

**AFFIDAVIT
OF
RICKY S. CARMAN**

*** **

**To Be Filed In:
PSC Case No. 2022-00228 and
PSC Case No. 2022-00316**

The Affiant, Ricky S. Carman, after first being sworn, states as follows:

1. My name is Ricky S. Carman. I am the Chairman of East Casey County Water District (the “District”).

2. I have served as Chairman of the District at all times relevant to the events in PSC Case No. 2021-00371 (Purchased Water Adjustment case), PSC Case No. 2022-00228 (Alleged Failure to Comply with PSC Order), and PSC Case No. 2022-00316 (Application for a Certificate of Public Convenience and Necessity, for an Order seeking a rate adjustment, and for authorization to issue securities pursuant to KRS 278.023).

3. While the timing of the District’s Application in PSC Case No. 2022-00316 might lead some to conclude that the District quickly “threw together” the Project and hurriedly obtained RD funding to avoid PSC scrutiny in a general base rate adjustment case, **nothing could be further from the truth!** As stated below, the planning for the Project was finished long before (**13 months**) the PSC ordered

the District to file a general base rate adjustment case. Furthermore, RD funding was secured more than two (2) months before the PSC Ordered the District to file a general base rate adjustment case.

4. The purpose of this Affidavit is to advise the Kentucky Public Service Commission (the “PSC”) that the District’s proposed construction project (the “Project”), which is the subject of PSC Case No. 2022-00316, has been in the planning stages for several years. This Project commenced in 2018. The Preliminary Engineering Report prepared by Kenvirons, Inc. was commenced in 2018 and updated in **September 2020**. This is more than **13 months before** the PSC entered its Order on October 15, 2021 directing the District to file a general base rate adjustment by April 15, 2022.

5. On August 9, 2021, more than two (2) months before the PSC ordered the filing of a general base rate adjustment application, Rural Development (the “RD”), issued its Letter of Conditions funding the Project.

6. The Project consists of replacing two (2) pump stations, rehabilitating another pump station, constructing an elevated water storage tank, and purchasing approximately 1,000 Automated Meter Reading (the “AMR”) meters. All of these improvements are very much needed and long overdue. The need for the Project is discussed in greater detail in the Preliminary Engineering Report and the Final Engineering Report prepared by Kenvirons, Inc. and filed as Exhibits in PSC Case

No. 2022-00316. The Preliminary Engineering Report and the Final Engineering Report are attached hereto as **Exhibits A and B** respectively.

7. The District acknowledges that it should have sought a general base rate adjustment several years ago. As a result, its customers will now be faced with a drastic rate increase of **over 31%**. The rates ordered by RD (See page 12, paragraph 32 of the Letter of Conditions, which has been filed as an Exhibit in PSC Case No. 2022-00316), will require the District to increase its water rates by over 31%.

8. As stated in its Response filed on September 9, 2022 in PSC Case No. 2022-00228, the District has engaged the services of the Rural Community Assistance Program (the “RCAP”) to perform a rate study and prepare an application for a general base rate adjustment by utilizing the PSC’s alternative rate filing procedures (the “ARF Case”). RCAP has advised the District that work on the Rate Study and Application will begin later this month. It has scheduled one of its accountants to conduct a field review of the District’s records at that time.

9. In all likelihood, the rates ordered by RD will have been approved by the PSC and placed into service long before RCAP has completed its rate study. Undoubtedly, this significant rate increase will improve and strengthen the District’s financial condition. Nevertheless, the District is committed to

EXHIBIT A



PRELIMINARY ENGINEERING REPORT
FOR
EAST CASEY COUNTY WATER DISTRICT

2020 SYSTEM UPGRADES

PREPARED BY

KENVIRONS, INC.
770 WILKINSON BLVD
FRANKFORT, KY 40601

PROJECT NO. 2018132

SEPTEMBER 2020

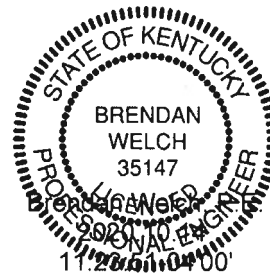


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INTRODUCTION

The East Casey County Water District (ECCWD) serves virtually all of Casey County except for the City of Liberty, as well as small areas of Adair, Lincoln, Pulaski, and Russell County. The purpose of this project is to increase the capacity to a growing region of Casey County, replace aging and obsolete equipment and improve service and water quality to the existing customers of East Casey County Water District.

The District presently meets the water needs of its customers by purchasing an average of 1,000,000 GPD from 4 suppliers. The City of Liberty alone provides over 75% of the treated water to the East Casey County Water District and has sufficient capacity to provide the additional potable water necessary for this project. The other water providers are Russell Springs, Eubank, and Campbellsville.

Some of the existing pump stations and water tanks throughout the system are outdated and have reached the end of their usable lives. Collectively, the District is aiming to upgrade the Shugars Hill Pump Station, replace the Walnut Hill Pump Station and Henson Creek Hydro Pneumatic Pump Station with a new above ground pump stations, construct a 200,000 gallon elevated tank, repaint and add a mixing system to the existing Nubbin Tank, and purchase 1,000 Hersey Hot Rod AMRs, six telemetry units, and five 8" insert valves in this project. The project will focus on the existing tank and pump station replacement stated above, but one alternative has been discussed that would replace the existing underground Crossroads Pump Station with a new above ground pump station if funds remain at the completion of the original project. This project will be an essential step in supporting the growth of the ECCWD system.

1.0 PROJECT PLANNING

1.1 Location

Founded in 1806, Casey County is situated in the south-central region of Kentucky. Liberty serves as the County Seat for Casey County, and is near the geographic center of the County. As stated previously, East Casey County Water District is a rural water utility system. The purpose of the ECCWD is to establish, develop, and operate a distribution system for its customers in Casey County outside of the City of Liberty as well as small areas of Adair, Lincoln, Pulaski, and Russell County. Since the inception of the ECCWD, there has been a steady rise in demand for clean, potable drinking water. This project will help East Casey County Water District support this increase in demand. A location map of the system with proposed project sites and additive alternates is shown in Figure 1 in the Appendix.

1.2 Environmental Resources Present

The proposed project is located across the eastern portion of Casey County. According to the Soil Survey of Casey County, Kentucky, prepared by the USDA Soil Conservation Service, the major natural resources in the area are soil, water, timber, oil, and limestone. The largest and most important of these resources is the soil because it is the main resource to produce food and fiber. Casey County has an approximate land

area of 446 square miles. Of that, 1.5 square miles is covered by water, and approximately 315 square miles is designated as farmland. The farms are primarily family owned, and the primary crops consist of burley tobacco, corn, soybeans, and hay. Approximately 38 percent of farm income is derived from the sale of crops, principally tobacco, while the remaining 62 percent is obtained from livestock and livestock products. The production of beef cattle and calves and dairy products are the main enterprises. This project will replace some of the old pump stations, maintaining adequate pressure, so that Casey County farmers and residents can continue to grow and maintain their production of products that are essential to the Commonwealth of Kentucky. A more detailed Environmental Report will be completed at a later date. The Environmental Report focuses closely on many more aspects of the environment, and how each respective resource will be affected by the project.

1.3 Population Trends

The population of Casey County according to the 2010 Census conducted by the United States Census Bureau was 15,983. The East Casey County Water District currently services 4,780 customers or approximately 12,181 people. This is roughly 76 percent of the Casey County population. Casey County has seen a growth in population since 1980 at a rate of approximately 0.19 percent per year. A population and water usage projection graph is attached as Figure 2 in the Appendix. Assuming the same trend will continue, the current pump stations and water storage tanks will not be able to withstand the growth. This project will allow Casey County to grow at its current rate and provide users with a sufficient potable water supply.

2.0 EXISTING FACILITIES

2.1 Location Map

A Location Map for the East Casey County Water District distribution system is attached in the Appendix as Figure 1.

2.2 History

The East Casey County Water District was established in 1982 with 265 rural water customers and one maintenance person with billing operations conducted through the office of the Casey County Judge Executive. In 1988, the system began efforts to expand service to additional customers, therefore becoming a viable entity. The District now provides water to nearly 4,800 customers and employs full-time employees to maintain the system's daily operations. In 2004, Contract 14 – Water System Extension Project began construction and ultimately provided service to the remaining densely populated areas of Casey County. Remaining projects will primarily consist of supplying water to the less populated areas which were unable to be served due to hydraulic difficulties that have been alleviated by various system improvements throughout the District. This project will help provide the pressure and storage capacity to reach out to the edges of the District.

2.3 Condition of Existing Facilities

The following description is an overview of the current system components and operating conditions:

2.3.1 Water Supply and Treatment: The City of Liberty is the regional provider of treated water in Casey County. The raw water sourced from Lake Liberty, has essentially unlimited quantity along with excellent quality. ECCWD purchases most of its treated water from Liberty at a wholesale rate for distribution in their system through one (1) interconnect on the western border of the City.

The Liberty Water Treatment Plant (WTP) is located at the base of the dam of Lake Liberty on Lake Liberty Street. The plant was originally constructed in 1979 with a major expansion completed in 1997 to bring the design capacity to 2.1 million gallons per day (MGD). The current average daily production is approximately 1.3 MGD. Using data gathered from the East Casey County Water District's monthly operating reports for 2019, the treated water sold to ECCWD was:

Total Annual Volume (approx.): 365,409,100 Gallons
Daily Average Volume: 1,001,120 Gallons per Day
Daily Average during Maximum Month (February): 1,189,650 Gallons per Day
Maximum Day (approx.): 1,808,100 Gallons

2.3.2 Storage: East Casey County Water District currently has nine (9) water storage tanks that serve as finished water storage facilities. All finished water is supplied by the City of Liberty, Russell Springs, Eubank, and Campbellsville through various interconnects and is pumped to each of the water storage tanks in the system. The construction dates for these tanks range from 1982-2013 and are regularly inspected to ensure that they are up to code. The volumes of the nine tanks across the system vary from 65,000 to 2,000,000 gallons and have overflow elevations ranging from 1,032'-1,421' above mean sea level. This project will add a 200,000-gallon elevated tank and repaint and install a mixing system to the existing Nubbin Tank.

2.3.3 Pumping Stations: East Casey County Water District system has eight (8) pumping stations located in their distribution system. These pumps are located throughout the system and range in performance from 35 gallons per minute (GPM) to 250 GPM. These pumps maintain the water level in the water storage tanks, which sets the hydraulic grade line that drives the water throughout the extents of the system. While these booster pump stations have performed well over the years, they have begun to show their age and cannot efficiently meet the increased demands in the system. Based on monthly operating reports from the District, the distributed water that passed through these pump stations are as shown on the following page:

Shugars Hill Pump Station:

Annual Volume: 102,200,000 Gallons
Daily Average Volume: 280,000 Gallons per Day (GPD)
Daily Average during Maximum Month (February): 332,600 GPD
Maximum Day (approx.): 360,000 GPD

Walnut Hill Pump Station:

Annual Volume: 5,475,000 Gallons
Daily Average Volume: 150,000 Gallons per Day (GPD)
Daily Average during Maximum Month (February): 178,200 GPD
Maximum Day (approx.): 270,900 GPD

Henson Creek Hydro Pneumatic Pump Station:

Annual Volume: 365,000 Gallons
Daily Average Volume: 10,000 Gallons per Day (GPD)
Daily Average during Maximum Month (February): 11,900 GPD
Maximum Day (approx.): 18,000 GPD

Crossroads Pump Station:

Annual Volume: 29,200,000 Gallons
Daily Average Volume: 80,000 Gallons per Day (GPD)
Daily Average during Maximum Month (February): 95,000 GPD
Maximum Day (approx.): 144,500 GPD

The pumps at Shugars Hill, Walnut Hill, Henson Creek, and Crossroads Pump Stations generally run at the rate of 250, 250, 30, and 120 GPM, respectively. At these pumping rates, the approximate duration of the pumps operations at these four pump stations during 2019 was:

Shugars Hill Pump Station:

Annual Average Day: 18 hours (78% of capacity)
Maximum Month Average Day: 22 hours (92% of capacity)
Maximum Day: 24 hours (100% of capacity)

Walnut Hill Pump Station:

Annual Average Day: 10 hours (42% of capacity)
Maximum Month Average Day: 12 hours (50% of capacity)
Maximum Day: 18 hours (75% of capacity)

Henson Creek Hydro Pneumatic Pump Station:

Annual Average Day: 5.5 hours (23% of capacity)
Maximum Month Average Day: 6.6 hours (28% of capacity)
Maximum Day: 10 hours (42% of capacity)

Crossroads Pump Station:

Annual Average Day: 11 hours (46% of capacity)

Maximum Month Average Day: 13 hours (55% of capacity)

Maximum Day: 20 hours (84% of capacity)

2.3.4 Distribution System: The East Casey County Water District water distribution system carries a large volume of water through its network of lines. The current distribution system network totals around 570 miles of water distribution lines ranging from 3-inch to 10-inch diameter. The distribution system is in good operating condition and few major capital expenses are anticipated in the near future. The system is presently operating within the State Division of Water and Federal Safe Drinking Water Standards.

2.4 Financial Status of Existing Facilities

The financial status of the East Casey County Water District is summarized in the budget sheet attached in Figure 3 in the Appendix. The sheet shows the income generated, current operation and maintenance costs, and the existing debts of the utility from 2019.

A Summary Addendum to Preliminary Engineering Report will be completed at a later date. The Summary Addendum will outline the projects feasibility and determine the final rate increase needed based on more in-depth analysis of the utilities most recent financial statements.

3.0 NEED FOR PROJECT

3.1 Health, Sanitation, and Security

This project will consist of replacing two underground pump stations, Walnut Hill and Henson Creek, with above ground pump stations, rehabilitating one booster pump station, Shugars Hill, and an existing water storage tank, constructing a 200,000 gallon elevated water storage tank, purchasing 1,000 automatic read water meters and six SCADA units, and installing five 8" insertion valves. If funds remain, the existing underground Crossroads Pump Station will be replaced with an above ground pump station as Alternative #1. As mentioned in previous sections, the existing pump stations have been in service prior to the significant growth that ECCWD has seen since its creation and are undersized for the demand needed in their respective areas of the system at the present time. The replacement of these aging pump stations will ensure that the District will remain in compliance with federal regulations, and that end users are provided with clean, safe drinking water. After project construction, there are no other known health, sanitation, or security issues faced by the ECCWD water system.

3.2 Aging Infrastructure

The existing Shugars Hill, Walnut Hill, and Crossroads booster pump stations as well as the Henson Creek hydro pneumatic sump station have performed well over the years; however they have reached the end of their usable lives due to the increased demand across the system in recent years. The existing Nubbin Tank will need to be repainted

and a mixing system will be added along with an elevated water storage tank being constructed alongside the existing tank. ECCWD will also replace 1,000 existing manual read water meters with new Hersey Hot Rod AMR meters to stay compliant with Kentucky Public Service Commission regulations. This project will give East Casey County Water District a more efficient and reliable system that can easily sustain future growth throughout Casey County.

3.3 Reasonable Growth

A detailed computer based hydraulic model has been developed for the East Casey County Water District and has been updated over several years to reflect current system conditions. The replacement of four pump stations, addition of a water storage tank, and the rehabilitation of another water storage tank would allow for the area of eastern Casey County to accommodate future growth.

In order to predict potential usage in the future, past population growth rates were analyzed, and this data was expanded using linear regression to develop an estimated future demand based upon the population growth. The future forecast period and hydraulic design basis will be a 20-year period, after completion of the project, providing an approximation to the year 2042. The population and water usage growth pattern was graphed, and is shown in Figure 2 in the Appendix. According to the graph, the population of Casey County will be approximately 17,400 people by the year 2042. The East Casey County Water District has a current customer base of approximately 4,780 with an average usage of about 0.91 MGD. Assuming the same population growth pattern of approximately 0.19 percent per year applies, a customer base of approximately 5,000 would require roughly 0.95 MGD by the year 2042. This is an increase of approximately 4 percent over the current demand.

4.0 ALTERNATIVES CONSIDERED

4.1 Description

After consulting with the client, and discussing multiple alternatives, there were three alternatives that were ultimately to be considered. There are two technically feasible alternatives and one technically infeasible alternative to be considered. The alternatives considered to be technically feasible are (1) the proposed plan outlined in this report (water storage tank and pump station addition/replacement/rehabilitation), or (2) reduce the project to exclude the new telemetry units and the tank repainting and mixing system installation. This second alternative would involve procuring the funding for the above-mentioned items at a later date. The final alternative that could be chosen is not technical in nature but is an option the client is facing. This alternative is to simply not do the project and continue the current practice of repairing the problematic pump stations when they occur (reactive maintenance). This has been a substantial cost for the client due in part to labor needed to repair these facilities. This option also does not allow for the community to grow and maximize its potential. Since the last option is technically infeasible, only the first options of replacement will be analyzed. Following the evaluation, one of the alternatives will be recommended to the client.

4.2 Design Criteria

Both technically feasible designs must be able to supply the current customer load of approximately 4,780 with the ability to withstand the growth determined in section 3.3 of this report. The current average daily demand for water through the entire system is approximately 0.91 MGD, with a total of 0.52 MGD passing through the pump stations being replaced and upgraded in this project. With a growth rate of approximately 0.19 percent per year, the average daily demand is estimated to grow to 0.95 MGD, with approximately 0.59 MGD passing through the pump stations in this project. The design criteria for each pump station in this project is shown below:

Shugars Hill Pump Station: 0.36 MGD or 250 GPM

Walnut Hill Pump Station: 0.45 MGD or 310 GPM

Henson Creek Hydro Pneumatic Pump Station: 0.06 MGD or 45 GPM

Crossroads Pump Station: 0.22 MGD or 150 GPM

Due to the small population growth rate in Casey County, design capacities of each pump station will only increase marginally. The Walnut Hill and Crossroads Pump Station capacities will be increased by 25% of their existing flow rates, while the Henson Creek and Shugars Hill Pump Stations will be sized based on existing hydraulic capabilities.

4.3 Map

Figure 4 in the Appendix shows the locations of the water storage tank and pump station sites that will be replaced or rehabilitated if either alternative is implemented. The rehabilitated water storage tank that will be excluded in Alternative 2 is located directly next of the new water storage tank.

4.4 Environmental Impacts

The environmental impacts of this project are minimal, as the area has been previously disturbed. However, there are differences in impacts between the two alternatives. Alternative 1 will replace all the pump stations and tank addition in a single construction period. In this way, the impacts to the environment will be limited to the time of construction. Alternative 2 will require environmental disturbance at two separate time periods. The environmental impact of Alternative 2 would be greater, due to the necessity of two separate construction periods. Both alternatives were assessed, and the resources that may be potentially affected are streams and local waterways, and the soils surrounding the pump station/tank right-of-way.

4.5 Land Requirements

The land where construction will be executed is on an existing right-of-way from the Kentucky Department of Transportation and residential landowners. In order to proceed with the project, an encroachment permit from the County and Kentucky Department of Highways will need to be obtained. Locations for each of the pump station and tank sites are to be on easements that will be acquired by the District prior to construction.

4.6 Potential Construction Problems

Both alternatives would face similar construction issues. The pump stations that are to be replaced may cause minimal traffic concerns depending on workspace in the right-of-way. Utilizing flaggers, there could be daily lane closures if construction occurs too close to the road but are not likely. Another concern that was considered while evaluating potential construction problems that each alternative might face is the severity of tree removal. The land area where new pump stations and storage tanks are to be constructed will be minimal and due to the construction on existing right-of-way, tree removal is not a likely concern. Both alternatives have been analyzed and there are no other foreseeable construction issues beyond these which have been addressed.

4.7 Sustainability Considerations

For sustainability considerations, both alternatives would utilize variable frequency drives (VFD) in their pump station design, when feasible. VFDs has many advantages over similar pump station designs. Some of these advantages include energy efficiency (both in manufacturing effort as well as pumping costs for owner), as well as reduction of surging upon pump shutdown. With this product's performance and advantages, ECCWD and its potable water customers will be well served for many years to come.

4.8 Cost Estimates

Table 1 shown below contains the following breakdown of costs associated with the project if Alternative 1 (pump station replacements and tank construction) is chosen. The primary costs considered were land & rights fees, engineering fees, project construction, contingency, environmental, as well as other miscellaneous costs. Figure 5 in the Appendix shows a detailed Engineer's Opinion of Probable Cost & Estimated User Rate Impact for Alternative 1.

| Category | Cost |
|--------------------------------|--------------------|
| Construction | \$1,490,000 |
| Contingency | 151,000 |
| Land and Rights | 10,000 |
| Engineering | 133,800 |
| Inspection | 67,100 |
| Bond Counsel | 14,700 |
| Local Counsel | 5,400 |
| Preliminary Engineering Report | 10,000 |
| Environmental Report | 8,000 |
| Geotechnical Report | 10,000 |
| Capitalized Interest | 20,000 |
| Total Project Cost | \$1,920,000 |

Table 2 shown below contains the following breakdown of costs associated with the project if Alternative 2 (reduced project) is chosen. The primary costs considered were land & rights fees, engineering fees, project construction, contingency, environmental, as well as other miscellaneous costs. Figure 6 in the Appendix shows a detailed Engineer's Opinion of Probable Cost & Estimated User Rate Impact for Alternative 2.

| Table 2: Cost Estimate of Alternative 2 | |
|--|--------------------|
| Category | Cost |
| Construction | \$1,225,000 |
| Contingency | 122,200 |
| Land and Rights | 10,000 |
| Engineering | 105,100 |
| Inspection | 57,700 |
| Bond Counsel | 14,000 |
| Local Counsel | 5,000 |
| Preliminary Engineering Report | 10,000 |
| Environmental Report | 8,000 |
| Geotechnical Report | 10,000 |
| Capitalized Interest | 15,000 |
| Total Project Cost | \$1,582,000 |

5.0 SELECTION OF AN ALTERNATIVE

5.1 Life Cycle Cost Analysis

Tables 3 and 4 on the following pages show the Life Cycle Cost Analysis for the project alternatives, as well as the values for planning period and discount rate that were used when performing the calculations. To interpret the results of the Life Cycle Cost Analysis, it is important to understand the contextual situation of the analysis. Since both alternatives aim to complete the same task, this is considered to be a fixed output analysis. Whichever alternative has the lowest net present value (NPV) is the alternative that should be chosen.

The Annual Operation and Maintenance (O&M) values used in the analysis were obtained by increasing the 2019 O&M values by 5 percent per year for 3 years due to inflation. The same formula was used for the maintenance category with a slight change. For both alternatives, the utilities were reduced by 20 percent in 2022 due to the full project completion. For Alternative 1, the line upkeep and water purchases stayed at the 2021 projections due to project completion. Tables 3 and 4 are the expected values for the first year of operation (2022) for Alternative 1 and 2, respectively.

Table 3: Alternative 1 Life Cycle Cost Analysis

| | | |
|--------------------------------|--------------------|---------------------|
| Capital Expense | | \$1,920,000 |
| Annual O&M | | |
| Water Purchases | \$1,068,213 | |
| Salaries | \$251,789 | |
| Employee Benefits | \$308,892 | |
| Taxes | \$23,605 | |
| Office Expense & Postage | \$40,334 | |
| Insurance | \$30,921 | |
| Transportation Expense | \$29,521 | |
| Line Upkeep | \$50,810 | |
| Contract Labor | \$16,732 | |
| Utilities & Telephone | \$84,310 | |
| Legal & Professional | \$37,015 | |
| Miscellaneous | \$28,475 | |
| Regulatory Commission Expenses | \$3,320 | |
| Total O & M Cost | <u>\$1,973,937</u> | |
| USPW Factor | x 18.99 | |
| Present Worth; Annual O&M | | \$37,485,064 |
| Salvage Value | | |
| Existing Facilities | \$8,893,993 | |
| Proposed Improvements | <u>894,000</u> | |
| Total Salvage Value | \$9,787,993 | |
| SPPW Factor | x 0.91 | |
| Present Worth; Salvage | | \$8,907,074 |
| Net Present Value: | | \$30,497,990 |

Table 4: Alternative 2 Life Cycle Cost Analysis

| | | |
|--------------------------------|--------------------|---------------------|
| Capital Expense | | \$1,582,000 |
| Annual O&M | | |
| Water Purchases | \$1,125,853 | |
| Salaries | \$251,789 | |
| Employee Benefits | \$308,892 | |
| Taxes | \$23,605 | |
| Office Expense & Postage | \$40,334 | |
| Insurance | \$30,921 | |
| Transportation Expense | \$29,521 | |
| Line Upkeep | \$64,989 | |
| Contract Labor | \$16,732 | |
| Utilities & Telephone | \$84,310 | |
| Legal & Professional | \$37,015 | |
| Miscellaneous | \$28,475 | |
| Regulatory Commission Expenses | \$3,320 | |
| Total O & M Cost | <u>\$2,045,756</u> | |
| USPW Factor | x 18.99 | |
| Present Worth; Annual O&M | | \$38,848,906 |
| Salvage Value | | |
| Existing Facilities | \$8,893,993 | |
| Proposed Improvements | <u>735,000</u> | |
| Total Salvage Value | \$9,628,993 | |
| SPPW Factor | x 0.91 | |
| Present Worth; Salvage | | \$8,762,384 |
| Net Present Value: | | \$31,668,523 |

Notes and Equations Used in Life Cycle Cost Analysis:

Interest Rate (i) = 0.5%

Planning Period (n) = 20 years

Estimated Maintenance for Alternative 1 = (Existing Maintenance x 1.02⁴) x 0.80

Estimated Maintenance for Alternative 2 = Existing Maintenance x 1.02⁴

Salvage Value; Existing Facilities = Straight Line Depreciation value from utility's financial statement

*Salvage Value; Proposed Improvements = Straight Line Depreciation of construction cost from PER.
Assumed life of 50 years, depreciated over 20 years.*

*Net Present Value = Capital + (USPW * Total O&M) – (SPPW * Total Salvage Value)*

Uniform Series Present Worth Factor (USPW) = $\frac{(1 + i)^n - 1}{i(1 + i)^n}$

Example USPW = $\frac{((1 + .005)^{20} - 1)}{(.005(1 + .005)^{20})} = 18.99$

Single Payment Present Worth Factor (SPPW) = $(1 + i)^{-n}$

Example SPPW = $(1 + .005)^{-20} = 0.91$

5.2 Non-Monetary Factors

There were two technically feasible alternatives being considered, and there were no foreseeable non-monetary factors that would play a role in this project if either of the project alternatives were chosen.

6.0 PROPOSED PROJECT

6.1 Preliminary Project Design

It is upon recommendation of the project engineer that Alternative 1 (water storage tank and pump station replacement) be constructed. Based upon current conditions, client budget, environmental impacts, and future forecasting, Alternative 1 will be most effective in meeting the needs of the client. As this project is a drinking water project, the following items need to be addressed:

6.1.1 Project Layout: This project will consist of upgrading the Shugars Hill Pump Station, replacing the Walnut Hill and Henson Creek Hydro-Pneumatic Pump Station with a new above ground pump stations, constructing a 200,000 gallon elevated tank, repainting the existing Nubbin Tank and adding a mixing system, 1,000 Hersey Hot Rod AMRs, six telemetry units, and five 8" insert valves. If funds remain at the completion of the project, the existing underground Crossroads Pump Station will be replaced with a new above ground pump station. The four pump stations have performed well over the years but have reached the end of their usable lives due to increased demands in these areas of the system. All upgraded pump stations will be equipped with telemetry communications to allow for the District to save on operational costs of these pump stations. With these new and upgraded stations, East Casey County Water District will now be able to reliably and efficiently provide water across the system for the foreseeable future without issue.

6.2 Project Schedule

Table 5 shown below contains the proposed completion dates for the major project components. This list is not exhaustive of all project tasks, and the dates shown are tentative.

| Task | Estimated Date |
|--------------------------------|-----------------------|
| Environmental Review Submittal | October 1, 2020 |
| Bid Opening | March 1, 2020 |
| Construction Start | July 1, 2020 |
| Construction Completion | December 1, 2020 |

6.3 Permit Requirements

Table 6 shown on the following page is a tentative list of permits and approvals that will need to be obtained before project construction can begin. This list is preliminary and is subject to change following the review process of the required agencies.

| Agency | Permit or Approval |
|---------------------------------|------------------------------------|
| KY Division of Water | Approval of Plans & Specifications |
| KY Division of Water | KPDES Permit |
| KY Division of Water | Stream Construction Permit |
| KY Department of Transportation | Encroachment Permit |

6.4 Total Project Cost Estimate

Table 7 shown below is a summarized version of the Engineer's Opinion of Probable Cost for the recommended alternative as described above. A detailed Opinion of Probable Cost is included in the Appendix as Figure 6.

| Category | Cost |
|--------------------------------|--------------------|
| Construction | \$1,490,000 |
| Contingency | 151,000 |
| Land and Rights | 10,000 |
| Engineering | 133,800 |
| Inspection | 67,100 |
| Bond Counsel | 14,700 |
| Local Counsel | 5,400 |
| Preliminary Engineering Report | 10,000 |
| Environmental Report | 8,000 |
| Geotechnical Report | 10,000 |
| Capitalized Interest | 20,000 |
| Total Project Cost | \$1,920,000 |

6.5 Excess Funding Disbursement

Any remaining funds leftover after the project has been substantially completed will be used to fund any or all of the following items as needed or deemed most appropriate by the East Casey County Water District: replacement of the existing underground Crossroads Pump Station with a new above ground pump station, additional AMR water meters. A site map of the additive pump station replacement is attached in Figure 4 in the Appendix.

6.6 Annual Operating Budget

Table 8 shown on the following page is a summarized version of the Existing Operating Budget for Year Ending 2019 and proposed operation and maintenance costs upon project completion. The full Existing Operating Budget for Year Ending 2019 is included in the Appendix as Figure 3.

| Table 8: Annual Operation & Maintenance Cost | | |
|---|--------------------|--------------------|
| Category | Existing | Proposed |
| Water Purchases | \$961,635 | \$1,068,213 |
| Salaries | \$253,713 | \$251,789 |
| Employee Benefits | \$240,725 | \$308,892 |
| Taxes | \$22,554 | \$23,605 |
| Office Expense & Postage | \$40,325 | \$40,334 |
| Insurance | \$30,987 | \$30,921 |
| Transportation Expense | \$27,246 | \$29,521 |
| Line Upkeep | \$60,659 | \$50,810 |
| Contract Labor | \$26,498 | \$16,732 |
| Utilities & Telephone | \$102,691 | \$84,310 |
| Legal & Professional | \$28,104 | \$37,015 |
| Miscellaneous | \$24,272 | \$28,475 |
| Regulatory Commission Expenses | \$3,344 | \$3,320 |
| Total Operation & Maintenance Cost | \$1,822,753 | \$1,973,937 |

7.0 CONCLUSIONS AND RECOMMENDATIONS

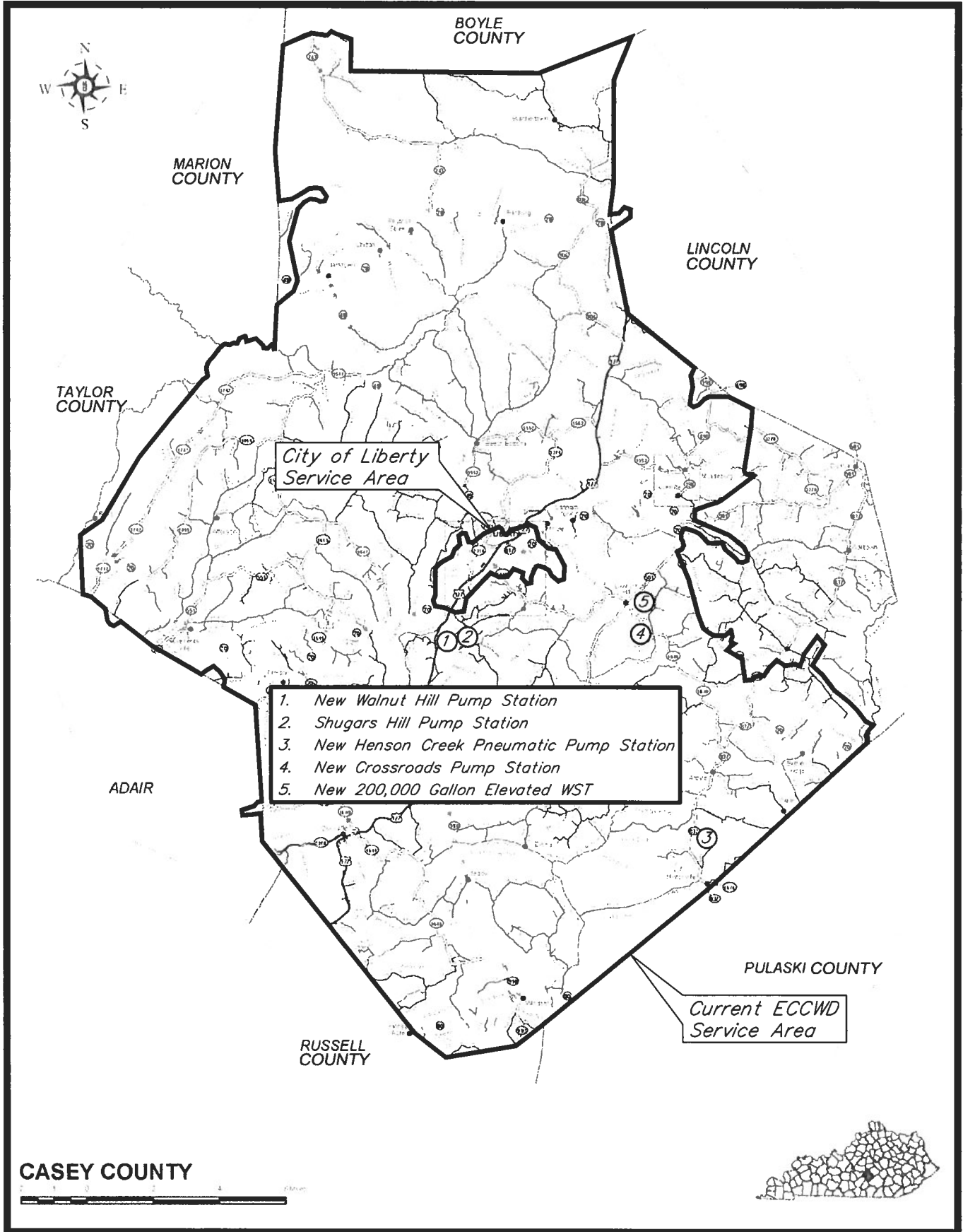
It is the conclusion and recommendation of this report that the East Casey County Water District implement the project as described in the Proposed Project section of this report. It is further recommended that ECCWD proceed with its applications for project funding assistance.

An evaluation of the revenue needed for the proposed project was conducted to determine the project's impact on the water rates. The evaluation of estimated user rate impact can be found in Figure 6 of the Appendix. Based on the evaluation of the revenue needed for debt repayment from the proposed project, the user rates will need to be increased 4.03% to finance the proposed project.

As mentioned in a previous section of this Report, a Summary Addendum to Preliminary Engineering Report will be completed at a later date. This document will outline the project feasibility and determine the final rate increase needed based on more in-depth analysis of the utility's most recent financial statements.

APPENDIX

FIGURE 1



CASEY COUNTY



KENVIRONS, INC.
FRANKFORT, KENTUCKY

FIGURE 1
EAST CASEY COUNTY WATER DISTRICT
LOCATION MAP

FIGURE 2

Figure 2
Casey County, KY - Projections for Population & Water Usage

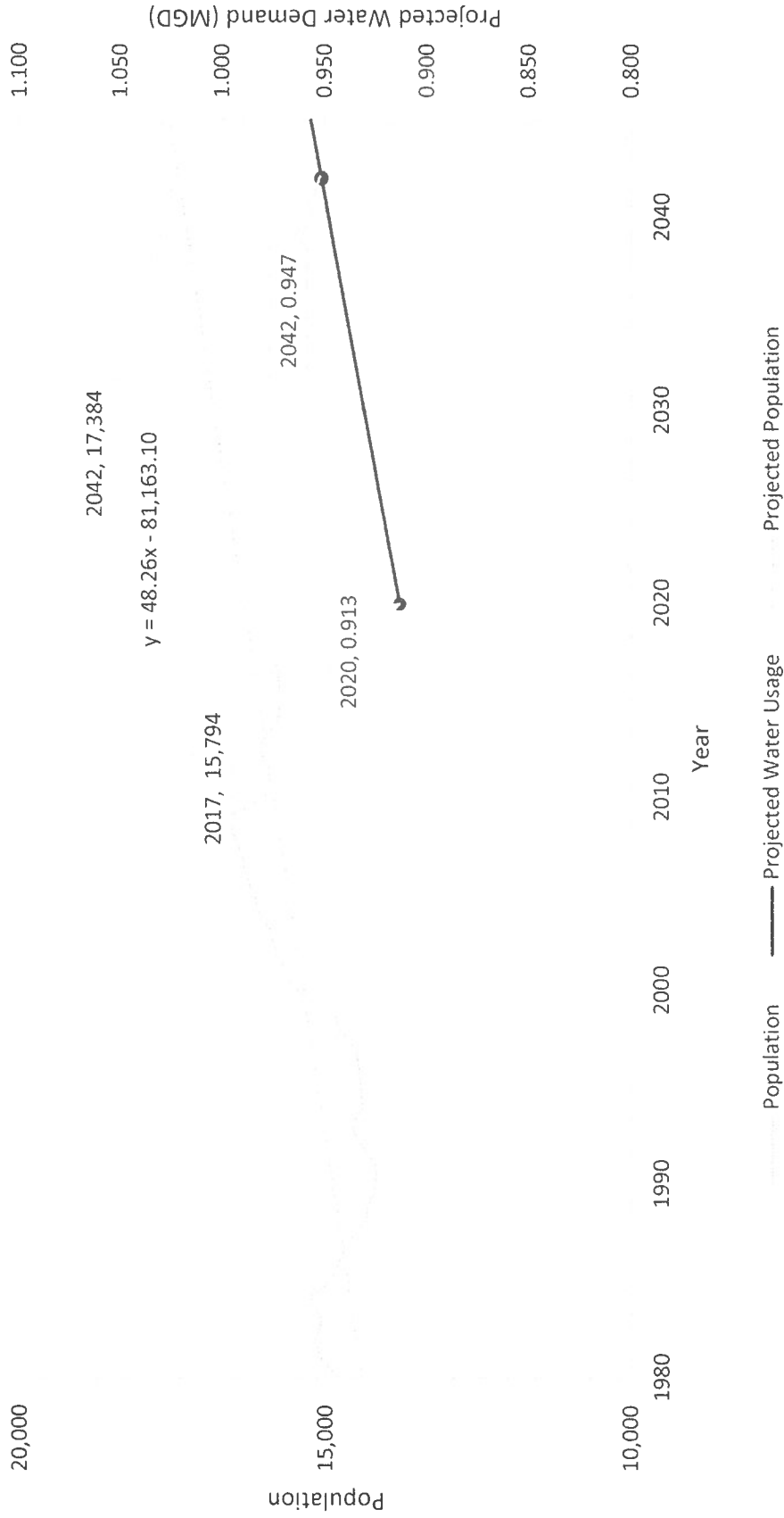


FIGURE 3

EAST CASEY COUNTY WATER DISTRICT
Existing Operating Budget
For Year Ending 2019

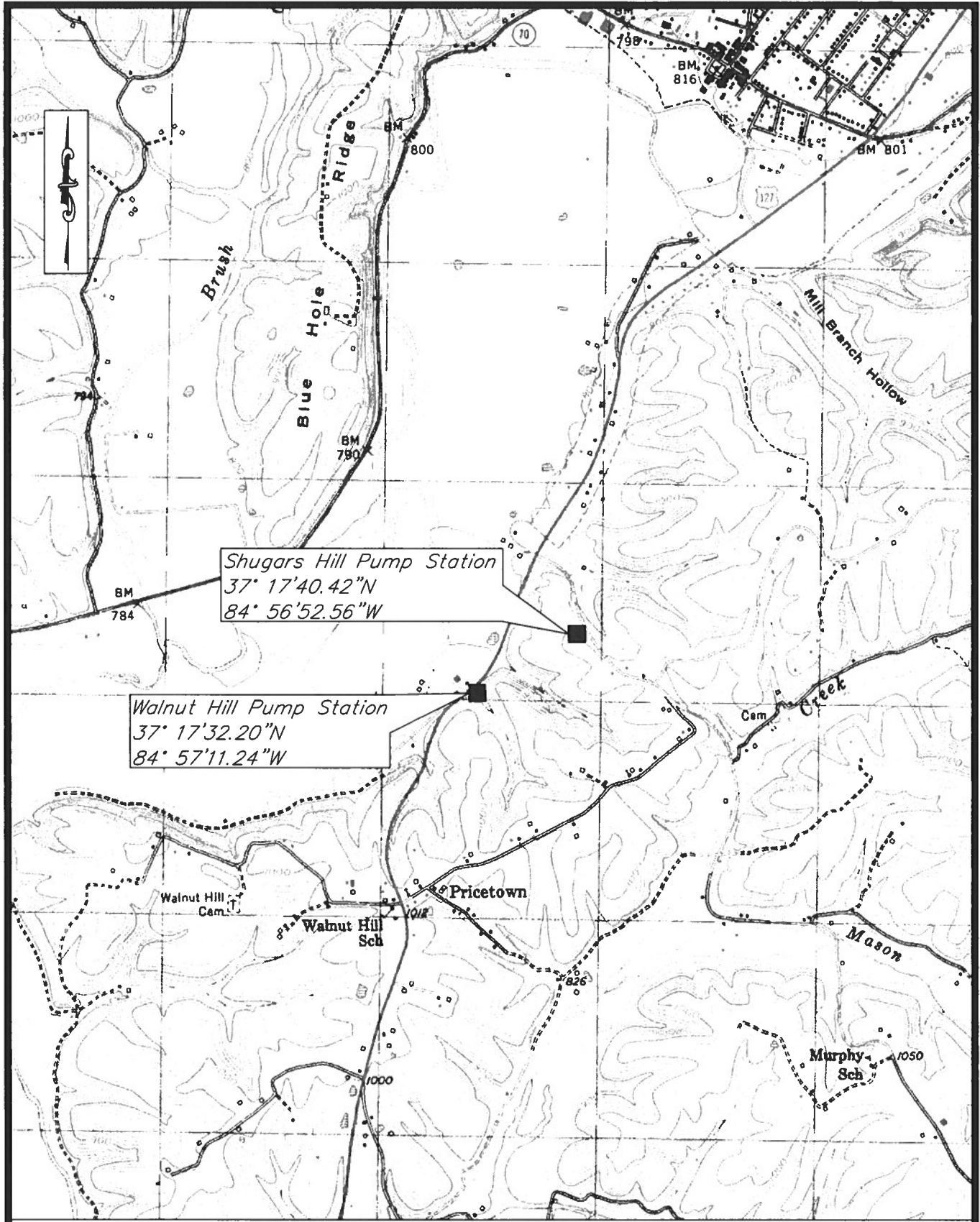
REVENUE REQUIREMENTS

| | | | |
|--|----|------------|-------------------------------|
| Operation & Maintenance Expenses | | | |
| Water Purchases | \$ | 961,635.00 | |
| Salaries | \$ | 253,713.00 | |
| Employee Benefits | \$ | 240,725.00 | |
| Taxes | \$ | 22,554.00 | |
| Office Expense & Postage | \$ | 40,325.00 | |
| Insurance | \$ | 30,987.00 | |
| Transportation Expense | \$ | 27,246.00 | |
| Line Upkeep | \$ | 60,659.00 | |
| Contract Labor | \$ | 26,498.00 | |
| Utilities & Telephone | \$ | 102,691.00 | |
| Legal & Professional | \$ | 28,104.00 | |
| Miscellaneous | \$ | 24,272.00 | |
| Regulatory Commission Expenses | \$ | 3,344.00 | |
| | | | <u>\$ 1,822,753.00</u> |
| Debt Service | | | |
| Annual Principal & Interest | \$ | 253,816.00 | |
| | | | \$ 253,816.00 |
| Debt Service Coverage, Reserve, & Service Fees | | | |
| RD | \$ | 8,898.00 | |
| | | | \$ 8,898.00 |
| Other | | | |
| Short-Term Assets | \$ | - | |
| | | | \$ - |
| TOTAL REVENUE REQUIREMENTS | | | <u>\$ 2,085,467.00</u> |

UTILITY INCOME

| | | | |
|-----------------------------------|----|--------------|-------------------------------|
| Operating Revenues | | | |
| Water Sales | \$ | 1,746,231.00 | |
| Late Charges | \$ | 46,200.00 | |
| Other Revenue | \$ | 26,155.00 | |
| | | | <u>\$ 1,818,586.00</u> |
| Non-Operating Revenues (Expenses) | | | |
| Interest Income | \$ | 21,520.00 | |
| Gain on Sale of Fixed Asset | \$ | - | |
| Tap Fees | \$ | 39,890.00 | |
| Other | \$ | 8,662.00 | |
| | | | <u>\$ 70,072.00</u> |
| TOTAL UTILITY INCOME | | | <u>\$ 1,888,658.00</u> |

FIGURE 4



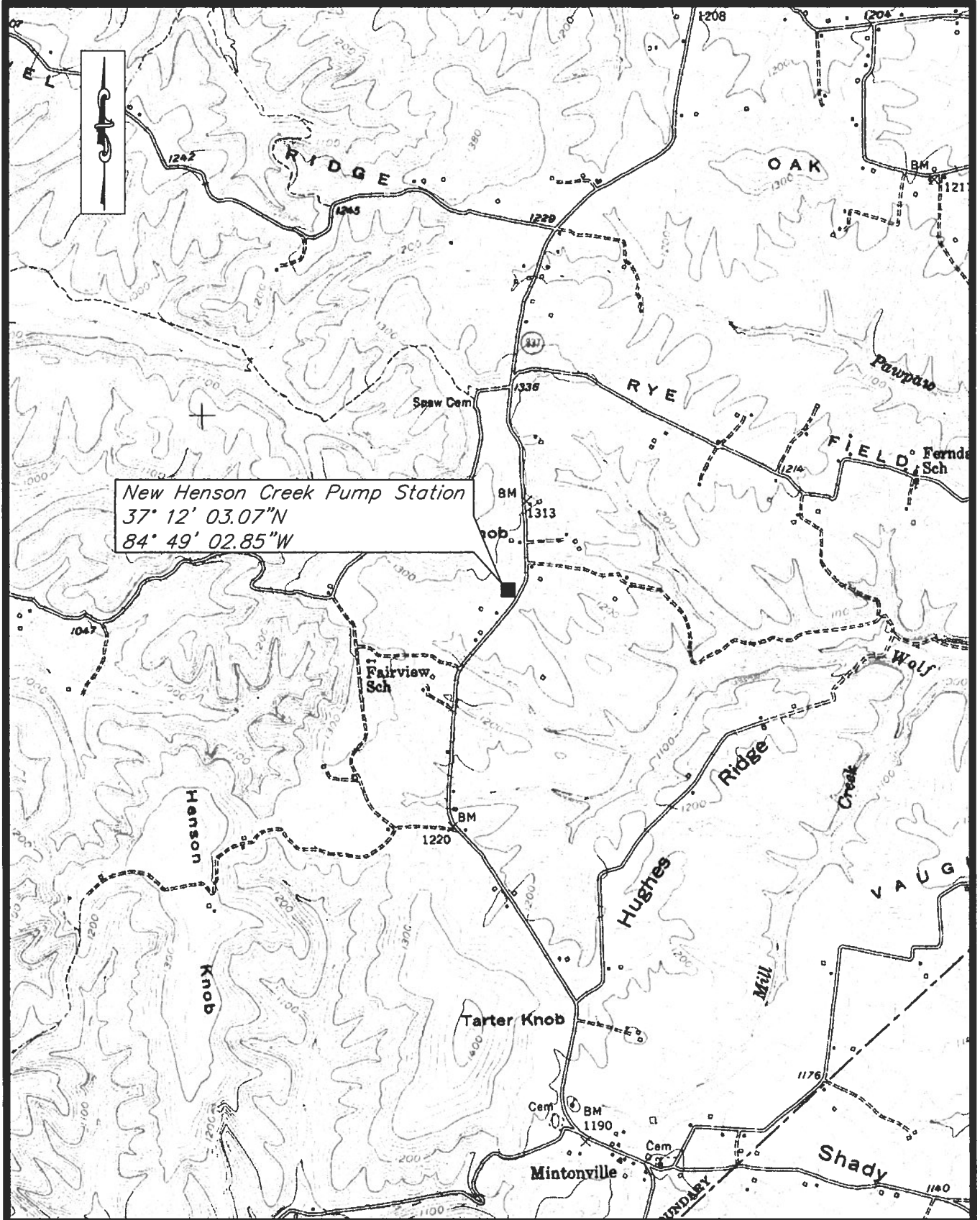
LIBERTY, KY QUADRANGLE



KENVIRONS, INC.
FRANKFORT, KENTUCKY

Project: 2018132
Checked By: BRW
Date: 8/17/2020
Scale: 1"=2,000'

EAST CASEY COUNTY WATER DISTRICT
2020 WATER SYSTEM IMPROVEMENTS
CASEY COUNTY, KENTUCKY



New Henson Creek Pump Station
 37° 12' 03.07"N
 84° 49' 02.85"W

MINTONVILLE, KY QUADRANGLE

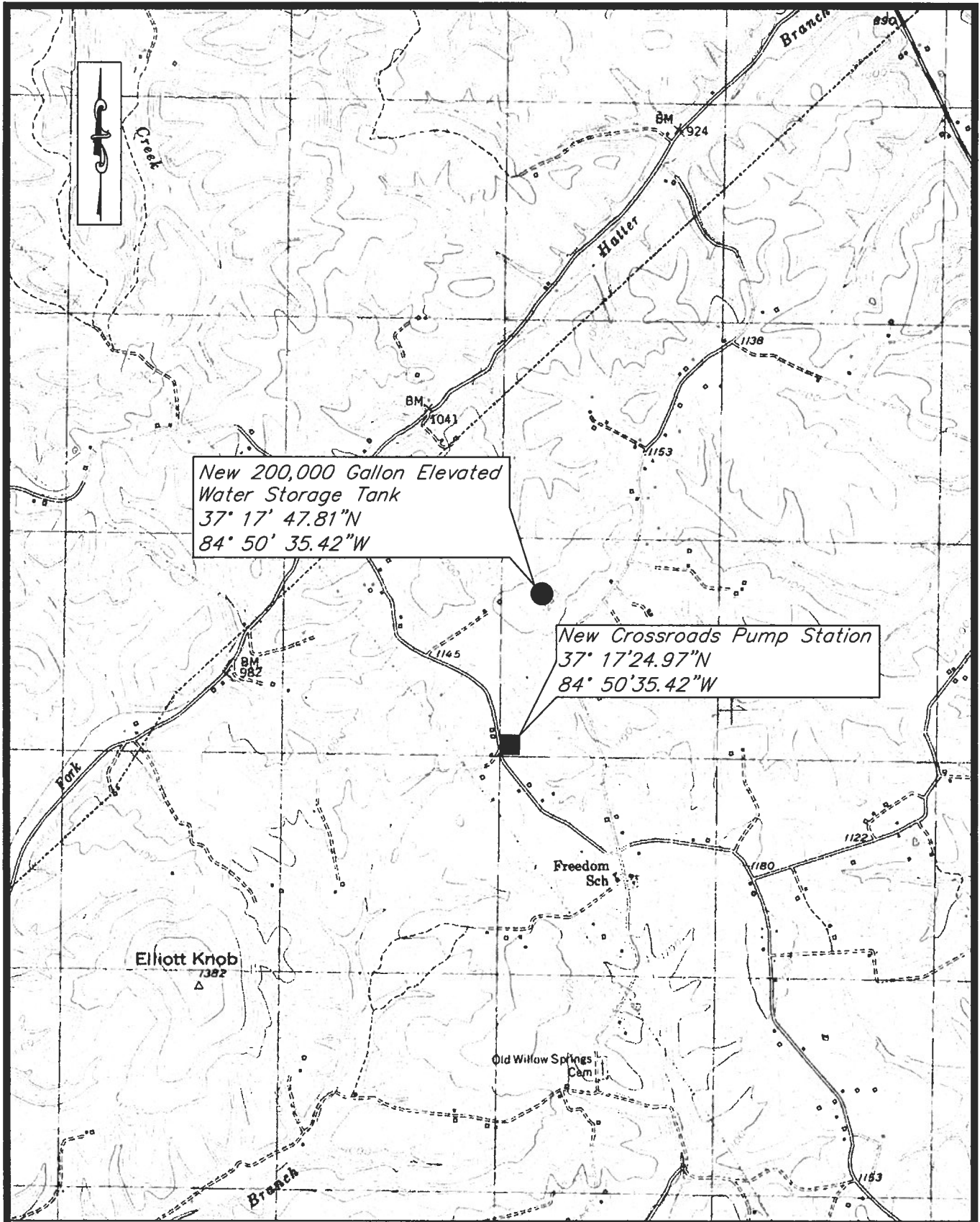


KENVIRONS
 Civil & Environmental Engineers

Project: 2018132
 Checked By: BRW
 Date: 8/17/2020
 Scale: 1"=2,000'

**EAST CASEY COUNTY WATER DISTRICT
 2020 WATER SYSTEM IMPROVEMENTS
 CASEY COUNTY, KENTUCKY**

N:\P\2018132\Misc\New Crossroads PS-Tank Topo.dwg, 9/1/2020 4:48:10 PM, DWG To PDF.pc3



*New 200,000 Gallon Elevated
Water Storage Tank*
 37° 17' 47.81"N
 84° 50' 35.42"W

New Crossroads Pump Station
 37° 17' 24.97"N
 84° 50' 35.42"W

YOSEMITE, KY QUADRANGLE



KENVIRONS, INC.
 FRANKFORT, KENTUCKY

Project: 2018132
 Checked By: BRW
 Date: 8/18/2020
 Scale: 1"=2,000'

EAST CASEY COUNTY WATER DISTRICT
2020 WATER SYSTEM IMPROVEMENTS
CASEY COUNTY, KENTUCKY

FIGURE 5

East Casey County Water District

Alternative #1 (Water System Improvements)

Opinion of Probable Cost

September 1, 2020

| Item No. | Item Description | Unit | Quantity | Unit Price | Item Price |
|--------------------------------|--|------|----------|-------------|-----------------------|
| 1 | Shugars Hill Pump Station Upgrade | LS | 1 | \$85,000.00 | \$85,000.00 |
| 2 | Walnut Hill Pump Station | LS | 1 | 170,000.00 | 170,000.00 |
| 3 | Henson Creek Hydro Pneumatic Pump Station | LS | 1 | 130,000.00 | 130,000.00 |
| 4 | Repaint Existing Nubbin Tank/w Mixing System | LS | 1 | 220,000.00 | 220,000.00 |
| 5 | 200,000 Gallon Elevated Tank | LS | 1 | 600,000.00 | 600,000.00 |
| 6 | Hersey Hot Rod AMR | EA | 1,000 | 190.00 | 190,000.00 |
| 7 | Telemetry Units | EA | 6 | 7,500.00 | 45,000.00 |
| 8 | 8" Insert Valve | EA | 5 | 10,000.00 | 50,000.00 |
| Total Construction Cost | | | | | \$1,490,000.00 |

| | |
|--------------------------------|---------------------|
| Construction Cost | \$1,490,000.00 |
| Contingency | 151,000.00 |
| Engineering Design | 133,800.00 |
| Resident Inspection | 67,100.00 |
| Environmental | 8,000.00 |
| Preliminary Engineering Report | 10,000.00 |
| Geotechnical Report | 10,000.00 |
| Local Counsel | 5,400.00 |
| Bond Counsel | 14,700.00 |
| Land & Rights | 10,000.00 |
| Capitalized Interest | 20,000.00 |
| TOTAL PROJECT COST | 1,920,000.00 |

Estimated User Rate Impact

FUNDING:

| | |
|------------------------------|-----------------------|
| RD Loan (75%) | \$1,440,000.00 |
| RD Grant (25%) | \$480,000.00 |
| TOTAL PROJECT FUNDING | \$1,920,000.00 |

REVENUE REQUIREMENT:

| | |
|--|-----------------|
| RD Annual Principal & Interest Payment | \$48,135 |
| Loan Coverage @ 10% | \$4,814 |
| Depreciation/Short Lived Assets | \$36,000 |
| Total Annual Expense | \$88,949 |

| | |
|------------------------------|--------|
| Number of Existing Customers | 5,200 |
| Additional Revenue Per Bill | \$1.43 |

| | Current Rates | Proposed Rates |
|------------------------|---------------|----------------|
| First 2,000 Gallons | \$24.22 | \$25.65 |
| Next 1,500 Gallons | \$7.70 | \$7.70 |
| Next 1,500 Gallons | \$6.87 | \$6.87 |
| Next 1,500 Gallons | \$5.78 | \$5.78 |
| All Over 7,500 Gallons | \$4.57 | \$4.57 |

| | | |
|------------------------|---------|---------|
| Cost for 4,000 gallons | \$35.36 | \$36.78 |
|------------------------|---------|---------|

Percent Increase 4.03%

FIGURE 6

East Casey County Water District

Alternative #2 (Reduced Project)

Opinion of Probable Cost

September 1, 2020

| Item No. | Item Description | Unit | Quantity | Unit Price | Item Price |
|--------------------------------|---|------|----------|-------------|-----------------------|
| 1 | Shugars Hill Pump Station Upgrade | LS | 1 | \$85,000.00 | \$85,000.00 |
| 2 | Walnut Hill Pump Station | LS | 1 | 170,000.00 | 170,000.00 |
| 3 | Henson Creek Hydro Pneumatic Pump Station | LS | 1 | 130,000.00 | 130,000.00 |
| 4 | 200,000 Gallon Elevated Tank | LS | 1 | 600,000.00 | 600,000.00 |
| 5 | Hersey Hot Rod AMR | EA | 1,000 | 190.00 | 190,000.00 |
| 6 | 8" Insert Valve | EA | 5 | 10,000.00 | 50,000.00 |
| Total Construction Cost | | | | | \$1,225,000.00 |

| | |
|--------------------------------|---------------------|
| Construction Cost | \$1,225,000.00 |
| Contingency | 122,200.00 |
| Engineering Design | 105,100.00 |
| Resident Inspection | 57,700.00 |
| Environmental | 8,000.00 |
| Preliminary Engineering Report | 10,000.00 |
| Geotechnical Report | 10,000.00 |
| Local Counsel | 5,000.00 |
| Bond Counsel | 14,000.00 |
| Land & Rights | 10,000.00 |
| Capitalized Interest | 15,000.00 |
| TOTAL PROJECT COST | 1,582,000.00 |

Estimated User Rate Impact

FUNDING:

| | |
|------------------------------|-----------------------|
| RD Loan (75%) | \$1,187,000.00 |
| RD Grant (25%) | \$396,000.00 |
| TOTAL PROJECT FUNDING | \$1,583,000.00 |

REVENUE REQUIREMENT:

| | |
|--|-----------------|
| RD Annual Principal & Interest Payment | \$39,678 |
| Loan Coverage @ 10% | \$3,968 |
| Depreciation/Short Lived Assets | \$29,675 |
| Total Annual Expense | \$73,321 |

| | |
|------------------------------|--------|
| Number of Existing Customers | 5,200 |
| Additional Revenue Per Bill | \$1.18 |

| | Current Rates | Proposed Rates |
|------------------------|---------------|----------------|
| First 2,000 Gallons | \$24.22 | \$25.40 |
| Next 1,500 Gallons | \$7.70 | \$7.70 |
| Next 1,500 Gallons | \$6.87 | \$6.87 |
| Next 1,500 Gallons | \$5.78 | \$5.78 |
| All Over 7,500 Gallons | \$4.57 | \$4.57 |

| | | |
|------------------------|---------|---------|
| Cost for 4,000 gallons | \$35.36 | \$36.53 |
|------------------------|---------|---------|

Percent Increase 3.32%

EXHIBIT B



FINAL ENGINEERING REPORT
FOR THE
EAST CASEY COUNTY WATER DISTRICT

CONTRACT 1 – 2022 PUMP STATIONS

PREPARED BY

KENVIRONS, INC.
770 WILKINSON BLVD
FRANKFORT, KY 40601

PROJECT No. 2018132

AUGUST 2022



1. INTRODUCTION

East Casey County Water District (ECCWD) made applications for financial assistance to USDA Rural Development (RD) for the 2020 System Upgrades project. This project will consist of upgrading the Shugars Hill Pump Station, replacing the Henson Creek Hydro Pneumatic Pump Station and the Walnut Hill Pump Station with new above ground pump stations, constructing a 200,000-gallon elevated tank, repainting the existing Nubbin Tank and adding a mixing system, 1,000 new water meters with AMR technology, six telemetry units, and five 8" insert valves. If funds remain at the completion of the project, the existing underground Crossroads Pump Station will be replaced with a new above ground pump station as Alternate No. 1. A Preliminary Engineering Report dated September 2020 describes in detail the scope and need for this project.

2. BIDS RECEIVED

Bids were opened and read aloud at 10:00 A.M. on August 24, 2022 at the East Casey County Water District Office. Three (3) bids were received for Contract 1 – 2022 Pump Stations with the low bidder determined based on the Total Base Project. The low bidder was Cumberland Pipeline, LLC of Columbia, Kentucky for an amount of \$1,125,470.00. The percent difference between the two lowest bids was 0.31%. Certified bid tabulations are contained in Appendix A.

3. PROJECT BUDGET

East Casey County Water District actively pursued funding for the proposed project. Table 1 shown below provides a summary of the funding that was secured in August 2021 through USDA Rural Development.

TABLE 1 – ORIGINAL PROJECT FUNDING

| | |
|------------------------------|--------------------|
| Rural Development (RD) Loan | 1,202,000 |
| Rural Development (RD) Grant | 718,000 |
| Total Project Funds | <u>\$1,920,000</u> |

Table 2 on the following page outlines the project budget as outlined in the original USDA Rural Development Letter of Conditions.

TABLE 2 – ORIGINAL PROJECT BUDGET

| <u>Budget Item</u> | <u>Estimated Cost</u> |
|--------------------------------|---------------------------|
| Development | \$1,490,000 |
| Land and Rights | 10,000 |
| Legal and Administrative | 20,100 |
| Engineering Fees | 228,900 |
| Interest | 20,000 |
| Contingencies | 151,000 |
| Total Funding Available | \$1,920,000 |

Due to known increases in material and labor pricing from a variety of factors, East Casey County Water District actively pursued additional funding for the proposed project. Table 3 shown below provides a revised summary of the funding that was secured in March 2022 along with the funds secured through USDA Rural Development. The Assistance Agreement for the Cleaner Water Program funds is contained in Appendix B.

TABLE 3 – REVISED PROJECT FUNDING

| | |
|---|--------------------|
| Rural Development (RD) Loan | 1,202,000 |
| Rural Development (RD) Grant | 718,000 |
| 21SB036 Cleaner Water Program (FY 2022) | 593,456 |
| Total Project Funds | \$2,513,456 |

Table 4 on the following page outlines the project budget as estimated with all funding sources included, and a revised budget based upon the bids as received.

TABLE 4 – REVISED PROJECT BUDGET

| <u>Budget Item</u> | <u>Estimated Cost</u> | <u>Revised Cost</u> |
|--|---------------------------|-------------------------|
| Development | \$2,033,000 | \$2,033,000* |
| Contract 1 – 2022 Pump Stations | 800,000 | 1,125,470 |
| AMR Water Meters/SCADA Purchase | 333,000 | 257,197 |
| Contract 2 – Nubbin 200,000 Gallon Elevated W.S.T. | 900,000 | 650,333 |
| Land and Rights | 10,000 | 10,000 |
| Legal and Administrative | 20,100 | 20,100 |
| Engineering Fees | 228,900 | 228,900 |
| Interest | 20,000 | 20,000 |
| Contingencies | 1,456 | 151,456 |
| Total Funding Available | \$2,513,456 | \$2,513,456 |

*See description on following page and Table 5 on explanation of Development cost.

The original engineer's estimate in the USDA Rural Development Letter of Conditions included amounts for upgrading the Shugars Hill Pump Station, replacing the Henson Creek Hydro Pneumatic Pump Station and the Walnut Hill Pump Station with new above ground pump stations, constructing a 200,000-gallon elevated tank, repainting the existing Nubbin Tank and adding a mixing system, 1,000 new water meters with AMR technology, six telemetry units, and five 8" insert valves.

The difference between the lowest construction bid of Contract 1 (\$1,125,470.00) and the engineer's opinion of probable construction cost (\$800,000.00) is \$325,470 over the initial estimate, which equates to a 40.7% difference. Due to the cost overrun of Contract 1, the funds originally earmarked for the insert valves were transferred over to this budget since the insert valves are not as critical of a component to the District as these pump stations.

During the design process for the elevated tank, it was determined that to solve low pressures issues in this area of East Casey County's distribution system, the new elevated tank overflow should be raised by 20'. This made the repainting of the existing Nubbin Tank and install of a mixing system obsolete, and in turn, the funds allocated for the rehab work would instead be used to demolish the existing Nubbin Tank and account for the cost increase to raising the elevated tank height.

As for the meters and telemetry, the District has already received quotes for the purchases of the 1,000 automatic radio read water meters and 8 telemetry units for a total of \$257,197, that will be funded through the Cleaner Water Program Grant Funds – Fiscal Year 2022.

A second contract for the water storage tank construction will be advertised by the end of 2022 to be completed in the spring/summer of 2023. The engineer's estimate is 900,000 for Contract 2, which will exceed the total funding available. Upon bidding of Contract 2, the budget will be re-evaluated for any deficits that may occur and any additional funds that could be obtained.

TABLE 5 - DEVELOPMENT COST

| <u>Budget Item</u> | <u>Opinion of Probable Cost</u> | <u>Revised Cost</u> |
|--|---------------------------------|---------------------|
| Contract 1 – 2022 Pump Stations | \$800,000 | \$1,125,470 |
| AMR Water Meters/SCADA Purchase | 333,000 | 257,197 |
| Contract 2 – Nubbin 200,000 Gallon Elevated W.S.T. | 900,000 | 900,000 |
| Total Funding Available | \$2,033,000 | \$2,282,667 |

4. RECOMMENDATIONS

1. It is recommended that the Base Project for Contract 1 – 2022 Pump Stations be awarded to Cumberland Pipeline, LLC. in the amount of \$1,125,470.00. The Contractor has constructed other similar projects and all reference checks have been exceptional.
2. It is recommended that all funding remaining after the substantial completion of the original contract be utilized as set forth and described in this report.

APPENDIX A
CERTIFIED BID TABULATIONS

BID TABULATIONS

KENVIRONS, INC.
770 Wilkinson Blvd.
Frankfort, KY 40601

Owner: East Casey County Water District
Project: Contract 1 - 2022 Pump Stations
Bid Date: August 24, 2022 at 10:00 A.M. Local Time

Project No. 2018132


Base Project

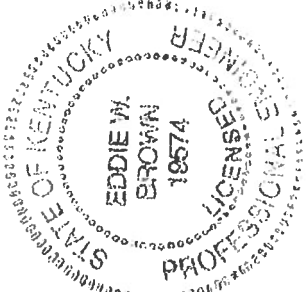
| Item No. | Item Description | Unit | Quantity | Cumberland Pipeline, LLC 2909 Cane Valley Mill Road Columbia, KY 42728 | | Weddle Enterprises, Inc. 25 Shanes Lane Somerset, KY 42501 | | Herrick Company, Inc. 2176 Waddy Road-Hwy 395 Lawrenceburg, KY 40342 | |
|---------------------------|---------------------------------------|------|----------|--|--------------|--|--------------|--|--------------|
| | | | | Unit Cost | Cost | Unit Cost | Cost | Unit Cost | Cost |
| 1 | Shugars Hill Pump Station Upgrade | LS | 1 | \$228,240.00 | \$228,240.00 | \$236,900.00 | \$236,900.00 | \$271,000.00 | \$271,000.00 |
| 2 | Walnut Hill Pump Station Replacement | LS | 1 | 447,850.00 | 447,850.00 | \$520,000.00 | \$520,000.00 | 538,400.00 | \$538,400.00 |
| 3 | Henson Creek Pump Station Replacement | LS | 1 | 449,380.00 | 449,380.00 | \$403,000.00 | \$403,000.00 | 458,600.00 | \$458,600.00 |
| TOTAL BASE PROJECT | | | | \$1,125,470.00 | | \$1,159,900.00 | | \$1,268,000.00 | |

Alternate No. 1

| Item No. | Item Description | Unit | Quantity | Cumberland Pipeline, LLC 2909 Cane Valley Mill Road Columbia, KY 42728 | | Weddle Enterprises, Inc. 25 Shanes Lane Somerset, KY 42501 | | Herrick Company, Inc. 2176 Waddy Road-Hwy 395 Lawrenceburg, KY 40342 | |
|------------------------------|-------------------------------------|------|----------|--|--------------|--|--------------|--|--------------|
| | | | | Unit Cost | Cost | Unit Cost | Cost | Unit Cost | Cost |
| 4 | Crossroads Pump Station Replacement | LS | 1 | \$449,180.00 | \$449,180.00 | \$412,000.00 | \$412,000.00 | \$555,500.00 | \$555,500.00 |
| TOTAL ALTERNATE NO. 1 | | | | \$449,180.00 | | \$412,000.00 | | \$412,000.00 | |

The above is a true and complete tabulation of the Bids received by East Casey County Water District at their office located at 690 S. Wallace Wilkinson Blvd., Liberty, KY on August 24, 2022 at 10:00 A.M. Local Time.

By: 
Eddie W. Brown, P.E. 8-25-22



APPENDIX B
CLEANER WATER PROGRAM ASSISTANCE AGREEMENT

GRANT ASSISTANCE AGREEMENT

This Grant Assistance Agreement (the "Agreement") is made and entered into by and between the Kentucky Infrastructure Authority (the "Authority"), a body corporate and politic, constituting a public corporation and governmental agency and instrumentality of the Commonwealth of Kentucky, and the East Casey County Water District (the "Grantee"), acting herein through its Authorized Official, each a party to this Agreement, which shall be effective upon the date of signing by the Executive Director of the Authority,

WITNESSETH:

WHEREAS, the General Assembly of the Commonwealth of Kentucky, being the duly and legally constituted legislature of Kentucky at its 1988 Regular Session, enacted House Bill 217 amending Chapter 224A of the Kentucky Revised Statutes (the "Act"), creating the "Kentucky Infrastructure Authority" to serve the public purposes identified in the Act; and

WHEREAS, the Authority, attached to the Governor's Office, is charged pursuant to Section 224A.300 of the Act with coordinating the funding and implementation of infrastructure projects and to this end maintains the Water Resource Information System (the "WRIS") a comprehensive database of community water and wastewater projects across Kentucky; and

WHEREAS, Senate Bill 36 of the 2021 Regular Session of the Kentucky General Assembly approved a \$250,000,000 allocation in Federal Funds for Fiscal Year 2021 from the American Rescue Plan Act of 2021/Coronavirus State Fiscal Recovery Fund to the Authority for the Drinking Water and Wastewater Grant Program, known as the Kentucky Cleaner Water Program (the "CWP"), a portion of which funds are the subject of this Agreement; and

WHEREAS, the Grantee now seeks to acquire and construct a project as described in the Grantee's Project Profile in the WRIS (the "Project") and the Authority has determined that the Project meets the guidelines of the Cleaner Water Program and the directives of the General Assembly; and

WHEREAS, the Grantee and the Authority desire to enter into this Agreement which sets forth their respective duties, rights, covenants, and obligations with respect to the acquisition and construction of the Project and the application of the proceeds of a grant from the Cleaner Water Program as administered by the Authority.

NOW THEREFORE, in consideration of the mutual covenants and conditions contained herein, the grant hereby effected, and for other good and valuable consideration, the receipt, mutuality and sufficiency of which is hereby acknowledged by the parties hereto, the Authority and the Grantee each agree as follows:

SECTION 1 – DEFINITIONS

All terms utilized herein shall have the same definitions and meaning as ascribed to them in the Act, which Act is hereby incorporated in this Agreement by reference, the same as if set forth herein verbatim; provided, however, that those definitions utilized in the Act having general application are hereby modified in certain instances to apply specifically to the Grantee and its Project.

Act shall mean Chapter 224A of the Kentucky Revised Statutes, as amended (the “KRS”).

Agreement shall mean this Grant Assistance Agreement made and entered into by and between the Grantee and the Authority, as authorized by the Act, providing for a Grant to be made to the Grantee or its approved agent, subject to approval by the Authority.

Area Water Management Council shall mean the entity designated as the regional planning body for the respective counties within an Area Development District in Kentucky, which shall prepare and maintain an **Area Water Management Plan**, listing and prioritizing Project Profiles for water and wastewater projects within that region.

Engineer(s) shall mean the professional engineer or firm of professional engineers properly procured in accord with Chapter 45A of the KRS, as amended, by the Grantee in connection with the Project, as identified in the WRIS Cleaner Water Program Database.

Exhibit shall refer to a specific document, or to the completion of a process or procedure to be accomplished as a prerequisite to release of funds to the Grantee by the Authority.

Grant shall mean that portion of the Kentucky CWP funds made available to the Commonwealth by the American Recovery Program Act and allocated by the Kentucky General Assembly in its 2021 Regular Session, which shall be incrementally transferred under this Agreement from the Commonwealth to the Grantee through Grant Number 21CWW032 in the principal amount of \$593,456 for the purpose of defraying the costs incidental to the Project.

Grantee shall mean any unit of local government, or its designated agent, as approved by the Authority, or any special purpose governmental entity within the Commonwealth eligible for funds under the CWP in accordance with the Act, now having been or hereafter being granted the funds for the Project; and for the purposes of this Agreement shall mean the Grantee identified on the front page of this Agreement.

Project shall mean, when used generally, a water, wastewater or other infrastructure project authorized pursuant to the Act, and when used in specific reference to the Grantee’s Project funded by the Authority through the CWP, it shall refer to that

project as described in the Grantee's Project Profile in the WRIS, which has an 8 digit number following the designation WX or SX.

Project Administrator shall mean that individual designated in the Project Profile by that title, who has the capacity and responsibility of supervising the Project and coordinating the preparation of all related documentation on behalf of the Grantee with respect to the Project.

Project Budget shall mean a list of Project expenses and funding sources, in the form set forth in the current Project Profile as set forth in the WRIS.

Project Profile shall mean those specific details of the Project, presented by the Grantee to the respective Area Water Management Council for review and incorporation into the Area Water Management Plan and the WRIS.

System shall mean the utility system owned and operated by the Grantee or the agent of the Grantee, as approved by the Authority, to which the Project shall become a part, and any revenues generated by the Project, which are used to operate and maintain the utility system in the typical manner of a local public utility in Kentucky.

SECTION 2 - OBLIGATIONS OF THE AUTHORITY

The Authority covenants and agrees, conditioned upon the timely performance by the Grantee of its respective obligations, to undertake the following obligations:

- A. The Authority shall review and approve Project related documentation provided by the Grantee. Once the Project is under construction, the Authority shall review requests for payment submitted for payment of costs of the Project. Any deficiencies found in said requests will be reported immediately to the Grantee. If there are no deficiencies in said requests or deficiencies have been resolved satisfactorily by the Grantee, the Authority will approve the requests and disburse grant funds to the Grantee in an amount not to exceed, cumulatively, the approved grant amount for the Project.
- B. The Authority will communicate and cooperate with the Grantee to best assist the Grantee in meeting its obligations set out in this Agreement.

SECTION 3 - OBLIGATIONS OF THE GRANTEE

The Grantee covenants and agrees to undertake the following obligations:

- A. The Grantee shall complete and submit executed copies of all required Exhibits to the Authority, in accordance with the Conditional Commitment Letter instructions.

- B. The Grantee may consider utilizing the option for partial funding set out in Section 6, below. Over the course of the acquisition and construction of the Project, the Grantee shall provide such status reports as may be requested by the Authority, and once the Project is under construction submit periodic requests for payment to the Authority accompanied by copies of invoices for costs incurred in accordance with the Authority's standard draw-down request format.
- C. The Grantee shall perform and/or cause to be performed all necessary acts consistent with all federal and state labor and procurement laws in connection with the planning, design, acquisition and construction of the Project, including: the proper procurement of land, easements and rights of way; professional services, including but not limited to architectural and engineering services; construction contractor(s) services; and the acquisition of necessary equipment and/or materials.
- D. The Grantee shall obtain and keep on file all required permits, licenses and approvals from the appropriate federal, state, and/or local governmental agencies prior to starting construction of the Project.
- E. The Grantee shall comply with all applicable federal and state statutes, executive orders, regulatory requirements, and policies relating to the planning and construction of the Project.
- F. The Grantee shall cooperate fully with the Authority and provide any documentation requested by the Authority in order to facilitate completing the obligations set out in this Agreement.
- G. The Grantee will proceed expeditiously to complete the Project in accordance with the approved final engineering plans and specifications or amendments thereto, prepared by the Project Engineer for the Grantee, if required and as approved by the Authority and other state and federal agencies, as appropriate.
- H. The Grantee agrees that throughout the reasonable life of the infrastructure facilities developed under the Project it will retain ownership of, operate, and maintain these facilities, and all appurtenances thereto, keeping them in good and sound repair and good operating condition at its own expense so that the completed Project will continue to provide the services for which it was designed. Change of ownership or disposal of the Project facilities during their useful life may occur only with written approval of the Authority.
- I. If the Grantee is a local unit of government, city or county, and determines that it is in the best interest of its citizens, it may enter into a memorandum of agreement with a Kentucky corporation to serve as its agent for the implementation and long term operation and management of the Project, subject to the Agreement. The form and content of such a memorandum of agreement is subject to the prior approval of the Authority.

- J. General Compliance with all Duties. The Grantee shall faithfully and punctually perform all duties with reference to the System required by the American Rescue Plan Act of 2021, and by the terms and provisions of the Act, and this Assistance Agreement.
- K. Further Covenants under the American Rescue Plan Act of 2021. The Grantee shall comply with all further requirements or conditions which may arise from time to time in order to assure compliance with the American Rescue Plan Act of 2021, including but not limited to the following:
1. Records Retention. The Grantee shall provide to the Authority access to all records related to the Project for review in determining compliance with this Agreement and all applicable laws and regulations, including the American Rescue Plan Act of 2021/Coronavirus State Fiscal Recovery Fund. The Grantee shall retain all records, including all invoices, relating to the Project for five (5) years after full execution of the Certificate of Completion.
 2. Single Audit Requirements. Grantees that expend more than \$750,000 in Federal awards during their fiscal year will be subject to an audit under the Single Audit Act and its implementing regulation at 2 CFR Part 200, Subpart F regarding audit requirements. Grantees may also refer to the Office of Management and Budget (OMB) Compliance Supplements for audits of federal funds and related guidance and the Federal Audit Clearinghouse to see examples and single audit submissions.
 3. Civil Rights Compliance. The Grantee is required to meet legal requirements relating to nondiscrimination and nondiscriminatory use of Federal funds. Those requirements include ensuring that entities receiving Federal financial assistance from the U.S. Department of the Treasury do not deny benefits or services, or otherwise discriminate on the basis of race, color, national origin (including limited English proficiency), disability, age, or sex (including sexual orientation and gender identity), in accordance with the following authorities: Title VI of the Civil Rights Act of 1964 (Title VI) Public Law 88-352, 42 U.S.C. 2000d-1 et seq., and the Department's implementing regulations, 31 CFR part 22; Section 504 of the Rehabilitation Act of 1973 (Section 504), Public Law 93-112, as amended by Public Law 93-516, 29 U.S.C. 794; Title IX of the Education Amendments of 1972 (Title IX), 20 U.S.C. 1681 et seq., and the Department's implementing regulations, 31 CFR part 28; Age Discrimination Act of 1975, Public Law 94-135, 42 U.S.C. 6101 et seq., and the Department implementing regulations at 31 CFR part 23.
- L. General. The Grantee shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Grantee under the provisions of the American Rescue Plan Act of 2021 and this Assistance Agreement in accordance with the terms of such provisions.

SECTION 4 - MUTUALITY OF OBLIGATIONS

- A. The parties agree that the funds granted by the Commonwealth to the Grantee are to be used solely for the purposes of the acquisition and construction of the Project. Further, the parties agree that the obligations imposed upon them are for their respective benefit and the timely fulfillment of the obligations set herein are necessary for the Project.
- B. Except as may otherwise be provided herein, the parties to this Agreement shall be solely responsible for any incidental costs incurred in fulfilling their respective obligations under this Agreement and neither party shall have any claim against the other party for reimbursement of incidental costs whether or not a party is in default.

SECTION 5 - TERMS OF AGREEMENT

- A. This Agreement shall be valid only after both parties have duly signed and provided the executed document to the other.
- B. This Agreement may be terminated by either party at any time for cause and may be terminated by either party without cause upon 30 days written notice to the other party. Termination of this Agreement shall not diminish or in any other manner affect any other remedy that may be available to the parties for any breach of the Agreement that occurs prior to the termination.
- C. If, after execution of this Agreement, additional financial assistance is found to be required for the acquisition and construction of the Project and the required additional assistance does or does not become available to the Grantee from any source, the Project may be modified so long as any change in scope and budget is mutually agreed to by the parties to this Agreement, and clearly documented in a revision of the Project Budget within the Project Profile.

SECTION 6 - ADVANCE FUNDING FOR PROJECT PLANNING AND DESIGN

- A. The Grantee may request, in writing, that a portion of the grant funds be disbursed prior to Project bidding to pay up to 50% of the budgeted engineering fee for Project planning and design to the Project Engineer to expedite submission of the Project plans and specifications for review by the Kentucky Division of Water. The balance of the budgeted engineering fee for project planning and design may be paid only after approval of the plans by the Kentucky Division of Water.
- B. It is specifically understood and agreed by the Grantee in the event that the Project has not been advertised for bids within twenty-four (24) months from the date of

signing of this Agreement, for whatever reason, any funds disbursed for Project planning and design are subject to full and immediate repayment by the Grantee to the Authority.

- C. No funds shall be released under this Section until the requirements of Exhibits 1 through 7 of this Agreement have been completed.

SECTION 7. - EVENTS OF DEFAULT AND REMEDIES.

Section 7.1. Events of Default Defined.

The following will be "Events of Default" under this Agreement and the term "Event of Default" or "Default" will mean, whenever it is used in this Agreement, any one or more of the following events:

- A. Any unauthorized or improper expenditure of funds by the Grantee, or expenditure of funds by the Grantee other than in accordance with the terms of this Agreement.
- B. Failure by the Grantee to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (A) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied will have been given to the Grantee by the Authority unless the Authority agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Grantee within the applicable period and diligently pursued until such failure is corrected.
- C. The dissolution or liquidation of the Grantee, or the voluntary initiation by the Grantee of any proceeding under any federal or Kentucky law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Grantee of any such proceeding which remain undismissed for sixty (60) days, or the entry by the Grantee into an agreement of composition with creditors or the failure generally by the Grantee to pay its debts as they become due.
- D. A default by the Grantee under the provisions of any agreements relating to its debt obligations.

Section 7.2. Remedies on Default.

Whenever any Event of Default referred to in Section 7.1 has occurred and is continuing, the Authority may, without any further demand or notice, take one or any combination of the following remedial steps:

- A. Declare this Agreement void from the beginning without further obligation to the Grantee and may commence appropriate legal action to enforce its rights under this Agreement including action for recovery of funds expended hereunder.
- B. Terminate any remaining grant payments to the Grantee.
- C. Exercise all the rights and remedies of the Authority set forth in the Act.
- D. Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this Agreement.
- E. Submit a formal referral to the appropriate federal agency.

Section 7.3. No Remedy Exclusive.

No remedy herein conferred upon or reserved to the Authority is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 7.4. Consent to Powers of Authority Under Act.

The Grantee hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges in respect of the Project upon the occurrence of an Event of Default, and the Grantee hereby covenants and agrees that if the Authority should in the future have recourse to said rights and powers, the Grantee shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Agreement.

Section 7.5. Waivers.

In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 7.6. Agreement to Pay Attorneys' Fees and Expenses.

In the event that either party hereto defaults under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the enforcement of

performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

SECTION 8 - MISCELLANEOUS PROVISIONS

- A. The Grantee may sign this Agreement electronically via a program subject to the approval by the Authority, or manually on a paper copy that is scanned to the portable document format (.pdf) and emailed to the Authority. Transmittal of all other correspondence or documentation, including the required Exhibits identified in the Attachment shall be scanned and attached as a file to email. The Authority and the Grantee, working through the Project Administrator, shall assist each other in securing and maintaining a complete, current Project document file for reference, records, and audit purposes.
- B. The headings set forth in this Agreement are for convenience and the terms contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.
- C. The terms and conditions of this Agreement shall be binding upon and shall inure to the benefit of the successor and assigns, respectively, of the parties. Except for the limited use of a memorandum of agreement (as provided in Section 3 herein), this provision shall not be construed to permit an assignment by any party of any of its rights and duties under this Agreement which assignment shall be prohibited except with the prior written consent of the parties hereto.
- D. This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof and may be modified only by a written instrument duly executed by each of the parties hereto.
- E. Timely and accurate performance of all actions by the respective parties are mutually recognized by the parties of this Agreement to be of importance to the citizens of the Commonwealth generally, and particularly to those citizens directly affected by the Project.
- F. This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.
- G. The Authority may audit or review all documentation and records of the Grantee relating to this Project pursuant to the provisions of Section 45A.150 of the KRS or any other applicable federal or state law.
- H. The Grantee agrees that the Authority, the Finance and Administration Cabinet, the Auditor of Public Accounts, and the Legislative Research Commission, or their duly authorized representatives, shall have access to any books, documents, papers, records, or other documentation or evidence, which are directly pertinent to this Agreement for the purpose of financial audit or program review.

Furthermore, any books, documents, papers records, or other evidence provided to the Commonwealth, the Finance and Administration Cabinet, the Auditor of Public Accounts, or the Legislative Research Commission, which are directly pertinent to this Agreement, shall be subject to public disclosure regardless of the proprietary nature of the information, unless specific information is identified and exempted and agreed to by the Secretary of the Finance and Administration Cabinet as meeting the provisions of KRS 61.878(1)(c) prior to the execution of this Agreement. The Secretary of the Finance and Administration Cabinet shall not restrict the public release of any information which would otherwise be subject to public release if a state government agency was providing the services.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized officials as of the day and year above written.

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

By: _____
Sandy Williams, Executive Director

Date: _____

EAST CASEY COUNTY WATER DISTRICT

By:  _____
Authorized Official

**THIS AGREEMENT HAS BEEN EXAMINED
BY:**

By: _____
**LEGAL COUNSEL TO THE KENTUCKY
INFRASTRUCTURE AUTHORITY**

CWP GRANT CONDITIONS – COMPLIANCE FORMS & EXHIBITS

Note A: Exhibits 1 through 3 must be completed, scanned, and emailed to the Authority on or before the date the Grantee signs the Conditional Commitment Letter. The Conditional Commitment Letter may be signed electronically or manually, then scanned and emailed to the Authority.

- Exhibit 1 Notification to the Authority of completed Review / Update of Project Profile
- Exhibit 2 Confirmation of Grantee Vendor Number – via KY Finance Cabinet Application
- Exhibit 3 Copy of the Transparency Act Reporting Information Form

Note B: Upon receipt of the signed Conditional Commitment Letter and the Authority's verification of Exhibits 1-3, the Authority will forward to the Grantee the Grant Assistance Agreement. The Grantee should proceed to complete Exhibits 4 through 7, scan and send each Exhibit to the Authority by email; and then the Authorized Official may sign the Assistance Agreement, either electronically or by scanning and send attached to email.

- Exhibit 4 A) Grantee Resolution (Accepting Grant, Approving Agreement, Amending Budget, Designating an Authorized Official)
B) Certificate of Recording Officer
- Exhibit 5 Opinion of Legal Counsel Relating to the Grantee Resolution
- Exhibit 6 A) Copy of the Engineering Services Contract; and
B) Grantee & Engineer Fee Confirmation

Note C: The Grantee may request 50% of the engineering design fee (as budgeted in the Project Profile) at this point and may request the balance of the engineering design fee once Exhibit 8 has been sent to the Authority.

- Exhibit 7 Copy of the Kentucky eClearinghouse Endorsement Letter with Comments.
- Exhibit 8 Copy of the DOW Approval Letter of Project Engineering Plans & Specifications.
- Exhibit 9 Copy of the bid package signed by (A) Engineer, (B1) Authorized Official, and (B2) Title Attorney, as appropriate.
- Exhibit 10 Certification Regarding Utility Accounting, Cost-Based Rates and Auditing.
- Exhibit 11 Certificate of Project Completion.

EXHIBIT C



United States Department of Agriculture

August 9, 2021

Mr. Ricky Carman, Chairman
East Casey County Water District
P. O. Box 56
Liberty, Kentucky 42539

RE: FY 21 Water System Improvements

Dear Mr. Carman:

This letter establishes conditions that must be understood and agreed to by you before further consideration may be given to the application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area office staff of USDA Rural Development. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by USDA Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application. It should also be understood that Rural Development is under no obligation to provide additional funds to meet an overrun in construction costs.

This letter is not to be considered as loan or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,202,000 and a RUS grant not to exceed \$718,000.

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

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

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

If the conditions set forth in this letter are not met within 240 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application. In signing Form RD 1942-46, "Letter of Intent to Meet Conditions," you are agreeing to complete the following as expeditiously as possible:

1. Number of Users and Their Contribution:

There shall be 4,789 water users, all of which are existing customers.

Rural Development • Kentucky State Office
771 Corporate Drive, Suite 200, Lexington, Kentucky 40502
Voice (859) 224-7300 • Fax (855) 661-8335 • TTY (859) 224-7422

USDA is an equal opportunity provider, employer and lender.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

The Area Director will review and authenticate the number of users obtained and check evidence of cash contribution prior to advertising for construction bids.

2. Grant Agreement:

Attached is a copy of RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

3. Drug-Free Workplace:

Prior to grant closing, the District will be required to execute Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative I - For Grantees Other Than Individuals."

4. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed 40 years from the date of the Bond. Principal payment will not be deferred. Payments will be in accordance with applicable KRS, which requires interest to be paid semi-annually (January 1st and July 1st) and principal will be due on or before the first of January. Rural Development may require the District to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the bond is held or insured by RUS. Monthly payments will be approximate amortized installments.

5. Recommended Repayment Method:

Payments on this loan shall be made using the Preauthorized Debit (PAD) payment method. This procedure eliminates the need for paper checks and ensures timely receipt of RD loan payments. To initiate PAD payments, Form RD 3550-28, "Authorization Agreement for Preauthorized Payments," should be signed by the District to authorize the electronic withdrawal of funds from your designated bank account on the exact installment payment due date. The Area Director will furnish the necessary forms and further guidance on the PAD procedure.

6. Reserve Accounts:

Reserves must be properly budgeted to maintain the financial viability of any operation. Reserves are important to fund unanticipated emergency maintenance, pay for repairs, and assist with debt service should the need arise.

The District will be required to deposit \$3,960 per year into a "Funded Debt Reserve Account" until the account reaches \$39,600. The deposits are to be resumed any time the account falls below the \$39,600.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the District's prior bond ordinances.

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational.

The District also needs to fund an account for short-lived assets by depositing a sum of \$3,375 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District's utility systems.

7. Security Requirements:

A pledge of gross revenue(s) will be provided in the Bond Ordinance. Bonds shall rank on a parity with existing bonds, if possible.

If this is not possible, the bond will be subordinate and junior to the existing bonds, in which case the District will be required to abrogate its right to issue additional bonds ranking on a parity with the existing bonds, so long as any unpaid indebtedness remains on this bond issue. Additional security requirements are contained in [RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," and RUS Bulletin 1780-27, "Loan Resolution Public Body." A draft of all security instruments, including, draft bond resolution, must be reviewed and concurred in by the Agency prior to advertising for bids. The Bond Resolution and Loan Resolution must be duly adopted and executed prior to loan closing. The Grant Agreement must be fully executed prior to the first disbursement of grant funds.

8. Land Rights and Real Property:

The District will be required to furnish satisfactory title, easements, etc., necessary to install, maintain and operate the facility to serve the intended users.

The pipelines will be on private rights-of-way where feasible. Easements and options are to be secured prior to advertising for construction bids.

9. Organization:

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

The District must maintain a current registration of their Dun and Bradstreet Data Universal Numbering System (DUNS) number in SAM.gov (System for Award Management) in order to receive federal loan and/or grant financial assistance. This registration must be updated/renewed at least annually.

10. Business Operations:

The District will be required to operate the system under a well-established set of resolutions, rules, and regulations. A budget must be established annually and adopted by the District after review by Rural Development. At no later than loan pre-closing, the District will be required to furnish a prior approved management plan to include, as a minimum, provisions for management, maintenance, meter reading, miscellaneous services, billing, collecting, delayed payment penalties, disconnect/reconnect fees, bookkeeping, making and delivering required reports and audits.

11. Conflict of Interest Policy:

Prior to obligation of funds, you will certify in writing that your organization has in place an up-to-date written policy on conflict of interest. The policy will include, at a minimum: (1) a requirement for those with a conflict/potential conflict to disclose the conflict/potential conflict, (2) a prohibition of interested members of the applicant's governing body from voting on any matter in which there is a conflict, and (3) a description of the specific process by which the governing body will manage identified or potential conflicts.

You must also submit a disclosure of planned or potential transactions related to the use of Federal funds that may constitute or present the appearance of personal or organizational conflict of interest. Sample conflict of interest policies may be found at the National Council of Nonprofits website, <https://www.councilofnonprofits.org/tools-resources/conflict-of-interest>, or in Internal Revenue Service Form 1023, Appendix A, "Sample Conflict of Interest Policy," at <http://www.irs.gov/pub/irs-pdf/i1023.pdf>. Though these examples reference non-profit corporations, the requirement applies to all types of Agency borrowers.

Disclosure must be in the form of a written letter signed and dated by the applicant's official. A negative disclosure of the same format is required if no conflicts are anticipated. Assistance in developing a conflict of interest policy is available through Agency-contracted technical assistance providers if desired.

12. Accounts, Records and Audits:

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

The District shall be required to submit a copy of its audit agreement for review and concurrence by Rural Development prior to pre-closing the loan.

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

The type of financial information that must be submitted is specified below:

Audits – An annual audit under the Single Audit Act is required if you expend \$750,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. It is not intended that audits required by this part be separate and apart from audits performed in accordance with State and local laws. To the extent feasible, the audit work should be done in conjunction with those audits. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law, and must be submitted within 9 months of your fiscal year end.

14. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the District. The District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$40,000.
- D. Real Property Insurance - The District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures.

The amounts of coverage should be based on recommendations obtained by the District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The District will obtain and maintain adequate coverage on any facilities located in special flood and mudslide prone areas.

15. Planning and Performing Development:

- A. The engineer should not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost shown in paragraph "28" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 210 days from this date, and prepare bid documents. The Area Director is prepared to furnish the necessary guide to follow so as to keep the project plans and documents within our guidelines and requirements. The project must be constructed by the design/bid/build method of construction. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.
- B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:
 - 1. Final plans, specifications and bid documents.
 - 2. Applicant's letter on efforts to encourage small business and minority-owned business participation.

3. Legal Service Agreements.
4. Engineering Agreements.

Revision in these documents will be subject to Rural Development concurrence. Any agreements, contracts, etc. not reviewed and approved by Rural Development will not be eligible for payment from project funds or revenues from facilities financed by this Agency.

Prior to receipt of an authorization to advertise for construction bids, the District will obtain advance clearance from Bond Counsel and/or Local Counsel regarding compliance with KRS 424 pertaining to publishing of the advertisement for construction bids in local newspapers and the period of time the notice is required to be published.

16. Bid Tabulation:

Immediately after bid opening, you must provide the Agency with the bid tabulation and your engineer's evaluation of bids and recommendations for contract awards. If the Agency agrees that the construction bids received are acceptable, adequate funds are available to cover the total project costs, and all the requirements of this letter have been satisfied, the Agency will authorize you to issue the Notice of Award.

- A. Cost Overruns – If bids are higher than expected, or if unexpected construction problems are encountered, you must utilize all options to reduce cost overruns. Negotiations, redesign, use of bidding alternatives, rebidding or other means will be considered prior to commitment of subsequent funding by the Agency. Any requests for subsequent funding to cover cost overruns will be contingent on the availability of funds.

Cost overruns exceeding 20% of the development cost at time of loan or grant approval or where the scope of the original purpose has changed will compete for funds with all other applications on hand as of that date.

- B. Excess Funds – If bids are lower than anticipated at time of obligation, excess funds must be de-obligated prior to start of construction except in the cases addressed in this paragraph. In cases where the original PER for the project included items that were not bid, or were bid as an alternate, the State Office official may modify the project to fully utilize obligated funds for those items. Amendments to the PER, ER, and letter of conditions may be needed for any work not included in the original project scope. In all cases, prior to start of construction, excess funds will be de-obligated, with grant funds being de-obligated first. Excess funds do not include contingency funds as described in this letter.

17. Contract Documents, Final Plans, and Specifications:

- A. The contract documents must consist of the EJCDC construction contract documents as indicated in RUS Bulletin 1780-26 or other Agency-approved forms of agreement.
- B. The contract documents, final plans, and specifications must comply with RUS Instruction 1780, Subpart C – Planning, Designing, Bidding, Contracting, Constructing

and Inspections, and must be submitted to the Agency for concurrence prior to advertising for bids along with an updated cost estimate. The Agency may require another updated cost estimate if a significant amount of time elapses between the original submission and advertising for bids.

- C. The use of any procurement method other than competitive sealed bids must be requested in writing and approved by the Agency.

18. Contract Review:

Your attorney will certify that the executed contract documents, including performance and payment, if required, are adequate and that the persons executing these documents have been properly authorized to do so in accordance with RUS Instruction 1780.61 (b).

19. Civil Rights & Equal Opportunity:

You should be aware of and will be required to comply with other federal statute requirements including but not limited to:

A. Section 504 of the Rehabilitation Act of 1973:

Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Rural Development financial assistance.

B. Civil Rights Act of 1964:

All borrowers are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and Subpart E of Part 1901 of this Title, particularly as it relates to conducting and reporting of compliance reviews.

Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by paragraph 1901.202(e) of this Title.

C. The Americans with Disabilities Act (ADA) of 1990:

This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, state and local government services, public transportation, public accommodations, facilities, and telecommunications. Title II of the Act applies to facilities operated by state and local public entities that provide services, programs, and activities. Title III of the Act applies to facilities owned, leased, or operated by private entities that accommodate the public.

D. Age Discrimination Act of 1975:

This Act (42 U.S.C. 6101 et seq.) provides that no person in the United States shall, on the basis of age, be excluded from participation in, be

denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

E. Limited English Proficiency (LEP) under Executive Order 13166:

LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally assisted and/or conducted programs on the ground of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons.

LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write, or understand English. These individuals may be entitled to language assistance, free of charge. You must take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to USDA programs, services, and information your organization provides. These protections are pursuant to Executive Order 13166 entitled, "Improving Access to Services by Persons with Limited English Proficiency" and further affirmed in the USDA Departmental Regulation 4330-005, "Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA."

Agency financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap. You must display posters (provided by the Agency) informing users of these requirements, and the Agency will monitor your compliance with these requirements during compliance reviews.

20. Closing Instructions:

The Office of General Counsel, our Regional Attorney, will be required to write closing instructions in connection with this loan. Conditions listed therein must be met by the District.

21. Compliance with Special Laws and Regulations:

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

22. Treatment Plant and System Operator:

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

23. Prior to Pre-Closing the Loan, the District Will Be Required to Adopt:

- A. Form RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."
- B. Form RD 400-1, "Equal Opportunity Agreement."
- C. Form RD 400-4, "Assurance Agreement."

- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."
- G. RUS Bulletin 1780-22, "Eligibility Certification."

24. Refinancing and Graduation Requirements:

The District is reminded that if at any time it shall appear to the Government that the District is able to refinance the amount of the RUS indebtedness then outstanding, in whole or in part, by obtaining a loan from commercial sources at reasonable rates and terms, upon the request of the Government, the District will apply for and accept such loan in sufficient amount to repay the Government.

25. Commercial Interim Financing:

The District will be required to use commercial interim financing for the project during construction for the RUS loan portion of the financing, if available at reasonable rates and terms.

Before the loan is closed, the District will be required to provide Rural Development with statements from the contractor, engineer and attorneys that they have been paid to date in accordance with their contract or other agreements and, in the case of the contractor, that he has paid his suppliers and sub-contractors.

26. Disbursement of Project Funds:

A construction account for the purpose of disbursement of project funds (RUS) will be established by the District prior to start of construction. The position of officials entrusted with the receipt and disbursement of RUS project funds will be covered by a "Fidelity Bond," with USDA Rural Development as Co-Obligee, in the amount of construction funds on hand at any one time during the construction phase.

For each "construction account" as established, if the amount of RUS loan and grant funds plus any applicant contributions or funds from other sources to be deposited into the account are expected to exceed \$250,000 at any time, the financial institution will secure the amount in excess of \$250,000 by pledging collateral with the Federal Reserve Bank in an amount not less than the excess in accordance with 7 CFR, 1902.7(a).

Agency funds will be disbursed into the construction account through an electronic transfer system. The borrower should complete Form SF-3881, "Electronic Funds Transfer Payment Enrollment Form," for each account where funds will be electronically received. The completed form(s) must be received by Rural Development at least thirty (30) days prior to the first advance of funds.

Monthly audits of the District's construction account records shall be made by Rural Development.

Borrowers receiving federal loan and/or grant funds by EFT will have funds directly deposited to a specified account at a financial institution with funds being available to the recipient on the date of payment.

Any applicant contribution will be the first funds expended, followed by other funding sources. Interim financing or Agency loan funds will be expended after all other funding sources unless an agreement is reached with all other funding sources on how funds are to be disbursed prior to start of construction or loan closing, whichever occurs first. Interim financing funds or Agency loan funds must be used prior to the use of Agency grant funds. The Grant funds must not be disbursed prior to loan funds except as specified in RUS Instruction 1780.45 (d). In the unlikely event the Agency mistakenly disburses funds, the funds will be remitted back to the Agency electronically.

During construction, the District shall disburse project funds in a manner consistent with subsection 1780.76 (e) of RUS Instruction 1780. Form RD 1924-18, "Partial Payment Estimate," or similar form approved by Rural Development, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to Rural Development for review and acceptance. Prior to disbursement of funds by the District, the District Council shall review and approve each payment estimate. All bills and vouchers must be approved by Rural Development prior to payment by the District. Form RD 440-11, "Estimate of Funds Needed for 30-Day Period Commencing _____," will be prepared by the District and submitted to Rural Development in order that a periodic advance of federal cash may be requested.

27. Disbursement of Grant Funds:

The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of obligations due and payable by the District.

Grant funds are to be deposited in an interest-bearing account in accordance with 2 CFR part 200 and interest in excess of \$500 per year remitted to the Agency.

The funds should be disbursed by the recipient immediately upon receipt and there should be little interest accrual on the Federal funds. Recipients shall maintain advances of Federal funds in interest-bearing account, unless:

- a. The recipient receives less than \$120,000 in Federal awards per year.
- b. The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.
- c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
- d. A foreign government or banking system prohibits or precludes interest-bearing accounts.

28. Project Budget:

Estimated expenditures are as follows:

Project Costs:

| | |
|--------------------------|----------------|
| Development | \$1,490,000 |
| Land and Rights | 10,000 |
| Legal and Administrative | 20,100 |
| Engineering Fees | 228,900 |
| Interest | 20,000 |
| Contingencies | <u>151,000</u> |
| TOTAL PROJECT COST | \$1,920,000 |

Project Funding:

| | |
|---------------|----------------|
| RUS Loan | \$1,202,000 |
| RUS Grant | <u>718,000</u> |
| TOTAL FUNDING | \$1,920,000 |

Any changes in funding sources following obligation of Agency funds must be reported to the processing official. Project feasibility and funding will be reassessed if there is a significant change in project costs after bids are received. If actual project costs exceed the project cost estimates, an additional contribution by the Owner may be necessary. Prior to advertisement for construction bids, you must provide evidence of applicant contributions and approval of other funding sources. This evidence should include a copy of the commitment letter. Agency funds will not be used to pre-finance funds committed to the project from other sources.

Obligated loan or grant funds not needed to complete the proposed project will be de-obligated prior to start of construction. Any reduction will be applied to grant funds first. An amended letter of conditions will be issued for any changes to the total project budget.

29. Construction Completion Timeframe:

All projects are required to be completed and all funds disbursed within five years of obligation. If funds are not disbursed within five years of obligation, you must submit a written waiver request with adequate justification of extenuating circumstances beyond your control for an extension of time. Any additional requests for waivers beyond the initial extension will be submitted through the State Office to the Assistant Administrator for concurrence decision.

30. Use of Remaining Project Funds:

The applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining project funds will be considered to be RUS grant funds and refunded in proportion to participation in the project. If the amount of unused project funds exceeds the grants, that part would be RUS loan funds.

31. Proposed Operating Budget:

You will be required to submit to Rural Development a copy of your proposed annual operating budget that supports the proposed loan repayment prior to this agency giving you written authorization to proceed with the bidding phase. The operating budget should be based on a typical year cash flow, subject to completion of this project in the first full year of operation. Form RD 442-7, "Operating Budget," or similar form may be utilized for this purpose.

32. Rates and Charges:

Rates and charges for facilities and services rendered by the District must be at least adequate to meet cost of maintaining, repairing, and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Residential and commercial water rates will be at least:

| | | |
|----------|--------|---------------------------------------|
| First | 2,000 | gallons @ \$22.75 - Minimum Bill. |
| Next | 3,000 | gallons @ \$9.79 – per 1,000 gallons. |
| Next | 5,000 | gallons @ \$9.40 – per 1,000 gallons. |
| Next | 5,000 | gallons @ \$9.00 – per 1,000 gallons. |
| Next | 5,000 | gallons @ \$8.60 – per 1,000 gallons. |
| All Over | 20,000 | gallons @ \$7.81 – per 1,000 gallons. |

Wholesale water rates will be @ \$3.12 per 1,000 gallons.

33. Water Purchase Contract:

The District will submit a Water Purchase Contract for approval by Rural Development before advertising for construction bids. If the contract is not on Form RD 442-30, "Water Purchase Contract," the contract will require approval by our Regional Attorney. The contract must meet the requirements of subsection 1780.62 of RUS Instruction 1780, which includes there must be 40 years left on the term of the water purchase contract. The contract term must match the term of the loan.

34. Vulnerability Assessment/Emergency Response Plan (VA/ERP):

The Agency requires all financed water and wastewater systems to have a VA/ERP in place. Borrowers with existing systems must provide a certification that a VA/ERP has been completed prior to advertising for bids. The documents are not submitted to the Agency for VA/ERP requirements throughout the life of the loan.

35. Floodplain Construction:

The District will be required to pass and adopt a Resolution or amend its By-Laws whereby the District will deny any water service to any future customer wishing to build on or develop property located within a designated floodplain.

If a customer or developer requests service for construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the

District and Rural Development officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP), and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

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

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

37. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Department for Local Government letter dated August 13, 2020, from Ms. Lee Nalley.
- B. The design and construction shall be in compliance with the requirements of the U.S. Fish and Wildlife Service by letter dated August 19, 2020, and signed by Virgil Lee Andrews, Jr., Field Supervisor.
- C. The line design and construction shall be accomplished in a way that will leave flood plains and wetlands unaffected after construction is complete. The U. S. Corps of Engineers Nationwide Permit No. 12 applies to all floodplain and wetland utility line construction.
- D. Any excavation by Contractor that uncovers or disturbs a historical or archaeological artifact shall be immediately reported to Owner and a representative of this agency. Construction shall be halted pending the notification process and further directions issued by this agency after consultation with the State Historical Preservation Officer.
- E. The design and construction of the project shall be in compliance with all local, state, and federal environmental statutes, regulations, and executive orders applicable to the project.
- F. Best Management Practices shall be incorporated into the project design, construction, and maintenance.
- G. Since all corridor construction will occur in the existing highway right-of-way if a stream is encountered it will necessarily be directional bored. Notify the RD if any relocation of the line is anticipated for stream crossings.
- H. All requirements stated in the USFWS letter of September 14, 2020, shall be made a part of the project design, construction, and maintenance.

38. System for Award Management:

You will be required to maintain a Dun and Bradstreet Data Universal Numbering System (DUNS) number and maintain an active registration in the System for

Award Management (SAM) database. Renewal can be done on-line at:
<http://sam.gov>.

This registration must be renewed and revalidated every twelve (12) months for as long as there are Agency funds to be expended.

To ensure the information is current, accurate and complete, and to prevent the SAM account expiration, the review and updates must be performed within 365 days of the activation date, commonly referred to as the expiration date. The registration process may take up to 10 business days. (See 2 CFR Part 25 and the "Help" section at <http://sam.gov>).

39. Prepayment and Extra Payments:

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower, with no penalty.

Security instruments, including bonding documents, must contain the following language regarding extra payments, unless prohibited by State statute:

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the borrower. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the Agency debt, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of borrower to pay the remaining installments as scheduled in your security instruments.

40. Security/Operational Inspections:

The Agency will inspect the facility and conduct a review of your operations and records management system and conflict of interest policy every three years for the life of the loan. You must participate in these inspections and provide the required information.

41. American Iron and Steel:

Section 746 of Title VII of the Consolidated Appropriations Act of 2017 (Division A - Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2017) applies a new American Iron and Steel requirement:

- (1) No Federal funds made available for this fiscal year for the rural water, waste water, waste disposal, and solid waste management programs authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1926 et seq.) shall be used for a project for the construction, alteration, maintenance, or repair of a public water or wastewater system unless all of the iron and steel products used in the project are produced in the United States.
- (2) The term "iron and steel products" means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.

- (3) The requirement shall not apply in any case or category of cases in which the Secretary of Agriculture (in this section referred to as the "Secretary") or the designee of the Secretary finds that— a. applying the requirement would be inconsistent with the public interest; b. iron and steel products are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality; or c. inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.

42. Final Approval Conditions:

Final approval of this assistance will depend on your willingness, with the assistance of all your co-workers, to meet the conditions of this letter in an orderly and systematic manner. Then too, final approval will depend on funds being available.

If you desire to proceed with your application, the Area Director will allot a reasonable portion of time to provide guidance in application processing.

Sincerely,

TRACI
VAUGHT

Digitally signed
by TRACI
VAUGHT
Date: 2021.08.09
12:09:07 -04'00'

TRACI VAUGHT
Acting State Director

Enclosures

- cc: Field Director – Shelbyville, Kentucky
Field Specialist – Columbia, Kentucky
Kentucky River ADD – Hazard, Kentucky
Brendan Welch, Kenvirons – Frankfort, Kentucky
Randy Jones, Rubin & Hays – Louisville, Kentucky
Thomas Weddle, Jr. – Liberty, Kentucky
PSC – ATTN: Linda Bridwell – Frankfort, Kentucky