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ATTORNEYS AT LAW

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PARALEGAL  
MARY M. EMBRY

January 26, 2004

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

Re: Rattlesnake Ridge Water District Case No. 2004-00016

Dear Mr. Dorman:

Enclosed please find the original and ten (10) copies of Amendment No. 2 to the Rural Development Letter of Conditions, which has been revised on page 4 to reflect the connection charge for "larger size meters" to be "Actual Cost" instead of "Negotiable".

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

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December 16, 2003

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

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JAN 28 2004

PUBLIC SERVICE  
COMMISSION

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.

## Rattlesnake Ridge Water District

Page 4

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	ACTUAL COST

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  
 WVCO ADD - Calletsburg, Kentucky  
 Rubin and Hays - Louisville, Kentucky  
 Deloris Woods - Grayson, Kentucky  
 Central Associated Engineers - Lexington, Kentucky  
 PSC - ATTN: Bob Amato - Frankfort, Kentucky