

**DAMON R. TALLEY, P.S.C.**

112 N. LINCOLN BLVD.  
P.O. BOX 150  
HODGENVILLE, KENTUCKY 42748

TEL. (270) 358-3187  
FAX (270) 358-9560

DAMON R. TALLEY

ATTORNEY AT LAW

September 1, 2010

Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
PO Box 615  
Frankfort, KY 40602

RECEIVED

SEP 02 2010

PUBLIC SERVICE  
COMMISSION

RE: Green River Valley Water District

Dear Mr. Derouen:

Enclosed for filing are the original and ten (10) copies of the Application of the Green River Valley Water District.

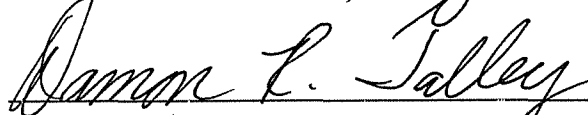
2010-00354

The Application is being filed pursuant to the provisions of KRS 278.023 and 807 KAR 5:069 which requires Commission approval within 30 days.

Should you need any additional information, please let me know.

Yours truly,

DAMON R. TALLEY, P.S.C.



DAMON R. TALLEY, ATTORNEY FOR  
GREEN RIVER VALLEY WATER DISTRICT

DRT:ms

Enclosures

cc: Green River Valley Water District

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

**RECEIVED**

In the Matter of:

SEP 02 2010

PUBLIC SERVICE  
COMMISSION

THE APPLICATION OF GREEN RIVER VALLEY )  
WATER DISTRICT, HART AND BARREN )  
COUNTIES, KENTUCKY, (1) SEEKING )  
APPROVAL OF REVISED WATER SERVICE ) CASE NO.  
RATES AND CHARGES; AND (2) SEEKING ) 2010- 354  
APPROVAL OF THE ISSUANCE OF CERTAIN )  
SECURITIES, PURSUANT TO THE PROVISIONS )  
OF KRS 278.023 AND 807 KAR 5:069. )

\*\* \*\*\* \*\*\*\* \*\*\*\*\* \*\*

The Applicant, **GREEN RIVER VALLEY WATER DISTRICT**, (the "District"), situated in Hart and Barren Counties, Kentucky, acting by and through its Commission, respectfully tenders this Application and requests that the Public Service Commission of Kentucky (the "PSC") issue its Order, pursuant to KRS 278.023 and 807 KAR 5:069, (1) approving the adjustment of water rates and charges to be levied and collected by the District; and (2) approving the issuance of certain securities by the District. In support of this Application, and in conformity with the regulations of the PSC, the District states as follows:

1. The District was established by Order of the County Court of Hart County on November 16, 1959, pursuant to the provisions of KRS Chapter 74. The territorial limits of the District were later expanded to include portions of adjacent Barren County as evidenced by the April 11, 1960 Order of the County Court of Barren County. The District has subsequently expanded its territorial limits into the adjacent counties of Green, LaRue and Metcalfe. Thus, it now serves customers in a total of five (5) counties. The District is now, and has been since its inception, regulated by the PSC. All records and proceedings of the PSC with reference to the District are incorporated into this Application by reference.

2. The mailing address of the District is:

Green River Valley Water District  
85 East Les Turner Road  
P.O. Box 399  
Cave City, Kentucky 42127

ATTENTION: David Paige, General Manager  
TELEPHONE: (270) 773-2135

3. The governing body of the District is its Commission. The District operates as a two-county District in conformity with KRS 74.020(1)(b). The County Judge/Executives of Hart and Barren Counties have entered Orders appointing the present Commissioners, who are residents of the District. The present members of the Commission, and their

respective offices, are as follows: Jack London, Chairman; John Bunnell, Secretary-Treasurer; Ray Branstetter, Commissioner; Phillip Doyle, Commissioner; and Pat Tucker, Commissioner. Each of the five (5) Commissioners has qualified for office.

4. The Project consists of the construction and installation of a 1,000,000 gallon ground-level water storage tank, various water lines and other water system improvements. The Project is more fully described in plans, specifications, contract documents and reports prepared on behalf of the District by Water Management Services, LLC, Nashville Tennessee, and on file in the office of the District.

5. The PSC has previously granted the District a Certificate of Public Convenience and Necessity (the "CPCN") to construct the Project. (See Case No. 2009-00162 and the Order issued in that case on August 26, 2009). Therefore, the District is not seeking a CPCN in this proceeding.

6. The District respectfully requests the PSC to incorporate by reference the record of Case No. 2009-00162 (the "CPCN Case") into the record of this proceeding.

7. The total Project cost is \$6,840,869. The District proposes to permanently finance a portion of the Project cost by the issuance of its Green River Valley Water District Waterworks Revenue Bonds, Taxable Series

2010 (Build America Bonds – Direct Payment to Issuer) in the amount of \$3,200,000 (the “2010 Bonds”) to the United States of America, acting by and through the U.S. Department of Agriculture, Rural Development (the “USDA-RD”). The 2010 Bonds will bear interest at a rate not to exceed 2.50% per annum and will mature over 40 years. The balance of the Project cost will be funded by grants totaling \$2,556,000 and connection fees from the City of Horse Cave and the Caveland Environmental Authority (on behalf of the City of Cave City) in the combined amount of \$1,084,869. The financing sources are summarized as follows:

USDA - RD Loan	\$3,200,000
USDA - RD Grant	1,100,000
KIA Grant	500,000
EPA Grant	956,000
Horse Cave & Cave City Connection Fees	<u>1,084,869</u>
Total	\$6,840,869

8. Construction of the proposed new facilities was instituted and is being funded initially from the proceeds of an interim financing loan obtained from the Kentucky Rural Water Finance Corporation.

9. The District has entered into an agreement with the USDA-RD which sets forth the specific terms and conditions for obtaining the loan in the principal amount of \$3,200,000, which will be represented by the 2010 Bonds. The Letter of Conditions dated May 5, 2010, which contains these

terms and conditions, is attached hereto and incorporated herein by reference as **EXHIBIT 1**.

10. The District's consulting engineers, Water Management Services, LLC, Nashville, Tennessee (the "Engineers"), have prepared a Preliminary Engineering Report and a Final Engineering Report, as well as detailed plans, specifications and contract documents for the construction and installation of the Project. The Preliminary Engineering Report, the Final Engineering Report and other documents prepared by the Engineers are on file with the PSC in the CPCN Case (Case No. 2009-00162) and are incorporated herein by reference.

11. Maps showing the location of major improvements and the location and routes of the various water lines included in the Project are already on file with the PSC in the CPCN Case (Case No. 2009-00162). The Maps are incorporated herein by reference.

12. The District has caused public advertising to be made according to law soliciting competitive bids for the construction and installation of the Project. It has received, opened and considered the construction bids. It has also received data prepared by the Engineers showing the bids received and the recommendation of the Engineers with respect thereto. The Engineers' bid tabulations and best bid recommendations are already on file with the

PSC in the CPCN Case (Case No. 2009-00162) and are incorporated herein by reference.

13. The USDA-RD has approved the District's award of the best bids as evidenced by the Letter of Concurrence in Bid Award dated June 30, 2010, which is attached hereto and incorporated herein by reference as **EXHIBIT 2**.

14. Attached hereto and incorporated herein by reference as **EXHIBIT 3** is a certified statement from the District's Chairman, based upon the statements, representations, and professional opinions of the Engineers for the District, concerning the following:

- A. 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;
- B. All other state approvals or permits have already been obtained;
- C. The water rates proposed by the District shall produce the total revenue requirements set out in the engineering reports; and
- D. Setting out the dates when it is anticipated that construction will begin and end.

15. The District does not contemplate having the Project constructed with any deviation from minimum construction standards or operating conditions of the PSC.

16. The proposed adjusted water rates and charges of the District are set forth in paragraph 28 of the Letter of Conditions (**EXHIBIT 1**) and in the Notice of Adjustment of Water Rates (the “Customer Notice”) which is attached hereto and incorporated herein by reference as **EXHIBIT 4**.

17. The District has an Application for an adjustment of its water rates and charges currently pending before the PSC (See Case No. 2009-00455). Hereafter, Case No. 2009-00455 will sometimes be referred to as the “Rate Case”.

18. The District respectfully requests the PSC to incorporate by reference the record in the Rate Case (Case No. 2009-00455) into the record in this proceeding.

19. The District plans to dismiss the Rate Case (Case No. 2009-00455) once the PSC issues a final order in this proceeding.

20. The schedule of rates proposed by the District in the Rate Case (Case No. 2009-00455) is identical to the retail rates and the wholesale rate set forth in paragraph 28 of the RD Letter of Conditions. Attached as Exhibit 2 to the Rate Case (Case No. 2009-00455) is the Customer Notice. For the PSC’s convenience, the Customer Notice in the Rate Case has been attached hereto and incorporated herein by reference as **EXHIBIT 4**.



21. The District has already published the Customer Notice for three (3) consecutive weeks, at the time the Application in the Rate Case (Case No. 2009-00455) was filed, in The Hart County News-Herald, Horse Cave, Hart County, Kentucky; The Glasgow Daily Times, Glasgow, Barren County, Kentucky; The Herald-News, Edmonton, Metcalfe County, Kentucky; The Greensburg Record-Herald, Greensburg, Green County, Kentucky; and The LaRue County Herald News, Hodgenville, LaRue County, Kentucky. Each of these newspapers is the newspaper of general circulation in its respective county of the District's service area. The Customer Notice sets out the current rates and the proposed rates of the District. A copy of the newspaper clippings and an Affidavit of Publication evidencing publication in each of the newspapers was submitted to the PSC in the Rate Case (Case No. 2009-00455). These proof of publication documents are incorporated herein by reference.

22. The Customer Notice previously filed as Exhibit 2 in the Rate Case (Case No. 2009-00455) and published in five (5) different newspapers for three (3) consecutive weeks complies with all the technical requirements of 807 KAR 5:069, Section 2, except it does not contain a brief description of the construction project. Publication of a new customer notice containing the same information as the Customer Notice previously published, **plus a**

**brief description of the construction project**, would not serve the public's interest at this time because the PSC has already granted the District a CPCN. In addition, the public would likely be confused by a new publication. Furthermore, no person has sought to intervene in the Rate Case (Case No. 2009-00455) despite the Customer Notice having been published approximately eight (8) months ago for three (3) consecutive weeks in five (5) newspapers. To avoid customer confusion and additional expense, the District respectfully requests and moves for a deviation, to the extent necessary, from the strict requirements of 807 KAR 5:069, Section 2, which requires the notice to customers to contain a brief description of the construction project.

23. The District plans to use any contingency funds remaining after construction of the Project to make additional water distribution line extensions and other water system improvements. These extensions and improvements will be made with the approval and under the supervision of the USDA-RD and pursuant to the provisions of 807 KAR 5:069, Section 3.

24. As previously stated in paragraphs 6 and 18 of this Application, the District respectfully requests the PSC to incorporate by reference the records in Cases No. 2009-00162 (the CPCN Case) and 2009-00455 (the Rate Case) into the record in this proceeding.

WHEREFORE, the Applicant, Green River Valley Water District, pursuant to KRS 278.023, respectfully requests the Public Service Commission of Kentucky to take the following actions:

- A. Incorporate by reference the records in Cases No. 2009-00162 (the CPCN Case) and 2009-00455 (the Rate Case) into the record in this proceeding;
- B. Grant the District a deviation, to the extent necessary, from the strict requirements of 807 KAR 5:069, Section 2, which requires the notice to customers to contain a brief description of the construction project;
- C. Issue an Order approving the proposed plan of financing which consists of the issuance of \$3,200,000 Green River Valley Water District Waterworks Revenue Bonds, Taxable Series 2010 (Build America Bonds – Direct Payment to Issuer);
- D. Issue an Order approving the proposed schedule of water service rates and charges as set forth in the Letter of Conditions filed herein as **EXHIBIT 1**; and
- E. Grant the District any and all other proper relief.

This Sept. 1, 2010.

Respectfully submitted,  
GREEN RIVER VALLEY WATER DISTRICT

BY:   
JACK LONDON, CHAIRMAN

  
DAMON R. TALLEY, P.S.C.  
Counsel for Applicant  
PO Box 150  
Hodgenville, KY 42748-0150  
270-358-3187  
Fax 270-358-9560  
[drtalley@windstream.net](mailto:drtalley@windstream.net)



# **EXHIBIT LIST**

## **GREEN RIVER VALLEY WATER DISTRICT**

**EXHIBIT 1 LETTER OF CONDITIONS**

**EXHIBIT 2 RD LETTER OF CONCURRENCE**

**EXHIBIT 3 CERTIFIED STATEMENT OF CHAIRMAN**

**EXHIBIT 4 NOTICE OF ADJUSTMENT OF WATER RATES**

# **EXHIBIT 1**



**United States Department of Agriculture  
Rural Development  
Kentucky State Office**

May 5, 2010

Mr. Jack London, Chairman  
Green River Valley Water District  
PO Box 399  
Cave City, Kentucky 42127

Dear Mr. London:

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 and 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 \$3,200,000; a RUS grant not to exceed \$1,100,000; a Kentucky Infrastructure Authority (KIA) grant in the amount of \$500,000; an Environmental Protection Agency (EPA) grant in the amount of \$956,000; and connection fees from the Cities of Horse Cave and Cave City in the cumulative amount of \$1,084,869.

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 210 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 6,693 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 District 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 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 (April 1<sup>st</sup> and October 1<sup>st</sup>) and principal will be due on or before the first of October. Rural Development may require the 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.

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 District 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 District will be required to deposit \$1,100 per month into a "Funded Debt Reserve Account" until the account reaches \$132,000. The deposits are to be resumed any time the account falls below the \$132,000.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the 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.

The District also needs to fund an account for short-lived assets by depositing a sum of \$3,070 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District's water system. This short-lived asset reserve amount replaces any previous short-lived assets requirements previously set with any prior RUS loan.

7. Security Requirements:

A pledge of gross water revenues 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 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.

8. Land Rights and Real Property:

The 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.

9. Organization:

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

10. Business Operations:

The 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 District after review by Rural Development. At no later than loan pre-closing, the 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, delayed payment penalties, disconnect/reconnect fees, bookkeeping, making and delivering required reports and audits.

11. Accounts, Records and Audits:

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

The enclosed audit booklet will be used as a guide for preparation of audits. The District shall be required to submit a copy of its audit agreement for review and concurrence by Rural Development prior to pre-closing the loan.

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

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

13. 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 District. The District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The 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 \$520,000.
- D. Real Property Insurance - The 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 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 District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

14. 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 "24" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 180 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 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 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.

15. 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.

Rural Development financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap.

16. 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 District.

17. Compliance with Special Laws and Regulations:

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

18. Treatment Plant and System Operator:

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

19. Prior to Pre-Closing the Loan, the 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."
- G. RUS Bulletin 1780-22, "Eligibility Certification."

20. Refinancing and Graduation Requirements:

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

21. Commercial Interim Financing:

The 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 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.

22. Disbursement of Project Funds:

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

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 \$100,000 at any time, the financial institution will secure the amount in excess of \$100,000 by pledging collateral with the Federal Reserve Bank in an amount not less than the excess in accordance with 7 CFR, 1902.7(a).

During construction, the 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 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 District.

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

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. 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 District's construction account records shall be made by Rural Development.

23. 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 District. Grant funds, upon receipt, must be deposited in an interest bearing account in accordance with 7 CFR part 3016 (as applicable). Interest earned on grant funds in excess of \$100 (as applicable) per year will be submitted to RUS at least quarterly.

24. Cost of Facility:

Breakdown of Costs:

Development	\$ 5,572,555
Legal and Administrative	64,500
Engineering	732,935
Interest	183,271
Contingencies	<u>287,608</u>
TOTAL	\$ 6,840,869

Financing:

RUS Loan	\$ 3,200,000
RUS Grant	1,100,000
KIA Grant	500,000
EPA Grant	956,000
Horse Cave & Cave City Connection Fees	<u>1,084,869</u>
TOTAL	\$ 6,840,869

25. Commitment of Other Project Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the KIA grant in the amount of \$500,000, for the EPA grant in the amount of \$956,000, and for the Contributions from Cave City and Horse Cave in the amount of \$1,084,869.

26. Use of Remaining Project Funds:

The connection fees from Horse Cave & Cave City shall be considered as the first funds expended. After providing for all authorized costs, any remaining project funds will be considered to be RUS/KIA/EPA 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.

27. 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.

28. Rates and Charges:

Rates and charges for facilities and services rendered by the 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 @ \$	17.21. - Minimum Bill.
Next	8,000	gallons @ \$	4.71. - per 1,000 gallons.
Next	10,000	gallons @ \$	3.93. - per 1,000 gallons.
Next	30,000	gallons @ \$	3.39. - per 1,000 gallons.
Next	50,000	gallons @ \$	3.06. - per 1,000 gallons.
All Over	100,000	gallons @ \$	2.96. - per 1,000 gallons.

## 1 Inch Meter:

First	5,000	gallons @ \$	31.34. - Minimum Bill.
Next	5,000	gallons @ \$	4.71. - per 1,000 gallons.
Next	10,000	gallons @ \$	3.93. - per 1,000 gallons.
Next	30,000	gallons @ \$	3.39. - per 1,000 gallons.
Next	50,000	gallons @ \$	3.06. - per 1,000 gallons.
All Over	100,000	gallons @ \$	2.96. - per 1,000 gallons.

## 1.5 Inch Meter:

First	10,000	gallons @ \$	54.89. - Minimum Bill.
Next	10,000	gallons @ \$	3.93. - per 1,000 gallons.
Next	30,000	gallons @ \$	3.39. - per 1,000 gallons.
Next	50,000	gallons @ \$	3.06. - per 1,000 gallons.
All Over	100,000	gallons @ \$	2.96. - per 1,000 gallons.

## 2 Inch Meter:

First	16,000	gallons @ \$	78.47. - Minimum Bill.
Next	4,000	gallons @ \$	3.93. - per 1,000 gallons.
Next	30,000	gallons @ \$	3.39. - per 1,000 gallons.
Next	50,000	gallons @ \$	3.06. - per 1,000 gallons.
All Over	100,000	gallons @ \$	2.96. - per 1,000 gallons.

Also, wholesale water rates will be at least \$2.14 per 1,000 gallons.



29. Compliance with the Bioterrorism Act:

Prior to pre-closing the loan, the District will provide a certification they have completed a Vulnerability Assessment (VA) and prepared an emergency response plan (ERP) as required by the Safe Drinking Water Act (SDWA).

30. Floodplain Construction:

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

31. Water Withdrawal Permit:

The 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.

32. Division of Water (DOW) Health & Sanitary Certification:

The Median Household Income (MHI) for the District's service area qualifies this project for the poverty interest rate. A certification from the Division of Water stating this project will remove a health or sanitary problem will be required. This certification must be obtained prior to loan pre-closing.

33. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated May 5, 2009, from Ms. Lee Nalley.
- B. The design and construction shall be in compliance with the requirements of the U.S. Fish and Wildlife Service as requested by letter dated August 1, 2009, and signed by Virgil Lee Andrews, Jr., Field Supervisor.
- C. 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.
- D. 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 pending the notification process and further directions issued by Agency after consultation with the State Historic

Preservation Officer (SHPO).

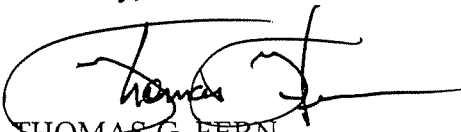
- E. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.
- F. Best Management Practices shall be incorporated into the project design, construction, and maintenance.

34. 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,



THOMAS G. FERN  
State Director

Enclosures

- cc:
- Area Director - Columbia, Kentucky
  - Area Manager – Bowling Green, Kentucky
  - Barren River ADD – Bowling Green, Kentucky
  - Patrick Ross – Horse Cave, Kentucky
  - William Davis - Louisville, Kentucky
  - Water Management Services - Nashville, Tennessee
  - PSC - ATTN: Dennis Jones - Frankfort, Kentucky

# **EXHIBIT 2**



United States Department of Agriculture  
Rural Development  
Kentucky State Office

June 30, 2010

SUBJECT: Green River Valley Water District  
2010 Water System Improvements  
Contract Award Concurrence

TO: Area Office  
Bowling Green, 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 on the transmission main, Horsley Construction, Inc., in the amount of \$2,534,304.90, the low bidder on the reservoir contract, Crom Corporation, in the amount of \$898,000.00, the low bidder on the clearwell contract, Herrick Co., in the amount of \$1,545,250.00, and the low bidder on the distribution lines, Salmon Construction Co., in the amount of \$595,000.00.

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

  
br THOMAS G. FERN  
State Director  
Rural Development

cc: WMS  
Nashville, Tennessee

Bill Davis  
Louisville, Kentucky

771 Corporate Drive • Suite 200 • Lexington, KY 40503  
Phone: (859) 224-7300 • Fax: (859) 224-7425 • TDD: (859) 224-7422 • Web: <http://www.rurdev.usda.gov/ky>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."  
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14<sup>th</sup> and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5984 (voice or TDD).

# **EXHIBIT 3**

**CERTIFICATE OF CHAIRMAN OF GREEN RIVER VALLEY  
WATER DISTRICT AS TO STATEMENT REQUIRED BY  
SECTION 1(5) OF 807 KAR 5:069**

I, JACK LONDON, hereby certify that I am the duly qualified and acting Chairman of the Green River Valley Water District of Barren County and Hart County, Kentucky, and that said District, in cooperation with Water Management Services, Nashville, Tennessee, the Engineers for the District (the "Engineers"), is in the process of arranging for the permanent financing and completing the construction of extensions, additions and improvements to the waterworks system of the District (the "Project").

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 water rates proposed by the District and which are set forth in the attached Application filed with the Public Service Commission of Kentucky are contemplated to produce the total revenue requirements set out in the Engineering Reports prepared by such Engineers and in the other documents filed with the Public Service Commission in Case No. 2009-00455.

4. That the construction of the Project commenced on or about September 14, 2009. It is now contemplated that it will end on or about December 31, 2010.

IN TESTIMONY WHEREOF, witness my signature this 1<sup>st</sup> day of September, 2010.

GREEN RIVER VALLEY WATER DISTRICT

BY: *Jack London*  
JACK LONDON, Chairman

STATE OF KENTUCKY            )  
  ) SS:  
COUNTY OF BARREN            )

Subscribed and sworn to before me by JACK LONDON, Chairman of the  
Commission of the GREEN RIVER VALLEY WATER DISTRICT, on this 1<sup>st</sup>  
day of Sept., 2010.

  
\_\_\_\_\_  
NOTARY PUBLIC, STATE AT LARGE

MY COMMISSION EXPIRES: 6-9-2011

# **EXHIBIT 4**



## NOTICE

The Green River Valley Water District has filed an application with the Kentucky Public Service Commission for approval to increase its water rates as follows:

		Proposed Rates	Current Rates	\$ Increase	% Increase
5/8 x 3/4 Inch Meter	First 2,000	\$ 17.21	\$ 14.34	\$ 2.87	20%
	Next 8,000	4.71	3.62	1.09	30%
	Next 10,000	3.93	3.02	0.91	30%
	Next 30,000	3.39	2.61	0.78	30%
	Next 50,000	3.06	2.35	0.71	30%
	Over 100,000	2.96	2.28	0.68	30%
1 Inch	First 5,000	\$ 31.34	\$ 24.12	\$ 7.22	30%
	Next 5,000	4.71	3.62	1.09	30%
	Next 10,000	3.93	3.02	0.91	30%
	Next 30,000	3.39	2.61	0.78	30%
	Next 50,000	3.06	2.35	0.71	30%
	Over 100,000	2.96	2.28	0.68	30%
1 1/2 Inch	First 10,000	\$ 54.89	\$ 42.88	\$ 12.01	28%
	Next 10,000	3.93	3.02	0.91	30%
	Next 30,000	3.39	2.61	0.78	30%
	Next 50,000	3.06	2.35	0.71	30%
	Over 100,000	2.96	2.28	0.68	30%
2 Inch	First 16,000	\$ 78.47	\$ 64.32	\$ 14.15	22%
	Next 4,000	3.93	3.02	0.91	30%
	Next 30,000	3.39	2.61	0.78	30%
	Next 50,000	3.06	2.35	0.71	30%
	Over 100,000	2.96	2.28	0.68	30%
Wholesale		\$ 2.14	\$ 1.58	\$ 0.56	35%
Deposits	2/12 Estimated Annual Bill		50.00		
5/8 Inch Connection		750.00	625.00		
1 Inch Connection	Actual Cost		770.00		

A customer bill for 5,000 gallons would increase from \$24.12 to \$31.34 an increase of \$7.22 or 30 percent.

The rates contained in this notice are the rates proposed by Green River Valley Water District. However, the Public Service Commission may order rates to be charged that are higher or lower than these proposed rates. Such action may result in rates for consumers other than the rates in this notice. Any corporation, association, body politic or person may by motion within 30 days after publication of the proposed rate changes request leave to intervene. The motion shall be submitted to the Public Service Commission, 211 Sower Blvd., Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party. Intervenors may obtain copies of the application by contacting the District's office at 85 E Les Turner Road, Cave City, Kentucky 42127 or (270) 773-2135. A copy of the application will be available for public inspection at the office of the utility.