

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

**In the Matter of:**

**ELECTRONIC ALLEGED FAILURE OF )**  
**FARMDALE WATER DISTRICT, AND )**  
**ITS INDIVIDUAL COMMISSIONERS )**  
**RICHARD TANNER, DONALD MORSE, )**  
**AND SCOTTIE WOOLRIDGE, AND )** **CASE NO. 2022-00347**  
**MANAGER JAMIE ROBERTS TO )**  
**COMPLY WITH KRS 278.030, 807 KAR )**  
**5:006, SECTION 4(4), 807 KAR 5:006, )**  
**SECTION 26 AND 807 KRS 5:066 )**

**RESPONSE OF**  
**FARMDALE WATER DISTRICT**  
**TO**  
**COMMISSION STAFF’S SECOND REQUEST FOR INFORMATION**  
**DATED MARCH 3, 2023**

**FILED: MARCH 17, 2023**

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

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**RESPONSE OF FARMDALE WATER DISTRICT  
TO COMMISSION STAFF’S SECOND REQUEST FOR INFORMATION**

Comes Farmdale Water District (“Farmdale”) for its Response to Commission Staff’s Second Request for Information, and states as shown on the following pages.



---

Damon R. Talley  
Felisa S. Moore  
Stoll Keenon Ogden PLLC  
300 West Vine Street, Suite 2100  
Lexington, Kentucky 40507  
Telephone: (859) 231-3000  
Fax: (859) 253-1093  
damon.talley@skofirm.com  
felisa.moore@skofirm.com  
*Counsel for Farmdale Water District*

**COMMONWEALTH OF KENTUCKY**  
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**5:006, SECTION 4(4), 807 KAR 5:006, )**  
**SECTION 26 AND 807 KRS 5:066 )**

**CERTIFICATION OF RESPONSE OF FARMDALE WATER DISTRICT  
TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

This is to certify that I have supervised the preparation of Farmdale Water District's Responses to Commission Staff's Second Request for Information. The response submitted on behalf of Farmdale Water District is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Date: March 17, 2023

  
\_\_\_\_\_  
Randall S. Wooldridge, Chairman  
Farmdale Water District

## CERTIFICATE OF SERVICE

In accordance with the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on March 17, 2023; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.



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Damon R. Talley



**FARMDALE WATER DISTRICT**

**CASE NO. 2022-00347**

**Response to Commission Staff's Second Request for Information**

**Question No. 1(a)**

**Responding Witnesses: Randall S. Wooldridge, Chairman  
and Jan Sanders, Office Manager**

**Q-1(a). Refer to Farmdale District's Response to Commission Staff's First Request for Information (Staff's First Request), Item 1.**

**(a). Provide an accounting showing how Farmdale District funded the described completed projects.**

A-1(a). The only construction project discussed in Farmdale District's Response to the Commission Staff's First Request for Information, Item 1, that has been completed is the **South Benson Road Project**. This Project consisted of the transfer of thirty-four (34) customer services from the old 3-inch diameter water line on one side of South Benson Road to the newer 6-inch diameter water line on the opposite side of South Benson Road. In addition, new service lines for all thirty-four (34) customers were installed from the 6-inch diameter water line to the customer meters on the opposite side of the South Benson Road. The total Project cost was **\$119,102.80**.

The Project **Cost is summarized below:**

Construction (B. P. Pipeline)	\$108,261.69
Engineering (HMB Engineers)	\$8,350.00
Materials (various vendors)	\$2,271.11
Advertisement for Bids	\$220.00
<b>Total:</b>	<b>\$119,102.80</b>

Franklin County Fiscal Court reimbursed Farmdale District \$100,000 of the Project Cost, which meant that Farmdale District's net cost was **\$19,102.80**.

Attached as **Attachment 1(a)-1** is the letter dated January 21, 2022 from the Franklin County Judge/Executive committing to reimburse Farmdale District up to \$100,000 for this Project and also proof of the receipt of \$100,000 by Farmdale District.

Attached as **Attachment 1(a) -2** is a copy of all the invoices for the Project.



# Franklin County Fiscal Court

321 West Main Street  
Frankfort, KY 40601

**Huston Wells**

*Franklin County Judge/Executive*

January 21, 2022

Clifford Toles, Chairman  
Farmdale Water District  
100 Highwood Drive  
Frankfort, KY 40601

Dear Mr. Toles,

Congratulations. On January 20, 2022, Franklin County Fiscal Court voted in favor of a grant, not to exceed an amount of \$100,000.00, to the Farmdale Water District to assist with Project # WX21073028 in the Farmdale Water District service area. Drawdowns for this grant will be pending receipt of final Kentucky Clearinghouse review.

Attached please find a disbursement form for making drawdown requests of the grant as costs are incurred. Please submit invoices and other pertinent documentation with the draw requests after those have been approved for payment by the Water District Board. Please submit cancelled checks for the presented invoices to either Attn: Ann Northcutt, 321 West Main Street, Frankfort, KY 40601 or [ann.northcutt@franklincounty.ky.gov](mailto:ann.northcutt@franklincounty.ky.gov).

Thank you for your efforts in the Farmdale area toward reliable services for Franklin County citizens. We look forward to working with you on your goal.

Sincerely,

Huston Wells  
Franklin County Judge Executive



Remit To Code:

Pay To Name: FARMDALE WATER DISTRICT

09/23/2022

Invoice Number

Inv. Date

PO Number

Description

Account

Amount

1 09/13/2022 METER REPLACEMENT-100% DRAW COMPLETE

\$100,000.00

\$100,000.00

CTB113



*Money market*

Member FDIC



This is your receipt. All items are credited subject to payment. Deposits may not be available for immediate withdrawal. The transaction number, date and amount of your deposit are shown below.

TR:29 09/26/22 01:50 PM

\$100,000.00

Chk Deposit

Thank you for banking with us.



Please Detach Here and Retain Top Portion For Your Records



# Advertising Invoice

FRANKFORT NEWSMEDIA, LLC  
PO BOX 947  
COLUMBIANA, AL 35051  
(502) 871-4559

FARMDALE WATER DISTRICT  
100 HIGHWOOD DRIVE  
FRANKFORT KY 40601

Acct #: 244073  
Date: 1/5/2022  
Ad #: 1374860

*Scotty Benson*

Notes: SEE AD NOTES

DESCRIPTION	START	STOP	INSERTS	AMOUNT
BIDS	1/5/2022	1/5/2022	1	220.00

 **PAID**  
1-26-22  
CK # 1681

Total:	\$220.00
Tax:	\$0.00
Net:	\$220.00
Paid:	\$0.00
Total Due:	\$220.00



# Contractor's Application for Payment No. 1

Application Period: 6/01/2020 - 7/15/2020		Application Date: 7/15/2022
To (Owner): Farmdale Water District	From (Contractor): B.P. Pipeline	Via (Engineer): HMB Professional Engineers, Inc.
Project: South Benson Service Line	Contract: South Benson Service Line	
Owner's Contract No.:	Contractor's Project No.:	Engineer's Project No.: 4328

**Application For Payment  
Change Order Summary**

Approved Change Orders				
Number	Additions	Deductions		
1	\$14,330.00		1. ORIGINAL CONTRACT PRICE.....	\$ 53,700.00
2	\$12,375.00		2. Net change by Change Orders.....	\$ 53,481.69
3	\$26,776.69		3. Current Contract Price (Line 1 ± 2).....	\$ 107,181.69
			4. TOTAL COMPLETED AND STORED TO DATE	
			(Column F total on Progress Estimates).....	\$ 107,181.69
			5. RETAINAGE:	
			a. 5% X _____ Work Completed.....	\$ _____
			b. 5% X _____ Stored Material.....	\$ _____
			c. Total Retainage (Line 5.a + Line 5.b).....	\$ _____
			6. AMOUNT ELIGIBLE TO DATE (Line 4 - Line 5.c).....	\$ 107,181.69
			7. LESS PREVIOUS PAYMENTS (Line 6 from prior Application).....	\$ _____
			8. AMOUNT DUE THIS APPLICATION.....	\$ 107,181.69
			9. BALANCE TO FINISH, PLUS RETAINAGE	
			(Column G total on Progress Estimates + Line 5.c above).....	\$ _____
TOTALS				
NET CHANGE BY CHANGE ORDERS				\$ 53,481.69

**Contractor's Certification**

The undersigned Contractor certifies, to the best of its knowledge, the following:

(1) All previous progress payments received from Owner on account of Work done under the Contract have been applied on account to discharge Contractor's legitimate obligations incurred in connection with the Work covered by prior Applications for Payment;

(2) Title to all Work, materials and equipment incorporated in said Work, or otherwise listed in or covered by this Application for Payment, will pass to Owner at time of payment free and clear of all Liens, security interests, and encumbrances (except such as are covered by a bond acceptable to Owner indemnifying Owner against any such Liens, security interest, or encumbrances); and

(3) All the Work covered by this Application for Payment is in accordance with the Contract Documents and is not defective.

---

**Contractor Signature**

By: *Amy Palanis* Date: 8/19/2022

Payment of: \$ 107,181.69  
(Line 8 or other - attach explanation of the other amount)

is recommended by: *[Signature]* 8/23/22  
(Engineer) (Date)

Payment of: \$ 107,181.69  
(Line 8 or other - attach explanation of the other amount)

is approved by: *[Signature]* 8/23/22  
(Owner) (Date)


Approved by: \_\_\_\_\_  
Funding or Financing Entity (if applicable) (Date)

HMB PROFESSIONAL ENGINEERS, INC.  
3 HMB CIRCLE  
FRANKFORT, KENTUCKY 40601  
(502) 695-9800

STATEMENT OF ENGINEERING SERVICES

Mr. Clifford Toles  
Farmdale Water District  
100 Highwood  
Frankfort, KY 40601

Farmdale Water District Continuing Services  
HMB Project No. 4328.00  
February 16, 2022  
Invoice No. 1

 **PAID**  
3-9-22  
CK#  
1781

Scope of Services

Professional Engineering Services related to Farmdale Water District Continuing Services through February 12, 2022.

002 Project Profile

CAD Technician	2.0	hours @	\$110.00	\$	220.00
Subtotal	2.0			\$	220.00

003 South Benson

Senior Design Engineer	29.0	hours @	\$195.00	\$	5,655.00
CAD Technician	22.5	hours @	\$110.00	\$	2,475.00
Subtotal	51.5			\$	8,130.00

**TOTAL AMOUNT DUE (Payable Upon Receipt) \$ 8,350.00**

For Internal Use Only

KYEN: \$ 8,350.00


B.P. Pipeline, LLC  
269 Pebbles LN.  
Quincy, KY 41166  
606-757-2055

# INVOICE

Date: July 22, 2022

To: Farmdale Water District

100 Highwood Drive  
Frankfort, KY 40601  
502-223-3562

 **PAID**  
9-12-22  
CK# 2181

Customer	Job	Payment Terms	Date
Farmdale Water District	South Benson Reconnect	Net 30 Days	July 02, 2022

Qty.	Description	Unit Price	Line Total
9	Operator (Double Time - Holiday)	\$ 70.00	\$630.00
9	Laborer (Double Time - Holiday)	\$ 50.00	\$ 450.00

Subtotal  
Sales Tax  
Total \$ 1,080.00

Please Remit To: **B.P. PIPELINE, LLC**  
269 PEBBLES LN.  
QUINCY, KY 41166





# Invoice

**PAID**  
 7-29-22  
 CK# 2098


INVOICE DATE	INVOICE NUMBER	PAGE NO.
06/21/2022	S100188055.001	
REMIT TO: CITCO Water P.O. BOX 2163 HUNTINGTON, WV 25722		1 of 1

BILL TO:

SHIP TO:

FARMDALE WATER DISTRICT  
 100 HIGHWOOD DR  
 FRANKFORT, KY 40601

FARMDALE WATER DISTRICT  
 100 HIGHWOOD DR  
 FRANKFORT, KY 40601

CUSTOMER NUMBER	CUSTOMER PO NUMBER	JOB NAME / RELEASE NUMBER	SALESPERSON		
3059	SOUTH BENSON		Tony Omohundro		
WRITER		SHIP VIA	TERMS	SHIP DATE	ORDER DATE
Larry Salmons		CALL FOR	NET 30 DAYS	06/21/2022	06/21/2022
ORDER QTY	SHIP QTY	DESCRIPTION	UNIT PRICE	EXT PRICE	
1ea	1ea	2" AYM 74758-22-44 PJ CTS X PJ PVC COUPLING NL	232.902/ea	232.90	
		06-21-2022 01:50:49 PM S100188055.001  STEPHEN			

**\*\* REPRINT \*\* REPRINT \*\* REPRINT**  
 Invoice is due by 07/21/2022

**Past Due invoices may be subject to 1.50% late charge. Effective June 1, 2022, CITCO Water is updating its ACH/wire instructions as outlined below. Please continue to send all remittance**

PLEASE BE ADVISED THAT EFFECTIVE APRIL 1, 2021, CITCO Water IS CHANGING OUR POLICY ON ACCEPTING PAYMENTS BY USE OF A CREDIT CARD. PAYMENTS AT TIME OF DELIVERY WILL BE ACCEPTED WITH NO CREDIT CARD FEE. ALL OTHER PAYMENTS WITH A CREDIT CARD WILL BE CHARGED A 3.5% FEE IN ADDITION TO THE PAYMENT AMOUNT. FOR QUESTIONS, PLEASE CALL 1-800-999-3484.

Subtotal	232.90
S&H Charges	0.00
Tax	0.00
Payments	0.00
<b>Amount Due</b>	<b>232.90</b>

# FERGUSON®

## WATERWORKS

3726 BISHOP LANE  
LOUISVILLE, KY 40218-2904

Please contact with Questions: 502-459-9974

INVOICE NUMBER	TOTAL DUE	CUSTOMER	PAGE
0259016	\$607.05	9831	1 of 1

PLEASE REFER TO INVOICE NUMBER WHEN  
MAKING PAYMENT AND REMIT TO:

FERGUSON WATERWORKS #1491  
PO BOX 644054  
PITTSBURGH, PA 15264-4054

SHIP TO:

COUNTER PICK UP  
1209 INDUSTRY ROAD  
LEXINGTON, KY 40505-0000

FARMDALE WATER DISTRICT  
100 HIGHWOOD DR  
FRANKFORT, KY 40601

SHIP WHSE.	SELL WHSE.	TAX CODE	CUSTOMER ORDER NUMBER	SALESMAN	JOB NAME	INVOICE DATE	BATCH
1494	1494	KYE	JAMIE	KFP	EMERGENCY JOB	07/01/22	IO 20792

ORDERED	SHIPPED	ITEM NUMBER	DESCRIPTION	UNIT PRICE	UM	AMOUNT
4		4 FF10003NL	LF 3/4 CC X CTS PJ CORP	55.650	EA	222.60
4		4 FS70603	6X3/4 CC BRS SDL IPS PVC	67.730	EA	270.92
1		1 DDWMT74739	TOUGH BOX 23PC 1/2 DRV IMPACT	60.550	EA	60.55
3		3 H75112333	3/4X3/4X3/4 3G CTS TEE *PHILMA *X	17.660	EA	52.98
<b>INVOICE SUB-TOTAL</b>						<b>607.05</b>

\*\*\*\*\*  
LEAD LAW WARNING: IT IS ILLEGAL TO INSTALL PRODUCTS THAT ARE NOT "LEAD FREE" IN ACCORDANCE WITH US FEDERAL OR OTHER APPLICABLE LAW IN POTABLE WATER SYSTEMS ANTICIPATED FOR HUMAN CONSUMPTION. PRODUCTS WITH \*NP IN THE DESCRIPTION ARE NOT LEAD FREE AND CAN ONLY BE INSTALLED IN NON-POTABLE APPLICATIONS. BUYER IS SOLELY RESPONSIBLE FOR PRODUCT SELECTION.

 **PAID**  
8-1-22  
OK# 2100

Looking for a more convenient way to pay your bill?

Log in to [Ferguson.com](https://www.ferguson.com) and request access to Online Bill Pay.



TERMS: NET 10TH PROX	ORIGINAL INVOICE	TOTAL DUE	\$607.05
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All past due amounts are subject to a service charge of 1.5% per month, or the maximum allowed by law, if lower. If Buyer fails to pay within terms, then in addition to other remedies, Buyer agrees to pay Seller all costs of collection, including reasonable attorney fees. Complete terms and conditions are available upon request or at <https://www.ferguson.com/content/website-info/terms-of-sale>, incorporated by reference. Seller may convert checks to ACH. \*Any reference to or incorporation of Executive Order 14042 and/or the EO-implementing Federal clauses (FAR 52.223 -99 and/or DFARS 252.223-7999) is expressly rejected by Seller and shall not apply as Seller is a materials supplier and therefore exempt under the Executive Order.\*



# FERGUSON®

## WATERWORKS

3726 BISHOP LANE  
LOUISVILLE, KY 40218-2904

Please contact with Questions: 502-459-9974

INVOICE NUMBER	TOTAL DUE	CUSTOMER	PAGE
0259020	\$1,257.96	9831	1 of 1

PLEASE REFER TO INVOICE NUMBER WHEN  
MAKING PAYMENT AND REMIT TO:

FERGUSON WATERWORKS #1491  
PO BOX 644054  
PITTSBURGH, PA 15264-4054

FARMDALE WATER DISTRICT  
100 HIGHWOOD DR  
FRANKFORT, KY 40601



**PAID**  
8-1-22  
CK# 2100


SHIP TO:

COUNTER PICK UP  
1209 INDUSTRY ROAD  
LEXINGTON, KY 40505-0000

SHIP WHSE.	SELL WHSE.	TAX CODE	CUSTOMER ORDER NUMBER	SALESMAN	JOB NAME	INVOICE DATE	BATCH
1494	1494	KYE	JAMIE	KFP	EMERGENCY REPAIR	07/01/22	IO 20792
ORDERED	SHIPPED	ITEM NUMBER	DESCRIPTION		UNIT PRICE	UM	AMOUNT
8	8	FF10003NL	LF 3/4 CC X CTS PJ CORP		55.650	EA	445.20
12	12	FS70603	6X3/4 CC BRS SDL IPS PVC		67.730	EA	812.76
<b>INVOICE SUB-TOTAL</b>							<b>1257.96</b>
<p>LEAD LAW WARNING: IT IS ILLEGAL TO INSTALL PRODUCTS THAT ARE NOT "LEAD FREE" IN ACCORDANCE WITH US FEDERAL OR OTHER APPLICABLE LAW IN POTABLE WATER SYSTEMS ANTICIPATED FOR HUMAN CONSUMPTION. PRODUCTS WITH *NP IN THE DESCRIPTION ARE NOT LEAD FREE AND CAN ONLY BE INSTALLED IN NON-POTABLE APPLICATIONS. BUYER IS SOLELY RESPONSIBLE FOR PRODUCT SELECTION.</p>							

Looking for a more convenient way to pay your bill?

Log in to [Ferguson.com](https://www.ferguson.com) and request access to Online Bill Pay.



TERMS: NET 10TH PROX	ORIGINAL INVOICE	TOTAL DUE	\$1,257.96
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All past due amounts are subject to a service charge of 1.5% per month, or the maximum allowed by law, if lower. If Buyer fails to pay within terms, then in addition to other remedies, Buyer agrees to pay Seller all costs of collection, including reasonable attorney fees. Complete terms and conditions are available upon request or at <https://www.ferguson.com/content/website-info/terms-of-sale>, incorporated by reference. Seller may convert checks to ACH. \*Any reference to or incorporation of Executive Order 14042 and/or the EO-implementing Federal clauses (FAR 52.223 -99 and/or DFARS 252.223-7999) is expressly rejected by Seller and shall not apply as Seller is a materials supplier and therefore exempt under the Executive Order.\*

**FARMDALE WATER DISTRICT**

**CASE NO. 2022-00347**

**Response to Commission Staff's Second Request for Information**

**Question No. 1(b)**

**Responding Witness: Randall S. Wooldridge, Chairman**

**Q-1(b). Refer to Farmdale District's Response to Commission Staff's First Request for Information (Staff's First Request), Item 1.**

**(b). State how Farmdale District is funding meter replacement activities.**

A-1(b). Farmdale District purchased thirty-four (34) new meters in 2022 at a cost of **\$6,270.83**. The funds came from operating reserves. In addition, 165 defective meters were still under warranty and these meters were replaced in 2020 by the manufacturer at no cost to Farmdale District. Farmdale District changed out 100 meters during 2022. Some of these were meters that were purchased, and some were from the remaining replacement meters provided by the manufacturer.

In addition, Farmdale District plans to use some of the Cleaner Water Grant proceeds (Round 2), which was recently awarded, to purchase meters. Attached as **Attachment 1(b)** is the KIA Conditional Commitment Letter dated November 21, 2022 documenting that Farmdale District will receive \$113,084 in grant funds.

Finally, Farmdale District plans to request that the Commission permit it to use a substantial portion of the Surcharge Funds to purchase new meters.



## KENTUCKY INFRASTRUCTURE AUTHORITY

**Andy Beshear**  
Governor

100 Airport Road  
Frankfort, Kentucky 40601  
(502) 573-0260  
<https://kia.ky.gov>

**Sandy Williams**  
Executive Director

November 21, 2022

Clifford Toles  
Chair  
Farmdale Water District  
100 Highwood Dr  
Frankfort, KY 40601

### KENTUCKY INFRASTRUCTURE AUTHORITY CONDITIONAL COMMITMENT LETTER

KIA Grant Number 22CWW024  
WRIS Project Number WX21073017

Dear Official,

Congratulations on receiving an award of Kentucky Cleaner Water Program (the "CWP") Round 2 grant funds for your Project! The Kentucky Infrastructure Authority (the "Authority") approved the grant request to the Farmdale Water District (the "Grantee") in the amount of \$113,084 for the Farmdale Water District Water Line Upgrade project. We look forward to working with you to successfully complete your Project!

Please be aware that these Round 2 CWP Grant Project funds are provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund and must be obligated by December 31, 2024 and fully expended by December 31, 2026. Any funds not obligated by December 31, 2024 or expended by December 31, 2026 will be forfeited and will not be available for the project.

An Assistance Agreement will be executed between the Authority and the Grantee upon satisfactory performance of the conditions set forth in Attachment A. Funds will be available for disbursement only after execution of the Assistance Agreement.

During the course of implementing your project, please inform the Authority of any changes in the project scope and financing plan as soon as possible.





**CLEANER WATER PROGRAM GRANT REALLOCATION REQUEST**

Grantee: Farmdale Water District  
Grant Amount: \$113,000  
Grant Number: 22CWW024  
WRIS Number: WX21073017

In a commitment letter dated 11.21.2022 the Grantee was awarded a Cleaner Water Program grant identified by the Grant Amount and Grant Number designated above.

Since submitting this Project Profile for consideration local circumstances have changed and the Grantee requests that awarded funds be reallocated for the following reasons:

Existing project is completed. Would like to allocate funds toward next phase of project to be used for purchase of meters and a truck to haul equipment so they don't have to keep renting.

Consequently, the Grantee hereby declines the grant designated above and requests the funds be reallocated to the project(s) identified below.

**Project 1**

Grantee: Farmdale Water District  
Grant Amount: \$113,000  
WRIS Number: WX21073020

**Project 2**

Grantee: \_\_\_\_\_  
Grant Amount: \_\_\_\_\_  
WRIS Number: \_\_\_\_\_

Requested by:

*Scotti Woodbridge*  
Grantee Authorized Official

11-28-2020  
Date

Approved by:

\_\_\_\_\_  
KIA Authorized Official

\_\_\_\_\_  
Date

\_\_\_\_\_  
KIA Board Chair

\_\_\_\_\_  
Date

**FARMDALE WATER DISTRICT**

**CASE NO. 2022-00347**

**Response to Commission Staff's Second Request for Information**

**Question No. 1(c)**

**Responding Witness: Randall S. Wooldridge, Chairman**

**Q-1(c). Refer to Farmdale District's Response to Commission Staff's First Request for Information (Staff's First Request), Item 1.**

**(c). List and describe any planned construction projects.**

**A-1(c). A/C Water Line Replacement Project.** Farmdale District plans to replace several miles of Asbestos/Cement (A/C) water transmission mains, which is very brittle and is the source of numerous leaks.



**FARMDALE WATER DISTRICT**

**CASE NO. 2022-00347**

**Response to Commission Staff's Second Request for Information**

**Question No. 1(d)**

**Responding Witness: Randall S. Wooldridge, Chairman**

**Q-1(d). Refer to Farmdale District's Response to Commission Staff's First Request for Information (Staff's First Request), Item 1.**

**(d). State how Farmdale District plans to fund any planned construction projects.**

A-1(d). On April 13, 2020, Farmdale District secured a low-interest loan from the United States Department of Agriculture, Rural Development (RD) in the amount of **\$2,458,000**. This project has been delayed by various reasons, including the difficulty of obtaining easements from persons who already have water. Most of the easements have been obtained, but the project cannot be bid until all the easements have been obtained. Attached as **Attachment 1(d)** is a copy of the RD Letter of Conditions.



April 13, 2020

Clifford Toles, Chairman  
Farmdale Water District  
100 Highwood Drive  
Frankfort, Kentucky 40601

SUBJECT: Recipient Name: Farmdale Water District  
Project Name: FY 20 AC Line Replacement

Dear Chairman Toles:

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

This letter is not to be considered as loan approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$2,458,000. No applicant cash contribution will be required.

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

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

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

If the conditions set forth in this letter are not met within 180 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application. In signing Form RD 1942-46, "Letter of Intent to Meet Conditions," you are agreeing to complete the following as expeditiously as possible:

**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.

1. Number of Users and Their Contribution:

There shall be 2,639 water users, of which all are existing users. The Area Director will review and authenticate the number of users prior to advertising for construction bids.

2. 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.

3. 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.

4. 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 \$800 per month into a "Funded Debt Reserve Account" until the account reaches \$96,000. The deposits are to be resumed any time the account falls below the \$96,000.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the District's prior bond 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 \$3,917 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.

5. Security Requirements:

A pledge of gross water 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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 \$181,000.
- 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.

13. 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 "25" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 180 days from this date, and prepare bid documents. The Area Director is prepared to furnish the necessary guide to follow so as to keep the project plans and documents within our guidelines and requirements. The project 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.

14. 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.

15. 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.

16. 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).

17. 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.

18. 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.

19. 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.

20. Treatment Plant and System Operator:

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

21. 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."

22. 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.

23. 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.

24. 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.

25. Project Budget:

Estimated expenditures are as follows:

Project Costs:

Development	\$1,936,075
Land and Rights	5,000
Legal and Administrative	20,000
Engineering Fees	253,000
Interest	30,000
Environmental	10,000
Planning	10,000
Contingencies	<u>\$ 193,925</u>
TOTAL PROJECT COST	\$2,458,000

Project Funding:

RUS Loan	<u>\$2,458,000</u>
TOTAL FUNDING	\$2,458,000

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.

26. 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.

27. 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 loan funds and refunded in proportion to participation in the project.

28. 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.

29. Rates and Charges:

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

Water rates will be at least:

5/8" x 3/4" Meter

First	2,000	gallons @ \$23.93 - Minimum Bill.
Next	3,000	gallons @ \$ 8.66 – per 1,000 gallons.
Next	5,000	gallons @ \$ 7.67 – per 1,000 gallons
All Over	10,000	gallons @ \$ 6.68 – per 1,000 gallons.

1" Meter

First	5,000	gallons @ \$49.90 - Minimum Bill.
Next	5,000	gallons @ \$ 8.66 – per 1,000 gallons.
Next	140,000	gallons @ \$ 7.67 – per 1,000 gallons
All Over	150,000	gallons @ \$ 6.68 – per 1,000 gallons.

4" Meter

First	50,000	gallons @ \$400.01 - Minimum Bill.
Next	100,000	gallons @ \$ 7.67 – per 1,000 gallons.
All Over	150,000	gallons @ \$ 6.68 – per 1,000 gallons.

30. 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.

31. 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.

32. 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.

33. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated October 11, 2019, from Ms. Lee Nalley.
- B. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without effect after construction is complete. The Army Corps of Engineers Nationwide Permit No. 12 applies to all floodplain and wetland utility line construction.

- C. Any excavation by Contractor that uncovers a historical or archaeological artifact shall be immediately reported to Owner and a representative of Agency. Construction shall be temporarily halted until RD can consult with the State Historical Preservation Officer and issue further directions.
- D. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.
- E. Best Management Practices shall be incorporated into the project design, construction, and maintenance.

34. 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>).

35. 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.*



36. 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.

37. 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.

38. 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,



HILDA GAY LEGG  
State Director

Enclosures

cc: Field Specialist – Shelbyville, Kentucky  
Field Director – Morehead, Kentucky  
Bluegrass ADD – Lexington, Kentucky  
HMB Engineers – Frankfort, Kentucky  
Rubin & Hays– Louisville, Kentucky  
James Boyd – Frankfort, Kentucky  
PSC – ATTN: Talina Mathews – Frankfort, Kentucky



**FARMDALE WATER DISTRICT**

**CASE NO. 2022-00347**

**Response to Commission Staff's Second Request for Information**

**Question No. 1(e)**

**Responding Witnesses: Jan Sanders, Office Manager**

**Q-1(e). Refer to Farmdale District's Response to Commission Staff's First Request for Information (Staff's First Request), Item 1.**

**(e). State Farmdale District's operating income or loss for 2022.**

A-1(e). Attached as **Attachment 1(e)** is an unaudited Income Statement for calendar year 2022 which shows an Operating Loss of \$211,246.73. Upon information and belief, the Operating Loss will be considerably less than this because Farmdale District's Income Statement contains an expense line item (505) of \$208,816.30 for Maintenance and Repairs. Upon inquiry, it appears that some items are included in this amount which should have been capitalized. In particular, most, if not all, of the South Benson Road Project expense (\$119,102.80) is included in this line item.

Farmdale Water District  
Profit & Loss  
January 3 through December 30, 2022

	<u>Jan 3 - Dec 30, ...</u>
<b>Income</b>	
400 · Water Sales	337,725.29
401 · Sewer Fees.	216,821.46
404 · Water Loss Surcharge	28,726.75
405 · Tap-on Fee	27,412.67
406 · Penalty Income	7,903.70
407 · Rec Fees	9,850.00
408 · Returned check Charge	-159.51
409 · Lease Income	1,200.00
410 · Miscellaneous	1,397.50
411 · Sales of Matereials	511.00
412 · Over-pay Refund	-950.38
49900 · Uncategorized Income	<u>1,779,089.65</u>
<b>Total Income</b>	<b>2,409,528.13</b>
<b>Expense</b>	
500 · Water Purchased	694,310.67
501 · Salaries & Wages	297,856.79
502 · Payroll taxes	88,732.55
503 · Group Hospitalization	33,272.24
504 · Supplies	114,763.02
505 · Maintenance & Repairs	208,816.30
506 · Truck - Gas	16,687.69
507 · Truck - Maintenance & Rep...	10,124.63
509 · Insurance & Bonds	21,035.11
510 · Workers Comp	4,694.00
511 · Office Supplies	7,558.02
512 · Office Maintenance	19,808.04
513 · Office Equipment Maintena...	6,972.85
514 · Employee Retirement	103,748.20
515 · Telephone	2,341.39
516 · Office Utilities	6,692.75
517 · Pumping Electricity	25,961.95
519 · PSC Assessment	2,170.39
523 · Postage	15,820.22
525 · Mileage Expense	1,575.00
526 · Legal Fees	15,393.50
527 · Accounting Fees	30,917.50
534 · Adverstising	1,864.75
539 · Sales Tax Paid	7,415.93
540 · Sewer Fees/Surcharges	710,286.74
541 · School Tax	33,442.63
546 · Testing Fees	7,488.75

(payments)

2:57 PM  
03/10/23  
Accrual Basis

Farmdale Water District  
**Profit & Loss**  
January 3 through December 30, 2022

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	<u>Jan 3 - Dec 30, ...</u>
553 · Education & Training	2,942.50
554 · Uniform Rental	6,960.20
69800 · Uncategorized Expenses	<u>121,120.55</u>
<b>Total Expense</b>	<u>2,620,774.86</u>
<b>Net Income</b>	<u><u>-211,246.73</u></u>

**FARMDALE WATER DISTRICT**

**CASE NO. 2022-00347**

**Response to Commission Staff's Second Request for Information**

**Question No. 1(f)**

**Responding Witness: Randall S. Wooldridge, Chairman**

**Q-1(f). Refer to Farmdale District's Response to Commission Staff's First Request for Information (Staff's First Request), Item 1.**

**(f). State how Farmdale District plans to remedy any operating loss.**

A-1(f). The only realistic options for Farmdale District to reduce its Operating Loss is to reduce its Purchased Water Cost by substantially reducing its water loss and by a rate increase.

**FARMDALE WATER DISTRICT**

**CASE NO. 2022-00347**

**Response to Commission Staff's Second Request for Information**

**Question No. 1(g)**

**Responding Witnesses: Randall S. Wooldridge, Chairman  
and Legal Counsel**

**Q-1(g). Refer to Farmdale District's Response to Commission Staff's First Request for Information (Staff's First Request), Item 1.**

**(g). Explain whether Farmdale District was exempted from applying for a Certificate of Public Convenience and Necessity (CPCN) under KRS 278.020 for the projects described in response to Staff's First Request, Item 1.**

A-1(g). As stated in the response to subpart (a) of this Response, the only construction project undertaken by Farmdale District was the South Benson Road Project. The total cost of this Project was approximately \$119,000. The Franklin Fiscal Court reimbursed Farmdale District the sum of \$100,000 (see **Attachment 1(a)-1**). Thus, the Project only cost Farmdale District approximately \$19,000.

Farmdale District was not required to obtain a Certificate of Public Convenience and Necessity (CPCN) under KRS 278.020 before constructing this Project. No CPCN was needed for two (2) independent reasons: (1) first, the Project was an ordinary extension of an existing

system in the usual course of business within the meaning of KRS 278.020(1)(a)(2); and (2) second, the Project was exempt under KRS 278.020(3)(a) because it cost less than \$500,000, no money was borrowed for the Project, and the Project will not result in a rate increase.



**FARMDALE WATER DISTRICT**

**CASE NO. 2022-00347**

**Response to Commission Staff's Second Request for Information**

**Question No. 1(h)**

**Responding Witness: Jamie Roberts, Manager**

**Q-1(h). Refer to Farmdale District's Response to Commission Staff's First Request for Information (Staff's First Request), Item 1.**

**(h). State how much water loss is believed to be a result of "slow" meters.**

A-1(h). It is difficult to estimate how much of Farmdale District's water loss is from "slow" meters. Farmdale District believes that it could be as much as 20 to 25% of its water loss. As more meters are tested or replaced, Farmdale District will have a better estimate.