

Rubin & Hays

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

RECEIVED
ATTORNEYS AT LAW
APR 13 2004
PUBLIC SERVICE
COMMISSION

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

PARALEGAL
MARY M. EMBRY

April 12, 2004

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

Case 2004-00130

Re: Mountain Water District

Dear Mr. Dorman:

Enclosed please find the original and ten (10) copies of the Application of Mountain Water District for an Order approving financing and issuing a Certificate of Public Convenience and Necessity pursuant to KRS 278.023.

Also enclosed are eleven (11) copies of the exhibits required pursuant to 807 KAR 5.069, and two (2) copies of the Preliminary and Final Engineering Reports.

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

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:cr
Enclosures
cc: Distribution List

DISTRIBUTION LIST

Account No. 2286.0000

Re: Mountain Water District Waterworks Revenue Bonds, Series 2004, in the amount of \$1,760,000 (Radio Read Project)

Mr. Kenneth Slone, State Director
Rural Development
771 Corporate Drive, Suite 200
Lexington, Kentucky 40503-5744

Phone: (859) 224-7336
Fax: (859) 224-7425

Mr. Ronnie Brooks
Rural Development
220 West First Street
Morehead, Kentucky 40351

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

Mr. Will Brown, Superintendent
Mountain Water District
P.O. Box 3157
Pikeville, Kentucky 41502-3157

Phone: (606) 631-9162
Fax: (606) 631-3087

Mr. Doug Griffin
Kenvirons, Inc.
452 Versailles Road
Frankfort, Kentucky 40601

Phone: (502) 695-4357
Fax: (502) 695-4363

Daniel Stratton, Esq.
Stratton, Hogg & Maddox, P.S.C.
P.O. Box 1530
Pikeville, Kentucky 41502-1530

Phone: (606) 437-7800
Fax: (606) 437-7569

W. Randall Jones, Esq.
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202

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

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
APR 13 2004
PUBLIC SERVICE
COMMISSION

In the Matter of:

**THE APPLICATION OF THE MOUNTAIN WATER)
DISTRICT FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO CONSTRUCT)
AND FINANCE PURSUANT TO THE PROVISIONS)
OF KRS 278.023)**

CASE NO. 2004-00130

A P P L I C A T I O N

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

1. That the 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 the Applicant is:

Mountain Water District
c/o Mr. Will Brown, Superintendent
P.O. Box 3157
Pikeville, Kentucky 41501
3. That the Applicant, pursuant to the provisions of KRS 278.020 and 278.023, seeks (i) a Certificate of Public Convenience and Necessity, permitting the Applicant to construct a waterworks project (the "Project"); and (ii) approval of the proposed plan of financing said Project.
4. That the project consists of the purchase and installation of a remote meter reading system to facilitate the reading of 14,000 water meters with the District boundaries.
5. That the Applicant proposes to finance the acquisition of the Project through the issuance of \$1,760,000 of its Waterworks Revenue Bonds. The Applicant has a commitment from the United States of America, acting through Rural Development ("RD") to purchase said \$1,760,000 of bonds maturing over a 15-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 the Applicant does not contemplate having the Project constructed with any deviation from minimum construction standards of this Public Service Commission.

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

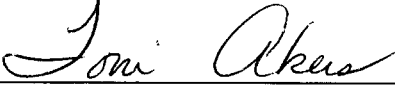
- A. Copy of RD Letter of Conditions, as amended, with attached maturity schedule.
- B. Copy of RD Letter of Concurrence in Bid Award.
- C. Copy of Preliminary and Final Engineering Reports.
- D. Certified statement from the Chairperson of the Applicant, based upon statements of the Engineers for the 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 existing rates of the Applicant shall produce the total revenue requirements set out in the engineering reports; and
 - (4) Setting out the dates when it is anticipated that the acquisition will begin and end.

8. 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, the Applicant, the Mountain Water District, asks that the Public Service Commission of the Commonwealth of Kentucky grant to the Applicant the following:

- a. A Certificate of Public Convenience and Necessity permitting the Applicant to acquire a waterworks project.
- b. An Order approving the financing arrangements made by the Applicant, viz., the issuance of \$1,760,000 of Mountain Water District Waterworks Revenue Bonds at an interest rate of not exceeding 4.50% per annum.

MOUNTAIN WATER DISTRICT

By: 
Chairperson
Board of Water Commissioners

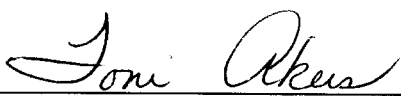
RUBIN & HAYS

By: 
Counsel for Applicant
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 569-7525

COMMONWEALTH OF KENTUCKY)
) SS:
 COUNTY OF PIKE)

The undersigned, Toni Akers, being duly sworn, deposes and states that she is the Chairperson of the Board of Commissioners of the Mountain Water District, the Applicant, in the above proceedings; that she has read the foregoing Application and has noted the contents thereof; that the same is true of her own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, she believes same to be true.

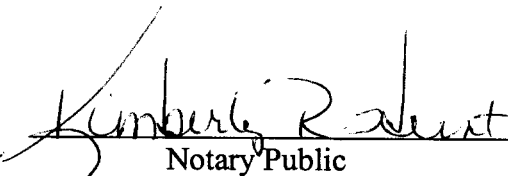
IN TESTIMONY WHEREOF, witness the signature of the undersigned on this March 31, 2004.



 Toni Akers, Chairperson
 Mountain Water District

Subscribed, sworn and acknowledged to before me by Toni Akers, Chairperson of the Board of Commissioners of the Mountain Water District on this March 31, 2004.

My Commission expires: 10-28-04.



 Notary Public
 In and for said County and State



United States
Department of
Agriculture

Rural
Development

771 Corporate Drive, Suite 200
Lexington, KY 40503-5477
(859) 224-7336 TTY(859) 224-7422

June 6, 2003

Ms. Toni Akers, Chairperson
Mountain Water District
P.O. Box 3157
Pikeville, Kentucky 41502

Dear Ms. Akers:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. The loan 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 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 \$2,133,000.

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

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

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

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

1. Number of Users and Their Contribution:

There shall be 13,068 existing water users. The Rural Development Manager will review and authenticate the number of users prior to advertising for construction bids. No contribution is required from the Water District.

2. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed 16 years from the date of the bond. Principal payment will not be deferred for a period in excess of one year 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 January. 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 \$1,660 per month into a "Funded Depreciation Reserve Account" until the account reaches \$199,200. The deposits are to be resumed any time the account falls below the \$199,200.

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 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 statistical and financial reports, quarterly and annually, in accordance with subsection 1780.47 of RUS Instruction 1780 and RUS Staff Instruction 1780-4, a copy of which is enclosed. The enclosed audit booklet will be used as a guide for preparation of audits. The Water District will be required to establish and maintain separate accounts for each system. Annual audits, budgets, and reports will be submitted to Rural Development showing separate accounts. The Water District shall be required to submit a copy of its audit agreement for review and approval prior to pre-closing the loan. The Water District shall obtain the assistance of its accountant to establish the Water District's accounting system. Rural Development approval of the accounting system is required.

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 \$707,000.
- 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 "21" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 150 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. RD 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. Cost of Facility:

Breakdown of Costs:

Development	\$ 2,088,000
Legal and Administrative	15,000
Engineering	<u>30,000</u>
TOTAL	\$ 2,133,000

Financing:

RUS Loan	\$ <u>2,133,000</u>
TOTAL	\$ 2,133,000

22. 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.

23. 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	2,000	gallons @ \$	18.06 - Minimum Bill.
Next	8,000	gallons @ \$	6.03 - per 1,000 gallons.
All Over	10,000	gallons @ \$	5.24 - per 1,000 gallons.

1" Meter:

First	5,000	gallons @ \$	36.15 - Minimum Bill.
Next	5,000	gallons @ \$	6.03 - per 1,000 gallons.
All Over	10,000	gallons @ \$	5.24 - per 1,000 gallons.

2" Meter:

First	20,000	gallons @ \$	118.70 - Minimum Bill.
All Over	20,000	gallons @ \$	5.24 - per 1,000 gallons.

3" Meter:

First	30,000	gallons @ \$	171.10 - Minimum Bill.
All Over	30,000	gallons @ \$	5.24 - per 1,000 gallons.

4" Meter:

First	50,000	gallons @ \$	275.90 - Minimum Bill.
All Over	50,000	gallons @ \$	5.24 - per 1,000 gallons.

6" Meter:

First	100,000	gallons @ \$	537.90 - Minimum Bill.
All Over	100,000	gallons @ \$	5.24 - per 1,000 gallons.

Line Leak Adjustment Rate \$ 3.37 - per 1,000 gallons.

24. Water Purchase Contract:

The Water District will submit a Water Purchase Contract for approval by Rural Development before advertising for construction bids. If the contract is not on Form RD 442-30, "Water Purchase Contract," the contract will require approval by our Regional Attorney. The contract must meet the requirements of subsection 1780.62 of RUS Instruction 1780.

25. 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

Enclosures

cc: Rural Development Manager - Morehead, Kentucky
Community Development Manager - Prestonsburg, Kentucky
Big Sandy ADD - Prestonsburg, Kentucky
Daniel Stratton - Pikeville, Kentucky
✓ Rubin and Hays - Louisville, Kentucky
Kenvirons, Inc. - Frankfort, Kentucky
PSC - ATTN: Bob Amato - Frankfort, Kentucky



Rural Development
A mission area of the
United States Department of Agriculture

771 Corporate Drive, Suite 200
Lexington, KY 40503-5477
859/224-7336 Fax 859/224-7344
TTY 859/224-7422

Rural Business
Cooperative Service

March 19, 2004

Rural Housing
Service

Ms. Toni Akers, Chairperson
Mountain Water District
P.O. Box 3157
Pikeville, Kentucky 41502

Rural Utilities
Service

Re: Letter of Conditions Dated June 6, 2003

Dear Ms. Akers:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated June 6, 2003. The purpose of this amendment is to revise the total cost of the project due to a construction bid underrun.

The Second Paragraph on Page 1 is revised to read as follows:

“ This letter is not to be considered as loan 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 \$1,760,000”

Paragraph numbered “4” is revised to read as follows:

“ 4. Funded Depreciation Reserve Account:

The Water District will be required to deposit \$1,370 per month into a "Funded Depreciation Reserve Account" until the account reaches \$164,400. The deposits are to be resumed any time the account falls below the \$164,400.

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. ”

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

" 11. Insurance and Bonding:

- 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 \$673,000. "

Paragraph numbered "20" is revised to read as follows:

" 20. Cost of Facility:

Breakdown of Costs:

Development	\$ 1,716,700
Legal and Administrative	10,000
Engineering	<u>33,300</u>
TOTAL	\$ 1,760,000

Financing:

RUS Loan	\$ <u>1,760,000</u>
TOTAL	\$ 1,760,000 "

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

Sincerely,


KENNETH SLONE
State Director

cc: Area Director - Morehead, Kentucky
Rural Development Manager - Prestonsburg, Kentucky
Big Sandy ADD - Prestonsburg, Kentucky
Daniel Stratton - Pikeville, Kentucky
✓ Ruben and Hays - Louisville, Kentucky
Kenvirons, Inc. - Frankfort, Kentucky
PSC - ATTN: Bob Amato - Frankfort, Kentucky



**RURAL UTILITIES SERVICE
BOND SCHEDULE, 3/19/2004**



Name of Borrower: Mountain Water District			
Amount of Loan	1760000	Annual Interest Rate	0.045
Number of Initial Interest Only Payments	1	Number of principal and/or Interest Payments	16
Payment Frequency	Annual	This is a split payment bond.	false
Principal Payment Units	500	Interest Payment Units	1

YEAR	PERIOD	NUMBER	PAYMENT	INTEREST	PRINCIPAL	BALANCE
2005	1	1	79200	79200	0	1760000
2006	1	2	163700	79200	84500	1675500
2007	1	3	163898	75398	88500	1587000
2008	1	4	163915	71415	92500	1494500
2009	1	5	163753	67253	96500	1398000
2010	1	6	163910	62910	101000	1297000
2011	1	7	163865	58365	105500	1191500
2012	1	8	164118	53618	110500	1081000
2013	1	9	163645	48645	115000	966000
2014	1	10	163970	43470	120500	845500
2015	1	11	164048	38048	126000	719500
2016	1	12	163878	32378	131500	588000
2017	1	13	163960	26460	137500	450500
2018	1	14	163773	20273	143500	307000
2019	1	15	163815	13815	150000	157000
2020	1	16	164065	7065	157000	0
TOTALS			2537513	777513	1760000	



March 16, 2004

SUBJECT: Mountain Water District
Radio Frequency Meter Reading
Contract Award Concurrence

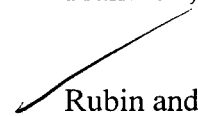
TO: Rural Development Manager
Morehead, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of subject contract to the low bidder, National Waterworks, Inc., in the amount of \$1,511,350.00.

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


KENNETH SLONE
State Director
Rural Development

cc: Kenvirons, Inc.
Frankfort, Kentucky


Rubin and Hays
Louisville, Kentucky

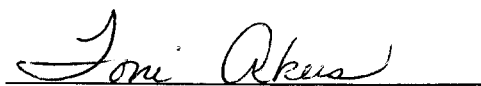
**CERTIFICATE OF CHAIRPERSON OF MOUNTAIN WATER DISTRICT,
AS TO STATEMENT REQUIRED BY SECTION 3(2)(D) OF 807 KAR 5:069**

I, Toni Akers, hereby certify that I am the duly qualified and acting Chairperson of the Mountain Water District, and that said District is in the process of arranging to finance the construction of extensions, additions and improvements to the existing waterworks system of the District (the "Project"), in cooperation with the Engineers for the District, Kenvirons, Inc., Frankfort, Kentucky.

Based on information furnished to me by said Engineers for the District, 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 already been obtained.
3. That the existing rates of the District shall produce the total revenue requirements set out in the engineering reports.
4. That it is now contemplated that construction of the Project will begin on or about May 1, 2004, and will end on or about July 1, 2004.


IN TESTIMONY WHEREOF, witness my signature this March 31, 2004.



Chairperson
Mountain Water District

STATE OF KENTUCKY)
) SS
COUNTY OF PIKE)

Subscribed and sworn to before me by Toni Akers, Chairperson of the Board of Commissioners of the Mountain Water District, on this March 31, 2004.



Notary Public
In and For Said State and County