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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

FEB 21 2020

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE PETITION OF)
SOUTH EASTERN WATER ASSOCIATION) Case No. 2020-00049
FOR A CERTIFICATE OF CONVENIENCE)
AND NECESSITY, FINANCING)
AND ADJUSTMENT OF RATES)
PURSUANT TO KRS 278.023)

PETITION

South Eastern Water Association, by counsel, petitions for an order granting approval of construction, financing and rates pursuant to KRS 278.023.

1. South Eastern is a Kentucky non-profit corporation doing business in Kentucky operating a water distribution system in Pulaski county. The Association attests that it was incorporated in Kentucky on December 17, 1993 and that it is currently in good standing to operate. The association is not a partnership and has no assumed name. Its contact information is:

Joe D. Crawford, President
147 E. Somerset Church Rd.
Somerset, KY 42501
PH 606 678-5501
Fax 606 677-9664
sewawater@yahoo.com
Southeasternwater.org

2. It seeks approval pursuant to KRS 278.023 to construct and finance the improvements described in the Engineering Report and Addendum, which are attached as exhibit 1. An adjustment of rates as specified by RD is also proposed.

3. The following information is provided as required by 807 KAR 5:069 (1):

a. The preliminary and final engineering reports are attached as exhibit 1.

One paper copy and one PDF copy of the plans and specifications are provided. The

Association does not expect that the project will deviate from the minimum construction standards of the Commission.

b. A copy of the documents from the USDA with terms and conditions is attached as exhibit 2;

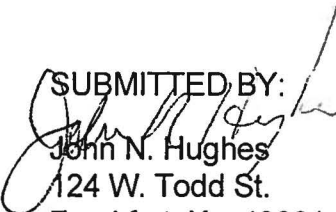
c. The RD Letter of Concurrence in Bid Award is attached as exhibit 3;

d. A certified statement that the plans and specifications meet all applicable regulations; that all state approvals have been obtained; that the proposed rates will produce the calculated rates; and providing the beginning date and completion date of construction is attached as exhibit 4.

e. Notice of proposed rates is being published as required by 807 KAR 5:069 and a copy is attached as exhibit 5. A copy of the affidavit of publication will be filed within 15 days. Public posting of the notice will be placed on the Association's website with a hyperlink to the Commission's website within five days of the filing of the application.

For these reasons, South Eastern requests that its application for the construction, financing and adjustment of rates be approved.

SUBMITTED BY:

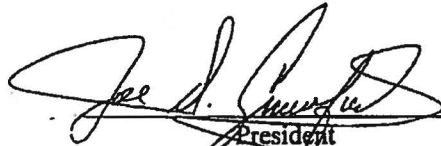

John N. Hughes
124 W. Todd St.
Frankfort, Ky. 40601
(502) 227-7270

ATTORNEY FOR SOUTH EASTERN
WATER ASSOCIATION

STATE OF KENTUCKY)
) SS:
COUNTY OF PULASKI)

The undersigned, Joe Crawford, being duly sworn, deposes and sates that he is the President of the Board of Commissioners of the South Eastern Water Association, Inc., 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 February 19th, 2020.


President
South Eastern Water Association, Inc.

Subscribed and sworn to before me by Joe Crawford, President of the Board of Commissioners of South Eastern Water Association, Inc. on February 19th 2020.

My Commission expires: 4-10-2023


Notary Public

EXHIBIT 1

SOUTH EASTERN WATER ASSOCIATION CASE 2020-

PLANS AND SPECIFICATIONS

ONE PAPER COPY

ONE PDF ELECTRONIC

EXHIBIT 2



Rural Development

January 27, 2020

Kentucky State Office

771 Corporate Drive,
Suite 200
Lexington, KY
40503

Joe Crawford, President
South Eastern Water Association
147 E. Somerset Church Road
Somerset, Kentucky 42502

Voice 859.224.7300
Fax 855.661.8335
TTY 859.224.7422

Re: Letter of Conditions Dated July 20, 2018

Dear President Crawford:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated July 20, 2018. The purpose of this amendment is to update project due to cost overrun.

The second paragraph on Page 1 is revised to read as follows:

"This letter is not to be considered as loan and/or 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 \$2,696,000 (\$2,196,000 initial and \$500,000 subsequent) and a RUS grant not to exceed \$659,000 (\$549,000 initial and \$110,000 subsequent). No applicant cash contribution will be required. "

Paragraph numbered "1" is revised to read as follows:

" 1. Number of Users and Their Contribution:

There shall be 7,540 water users, of which all are existing users. The Area Director will review and authenticate the number of users prior to advertising for construction bids. "

Paragraph numbered "6" is revised to read as follows:

"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 Association will be required to deposit \$970 (\$810 initial and \$160 subsequent) per month into a "Funded Debt Reserve Account" until the account reaches \$116,400. The deposits are to be resumed any time the account falls below the \$116,400.

USDA is an equal opportunity provider, employer and lender.

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.

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

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 Association also needs to fund an account for short-lived assets by depositing a sum of \$14,900 monthly into the account. The funds in the short-lived asset account may be used by the Association as needed to replace or add short-lived assets in the Association's water system."

Paragraph numbered "14" is revised to read as follows:

"14. Insurance and Bonding:

The following insurance and bonding will be required:

- C. Fidelity Bond – The Association 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 \$572,250."

Paragraph numbered "28" is revised to read as follows:

"28. Cost of Facility:

Breakdown of Costs:

Development	\$ 2,734,924
Land and Rights	20,000
Legal and Administrative	10,000
Engineering	314,300
Interest	45,000
PER & Additional Services	20,000
Contingencies	<u>210,776</u>
TOTAL	\$ 3,355,000

Financing:

RUS Loan Initial	\$ 2,196,000
RUS Loan Subsequent	500,000
RUS Grant Initial	549,000
RUS Grant Subsequent	<u>110,000</u>
TOTAL	\$ 3,355,000 "

Paragraph numbered "32" is revised to read as follows:

"32. Rates and Charges:

Rates and charges for facilities and services rendered by the Association 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 @ \$25.87 - Minimum Bill.
All Over 2,000 gallons @ \$11.21 – per 1,000 gallons.

1" Meter:

First 5,000 gallons @ \$59.49 - Minimum Bill.
All Over 5,000 gallons @ \$11.21 – per 1,000 gallons.

1 ½" Meter:

First 10,000 gallons @ \$115.54 - Minimum Bill.
All Over 10,000 gallons @ \$ 11.21 – per 1,000 gallons.

2" Meter:

First 20,000 gallons @ \$227.64 - Minimum Bill.
All Over 20,000 gallons @ \$ 11.21 – per 1,000 gallons.

3" Meter:

First 30,000 gallons @ \$339.74 - Minimum Bill.
All Over 30,000 gallons @ \$ 11.21 – per 1,000 gallons.

4" Meter:

First 50,000 gallons @ \$563.94 - Minimum Bill.
All Over 50,000 gallons @ \$ 11.21 – per 1,000 gallons.

6" Meter:

First 100,000 gallons @ \$1,124.44 - Minimum Bill.
All Over 100,000 gallons @ \$ 11.21 – per 1,000 gallons.

Wholesale Rate

\$3.69 per 1,000 gallons

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

Sincerely,



HILDA GAY LEGG
State Director

cc: Field Director - Morehead, Kentucky
Field Specialist - London, Kentucky
Lake Cumberland ADD - Frankfort, Kentucky
Kenvirons - Frankfort, Kentucky
Bruce Orwin - Somerset, Kentucky
PSC - ATTN: Talina Mathews- Frankfort, Kentucky



July 20, 2018

COPY

Joe Crawford, President
Southeastern Waster Association, Inc.
147 E. Somerset Church Road
Somerset, KY 42503

SUBJECT: Recipient Name: Southeastern Water Association, Inc.
Project Name: KY 192/1003 Waterline Replacement

Dear Mr. Crawford:

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 or 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 \$2,196,000; and a RUS grant not to exceed \$549,000. No applicant cash contribution will be required.

If Rural Development makes the loan, the interest rate will be the lower of the rate in effect at the time of loan approval or the rate in effect at the time of loan closing, unless the applicant otherwise chooses. The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire that further consideration be given to your application.

The "Letter of Intent to Meet Conditions" must be executed within three weeks from the date of this letter or it becomes invalid unless a time extension is granted by Rural Development.

If the conditions set forth in this letter are not met within 180 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:

Rural Development • Kentucky State Office
771 Corporate Drive, Suite 200, Lexington, Kentucky 40502
Voice (859) 224-7300 • Fax (855) 661-8335 • TTY (859) 224-7422

USDA is an equal opportunity provider, employer and lender.

1. Number of Users and Their Contribution:

There shall be 7,442 water users, of which all are existing users. The Area Director will review and authenticate the number of users and amount of connection fees 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 Association 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 Promissory Note. Principal payment will not be deferred. The Association may be required to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the Promissory Note 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 Association 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 Association will be required to deposit \$810 per month into a "Funded Debt Reserve Account" until the account reaches \$97,200. The deposits are to be resumed any time the account falls below the \$97,200.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the Association's prior loan 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 Association also needs to fund an account for short-lived assets by depositing a sum of \$15,816 monthly to the account. The funds in the short-lived asset account may be used by the Association as needed to replace or add short-lived assets in the Association's water system.

7. Security Requirements:

The loan will be secured by a real estate mortgage, a financing statement, and a pledge of gross water revenue, in the Loan Resolution and Financing Statement.

8. Land Rights and Real Property:

The Association 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 Association will be legally organized under applicable KRS, which will permit them to perform this service, borrow, or repay money.

The Association must maintain a current registration of their Dun and Bradstreet Data Universal Numbering System (DUNS) number in SAM.gov (System for Award Management) in order to receive federal loan and/or grant financial assistance. This registration must be updated/renewed at least annually.

10. Business Operations:

The Association 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 Association after review by Rural Development. At no later than loan pre-closing, the Association 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. Conflict of Interest Policy:

Prior to obligation of funds, you will certify in writing that your organization has in place an up-to-date written policy on conflict of interest. The policy will include, at a minimum: (1) a requirement for those with a conflict/potential conflict to disclose the conflict/potential conflict; (2) a prohibition of interested members of the applicant's governing body from voting on any matter in which there is a conflict, and (3) a description of the specific process by which the governing body will manage identified or potential conflicts.

You must also submit a disclosure of planned or potential transactions related to the use of Federal funds that may constitute or present the appearance of personal or organizational conflict of interest.

Disclosure must be in the form of a written letter signed and dated by the applicant's official. A negative disclosure in the same format is required if no conflicts are anticipated. Sample conflict of interest policies may be found at the National Council of Nonprofits website, <https://www.councilofnonprofits.org/tools-resources/conflict-of-interest>, or in Internal Revenue Service Form 1023, Appendix A, "Sample Conflict of Interest Policy," at <http://www.irs.gov/pub/irs-pdf/i1023.pdf>. Though these examples reference non-profit corporations, the requirement applies to all types of Agency borrowers.

Disclosure must be in the form of a written letter signed and dated by the applicant's official. A negative disclosure of the same format is required if no conflicts are anticipated. Assistance in developing a conflict of interest policy is available through Agency-contracted technical assistance providers if desired.

12. Accounts, Records and Audits:

The Association will be required to maintain adequate records and accounts and submit annual budgets and year-end reports (annual audits)/statistical and financial reports, quarterly and annually, in accordance with subsection 1780.47 of RUS Instruction 1780.

13. Accomplish Audits for Years in Which Federal Financial Assistance is Received:

The type of financial information that must be submitted is specified below:

Audits – An annual audit under the Single Audit Act is required if you expend \$750,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. It is not intended that audits required by this part be separate and apart from audits performed in accordance with State and local laws. To the extent feasible, the audit work should be done in conjunction with those audits. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law, and must be submitted within 9 months of your fiscal year end.

14. 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 Association. The Association should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The Association will carry worker's compensation insurance for employees in accordance with applicable state laws.

- C. Fidelity Bond - The Association 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 \$553,000.
- D. Real Property Insurance - The Association 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 Association 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 Association will obtain and maintain adequate coverage on any facilities located in special flood and mudslide prone areas.

15. 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 "28" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 210 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 must be constructed by the design/bid/build method of construction. 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.

16. Bid Tabulation:

Immediately after bid opening, you must provide the Agency with the bid tabulation and your engineer's evaluation of bids and recommendations for contract awards. If the Agency agrees that the construction bids received are acceptable, adequate funds are available to cover the total project costs, and all the requirements of this letter have been satisfied, the Agency will authorize you to issue the Notice of Award.

- A. Cost Overruns – If bids are higher than expected, or if unexpected construction problems are encountered, you must utilize all options to reduce cost overruns. Negotiations, redesign, use of bidding alternatives, rebidding or other means will be considered prior to commitment of subsequent funding by the Agency. Any requests for subsequent funding to cover cost overruns will be contingent on the availability of funds.

Cost overruns exceeding 20% of the development cost at time of loan or grant approval or where the scope of the original purpose has changed will compete for funds with all other applications on hand as of that date.

- B. Excess Funds – If bids are lower than anticipated at time of obligation, excess funds must be deobligated prior to start of construction except in the cases addressed in this paragraph. In cases where the original PER for the project included items that were not bid, or were bid as an alternate, the State Office official may modify the project to fully utilize obligated funds for those items. Amendments to the PER, ER, and letter of conditions may be needed for any work not included in the original project scope. In all cases, prior to start of construction, excess funds will be deobligated, with grant funds being deobligated first. Excess funds do not include contingency funds as described in this letter.

17. Contract Documents, Final Plans and Specifications:

- A. The contract documents must consist of the EJCDC construction contract documents as indicated in RUS Bulletin 1780-26 or other Agency-approved forms of agreement.
- B. The contract documents, final plans and specifications must comply with RUS Instruction 1780, Subpart C – Planning, Designing, Bidding, Contracting, Constructing and Inspections, and must be submitted to the Agency for concurrence prior to advertising for bids along with an updated cost estimate. The Agency may require another updated cost estimate if a significant amount of time elapses between the original submission and advertising for bids.
- C. The use of any procurement method other than competitive sealed bids must be requested in writing and approved by the Agency.

18. Contract Review:

Your attorney will certify that the executed contract documents, including performance and payment, if required are adequate and that the persons executing these documents have been properly authorized to do so in accordance with RUS Instruction 1780.61(b).

19. 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.

E. Limited English Proficiency (LEP) under Executive Order 13166:

LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the ground of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons.

LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write, or understand English. These individuals may be entitled to language assistance, free of charge.

You must take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to USDA programs, services, and information your organization provides. These protections are pursuant to Executive Order 13166 entitled, "Improving Access to Services by Persons with Limited English Proficiency" and further affirmed in the USDA Departmental Regulation 4330-005, "Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA."

Agency financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap. You must display posters (provided by the Agency) informing users of these requirements, and the Agency will monitor your compliance with these requirements during compliance reviews.

20. 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 Association.

21. Compliance with Special Laws and Regulations:

The Association will be required to conform to any and all state and local laws and regulations affecting this type project.

22. System Operator:

The Association is reminded that the water system operator must have an Operator's Certificate issued by the State.

23. Prior to Pre-Closing the Loan, the Association Will Be Required to Adopt:

- A. Form RD 1942-8, "Resolution of Members or Stockholders."
- B. Form RUS Bulletin 1780-28, "Loan Resolution Security Agreement."
- C. Form RD 400-1, "Equal Opportunity Agreement."
- D. Form RD 400-4, "Assurance Agreement."
- E. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- F. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- G. RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."
- H. RUS Bulletin 1780-22, "Eligibility Certification."

24. Refinancing and Graduation Requirements:

The Association is reminded that if at any time it shall appear to the Government that the Association 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 Association will apply for and accept such loan in sufficient amount to repay the Government.

25. Commercial Interim Financing:

The Association 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 Association 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.

26. Disbursement of Project Funds:

A construction account for the purpose of disbursement of project funds (RUS) will be established by the Association 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).

Agency funds will be disbursed into the construction account through an electronic transfer system. 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 Association's construction account records shall be made by Rural Development.

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

Any applicant contribution will be the first funds expended, followed by other funding sources. Interim financing or Agency loan funds will be expended after all other funding sources unless an agreement is reached with all other funding sources on how funds are to be disbursed prior to start of construction or loan closing, whichever occurs first.

Interim financing funds or Agency loan funds must be used prior to the use of Agency grant funds. The Grant funds must not be disbursed prior to loan funds except as specified in RUS Instruction 1780.45 (d). In the unlikely event the Agency mistakenly disburses funds, the funds will be remitted back to the Agency electronically.

During construction, the Association 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 Association, 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 Association.

Form RD 440-11, "Estimate of Funds Needed for 30-Day Period Commencing _____," will be prepared by the Association and submitted to Rural Development in order that a periodic advance of federal cash may be requested.

27. 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 Association.

Grant funds are to be deposited in an interest bearing account in accordance with 2 CFR part 200 and interest in excess of \$500 per year remitted to the Agency. The funds should be disbursed by the recipient immediately upon receipt and there should be little interest accrual on the Federal funds. Recipients shall maintain advances of Federal funds in interest-bearing account, unless:

- a. The recipient receives less than \$120,000 in Federal awards per year.
- b. The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.
- c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
- d. A foreign government or banking system prohibits or precludes interest-bearing accounts.

28. Project Budget:

Estimated expenditures are as follows:

Project Costs:

Development	\$2,134,000
Land and Rights	20,000
Legal and Administrative	20,000
Engineering Fees	288,800
Interest	35,000
PER & Additional Services	37,000
Contingencies	<u>210,200</u>
TOTAL PROJECT COST	\$2,745,000

Project Funding:

RUS Loan	\$2,196,000
RUS Grant	<u>549,000</u>
TOTAL FUNDING	\$2,745,000

29. Construction Completion Timeframe:

All projects are required to be completed and all funds disbursed within five years of obligation. If funds are not disbursed within five years of obligation, you must submit a written waiver request with adequate justification of extenuating circumstances beyond your control for an extension of time. Any additional requests for waivers beyond the initial extension will be submitted through the State Office to the Assistant Administrator for concurrence decision.

30. Use of Remaining Project Funds:

The applicant contribution shall be considered as the first funds expended. 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.

31. 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.

32. Rates and Charges:

Rates and charges for facilities and services rendered by the Association 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 @ \$25.15 - Minimum Bill.
 All Over 2,000 gallons @ \$10.90 – per 1,000 gallons.

1" Meter:

First 5,000 gallons @ \$57.85 - Minimum Bill.
 All Over 5,000 gallons @ \$10.90 – per 1,000 gallons.

1 ½" Meter:

First 10,000 gallons @ \$112.35 - Minimum Bill.
 All Over 10,000 gallons @ \$ 10.90 – per 1,000 gallons.

2" Meter:

First 20,000 gallons @ \$221.35 - Minimum Bill.
 All Over 20,000 gallons @ \$ 10.90 – per 1,000 gallons.

3" Meter:

First 30,000 gallons @ \$330.35 - Minimum Bill.
 All Over 30,000 gallons @ \$ 10.90 – per 1,000 gallons.

4" Meter:

First 50,000 gallons @ \$548.35 - Minimum Bill.
 All Over 50,000 gallons @ \$ 10.90 – per 1,000 gallons.

6" Meter:

First 100,000 gallons @ \$1,093.35 - Minimum Bill.
 All Over 100,000 gallons @ \$ 10.90 – per 1,000 gallons.

Wholesale Rate

\$3.69 per 1,000 gallons

33. Water Purchase Contract:

The Association 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.

34. Vulnerability Assessment/Emergency Response Plan (VA/ERP):

The Agency requires all financed water and wastewater systems to have a VA/ERP in place. Borrowers with existing systems must provide a certification that a VA/ERP has been completed prior to advertising for bids. The documents are not submitted to the Agency for VA/ERP requirements throughout the life of the loan.

35. Floodplain Construction:

The Association will be required to pass and adopt a Resolution or amend its By-Laws whereby the Association 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 Association 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.

36. Water Withdrawal Permit:

The Association will be required to obtain satisfactory evidence that a revised water Withdrawal permit has been secured from the Division of Water. The permit must be obtained prior to the commencement of construction on the water project.

37. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated September 5, 2017, from Ms. Lee Nalley.
- B. 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.
- C. 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 until RD can consult with the State Historical Preservation Officer and issue further directions.
- D. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.
- E. Best Management Practices shall be incorporated into the project design, construction, and maintenance.

38. System for Award Management:

You will be required to maintain a Dun and Bradstreet Data Universal Numbering System (DUNS) number and maintain an active registration in the System for Award Management (SAM) database. Renewal can be done on-line at: <http://sam.gov>.

This registration must be renewed and revalidated every twelve (12) months for as long as there are Agency funds to be expended.

To ensure the information is current, accurate and complete, and to prevent the SAM account expiration, the review and updates must be performed within 365 days of the activation date, commonly referred to as the expiration date. The registration process may take up to 10 business days. (See 2 CFR Part 25 and the "Help" section at <http://sam.gov>).

39. Prepayment and Extra Payments:

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower, with no penalty.

Security instruments, including bonding documents, must contain the following language regarding extra payments, unless prohibited by State statute:

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the borrower. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the Agency debt, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of borrower to pay the remaining installments as scheduled in your security instruments.

40. Security/Operational Inspections:

The Agency will inspect the facility and conduct a review of your operations and records management system and conflict of interest policy every three years for the life of the loan. You must participate in these inspections and provide the required information.

41. American Iron & Steel:

Section 746 of Title VII of the Consolidated Appropriations Act of 2017 (Division A - Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2017) applies a new American Iron and Steel requirement:

- (1) No Federal funds made available for this fiscal year for the rural water, waste water, waste disposal, and solid waste management programs authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1926 et seq.) shall be used for a project for the construction, alteration, maintenance, or repair of a public water or wastewater system unless all of the iron and steel products used in the project are produced in the United States.
- (2) The term "iron and steel products" means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.
- (3) The requirement shall not apply in any case or category of cases in which the Secretary of Agriculture (in this section referred to as the "Secretary") or the designee of the Secretary finds that— a. applying the requirement would be inconsistent with the public interest; b. iron and steel products are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality; or c. inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.

42. 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,



HILDA GAY LEGG
State Director

Enclosures

cc: Area Director – London, Kentucky
Lake Cumberland ADD – Russell Springs, Kentucky
Kenvirons – Frankfort, Kentucky
Bruce Orwin – Somerset, Kentucky
PSC - ATTN: Talina Mathews- Frankfort, Kentucky

EXHIBIT 3



United States Department of Agriculture

Rural Development

October 30, 2019

Kentucky State Office

771 Corporate Drive,
Suite 200
Lexington, KY
40503

Voice 859.224.7300
Fax 859.661.8335
TTY 859.224.7422

SUBJECT: Southeastern Water Association, Inc.
Request for Authorization to Advertise for Construction Bids
RUS Loan \$2,196,000 and RUS Grant \$549,000

TO: Field Specialist
London, Kentucky

The subject loan docket and the applicant's request for authorization to advertise for construction bids have been reviewed by this office. You may authorize the applicant to advertise its proposed project for construction bids, subject to the following documents being completed on a timely basis.

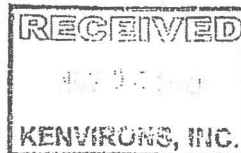
The following documents must be submitted by the applicant in satisfactory form or received prior to construction bid opening:

<u>Processing Checklist No.</u>	<u>Document</u>
71	Letter to Applicant Identifying and Reporting Assistance to Employees, Relatives and Associates

We are retaining the subject loan docket in order to request Closing Instructions from the Regional Attorney.

Please let us know if you have any questions or need further assistance.

[Handwritten signature]
HILDA GAY LEGG
State Director



cc: Kenvirons, Inc.
Frankfort, Kentucky

USDA is an equal opportunity provider, employer and lender.

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.

EXHIBIT 4

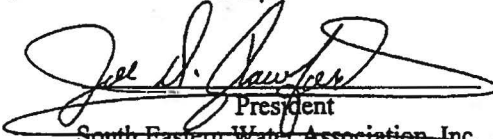
CERTIFICATE OF PRESIDENT OF SOUTH EASTERN WATER ASSOCIATION, INC. AS TO STATEMENT REQUIRED BY SECTION 2(6) OF 807 KAR 5:069

I, the undersigned, hereby certify that I am the duly qualified and acting President of the South Eastern Water Association, Inc. and that said Association is in the process of arranging to finance the construction of improvements to the water system (the "Project"), in cooperation with Kenvirons, Inc. Frankfort, Kentucky, the Engineers for the Association (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 Association 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 Kentucky Public Service Commission.
4. That it is now contemplated that construction of the Project will begin on or about May 1, 2020, and will end on or about December 1, 2020.

IN TESTIMONY WHEREOF, witness my signature this February 19th 2020.


 President
 South Eastern Water Association, Inc.

STATE OF KENTUCKY)
) SS
 COUNTY OF PULASKI)

Subscribed and sworn to before me by Joe Crawford, President of the Board of Commissioners of South Eastern Water Association, Inc. on February 19th 2020.


 Notary Public
 In and For Said State and County
 EXP 4-10-2023

MATTHEW G. BEVIN
GOVERNOR



CHARLES G. SNAVELY
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

ANTHONY R. HATTON
COMMISSIONER

300 SOWER BOULEVARD
FRANKFORT, KENTUCKY 40601

September 14, 2019

Morris Vaughn
South Eastern WT Associates - Nelson Valley
147 E Somerset Church Rd
Somerset, KY 42501

RE: KY 192/KY1003 Improvements & Various PS
Replacements
Pulaski County, KY
South Eastern WT Associates - Nelson Valley
AI #: 34090, APE20190002
PWSID #: 1000311-19-002

Dear Mr. Vaughn:

We have reviewed the plans and specifications for the above referenced project. The plans include the construction of approximately 26,725 LF of 8-inch PVC, 6,200 LF of 8-inch DI, 7,185 LF of 6-inch PVC, 930 LF of 6-inch DI, 15,415 LF of 4-inch PVC, 7,903 LF of 4-inch DI and 460 LF of 3-inch PVC waterline and the replacement/upgrade of the Dixie Bend, Dahl, Dandy Gap and KY 192 pump stations. This is to advise that plans and specifications for the above referenced project are APPROVED with respect to sanitary features of design, as of this date with the requirements contained in the attached construction permit.

If you have any questions concerning this project, please contact Michael Snyder at 502-782-1235.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Humphries".

Terry Humphries, P.E.
Supervisor, Engineering Section
Water Infrastructure Branch
Division of Water

TH:MS
Enclosures

c: Kenvirons Inc
Pulaski County Health Department
Division of Plumbing



Distribution-Major Construction
South Eastern WT Associates - Nelson Valley
Facility Requirements

Activity ID No.:APE20190002

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GACT0000000078 (KY 192/KY 1003 Improvements & Various PS Replaceme) 26,725 LF of 8-inch PVC, 6,200 LF of 8-inch DI, 7,185 LF of 6-inch PVC, 930 LF of 6-inch DI, 15,415 LF of 4-inch PVC, 7,903 LF of 4-inch DI and 460 LF of 3-inch PVC waterline and replacement/upgrade of the Dixie Bend, Dahl, Sandy Gap and KY 192 pump stations:

Narrative Requirements:

Condition No.	Condition
T-1	Construction of this project shall not result in the water system's inability to supply consistent water service in compliance with 401 KAR 8:010 through 8:600. [401 KAR 8:100 Section 5]
T-2	The public water system shall not implement a change to the approved plans without the prior written approval of the cabinet. [401 KAR 8:100 Section 4(3)]
T-3	A proposed change to the approved plans affecting sanitary features of design shall be submitted to the cabinet for approval in accordance with Section 2 of this administrative regulation. [401 KAR 8:100 Section 4(2)]
T-4	During construction, a set of approved plans and specifications shall be available at the job site. Construction shall be performed in accordance with the approved plans and specifications. [401 KAR 8:100 Section 3(1)]
T-5	Unless construction begins within two (2) years from the date of approval of the final plans and specifications, the approval shall expire. [401 KAR 8:100 Section 3(3)]
T-6	Upon completion of construction, a professional engineer shall certify in writing that the project has been completed in accordance with the approved plans and specifications. [401 KAR 8:100 Section 4(1)]
T-7	The system shall be designed to maintain a minimum pressure of 20 psi at ground level at all points in the distribution system under all conditions of flow. [Recommended Standards for Water Works 8.2.1, Drinking Water General Design Criteria IV.1.a]
T-8	Water lines should be hydraulically capable of a flow velocity of 2.5 ft/s while maintaining a pressure of at least 20 psi. [Drinking Water General Design Criteria IV.1.b]
T-9	The normal working pressure in the distribution system at the service connection shall not be less than 30 psi under peak demand flow conditions. Peak demand is defined as the maximum customer water usage rate, expressed in gallons per minute (gpm), in the pressure zone of interest during a 24 hour (diurnal) time period. [Drinking Water General Design Criteria IV.1.d]
T-10	When static pressure exceeds 150 psi, pressure reducing devices shall be provided on mains or as part of the meter setting on individual service lines in the distribution system. [Drinking Water General Design Criteria IV.1.c]

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GACT0000000078 (KY 192/KY 1003 Improvements & Various PS Replaceme) 26,725 LF of 8-inch PVC, 6,200 LF of 8-inch DI, 7,185 LF of 6-inch PVC, 930 LF of 6-inch DI, 15,415 LF of 4-inch PVC, 7,903 LF of 4-inch DI and 460 LF of 3-inch PVC waterline and replacement/upgrade of the Dixie Bend, Dahl, Sandy Gap and KY 192 pump stations:

Narrative Requirements:

Condition No.	Condition
T-11	The minimum size of water main in the distribution system where fire protection is not to be provided should be a minimum of three (3) inch diameter. Any departure from minimum requirements shall be justified by hydraulic analysis and future water use, and can be considered only in special circumstances. [Recommended Standards for Water Works 8.2.2, Drinking Water General Design Criteria IV.2.b]
T-12	Water mains not designed to carry fire-flows shall not have fire hydrants connected to them. [Recommended Standards for Water Works 8.4.1.b]
T-13	Flushing devices should be sized to provide flows which will give a velocity of at least 2.5 feet per second in the water main being flushed. [Recommended Standards for Water Works 8.2.4.b, Recommended Standards for Water Works 8.4.1.b]
T-14	No flushing device shall be directly connected to any sewer. [Recommended Standards for Water Works 8.2.4.b, Recommended Standards for Water Works 8.4.1.b]
T-15	Pipe shall be constructed to a depth providing a minimum cover of 30 inches to top of pipe. [Drinking Water General Design Criteria IV.3.a]
T-16	Water mains shall be covered with sufficient earth or other insulation to prevent freezing. [Recommended Standards for Water Works 8.7]
T-17	A continuous and uniform bedding shall be provided in the trench for all buried pipe. Backfill material shall be tamped in layers around the pipe and to a sufficient height above the pipe to adequately support and protect the pipe. Stones found in the trench shall be removed for a depth of at least six inches below the bottom of the pipe. [Recommended Standards for Water Works 8.7]
T-18	Water line installation shall incorporate the provisions of the AWWA standards and/or manufacturer's recommended installation procedures. [Recommended Standards for Water Works 8.7]
T-19	All materials used for the rehabilitation of water mains shall meet ANSI/NSF standards. [Recommended Standards for Water Works 8.1]
T-20	Packing and jointing materials used in the joints of pipe shall meet the standards of AWWA and the reviewing authority. [Recommended Standards for Water Works 8.1]
T-21	All tees, bends, plugs and hydrants shall be provided with reaction blocking, tie rods or joints designed to prevent movement. [Recommended Standards for Water Works 8.7]

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GACT0000000078 (KY 192/KY 1003 Improvements & Various PS Replaceme) 26,725 LF of 8-inch PVC, 6,200 LF of 8-inch DI, 7,185 LF of 6-inch PVC, 930 LF of 6-inch DI, 15,415 LF of 4-inch PVC, 7,903 LF of 4-inch DI and 460 LF of 3-inch PVC waterline and replacement/upgrade of the Dixie Bend, Dahl, Sandy Gap and KY 192 pump stations:

Narrative Requirements:

Condition No.	Condition
T-22	All materials including pipe, fittings, valves and fire hydrants shall conform to the latest standards issued by the ASTM, AWWA and ANSI/NSF, where such standards exist, and be acceptable to the Division of Water. [Recommended Standards for Water Works 8.1]
T-23	Water mains which have been used previously for conveying potable water may be reused provided they meet the above standards and have been restored practically to their original condition. [Recommended Standards for Water Works 8.1]
T-24	Manufacturer approved transition joints shall be used between dissimilar piping materials. [Recommended Standards for Water Works 8.1]
T-25	The minimum size of water main which provides for fire protection and serving fire hydrants shall be six?inch diameter. [Recommended Standards for Water Works 8.2, Drinking Water General Design Criteria IV.2.a]
T-26	Pipes and pipe fittings containing more than 8% lead shall not be used. All products shall comply with ANSI/NSF standards. [Recommended Standards for Water Works 8.1]
T-27	Gaskets containing lead shall not be used. Repairs to lead?joint pipe shall be made using alternative methods. [Recommended Standards for Water Works 8.1]
T-28	Pipe materials shall be selected to protect against both internal and external pipe corrosion. [Recommended Standards for Water Works 8.1]
T-29	Dead end mains shall be equipped with a means to provide adequate flushing. [Recommended Standards for Water Works 8.2]
T-30	The hydrant lead shall be a minimum of six inches in diameter. Auxiliary valves shall be installed on all hydrant leads. [Recommended Standards for Water Works 8.4.3]
T-31	A sufficient number of valves shall be provided on water mains to minimize inconvenience and sanitary hazards during repairs. [Recommended Standards for Water Works 8.3]
T-32	Wherever possible, chambers, pits or manholes containing valves, blow?offs, meters, or other such appurtenances to a distribution system, shall not be located in areas subject to flooding or in areas of high groundwater. Such chambers or pits should drain to the ground surface, or to absorption pits underground. The chambers, pits and manholes shall not connect directly to any storm drain or sanitary sewer. Blow?offs shall not connect directly to any storm drain or sanitary sewer. [Recommended Standards for Water Works 8.6]

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GACT0000000078 (KY 192/KY 1003 Improvements & Various PS Replaceme) 26,725 LF of 8-inch PVC, 6,200 LF of 8-inch DI, 7,185 LF of 6-inch PVC, 930 LF of 6-inch DI, 15,415 LF of 4-inch PVC, 7,903 LF of 4-inch DI and 460 LF of 3-inch PVC waterline and replacement/upgrade of the Dixie Bend, Dahl, Sandy Gap and KY 192 pump stations:

Narrative Requirements:

Condition No.	Condition
T-33	At high points in water mains where air can accumulate provisions shall be made to remove the air by means of air relief valves. [Recommended Standards for Water Works 8.5.1]
T-34	Automatic air relief valves shall not be used in situations where flooding of the manhole or chamber may occur. [Recommended Standards for Water Works 8.5.1]
T-35	The open end of an air relief pipe from automatic valves shall be extended to at least one foot above grade and provided with a screened, downward-facing elbow. [Recommended Standards for Water Works 8.5.2.c]
T-36	Discharge piping from air relief valves shall not connect directly to any storm drain, storm sewer, or sanitary sewer. [Recommended Standards for Water Works 8.5.2.d]
T-37	Water pipe shall be constructed with a lateral separation of 10 feet or more from any gravity sanitary or combined sewer measured edge to edge where practical. If not practical a variance may be requested to allow the water pipe to be installed closer to the gravity sanitary or combined sewer provided the water pipe is laid in a separate trench or undisturbed shelf located on one side of the sewer with the bottom of the pipe at least 18 inches above the top of the gravity sanitary or combined sewer pipe. [Drinking Water General Design Criteria IV.3.b]
T-38	Water lines crossing sanitary, combined or storm sewers shall be laid to provide a minimum vertical distance of 18 inches between the outside of the water main and the outside of the sanitary, combined or storm sewer with preference to the water main located above the sanitary, combined or storm sewer. [Drinking Water General Design Criteria IV.3.c]
T-39	At crossings, one full length of water pipe shall be located so both joints will be as far from the sewer as possible. [Recommended Standards for Water Works 8.8.3.b]
T-40	There shall be no connection between the distribution system and any pipes, pumps, hydrants, or tanks whereby unsafe water or other contaminating materials may be discharged or drawn into the system. [Recommended Standards for Water Works 8.10.1]
T-41	Water utilities shall have a cross connection program conforming to 401 KAR 8. [Recommended Standards for Water Works 8.10.1]
T-42	Installed pipe shall be pressure tested and leakage tested in accordance with the appropriate AWWA Standards. [Recommended Standards for Water Works 8.7.6]

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GACT0000000078 (KY 192/KY 1003 Improvements & Various PS Replaceme) 26,725 LF of 8-inch PVC, 6,200 LF of 8-inch DI, 7,185 LF of 6-inch PVC, 930 LF of 6-inch DI, 15,415 LF of 4-inch PVC, 7,903 LF of 4-inch DI and 460 LF of 3-inch PVC waterline and replacement/upgrade of the Dixie Bend, Dahl, Sandy Gap and KY 192 pump stations:

Narrative Requirements:

Condition No.	Condition
T-43	New, cleaned and repaired water mains shall be disinfected in accordance with AWWA Standard C651. The specifications shall include detailed procedures for the adequate flushing, disinfection, and microbiological testing of all water mains. In an emergency or unusual situation, the disinfection procedure shall be discussed with the Division of Water. [Recommended Standards for Water Works 8.7.7]
T-44	A minimum cover of five feet shall be provided over pipe crossing underwater. [Recommended Standards for Water Works 8.9.2]
T-45	Valves shall be provided at both ends of water crossings so that the section can be isolated for testing or repair; the valves shall be easily accessible, and not subject to flooding for pipes crossing underwater. [Recommended Standards for Water Works 8.9.2.b]
T-46	Permanent taps or other provisions to allow insertion of a small meter to determine leakage and obtain water samples on each side of the valve closest to the supply source for pipes crossing. [Recommended Standards for Water Works 8.9.2.c]
T-47	Pumping facilities shall be elevated to a minimum of three feet above the 100-year flood elevation, or three feet above the highest recorded flood elevation, whichever is higher, or protected to such elevations, [Recommended Standards for Water Works 6.1.1.a]
T-48	Pumping facilities shall be readily accessible at all times. [Recommended Standards for Water Works 6.1.1.b]
T-49	Pumping facilities shall be graded around the station so as to lead surface drainage away from the station. [Recommended Standards for Water Works 6.1.1.c]
T-50	Pumping facilities shall be protected to prevent vandalism and entrance by animals or unauthorized persons. [Recommended Standards for Water Works 6.1.1.d]
T-51	Raw and finished pump stations shall have adequate space for the installation of additional units if needed, and for the safe servicing of all equipment. [Recommended Standards for Water Works 6.2.a]
T-52	Raw and finished pump stations shall have floors that slope to a suitable drain. [Recommended Standards for Water Works 6.2.e]
T-53	Raw and finished pump stations shall provide a suitable outlet for drainage from pump glands without discharging onto the floor. [Recommended Standards for Water Works 6.2.f]

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GACT0000000078 (KY 192/KY 1003 Improvements & Various PS Replaceme) 26,725 LF of 8-inch PVC, 6,200 LF of 8-inch DI, 7,185 LF of 6-inch PVC, 930 LF of 6-inch DI, 15,415 LF of 4-inch PVC, 7,903 LF of 4-inch DI and 460 LF of 3-inch PVC waterline and replacement/upgrade of the Dixie Bend, Dahl, Sandy Gap and KY 192 pump stations:

Narrative Requirements:

Condition No.	Condition
T-54	At least two pumping units shall be provided. With any pump out of service, the remaining pump or pumps shall be capable of providing the maximum pumping demand of the system. [Recommended Standards for Water Works 6.3]
T-55	Pumps shall have ample capacity to supply the peak demand against the required distribution system pressure without dangerous overloading, [Recommended Standards for Water Works 6.3.a]
T-56	Pumps shall be driven by prime movers able to meet the maximum horsepower condition of the pumps. [Recommended Standards for Water Works 6.3.b]
T-57	Pumps shall be provided with readily available spare parts and tools. [Recommended Standards for Water Works 6.3.c]
T-58	Pump stations shall have indicating, totalizing, and recording metering of the total water pumped. [Recommended Standards for Water Works 6.6.3]
T-59	Each pump shall have a standard pressure gauge on its discharge line. [Recommended Standards for Water Works 6.6.3.a]
T-60	Each pump shall have a compound gauge on its suction line. [Recommended Standards for Water Works 6.6.3.b]
T-61	Where two or more pumps are installed, provision shall be made for alternation. [Recommended Standards for Water Works 6.6.5]
T-62	Provisions shall be made to prevent energizing the pump motor in the event of a backspin cycle. [Recommended Standards for Water Works 6.6.5]
T-63	Electrical controls shall be located above grade. [Recommended Standards for Water Works 6.6.5]
T-64	Equipment shall be provided or other arrangements made to prevent surge pressures from activating controls which switch on pumps or activate other equipment outside the normal design cycle of operation. [Recommended Standards for Water Works 6.6.5]
T-65	Pump stations shall have a power supply provided from at least two independent sources or a standby or an auxiliary source. [Recommended Standards for Water Works 6.6.6]

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Narrative Requirements:

Condition No.	Condition
T-66	If standby power is provided by onsite generators or engines, the fuel storage and fuel line must be designed to protect the water supply from contamination. [Recommended Standards for Water Works 6.6.6]
T-67	All lubricants which come into contact with the potable water shall be certified for conformance to ANSI/NSF Standard 60. [Recommended Standards for Water Works 6.6.8]
T-68	Booster pumps stations shall have a bypass available. [Recommended Standards for Water Works 6.4.e]
T-69	Each booster pumping station shall contain not less than two pumps with capacities such that peak demand can be satisfied with the largest pump out of service. [Recommended Standards for Water Works 6.4.1]
T-70	All booster pumping stations shall be fitted with a flow rate indicating and totalizer meter. [Recommended Standards for Water Works 6.4.2]
T-71	Inline booster pumps shall be accessible for servicing and repairs. [Recommended Standards for Water Works 6.4.3]
T-72	Each pump must have an isolation valve on the intake and discharge side of the pump to permit satisfactory operation, maintenance and repair of the equipment. [Recommended Standards for Water Works 6.6.1]
T-73	Each pump shall have a positive acting check valve on the discharge side between the pump and the shut off valve. [Recommended Standards for Water Works 6.6.1]
T-74	Pump station piping shall be designed so that the friction losses will be minimized, not be subject to contamination, have watertight joints, be protected against surge or water hammer with suitable restraints when necessary, and be such that each pump has an individual suction line or the lines shall be manifolded that they will insure similar hydraulic and operating conditions. [Recommended Standards for Water Works 6.6.2]
T-75	Booster pumps taking suction from storage tanks shall be provided adequate net positive suction head. [Recommended Standards for Water Works 6.4.b]
T-76	Booster pumps shall controlled so that automatic shutoff or low pressure controllers maintain at least 20 psi in the suction line under all operating conditions. [Recommended Standards for Water Works 6.4.c]

Distribution-Major Construction
South Eastern WT Associates - Nelson Valley
Facility Requirements

Activity ID No.:APE20190002

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GACT0000000078 (KY 192/KY 1003 Improvements & Various PS Replaceme) 26,725 LF of 8-inch PVC, 6,200 LF of 8-inch DI, 7,185 LF of 6-inch PVC, 930 LF of 6-inch DI, 15,415 LF of 4-inch PVC, 7,903 LF of 4-inch DI and 460 LF of 3-inch PVC waterline and replacement/upgrade of the Dixie Bend, Dahl, Sandy Gap and KY 192 pump stations:

Narrative Requirements:

Condition No.	Condition
T-77	Booster pumps taking suction from ground storage tanks shall be equipped with automatic shutoffs or low pressure controllers. [Recommended Standards for Water Works 6.4.c]
T-78	All automatic pump stations should be provided with automatic signaling apparatus which will report when the station is out of service. [Recommended Standards for Water Works 6.5]
T-79	All remote controlled stations shall be electrically operated and controlled and shall have signaling apparatus of proven performance. [Recommended Standards for Water Works 6.5]
T-80	Raw and finished pump stations shall have a floor elevation of at least six inches above finished grade. [Recommended Standards for Water Works 6.2.c]

EXHIBIT 5

NOTICE OF PROPOSED CHANGES IN WATER RATES

Notice is hereby given that South Eastern Water Association, a public utility furnishing water service within the Commonwealth of Kentucky, on or about the 21st day of February, 2020 pursuant to Kentucky Revised Statute 278.180 and KRS 278.023 and the Rules of the Public Service Commission of Kentucky filed its notice with the Kentucky Public Service Commission ("KPSC"), proposing to change its rates for the purpose of funding approximately 43,000 feet of waterline replacement, 3 pump station replacements, and 1 pump station rehabilitation. The total cost of the project is approximately \$3,355,000, consisting of a U.S. Department of Agriculture (RD) loan of \$2,696,000, and RD grant of \$659,000. The rates are proposed to become effective upon KPSC approval, which is expected within 30 days of this notice.

Water rates will be at least:		PROPOSED	CURRENT RATES	% Increase	\$ Increase
5/8 x 3/4 Meter					
First	2,000 gallons @	\$25.87 - Minimum Bill.	\$25.15	2.86	\$0.72
All Over	2,000 gallons @	\$11.21. - per 1,000 gallons.	10.90	2.84	\$0.31
1" Meter					
First	5,000 gallons @	\$59.49. - Minimum Bill.	\$57.85	2.83	\$1.64
All Over	5,000 gallons @	\$11.21. - per 1,000 gallons.	10.90	2.84	\$0.31
1 1/2" Meter					
First	10,000 gallons @	\$115.54 - Minimum Bill.	\$112.35	2.84	\$3.19
All Over	10,000 gallons @	\$11.21. - per 1,000 gallons.	10.90	2.84	\$0.31
2" Meter					
First	20,000 gallons @	\$227.64 - Minimum Bill.	\$221.35	2.84	\$6.29
All Over	20,000 gallons @	\$11.21. - per 1,000 gallons.	10.90	2.84	\$0.31
3" Meter					
First	30,000 gallons @	\$339.74 - Minimum Bill.	\$330.35	2.84	\$9.39
All Over	30,000 gallons @	\$11.21. - per 1,000 gallons.	10.90	2.84	\$0.31
4" Meter					
First	50,000 gallons @	\$563.94 - Minimum Bill.	\$548.35	2.84	\$15.59
All Over	50,000 gallons @	\$11.21. - per 1,000 gallons.	10.90	2.84	\$0.31
6" Meter					
First	100,000 gallons @	\$1,124.44 - Minimum Bill.	\$1,093.35	2.84	\$31.09
All Over	100,000 gallons @	\$11.21. - per 1,000 gallons.	10.90	2.84	\$0.31

Wholesale rate will be in accordance with proposed and existing rate agreements.

Customer Class	Average Monthly Usage	Average Monthly Bill (Present Rates)	Average Monthly Bill (Proposed Rates)	Increase in Average Monthly Bill (\$)	Increase in Average Monthly Bill (%)
5/8" x 3/4" meter	4,430	\$51.64	\$53.11	\$1.47	2.85%
1" meter	10,310	\$115.73	\$119.02	\$10.48	2.84%
1 1/2" meter	No customers	n/a	n/a	n/a	n/a
2" meter	45,450	\$498.76	\$512.93	\$14.17	2.84%
3" meter	No customers	n/a	n/a	n/a	n/a
4" meter	No customers	n/a	n/a	n/a	n/a
6" meter	No customers	n/a	n/a	n/a	n/a

Wholesale rates will be in accordance with proposed and existing rate agreements.

The impact on each customer's average bill will vary according to individual consumption levels. However, this impact can be determined by each customer by applying the proposed rates listed above to their respective average consumption levels.

The rates contained in this notice are the rates proposed by South Eastern Water Association under the terms of an agreement with the U.S. Department of Agriculture, Rural Development (RD) and KRS 278.023 does not grant the Public Service Commission any discretionary authority to modify or reject any portion of the agreement among the USDA - RD and South Eastern Water Association or to defer the issuance of all necessary orders to implement the terms of the agreement.

This application for rate adjustment is available for examination at its offices listed below. Any person may obtain a copy of the application, testimony or other documents or examine the rate application and any related filings at the offices of South Eastern Water Association listed below or at its website southeasternwater.org or the Commission office or its website listed below.

A person may also examine the application at the Public Service Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's Web site at <http://psc.ky.gov>. Comments regarding the application may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602.

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