

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 www.rubinhays.com

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

RECEIVED

September 30, 2016

OCT 3 2016

Public Service
Commission

Ms. Talina R. Mathews
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Re: Mountain Water District PSC Application

Dear Ms. Mathews:

Enclosed please find the original and ten (10) copies of the Application of the Mountain Water District for (i) a Certificate of Public Convenience and Necessity to construct a project pursuant to KRS 278.020; and (ii) an Order authorizing the issuance of securities pursuant to KRS 278.300.

Also enclosed is a compact disc containing the Plans, Specifications, Contract Documents and Certified Bid Tabulations, all of which have been stamped, signed and dated by a Professional Engineer.

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

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jlm
Enclosures
cc: Distribution List

DISTRIBUTION LIST

Re: Mountain Water District Douglas Wastewater Treatment Plant Project

Mr. Roy Sawyers
Mountain Water District
P.O. Box 3157
Pikeville, Kentucky 41502-3157
rsawyers@mtwater.org

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

Jonathan Newman, P.E.
Summit Engineering, Inc.
265 Hambley Boulevard
Pikeville, Kentucky 41501
jnewman@summit-engr.com

Telephone: (606) 432-1447

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

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

RECEIVED

OCT 3 2016

Public Service Commission

COMMONWEALTH OF KENTUCKY

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF THE MOUNTAIN WATER)
DISTRICT FOR THE ISSUANCE OF A)
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY TO CONSTRUCT AND FINANCE A)
SYSTEM IMPROVEMENTS PROJECT) Case No. 2016 - _____
PURSUANT TO THE PROVISIONS OF)
KRS 278.020, KRS 278.300 AND 807 KAR 5:001)

** *** **** ***** **** ** **

APPLICATION

The Applicant, Mountain Water District (the "District"), files this Application pursuant to KRS 278.020(1), KRS 278.300 and KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") grant the District a Certificate of Public Convenience and Necessity ("CPCN") to construct a system improvements project and approve the issuance of securities to finance a portion of said project. In support of this Application, and in compliance with the rules and regulations of the Commission, the District states as follows:

1. The District was established in accordance with the provisions of Chapter 74 of the Kentucky Revised Statutes pursuant to an Order of the County Judge/Executive of Pike County, which Order is on file in the County Court Order Books in the office of the Clerk of Pike County, Kentucky. The District is now, and has been since its inception, regulated by the Commission, and

all records and proceedings of the Commission with reference to the District are incorporated in this Application by reference. The District does not have any Articles of Incorporation due to the fact that it is a statutory entity.

2. The governing body of the District is its Board of Commissioners which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS 74.070 and all applicable law and regulations.

3. The mailing address of the District is as follows:

Mountain Water District
c/o Mr. Roy Sawyers
P.O. Box 3157
6332 Zebulon Highway
Pikeville, Kentucky 41501
Phone: (606) 631-9162
Fax: (606) 631-3087
email address: rsawyers@mtwater.org

4. A general description of the District's system property, together with a statement of the original cost, is contained in the District's Annual Report for 2015 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. Pursuant to 807 KAR 5:001, Section 15 - Applications for Certificates of Public Convenience and Necessity, the District hereby responds as follows:

- (i) Section 15(2)(a): Facts Relied Upon to Show Public Necessity: The proposed Douglas wastewater treatment plant improvements project (hereinafter the "Project") and the need for the Project is described in **Exhibit "A"** attached hereto.
- (ii) Section 15(2)(b): Copies of Permits: Required permits include a Kentucky Division of Water Construction Permit, Kentucky Pollutant Discharge

Elimination System Permit and Kentucky Transportation Cabinet Encroachment Permit. Copies of the required Permits are attached hereto as **Exhibit “B”**.

- (iii) Section 15(2)(c): Description of Proposed Location or Route. Construction of the Project is being performed entirely at the Douglas wastewater treatment plant site located at 27 Wildcat Drive, Pikeville, Kentucky 41501. The proposed Project will not compete with any other public utilities and will not result in any wasteful duplication.
- (iv) Section 15(2)(d)(1): Maps to Suitable Scale: As stated above, all construction is being performed at the Douglas wastewater treatment plant site, therefore the Engineers did not prepare maps showing the location and route of the proposed Project and accordingly, the District requests a deviation from the filing requirement of Section 15(2)(d)(1).
- (v) Section 15(2)(d)(2): Plans and Specifications: The signed, sealed and dated Plans and Specifications in .pdf format on electronic storage medium are being filed with this Application.
- (vi) Section 15(2)(e) Financing: The District is financing the Project with the proceeds of various grants (House Bill 269 and House Bill 608) and a loan from the federally assisted wastewater revolving loan fund (Fund A) (the “SRF Loan”) as approved by the Kentucky Infrastructure Authority (the “KIA”). The SRF Loan is evidenced by an Assistance Agreement between the District and KIA and the District has received an extension from KIA to

execute the Assistance Agreement on or before October 2, 2016. The Final Project Budget attached hereto as **Exhibit “C”**. The KIA commitment letter, supporting documentation and extension of time letter are attached hereto as **Exhibit “D”**.

- (vii) Section 15(2)(e) Statement of Estimated Annual Cost of Operation: a statement of the estimated annual cost of operation after the Project is placed in service is attached hereto as **Exhibit “E”**.

6. The detailed income statement and balance sheet for the twelve month period ending on July 31, 2016 are attached hereto as **Exhibit “F”** respectively.

7. Pursuant to 807 KAR 5:001, Section 12 - Financial Exhibit; the District hereby responds as follows:

- (i) Section 12(1)(a): The District states that it had \$5,000,000 or more in gross annual revenue in the immediate past calendar year and the financial information required by Section (12)(2) covers operations for the period ending on July 31, 2016.
- (ii) Section 12(2)(a), (b) and (c) Stock: The District does not have any authorized, issued or outstanding stock as of the date hereof.
- (iii) Section 12(2)(d) Mortgages: The District does not have any outstanding mortgages as of the date hereof.
- (iv) Section 12(2)(e), (f) and (g) Indebtedness: The information concerning the outstanding indebtedness of the District is contained in financial statements

attached hereto as **Exhibit “E”** and the KIA commitment attached hereto as **Exhibit “D”**.

- (v) Section 12(2)(h) Dividends: The District has no outstanding stock and therefore pays no dividends.
 - (vi) Section 12(2)(i) Financial Statements: See paragraph #14 above.
8. Pursuant to 807 KAR 5:001, Section 18, the District hereby responds as follows:
- (i) Section 18(1)(a): The District has complied with the requirements of 807 KAR 5:001, Section 14.
 - (ii) Section 18(1)(b): A general description of the District’s property, its field of operation and a statement of original cost of said property and the cost to the District is contained in the District’s 2015 Annual Report on file with this Commission.
 - (iii) Section 18(1)(c): The District is not issuing any stock as part of this financing. The information concerning the proposed SRF Loan is contained in this Application and the supporting exhibits. The SRF Loan will be secured by and payable from the gross revenues of the District’s water and sewer system.
 - (iv) Section 18(1)(d): The District is not refunding any outstanding obligations in connection with this Project. The proceeds of the SRF Loan are being used for the expansion of the Douglas wastewater treatment plant.
 - (v) Section 18(1)(e): See paragraph 5(i) above and paragraph 8(x) below.

- (vi) Section 18(1)(f): The District is not refunding any outstanding obligations in connection with this Project.
- (vii) Section 18(1)(g): Written notification of the proposed issuance of the KRWFC Loan is being provided to the State Local Debt Officer (see **Exhibit “G”** attached hereto).
- (viii) Section 18(2)(a): See paragraph #7 above.
- (ix) Section 18(2)(b): The District does not have any outstanding trust deeds or mortgages.
- (x) Section 18(2)(c): A detailed estimate of the acquired property, arranged according to the Uniform System of Accounts for Class A/B Water Districts and Associations is attached hereto as **Exhibit “H”**.

9. The Project was rebid on August 3, 2016 and such bid included various alternatives to the main construction. The District desires to award the following Alternatives: A6 (Penny Road Lift Station Renovation); A7 (Lick Branch Lift Station Renovation); and A9 (400 KW diesel stationary standby generator. (See **Exhibits “A” and “I”**. These Alternatives will add \$370,000 to the cost of the Project. The District has applied to KIA for an SRF loan increase in the amount of \$370,000 (see **Exhibit “J”** attached hereto). The District requests that the Commission include Alternatives A6, A7 and A9 in the requested CPCN. The District also requests that the Commission approve the SRF Loan increase request, subject to the approval of KIA. The District will file the KIA loan increase commitment letter when available.

10. Certified copies of the bid tabulations for the Project are attached hereto as **Exhibit “I”**.
11. No rate adjustment will be necessary.

WHEREFORE, the District respectfully requests that the Commission take the following actions:

- A. Grant the District a Certificate of Public Convenience and Necessity permitting the District to construct the Project and Alternatives A6, A7 and A9;
- B. Grant the District a deviation from the filing requirement of Section 15(2)(d)(1);
- C. Authorize the execution by the District of the Assistance Agreement evidencing of the original \$3,102,921 SRF Loan and the \$370,000 additional SRF Loan; and
- D. Grant the District any other relief to which said District is entitled.

Mountain Water District

By 
Michael Blackburn, Chairman
P.O. Box 3157
6332 Zebulon Highway
Pikeville, Kentucky 41501
Phone: (606) 631-9162
Fax: (606) 631-3087
email address: rsawyers@mtwater.org

Rubin & Hays

By 
W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Counsel for Mountain Water District
wrjones@rubinhays.com

STATE OF KENTUCKY)
) SS
COUNTY OF PIKE)

The affiant, Michael Blackburn, being first duly sworn, states: That he is the Chairman of the Mountain Water District, the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except as to matters which are herein stated to be based on information or belief, and that these matters, believes to be true and correct.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 28th day of September, 2016.

Michael Blackburn
Michael Blackburn, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Michael Blackburn, Chairman of the Mountain Water District on this the 28th day of September, 2016.

My Commission expires: January 16, 2020.

Jimmy Olson
Notary Public
Notary ID#: 548290



Douglas Wastewater Treatment Plant Expansion (SX21195699)
Final Engineering Report

PROJECT OVERVIEW

The existing Douglas Wastewater Treatment Plant has a rated capacity of 200,000 GPD (average daily flow). The plant was constructed in the late 1970's to serve the Douglas Industrial Park only. The plant was rehabilitated in 2004 to accommodate the expansion of the collection system into the surrounding community. The collection system serves the Douglas Industrial Park with gravity sewers while force mains serve all other customers.

The Mountain Water District intends to expand the Douglas Wastewater Treatment Plant from an average daily design flow of 0.2 MGD to 0.3 MGD by constructing a new membrane bioreactor (MBR) plant on existing property. The new plant is designed for an ultimate flow of 0.4 MGD with an initial capacity of 0.3 MGD. After startup of the new plant, the old treatment basins will be deactivated. Additional improvements to plant headworks, instrumentation, sludge processing, and final disinfection are also planned.

NECESSITY

This project is necessary for the following reasons:

1. **Aging Facilities** – The existing steel tanks have been in use for over 30 years. The 2004 rehabilitation project extended the life of the tanks but they have since deteriorated and are again in poor condition. Repairing the tanks provides only a temporary solution. This project proposes to replace the steel tanks with new concrete basins.
2. **Expansion** – An expansion of the Douglas WWTP is proposed in the current Facilities Plan. The District has added over 700 customers to the system since the rehabilitation project of 2004 and seeks to further increase its customer base in the future with additional line extensions. Expansion of the collection system will improve local surface water quality by eliminating straight pipes and failing septic systems.
3. **Sludge Handling** – Currently, all waste sludge from the plant is liquid hauled to the City of Pikeville Wastewater Treatment Plant. This project includes a sludge dewatering box so that sludge processing may be done on site, eliminating the manpower/fuel commitments of liquid hauling.
4. **Permit Compliance** – The existing ultraviolet (UV) disinfection system is not providing an adequate kill rate of microorganisms and must be supplemented with chlorine. This may cause compliance with established KPDES Permit discharge limits to become increasingly difficult. The current KPDES monthly average discharge limits for the plant are 15 mg/L BOD-5 and 30 mg/L TSS. Seasonal discharge limits for Ammonia Nitrogen are 4 mg/L summer and 10 mg/L winter. The permit was recently renewed by the Division of Water. The renewed permit is effective from November 1, 2012 to October 31, 2017.
5. **Odor Control** – The plant is known to produce foul odors that affect the quality of life in the surrounding area. Adjacent to the plant are several apartments, two schools, and U.S. Highway 23.

Douglas Wastewater Treatment Plant Expansion (SX21195699)
Final Engineering Report

EXECUTIVE SUMMARY

The Mountain Water District opened bids on June 22nd, 2016. Bids were received from Smith Contractors, Howard Engineering and Construction, and Building Crafts. All were in excess of the available funds. Several items were removed from the Bid Schedule in an effort to bring the project under budget. The low-bidder, Building Crafts, remained in excess by 13% (\$286,567.00). As a result, the District decided to reject all bids and re-advertise the project with a reduced scope.

The re-bid opening took place on August 3rd, 2016. Bids were received from H2O Construction, Howard Engineering and Construction, and Building Crafts. H2O Construction was the low bidder. The base bid submitted by H2O Construction was approximately 8% below the available funding. **Exhibit A** shows the bid amounts submitted by all bidders for each contract.

FUNDING

The total funding available for the project construction, inspection, and engineering is \$3,700,000.00. The District has a purchase agreement with Ovivo for the MBR equipment in the amount of \$1,066,830.00. After deducting soft costs, the funding available for construction award is \$2,260,743.48. If the contract is awarded to H2O Construction for the base bid of \$1,985,000.00, then \$275,743.48 would be available for contingency.

The District is in the process of applying for an additional 10% funding from the Kentucky Infrastructure Authority to award the following Alternates:

- o Penny Road Lift Station Renovation
- o Lick Branch Lift Station Renovation
- o 400 KW Diesel Stationary Standby Generator

If approved, this would add \$370,000.00 to the project budget leaving \$210,743.48 for contingency.

An itemized Final Project Budget is attached as **Exhibit B**.



MATTHEW G. BEVIN
GOVERNOR

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT, KENTUCKY 40601
www.kentucky.gov

CHARLES G. SNAVELY
SECRETARY

March 16, 2016

Roy Sawyers
Mountain Water District
6332 Zebulon Hwy
Pikeville, KY 41501

RE: Douglas Wastewater Treatment Plant
Expansion
A15-077
Mountain Water District Douglas WWTP
AI# 3539
Contract No. 1
Activity ID: FGL20150005

Dear Mr. Sawyers:

The Kentucky Division of Water (DOW) has reviewed for completeness and adequacy the construction plans and specifications submitted for the above referenced contract. The DOW now approves these plans and specifications with respect to sanitary features of design in accordance with the requirements contained in the attached construction permit. These plans consist of:

- .3 MGD Membrane Bioreactor (MBR) Treatment Plant
 - One anaerobic basin with a minimum volume of 16,756 gallons
 - One pre-anoxic basin with a minimum volume of 34,036 gallons
 - Three pre-aeration basin with a minimum volume of 30,281 gallons
 - One post-anoxic basin with a minimum volume of each 40,394 gallons
 - Three MBR basin with a minimum volume of each 16,126 gallons
 - SCADA Upgrade
 - Influent Flow Meter
 - Influent Lift Station Renovation with Grinder Pumps capable of 177 gpm at 29 ft TDH
 - Penny Road Lift Station Odor Control
 - Lick Branch Lift Station Odor Control
 - Plant Headworks and Screening - Fine Screen 2 mm
 - Sludge Pump Station with pumps capable of 80 gpm and 18 ft of TDH
 - 30 YD Roll-Off Type Sludge Dewatering Box with a Polymer System
 - Ultraviolet Disinfection System Upgrade
 - All Associated Appurtenances.

Mountain Water District Douglas WWTP--3539

Contract No. 1

Activity ID: FGL20150005

March 16, 2016

Page 2 of 3

The approval conditions and a list of eligible/ineligible items are enclosed. Please note that ineligible items cannot be funded using State Revolving Fund (SRF) monies, and must be paid by other funding sources.

We are enclosing one (1) set of approved plans and specifications. An identical set should be made available at the project site at all times. If modifications are made to these plans and specifications before bidding, two (2) complete sets of as-bid plans and specifications must be submitted to the DOW for approval. A second DOW construction approval must be issued by separate correspondence before proceeding with advertising for bids. Any red line changes that were made by DOW personnel on the approved plans shall be incorporated into the bid set plans unless an alternative is approved.

You may now advertise for bids on the construction of this project. In addition to other notifications, this project must be advertised in the newspaper of the largest daily circulation in the project area.

You are cautioned not to advertise unless you have a proper wage decision. The Federal Davis-Bacon wage rates and Kentucky prevailing wage rates are applicable for this project. Please contact all other funding sources for their requirements pertaining to federal or state wage rates.

You are reminded that the construction contracts are subject to the equal employment opportunity requirements contained in Executive Order 11246. Equal employment opportunity affirmative action by the prime contractors and all subcontractors is mandated throughout the duration of the contract. Documentation of efforts to comply with Executive Order 11246, Equal Employment Opportunity is required to be kept by the borrower.

Review the attached Project Review and Cost Summary form for details of the information to be collected and retained in your files or to be submitted to DOW for review and approval. This form must be completed, signed by the recipient, and with the necessary information be then forwarded to the DOW. This signature will certify that all the information to be retained by the recipient has been secured and is available for review by the Division at the pre-construction conference. The required information must be approved by the DOW before executing any contracts.

Along with the Project Review and Cost Summary form, the following items must be submitted to the DOW for review and approval before executing any contracts:

- The bid advertisement
- Revised Project Budget
- Certified bid tabulation
- Documentation of compliance with DBE Good Faith Effort in accordance with 40 CFR 33.301

These items will be reviewed as a part of the Authority to Award process. The DOW will authorize you to award the contracts once these documents are approved

Mountain Water District Douglas WWTP--3539

Contract No. 1

Activity ID: FGL20150005

March 16, 2016

Page 3 of 3

After the Notice to Proceed is signed, the DOW will need a copy of the executed contract documents, including plans and specifications.

Changes orders will require approval from the DOW before payment can be authorized from the State Revolving Fund. Submission of plans and specifications may be required for change order work.

Upon completion of the project, as-built drawings shall be provided to the DOW. As-builts shall be stamped, signed and dated by a professional engineer. A written certification stating that the project was constructed according to the approved plans shall be provided to the DOW by a professional engineer.

The construction permit included in this letter has been issued under the provisions of KRS Chapter 224 and the regulations promulgated pursuant thereto. Issuance of this approval does not relieve the applicant from the responsibility of obtaining any other approvals, permits or licenses required by this Cabinet and other state, federal and local agencies.

You are cautioned that the advertisement and award of this contract will be subject to the laws and regulations that govern the State Revolving Fund (SRF) and to the conditions of your loan agreement. If we can be of further assistance, please call Daniel Kulik, Project Engineer, at (502) 564-3410, extension 4828.

Sincerely,



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

TH:DK
Enclosures

Eligible List, Ineligible List, Approval Conditions
Project Review and Cost Summary Form
(1 set plans and specification, if applicable)

C: Summit Engineering, Inc.
Kentucky Infrastructure Authority
Cabinet for Economic Development
Pike County Health Department
Division of Plumbing

A15-077
Mountain Water District

SRF ELIGIBLE ITEMS:

Contract No. 1:

- .3 MGD Membrane Bioreactor (MBR) Treatment Plant
 - One anaerobic basin with a minimum volume of 16,756 gallons
 - One pre-anoxic basin with a minimum volume of 34,036 gallons
 - Three pre-aeration basin with a minimum volume of 30,281 gallons
 - One post-anoxic basin with a minimum volume of each 40,394 gallons
 - Three MBR basin with a minimum volume of each 16,126 gallons
 - SCADA Upgrade
 - Influent Flow Meter
 - Influent Lift Station Renovation with Grinder Pumps capable of 177 gpm at 29 ft TDH
 - Penny Road Lift Station Odor Control
 - Lick Branch Lift Station Odor Control
 - Plant Headworks and Screening - Fine Screen 2 mm
 - Sludge Pump Station with pumps capable of 80 gpm and 18 ft of TDH
 - 30 YD Roll-Off Type Sludge Dewatering Box with a Polymer System
 - Ultraviolet Disinfection System Upgrade
 - All Associated Appurtenances

SRF INELIGIBLE ITEMS:

NA

APPROVAL CONDITIONS:

1. Provide Clear Site Certificates
2. Complete and return the Project Review and Cost Summary Form.



STEVEN L. BESHEAR
GOVERNOR

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE
FRANKFORT, KENTUCKY 40601
www.kentucky.gov

LEONARD K. PETERS
SECRETARY

September 20, 2012

Mr. Grondall Potter
Mountain Water District
P.O. Box 3157
Pikeville, Kentucky 41502

Re: Douglas Industrial Park
KPDES No.: KY0042811
AI No.: 3539
Pike County, Kentucky

Dear Permittee:

Enclosed is the Kentucky Pollutant Discharge Elimination System (KPDES) permit for the above-referenced facility. This action constitutes a final permit issuance under 401 KAR 5:075, pursuant to KRS 224.16-050.

This permit will become effective on the date indicated in the attached permit provided that no request for adjudication is granted. All provisions of the permit will be effective and enforceable in accordance with 401 KAR 5:075, unless stayed by the Hearing Officer under Sections 11 and 13.

Any demand for a hearing on the permit shall be filed in accordance with the procedures specified in KRS 224.10-420, 224.10-440, 224.10-470 and any regulations promulgated thereto. Any person aggrieved by the issuance of a permit final decision may demand a hearing, pursuant to KRS 224.10-420(2), within thirty (30) days from the date of the issuance of this letter. Two (2) copies of request for hearing should be submitted in writing to the Energy and Environment Cabinet, Office of Administrative Hearings, 35-36 Fountain Place, Frankfort, Kentucky 40601 and the Commonwealth of Kentucky, Energy and Environment Cabinet, Division of Water, 200 Fair Oaks Lane, Frankfort, Kentucky 40601. For your record keeping purposes, it is recommended that these requests be sent by certified mail. The written request must conform to the appropriate statutes referenced above.

If you have any questions regarding the KPDES decision, please contact Hamid Beykzadeh, Operational Permits Section, Surface Water Permits Branch, at (502) 564-3410, extension 4865.

Further information on procedures and legal matters pertaining to the hearing request may be obtained by contacting the Office of Administrative Hearings at (502) 564-7312.

Sincerely,

Sandra L. Gruzsky, Director
Division of Water

SLG:TJB:tjb
Enclosure
c: Division of Water



STEVEN L. BESHEAR
GOVERNOR

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE
FRANKFORT, KENTUCKY 40601
www.kentucky.gov

LEONARD K. PETERS
SECRETARY

September, 20 2012

Mr. Jonathan Newman
Summit Engineering
131 Summit Dr.
Pikeville, KY 41501

Re: Response to Public Comments
KPDES No.: KY0042811
AI No.: 3539
Pike County, Kentucky

Dear Mr. Newman:

Your comments concerning the above-referenced draft permit have been reviewed and responses prepared in accordance with Kentucky Pollutant Discharge Elimination System (KPDES) regulation 401 KAR 5:075, Section 12. The comments have been briefly described below and our responses to those comments follow:

COMMENT 1: Discrepancies between the Proposed Effluent Limitations and Monitoring Requirements on the Draft Fact Sheet (Section 2.5) and the Draft Permit (Section 1.2) were noted for CBOD (weekly average concentration) and TSS (loadings and monthly average concentrations). Additionally, the commenter pointed out the change in flow monitoring frequency requirements between the draft permit and fact sheet and the previously issued permit.

RESPONSE 1: Sections 2.5 and 1.2 of the Final Fact Sheet and Permit were corrected to address the discrepancies between the requirements for CBOD and TSS. The Division has not made any changes to the proposed monitoring frequency requirements for flow.

Any person aggrieved by the issuance of a permit final decision may demand a hearing pursuant to KRS 224.10-420(2) within thirty (30) days from the date of the issuance of this letter. Any demand for a hearing on the permit shall be filed in accordance with the procedures specified in KRS 224.10-420, 224.10-440, 224.10-470, and the regulations promulgated thereto. The request for hearing should be submitted in writing to the Energy and Environment Cabinet, Office of Administrative Hearings, 35-36 Fountain Place, Frankfort, Kentucky 40601 and the Commonwealth of Kentucky, Energy and Environment Cabinet, Division of Water, 200 Fair Oaks Lane, Frankfort, Kentucky 40601. For your record keeping purposes, it is recommended that these requests be sent by certified mail. The written request must conform to the appropriate statutes referenced above.

If you have any questions regarding these responses, please contact Hamid Beykzadeh, Surface Water Permits Branch, at (502) 564-3410, extension 4865.

RESPONSE TO COMMENTS
KPDES Permit No.: KY0042811
AI No.: 3539
Page 2

Further information on procedures and legal matters pertaining to the hearing request may be obtained by contacting the Office of Administrative Hearings at (502) 564-7312.

Sincerely,

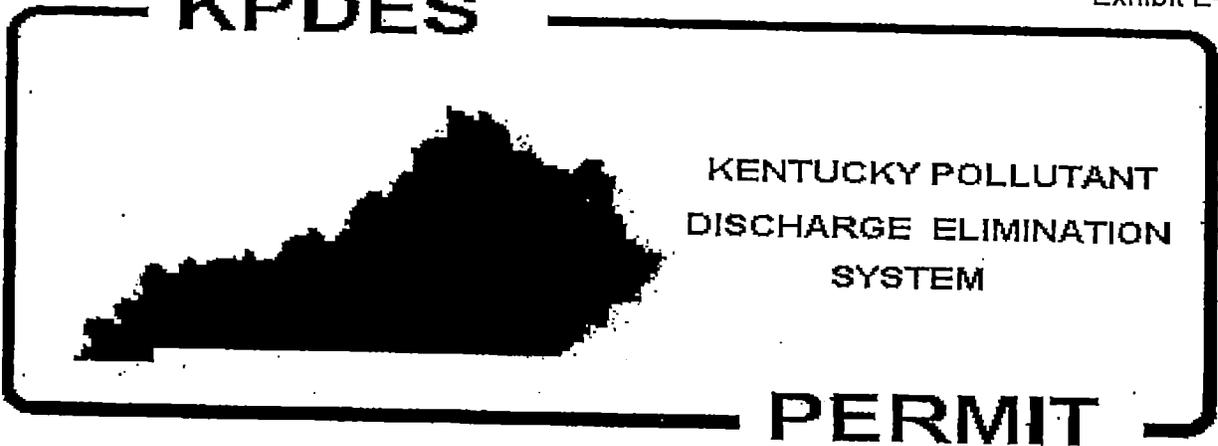
A handwritten signature in black ink, appearing to read "Sandra L. Gruzesky". The signature is stylized and cursive.

Sandra L. Gruzesky, Director
Division of Water

SLG:JMB:HB

KPDES

Exhibit E-2



PERMIT NO.: KY0042811

AI NO.: 3539

**AUTHORIZATION TO DISCHARGE UNDER THE
KENTUCKY POLLUTANT DISCHARGE ELIMINATION SYSTEM**

Pursuant to Authority in KRS 224,

Mr. Grondall Potter
P.O. Box 3157
Pikeville, KY 41502

Is authorized to discharge from a facility located at

Douglas Industrial Park
U.S. 23/119
Robinson Creek, Pike County KY 41360

to receiving waters named.

Shelby Creek from out fall 001 located at 37 22 42 N and 82 32 34 W in Pike County.

in accordance with effluent limitations, monitoring requirements and other conditions set forth in this permit.

This permit shall become effective on November 1, 2012.

This permit and the authorization to discharge shall expire at midnight, October 31, 2017.

September 20, 2012

Date Signed

Sandra L. Gruzesky, Director
Division of Water

DEPARTMENT FOR ENVIRONMENTAL PROTECTION
Division of Water, 200 Fair Oaks Lane, Frankfort, Kentucky 40601

Printed on Recycled Paper

1. EFFLUENT AND MONITORING REQUIREMENTS

1.1. Monitoring Locations

The following table lists the outfalls authorized by this permit, the latitude and longitude of each and the DOW assigned KPDES outfall number.

MONITORING LOCATIONS					
Number	Type	Latitude (N)	Longitude (W)	Receiving Waters	Description of Outfall
001	Discharge	37 22 42	82 32 34	Shelby Creek	Domestic

1.2. Effluent Limitations and Monitoring Requirements

Beginning on the effective date and lasting through the term of this permit discharges from Outfall(s) 001 shall comply with the effluent limitations.

Effluent Characteristic	EFFLUENT LIMITATIONS						MONITORING REQUIREMENTS	
	Loadings (lbs/day)		Concentrations (specify units)				Monitoring Frequency	Sample Type
	Monthly Average	Weekly Average	Minimum	Monthly Average	Weekly Average	Maximum		
Effluent Flow (Design 0.20 MGD)	Report	Report	N/A	N/A	N/A	N/A	Continuous	Recorder
CBOD ₅	25.0	37.5	N/A	15 mg/l	22.5 mg/l	N/A	1/Week	24-Hr Composite
TSS	50.0	75.1	N/A	30 mg/l	45 mg/l	N/A	1/Week	24-Hr Composite
Ammonia (as NH ₃ N)								
May 1 – October 31	6.7	10.0	N/A	4.0 mg/l	6.0 mg/l	N/A	1/Week	24-Hr Composite
November 1 – April 30	16.7	25.0	N/A	10 mg/l	15 mg/l	N/A	1/Week	24-Hr Composite
E. Coli (colonies/100 ml)	N/A	N/A	N/A	130	240	N/A	1/Week	Grab
Dissolved Oxygen	N/A	N/A	7.0 mg/l	N/A	N/A	N/A	1/Week	Grab
pH (Standard Units)	N/A	N/A	6.0	N/A	N/A	9.0	1/Week	Grab
Total Residual Chlorine	N/A	N/A	N/A	0.011 mg/l	0.019 mg/l	N/A	1/Week	Grab

1.3. Standard Effluent Requirements

The discharges to waters of the Commonwealth shall not produce floating solids, visible foam or a visible sheen on the surface of the receiving waters.

Samples and measurements taken in accordance with the requirements of specified Section 1.2 shall be representative of the volume and nature of the monitored discharge and shall be taken at nearest accessible point after final treatment, but prior to actual discharge to or mixing with the receiving waters or wastestreams from other outfalls.

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2. STANDARD CONDITIONS**2.1. Schedule of Compliance**

The permittee shall attain compliance with all requirements of this permit on the effective date of this permit unless otherwise stated.

2.2. Standard Conditions for KPDES Permit**2.2.1. Other Permits**

This permit has been issued under the provisions of KRS Chapter 224 and regulations promulgated pursuant thereto. Issuance of this permit does not relieve the permittee from the responsibility of obtaining any other permits or licenses required by this Cabinet and other state, federal, and local agencies.

2.2.2. Sufficiently Sensitive Analytical Methods

Analytical methods utilized to demonstrate compliance with the effluent limitations established in this permit shall be sufficiently sensitive to detect pollutant levels at or below the required effluent limit, i.e. the Method Detection Limit (MDL) shall be at or below the effluent limit. In that instance where an EPA-approved method does not exist that has an MDL at or below the established effluent limitation, the permit shall: (1) use the method specified in the permit; or (2) the EPA-approved method with an MDL that is nearest to the established effluent limit.

2.2.3. Conditions Applicable to All Permits

The following conditions apply to all KPDES permits.

2.2.3.1. Duty to Comply

The permittee must comply with all conditions of this permit. Any permit noncompliance constitutes a violation of KRS Chapter 224 and is grounds for enforcement action; for permit termination, revocation and reissuance, or modification; or denial of a permit renewal application. Any person who violates applicable statutes or who fails to perform any duty imposed, or who violates any determination, permit, administrative regulation, or order of the cabinet promulgated pursuant thereto shall be liable for a civil penalty as provided at KRS 224.99.010.

2.2.3.2. Duty to Reapply

If the permittee wishes to continue an activity regulated by this permit after the expiration date of this permit, the permittee must apply for a new permit.

2.2.3.3. Need to Halt or Reduce Activity Not a Defense

It shall not be a defense for a permittee in an enforcement action that it would have been necessary to halt or reduce the permitted activity in order to maintain compliance with the conditions of this permit.

2.2.3.4. Duty to Mitigate

The permittee shall take all reasonable steps to minimize or prevent any discharge or sludge use or disposal in violation of this permit which has a reasonable likelihood of adversely affecting human health or the environment.

2.2.3.5. Proper Operation and Maintenance

The permittee shall at all times properly operate and maintain all facilities and systems of treatment and control (and related appurtenances) which are installed or used by the permittee to achieve compliance with the conditions of this permit. Proper operation and maintenance also includes adequate laboratory controls and appropriate quality assurance procedures. This provision requires the operation of back-up or auxiliary facilities or similar systems which are installed by a permittee only when the operation is necessary to achieve compliance with the conditions of the permit.

2.2.3.6. Permit Actions

This permit may be modified, revoked and reissued, or terminated for cause. The filing of a request by the permittee for a permit modification, revocation and reissuance, or termination, or a notification of planned changes or anticipated noncompliance does not stay any permit condition.

2.2.3.7. Property Rights

This permit does not convey any property rights of any sort, or any exclusive privilege.

2.2.3.8. Duty to Provide Information

The permittee shall furnish to the Director, within a reasonable time, any information which the Director may request to determine whether cause exists for modifying, revoking and reissuing, or terminating this permit or to determine compliance with this permit. The permittee shall also furnish to the Director upon request, copies of records required to be kept by this permit.

2.2.3.9. Inspection and Entry

The permittee shall allow the Director, or an authorized representative (including an authorized contractor acting as a representative of the Administrator), upon presentation of credentials and other documents as may be required by law, to:

- (1) Enter upon the permittee's premises where a regulated facility or activity is located or conducted, or where records must be kept under the conditions of this permit;
- (2) Have access to and copy, at reasonable times, any records that must be kept under the conditions of this permit;
- (3) Inspect at reasonable times any facilities, equipment (including monitoring and control equipment), practices, or operations regulated or required under this permit; and
- (4) Sample or monitor at reasonable times, for the purposes of assuring permit compliance or as otherwise authorized by the Clean Water Act, any substances or parameters at any location.

2.2.3.10. Monitoring and Records

- (1) Samples and measurements taken for the purpose of monitoring shall be representative of the monitored activity.
- (2) Except for records of monitoring information required by this permit related to the permittee's sewage sludge use and disposal activities, which shall be retained for a period of at least five (5) years (or longer as required by 401 KAR 5:065 Section 2(10) [40 CFR 503]), the permittee shall retain records of all monitoring information, including all calibration and maintenance records and all original strip chart recordings for continuous monitoring instrumentation, copies

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of all reports required by this permit, and records of all data used to complete the application for this permit, for a period of at least three (3) years from the date of the sample, measurement, report or application. This period may be extended by request of the Director at any time.

(3) Records of monitoring information shall include:

- (i) The date, exact place, and time of sampling or measurements;
- (ii) The individual(s) who performed the sampling or measurements;
- (iii) The date(s) analyses were performed;
- (iv) The individual(s) who performed the analyses;
- (v) The analytical techniques or methods used; and
- (vi) The results of such analyses.

(4) Monitoring must be conducted according to test procedures approved under 401 KAR 5:065 Section 2(8) [40 CFR 136] unless another method is required under 401 KAR 5:065 Section 2(9) or (10) [40 CFR subchapters N or O].

(5) KRS 224.99-010 provides that any person who knowingly violates KRS 224.70-110 or other enumerated statutes, or who knowingly renders inaccurate any monitoring device or method required to be maintained under this permit shall be guilty of a Class D felony and, upon conviction, shall be punished by a fine of not more than \$25,000, or by imprisonment for not more than one (1) year, or both. Each day upon which a violation occurs shall constitute a separate violation.

2.2.3.11. Signatory Requirement

- (1) All applications, reports, or information submitted to the Director shall be signed and certified pursuant to 401 KAR 5:060, Section 4 [40 CFR 122.22].
- (2) KRS 224.99-010 provides that any person who knowingly provides false information in any document filed or required to be maintained under KRS Chapter 224 shall be guilty of a Class D felony and upon conviction thereof, shall be punished by a fine not to exceed twenty-five thousand dollars (\$25,000), or by imprisonment, or by fine and imprisonment, for each separate violation. Each day upon which a violation occurs shall constitute a separate violation.

2.2.3.12. Reporting Requirements

2.2.3.12.1. Planned Changes

The permittee shall give notice to the Director as soon as possible of any planned physical alterations or additions to the permitted facility. Notice is required only when:

- (i) The alteration or addition to a permitted facility may meet one (1) of the criteria for determining whether a facility is a new source in KRS 224.16-050 [40 CFR 122.29(b)]; or
- (ii) The alteration or addition could significantly change the nature or increase the quantity of pollutants discharged. This notification applies to pollutants which are subject neither to effluent limitations in the permit, nor to notification requirements under KRS 224.16-050 [40 CFR 122.42(a)(1)].
- (iii) The alteration or addition results in a significant change in the permittee's sludge use or disposal practices, and such alteration, addition, or change may justify the application of permit conditions that are different from or absent in the existing permit, including notification of additional use or disposal sites not reported during the permit application process or not reported pursuant to an approved land application plan.

2.2.3.12.2. Anticipated Noncompliance

The permittee shall give advance notice to the Director of any planned changes in the permitted facility or activity which may result in noncompliance with permit requirements.

2.2.3.12.3. Transfers

This permit is not transferable to any person except after notice to the Director. The Director may require modification or revocation and reissuance of the permit to change the name of the permittee and incorporate such other requirements as may be necessary under KRS 224 [CWA; see 40 CFR 122.61; in some cases, modification or revocation and reissuance is mandatory].

2.2.3.12.4. Monitoring Reports

Monitoring results shall be reported at the intervals specified elsewhere in this permit.

(i) Monitoring results must be reported on a Discharge Monitoring Report (DMR) or forms provided or specified by the Director for reporting results of monitoring of sludge use or disposal practices.

(ii) If the permittee monitors any pollutant more frequently than required by the permit using test procedures approved under 401 KAR 5:065 Section 2(8) [40 CFR 136], or another method required for an industry-specific waste stream under 401 KAR 5:065 Section 2(9) or (10) [40 CFR subchapters N or O], the results of such monitoring shall be included in the calculation and reporting of the data submitted in the DMR or sludge reporting form specified by the Director.

(iii) Calculations for all limitations which require averaging of measurements shall utilize an arithmetic mean unless otherwise specified by the Director in the permit.

2.2.3.12.5. Compliance Schedules

Reports of compliance or noncompliance with, or any progress reports on, interim and final requirements contained in any compliance schedule of this permit shall be submitted no later than fourteen (14) days following each schedule date.

2.2.3.12.6. Twenty-four-Hour Reporting

(i) The permittee shall report any noncompliance which may endanger health or the environment. Any information shall be provided orally within twenty-four (24) hours from the time the permittee becomes aware of the circumstances. A written submission shall also be provided within 5 days of the time the permittee becomes aware of the circumstances. The written submission shall contain a description of the noncompliance and its cause; the period of noncompliance, including exact dates and times, and if the noncompliance has not been corrected, the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent recurrence of the noncompliance.

(ii) The following shall be included as information which must be reported within twenty-four (24) hours under this paragraph.

(A) Any unanticipated bypass which exceeds any effluent limitation in the permit. (See §122.41(g).

(B) Any upset which exceeds any effluent limitation in the permit.

(C) Violation of a maximum daily discharge limitation for any of the pollutants listed by the Director in the permit to be reported within twenty-four (24) hours.

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(iii) The Director may waive the written report on a case-by-case basis for reports under paragraph (i)(6)(ii) of this section if the oral report has been received within twenty-four (24) hours.

2.2.3.12.7. Other Noncompliance

The permittee shall report all instances of noncompliance not reported under Sections 2.2.3.12.1, 2.2.3.12.4, 2.2.3.12.5, and 2.2.3.12.6, at the time monitoring reports are submitted. The reports shall contain the information listed in Section 2.2.3.12.6.

2.2.3.12.8. Other Information

Where the permittee becomes aware that it failed to submit any relevant facts in a permit application, or submitted incorrect information in a permit application or in any report to the Director, it shall promptly submit such facts or information.

2.2.3.13. Bypass

2.2.3.13.1. Definitions

- (i) Bypass means the intentional diversion of waste streams from any portion of a treatment facility.
- (ii) Severe property damage means substantial physical damage to property, damage to the treatment facilities which causes them to become inoperable, or substantial and permanent loss of natural resources which can reasonably be expected to occur in the absence of a bypass. Severe property damage does not mean economic loss caused by delays in production.

2.2.3.13.2. Bypass Not Exceeding Limitations

The permittee may allow any bypass to occur which does not cause effluent limitations to be exceeded, but only if it also is for essential maintenance to assure efficient operation. These bypasses are not subject to the provisions of Section 2.2.3.13.1.

2.2.3.13.3. Notice

- (i) Anticipated bypass. If the permittee knows in advance of the need for a bypass, it shall submit prior notice, if possible at least ten (10) days before the date of the bypass.
- (ii) Unanticipated bypass. The permittee shall submit notice of an unanticipated bypass as required in Section 2.2.3.12.6.

2.2.3.13.4. Prohibition of Bypass

(i) Bypass is prohibited, and the Director may take enforcement action against a permittee for bypass, unless:

- (A) Bypass was unavoidable to prevent loss of life, personal injury, or severe property damage;
- (B) There were no feasible alternatives to the bypass, such as the use of auxiliary treatment facilities, retention of untreated wastes, or maintenance during normal periods of equipment downtime. This condition is not satisfied if adequate back-up equipment should have been installed in the exercise of reasonable engineering judgment to prevent a bypass which occurred during normal periods of equipment downtime or preventive maintenance; and
- (C) The permittee submitted notices as required under Section 2.2.3.13.3.

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(ii) The Director may approve an anticipated bypass, after considering its adverse effects, if the Director determines that it will meet the three (3) conditions listed above in Section 2.2.3.13.3.

2.2.3.13.5. Upset

2.2.3.13.5.1. Definition

Upset means an exceptional incident in which there is unintentional and temporary noncompliance with technology-based permit effluent limitations because of factors beyond the reasonable control of the permittee. An upset does not include noncompliance to the extent caused by operational error, improperly designed treatment facilities, inadequate treatment facilities, lack of preventive maintenance, or careless or improper operation.

2.2.3.13.5.2. Effect of an Upset

An upset constitutes an affirmative defense to an action brought for noncompliance with such technology-based permit effluent limitations if the requirements of Section 2.2.3.13.5.3 are met. No determination made during administrative review of claims that noncompliance was caused by upset, and before an action for noncompliance, is final administrative action subject to judicial review.

2.2.3.13.5.3. Conditions Necessary for a Demonstration of Upset

A permittee who wishes to establish the affirmative defense of upset shall demonstrate, through properly signed, contemporaneous operating logs, or other relevant evidence that:

- (i) An upset occurred and that the permittee can identify the cause(s) of the upset;
- (ii) The permitted facility was at the time being properly operated; and
- (iii) The permittee submitted notice of the upset as required in Section 2.2.3.12.6; and
- (iv) The permittee complied with any remedial measures required under Section 2.2.3.4.

2.2.3.13.5.4. Burden of Proof

In any enforcement proceeding the permittee seeking to establish the occurrence of an upset has the burden of proof.

2.3. Reporting of Monitoring Results

Monitoring results obtained during each monitoring period must be reported on a preprinted Discharge Monitoring Report (DMR) Form that will be mailed to you. The completed DMR for each monitoring period must be sent to the Division of Water at the address listed below (with a copy to the appropriate Regional Office) postmarked no later than the 28th day of the month following the monitoring period for which monitoring results were obtained.

Division of Water
Surface Water Permits Branch
Permits Support Section
200 Fair Oaks Lane
Frankfurt, Kentucky 40601

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Attention: DMR Coordinator

2.4. Reopener Clause

This permit shall be modified, or alternatively revoked and reissued, to comply with any applicable effluent standard or limitation issued or approved in accordance with 401 KAR 5:050 through 5:080, if the effluent standard or limitation so issued or approved:

1. Contains different conditions or is otherwise more stringent than any effluent limitation in the permit; or
2. Controls any pollutant not limited in the permit.

This permit may be reopened to implement the findings of a reasonable potential analysis performed by the Division of Water.

This permit shall be reopened if Division of Water determines surface waters are aesthetically or otherwise degraded by substances that:

- (a) Settle to form objectionable deposits;
- (b) Float as debris, scum, oil, or other matter to form a nuisance;
- (c) Produce objectionable color, odor, taste, or turbidity;
- (d) Injure, are chronically or acutely toxic to or produce adverse physiological or behavioral responses in humans, animals, fish, and other aquatic life;
- (e) Produce undesirable aquatic life or result in the dominance of nuisance species; or
- (f) Cause fish flesh tainting.

The permit as modified or reissued under this paragraph shall also contain any other requirements of KRS Chapter 224 when applicable.

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3. STATE CONDITIONS**3.1. Outfall Signage**

The KPDES permit establishes monitoring points, effluent limitations, and other conditions to address discharges from the permitted facility. In an effort to better document and clarify these locations the permittee should place and maintain a permanent marker at each of the monitoring locations.

3.2. Discharge and Monitoring Point Accessibility

As previously stated in Section 2.2.3.9, the permittee shall allow authorized agency representatives to inspect the facility and collect samples to determine compliance. In order for such monitoring to be conducted either by the permittee or authorized agency personnel all monitoring and discharge points required by this permit shall be readily and safely accessible in all weather conditions.

3.3. Disposal of Non-Domestic Wastes

The pass through or non-treatment by the wastewater treatment plant of chemicals or compounds which may injure, be chronically or acutely toxic to or produce adverse physiological or behavioral responses in humans, animals, fish and other aquatic life is not desirable. Materials such as acids, caustics, herbicides, household chemicals or cleansers, insecticides, lawn chemicals, non-biodegradable products, paints, pesticides, pharmaceuticals, and petroleum based products may not be treatable by the wastewater treatment plant and should not be introduced and other environmentally sound methods for disposal should be utilized. The permittee should educate users of its system that introduction of such chemicals or compounds could result in an adverse environmental impact and provide the users with alternative disposal measures.

3.4. Certified Operators

Pursuant to 401 KAR 5:010 (1)

a treatment plant with a design capacity of more than 30,000 gallons per day, but less than or equal to two (2) million gallons per day shall be under the primary responsibility of a certified operator holding an active Class II, III, or IV treatment certificate.

4. ABBREVIATIONS, ACRONYMS AND DEFINITIONS

Abbreviation or Acronym	Definition	Measurement
MGD	Million Gallons Per Day	A measure of flow
cfs	cubic feet per second	A measure of flow
SU	Standard Units	A measure of pH
mg/l	milligrams per liter	A measure of pollutant concentration (1000 milligrams = 1 gram)
µg/l	micrograms per liter	A measure of pollutant concentration (1000 micrograms = 1 milligram)
°F	Degrees Fahrenheit	A measure of temperature
°C	Degrees Centigrade or Celsius	A measure of temperature
N/A	Not Applicable	
lbs/day	pounds per day	A measure of pollutant loading
Grab	Grab Sample	A sample taken from a wastestream on a one-time basis without consideration of the flow rate of the wastestream and without consideration of time.
24-Hr Composite	24-hour Composite Sample	Sample composed of discrete equal volume aliquots (100 ml minimum) collected every 15 minutes over a 24-hour period and aggregated by an automated sampling device. The aggregate sample will reflect the average water quality of the compositing or sample period.

PERMIT APPROVAL

The Department of Highways has approved your application for an encroachment permit. We are returning two copies of the approved permit so you may keep one for your records. Please give the other copy to the party responsible for completing the project and advise them of this permit number so that they can apply it to their bond forms.

Please see that the work done is in strict conformity with the permit and any other applicable conditions (See Form TC99-21 and any other attached documents, conditions or specifications. The work being completed no later than May 1, 2015. When the permitted work and any necessary restoration are complete, please notify this office by using the enclosed form that will serve as notification for final inspection.

If you have any questions regarding this permit, please contact the Permits Division at (606) 433-7791 or you may fax us at (606) 433-7765.



ENCROACHMENT PERMIT

KEPTS No.: A12-2016-00027

Permittee: Mountain Water District

Latitude: 37.384203

Longitude: -82.540779

Completion Date:

Coordinates provided on the TC 99-1(B) are the approved location for this permit

Indemnities		
Type	Amount Required	Tracking Number
Performance Bond	0	
Payment Bond	0	
Liability Insurance	0	

This permit has been:

APPROVED

DENIED

Greg Couch Engineer Branch Manager

NAME **TITLE**

Greg Couch 2/23/2016

SIGNATURE **DATE**

The TC 99-1(B), including the application TC-99 1(A) and all related and accompanying documents and drawings make up the permit. It is not a permit unless both the TC 99-1(A) and TC 99-1(B) are both present.

Kentucky Encroachment Permit Tracking

Maintenance Division

Exhibit 3



[Home](#) [Search](#) [Reports](#) [Add Permits](#) [User Guide](#)

Welcome Judy Pfundal

QUICK SEARCH

Search Criteria:

Search Value:

[Data View](#)

[Map View](#)

PERMIT GENERAL INFORMATION

Permit/Tracking #: A12-2016-00027
District: 12 - Pikeville
Filing Date: 2/10/2016
Cancel Date:
Completion Date:
Permit Type: Other
Permit Subtype: Grading

Permit Status: Approved

Status Date: 2/23/2016

Mountain Water District: Applicant

Address: PO Box 3157
Pikeville, KY 41501

Phone: (606)616-8366

Email: rsawyers@mtwater.org

Company

[Maintain Contacts](#)

[Application](#) [Attachments](#) [Routing](#) [Comments](#) [Locations/Inspections](#) [Indemnity](#) [Approvals](#)

LOCATION DATA

Description:
Douglas Waste Treatment
Plant

County: Pike
Route: US 23
BMP/EMP: 13.845 / 13.845

Lat/Long Set

MOST RECENT INSPECTION

There are no inspections for this location.

Description:

Remove existing R/W fence from line to facilitate site grading. Fence will be replaced back to original location upon completion of project. The fill is anticipated to daylight no more than ten feet on State R/W at a depth of no more than two feet. All disturbed areas will be seeded and there will be no significant impacts on drainage.

[View/Print Permit](#)

[View on Map](#)

[Create Permit](#)

[Edit Permit](#)

[Exit](#)

v1.1.5676.2579



Kentucky Transportation Cabinet
200 Maro Street, Frankfort, KY 40622

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Exhibit B
Douglas Wastewater Treatment Plant Expansion
Final Project Budget

PROJECT BUDGET AS-BID

Administrative Expenses	\$	50,000.00
Legal Expenses	\$	2,000.00
Planning	\$	5,000.00
Eng - Design / Const.	\$	127,537.46
Eng - Insp	\$	106,389.06
Eng - Other	\$	81,500.00
Equipment - Ovivo (Purchased by MWD)	\$	1,066,830.00
Base Bid - H2O Construction	\$	1,985,000.00
Total Project Costs	\$	3,424,256.52

PROJECT FUNDING

Fund A Loan (KIA)	\$	3,102,921.00
HB 608	\$	486,079.00
HB 269	\$	111,000.00
Total Funding	\$	3,700,000.00

Remaining (Contingency)	\$	275,743.48
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ALTERNATES

Penny Road Lift Station Renovation	\$	160,000.00
Lick Branch Lift Station Renovation	\$	175,000.00
400 KW Diesel Stationary Standby Generator	\$	100,000.00
Total Alternates	\$	435,000.00

Additional Funding Needed for Alternates	\$	(159,256.52)
Additional Available Funding from KIA @ 10%	\$	370,000.00
Contingency	\$	210,743.48



Exhibit D

Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

John E. Covington III
Executive Director

April 2, 2015

The Honorable Roy B. Sawyers, District Administrator
Mountain Water District
P.O. Box 3157
Pikeville, KY 41502

KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (A15-077)

Dear Mr. Sawyers:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On April 2, 2015, the Authority approved your loan for the Douglas Wastewater Treatment Plant Expansion Project, subject to the conditions stated below. The total cost of the project shall not exceed \$3,700,000 of which the Authority loan shall provide \$3,102,921 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Mountain Water District upon satisfactory performance of the conditions set forth in this letter. You must meet the conditions set forth in this letter and enter into an Assistance Agreement by April 2, 2015 (twelve months from the date of this letter). A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$3,102,921.
2. This loan does not qualify for principal forgiveness.
3. The loan shall bear interest at the rate of 0.75 percent per annum

Mr. Sawyers
April 2, 2015
Page 2

commencing with the first draw of funds.

4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1, or December 1, immediately succeeding the date of the initial draw of funds, provided that if such June 1, or December 1, shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1, or December 1, which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on the appropriate June 1, or December 1, within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
6. The loan shall be repaid over a period not to exceed 20 years from the date of initiation of operation for the project.
7. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will only be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "A" loan funds may be considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. Please note that the guidance for single audit requirements changed for calendar or fiscal years beginning after December 26, 2014. Please consult with your independent auditor as soon as possible to understand how the changes will affect you.
11. The Authority requires that an annual financial audit be provided for the life of the loan.

Mr. Sawyers
April 2, 2015
Page 3

12. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
4. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the State's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. Any special conditions listed in Attachment A must be satisfied before the project is presented before the Committee.
5. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
6. The Borrower must complete and return the attached "Authorization for Electronic Deposit of Vendor Payment" form to the Authority.
7. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.
8. Prior to the project bid, an environmental review shall be conducted by the Division of Water for all construction projects receiving CWSRF funds.

Mr. Sawyers
April 2, 2015
Page 4

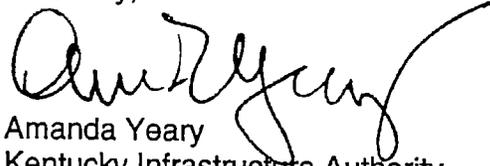
9. Technical plans and specifications and a complete CWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
10. All easements or purchases of land shall be completed prior to commencement of construction. Clear Site Certification of all land or easement acquisitions shall be provided to the Division of Water. DOW representatives shall be notified for attendance of the pre-construction conference.
11. Project changes or additions deviating from the original scope of work described in the Project Profile may require a new or amended environmental review and change order review before they can be included in the CWSRF loan project.
12. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.
13. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
14. The Borrower shall comply with all Davis Bacon related monitoring and reporting and require all contractors to pay wages pursuant to applicable prevailing wage rates (federal or state) for all work relating to the subject Project.
15. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.
16. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.
17. The project shall comply with American Iron and Steel requirements of The Consolidated Appropriations Act of 2014 (H.R. 3547), which became effective January 17, 2014, unless engineering plans and specifications were approved by the Division of Water prior to the effective date.

Mr. Sawyers
April 2, 2015
Page 5

Any special conditions listed stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



Amanda Yeary
Kentucky Infrastructure Authority

Attachments

cc: Mike Spears, Michael R. Spears, CPA
Jody G. Hunt, Summit Engineering, Inc.
Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State and Local Debt Office, DLG
Borrower File - Mountain Water District - A15-077

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization for Electronic Deposit of Vendor Payment" Form.

Accepted

Date

AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND A15-077)

Borrower Information:

Name: _____
Address: _____
City: _____ State: KY Zip: _____
Federal I.D. # _____
Contact Name: _____ Telephone: _____
Email: _____

Financial Institution Information:

Bank Name: _____
Branch: _____ Phone No: _____
City: _____ State: _____ Zip: _____
Transit / ABA No.: _____
Account Name: _____
Account Number: _____

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature: _____ Date: _____
Name Printed: _____ Job Title: _____

Please return completed form to: Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157

**TRANSPARENCY ACT REPORTING INFORMATION FORM
CLEAN WATER STATE REVOLVING FUND
AND
DRINKING WATER STATE REVOLVING FUND**

This form is required for projects funded in whole or in part from the Clean Water State Revolving Fund or the Drinking Water State Revolving Fund. This form is to be completed and returned with the signed Conditional Commitment Letter from the Kentucky Infrastructure Authority.

Borrower Information:

Name:	
Data Universal Numbering system (DUNS) No.*:	
KIA Loan Number:	
Street Address	
City, State and Zip (Zip must include 4 digit extension)	
Federal Congressional District(s) of Borrower Utility Service Area:	

*If the DUNS No. provided above is registered under a different name than the recipient of funding, please provide the registration name below:

DUNS Name	
-----------	--

*If the recipient has not yet obtained a DUNS Number, please do so no later than 30 days after the KIA Board approval date of your loan request and provide notification to KIA of the number once issued. For instructions on DUNS registration, please contact jeff.abshire@ky.gov.

Physical Location of Project (Primary Place of Performance)

Street Address	
City, State and Zip (Zip must include 4 digit extension)	
Federal Congressional District(s) of Project Location	

Reliance upon Federal Assistance (please answer the below questions Yes or No):

Did recipient receive 80% or more of its annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards) during the last fiscal year?	
Did recipient receive \$25 million or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards) during the last fiscal year?	
Does the public have access to compensation of senior executives of the recipient through periodic reports filed under Section 13A or 15D of the Securities Exchange Act of 1934 or Section 6104 of the Internal Revenue Code of 1986?	

DUNS Registration Information: <http://fedgov.dnb.com/webform> OR 1-866-705-5711

Registration can be completed over the phone or via the web. Phone registration requests take approximately 10 minutes and are free. Internet requests are fulfilled within 24 hours.

ATTACHMENT A
Mountain Water District
A15-077

EXECUTIVE SUMMARY		Reviewer	Jami Johnson	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	April 2, 2015	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A15-077	
REVOLVING LOAN FUND		WRIS Number	SX21195699	
BORROWER	MOUNTAIN WATER DISTRICT PIKE COUNTY			
BRIEF DESCRIPTION				
This project will construct a new wastewater treatment plant to replace its existing plant, as well as, rehabilitate the lift stations. The new plant will increase the capacity to 300,000 GPD with headwork designed to expand to 400,000 GPD in order to correct the issue with biological capacity while anticipating the changing EPA effluent limitations on future permits to remain in compliance. The District will rehabilitate the lift stations by installing high efficiency pumps and motors with advanced electrical controllers to improve efficiency to serve customers. Odor and corrosion control systems will be installed at the upstream lift stations to minimize hydrogen sulfide issues to the increased developed area.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$3,102,921	RD Fee %	Actual %	
HB 608	486,079	Administrative Expenses	\$50,000	
HB 269	111,000	Legal Expenses	3,000	
		Planning	5,000	
		Eng - Design / Const	7.1% 4.4% 144,176	
		Eng - Insp	5.2% 3.9% 129,155	
		Eng - Other	52,254	
		Construction	3,007,500	
		Other	300,750	
		Contingency	8,165	
TOTAL	\$3,700,000	TOTAL	\$3,700,000	
REPAYMENT	Rate	0.75%	Est. Annual Payment \$173,569	
	Term	20 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Summit Engineering, Inc.		
	Bond Counsel	Peck, Shaffer, & Williams, a division of Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	May-15		
	Construction Start	Aug-15		
	Construction Stop	Aug-16		
DEBT PER CUSTOMER	Existing	\$748	based on total customers of 17,145	
	Proposed	\$840		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES				
	<u>Current</u>	<u>Users</u>	<u>Avg. Bill</u>	
		2,372	\$34.04 (for 4,000 gallons)	
	<u>Additional</u>	0	\$34.04 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2012	1,264,426	1,921,619	(657,193)	0.7
Audited 2013	1,460,806	1,349,286	111,520	1.1
Projected 2014	1,307,719	1,455,715	(147,996)	0.9
Projected 2015	1,176,570	1,164,379	12,191	1.0
Projected 2016	1,283,298	1,144,878	138,420	1.1
Projected 2017	1,455,041	1,300,178	154,863	1.1
Projected 2018	1,444,335	1,319,252	125,083	1.1
Projected 2019	1,445,314	1,319,252	126,062	1.1

Reviewer: Jami Johnson
 Date: April 2, 2015
 Loan Number: A15-077

**KENTUCKY INFRASTRUCTURE AUTHORITY
 WASTEWATER REVOLVING LOAN FUND (FUND "A")
 MOUNTAIN WATER DISTRICT, PIKE COUNTY
 PROJECT REVIEW
 SX21195699**

I. PROJECT DESCRIPTION

The Mountain Water District (District) is requesting a Fund A loan in the amount of \$3,102,921 for the Douglas Wastewater Treatment Plant Project. The project will construct a new wastewater treatment plant to replace its existing plant using membrane technology. The plant will increase capacity from 200,000 gallons per day (GPD) to 300,000 GPD and add headwork designed to expand capacity to 400,000 GPD. The plant is currently at maximum capacity and the expansion will allow more customers to be added to the service.

Another component to this project is rehabilitation to the lift stations to efficiently serve customers and increase reliability of the sewer collection system. The District will install high efficiency pumps and motors in conjunction with advanced electrical controllers for best optimization of the station. Odor and corrosion control systems will be installed at the lift stations upstream of the new treatment plant that will assist in minimizing hydrogen sulfide issues to the more developed area.

The District serves the area of Pike County and has approximately 17,200 water and 2,400 sewer customers. Elkhorn City purchases approximately six million gallons of water annually from the District.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 50,000
Legal Expenses	3,000
Planning	5,000
Engineering Fees – Design / Const	144,176
Engineering Fees - Inspection	129,155
Engineering Fees - Other	52,254
Construction	3,007,500
Contingency	8,165
Other	300,750
Total	\$ 3,700,000

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 3,102,921	84%
HB 608	486,079	13%
HB 269	111,000	3%
Total	\$ 3,700,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$3,102,921
Interest Rate	0.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$167,363
Administrative Fee (0.20%)	6,206
Total Estimated Annual Debt Service	\$173,569

V. PROJECT SCHEDULE

Bid Opening	May 2015
Construction Start	August 2015
Construction Stop	August 2016

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	2,178
Commercial	194
Total	2,372

B) Rates

	Water		Sewer
	Current	Prior	Current
Date of Last Rate Increase	01/12/13		01/12/13
Minimum (up to 2,000 gallons)	\$20.02	\$18.06	\$14.00
Next 8,000 Gallons	7.01	6.03	6.00
Over 10,000 Gallons	6.22	5.24	
Cost for 4,000 gallons	\$34.04	\$30.12	\$26.00
Increase %	13.0%		
Affordability Index (Rate/MHI)	1.3%		1.0%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2008-2012, the Utility's service area population was 6,191 with a Median Household Income (MHI) of \$30,478. The median household income for the Commonwealth is \$42,610. The project will qualify for a 0.75% interest rate because the District's service area MHI is below 80% of the State's MHI.

Year	Population				Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	4,756		81,123		June 2004	7.5%
1990	6,324	33.0%	72,583	-10.5%	June 2009	10.7%
2000	6,295	-0.5%	68,736	-5.3%	June 2013	12.3%
2010	6,903	9.7%	65,024	-5.4%	June 2014	11.1%
Current	6,864	-0.6%	64,887	-0.2%		
Cumulative %		44.3%		-20.0%		

VIII. 2014 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) Additional Subsidization – This project qualifies does not qualify for additional subsidization.

IX. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the audited financial statements for the combined water and sewer operations for years ended December 31, 2012 and 2013. Amounts for 2014 are estimated. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Revenues, expenses and cash flow available for debt service were relatively flat for the years 2012 through 2014. Revenues averaged \$9.2 million while operating expenses averaged \$7.7 million and cash flow before debt service averaged \$1.3 million. Debt coverage was 0.7, 1.1, and 0.9 in 2012, 2013, and 2014, respectively. Debt service decreased from \$1.9 million in 2012 to an average of \$1.4 million for 2013 and 2014.

The balance sheet reflects a current ratio of 0.6, debt to equity ratio of 0.3 and the collection period is 38.3 days. The number of months of operating expenses in unrestricted cash is 0.4. The District maintains multiple restricted funds including Construction, Depreciation, Maintenance and Replacement and Customer Deposits. They are currently funding an additional \$136,000 per year to reserves to remedy a previous shortfall in required reserve amounts on a number of KIA and RD loans.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will be flat for volume.
- 2) The District will need approximately 2% additional revenue annually or about \$850,000 increase over years 2016 through 2019. The District has applied to PSC for water and sewer rate increases that, in aggregate, appear to meet the estimated revenue shortfall.
- 3) Expenses will increase 2% for inflation.
- 4) Debt service coverage is 1.1 in 2017 when principal and interest repayments begin.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund A loan.

REPLACEMENT RESERVE

The annual replacement cost is \$7,800. This amount should be added to the replacement account each December 1 until the balance reaches \$78,000 and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
RD 2005	\$ 678,500	2045
RD 2003	384,000	2043
RD 2002	688,000	2035
RD 2005	1,534,000	2027
RD 2009	629,000	2047
KY Rural Water	6,100,000	2039
KIA (B291-07)	2,233,980	2023
KIA (B291-01)	147,254	2023
KIA (F01-07)	681,655	2024
KIA (A03-06)	106,123	2023
KIA (A209-32)	325,186	2031
Community Trust	5,960	2014
Community Trust	10,301	2015
Community Trust	11,905	2015
Community Trust	11,909	2015
Community Trust Line of Credit	90,953	TBD
Utility Management Group	37,353	2014
Community Trust	23,838	2014
Community Trust	23,633	2014
Community Trust	19,216	2014
Community Trust	17,317	2015
Total	\$13,760,083	

XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

Description	Funding Source	Amount
2nd Magisterial District – Various Projects #B642	HB 265	500,000
Belfry - Pond Area Sewer - #565	HB 410	850,000
Belfry Sewer Project #B643	HB 265	308,846
Jonican Water Project #B644	HB 265	808,846
LMI Service Connections - #566	HB 410	205,400
Majestic – Knox Creek Sewer #B641	HB 410	640,000
Majestic Alternative Sewer Project - #365	HB 410	100,000
Phelps Wastewater - Upgrades #B639	HB 265	1,500,000
Tank and Pump Station Rehab - #366	HB 265	375,000
Various Short Line Extensions - #569	HB 265	100,000

XII. CONTACTS

Legal Applicant	
Name	Mountain Water District
Address	P.O. Box 3157 Pikeville, KY 41502
County	Pike
Authorized Official	Roy B. Sawyers (District Administrator)
Phone	606-631-9162 ext 309
Email	rsawyers@mtwater.org

Project Contact – Applicant / Administrator	
Name	Mike Spears
Representing	Michael R. Spears, CPA
Address	P.O. Box 1270 Prestonsburg, KY 41563
Phone	(606) 886-8040
Email	mikespears@setel.com

Consulting Engineer	
Name	Jody G. Hunt
Firm	Summit Engineering, Inc.
Address	131 Summit Drive Suite 303 Pikeville, KY 41501
Phone	(606) 432-1447 Ext 327
Email	jhunt@summit-engr.com

XIII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

**MOUNTAIN WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)**

	Audited 2012	Audited 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019
Balance Sheet								
Assets								
Current Assets	1,282,106	1,175,101	1,027,056	1,041,847	1,193,867	1,384,630	1,526,013	1,669,875
Other Assets	94,713,027	93,787,274	90,452,398	88,645,560	87,300,430	83,721,431	80,142,432	76,563,433
Total	95,995,133	94,962,376	91,479,454	89,687,407	88,494,297	85,106,061	81,668,445	78,233,308
Liabilities & Equity								
Current Liabilities	2,036,652	1,985,959	1,803,323	1,825,459	1,845,122	1,854,768	1,863,468	1,872,268
Long Term Liabilities	21,901,894	18,233,288	17,466,992	18,250,541	19,035,226	18,260,405	17,478,584	16,689,763
Total Liabilities	23,938,546	20,219,227	19,270,315	20,076,000	20,880,348	20,115,173	19,342,052	18,562,031
Net Assets	72,056,587	74,743,148	72,209,139	69,611,407	67,613,949	64,990,888	62,326,393	59,671,277
Cash Flow								
Revenues	9,157,910	9,250,154	9,250,154	9,275,154	9,405,154	9,747,154	9,902,154	10,072,154
Operating Expenses	7,896,322	7,792,234	7,945,321	8,101,470	8,124,742	8,294,999	8,460,705	8,629,726
Other Income	2,838	2,886	2,886	2,886	2,886	2,886	2,886	2,886
Cash Flow Before Debt Service	1,264,426	1,460,806	1,307,719	1,176,570	1,283,298	1,455,041	1,444,335	1,445,314
Debt Service								
Existing Debt Service	1,921,619	1,349,286	1,455,715	1,164,379	1,144,878	1,126,609	1,145,683	1,145,683
Proposed KIA Loan	0	0	0	0	0	173,569	173,569	173,569
Total Debt Service	1,921,619	1,349,286	1,455,715	1,164,379	1,144,878	1,300,178	1,319,252	1,319,252
Cash Flow After Debt Service	(657,193)	111,520	(147,996)	12,191	138,420	154,863	125,083	126,062
Ratios								
Current Ratio	0.6	0.6	0.6	0.6	0.6	0.7	0.8	0.9
Debt to Equity	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Days Sales in Accounts Receivable	40.1	38.3	38.3	38.3	38.3	38.3	38.3	38.3
Months Operating Expenses In Unrestricted Cash	0.4	0.3	0.1	0.1	0.3	0.5	0.7	0.9
Debt Coverage Ratio	0.7	1.1	0.9	1.0	1.1	1.1	1.1	1.1



KENTUCKY INFRASTRUCTURE AUTHORITY

Matthew G. Bevin
Governor

Capital Center Complex
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
(502) 573-0260
(502) 573-0157 (fax)
kia.ky.gov

March 4, 2016

Mountain Water District
Attn: Roy B. Sawyers, District Administrator
P.O. Box 3157
Pikeville, KY 41502

KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED CLEAN WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (A15-077)
EXTENSION

Dear Mr. Sawyers:

The Kentucky Infrastructure Authority ("the Authority") has approved an extension of the Clean Water State Revolving Fund (CWSRF) loan A15-077 for the Douglas Wastewater Treatment Plant Expansion project. The Authority has extended the deadline for the Mountain Water District to meet the conditions set forth in the conditional commitment letter for a period of six (6) months. The original expiration date was April 2, 2016. The new expiration date will be October 2, 2016. If the project does not meet the conditions by the new expiration date, no additional extensions will be considered and the commitment may be rescinded.

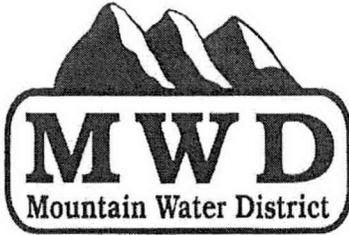
Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam J. Stitt".

Kentucky Infrastructure Authority

C: Jonathan Newman, Summit Eng.



P. O. BOX 3157
PIKEVILLE, KY 41502
PHONE: (606) 631-9162
FAX: (606) 631-3087
TDD: (606) 631-3711

September 30, 2016

Amanda Yeary
SRF Contractor
Kentucky Infrastructure Authority
1024 Capital Center Drive,
Suite 340
Frankfort, Ky. 40601

RE: Douglas WWTP Upgrades Project – KIA Loan #A15-077

Dear Ms. Yeary,

Please accept this letter as an official request from the Mountain Water District for a time extension on the Assistance Agreement for the Kentucky Infrastructure Authority loan for the above referenced project due to allowing for Public Service Commission review as well as the recent request for additional project funding.

Please feel free to contact me with any additional questions or concerns with regard to this matter at 606-631-6165. The Mountain Water District appreciates your assistance in providing the citizens of Pike County with improved wastewater service.

Sincerely,


Roy B. Sawyers
District Manager

cc: Jody Hunt, Summit Engineering
Mike Blackburn, MWD Chairman
Mike Spears, MWD CPA

**STATEMENT OF APPROVAL
OF PROJECTIONS OF REVENUE AND EXPENSES**

Mt. Water District
A15-077

I hereby certify that the revenue projections in the attached descriptions are still obtainable and that projections of operating expenses have not materially changed based on the "as-bid" budget submitted for the Project.

Signed: Michael Blackburn

Michael Blackburn, Chairman
Borrower

August 22, 2016
Date

**MOUNTAIN WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)**

	<u>Audited</u> <u>2012</u>	<u>Audited</u> <u>2013</u>	<u>Projected</u> <u>2014</u>	<u>Projected</u> <u>2015</u>	<u>Projected</u> <u>2016</u>	<u>Projected</u> <u>2017</u>	<u>Projected</u> <u>2018</u>	<u>Projected</u> <u>2019</u>
Balance Sheet								
Assets								
Current Assets	1,282,106	1,175,101	1,027,056	1,041,847	1,193,867	1,384,630	1,526,013	1,669,875
Other Assets	94,713,027	93,787,274	90,452,398	88,645,560	87,300,430	83,721,431	80,142,432	76,563,433
Total	<u>95,995,133</u>	<u>94,962,375</u>	<u>91,479,454</u>	<u>89,687,407</u>	<u>88,494,297</u>	<u>85,106,061</u>	<u>81,668,445</u>	<u>78,233,308</u>
Liabilities & Equity								
Current Liabilities	2,036,652	1,985,959	1,803,323	1,825,459	1,845,122	1,854,768	1,863,468	1,872,268
Long Term Liabilities	21,901,894	18,233,268	17,466,992	18,250,541	19,035,226	18,260,405	17,478,584	16,689,763
Total Liabilities	<u>23,938,546</u>	<u>20,219,227</u>	<u>19,270,315</u>	<u>20,076,000</u>	<u>20,880,348</u>	<u>20,115,173</u>	<u>19,342,052</u>	<u>18,562,031</u>
Net Assets	<u>72,056,587</u>	<u>74,743,148</u>	<u>72,209,139</u>	<u>69,611,407</u>	<u>67,613,949</u>	<u>64,990,888</u>	<u>62,326,393</u>	<u>59,671,277</u>
Cash Flow								
Revenues	9,157,910	9,250,154	9,250,154	9,276,154	9,405,154	9,747,154	9,902,154	10,072,154
Operating Expenses	7,896,322	7,792,234	7,945,321	8,101,470	8,124,742	8,294,999	8,460,705	8,629,726
Other Income	2,838	2,886	2,886	2,886	2,886	2,886	2,886	2,886
Cash Flow Before Debt Service	<u>1,264,426</u>	<u>1,460,806</u>	<u>1,307,719</u>	<u>1,176,570</u>	<u>1,283,298</u>	<u>1,455,041</u>	<u>1,444,335</u>	<u>1,445,314</u>
Debt Service								
Existing Debt Service	1,921,619	1,349,286	1,455,715	1,164,379	1,144,878	1,126,809	1,145,683	1,145,683
Proposed KIA Loan	0	0	0	0	0	173,569	173,569	173,569
Total Debt Service	<u>1,921,619</u>	<u>1,349,286</u>	<u>1,455,715</u>	<u>1,164,379</u>	<u>1,144,878</u>	<u>1,300,378</u>	<u>1,319,252</u>	<u>1,319,252</u>
Cash Flow After Debt Service	<u>(657,193)</u>	<u>111,520</u>	<u>(147,996)</u>	<u>12,191</u>	<u>138,420</u>	<u>154,663</u>	<u>125,083</u>	<u>126,062</u>
Ratios								
Current Ratio	0.6	0.6	0.6	0.6	0.6	0.7	0.8	0.9
Debt to Equity	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Days Sales in Accounts Receivable	40.1	38.3	38.3	38.3	38.3	38.3	38.3	38.3
Months Operating Expenses In Unrestricted Cash	0.4	0.3	0.1	0.1	0.3	0.5	0.7	0.9
Debt Coverage Ratio	0.7	1.1	0.9	1.0	1.1	1.1	1.1	1.1

**MOUNTAIN WATER DISTRICT
BALANCE SHEET
As of July 31, 2016 and 2015**

ASSETS

	Year-to-Date as of <u>July 31, 2016</u>	Comparative as of <u>July 31, 2015</u>
Current Assets		
CASH IN BANK	\$ 261,111	\$ 336,992
CASH IN BANK - RESTRICTED	2,833,003	2,484,737
ACCOUNTS RECEIVABLE	1,375,262	1,023,327
CLEARING ACCOUNTS	9,864	8,770
RECEIVABLE - UMG R AND M	237,231	320,607
FEMA REC - 2010 FLOOD	14,562	14,562
OTHER CURRENT ASSETS	<u>625</u>	<u>17,576</u>
Total Current Assets	<u>4,731,658</u>	<u>4,206,571</u>
Other Assets		
BOND REFINANCING COST	92,316	92,316
PLANT IN SERVICE	135,502,484	134,125,517
CONSTRUCTION IN PROGRESS	<u>5,761,905</u>	<u>5,082,532</u>
TOTAL PLANT IN SERVICE	141,356,705	139,300,365
LESS		
ACCUMULATED DEPRECIATION	<u>(52,513,283)</u>	<u>(49,926,551)</u>
Total Other Assets	88,843,423	89,373,814
Total Assets	<u>\$ 93,575,081</u>	<u>\$ 93,580,385</u>

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**MOUNTAIN WATER DISTRICT
BALANCE SHEET
As of July 31, 2016 and 2015**

LIABILITIES & EQUITY

	Year-to-Date as of <u>July 31, 2016</u>	Comparative as of <u>July 31, 2015</u>
Current Liabilities:		
ACCOUNTS PAYABLE	1,819,670	1,754,242
CURRENT PORTION DUE - NOTES PAYABLE	988,260	714,056
CUSTOMER DEPOSITS	317,168	327,707
ACCRUED PAYROLL & RELATED EXPENSES	4,048	3,015
ACCRUED INTEREST - LONG TERM DEBT	227,856	195,173
OTHER CURRENT LIABILITIES	36,579	35,272
Total Current Liabilities	3,393,580	3,029,465
Long-Term Liabilities:		
NOTES PAYABLE	5,445,523	5,732,515
NOTES PAYABLE - KENTUCKY INFRASTRUCTURE AUTHORITY	2,744,649	3,042,099
BONDS PAYABLE - RURAL DEVELOPMENT	3,720,500	3,796,000
LESS CURRENT PORTION DUE	(988,260)	(714,056)
Total Long-Term Liabilities	10,922,411	11,856,558
Equity & Contributions in Aid of Construction:		
RETAINED EARNINGS (DEFICIT)	(37,866,157)	(34,356,044)
CURRENT YEAR NET INCOME (LOSS)	(480,822)	(1,750,492)
ADVANCES FOR CONSTRUCTION	5,442,560	4,834,952
CONTRIBUTIONS IN AID OF CONSTRUCTION	105,843,286	103,747,826
TAP-ON-FEES	6,320,223	6,218,120
Total Equity & Contributions	79,259,089	78,694,362
Total Equity & Liabilities	\$ 93,575,081	\$ 93,580,385

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**MOUNTAIN WATER DISTRICT
INCOME STATEMENT**
Combined Operating Statement for the Period Ended July 31, 2016

	<u>Current</u>	<u>Year-to-Date</u>
Revenue		
Operating Revenue	\$ <u>928,986</u>	\$ <u>6,408,603</u>
Total Revenue	<u>928,986</u>	<u>6,408,603</u>
Operating Expenses		
Administrator Expense	13,073	86,502
General & Administrative	<u>641,398</u>	<u>4,629,822</u>
Total Operating Expenses	654,472	4,716,324
Depreciation Expense	271,779	1,902,455
General Tax Expense	<u>1,060</u>	<u>7,988</u>
Utility Operating Expense	927,311	6,626,767
Utility Operating Income (Loss)	1,675	(218,164)
Other Income & Deductions:		
Interest Income	156	1,488
Interest Expense	<u>(33,656)</u>	<u>(284,144)</u>
Total Other Income & Deductions	<u>(33,501)</u>	<u>(262,659)</u>
Net Income (Loss) for Period	\$ <u>(31,826)</u>	\$ <u>(480,822)</u>

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**MOUNTAIN WATER DISTRICT
STATEMENT OF CASH FLOWS
For the 1 Month and 7 Months Ended July 31, 2016**

	For the Month Ended	For the Period Ended
	<u>July 31, 2016</u>	<u>July 31, 2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ (31,828)	\$ (480,822)
Adjustments to reconcile Net Income (Loss) to net Cash provided by (used in) operating activities:		
Depreciation and Amortization	271,779	1,902,455
Losses (Gains) on sales of Fixed Assets	0	0
Decrease (Increase) in Operating Assets:		
Accounts Receivable	(11,956)	(160,429)
Receivable - UMG R and M	91,377	283,454
Other assets	(0)	(0)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(65,185)	(805,156)
Accrued Interest	(43,846)	65,851
Accrued Payroll Liabilities	(234)	(1,618)
Customer Deposits	(12,790)	5,848
Misc. Accrued Liabilities	2,398	10,072
Total Adjustments	<u>231,544</u>	<u>1,300,476</u>
Net Cash Provided By (Used In) Operating Activities	199,718	819,654
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(37,864)	(106,668)
Construction in Progress	(87,652)	(1,618,970)
Proceeds From Sale of Fixed Assets	<u>0</u>	<u>0</u>
Net Cash Provided By (Used In) Investing Activities	(125,516)	(1,725,638)
CASH FLOWS FROM FINANCING ACTIVITIES		
Notes Payable Borrowings	73,365	554,218
Notes Payable Repayments	(81,911)	(1,096,655)
(Increase) decrease in restricted assets	(1,648)	(118,522)
Advances for construction	<u>52,508</u>	<u>1,506,285</u>
Net Cash Provided By (Used In) Financing Activities	42,313	845,336
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	116,515	(60,648)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>144,586</u>	<u>321,760</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 261,111</u>	<u>\$ 261,113</u>

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MOUNTAIN WATER DISTRICT
Supporting Balance Sheet Schedule
As of July 31, 2016 and 2015

ASSETS:

	Year-to-Date as of <u>July 31, 2016</u>	Comparative as of <u>July 31, 2015</u>
Cash Reserves - Restricted:		
Regions Bank Escrow	\$ 288,860	\$ 270,075
BB & T - DEPRECIATION RESERVE	872,988	754,029
BB & T - Sinking Fund	165,610	109,487
CTB - JOHNS CREEK WATER PROJ.	2,272	2,272
BB&T - Special Projects	1,114	1,188
CTB - CUSTOMER DEPOSIT ESCROW	326,258	336,326
CTB - FEMA Receivables	69,764	90
CTB-SEWER CUSTOMER DEPOSIT ACCT.	19,086	19,886
CTB - O & M RESERVES	16,575	16,558
Community Trust Bank - Misc Line Extension	4,974	15,057
CTB - R & M RESERVE	907,535	770,622
CTB - Shelby Sewer Project	(30)	(30)
CTB - Cowpen Sewer Project	1,860	1,860
CTB - Phelps/Busklrk WW RD	9	9
WATER TREATMENT PLANT UPGRADE	1	1
CTB. Water Treatment Raw Water Intake Project	25	25
CTB-LMI Service Connection 08-09	658	658
CTB-Various Short Line Ext.	91	91
CTB-Various Water Line Ext.	100	100
CTB.M.W.D. Telemetry Project	99	100
CTB-M.W.D. Watson Hill Waterline Ext. Proj. Acct.	85	85
CTB.Long Fork Of Virgle Sewer Project Acct.	100	100
M.W.D. Belfry Pond Sewer	5,080	100
CTB- Recycling Revenue Acct.	1,225	2,853
CTB-Smith Fork WW Phase II	100	100
CTB. PCFC Projects	168,608	183,097
Total Cash Reserves - Restricted	\$ 2,833,003	\$ 2,484,737
Operating Cash:		
CTB - DIST. WIDE TAP FEES	19,866	117,783
Petty Cash	320	320
CTB - Operating Account	176,043	108,639
CTB-MWD Payroll Account	3,420	6,462
CTB - Dist Wide WW Tap Fees	39,873	34,856
BIG CREEK SEWER-COAL SETTLEMENT	5,401	18,934
Penny Rd Water and Sewer	10,530	25,068
CTB - R & M REIMBURSEMENT ACCT.	397	3,051
CTB.-M.W.D. Rehab Project	5,160	21,880
Total Operating Cash	\$ 261,110	\$ 336,993
Accounts Receivable:		
RECEIVABLE - WATER SALES	1,103,995	902,086
RECEIVABLE - RETURNED CHECKS	26,139	8,597
RECEIVABLE - OTHER FEES, ETC..	(251)	(13,845)
A/R - CIP - SEWER	15,849	0

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MOUNTAIN WATER DISTRICT
Supporting Balance Sheet Schedule
As of July 31, 2016 and 2015

A/R - INSURANCE PROCEEDS (#139)	0	13,279
RECEIVABLE - SEWER REVENUE	175,520	124,006
A/R - CIP	64,096	0
PROVISION FOR UNCOLLECTIBLES	<u>(10,085)</u>	<u>(10,798)</u>
Total Accounts Receivable	\$ 1,375,263	\$ 1,023,327
Clearing Accounts:		
MWD INTERCOMPANY TRANSFERS	<u>9,864</u>	<u>8,770</u>
Total Clearing Accounts	\$ 9,864	\$ 8,770
Prepaid Expenses:		
Other Current Assets:		
OTHER DEFERRED DEBTS	625	625
MIS.TAX EXPENSE	<u>0</u>	<u>16,951</u>
Total Other Current Assets	\$ 626	\$ 17,576

Restricted for Management's Use Only

MOUNTAIN WATER DISTRICT
Supporting Balance Sheet Schedule
As of July 31, 2016 and 2015

LIABILITIES:

	Year-to-Date as of <u>July 31, 2016</u>	Comparative as of <u>July 31, 2015</u>
Bonds Payable:		
RD Loan -WTP	\$ 604,000	\$ 621,000
RD Bond 91-33	1,465,000	1,489,000
RD Bond - Shelby Sewer Project	645,500	657,000
RD Bond - 91-01 Phelps Sewer	364,000	371,000
RD BOND 91-24 RUSSELL FK WTP	<u>642,000</u>	<u>658,000</u>
Total Bonds Payable	\$ 3,720,500	\$ 3,796,000
Long-Term Debt:		
Note Payable Ky. Rural Water	5,090,286	5,443,534
KIA LOAN B291-07 MULTI AREA	1,734,264	2,031,839
KIA LOAN B291-01 INDIAN CREEK	114,444	34,499
RD Loan 91-40 Water Treatment Upgrade	0	(8,000)
KIA LOAN F01-07 WATER PLANT	530,792	591,949
KIA LOAN A03-08 SO WMSN III	83,016	92,328
KIA Shelby III Phase II	282,133	299,483
US Bank Big Creek Water Loan	(10,320)	0
US Bank Line of credit for rate study	114,266	134,206
CTB-Line Credit for FEMA BPS Recl.	129,156	43,952
2011 Silverado 388340	0	4,014
#136 2011 Silverado	0	4,083
#137 2012 Colorado	0	4,997
N/P - CTB VEH.#138 2012 SILVERADO	9,872	3,700
N/P - CTB VEH.#140 2012 SILVERADO	8,269	13,840
N/P - CTB VEH.#141 2012 SILVERADO	4,898	12,487
N/P - CTB VEH. #142	7,475	12,496
N/P - CTB VEH. #143	12,594	18,312
N/P - CTB VEH.# 144	13,276	18,312
N/P - CTB VEH.# 145	13,276	18,312
N/P - CTB LOC N	271	271
N/P - CTB VEHICLE	25,163	0
COMMUNITY TRUST V#148	<u>26,941</u>	<u>0</u>
Total Long-Term Debt	\$ 8,180,172	\$ 8,774,614
Employee Related Payables:		
FICA TAXES WITHHELD	(10,917)	(8,238)
FEDERAL INCOME TAX WITHHELD	11,338	7,984
KY INCOME TAX WITHHELD	602	539
ACCRUED SUTA	1,038	945
ACCRUED FUTA	169	154
Accrued CERS	<u>1,818</u>	<u>1,631</u>
Total Employee Related Payables	\$ 4,048	\$ 3,015
Other Current Liabilities:		
Accrued County Withheld	122	121
SPECIAL CHG COLLECTED - S.W.D.	<u>4,718</u>	<u>4,759</u>

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MOUNTAIN WATER DISTRICT
Supporting Balance Sheet Schedule
As of July 31, 2016 and 2015

TAXES COLLECTED ON CUST. BILLS	31,739	30,392
Total Other Current Liabilities	\$ 36,579	\$ 35,272
Contributions in Aid of Construction:		
CONTRIBUTIONS - GOVT GRANTS	68,445,482	67,850,023
CONTRIBUTIONS IN AID - SEWER	26,992,605	25,492,605
CONTRIBUTIONS - OTHER AID	8,521,689	8,521,689
CONTRIBUTION IN AID - SEWER	1,883,509	1,883,509
Total Contributions in Aid of Construction	\$ 105,843,285	\$ 103,747,826

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MOUNTAIN WATER DISTRICT
Schedule of Plant in Service
As of July 31, 2016 and 2015

	Year-to-Date as of <u>July 31, 2016</u>		Comparative as of <u>July 31, 2015</u>
Water Supply Plant in Service:			
LAND AND LAND RIGHTS	\$ 37,943	\$	37,943
STRUCTURES AND IMPROVEMENTS	208,259		208,259
COLLECTING/IMPOUND RESERVOIRS	59,137		59,137
PUMPING EQUIPMENT	<u>2,814,469</u>		<u>3,105,266</u>
Total Cost of Supply Plant	3,119,808		3,410,605
Less: Accumulated Depreciation	<u>(2,384,242)</u>		<u>(2,564,923)</u>
Net Cost of Supply Plant	\$ 735,566	\$	845,882
Water Treatment Plant:			
LAND AND LAND RIGHTS	\$ 2,400	\$	2,400
STRUCTURES AND IMPROVEMENTS	116,997		116,997
WATER TREATMENT PLANT	<u>9,440,438</u>		<u>9,381,588</u>
Total Water Treatment Plant	9,559,835		9,500,985
Less: Accumulated Depreciation	<u>(2,133,065)</u>		<u>(1,881,509)</u>
Net Water Treatment Plant	\$ 7,426,770	\$	7,619,476
Transmission & Distribution Plant:			
LAND AND LAND RIGHTS	\$ 381,194	\$	381,194
DISTRIBUTION RESERVOIRS/STANDS	8,752,813		8,752,813
TRANSMISSION/DISTRIBUTION MAINS	66,231,202		65,635,742
WATER SERVICES	6,413,542		6,347,017
WATER METERS & INSTALLATIONS	4,130,136		4,001,412
HYDRANTS	<u>1,230,115</u>		<u>1,238,500</u>
Total Transmission & Distribution Plant	87,139,002		86,358,678
Less: Accumulated Depreciation	<u>(36,914,385)</u>		<u>(34,807,206)</u>
Net Transmission & Distribution Plant	\$ 50,224,617	\$	51,549,472
Sewer Plant:			
STRUCTURES AND IMPROVEMENTS	\$ 1,495	\$	0
COLLECTION SEWERS	25,205,660		25,205,860
TREATMENT AND DISPOSAL EQUIP.	6,095,742		4,552,850
SEWER SERVICES	349,242		343,202
SEWER METERS & INSTALLATIONS	150,424		133,337
OFFICE FURNITURE & EQUIPMENT	54,507		54,507
TRANSPORTATION EQUIPMENT	12,580		12,580
TOOLS & MISC. EQUIPMENT	<u>122,142</u>		<u>97,331</u>
Total Sewer Plant	31,991,792		30,399,467
Less: Accumulated Depreciation	<u>(8,322,922)</u>		<u>(7,282,105)</u>
Net Sewer Plant	\$ 23,668,870	\$	23,117,362

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MOUNTAIN WATER DISTRICT
Schedule of Plant in Service
As of July 31, 2016 and 2015

General Plant In Service:			
LAND AND LAND RIGHTS	\$	127,905	\$ 118,698
STRUCTURES AND IMPROVEMENTS		351,050	390,299
PUMPING EQUIPMENT		26,000	26,000
OFFICE FURNITURE & EQUIPMENT		165,625	276,561
TRANSPORTATION EQUIPMENT		871,134	1,146,973
TOOLS, SHOP & GARAGE EQUIPMENT		126,983	136,207
LABORATORY EQUIPMENT		1,488	11,525
POWER OPERATED EQUIPMENT		164,399	383,549
COMMUNICATION EQUIPMENT		<u>1,857,465</u>	<u>1,967,969</u>
Total General Plant		3,692,047	4,457,781
Less: Accumulated Depreciation		<u>(2,721,103)</u>	<u>(3,383,053)</u>
Net General Plant	\$	970,944	\$ 1,074,728
Construction In Progress	\$	5,589,884	\$ 6,045,238
TOTAL PLANT IN SERVICE	\$	88,616,651	\$ 89,251,958

Restricted for Management's Use Only

MOUNTAIN WATER DISTRICT

Schedule of Revenues for the Period Ended July 31, 2016

	<u>Current</u>	<u>Year-to-Date</u>
Operating Revenue:		
Metered Water Revenue		
METERED SALES - RESIDENTIAL	\$ 851,677	\$ 4,554,722
METERED SALES - COMMERCIAL	51,585	347,889
METERED SALES - INDUSTRIAL	7,622	47,697
METERED SALES - PUBLIC AUTH.	26,088	173,904
METERED SALES - MULTI FAMILY	<u>33,100</u>	<u>205,333</u>
Total Metered Water Revenue	<u>\$ 770,072</u>	<u>\$ 5,329,545</u>
Other Water Revenue		
FIRE PROTECTION REVENUE	\$ 0	\$ 600
CUSTOMER LATE PAYMENT CHARGES	24,597	145,072
OTHER WATER SERVICE REVENUE	13,614	110,078
SERVICE CONNECTION FEES	11,530	81,670
SERVICE CONNECTION FEES FOR WA	<u>0</u>	<u>30</u>
Total Other Water Revenue	<u>\$ 49,731</u>	<u>\$ 337,450</u>
Sewer Revenue		
SEWER REVENUE - RESIDENTIAL	\$ 81,728	\$ 543,644
SEWER REVENUE - COMMERCIAL	<u>27,455</u>	<u>197,964</u>
Total Sewer Revenue	<u>\$ 109,183</u>	<u>\$ 741,808</u>
Total Operating Revenue	<u>\$ 828,986</u>	<u>\$ 6,408,603</u>

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MOUNTAIN WATER DISTRICT

General & Administrative Expenses for the Period Ended July 31, 2016

	<u>Current</u>		<u>Year-to-Date</u>
General & Administrative Expense			
COMP COMMISSIONERS - AUTO DIST	\$ 2,000	\$	17,000
UNIFORM EXPENSE (PLANT)	1,329		1,329
UNIFORM EXPENSE (WATER)	71		71
WATER PURCHASED -PIKEVILLE	66,218		56,218
LABORATORY SUPPLIES	675		675
Chemicals-WW	5,122		5,122
SAFETY SUPPLIES	1,511		1,511
SAFETY SUPPLIES-WW	1,008		1,006
MATERIALS AND SUPPLIES USED	92,394		92,394
CONTRACT SERVICES -ENGINEERING	3,403		3,403
CONTRACT SERVICE - ACCOUNTING	9,517		34,015
CONTRACT SERVICE - LEGAL	8,680		71,118
CONTRACT SERVICE-GENERAL	5,365		5,365
CONTRACT SERVICE - MANAGEMENT	364,829		4,243,659
CONTRACT MGMNT EXP ASSUMED	(3,998)		(71,316)
Contract HR Services	3,178		10,984
AUTO & TRANSPORTATION EXPENSE	0		528
ADVERTISING	49		6,193
OTHER LEGAL PSC EXPENSE	200		700
MOBILE PHONE EXPENSE	152		152
TELEPHONE/INTERNET	173		173
TELEPHONE/INTERNET	43		43
EDUCATION, DUES, MEETINGS, ETC.	20,071		25,471
EMPLOYEE BENIFIT EXPENSE	981		6,885
Office Expense	11,447		33,837
SETTLEMENT EXPENSES	0		3,500
SERVICE FEE EXPENSE	2		3,179
BANK SERVICE FEES EXP	95		893
PSC TAX ASSESSMENT	17,541		17,641
Rate Study Expense	9,454		28,304
REPAIRS AND MAINTENANCE	<u>\$ 29,891</u>	<u>\$</u>	<u>29,891</u>
Total General & Administrative Expense	<u>\$ 641,399</u>	<u>\$</u>	<u>4,829,824</u>

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**MOUNTAIN WATER DISTRICT
INCOME STATEMENT
12 Month Comparison For 2016**

	1/31/16	2/29/16	3/31/16	4/30/16	5/31/16	6/30/16	7/31/16	8/31/16	9/30/16	10/31/16	11/30/16	12/31/16	YTD Total
Sales													
METERED SALES - RESI	637,542	685,943	625,937	639,106	629,513	705,004	651,677	0	0	0	0	0	4,554,722
METERED SALES - COM	46,340	67,189	53,622	45,070	33,165	50,719	51,585	0	0	0	0	0	347,889
METERED SALES - INDU	8,438	7,089	8,831	6,323	8,438	8,960	7,622	0	0	0	0	0	47,697
METERED SALES - PUBL	23,409	22,540	23,340	26,418	25,773	26,337	26,088	0	0	0	0	0	173,904
METERED SALES - MULT	28,101	28,556	26,811	28,149	28,985	31,831	33,100	0	0	0	0	0	173,904
FIRE PROTECTION REVE	100	100	100	100	100	100	0	0	0	0	0	0	205,333
CUSTOMER LATE PAYM	19,072	20,336	20,341	18,604	20,299	21,833	24,587	0	0	0	0	0	600
OTHER WATER SERVICE	19,339	21,146	13,823	14,459	11,011	16,585	13,614	0	0	0	0	0	145,072
SERVICE CONNECTION	8,850	11,765	11,640	13,350	12,470	12,065	11,530	0	0	0	0	0	110,076
SERVICE CONNECTION	0	0	0	0	0	30	0	0	0	0	0	0	81,670
SEWER REVENUE - RESI	80,421	82,464	76,429	58,373	74,916	89,315	81,728	0	0	0	0	0	30
SEWER REVENUE - COM	17,288	24,297	23,741	53,073	24,856	27,265	27,455	0	0	0	0	0	543,644
Less Returns & Allowances	0	0	0	0	0	0	0	0	0	0	0	0	197,964
Total Sales	<u>886,696</u>	<u>951,425</u>	<u>883,115</u>	<u>903,023</u>	<u>887,524</u>	<u>987,834</u>	<u>928,986</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,408,603</u>
Gross Profit	<u>886,696</u>	<u>951,425</u>	<u>883,116</u>	<u>903,023</u>	<u>887,524</u>	<u>987,834</u>	<u>928,986</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,408,603</u>
Operating Expenses													
DEPRECIATION EXPENS	205,259	205,259	205,259	205,259	205,259	205,259	205,259	0	0	0	0	0	1,436,811
DEPRECIATION EXPENS	66,521	66,521	66,521	66,521	66,521	66,521	66,521	0	0	0	0	0	485,644
PAYROLL TAXES - FICA	1,394	1,244	1,087	1,043	1,043	1,116	1,060	10,913	0	0	0	0	7,988
COMP COMMISSIONERS	2,500	2,500	2,500	2,500	2,500	2,500	2,000	500	0	0	0	0	17,000
COMPENSATION - ADMJ	10,447	10,447	10,447	10,447	10,447	11,410	11,410	16,951	0	0	0	0	75,054
HEALTH INSURANCE - W	0	0	0	0	0	0	0	(295)	0	0	0	0	0
HEALTH INSURANCE - T	0	0	0	0	0	0	0	(1,461)	0	0	0	0	0
HEALTH INSURANCE - C	0	0	0	0	0	0	0	(227)	0	0	0	0	0
HEALTH INSURANCE - A	0	0	0	0	0	0	0	(224)	0	0	0	0	0
HEALTH INSURANCE - S	0	0	0	0	0	0	0	(111)	0	0	0	0	0
DENTAL INSURANCE - W	0	0	0	0	0	0	0	(50)	0	0	0	0	0
DENTAL INSURANCE - T	0	0	0	0	0	0	0	(368)	0	0	0	0	0
DENTAL INSURANCE - C	0	0	0	0	0	0	0	(65)	0	0	0	0	0
DENTAL INSURANCE - A	0	0	0	0	0	0	0	(78)	0	0	0	0	0
DENTAL INSURANCE - S	0	0	0	0	0	0	0	(29)	0	0	0	0	0
VISION INSURANCE - WT	0	0	0	0	0	0	0	(37)	0	0	0	0	0
VISION INSURANCE - T &	0	0	0	0	0	0	0	(173)	0	0	0	0	0
VISION INSURANCE - CU	0	0	0	0	0	0	0	(63)	0	0	0	0	0

Restricted for Management's Use Only

**MOUNTAIN WATER DISTRICT
INCOME STATEMENT
12 Month Comparison For 2016**

	1/31/16	2/29/16	3/31/16	4/30/16	5/31/16	6/30/16	7/31/16	8/31/16	9/30/16	10/31/16	11/30/16	12/31/16	YTD Total
VISION INSURANCE - AD	0	0	0	0	0	0	0	(31)	0	0	0	0	0
VISION INSURANCE - SE	0	0	0	0	0	0	0	(47)	0	0	0	0	0
LIFE INSURANCE - WTP	0	0	0	0	0	0	0	(22)	0	0	0	0	0
LIFE INSURANCE - T & D	0	0	0	0	0	0	0	(141)	0	0	0	0	0
LIFE INSURANCE - CUST	0	0	0	0	0	0	0	(59)	0	0	0	0	0
LIFE INSURANCE - ADM	0	0	0	0	0	0	0	(83)	0	0	0	0	0
LIFE INSURANCE - SEWE	0	0	0	0	0	0	0	(52)	0	0	0	0	0
SHORT TERM DISAB. -	0	0	0	0	0	0	0	(39)	0	0	0	0	0
SHORT TERM DISAB. - T	0	0	0	0	0	0	0	(130)	0	0	0	0	0
SHORT TERM DISAB. - C	0	0	0	0	0	0	0	(101)	0	0	0	0	0
SHORT TERM DISAB. - A	0	0	0	0	0	0	0	(40)	0	0	0	0	0
SHORT TERM DISAB. - S	0	0	0	0	0	0	0	(67)	0	0	0	0	0
UNIFORM EXPENSE (PLA	0	0	0	0	0	0	1,320	0	0	0	0	0	0
UNIFORM EXPENSE (WA	0	0	0	0	0	0	71	0	0	0	0	0	1,329
WATER PURCHASED - PI	0	0	0	0	0	0	56,218	0	0	0	0	0	71
LABORATORY SUPPLIES	0	0	0	0	0	0	875	0	0	0	0	0	56,218
Chemicals-WW	0	0	0	0	0	0	5,122	0	0	0	0	0	875
SAFETY SUPPLIES	0	0	0	0	0	0	1,511	0	0	0	0	0	5,122
SAFETY SUPPLIES-WW	0	0	0	0	0	0	1,008	0	0	0	0	0	1,511
MATERIALS AND SUPPLI	0	0	0	0	0	0	92,384	0	0	0	0	0	1,008
CONTRACT SERVICES -	0	0	0	0	0	0	3,403	0	0	0	0	0	92,384
CONTRACT SERVICE - A	3,828	4,132	4,384	3,550	4,104	4,400	9,517	0	0	0	0	0	3,403
CONTRACT SERVICE - L	6,148	8,046	16,033	9,606	9,788	13,817	8,680	0	0	0	0	0	34,016
CONTRACT SERVICE-GE	0	0	0	0	0	0	5,365	0	0	0	0	0	71,118
CONTRACT SERVICE - M	646,472	646,472	646,472	646,472	646,472	646,472	364,829	0	0	0	0	0	5,365
CONTRACT MGMT EXP	(5,943)	(7,424)	(14,581)	(22,471)	(8,042)	(8,657)	(3,998)	0	0	0	0	0	4,243,859
Contract HR Services	0	0	0	3,179	1,810	2,017	3,178	0	0	0	0	0	(71,318)
AUTO & TRANSPORTATI	0	0	528	0	0	0	0	0	0	0	0	0	10,984
ADVERTISING	0	118	209	547	1,511	3,759	49	0	0	0	0	0	528
OTHER LEGAL PSC EXP	0	500	0	0	0	0	200	0	0	0	0	0	6,193
MOBILE PHONE EXPENS	0	0	0	0	0	0	152	0	0	0	0	0	700
TELEPHONE/INTERNET	0	0	0	0	0	0	173	0	0	0	0	0	152
TELEPHONE/INTERNET	0	0	0	0	0	0	43	0	0	0	0	0	173
EDUCATION, DUES, MEE	2,782	1,184	294	879	58	193	20,071	0	0	0	0	0	43
EMPLOYEE BENEFIT EXP	981	981	981	981	981	981	981	0	0	0	0	0	25,471
Office Expense	2,238	2,846	3,723	3,588	7,053	2,942	11,447	0	0	0	0	0	8,865
SETTLEMENT EXPENSE	0	0	0	0	0	3,500	0	0	0	0	0	0	33,837
SERVICE FEE EXPENSE	67	40	32	0	3,039	0	2	0	0	0	0	0	3,500
BANK SERVICE FEES EX	46	490	40	70	69	84	95	0	0	0	0	0	3,179
PSC TAX ASSESSMENT	0	0	0	0	0	0	17,541	0	0	0	0	0	893
													17,541

Restricted for Management's Use Only

**MOUNTAIN WATER DISTRICT
INCOME STATEMENT
12 Month Comparison For 2016**

	1/31/16	2/29/16	3/31/16	4/30/16	5/31/16	6/30/16	7/31/16	8/31/16	9/30/16	10/31/16	11/30/16	12/31/16	YTD Total
Retirement Expense	1,624	1,624	1,624	1,624	1,624	1,663	1,663	1,549	0	0	0	0	
Rate Study Expense	0	0	0	0	10,335	8,615	9,454	0	0	0	0	0	11,448
Major Equipment R & M	0	0	0	0	0	0	509	0	0	0	0	0	28,304
Major Equipment R & M S	0	0	0	0	0	0	14	0	0	0	0	0	509
Hand Tools R & M	0	0	0	0	585	(585)	803	0	0	0	0	0	14
PS/LS R & M	0	0	0	0	0	0	4,653	0	0	0	0	0	803
PS/LS R & M Sewer	0	0	0	0	0	0	8,858	0	0	0	0	0	4,653
Vehicle R & M	0	0	0	0	0	0	3,167	0	0	0	0	0	6,858
Vehicle R & M Sewer	0	0	0	0	0	0	1,342	0	0	0	0	0	3,167
General R & M	0	0	0	0	0	0	12,291	0	0	0	0	0	1,342
General R & M Sewer	0	0	0	0	(2)	2	254	0	0	0	0	0	12,291
Total Operating Expen	<u>943,474</u>	<u>944,990</u>	<u>945,553</u>	<u>933,795</u>	<u>965,155</u>	<u>986,509</u>	<u>927,312</u>	<u>25,940</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,526,789</u>
Operating Income (Loss)	<u>(56,778)</u>	<u>6,445</u>	<u>(82,438)</u>	<u>(30,772)</u>	<u>(97,631)</u>	<u>21,325</u>	<u>1,674</u>	<u>(25,940)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(218,166)</u>
Other Income (Expense)													
INTEREST INCOME	143	135	366	145	156	388	156	0	0	0	0	0	1,488
INTEREST EXPENSE - TE	(27,786)	(28,455)	(58,109)	(29,034)	(28,571)	(30,287)	(29,821)	0	0	0	0	0	(231,864)
INTEREST EXPENSE - TE	(4,035)	(4,035)	(8,070)	(4,035)	(4,035)	(4,035)	(4,035)	0	0	0	0	0	(32,280)
Total Other Income (E)	<u>(31,678)</u>	<u>(32,354)</u>	<u>(65,813)</u>	<u>(32,924)</u>	<u>(32,451)</u>	<u>(33,938)</u>	<u>(33,500)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(262,658)</u>
Net Income (Loss) Bef	<u>(88,456)</u>	<u>(25,909)</u>	<u>(128,251)</u>	<u>(63,696)</u>	<u>(130,082)</u>	<u>(12,611)</u>	<u>(31,826)</u>	<u>(25,940)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(480,824)</u>
Net Income (Loss)	<u>\$ (88,456)</u>	<u>\$ (25,909)</u>	<u>\$ (128,251)</u>	<u>\$ (63,696)</u>	<u>\$ (130,082)</u>	<u>\$ (12,611)</u>	<u>\$ (31,826)</u>	<u>\$ (25,940)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (480,824)</u>

Restricted for Management's Use Only

**MOUNTAIN WATER DISTRICT
INCOME STATEMENT
Trend Analysis - Most Recent 12 Months**

	8/31/15	9/30/15	10/31/15	11/30/15	12/31/15	1/31/16	2/29/16	3/31/16	4/30/16	5/31/16	6/30/16	7/31/16
Sales												
METERED SALES - RESIDEN	512,235.24	503,587.91	499,344.30	610,643.54	660,758.83	637,541.68	665,942.96	625,936.79	639,106.43	629,613.31	705,003.83	651,677.13
METERED SALES - COMMER	47,089.89	45,515.06	45,175.83	62,765.23	58,234.48	46,340.46	87,188.52	53,822.25	45,069.88	33,185.18	50,718.52	51,584.61
METERED SALES - INDUSTRI	6,071.54	5,051.46	3,981.62	6,701.98	6,438.67	8,435.67	7,089.34	6,831.10	6,322.69	6,436.67	6,960.22	7,021.96
METERED SALES - PUBLIC A	15,912.17	20,541.19	19,600.14	24,518.14	28,484.74	23,409.32	22,540.21	23,340.44	26,416.11	25,772.54	26,336.64	26,088.30
METERED SALES - MULTI FA	21,260.19	21,211.16	21,218.27	27,490.19	27,185.38	28,100.58	28,556.08	28,811.17	28,149.43	28,984.65	31,631.19	33,100.12
FIRE PROTECTION REVENU	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00
CUSTOMER LATE PAYMENT	16,705.12	15,806.26	14,942.14	15,510.98	19,756.97	19,071.90	20,336.16	20,340.92	18,604.46	20,288.58	21,832.60	24,587.05
OTHER WATER SERVICE RE	12,940.35	12,962.02	13,839.12	19,030.05	27,792.16	19,339.34	21,146.10	13,923.26	14,459.09	11,011.43	16,585.24	13,613.98
SERVICE CONNECTION FEE	10,720.80	11,630.00	10,630.00	10,313.00	8,800.00	8,650.00	11,765.00	11,840.00	13,350.00	12,470.00	12,085.00	11,530.00
SERVICE CONNECTION FEE	0.00	0.00	0.00	0.00	30.00	0.00	0.00	0.00	0.00	0.00	30.00	0.00
SEWER REVENUE - RESIDEN	54,674.28	54,078.30	53,452.37	78,979.22	32,143.61	80,420.56	62,463.61	76,428.97	58,372.71	74,816.04	89,314.50	81,727.53
SEWER REVENUE - COMME	16,839.50	15,486.69	15,491.60	29,764.01	28,620.02	17,286.12	24,287.27	23,740.65	53,073.39	24,856.39	27,255.20	27,454.98
Less Returns & Allowances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Sales	<u>714,550.18</u>	<u>705,970.85</u>	<u>697,575.49</u>	<u>886,814.34</u>	<u>884,341.86</u>	<u>880,695.63</u>	<u>951,425.25</u>	<u>883,115.55</u>	<u>903,024.18</u>	<u>867,523.99</u>	<u>987,833.04</u>	<u>928,985.74</u>
Gross Profit	<u>714,550.18</u>	<u>705,970.85</u>	<u>697,575.49</u>	<u>886,814.34</u>	<u>884,341.86</u>	<u>886,695.63</u>	<u>951,425.25</u>	<u>883,115.55</u>	<u>903,024.18</u>	<u>867,523.99</u>	<u>987,833.04</u>	<u>928,985.74</u>
Operating Expenses												
DEPRECIATION EXPENSE	205,258.71	205,258.71	205,258.71	205,258.71	451,027.63	205,258.71	205,258.71	205,258.71	205,258.71	205,258.71	205,258.71	205,258.71
AMORTIZATION EXPENSE	0.00	0.00	0.00	0.00	13,023.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE - S	66,520.64	66,520.64	66,520.64	66,520.64	376,333.57	66,520.64	66,520.64	66,520.64	66,520.64	66,520.64	66,520.64	66,520.64
PAYROLL TAXES - FICA & U.	975.85	975.85	975.85	975.85	(235.17)	1,393.83	1,244.38	1,087.33	66,520.64	1,043.35	1,115.15	1,059.90
COMP COMMISSIONERS - A	1,900.00	1,900.00	1,900.00	1,900.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,000.00
COMPENSATION - ADMINIST	10,446.80	10,446.80	10,446.80	10,446.80	10,446.80	10,446.80	10,446.80	10,446.80	10,446.80	10,446.80	11,409.98	11,409.98
UNIFORM EXPENSE (PLANT)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,328.55
UNIFORM EXPENSE (WATER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	70.74
WATER PURCHASED - PIKEM	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	58,218.00
LABORATORY SUPPLIES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	674.83
Chemicals-WWW	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,121.55
SAFETY SUPPLIES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,511.01
SAFETY SUPPLIES-WWW	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,006.00
MATERIALS AND SUPPLIES	0.00	0.00	0.00	0.00	310,889.63	0.00	0.00	0.00	0.00	0.00	0.00	92,393.67
CONTRACT SERVICES - ENGI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICE - ACCO	6,517.00	17,680.00	9,926.00	7,013.00	3,832.00	3,928.00	4,132.00	4,384.00	3,560.00	4,104.00	4,400.00	3,403.28
CONTRACT SERVICE - LEGA	1,867.80	1,268.75	1,812.50	5,437.50	7,908.25	5,147.50	8,046.44	16,033.10	9,608.25	9,787.50	13,817.28	8,660.00
ENGINEERING	0.00	0.00	0.00	0.00	10,185.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENGINEERING	0.00	0.00	0.00	0.00	11,701.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICE-GENER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,385.05

Restricted for Management's Use Only

MOUNTAIN WATER DISTRICT INCOME STATEMENT Trend Analysis - Most Recent 12 Months

	8/31/15	9/30/15	10/31/15	11/30/15	12/31/15	1/31/16	2/28/16	3/31/16	4/30/16	5/31/16	6/30/16	7/31/16
CONTRACT SERVICE - MANA	646,471.66	646,471.66	646,471.66	646,471.66	646,471.66	646,471.66	646,471.66	646,471.66	646,471.66	646,471.66	646,471.66	646,471.66
CONTRACT MGMT EXP AS	(9,867.36)	(8,645.20)	(19,197.21)	(4,776.94)	(72,849.19)	(5,943.20)	(7,424.26)	(14,580.80)	(22,471.06)	(8,042.02)	(8,857.14)	(3,997.99)
Contract HR Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RENTAL OF BLDG - REAL PR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AUTO & TRANSPORTATION	0.00	0.00	0.00	0.00	1,200.00	0.00	0.00	0.00	3,178.00	1,810.25	2,616.75	3,177.75
ADVERTISING	76.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER LEGAL PSC EXPENS	0.00	0.00	0.00	0.00	49.40	0.00	0.00	0.00	527.92	0.00	0.00	0.00
MOBILE PHONE EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00	117.80	209.00	0.00	0.00	0.00	0.00
TELEPHONE/INTERNET	0.00	0.00	0.00	0.00	0.00	0.00	500.00	0.00	0.00	1,511.49	3,758.55	49.40
TELEPHONE/INTERNET	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	200.00
EDUCATION, DUES, MEETIN	2,894.40	178.84	39.55	264.55	3,251.79	2,791.55	1,183.66	293.65	879.12	57.63	193.48	20,071.45
EMPLOYEE BENEFIT EXPENS	887.28	887.28	887.28	887.28	980.73	980.73	980.73	980.73	980.73	980.73	980.73	980.73
Office Expense	664.04	612.75	3,494.24	739.43	(26,286.12)	2,237.75	2,845.74	3,722.79	3,588.14	7,052.92	2,942.41	11,447.22
SETTLEMENT EXPENSES	500.00	0.00	1,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE FEE EXPENSE	4.50	26.50	28.95	3,236.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BANK SERVICE FEES EXP	4,054.55	261.85	667.47	35.00	14,301.00	46.00	489.88	32.00	0.00	0.00	3,500.00	0.00
Telephone Expense	0.00	0.00	0.00	0.00	4,200.39	0.00	0.00	40.00	70.00	58.50	84.00	2.00
Worker's Compensation Insura	0.00	0.00	0.00	0.00	5,003.78	0.00	0.00	0.00	0.00	0.00	0.00	95.00
PSC TAX ASSESSMENT	0.00	0.00	0.00	0.00	16,950.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Retirement Expense	1,624.22	1,624.22	1,624.22	1,624.22	2,283.09	1,624.22	1,624.22	1,624.22	1,624.22	1,624.22	1,624.22	1,624.22
Rate Study Expense	0.00	4,734.03	0.00	38,808.00	(134,727.83)	0.00	0.00	0.00	1,824.22	0.00	0.00	17,540.72
MISCELLANEOUS SUPPLIES	0.00	0.00	0.00	0.00	59.85	0.00	0.00	0.00	0.00	1,624.22	1,663.42	1,663.42
Major Equipment R & M	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,334.82	8,514.92	9,454.42	0.00
Major Equipment R & M Sewer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hand Tools R & M	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	508.95
PS/S R & M	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.90
PS/S R & M Sewer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	585.07	(585.07)	802.92
Vehicle R & M	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,652.80
Vehicle R & M Sewer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,857.99
General R & M	88.50	(98.50)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,187.11
General R & M Sewer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,341.85
Capital Assets	(3,484.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,291.23
Total Operating Expenses	937,300.29	852,101.18	932,354.66	982,842.28	1,857,212.28	843,470.49	944,977.88	945,551.75	933,794.76	905,152.78	866,508.67	927,310.76
Operating Income (Loss)	(222,750.11)	(246,130.23)	(234,779.17)	(96,027.94)	(772,870.40)	(56,774.86)	6,447.37	(62,436.20)	(30,770.97)	(97,628.79)	21,324.37	1,074.88
Other Income (Expense)												
INTEREST INCOME	144.22	339.18	139.48	137.37	629.52	143.28	135.67	385.80	144.77	154.75	385.56	155.72
Gain (Loss) on Sale of Fixed A	0.00	0.00	0.00	0.00	(12,660.62)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INTEREST EXPENSE - TERM	(27,771.35)	(28,002.82)	(27,905.00)	(28,432.94)	(43,918.37)	(27,785.87)	(28,455.46)	(58,109.28)	(29,034.43)	(28,571.02)	(30,286.74)	(28,621.46)
INTEREST EXPENSE - TERM	(4,035.00)	(4,035.00)	(4,035.00)	(4,035.00)	(3,522.00)	(4,035.00)	(4,035.00)	(6,070.00)	(4,035.00)	(4,035.00)	(4,035.00)	(4,035.00)

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**MOUNTAIN WATER DISTRICT
INCOME STATEMENT
Trend Analysis - Most Recent 12 Months**

	8/31/15	9/30/16	10/31/16	11/30/16	12/31/16	1/31/17	2/29/17	3/31/17	4/30/17	5/31/17	6/30/17	7/31/17
Total Other Income (Expens)	<u>(31,862.13)</u>	<u>(31,698.64)</u>	<u>(31,800.52)</u>	<u>(32,330.57)</u>	<u>(59,571.47)</u>	<u>(31,677.59)</u>	<u>(32,354.79)</u>	<u>(65,813.48)</u>	<u>(32,824.66)</u>	<u>(32,451.27)</u>	<u>(33,936.18)</u>	<u>(33,500.74)</u>
Net Income (Loss) Before	<u>(254,412.24)</u>	<u>(277,828.87)</u>	<u>(288,579.69)</u>	<u>(128,358.51)</u>	<u>(632,441.87)</u>	<u>(88,452.45)</u>	<u>(25,907.42)</u>	<u>(128,249.88)</u>	<u>(63,695.23)</u>	<u>(130,080.06)</u>	<u>(12,611.81)</u>	<u>(31,825.76)</u>
Net Income (Loss)	<u><u>(254,412.24)</u></u>	<u><u>(277,828.87)</u></u>	<u><u>(288,579.69)</u></u>	<u><u>(128,358.51)</u></u>	<u><u>(632,441.87)</u></u>	<u><u>(88,452.45)</u></u>	<u><u>(25,907.42)</u></u>	<u><u>(128,249.88)</u></u>	<u><u>(63,695.23)</u></u>	<u><u>(130,080.06)</u></u>	<u><u>(12,611.81)</u></u>	<u><u>(31,825.76)</u></u>

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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 www.rubinhays.com

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

September 30, 2016

Honorable Sandra K. Dunahoo
Commissioner and State Local Debt Officer
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

Re: Mountain Water District
Notice of Intent to Issue Securities

Dear Ms. Dunahoo:

Pursuant to the regulations of the Kentucky Public Service Commission, specifically 807 KAR 5:001: Section 18(1)(g), please be advised that the Mountain Water District (the "District") hereby notifies the State Local Debt Officer that the District intends on issuing securities in the form of a loan through the Kentucky Infrastructure Authority pursuant to an Assistance Agreement for the purpose of financing the Douglas Wastewater Treatment Plant Project.

We will file the appropriate documents with your office in accordance with the requirements of KRS 65.117 once the securities are issued.

Very truly yours,

Rubin & Hays

By 
W. Randall Jones

WRJ:jlm
Enclosures
cc: Distribution List

**Detailed Estimate of Acquired Property
Classified According to The Uniform System of Accounts
Class C and D - Sewer Utilities**

Account No.	Account Description	Amount
303	Land and Land Rights	\$ -
311	Structures and Improvements	\$ 797,500.00
355	Flow Measuring Devices	\$ 10,000.00
363	Pumping Equipment	\$ 375,000.00
373	Treatment and Disposal Equipment	\$ 1,466,830.00
374	Plant Sewers	\$ 50,000.00
393	Other General Equipment	\$ 160,000.00
	TOTAL	\$ 2,859,330.00

Exhibit A
 Bid Tabulation
**Douglas Wastewater Treatment Plant Expansion
 REBID**

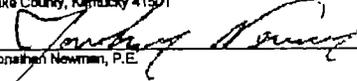
Item No.	Item Description	Unit	Quantity	H2O Construction		Howard Engineering and Construction, Inc.		Building Crafts, Inc.	
				Unit Price	Amount	Unit Price	Amount	Unit Price	Amount
1	All Work Shown, Specified, or Implied Not Included in Add Alternates Below (Note 1)	LS	1	\$ 1,985,000.00	\$ 1,985,000.00	\$ 2,100,000.00	\$ 2,100,000.00	\$ 2,499,000.00	\$ 2,499,000.00
2	MBR Equipment, Blowers, and Influent Screen - Materials Only	LS	1	Purchased by Owner					
Base Bid Total				\$ 1,985,000.00		\$ 2,100,000.00		\$ 2,499,000.00	

Add Alternates									
Item No.	Item Description	Unit	Quantity	Unit Price	Amount	Unit Price	Amount	Unit Price	Amount
A1	ADD Aluminum Grating to Post-Anoxic Basin and MBR Basins	SF	820	\$ 164.00	\$ 134,480.00	\$ 80.00	\$ 65,600.00	\$ 109.00	\$ 89,380.00
A2	DEDUCT Aluminum Handrail from Post-Anoxic Basin and MBR Basins	LF	228	\$ 40.00	\$ 9,040.00	\$ 70.00	\$ 15,820.00	\$ 42.00	\$ 9,492.00
A3	Asphalt Pavement as Shown on Plans	LS	1	\$ 90,000.00	\$ 90,000.00	\$ 83,000.00	\$ 83,000.00	\$ 73,000.00	\$ 73,000.00
A4	Hollowcore Slab Roof for Equipment Room and MCC Room	LS	1	\$ 25,000.00	\$ 25,000.00	\$ 10,000.00	\$ 10,000.00	\$ 4,000.00	\$ 4,000.00
A5	Additional Cost for Complete Removal and Disposal of Existing Steel Tanks	LS	1	\$ 10,000.00	\$ 10,000.00	\$ 15,000.00	\$ 15,000.00	\$ 44,500.00	\$ 44,500.00
A6	Penny Road Lift Station Renovation	LS	1	\$ 160,000.00	\$ 160,000.00	\$ 120,000.00	\$ 120,000.00	\$ 104,400.00	\$ 104,400.00
A7	Lick Branch Lift Station Renovation	LS	1	\$ 175,000.00	\$ 175,000.00	\$ 178,000.00	\$ 178,000.00	\$ 162,000.00	\$ 162,000.00
A8	Monorail Crane System for MBR Basins	LS	1	\$ 50,000.00	\$ 50,000.00	\$ 25,000.00	\$ 25,000.00	\$ 36,700.00	\$ 36,700.00
A9	400 KW Diesel Stationary Standby Generator	LS	1	\$ 100,000.00	\$ 100,000.00	\$ 90,000.00	\$ 90,000.00	\$ 88,000.00	\$ 88,000.00

Unit Prices									
Item Description	Unit	Unit Price							
Unclassified Earthwork	CY	\$ 13.00		\$ 20.00		\$ 150.00			
Class A Concrete	CY	\$ 120.00		\$ 800.00		\$ 800.00			
DGA	TON	\$ 25.00		\$ 25.00		\$ 40.00			
Class 2 Asphalt Surface, 0.50D PG 64-22	TON	\$ 200.00		\$ 145.00		\$ 200.00			
Class 2 Asphalt Base, 1.00D PG 64-22	TON	\$ 200.00		\$ 145.00		\$ 190.00			

The above is a true and complete tabulation of bids received at 2:00 pm (local time), on Wednesday, August 3, 2016, at the offices of Dan Stratton, Attorney Pike County, Kentucky 41501

Note: No math errors were found on bids.


 Jonathan Newman, P.E.

Date: 8-3-16



DWSRF & CWSRF LOAN INCREASE REQUEST

Please complete this form and submit to the attention of: Jami Johnson (jami.johnson@ky.gov) at the Kentucky Infrastructure Authority. Requests are reviewed and approved case-by-case, based on project scope and funding availability. All loan increases greater than 10% of the existing loan amount are subject to board re-approval. This form should only be used for projects that have a current and active loan with the Kentucky Infrastructure Authority. KIA will notify borrowers within 30 days of receipt of this request.

1. **LEGAL APPLICANT:** MOUNTAIN WATER DISTRICT
 2. **CONTACT:** ROY SAWYERS **PHONE:** (606) 831-9182 **EMAIL:** rsawyers@mtwater.org
 3. **PROJECT TITLE:** DOUGLAS WASTEWATER TREATMENT PLANT EXPANSION
 4. **EXISTING LOAN NUMBER:** A15-077 **WRIS NUMBER:** SXWX SX21195699

5. **CURRENT LOAN AMOUNT:** \$ 53,102,921
 6. **REQUESTED INCREASE:** \$ 8370,000

7. **REASON FOR LOAN INCREASE:**

Increase is needed to fund additional work.
 No additional work, bids came in higher than budgeted.
 No additional work, SRF funds will replace an alternate funding source.
 Other

EXPLAIN:

This will be the first membrane system utilized for wastewater in the State of Kentucky. This type of technology is new and the bids came in slightly higher than anticipated.

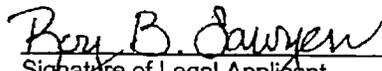
8. **REVISED BID SCHEDULE**

Bid Advertisement	<u>07/22/16</u>
Bid Opening	<u>08/03/16</u>
Contract Award	<u>11/01/16</u>
Construction Start	<u>12/01/16</u>
Construction End	<u>12/01/17</u>

***The most current updated audit must be submitted to KIA along with this request.**

To the best of my knowledge and belief, data contained in this Increase request are true and correct; the document has been duly authorized by the legal applicant.

ROY B. SAWYERS, DISTRICT MANAGER
 Typed Name and Title


 Signature of Legal Applicant

08/14/16
 Date

SRF Project Cost Summary

Project Title: Douglas Wastewater Treatment Plant

WRIS#: SX21195699

Project Budget:
Estimated 04/02/15
enter date

As Bid 08/03/16
enter date

Revised 09/14/16
enter date

Cost Classification	SRF KIA Loan	Funding Source 1	Funding Source 2	Funding Source 3	Funding Source 4	Funding Source 5	Local Funds	Unfunded Costs	Total
1 Administrative Expenses		50000.00							50000.00
2 Legal Expenses		2000.00							2000.00
3 Land, Appraisals, Easements									
4 Relocation Expenses & Payments									
5 Planning			4070.47	829.53					5000.00
6 Engineering Fees – Design			72879.32	16598.90					89478.22
7 Engineering Fees – Construction			31148.28	7112.88					38261.16
8 Engineering Fees – Inspection			88610.80	18778.28					107389.08
9 Engineering Fees – Other			68348.74	15151.26					83500.00
10 Construction		2143347.52	225221.39	51431.09					1985000.00
11 Equipment		1066830.00							1066830.00
12 Miscellaneous									
13 Contingencies		210743.48							210743.48
Total	\$0	\$3,472,921	\$488,079	\$111,000	\$0	\$0	\$0	\$0	\$4,070,000

Funding Sources	Amount	Date Committed
1 KIA SRF FUND A	3472921.00	04/02/15
2 HB 608 COAL GRANT	486079.00	05/28/12
3 HB 268 COMMUNITY DEVELOPMENT	111000.00	07/08/12
4		
5		
Total	\$4,070,000	

Local Funding Sources	Amount	Date Committed
1		
2		
3		
Total	\$0	

Total Funding \$4,070,000

Cost Categories	Funding Source	Total Cost
Treatment (DW)		
Transmission and Distribution (DW)		
Source (DW)		
Storage (DW)		
WWTP Secondary Portion (CW)		
WWTP Advanced Portion (CW)		
Inflow and Infiltration Correction (CW)		
Major Sewer Rehabilitation (CW)		
Collector Sewers (CW)		
Combined Sewer Overflow Correction (CW)		
Interceptor Sewers Including Pump Station (CW)		
Purchase of Systems (DW and CW)		
Restructuring (DW and CW)		
Land Acquisition (DW and CW)		
Total Costs		\$0