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JUL 22 2016

Public Service
Commission

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**THE APPLICATION OF BATH COUNTY WATER)
DISTRICT FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO CONSTRUCT) CASE NO. ____
AND FINANCE IMPROVEMENT PROJECTS)
PURSUANT TO KRS 278.020 and 278.300)**

A P P L I C A T I O N

This Application of the Bath County Water District (the "Applicant") of Bath County, Kentucky, respectfully shows:

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

2. The District's office address is PO Box 369, 21 Church Street, Salt Lick KY 40371. Email address is bathcowater@roadrunner.com.

3. That Applicant, pursuant to the provisions of KRS 278.020(1) seeks (i) a Certificate of Public Convenience and Necessity, permitting Applicant to construct a waterworks construction project, consisting of extensions, additions, and improvements (the "Project") to the existing waterworks system of Applicant and (ii) approval of the proposed plan of financing said Project.

4. The water system improvements projects consist of:

Contract No. 4 – Scattered Site Improvements Project.

5. That Applicant proposes to finance the construction of the Project through a 20 year loan from the Kentucky Infrastructure Authority Fund F (Fund F funds may be federal funds but could also be non-federal) in the amount of \$925,470 at 0.75 percent interest and a contribution of \$137,666 by the District.

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

7. That Applicant files herewith the following Exhibits pursuant to 807 KAR 5:001 in support of this Application.

A. Copy of KIA Conditional Commitment Letter,

- B. A full description of the proposed location of the new construction and map showing the location; Engineering plans and specifications signed by a Kentucky registered Engineer; As Bid project budget; and Certified Bid Tabs. The Drinking Water State Revolving Loan Handbook is followed regarding required documents. It does not require a preliminary or final engineering report. Therefore neither have been prepared.
- C. Estimated cost of operation of proposed facilities once new facilities are in service.
- D. Estimated construction costs by Uniform System of Accounts.
- E. Request that the Bath County Water District's 2015 Annual Report, which is on file with the Commission, be incorporated by reference into the application and request a deviation from 807 KAR 5:001, Section 11 to permit the 2015 Annual Report to substitute as the required financial exhibit.
- F. Additional Financial Information
- G. Certified statement from the Chairman of the District based upon statements of the Engineers for the District, 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; Sections 8(1) through (3); Section 9(1) and Section 10;
 - (2) All other state approvals or permits have already been obtained;
 - (3) Setting out the dates when it is anticipated that construction will begin and end.

8. That the foregoing constitutes the documents necessary to obtain the approval of the Public Service Commission in accordance with Section 278.020 and Section 278.0300 of the Kentucky Revised Statutes and in accordance with the "Filing Requirements" specified in 807 KAR 5:001, Section 9.

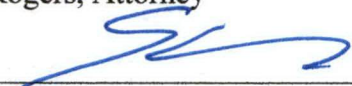
WHEREFORE, the Applicant, Bath County Water District asks that the Public Service Commission of Kentucky grant to the Applicant the following:

- a. A Certificate of Public Convenience and Necessity permitting Applicant to construct a waterworks project consisting of extensions, additions, and improvements to the existing waterworks system of Applicant.
- b. An Order approving the financing arrangements made by Applicant, utilizing a \$925,470 loan and a \$137,666 contribution by the District.

BATH COUNTY WATER DISTRICT

By: Marvin R Crouch
Chairperson, BCWD


Earl Rogers, Attorney

By: 
Earl Rogers, Attorney
CAMPBELL ROGERS & HILL, PLLC
154 FLEMINGSBURG RD
MOREHEAD, KY 40351
(606) 783-1012
(606) 784-8926 FAX

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF BATH)

The undersigned, Marvin Crouch, being duly sworn, deposes and states that he is the Chair of the Bath County Water District, Applicant; 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 21 day of July 2016.


Marvin Crouch, Chair
Bath County Water District

Subscribed and sworn to before me by Marvin Crouch, Chair of the Bath County Water District, on this 21 day of July 2016.

My Commission expires: 7/21/2019

Kenneth Barker
Notary Public,
In and for said County and
State

Bath County Water District

POST OFFICE BOX 369
SALT LICK, KENTUCKY 40371
TELEPHONE: (606) 683-6363
TDD/TTY 1-800-648-6056

July 15, 2016

Ms. Talina R. Mathews
Executive Director
KY Public Service Commission
PO Box 615
Frankfort KY 40602

RE: Certificate of Public Convenience and Necessity


Dear Ms. Mathews:

As Chairperson of the Bath County Water District I certify that the proposed plans and specifications for our Scattered Site System Improvements Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) ; Section 5(1); Sections 6 and 7; Sections 8(1) through (3); Section 9(1) and Section 10.

We have obtained approval from the Kentucky Division of Water and the approval letter is included. No other approvals are required except for the Certificate of Public Convenience and Necessity.

The bids were opened April 25, 2016 and are good until July 24, 2016; construction is to take 180 days once we execute contracts. The District will sign contracts on July 21, but will not issue the Notice to Proceed until after receiving the Certificate of Convenience and Necessity.

Sincerely,


Marvin Crouch
Chairperson

Bath County Water District

Application for Certificate of Convenience and Necessity

Project Description

This project will replace approximately 11,690 LF of existing low pressure class waterline with 6" PVC waterline along Kentucky Highway 36 from the intersection of Kentucky Highway 965, Hart Pike (north of Kentucky Highway 36) running in a northwesterly direction to the intersection of Kentucky Highway 965 (south of Kentucky Highway 36). From there, the continuation of the waterline replacement extends approximately 8,410 LF along Kentucky Highway 965 in a southerly direction to the intersection of Blevins Valley Road. A new extension of 6" waterline will be constructed beginning at the Kentucky Highway 965 and Blevins Valley Road intersection, running alongside Blevins Valley Road approximately 1,900 LF, to the intersection with Vista Lane where the extension will tie-in to an existing 8" waterline. The 1,900 LF extension will create a connection between two waterline segments, thus allowing for increased hydraulic flow to the Preston pump station. The section of waterline to be replaced has experienced several waterline breaks resulting in significant water loss. This section of waterline replacement/extension totals constructing approximately 22,000 LF of 6" waterline.

Another section of existing waterline parallel to Kentucky Highway 36 will also be upgraded. Undersized existing 4" PVC waterline will be replaced with 6" PVC waterline beginning at the intersection of Kentucky Highway 36 and Pine Grove Road and continuing in a northwesterly direction alongside Kentucky Highway 36 approximately 8,250 LF to the intersection of Kentucky Highway 36 and Pendleton Branch Road. The replacement of this section of waterline will allow for increased flow availability from the City of Frenchburg in an emergency situation.

Additionally, work will be completed at three pump stations within the District's distribution system. The Dickerson Hill pump station will be rehabbed. As part of the rehab work to be completed, this pump station will be fitted with new interior piping, the replacement of pumps, new variable frequency drive (VFD) controls, and the elimination of existing bladder tanks. The replacement of pumps and addition of VFD controls will make this pump station energy efficient. Work to be completed at the White Oak pump station will include a new structure located beside of the existing pump station building. All new interior components will be added to the new structure; including high efficiency pumps with VFD controls. The old pump station building will be demolished upon completion of the new facility. Both of these pump station projects will increase water pressure in areas of the system where it is needed. The installation of a permanent 150 kW backup generator at the Ore Mines pump station is the final piece to the project. The Ore Mines pump station is a critical facility to the District's operation. Approximately 3,500 customers within the District and two wholesale customers (City of Owingsville and Sharpsburg Water District) are directly served through this station. If the Ore Mines pump station loses power, thousands of Bath County Water District customers, the City of Owingsville's customers, and the majority of Sharpsburg Water District's customers would be without water service. Installing a permanent backup generator at the location will guarantee uninterrupted water service to the majority of the citizens within Bath County.

This project will replace a leak prone area of water distribution line that serves several households in Bath County. The replacement of this waterline will allow Bath County Water District to provide safe drinking water due to leak prevention and the need for boiled water advisories. The replacement of this leak prone section of waterline will allow the District to reduce water loss thereby containing operational costs.

The project is also needed to increase flow from an alternative water source during an emergency, replace/modify existing improperly sized pump stations and provide backup power to a primary pump station. All of these components aid in ensuring the District can provide adequate water supply to their customers even in times of power outages.

Attached:

- Project area maps
- Engineering Plans and Specifications (one paper copy provided and one CD with plans & specifications)
- As-bid Budget
- Certified Bid Tabs

Estimated Cost of Operation of Proposed Facilities Once New Facilities are in Service:

	2015 Expenses	After Construction Budget¹:
Operation & Maintenance Expenses	\$1,553,836	\$1,553,836 ²
Depreciation Expense	\$355,075	\$383,450
Amortization Expense	\$0.00	\$0.00
Taxes Other than Income	\$27,944	\$27,944
Net Utility Operating Expenses	\$1,936,855	\$1,965,230

¹Construction is estimated to take 180 days. The project will be complete in year 2017.

² This project will replace water lines prone to breaking, resulting in less water loss. The pump stations replaced and upgraded will have variable frequency drives which will results in less energy consumption. No increase in operating cost is expected because of this project. It is expected, but difficult to quantify, that the District will realize savings because of a reduction in the amount of water that will be purchased from its supplier and from purchasing less electricity.

Estimated Construction Costs by Uniform System Of Accounts:

Account Number	Description	Construction Cost
311	Pump Stations	\$181,930.99
331	Transmission & Distribution Mains	\$510,106.15
334	Installation	\$45,075.90
335	Hydrants	\$8,762.75
345	Generator	\$81,976.72
	Total Cost:	\$827,852.51

Additional Financial Information

KAR 5:001

Section 17(1)(a) Description of Property:

A description of the utility's property can be found in the annual report that the District has requested be incorporated by reference into its application.

Section 17(2)(a) Financial Exhibit:

See information in Section 6(1)-6(9)

Section 17(2)(b) Trust Deed or Mortgages

The District owns its office, water storage tank and pump station sites. If the PSC needs the deeds to these sites, they will be provided on request.

Sections 6(1), 6(2), 6(3)

Not applicable – no stock is to be issued.

Section 6(4)

Not applicable – no mortgage will be obtained for this project.

Section 6(5) Bonds

The District has the following bond issues all single, non-negotiable bonds in fully registered form payable to the US Department of Agriculture, Rural Development and secured by a pledge of lien on the revenues of the District:

Date of Issue	Amount of Issue	Date of Maturity
2004	\$500,000	2044
2006	\$1,039,000	2045
2009	\$259,000	2049

The total interest paid on long term debt in FY 2015 was \$112,716.00.

Section 6(6) Notes Outstanding

The District has no notes outstanding at this time. However the financing proposed for the Scattered Site System Improvements is a loan from the Kentucky Infrastructure Authority. The loan is in the amount of \$925,470.00 at 0.75% interest for 20 years. The District is contributing \$137,666 to the project.

Section 6(7) Other Indebtedness

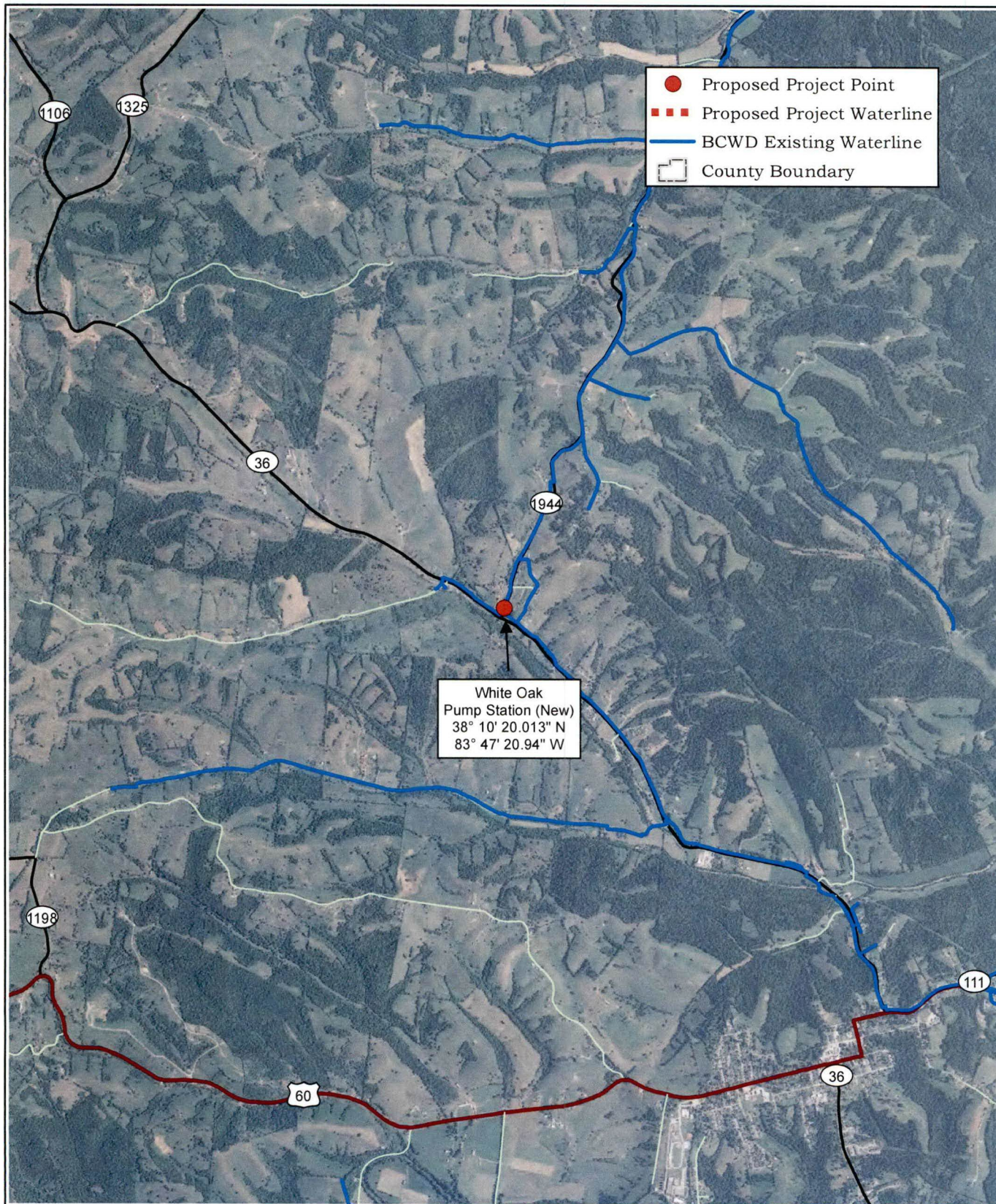
Not Applicable – the District has no other indebtedness

Section 6(8)

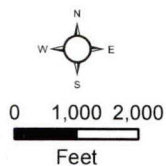
Not Applicable – the District is a public non-profit organization and does not pay dividends.

Section 6(9)

Please see the 2015 PSC Annual Report



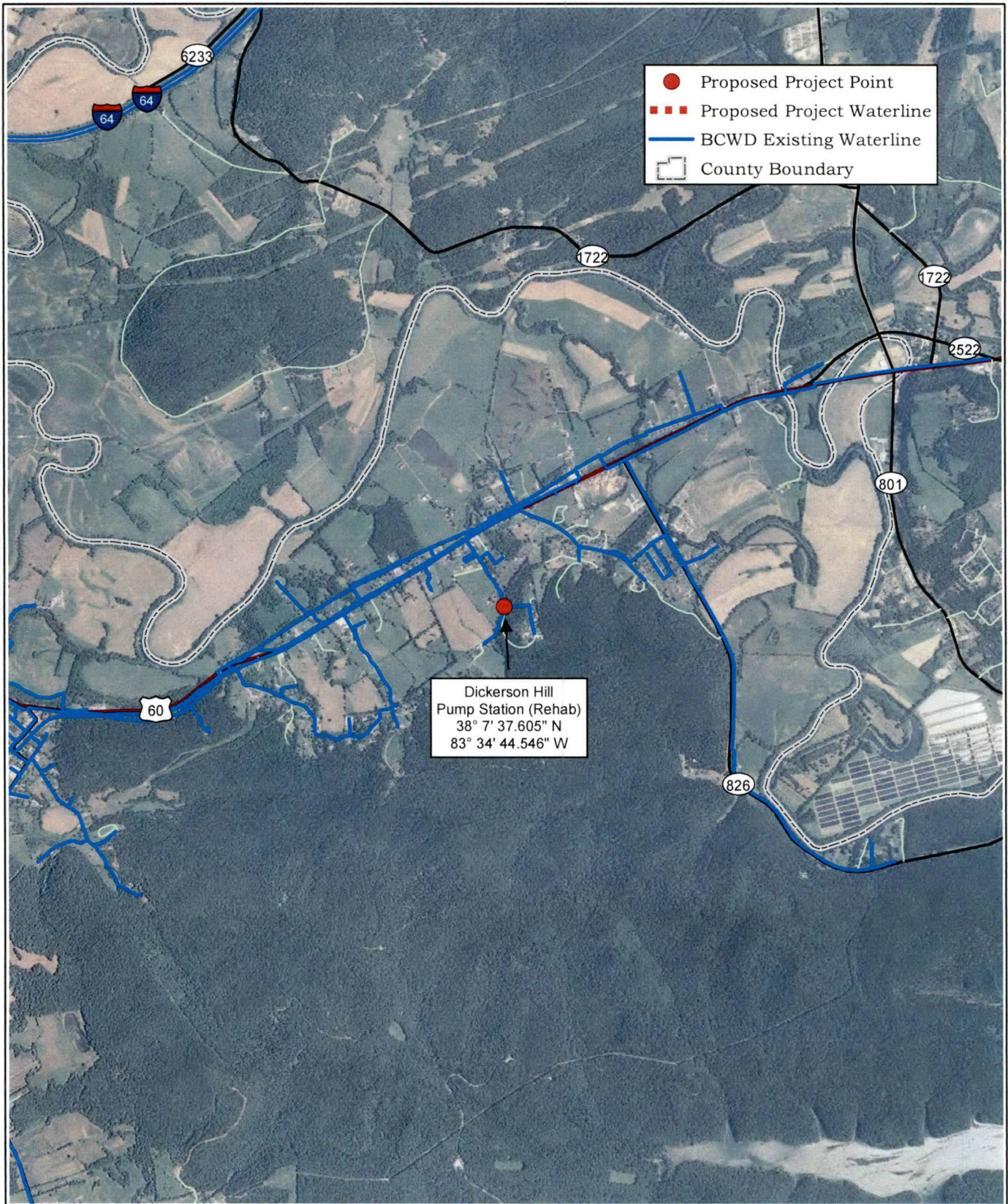
Bath County Water District
 Scattered Site System
 Improvements 2015
 (White Oak Pump Station)



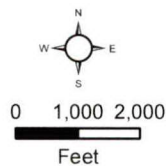
GEOGRAPHIC INFORMATION SYSTEMS
 GATEWAY AREA DEVELOPMENT DISTRICT
 110 Lake Park Dr • Morehead • Kentucky • 40351 • 606.780.0090
 Joshua Farrow • Community Mapping Technician • www.gadd.org



All mapped information is believed accurate but is not guaranteed without error. While attempts have been made to ensure the correctness of the information presented, the Gateway Area Development District does not guarantee accuracy, completeness, or suitability for a particular use. Information herein should be independently verified. If you have any questions please contact Joshua Farrow, GIS Coordinator, Gateway Area Development District, 110 Lake Park Drive, Morehead, Kentucky, 40351.



Bath County Water District
Scattered Site System
Improvements 2015
(Dickerson Hill Pump Station)



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Bath County Water District
Scattered Site System
Improvements 2015
(Ore Mines Pump Station)



0 1,000 2,000
Feet

GEOGRAPHIC INFORMATION SYSTEMS
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**Part III - Budget Information
Project Cost Summary**

Project Title: Scattered Site System Improvements 2015

WRIS# WX21022034

Project Budget: Estimated

As Bid

4/25/2016

Revised

Cost Classification		Fund A KIA Loan	Funding Source 1	Funding Source 2	Funding Source 3	Funding Source 4	Funding Source 5	Local Funds	Unfunded Costs	Total
1	Administrative Expenses	16,736								16,736
2	Legal Expenses									-
3	Land, Appraisals, Easements									-
4	Relocation Expense & Payments									-
5	Planning									-
6	Engineering Fees - Design	75,630								75,630
7	Engineering Fees - Construction									-
8	Engineering Fees - Inspection	49,200								49,200
9	Engineering Fees - Other									
10	Construction	783,904						43,949		827,853
11	Equipment									-
12	Miscellaneous							12,000		12,000
13	Contingencies							81,717		81,717
Total		925,470	-	-	-	-	-	137,666	-	1,063,136

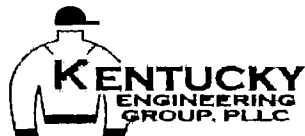
Funding Sources		Amount	Date Committed
1			
2		-	
3		-	
4		-	
5		-	
Total		-	

Local Funding Sources		Amount	Date Committed
1	Bath County Water District	137,666	4/25/2016
2			
3			
Total		137,666	

Construction Cost Categories	Funding Source	Total Cost
Treatment		
Transmission and Distribution	SRF/Local	827,853
Source		
Storage		
Purchase of Systems		
Restructuring		
Land Acquisition		
TOTAL CONSTRUCTION COSTS		827,853

Total Funding

1,063,136



BID TABULATION
 Contract No. 4 - Scattered Site Improvements Project
 Bath County Water District
 Bath County, Kentucky
 KBG Project No. 15029
 BID OPENING: Monday, April 25, 2016, 11:00 am EST

			Engineer's Estimate		G & W Construction Morehead, KY		Thompson Bros. Const Hillsboro, KY		Beauty Ridge Const. South Shore, KY		AVERAGE BID AMOUNTS	
Item No.	Description	Quantity Unit	\$ / Unit	Bid Amount	\$ / Unit	Bid Amount	\$ / Unit	Bid Amount	\$ / Unit	Bid Amount	\$ / Unit	Bid Amount
1	6" PVC Water Main SDR 17, Class 250	31,610 LF	\$ 13.50	\$ 426,735.00	\$ 11.69	\$ 369,520.90					\$ 11.69	\$ 369,520.90
2	6" D.I.P. Water Main Class 350	800 LF	\$ 18.00	\$ 14,400.00	\$ 21.85	\$ 17,480.00					\$ 21.85	\$ 17,480.00
3	3" PVC Water Main SDR 17, Class 250	50 LF	\$ 6.50	\$ 325.00	\$ 11.55	\$ 577.50					\$ 11.55	\$ 577.50
4	2" PVC Water Main SDR 17, Class 250	355 LF	\$ 5.50	\$ 1,952.50	\$ 11.04	\$ 3,919.20					\$ 11.04	\$ 3,919.20
5	PVC Casing Pipe Across Gas Main	100 LF	\$ 100.00	\$ 10,000.00	\$ 39.07	\$ 3,907.00					\$ 39.07	\$ 3,907.00
6	Highway Bore w/Steel Casing Pipe	140 LF	\$ 150.00	\$ 21,000.00	\$ 120.01	\$ 16,801.40					\$ 120.01	\$ 16,801.40
7	Open Cut W/ Steel Casing Pipe	30 LF	\$ 60.00	\$ 1,800.00	\$ 61.66	\$ 1,849.80					\$ 61.66	\$ 1,849.80
8	12" HDPE Water Main, Directional Drilled	400 LF	\$ 180.00	\$ 72,000.00	\$ 131.15	\$ 52,460.00					\$ 131.15	\$ 52,460.00
9	Creek Crossing	110 LF	\$ 100.00	\$ 11,000.00	\$ 63.48	\$ 6,982.80					\$ 63.48	\$ 6,982.80
10	8" G.V. & Box	1 EA	\$ 850.00	\$ 850.00	\$ 1,373.58	\$ 1,373.58					\$ 1,373.58	\$ 1,373.58
11	6" G.V. & Box	20 EA	\$ 650.00	\$ 13,000.00	\$ 982.08	\$ 19,641.60					\$ 982.08	\$ 19,641.60
12	3" G.V. & Box	2 EA	\$ 500.00	\$ 1,000.00	\$ 692.97	\$ 1,385.94					\$ 692.97	\$ 1,385.94
13	2" G.V. & Box	3 EA	\$ 400.00	\$ 1,200.00	\$ 586.40	\$ 1,759.20					\$ 586.40	\$ 1,759.20
14	6" G.V. & Box w/Bypass Meter	1 EA	\$ 1,000.00	\$ 1,000.00	\$ 1,632.77	\$ 1,632.77					\$ 1,632.77	\$ 1,632.77
15	Cut & Plug Exist. W.M.	2 EA	\$ 2,000.00	\$ 4,000.00	\$ 522.84	\$ 1,045.68					\$ 522.84	\$ 1,045.68
16	Connection to Existing W.M.	9 EA	\$ 2,500.00	\$ 22,500.00	\$ 1,085.42	\$ 9,768.78					\$ 1,085.42	\$ 9,768.78
17	Blowoff Hydrant Assembly	3 EA	\$ 4,500.00	\$ 13,500.00	\$ 1,534.00	\$ 4,602.00					\$ 1,534.00	\$ 4,602.00
18	Flushing Hydrant Assembly	1 EA	\$ 4,500.00	\$ 4,500.00	\$ 4,160.75	\$ 4,160.75					\$ 4,160.75	\$ 4,160.75
19	Customer Service Reconnect	50 EA	\$ 800.00	\$ 40,000.00	\$ 420.17	\$ 21,008.50					\$ 420.17	\$ 21,008.50
20	New Customer Service	28 EA	\$ 1,200.00	\$ 33,600.00	\$ 859.55	\$ 24,067.40					\$ 859.55	\$ 24,067.40
21	White Oak PS Replacement	1 EA	\$ 100,000.00	\$ 100,000.00	\$ 120,555.37	\$ 120,555.37					\$ 120,555.37	\$ 120,555.37
22	Existing White Oak PS Demolition	1 EA	\$ 5,000.00	\$ 5,000.00	\$ 2,500.00	\$ 2,500.00					\$ 2,500.00	\$ 2,500.00
23	Dickerson PS Upgrades	1 EA	\$ 10,000.00	\$ 10,000.00	\$ 58,875.62	\$ 58,875.62					\$ 58,875.62	\$ 58,875.62
24	Ore Mines PS Backup Generator	1 EA	\$ 65,000.00	\$ 65,000.00	\$ 81,976.72	\$ 81,976.72					\$ 81,976.72	\$ 81,976.72
TOTAL CALCULATED BID AMOUNT (Not Including Alternate Items)			\$ 874,362.50		\$ 827,852.51		\$ -		\$ -		\$ 563,944.80	

*Numbers in Red Indicate Errors in Contractor's Bid Amount Calculations

I certify that this is true and accurate tabulation of the bids.

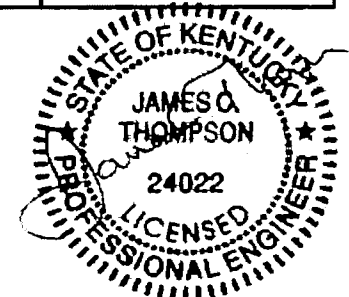
The above is a true and complete tabulation of the bids received at 11:00 a.m. local time, Monday, April 25, 2016 at the Bath County Water District Office, Salt Lick, Kentucky.

KENTUCKY ENGINEERING GROUP, PLLC

By

James C. Thompson

James C. Thompson, PE





Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

John E. Covington III
Executive Director

September 3, 2015

Bath County Water District
Marvin Crouch, Chairman
P.O. Box 369
Salt Lick, KY 40371

**KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F16-011)**

Dear Chairman Crouch:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On September 3, 2015, the Authority approved your loan for the Scattered Site System Improvements 2015 project, subject to the conditions stated below. The total cost of the project shall not exceed \$925,470 of which the Authority loan is the sole source of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Bath County Water District upon satisfactory performance of the conditions set forth in this letter. You must meet the conditions set forth in this letter and enter into an Assistance Agreement by September 3, 2016 (twelve months from the date of this letter). A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$925,470.

2. The loan shall contain principal forgiveness in the amount of 25 percent, but not to exceed \$231,368. Amortized loan and forgiveness amounts will be based on actual project costs drawn from the Authority.
 3. The loan shall bear interest at the rate of 0.75 percent per annum commencing with the first draw of funds.
 4. Interest shall be payable on the unforgiven amount of actual funds received. The first payment shall be due on June 1, or December 1, immediately succeeding the date of the initial draw of funds, provided that if such June 1, or December 1, shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1, or December 1, which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
 5. Full principal payments will commence on the appropriate June 1, or December 1, within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
 6. The loan shall be repaid over a period not to exceed 20 years from the date of initiation of operation for the project.
 7. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
 8. Loan funds will only be disbursed after execution of the Assistance Agreement as project costs are incurred.
 9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
 10. Fund "F" loan funds may be considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. Please note that the guidance for single audit requirements changed for
-

calendar or fiscal years beginning after December 26, 2014. Please consult with your independent auditor as soon as possible to understand how the changes will affect you.

11. The Authority requires an annual financial audit be provided for the life of the loan.
12. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
4. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the State's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. Any special conditions listed in Attachment A must be satisfied before the project is presented before the Committee.
5. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
6. The Borrower must complete and return the attached "Authorization for Electronic Deposit of Vendor Payment" form to the Authority.

7. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.
8. Prior to project bid, an environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds.
9. Technical plans and specifications and a complete DWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
10. All easements or purchases of land shall be completed prior to commencement of construction. Clear Site Certification of all land or easement acquisitions shall be provided to the Division of Water. DOW representatives shall be notified for attendance of the pre-construction conference.
11. Project changes or additions deviating from the original scope of work described in the Project Profile may require a new or amended environmental review and change order review before they can be included in the DWSRF loan project.
12. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.
13. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
14. The Borrower shall comply with all Davis Bacon related monitoring and reporting and require all contractors to pay wages pursuant to applicable prevailing wage rates (federal or state) for all work relating to the subject Project.
15. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.
16. If the project has a "Green Reserve" component, the Borrower must

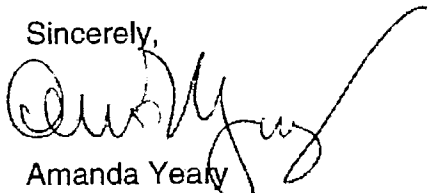
submit a Business Case, if required.

17. Based on the final "as-bid" project budget, the Borrower must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by the consulting engineer.
18. The project shall comply with American Iron and Steel requirements of The Consolidated Appropriations Act of 2014 (H.R. 3547), which became effective January 17, 2014, unless engineering plans and specifications were approved by the Division of Water prior to the effective date.

Any special conditions stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



Amanda Yeary
Kentucky Infrastructure Authority

Attachments

cc: Joshua A. Farrow, Gateway Area Development District
James C. Thompson, Kentucky Engineering Group PLLC
Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State Local Debt Office, DLG
Borrower File - Bath County Water District - F16-011

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization for Electronic Deposit of Vendor Payment" Form.

Chairman Crouch
September 3, 2015
Page 6

Maria L. Crouch
Accepted

9/04/15
Date

Personal or sensitive information was discovered in this filing. Page 22 "AUTHORIZATION FOR ELECTRONIC DEPOSIT OF BORROWER PAYMENT KENTUCKY INFRASTRUCTURE AUTHORITY" has been removed . A redacted version of the page is expected.

ldm 07/26/2016

TRANSPARENCY ACT REPORTING INFORMATION FORM

CLEAN WATER STATE REVOLVING FUND AND DRINKING WATER STATE REVOLVING FUND

This form is required for projects funded in whole or in part from the Clean Water State Revolving Fund or the Drinking Water State Revolving Fund. This form is to be completed and returned with the signed Conditional Commitment Letter from the Kentucky Infrastructure Authority.

Borrower Information:

Name:	Bath County Water District
Data Universal Numbering system (DUNS) No.*:	155866874
KIA Loan Number:	F16-011
Street Address	21 Church Street
City, State and Zip (Zip must include 4 digit extension)	Salt Lick KY 40371
Federal Congressional District(s) of Borrower Utility Service Area:	6th Precinct in 5th

*If the DUNS No. provided above is registered under a different name than the recipient of funding, please provide the registration name below:

DUNS Name	
-----------	--

*If the recipient has not yet obtained a DUNS Number, please do so no later than 30 days after the KIA Board approval date of your loan request and provide notification to KIA of the number once issued. For instructions on DUNS registration, please contact jeff.abshire@ky.gov.

Physical Location of Project (Primary Place of Performance)

Street Address	Various areas of Bath County
City, State and Zip (Zip must include 4 digit extension)	Dwightville Ky 40360
Federal Congressional District(s) of Project Location	6th

Reliance upon Federal Assistance (please answer the below questions Yes or No):

Did recipient receive 80% or more of its annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards) during the last fiscal year?	No
Did recipient receive \$25 million or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards) during the last fiscal year?	No
Does the public have access to compensation of senior executives of the recipient through periodic reports filed under Section 13A or 15D of the Securities Exchange Act of 1934 or Section 6104 of the Internal Revenue Code of 1986?	No

DUNS Registration Information: <http://fedgov.dnb.com/webform> OR 1-866-705-5711

Registration can be completed over the phone or via the web. Phone registration requests take approximately 10 minutes and are free. Internet requests are fulfilled within 24 hours.

ATTACHMENT A

**Bath County Water District
F16-011**

EXECUTIVE SUMMARY		Reviewer	Sarah Atken	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	September 3, 2015	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number	F16-011	
REVOLVING LOAN FUND		WRIS Number	WX21011034	
BORROWER		BATH COUNTY WATER DISTRICT BATH COUNTY		
BRIEF DESCRIPTION				
The Bath County Water District is requesting a Fund "F" loan in the amount of \$925,470 for the Scattered Site System Improvements 2015 project. The project will replace approximately 22,000 linear feet of 6 inch waterline due to significant water loss as result of multiple waterline breaks. In addition, approximately 8,250 linear feet of existing undersized waterline will be replaced with 6 inch PVC waterline. Lastly, this project will include rehabilitation of three pump stations within the District's distribution system to include a new structure that will replace the White Oak pump station.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$925,470	Administrative Expenses	RD Fee %	Actual %
		Eng - Design / Const	9.2%	8.6%
		Eng - Insp	6.1%	5.8%
		Construction		
		Contingency		
		Other		
TOTAL	\$925,470	TOTAL		\$925,470
REPAYMENT	Rate	0.75%	Est. Annual Payment	\$39,173
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Kentucky Engineering Group PLLC		
	Bond Counsel	Peck, Shaffer, & Williams, a division of Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Feb-16		
	Construction Start	May-16		
	Construction Stop	Nov-16		
DEBT PER CUSTOMER	Existing	\$496		
	Proposed	\$632		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	4,619	\$27.82	(for 4,000 gallons)
REGIONAL COORDINATION This project is consistent with regional planning recommendations.				
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2013	412,325	106,637	305,688	3.9
Audited 2014	497,713	158,587	339,126	3.1
Projected 2015	471,911	161,438	310,473	2.9
Projected 2016	449,336	159,348	289,988	2.8
Projected 2017	424,082	198,349	225,733	2.1
Projected 2018	400,740	191,322	209,418	2.1
Projected 2019	377,005	190,373	186,632	2.0
Projected 2020	352,869	189,873	162,996	1.9

Reviewer: Sarah Aitken
Date: September 3, 2015
Loan Number: F16-011

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND "F")
BATH COUNTY WATER DISTRICT, BATH COUNTY
PROJECT REVIEW
WX21011034**

I. PROJECT DESCRIPTION

The Bath County Water District is requesting a Fund "F" loan in the amount of \$925,470 for the Scattered Site System Improvements 2015 project. The project will replace approximately 22,000 linear feet (LF) of 6 inch waterline due to significant water loss as result of multiple waterline breaks. In addition, approximately 8,250 LF of existing undersized waterline will be replaced with 6 inch PVC waterline. Lastly, this project will include rehabilitation of three pump stations within the District's distribution system and include construction of a new structure that will replace one of the three pump station buildings.

The District provides services for Bath, Bourbon, Menifee, Montgomery, Nicholas, and Rowan counties. The District purchases water from Morehead Utility Plant Board, Mount Sterling Water and Sewer System, Owingsville Water and Sewer, and Frenchburg Water and Sewer. Bath County Water District is treated by Morehead Utility Plant Board and Mount Sterling Water and Sewer. The District supplies water to Owingsville Water and Sewer, Sharpsburg Water District, and Frenchburg Water and Sewer.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 16,736
Engineering Fees-Design/Const	67,570
Engineering Fees – Inspection	45,500
Construction	718,500
Contingency	65,164
Other	12,000
Total	\$ 925,470

III. PROJECT FUNDING

	Amount	%
Fund F Loan	\$ 925,470	100%
Total	\$ 925,470	100%

IV. KIA DEBT SERVICE

Construction Loan	\$	925,470
Less: Principal Forgiveness (25%)		231,368
Amortized Loan Amount	\$	694,102
Interest Rate		0.75%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	37,438
Administrative Fee (0.25%)		1,735
Total Estimated Annual Debt Service	\$	39,173

V. PROJECT SCHEDULE

Bid Opening	February 2016
Construction Start	May 2016
Construction Stop	November 2016

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	4,619
Commercial	0
Industrial	0
Total	4,619

B) Rates

	Current	Prior
Date of Last Rate Increase	01/15/15	05/17/13
First 2,000 Gallons	\$15.76	\$15.56
Next 3,000 Gallons	6.03	5.93
Next 5,000 Gallons	4.60	4.50
Next 10,000 Gallons	3.94	3.84
Next 30,000 Gallons	3.72	3.62
Over 50,000 Gallons	3.60	3.50
Cost for 4,000 gallons	\$27.82	\$27.42
Increase %	1.5%	
Affordability Index (Rate/MHI)	1.1%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2008-2012, the Utility's service area population was 8,944 with a Median Household Income (MHI) of \$31,166. The median household income for the Commonwealth is \$43,036. The project will qualify for a .75% interest rate because the utility's service

area MHI is below 80% of the State's MHI.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	347		10,025		June 2004	6.5%
1990	342	-1.4%	9,692	-3.3%	June 2009	15.6%
2000	342	0.0%	11,085	14.4%	June 2013	9.8%
2010	303	-11.4%	11,591	4.6%	June 2014	8.7%
Current	309	2.0%	11,732	1.2%		
Cumulative %		-11.0%		17.0%		

VIII. 2014 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - The Drinking Water capitalization grant does not contain a "green" requirement.
- 2) Additional Subsidization – This project does qualify for additional subsidization in the amount of \$231,368.

IX. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the audited financial statements for the years ended June 30, 2012 through 2014. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Revenues increased 14% from \$1,722,771 in 2012 to \$1,951,805 in 2014. Operating expenses increased 9% from \$687,334 to \$754,920. The debt coverage ratio was 3.5, 3.9 and 3.1 for 2012, 2013, and 2014, respectively.

The balance sheet reflects a current ratio of 7.2, a debt to equity ratio of 0.3 and the number of months of operating expenses in unrestricted cash is 12.8.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will be flat.
- 2) Expenses will increase 2% for inflation.
- 3) Debt coverage ratio will be 2.1 in 2017 when full principal and interest payments begin.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund F loan.

REPLACEMENT RESERVE

The annual replacement cost is \$2,300. This amount should be added to the replacement account each December 1 until the balance reaches \$23,000 and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity (Fiscal Year)
Bond Series 1977	\$ 21,000	2017
Bond Series 1982	\$ 44,000	2022
Bond Series 1988	\$ 209,000	2027
Bond Series 1991	\$ 68,700	2031
Bond Series 1994	\$ 206,500	2034
Bond Series 1998	\$ 160,500	2038
Bond Series 2004	\$ 451,500	2044
Bond Series 2006	\$ 948,000	2045
Bond Series 2009	\$ 247,000	2049
Total	\$ 2,356,200	

XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

None.

XII. CONTACTS

Legal Applicant	
Name	Bath County Water District
Address	PO Box 369 Salt Lick , KY, 40371
County	Bath
Authorized Official	Marvin Crouch
Phone	Chairman
Email	sgreenebathwater@roadrunner.com

Project Contact – Applicant / Administrator	
Name	Joshua A. Farrow
Representing	Gateway Area Development District
Address	110 Lake Park Drive Morehead, KY, 40351
Phone	606-780-0090
Email	joshua.farrow@ky.gov

Consulting Engineer

Name	James C. Thompson
Firm	Kentucky Engineering Group PLLC
Address	161 North Locust Street Versailles , KY, 40383
Phone	859-251-4127
Email	jthompson@kyengr.com

XIII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

BATH COUNTY WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)

	Audited 2012	Audited 2013	Audited 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019
Balance Sheet								
Assets								
Current Assets	1,502,673	1,873,017	1,940,897	2,003,002	2,060,969	2,106,146	2,148,029	2,185,356
Other Assets	11,047,054	10,837,796	10,562,869	10,504,062	11,306,448	11,108,822	10,898,145	10,589,239
Total	12,549,727	12,510,813	12,503,766	12,507,064	13,367,417	13,214,968	13,046,175	12,854,595
Liabilities & Equity								
Current Liabilities	251,282	262,767	270,498	274,408	280,381	279,516	284,317	289,183
Long Term Liabilities	2,460,091	2,406,840	2,349,203	2,283,903	2,909,906	2,845,905	2,780,405	2,713,406
Total Liabilities	2,711,373	2,669,607	2,619,701	2,558,311	3,190,286	3,125,421	3,064,722	3,002,589
Net Assets	9,838,354	9,841,206	10,004,065	9,948,753	10,177,161	10,089,547	9,981,453	9,852,007
Cash Flow								
Revenues	1,722,771	1,780,893	1,951,805	1,951,805	1,951,805	1,951,805	1,951,805	1,951,805
Operating Expenses	1,348,692	1,358,499	1,463,287	1,487,489	1,510,064	1,535,316	1,558,560	1,582,395
Other Income	5,409	8,851	11,195	7,595	7,595	7,595	7,595	7,595
Cash Flow Before Debt Service	379,488	412,325	497,713	471,911	449,336	424,082	400,740	377,005
Debt Service								
Existing Debt Service	107,284	106,637	158,587	161,438	159,348	159,178	162,149	161,200
Proposed KIA Loan	0	0	0	0	0	38,173	38,173	38,173
Total Debt Service	107,284	106,637	158,587	161,438	159,348	197,351	200,322	199,373
Cash Flow After Debt Service	272,204	305,688	339,126	310,473	289,988	226,733	200,418	186,632
Ratios								
Current Ratio	8.0	6.4	7.2	7.3	7.4	7.5	7.6	7.5
Debt to Equity	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Days Sales in Accounts Receivable	48.6	51.1	49.3	49.4	49.4	49.4	49.4	49.4
Months Operating Expenses in Unrestricted Cash	10.6	11.5	12.8	13.1	13.4	13.5	13.7	13.7
Debt Coverage Ratio	3.5	3.9	3.1	2.9	2.8	2.1	2.1	2.0