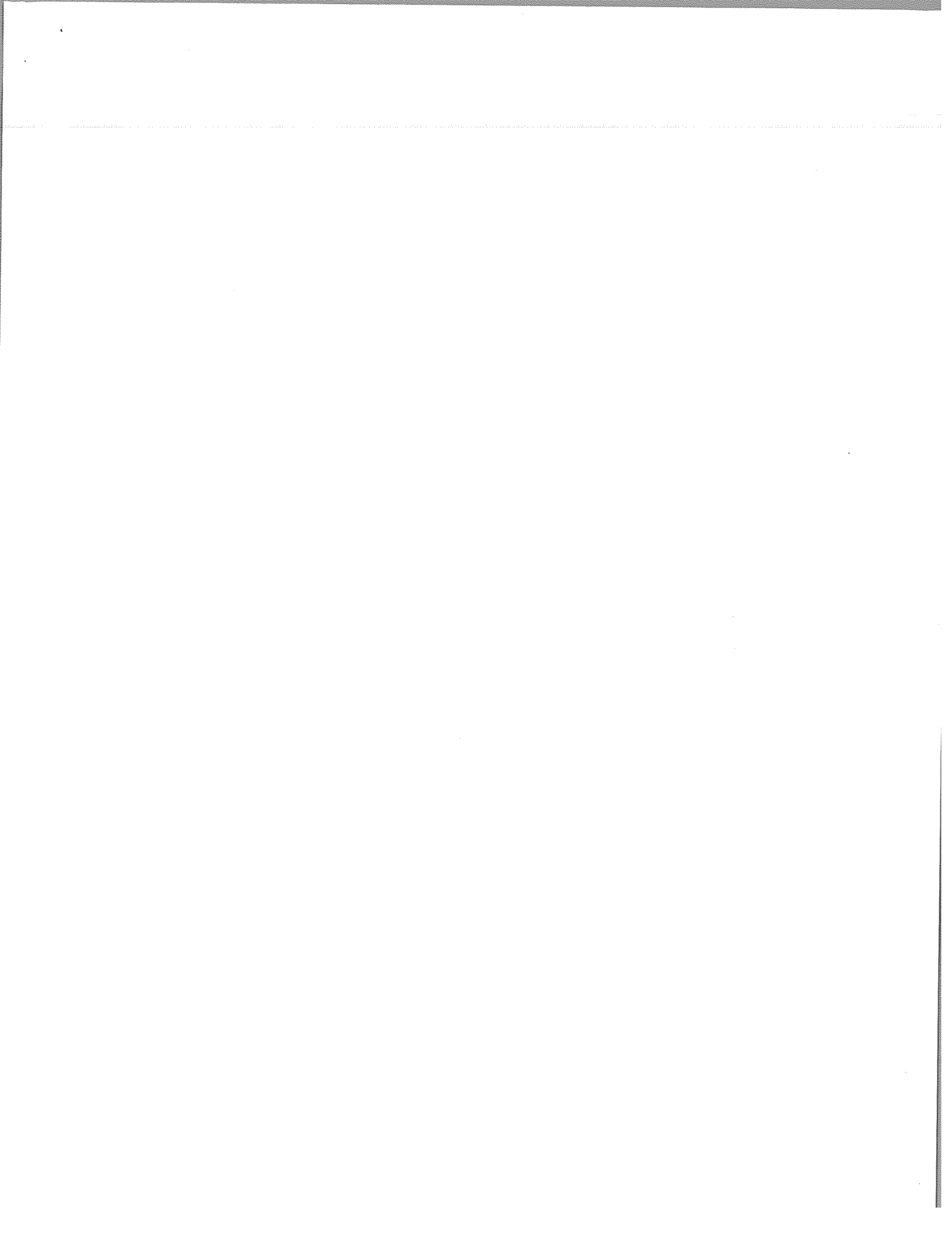
IN TESTIMONY WHEREOF, witness the signature of the undersigned on this April 23, 2014.

  
\_\_\_\_\_  
Don Calder, Chairman  
Western Pulaski County Water District

Subscribed and sworn to before me by Don Calder, Chairman of the Board of Commissioners of the Western Pulaski County Water District, on this April 23, 2014.

My Commission expires: 10/27/2017.

  
\_\_\_\_\_  
Notary Public





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 1<sup>st</sup> and July 1<sup>st</sup>) 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 circular stamp or mark.

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



Rural Development April 16, 2014

Kentucky State Office

771 Corporate Drive, Suite 200 Lexington, KY 40503

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

Voice 859.224.7300 Fax 859.224.7425 TTY 859.224.7422

Re: Letter of Conditions Dated December 20, 2011

Dear Mr. Calder:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated December 20, 2011. The purpose of this amendment is to revise the water rates to reflect an increase in wholesale water cost.

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" Meter:

First 2,000 gallons @ \$ 15.34. - Minimum Bill. All Over 2,000 gallons @ \$ 5.82. - per 1,000 gallons.

1" Meter:

First 10,000 gallons @ \$ 61.90. - Minimum Bill. All Over 10,000 gallons @ \$ 5.82. - per 1,000 gallons.

1 1/2" Meter:

First 15,000 gallons @ \$ 91.00. - Minimum Bill. All Over 15,000 gallons @ \$ 5.82. - per 1,000 gallons.

2" Meter:

First 20,000 gallons @ \$ 120.10. - Minimum Bill. All Over 20,000 gallons @ \$ 5.82. - per 1,000 gallons.

3" Meter:

First 30,000 gallons @ \$ 178.30. - Minimum Bill. All Over 30,000 gallons @ \$ 5.82. - per 1,000 gallons. "

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint\_filing\_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas G. Fern", written over a printed name.

THOMAS G. FERN  
State Director

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: Jeff Derouen - Frankfort, Kentucky







United States Department of Agriculture

Rural Development April 21, 2014

Kentucky State Office

771 Corporate Drive,  
Suite 200  
Lexington, KY  
40503

**SUBJECT: Western Pulaski Water District  
Waterline Extensions  
Contract Award Concurrence**

Voice 859.224.7300  
Fax 859.224.7425  
TTY 859.224.7422

**TO: Area Office  
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 on Contract 1, D & H contracting, Inc., in the amount of \$328,579.00, and the low bidder on Contract 2, HTI, Inc., in the amount of \$512,700.00.

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, Inc.  
Lawrenceburg, KY

~~Randy Jones~~  
Louisville, Kentucky

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html), or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov).



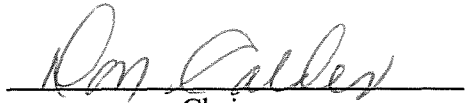
**CERTIFICATE OF CHAIRMAN OF  
WESTERN PULASKI COUNTY WATER DISTRICT,  
AS TO STATEMENT REQUIRED BY SECTION 2(6) OF 807 KAR 5:069**

I, the undersigned, 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 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, I hereby certify as follows:

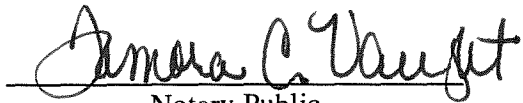
1. That the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.
2. That all other state approvals and/or permits have been obtained.
3. That the rates proposed by the District in its current Application filed with the Kentucky Public Service Commission are contemplated to produce total revenue requirements recommended 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, 2014, and will end on or about June 1, 2015.

IN TESTIMONY WHEREOF, witness my signature this April 23, 2014.

  
\_\_\_\_\_  
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 April 23, 2014.

  
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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 (“PSC”) as set out in 807 KAR 5:069, Section 3, notice is hereby given to the customers of the Western Pulaski County Water District (the “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 (“RD”) in connection with a loan by RD to the District in the principal amount of \$1,400,000 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**

<u>5/8 x 3/4 inch Meters</u>		<u>Monthly Rate</u>
First	2,000 gallons	\$14.34 minimum bill
All over	2,000 gallons	5.82 per 1,000 gallons
 <u>1 inch Meters</u>		
First	10,000 gallons	\$60.90 minimum bill
All over	10,000 gallons	5.82 per 1,000 gallons
 <u>1-1/2 inch Meters</u>		
First	15,000 gallons	\$90.00 minimum bill
All over	15,000 gallons	5.82 per 1,000 gallons
 <u>2 inch Meters</u>		
First	20,000 gallons	\$119.10 minimum bill
All over	20,000 gallons	5.82 per 1,000 gallons
 <u>3 inch Meters</u>		
First	30,000 gallons	\$177.30 minimum bill
All over	30,000 gallons	5.82 per 1,000 gallons

### Proposed Monthly Water Rates

<u>5/8 x 3/4 inch Meters</u>		<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First	2,000 gallons	\$15.34 minimum bill	\$1.00	6.97%
All over	2,000 gallons	5.82 per 1,000 gallons	0.00	0.00

<u>1 inch Meters</u>		<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First	10,000 gallons	\$61.90 minimum bill	\$1.00	1.64%
All over	10,000 gallons	5.82 per 1,000 gallons	0.00	0.00

<u>1-1/2 inch Meters</u>		<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First	15,000 gallons	\$91.00 minimum bill	\$1.00	1.11%
All over	15,000 gallons	5.82 per 1,000 gallons	0.00	0.00

<u>2 inch Meters</u>		<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First	20,000 gallons	\$120.10 minimum bill	\$1.00	0.84%
All over	20,000 gallons	5.82 per 1,000 gallons	0.00	0.00

<u>3 inch Meters</u>		<u>New Monthly Rate</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
First	30,000 gallons	\$178.30 minimum bill	\$1.00	0.56%
All over	30,000 gallons	5.82 per 1,000 gallons	0.00	0.00

The proposed monthly water rates shall be effective for water sold after the date of the final approving Order of the PSC, which Order is expected to be issued with 30 days of the filing of the Application.

The amount of average usage and the effect upon the average bill for each customer classification to which the proposed rates will apply is as follows:

<u>Customer Classification</u>	<u>Average Usage</u>	<u>Average Bill based on Current Rates</u>	<u>Average Bill based on Proposed Rates</u>
5/8 x 3/4 meter	5,000 gallons	\$31.80	\$32.80
1 inch meter	19,500 gallons	\$116.19	\$117.19
1-1/2 inch meter	no users	\$0	\$0
2 inch meter	69,000 gallons	\$404.28	\$405.28
3 inch meter	no users	\$0	\$0

The Application for approval of the rate change has been filed with the PSC and may be examined during normal business hours at the following locations: (i) Western Pulaski County Water District office, 1059 West Highway 80, Somerset, Kentucky; (ii) PSC, 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., E.T.; and (iii) via the PSC website at <http://psc.ky.gov>. Comments regarding the Application may be submitted to the PSC via its website or by mail to PSC, P.O. Box 615, Frankfort, Kentucky 40602.

The proposed rates are required under the terms of an agreement between the District and RD and KRS 278.023 does not grant the PSC any discretionary authority to modify or reject any portion of the agreement between the District and RD, or to defer the issuance of all necessary orders to implement the terms of the agreement.

The RD loan proceeds will be used in conjunction with a \$522,000 RD grant to finance the cost of the construction and/or installation of (i) approximately 22,860 linear feet of 3 and 4 PVC waterline and appurtenances; and (ii) a new Supervisory Control and Data Control (“SCADA”) system which will oversee all activities at the SCADA remote sites (pump stations, tanks and master meters). Signed, Don Calder, Chairman, Western Pulaski County Water District.