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September 7, 2017

John S. Lyons, Acting Executive Director
Kentucky Public Service Commission
211 Sower Blvd
P.O. Box 615
Frankfort, KY 40602

Re: North Shelby Water Company
Case No. 2017-00339

Dear Mr. Lyons:

This is in reference to the Deficiency Letter dated September 6, 2017 in the captioned case. The letter states that the Application does not contain documentation from the federal lending agency regarding the proposed interest rate. This is incorrect. The original Letter of Conditions dated October 25, 2016, which is at Page 4 of Exhibit 1, states in the third paragraph "If Rural Development makes the loan, the interest rate will be the lower of the rate in effect at the time of loan approval or the rate in effect at the time of loan closing, unless the Applicant otherwise chooses."

The interest rate will therefore not be known until loan closing. This is always the case with Rural Development loan interest rates. The enclosed July 31, 2017 Rural Development closing instructions letter is the only other documentation available from the federal lending agency regarding the proposed interest rate and lists one of the two variables, namely the 2.375% interest rate which was in effect at the time the loan was approved. North Shelby will, if requested, be happy to provide the PSC with the actual interest rate after it has been established at closing.

North Shelby therefore respectfully requests that the Application be deemed filed on the date it was received by the Public Service Commission, August 25, 2017.

Please feel free to contact me if you have any questions.

Yours truly,

RIGGS, PRATHER, RATLIFF & BULLOCK, PSC

By: 

Donald T. Prather

DTP/pm

Cc: Lee Mudd, Engineer
Jerry Ruble, President
David Hedges, Manager



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July 31, 2017

Mr. Jeffrey Jones
State Director
Rural Development
Lexington, Kentucky

Subject: North Shelby Water Company, Inc.
RUS Loan - \$2,525,000.00

Dear Mr. Jones:

Enclosed please find data as submitted for closing instructions.

The proposed project includes the demolition and replacement of a 100,000 gallon ground level storage tank with a 750,000 gallon elevated storage tank. The indebtedness will be represented by a promissory note and secured by a real estate mortgage and a pledge of the gross water revenue from the system utilizing a security agreement and financing statement. The interest rate of 2.3750% is in accordance with 7 U.S.C. 1927 and 1927a, as amended.

The submitted Loan Resolution Security Agreement, RUS Bulletin, 1780-28, dated May 15, 2017, indicates that the Corporation has a membership of 5,013. The body of the Loan Agreement shows that 233 members were present and voting on May 15, 2017. Of those 233 members present, all voted in the affirmative.

The Resolution of Members or Stockholders, Form RD 1942-8, indicates that the Association has 5,013 members and that 1 of these constitutes a quorum. The membership response to the present loan was the affirmative vote of the 233 members present at the meeting. The meeting was held on May 15, 2017, and the Resolution executed the same day. The Resolution reflects a loan amount not to exceed \$2,525,000.00. The document is legally sufficient.

The submitted Form RD 400-1, and Form RD 400-4, both dated May 18, 2017, are legally sufficient.

The attorney for the Corporation has submitted a letter dated February 5, 2016, stating that the Corporation was properly incorporated and has maintained continued existence. The letter must be updated to reflect more current information. The Corporation has submitted its organizational documents which have not been amended since the issuance of the previous RD Loan to the Corporation.

The docket is to contain a copy of the most recent annual corporation report filed with the secretary of state pursuant to KRS 273.3671 and a certified list of the directors and officers showing their respective terms.

Property evidence has been presented in the form of a Preliminary Title Opinion describing fee simple property vested in the Corporation. Should any additional property be acquired, the title opinions should be included in the final docket.

The Corporation purchases water from the Louisville Water Company pursuant to a Water Purchase Contract dated February 19, 1992. We have previously reviewed this water purchase contract and determined that the contract is scheduled to run for a period of 42 years. We noted that the Contract was amended a number of times with the final amendment occurring on July 1, 2011. The Contract was amended again on April, 25, 2013. The parties agreed to extend the contract and it will now run for 42 years after October 24, 2016. The contract has been rendered to be perpetual. The contract is legally sufficient.

The Corporation also purchases water from the Electric and Water Plant Board of the City of Frankfort pursuant to an Agreement dated July 13, 1992. That contract is scheduled to run for a period 42 years. The Contract was amended on April 14, 1998 and May 25, 2011 and the contract was extended for another 42 years. According to the certification from the Attorney, this contract was also extended to run for 42 years after October 24, 2016. The Contract is legally sufficient.

The promissory note is to be prepared by RD or under its supervision in accordance with 7 U.S.C. 1927a. The docket is to contain a conformed copy of the properly completed and executed note.

The docket is to contain Certificate of Rights-of-Way and Opinion of Counsel Relative to Rights-of-Way, Forms RD 1942-21 and 1942-22, which are to be inclusive of the date of closing.

The Corporation has retained the services of Mr. Donald T. Prather of Shelbyville, Kentucky to serve as local counsel. The real estate mortgage is to be prepared by the attorney. The docket is to contain the original or a certified copy of the recorded mortgage.

The project will require the preparation and filing of a security agreement and financing statement. The Agency must ensure that the documents accurately reflect the security for the loan. The documents are to be properly completed and executed, and the collateral is to be described in the appropriate space or upon an attached Schedule "A" to the security agreement and financing statement. Such collateral is to be specified by serial number, manufacturer's identification number or other legally acceptable description. The docket is to contain a duplicate original of the security agreement and a certified copy of the financing statement, which is to be filed. The security documents should be filed in accordance with Revised Article 9 of the Uniform Commercial Code. The agency should refer to the web site for the Kentucky Secretary of State to ensure the proper filing locations.

Subsequent to closing and filing of the financing statement, the attorney is to issue a brief certification that, by virtue of the security agreement and financing statement, the United States has a valid lien upon the revenue and income of the Corporation, and such other collateral as

may be specified within these instruments. This certificate is to also specify proper corporate status under Kentucky law and that no litigation is pending.

All forms and documents to be executed on behalf of the Corporation are to be signed by the president and attested by the secretary with the corporate seal affixed thereto. All documents requiring certification, except those which are by their nature to be certified by the clerk of the court or other public official, are to be certified by the secretary with the seal affixed thereto. Please have the corporate officers indicate their respective offices under their signatures.

All applicable requirements of RD Instructions 1780, the requirements of the national office and any other conditions must be complied with prior to or at the time of closing the loan; also at the time of closing the loan or immediately thereafter, there will be obtained additional copies of various documents as administratively required.

The certificate below must be executed by the county supervisor or district director and the attorney for the Corporation after all requirements herein have been met.

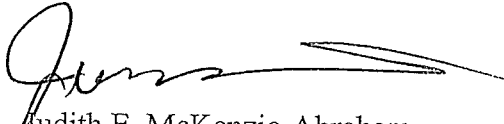
For final approval, there are to be submitted to this office, after having been reviewed by the state office, the following:

1. Certified list of directors and officers with terms and copy of current annual corporation report.
2. Conformed copy of promissory note.
3. Form RD 1942-8.
4. Original or certified copy of recorded real estate mortgage.
5. Preliminary and Final Title Opinions, Forms RD 427-9 and 427-10, if applicable.
6. Certificate of Rights-of-Way and Opinion of Counsel Relative to Rights-of-Way, Forms RD 442-21 and 442-22, if applicable.
7. Duplicate original of security agreement.
8. Certified copy of filed financing statements.
9. Attorney's certificate as to lien upon revenue, corporate status, and non-litigation.
10. Copy of Water Purchase Contracts and any amendments thereto

11. Certified closing instructions.

Sincerely,

ANDREA L. FOSTER
Regional Attorney



Judith E. McKenzie-Abraham
Senior Attorney

Enclosures

JEMA/

CERTIFICATE

We certify that all requirements of these instructions have been met.

Date:

Attorney for the Corporation

Date:

USDA