

# Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410  
Telephone (502) 569-7525 Telefax (502) 569-7555 Email: rh@rubinhays.com

CHARLES S. MUSSON  
W. RANDALL JONES  
CHRISTIAN L. JUCKETT

PARALEGAL  
MARY M. EMBRY

January 13, 2004

RECEIVED

JAN 14 2004

PUBLIC SERVICE  
COMMISSION

Mr. Thomas Dorman  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

2004-00016

Re: Rattlesnake Ridge Water District PSC Application

Dear Mr. Dorman:


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

Also enclosed are eleven (11) copies of the exhibits required pursuant to 807 KAR 5.069, with the exception of the Preliminary and Final Engineering Reports which were filed with the Commission in **Case No. 2003-00428**.

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

Sincerely,

Rubin & Hays

By   
W. Randall Jones

WRJ:jkm  
Enclosures  
cc: Distribution List

**DISTRIBUTION LIST**

**Account No. 2042.0000**

**Re: Rattlesnake Ridge Water District Waterworks Revenue Bonds, Series 2004  
Phase VII**

Mr. Kenneth H. Slone  
State Director  
Rural Development  
771 Corporate Drive, Suite 200  
Lexington, Kentucky 40503-5477

Telephone: (859) 224-7336  
Fax: (859) 224-7340

Ms. Dorothy Fannin Smith  
Rural Development  
220 West First Street  
Morehead, Kentucky 40351

Telephone: (606) 784-6447  
Fax: (606) 784-2076

Mr. Dan Stamper, Manager  
Rattlesnake Ridge Water District  
P.O. Box 475  
Grayson, Kentucky 41143

Telephone: (606) 474-7570  
Fax: (606) 474-8531

Delores Woods Baker, Esq.  
134 West Third Street  
Maysville, Kentucky 41056

Telephone: (606) 564-7969

Mr. Joseph F. Sisler  
SME, PLLC  
P.O. Box 23780  
Lexington, Kentucky 40523

Telephone: (859) 271-2978  
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W. Randall Jones, Esq.  
Rubin & Hays  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202

Telephone: (502) 569-7534  
Fax: (502) 569-7555

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

RECEIVED

JAN 14 2004

PUBLIC SERVICE  
COMMISSION

In the Matter of:

**THE APPLICATION OF RATTLESNAKE RIDGE  
WATER DISTRICT FOR A CERTIFICATE OF PUBLIC  
CONVENIENCE AND NECESSITY TO CONSTRUCT,  
FINANCE AND INCREASE RATES PURSUANT  
TO KRS 278.023.**

)  
)  
) **CASE NO. 2004-00016**  
)  
)

**A P P L I C A T I O N**

This Application of the Rattlesnake Ridge Water District ("Applicant") respectfully shows:

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

2. That the post office address of Applicant is:

Rattlesnake Ridge Water District  
c/o Mr. Bill Gilbert, Chairman  
P.O. Box 475  
Grayson, Kentucky 41143

3. That Applicant, pursuant to the provisions of KRS 278.020 and 278.023, seeks (i) a Certificate of Public Convenience and Necessity (see paragraph 4 below), permitting Applicant to construct a waterworks construction project as defined below (the "Project"); (ii) an Order approving increased rates and charges; and (iii) approval of the proposed plan of financing the cost overrun of said Project.

4. The project consists of five (5) separate contracts; (i) Contract W involves the installation of approximately 45 miles of waterlines; (ii) Contract X involves the construction of a 600,000 gallon water storage tank, a 150,000 gallon water storage tank and a 60,000 gallon water storage tank; (iii) Contract Y involves construction of a booster pump station and various water plant additions; (iv) Contract Z involves the installation of approximately 45 miles of waterlines; and (v) Contract Z-1 involves the acquisition and installation of approximately 2,500 radio read water meters. Applicant filed **Case No. 2003-00428** on November 19, 2003 seeking a Certificate of Public Convenience and Necessity to construct and finance Contracts W, Z and Z-1, and the Commission issued its Order granting the Certificate and approving the financing on December 16, 2003. Applicant is filing this Application for a Certificate of Public Convenience and Necessity to construct and finance Contracts X and Y and to increase its rates and charges.

5. That the Commission, in its Order in **Case No. 2003-00428** approved the initial financing of the construction of the Project through (i) the issuance of \$1,340,000 of its Waterworks Revenue Bonds, (ii) a Rural Development ("RD") Grant in the amount of \$900,000, (iii) a Community Development Block Grant ("CDBG") in the amount of \$1,000,000, (iv) an Appalachian Regional Commission ("ARC") Grant in the amount of \$350,000, (v) a State of Kentucky 2020 grant in the amount of \$440,000, (vi) a State of Kentucky HB 502 grant in the amount of \$100,000, and (vii) an Applicant contribution in the amount of \$90,000. Applicant has received approval for funding of the cost overrun and therefore requests Commission approval of said funding which includes (i) the issuance of an additional \$549,000 of its Waterworks Revenue Bonds, Series B, (ii) an additional RD grant in the amount of \$600,000, and (iii) Coal Severance Funds in the amount of \$600,000. Applicant has a commitment from the RD to purchase said \$549,000 of Series B bonds maturing over a 40-year period, at an interest rate of not exceeding 4.50% per annum, as set out in the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

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

7. That Applicant files herewith the following Exhibits pursuant to 807 KAR 5:069 in support of this Application:

- A. Copy of RD Letter of Conditions (original, as amended, as filed in **Case No. 2003-00428**, and Amendment No. 2, dated December 16, 2003).
- B. Copy of RD Letter of Concurrence in Bid Award relating to Contracts X and Y.
- C. Certified statement from the Chairman of Applicant, based upon statements of the Engineers for Applicant, concerning the following:
  - (1) The proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10;
  - (2) All other state approvals or permits have already been obtained;
  - (3) The proposed rates of Applicant shall produce the total revenue requirements set out in the engineering reports; and
  - (4) Setting out the dates when it is anticipated that construction will begin and end.
- D. Copies of Preliminary and Final Engineering Reports relating to all Contracts (W, X, Y, Z and Z-1) were filed in **Case No. 2003-00428**.

8. That Applicant has arranged for the publication, prior to or at the same time this Application is filed, of a Notice of Proposed Rate Change pursuant to Section 4 of 807 KAR 5:069, in the *Big Sandy News*, *the Journal-Enquirer*, *the Elliott County News*, and *the Licking Valley Courier* which are the newspapers of general circulation in Applicant's service area. Said Notice sets out the current rates and the proposed rates of Applicant and a short description of the Project. A copy of said Notice is filed herewith as an Exhibit.

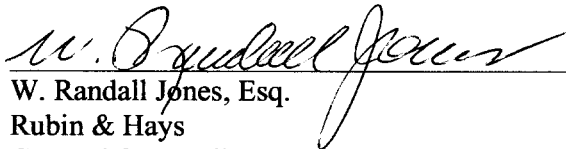
9. That the foregoing constitutes the documents necessary to obtain the approval of the Kentucky Public Service Commission in accordance with Section 278.023 of the Kentucky Revised Statutes and in accordance with the "Minimum Filing Requirements" specified in 807 KAR 5:069, Section 3.

**WHEREFORE**, Applicant, the Rattlesnake Ridge Water District, asks that the Public Service Commission of the Commonwealth of Kentucky grant to Applicant the following:

- a. A Certificate of Public Convenience and Necessity permitting Applicant to construct a waterworks project consisting of extensions, additions, and improvements to the existing waterworks system of Applicant (**Contracts X and Y only**).
- b. An Order approving the financing arrangements made by Applicant for the cost overruns, viz., the issuance of (i) \$549,000 of Rattlesnake Ridge Water District Waterworks Revenue Bonds, Series B at an interest rate of not exceeding 4.50% per annum, (ii) an additional RD Grant in the amount of \$600,000, and (iii) a Coal Severance Fund grant in the amount of \$600,000.
- c. An Order approving the proposed increased rates and charges as set out in Section 25 of the RD Letter of Conditions, Amendment No. 2, filed herewith as an Exhibit.

RATTLESNAKE RIDGE WATER DISTRICT

By:   
Chairman  
Board of Water Commissioners

  
W. Randall Jones, Esq.  
Rubin & Hays  
Counsel for Applicant  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
(502) 569-7534





January 22, 2002

Mr. Bill Gilbert, Chairman  
Rattlesnake Ridge Water District  
P.O. Box 475  
Grayson, Kentucky 41143

Dear Mr. Gilbert:

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/or grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area office staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application. It should also be understood that Rural Development is under no obligation to provide additional funds to meet an overrun in construction costs.

This letter is not to be considered as loan and/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 \$1,340,000, a RUS grant not to exceed \$900,000, an Appalachian Regional Commission (ARC) grant of \$350,000, a Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) of \$1,000,000, a State of Kentucky 2020 grant in the amount of \$440,000, and a State of Kentucky HB 502 grant in the amount of \$100,000.

If Rural Development makes the loan, you may make a written request that the interest rate be the lower of the rate in effect at the time of loan approval or the time of loan closing. If you do not request the lower of the two interest rates, the interest rate charged will be the rate in effect at the time of loan approval. 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. If you want the lower of the two rates, your written request should be submitted to Rural Development as soon as practical. In order to avoid possible delays in loan closing, such a request should ordinarily be submitted at least 30 days before loan closing.

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 240 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:

1. Number of Users and Their Contribution:

There shall be 3,112 water users, of which 2,610 are existing users and 502 are new users contributing \$90,000 in connection fees toward the cost of the project. The connection fees will be collected prior to advertising for construction bids and will be placed in the construction account at loan pre-closing, unless spent for authorized purposes prior to loan pre-closing. The Rural Development Manager will review and authenticate the number of users and amount of connection fees prior to advertising for construction bids. No contribution is required from the Water District.

1a. 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.

1b. Drug-Free Work Place:

Prior to grant approval, the Water District will be required to execute Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative I - For Grantees Other Than Individuals."

2. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed 40 years from the date of the bond. Principal payment will not be deferred for a period in excess of two years from the date of the bond. Payments will be in accordance with applicable KRS, which requires interest to be paid semi-annually (January 1st and July 1st) and principal will be due on or before the first of July. Rural Development may require the Water District to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the bond is held or insured by RUS. Monthly payments will be approximate amortized installments.

3. Recommended Repayment Method:

Payments on this loan can 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 SF 5510, "Authorization Agreement for Preauthorized Payments," should be signed by the District to authorize the electronic withdrawal of funds from your designated bank account on the exact installment payment due date. The Rural Development Manager will furnish the necessary forms and further guidance on the PAD procedure.



4. Funded Depreciation Reserve Account:

The Water District will be required to deposit \$620.00 per month into a "Funded Depreciation Reserve Account" until the account reaches \$74,400. The deposits are to be resumed any time the account falls below the \$74,400.

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

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational.

5. Security Requirements:

A combined pledge of gross water revenue will be provided in the Bond Resolution. Bonds shall rank on a parity with existing bonds, if possible. If this is not possible, the bond will be subordinate and junior to the existing bonds, in which case the Water District will be required to abrogate its right to issue additional bonds ranking on a parity with the existing bonds, so long as any unpaid indebtedness remains on this bond issue.

6. Land Rights and Real Property:

The Water District will be required to furnish satisfactory title, easements, etc., necessary to install, maintain and operate the facility to serve the intended users. The pipelines will be on private rights-of-way where feasible. Easements and options are to be secured prior to advertising for construction bids.

7. Organization:

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

8. Business Operations:

The Water District will be required to operate the system under a well-established set of resolutions, rules and regulations. A budget must be established annually and adopted by the Water District after review by Rural Development. At no later than loan pre-closing, the Water District will be required to furnish a prior approved management plan to include, as a minimum, provisions for management, maintenance, meter reading, miscellaneous services, billing, collecting, bookkeeping, making and delivering required reports and audits.

9. Accounts, Records and Audits:

The Water District will be required to maintain adequate records and accounts and submit annual budgets and year-end reports (annual audits) in accordance with subsection 1780.47 of RUS Instruction 1780 and RUS Staff Instruction 1780-4, a copy of which is enclosed.

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

The Water District will accomplish audits in accordance with OMB Circular A-133, during the years in which federal funds are received. The Water District will provide copies of the audits to the Area Office and the appropriate Federal cognizant agency as designated by OMB Circular A-133.

11. 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 Water District. The Water District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The Water District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The Water District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$292,000.
- D. Real Property Insurance - The Water District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures. The amounts of coverage should be based on recommendations obtained by the Water District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The Water District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

12. 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 "22" 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 Rural Development Manager is prepared to furnish the necessary guide for him to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.

B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:

1. Final plans, specifications and bid documents.
2. Applicant's letter on efforts to encourage small business and minority-owned business participation.
3. Legal Service Agreements.
4. Engineering Agreements.

Revision in these documents will be subject to Rural Development concurrence. Any agreements, contracts, etc. not reviewed and approved by Rural Development will not be eligible for payment from project funds or revenues from facilities financed by this Agency.

Prior to receipt of an authorization to advertise for construction bids, the Water District will obtain advance clearance from Bond Counsel regarding compliance with KRS 424 pertaining to publishing of the advertisement for construction bids in local newspapers and the period of time the notice is required to be published.

13. Compliance with Section 504 of the Rehabilitation Act of 1973:

The Water District will be required to comply with Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), in order to make sure no handicapped individual, solely by reason of their handicap, is excluded from participation in the use of the water system, be denied the benefits of the water system, or be subjected to discrimination.

14. 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 Water District.

15. Compliance with Special Laws and Regulations:

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

16. Treatment Plant/System Operator:

The Water District is reminded that the treatment plant and/or system operator must have an Operator's Certificate issued by the State.

17. Prior to Pre-Closing the Loan, the Water District will be Required to Adopt:

- A. Form RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."
- B. Form RD 400-1, "Equal Opportunity Agreement."
- C. Form RD 400-4, "Assurance Agreement."
- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."

The Water District must offer the opportunity for all residents in the service area to become users of the facilities regardless of race, creed, color, religion, sex, national origin, marital status, physical or mental handicap or level of income.

18. Refinancing and Graduation Requirements:

The Water District is reminded that if at any time it shall appear to the Government that the Water District is able to refinance the amount of the RUS indebtedness then outstanding, in whole or in part, by obtaining a loan from commercial sources at reasonable rates and terms, upon the request of the Government, the Water District will apply for and accept such loan in sufficient amount to repay the Government.

19. Commercial Interim Financing:

The Water District will be required to use commercial interim financing for the project during construction for the RUS loan portion of the financing, if available at reasonable rates and terms.

Before the loan is closed, the Water District will be required to provide Rural Development with statements from the contractor, engineer and attorneys that they have been paid to date in accordance with their contract or other agreements and, in the case of the contractor, that he has paid his suppliers and sub-contractors.

20. Disbursement of Project Funds:

A construction account for the purpose of disbursement of project funds (RUS) will be established by the Water District prior to start of construction. The position of officials entrusted with the receipt and disbursement of RUS project funds will be covered by a "Fidelity Bond," with USDA-Rural Development as Co-Obligee, in the amount of construction funds on hand at any one time during the construction phase.

During construction, the Water District shall disburse project funds in a manner consistent with subsection 1780.76 (e) of RUS Instruction 1780. Form RD 1924-18, "Partial Payment Estimate," or similar form approved by Rural Development, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to Rural Development for review and acceptance. Prior to disbursement of funds by the Water District, the Board of Directors shall review and approve each payment estimate. All bills and vouchers must be approved by Rural Development prior to payment by the Water District.

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

Monthly audits of the Water District's construction account records shall be made by Rural Development.

21. 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 Water District. Interest earned on grant funds in excess of \$100 (as applicable) per year will be submitted to RUS at least quarterly, as required in 7CFR part 3016 (as applicable).

22. Cost of Facility:

Breakdown of Costs:

Development	\$ 3,380,000
Land and Rights	10,000
Legal and Administrative	85,000
Engineering	385,000
Interest	30,000
Contingencies	<u>330,000</u>
TOTAL	\$ 4,220,000

Financing:

RUS Loan	\$ 1,340,000
RUS Grant	900,000
HUD-CDBG	1,000,000
ARC Grant	350,000
State of Kentucky 2020 Grant	440,000
State of Kentucky HB 502 Grant	100,000
Applicant Contribution	<u>90,000</u>
TOTAL	\$ 4,220,000

23. Debt Collection Improvement Act (DCIA) of 1996:

The Debt Collection Improvement Act (DCIA) of 1996 requires that all federal payments after January 1, 1999, must be made by Electronic Funds Transfer/Automated Clearing House (EFT/ACH). Borrowers receiving payments by EFT will have funds directly deposited to a specified account at a financial institution with funds being available to the recipient on the date of payment. The borrower should complete Form SF-3881, "Electronic Funds Transfer Payment Enrollment Form," for each account where funds will be electronically received. The completed form(s) must be received by Rural Development at least thirty (30) days prior to the first advance of funds.

24. 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/ARC/CDBG/State of Kentucky grant funds and refunded in proportion to participation in the project. If the amount of unused grant funds exceeds the grants, that part would be RUS loan funds.

25. Rates and Charges:

Rates and charges for facilities and services rendered by the Water District must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

5/8" x 3/4" Meter:

First	1,000	gallons @ \$	11.95 - Minimum Bill.
Next	4,000	gallons @ \$	7.50 - per 1,000 gallons.
Next	5,000	gallons @ \$	6.50 - per 1,000 gallons.
Next	10,000	gallons @ \$	5.50 - per 1,000 gallons.
Next	20,000	gallons @ \$	3.75 - per 1,000 gallons.
All Over	40,000	gallons @ \$	2.90 - per 1,000 gallons.

3/4" Meter:

First	5,000	gallons @ \$	41.95 - Minimum Bill.
Next	5,000	gallons @ \$	6.50 - per 1,000 gallons.
Next	10,000	gallons @ \$	5.50 - per 1,000 gallons.
All Over	20,000	gallons @ \$	3.75 - per 1,000 gallons.

1" Meter:

First	10,000	gallons @ \$	74.45 - Minimum Bill.
Next	10,000	gallons @ \$	5.50 - per 1,000 gallons.
All Over	20,000	gallons @ \$	3.75 - per 1,000 gallons.

1 1/2" Meter:

First 30,000 gallons @ \$ 101.95 - Minimum Bill.  
 All Over 30,000 gallons @ \$ 3.75 - per 1,000 gallons.

2" Meter:

First 50,000 gallons @ \$ 168.45 - Minimum Bill.  
 All Over 50,000 gallons @ \$ 2.90 - per 1,000 gallons.

3" Meter:

First 100,000 gallons @ \$ 313.45 - Minimum Bill.  
 All Over 100,000 gallons @ \$ 2.90 - per 1,000 gallons.

26. Commitment of HUD, ARC, and State Grants:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the HUD grant in the amount of \$1,000,000, for the ARC grant in the amount of \$350,000, for the State 2020 grant in the amount of \$440,000, and for the HB 502 grant in the amount of \$100,000.

27. Floodplain Construction:

The Water District will be required to pass and adopt a Resolution or amend its By-Laws whereby the Water District will deny any water service to any future customer wishing to build on or develop property located within a designated floodplain. If a customer or developer requests service for construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the Water District and Rural Development officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP) and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

28. Water Withdrawal Permit:

The Water District 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.

29. Mitigation Measures:

- A. The Water District shall be required to comply with the requirements of the Kentucky State Clearinghouse as detailed by letter to Mr. Joseph Sisler, dated August 27, 2001, and signed by Mr. Ronald W. Cook.
- B. The Water District shall be required to comply with the requirements, if any, of the U.S. Fish and Wildlife Service as requested by letter dated July 26, 2001, and signed by Lee A. Barclay, Ph.D., Field Supervisor.


- C. The Water District will comply with all applicable executive orders and regulations that are applicable to the preservation of prime farmlands and wetlands.

30. Final Approval Conditions:

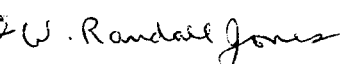
Final approval of this loan will depend on your willingness, with the assistance of all your co-workers, to meet the conditions of this letter in an orderly and systematic manner. Then too, final approval will depend on funds being available.

If you desire to proceed with your application, the Rural Development Manager will allot a reasonable portion of time to provide guidance in application processing.

Sincerely,

  
KENNETH SLONE  
State Director  
Rural Development

Enclosures

- cc: Rural Development Manager - Morehead, Kentucky
- Community Development Manager - Grayson, Kentucky
- FIVCO ADD - Catlettsburg, Kentucky
- Rubin and Hays - Louisville, Kentucky 
- Deloris Woods - Grayson, Kentucky
- Central Associated Engineers - Lexington, Kentucky
- PSC - ATTN: Bob Amato - Frankfort, Kentucky





November 25, 2003

Mr. Bill Gilbert, Chairman  
Rattlesnake Ridge Water District  
P.O. Box 475  
Grayson, Kentucky 41143

Re: Letter of Conditions Dated January 22, 2002

Dear Mr. Gilbert:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated January 22, 2002. The purpose of the amendment is to make corrections to the rate schedule.

Paragraph numbered "25" is revised to read as follows:

" 25. Rates and Charges:

Rates and charges for facilities and services rendered by the Water District must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water Rates Will Be at Least:

5/8" x 3/4" Meter Size:

First	1,000	gallons @ \$	11.95 - Minimum Bill.
Next	4,000	gallons @ \$	7.50 - per 1,000 gallons.
Next	5,000	gallons @ \$	6.50 - per 1,000 gallons.
Next	10,000	gallons @ \$	5.50 - per 1,000 gallons.
Next	20,000	gallons @ \$	3.75 - per 1,000 gallons.
All Over	40,000	gallons @ \$	2.90 - per 1,000 gallons.

3/4" Meter Size:

First	5,000	gallons @ \$	41.95 - Minimum Bill.
Next	5,000	gallons @ \$	6.50 - per 1,000 gallons.
Next	10,000	gallons @ \$	5.50 - per 1,000 gallons.
Next	20,000	gallons @ \$	3.75 - per 1,000 gallons.
All Over	40,000	gallons @ \$	2.90 - per 1,000 gallons.

1" Meter Size:

First	10,000	gallons @ \$	74.45 - Minimum Bill.
Next	10,000	gallons @ \$	5.50 - per 1,000 gallons.
Next	20,000	gallons @ \$	3.75 - per 1,000 gallons.
All Over	40,000	gallons @ \$	2.90 - per 1,000 gallons.

1 1/2" Meter Size:

First	30,000	gallons @ \$	101.95 - Minimum Bill.
Next	10,000	gallons @ \$	3.75 - per 1,000 gallons.
All Over	40,000	gallons @ \$	2.90 - per 1,000 gallons.

2" Meter Size:

First	50,000	gallons @ \$	168.45 - Minimum Bill.
All Over	50,000	gallons @ \$	2.90 - per 1,000 gallons.

3" Meter Size:

First	100,000	gallons @ \$	313.45 - Minimum Bill.
All Over	100,000	gallons @ \$	2.90 - per 1,000 gallons. "

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

Sincerely,

  
KENNETH SLONE  
State Director

cc: Rural Development Manager - Morehead, Kentucky  
Community Development Manager - Grayson, Kentucky  
FIVCO ADD - Catlettsburg, Kentucky  
✓ Rubin and Hays - Louisville, Kentucky  
Deloris Woods - Grayson, Kentucky  
Central Associated Engineers - Lexington, Kentucky  
PSC - ATTN: Bob Amato - Frankfort, Kentucky



December 16, 2003

Mr. Bill Gilbert, Chairman  
Rattlesnake Ridge Water District  
P.O. Box 475  
Grayson, Kentucky 41143

Re: Letter of Conditions Dated January 22, 2002

Dear Mr. Gilbert:

This letter shall serve as Amendment No. 2 to the Letter of Conditions dated January 22, 2002. The purpose of the amendment is to (1) revise the total cost of the project due to a construction bid overrun and other costs incurred by the Water District; (2) revise the number of users; (3) revise the rates and charges; (4) revise the Funded Depreciation Reserve Account; and (5) make other editorial changes in accordance with current Rural Utilities Service (RUS) Instructions.

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 \$1,889,000, a RUS grant not to exceed \$1,500,000, an Appalachian Regional Commission (ARC) grant of \$350,000, a Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) of \$1,000,000, a State of Kentucky 2020 grant in the amount of \$440,000, a State of Kentucky HB 502 grant in the amount of \$100,000, and a Coal Severance Fund grant in the amount of \$600,000. ”

Paragraph numbered “1” is revised to read as follows:

“ 1. Number of Users and Their Contribution:

There shall be 3,362 water users, of which 2,860 are existing users and 502 are new users contributing \$90,000 in connection fees toward the cost of the project. The connection fees will be collected prior to advertising for construction bids and will be placed in the construction account at loan pre-closing, unless spent for authorized purposes prior to loan pre-closing. The Rural Development Manager will review and authenticate the number of users and amount of connection fees prior to advertising for construction bids. No contribution is required from the Water District. ”

Paragraph numbered "4" is revised to read as follows:

“ 4. Funded Depreciation Reserve Account:

The Water District will be required to deposit \$875.00 per month into a "Funded Depreciation Reserve Account" until the account reaches \$105,000. The deposits are to be resumed any time the account falls below the \$105,000.

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

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational. ”

Paragraph numbered "11.C." is revised to read as follows:

“ 11. Insurance and Bonding:

The following insurance and bonding will be required:

- C. Fidelity Bond - The Water District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$323,000. ”

Paragraph numbered "22" is revised to read as follows:

“ 22. Cost of Facility:

Breakdown of Costs:

Development	\$ 5,147,500
Land and Rights	5,000
Legal and Administrative	90,000
Engineering	485,800
Interest	30,400
Contingencies	<u>210,300</u>
TOTAL	\$ 5,969,000

Financing:

RUS Loan	\$ 1,889,000
RUS Grant	1,500,000
ARC Grant	350,000
HUD-CDBG	1,000,000
State of Ky. 2020 Grant	440,000
State of Ky. HB 502 Grant	100,000
Coal Severance Fund	600,000
Applicant Contribution	<u>90,000</u>
TOTAL	\$ 5,969,000 ”

Paragraph numbered "25" is revised to read as follows:

" 25. Rates and Charges:

Rates and charges for facilities and services rendered by the Water District must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

A. Water Rates Will Be at Least:

5/8" x 3/4" Meter Size:

First	1,000	gallons @ \$	12.50 - Minimum Bill.
Next	4,000	gallons @ \$	7.90 - per 1,000 gallons.
Next	5,000	gallons @ \$	6.80 - per 1,000 gallons.
Next	10,000	gallons @ \$	5.80 - per 1,000 gallons.
Next	20,000	gallons @ \$	4.00 - per 1,000 gallons.
All Over	40,000	gallons @ \$	3.10 - per 1,000 gallons.

3/4" Meter Size:

First	5,000	gallons @ \$	44.00 - Minimum Bill.
Next	5,000	gallons @ \$	6.80 - per 1,000 gallons.
Next	10,000	gallons @ \$	5.80 - per 1,000 gallons.
Next	20,000	gallons @ \$	4.00 - per 1,000 gallons.
All Over	40,000	gallons @ \$	3.10 - per 1,000 gallons.

1" Meter Size:

First	10,000	gallons @ \$	78.00 - Minimum Bill.
Next	10,000	gallons @ \$	5.80 - per 1,000 gallons.
Next	20,000	gallons @ \$	4.00 - per 1,000 gallons.
All Over	40,000	gallons @ \$	3.10 - per 1,000 gallons.

1 1/2" Meter Size:

First	30,000	gallons @ \$	175.00 - Minimum Bill.
Next	10,000	gallons @ \$	4.00 - per 1,000 gallons.
All Over	40,000	gallons @ \$	3.10 - per 1,000 gallons.

2" Meter Size:

First	50,000	gallons @ \$	254.00 - Minimum Bill.
All Over	50,000	gallons @ \$	3.10 - per 1,000 gallons.

3" Meter Size:

First	100,000	gallons @ \$	409.00 - Minimum Bill.
All Over	100,000	gallons @ \$	3.10 - per 1,000 gallons.

4" Meter Size:

First	200,000	gallons @ \$	719.00 - Minimum Bill.
All Over	200,000	gallons @ \$	3.10 - per 1,000 gallons.

6" Meter Size:

First 500,000 gallons @ \$ 1,649.00 - Minimum Bill.

All Over 500,000 gallons @ \$ 3.10 - per 1,000 gallons.

WHOLESALE RATE -KENTUCKY DEPARTMENT OF PARKS:

(Golf Course Only) \$ 2.10 - per 1,000 gallons.

B. Connections Fees:

<u>Meter Size</u>	<u>Service Connection Charge</u>
5/8" x 3/4"	\$ 700.00
3/4"	\$ 800.00
1"	\$ 1,100.00
1 1/2"	\$ 1,250.00
2"	\$ 1,500.00
3"	\$ 2,100.00
LARGER SIZE	NEGOTIABLE

CONNECTION FEE FO PHASE VII PROJECT:

5/8" x 3/4" \$ 350.00 "

Paragraph numbered "26" is revised to read as follows:

" 28. Commitment of ARC, HUD-CDBG, State, and Coal Severance Fund Grants:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the ARC grant in the amount of \$350,000, for the HUD-CDBG grant in the amount of \$1,000,000, for the State of Kentucky 2020 grant in the amount of \$440,000, for the State of Kentucky HB 502 grant in the amount of \$100,000, and for the Coal Severance Fund grant in the amount of \$600,000. "

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

Sincerely,

  
KENNETH SLONE

State Director

- cc: Rural Development Manager - Morehead, Kentucky
- Community Development Manager - Grayson, Kentucky
- FIVCO ADD - Catlettsburg, Kentucky
- ✓ Rubin and Hays - Louisville, Kentucky
- Deloris Woods - Grayson, Kentucky
- Central Associated Engineers - Lexington, Kentucky
- PSC - ATTN: Bob Amato - Frankfort, Kentucky



United States  
Department of  
Agriculture

Rural  
Development

771 Corporate Drive, Suite 200  
Lexington, KY 40503-5477  
(606) 224-7336 TTY(606) 224-7422

January 13, 2004

SUBJECT: Rattlesnake Ridge Water District  
Phase VII- Water System Project  
Contract Award Concurrence

TO: Rural Development Manager  
Morehead, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of subject project on Contract X to the low bidder, Laurel Construction, Inc. , in the amount of \$520,000, on Contract Y equipment and materials portion to C.I. Thornburg Co., Inc., in the amount of \$164,110, and Contract Y labor portion to Tackett Construction Co., Inc., in the amount of \$185,890.

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

  
KENNETH SLONE  
State Director  
Rural Development

cc: SME Engineering  
Lexington, Kentucky

~~Rubin and Hays~~  
Louisville, Kentucky

RUS:JA





## NOTICE OF PROPOSED RATE CHANGE

In accordance with the requirements of the Public Service Commission of the Commonwealth of Kentucky as set out in 807 KAR 5:069, Section 4, notice is hereby given to the customers of the Rattlesnake Ridge Water District, of an increase to the District's rate schedule as set forth herein. The proposed rate change is required by the United States Department of Agriculture, acting through Rural Development ("RD"), in connection with a loan by RD to the District to be evidenced by the issuance by the District of its Waterworks Revenue Bonds in such amount, which RD has agreed to purchase provided the District meets certain conditions of RD, including revising the current water rates and charges as set forth below:

### Current Monthly Water Rates and Charges

#### 5/8" x 3/4" Meter:

First 1,000 gallons	\$11.95 minimum bill
Next 4,000 gallons	7.50 per 1,000 gallons
Next 5,000 gallons	6.50 per 1,000 gallons
Next 10,000 gallons	5.50 per 1,000 gallons
Next 20,000 gallons	3.75 per 1,000 gallons
All over 40,000 gallons	2.90 per 1,000 gallons

#### 3/4" Meter:

First 5,000 gallons	\$41.95 minimum bill
Next 5,000 gallons	6.50 per 1,000 gallons
Next 10,000 gallons	5.50 per 1,000 gallons
Next 20,000 gallons	3.75 per 1,000 gallons
All over 40,000 gallons	2.90 per 1,000 gallons

#### 1" Meter:

First 10,000 gallons	\$74.45 minimum bill
Next 10,000 gallons	5.50 per 1,000 gallons
Next 20,000 gallons	3.75 per 1,000 gallons
All over 40,000 gallons	2.90 per 1,000 gallons

#### 1-1/2" Meter:

First 30,000 gallons	\$166.95 minimum bill
Next 10,000 gallons	3.75 per 1,000 gallons
All over 40,000 gallons	2.90 per 1,000 gallons

2" Meter:

First 50,000 gallons	\$233.45 minimum bill
All over 50,000 gallons	2.90 per 1,000 gallons

3" Meter:

First 100,000 gallons	\$378.45 minimum bill
All over 100,000 gallons	2.90 per 1,000 gallons

4" Meter:

First 200,000 gallons	\$668.45 minimum bill
All over 200,000 gallons	2.90 per 1,000 gallons

6" Meter:

First 500,000 gallons	\$1,538.45 minimum bill
All over 500,000 gallons	2.90 per 1,000 gallons

**Current Connection Fees**

<u>Meter Size:</u>	<u>Service Connection Charge</u>
5/8" x 3/4"	\$ 500.00
3/4"	600.00
1"	850.00
1-1/2"	1,000.00
2"	1,200.00
3"	1,800.00

**Proposed Monthly Water Rates and Charges**

5/8" x 3/4" Meter:

First 1,000 gallons	\$12.50 minimum bill
Next 4,000 gallons	7.90 per 1,000 gallons
Next 5,000 gallons	6.80 per 1,000 gallons
Next 10,000 gallons	5.80 per 1,000 gallons
Next 20,000 gallons	4.00 per 1,000 gallons
All over 40,000 gallons	3.10 per 1,000 gallons

3/4" Meter:

First 5,000 gallons	\$44.00 minimum bill
Next 5,000 gallons	6.80 per 1,000 gallons
Next 10,000 gallons	5.80 per 1,000 gallons
Next 20,000 gallons	4.00 per 1,000 gallons
All over 40,000 gallons	3.10 per 1,000 gallons

1" Meter:

First 10,000 gallons	\$78.00 minimum bill
Next 10,000 gallons	5.80 per 1,000 gallons
Next 20,000 gallons	4.00 per 1,000 gallons
All over 40,000 gallons	3.10 per 1,000 gallons

1-1/2" Meter:

First 30,000 gallons	\$175.00 minimum bill
Next 10,000 gallons	4.00 per 1,000 gallons
All over 40,000 gallons	3.10 per 1,000 gallons

2" Meter:

First 50,000 gallons	\$254.00 minimum bill
All over 50,000 gallons	3.10 per 1,000 gallons

3" Meter:

First 100,000 gallons	\$409.00 minimum bill
All over 100,000 gallons	3.10 per 1,000 gallons

4" Meter:

First 200,000 gallons	\$719.00 minimum bill
All over 200,000 gallons	3.10 per 1,000 gallons

6" Meter:

First 500,000 gallons	\$1,649.00 minimum bill
All over 500,000 gallons	3.10 per 1,000 gallons

Wholesale Rate:

Kentucky Department of Parks  
(Golf Course Only)

\$2.10 per 1,000 gallons

**Proposed Connection Fees**

<u>Meter Size:</u>	<u>Service Connection Charge</u>
5/8" x 3/4"	\$ 700.00
3/4"	800.00
1"	1,100.00
1-1/2"	1,250.00
2"	1,500.00
3"	2,100.00
Larger than 3"	Negotiable
Connection Fee For the Phase VII Project	350.00

The RD loan proceeds will be used in conjunction with various other monies to finance the cost of extensions, additions and improvements to the existing waterworks system of the District, consisting of the (i) installation of approximately 90 miles of waterlines; (ii) construction of a 600,000 gallon water storage tank, a 150,000 gallon water storage tank and a 60,000 gallon water storage tank; (iii) construction of a booster pump station and various water plant additions; and (iv) installation of approximately 2,500 radio read water meters

Signed: Bill Gilbert, Chairman  
Rattlesnake Ridge Water District