COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF THE U.S. 60	)	
WATER DISTRICT FOR A CERTIFICATE	)	
OF PUBLIC CONVENIENCE AND	)	
NECESSITY TO CONSTRUCT A SYSTEM	)	**Case No. 2023 - 00340**
IMPROVEMENTS PROJECT AND AN ORDER	)	
APPROVING A CHANGE IN RATES AND	)	
AUTHORIZING THE ISSUANCE OF SECURITIES	)	
PURSUANT TO KRS 278.023	)	

APPLICATION

This Electronic Application of the U.S. 60 Water District ("U.S. 60 District"), respectfully shows:

1. That U.S. 60 District is a water district created and existing under and by virtue of Chapter 74 of the Kentucky Revised Statutes.

2. That the post office address of U.S. 60 District is:

U.S. 60 Water District
c/o Mr. David Hedges, General Manager
P.O. Box 97
Bagdad, Kentucky 40003
Phone: (502) 747-8942
Fax: (502) 747-5048
email address: pete@northshelbywater.com

3. That U.S. 60 District, pursuant to the provisions of KRS 278.023, seeks (i) a Certificate of Public Convenience and Necessity permitting U.S. 60 District to construct improvements to its existing water system (the "Project"); (ii) an Order approving increased rates; and (iii) authorization to issue securities.

4. That the Project is described in **Exhibit "A"** attached hereto.

5. That U.S. 60 District proposes to finance the construction of the Project through (i) the issuance of $1,600,000 of its Waterworks Revenue Bonds; and (ii) a contribution from U.S. 60 District in the amount of $440,000. U.S. 60 District has a commitment from USDA, Rural Development (RD) to purchase said $1,600,000 of Bonds maturing over a 40-year period at an interest rate not to exceed 3.25% per annum as set out in the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

6. That U.S. 60 District does not contemplate having the Project constructed with any deviation from minimum construction standards of this Commission.

7. That U.S. 60 District files herewith the following Exhibits pursuant to 807 KAR 5:069, Section 2 in support of this Application:

A. Copy of RD Letter of Conditions, as amended, and Form RD 1940-1 Request for Obligation of Funds (**Exhibit "B"**).

B. Copy of RD Letter of Concurrence in Contract Award (**Exhibit "C"**).

C. Copy of Preliminary Engineering Report, Final Engineering Report with certified bid tabulations and Plans and Specifications on electronic storage medium in .pdf format.

D. Certified statement from the Chairman **(Exhibit "D")**, based upon statements of the Engineers for U.S. 60 District, concerning the following:

(1) The proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.

(2) All other state approvals or permits have been obtained;

(3) The proposed rates of U.S. 60 District shall produce the total revenue requirements recommended in the engineering reports; and

(4) Setting out the dates when it is anticipated that construction will begin and end.

8. That U.S. 60 District has complied with the "public postings" requirement of 807 KAR 5:069, Section 3(1)(a) and (b) by posting a copy of the Notice of Proposed Rate Change (the "Notice") (i) at its place of business; and (ii) within five (5) business days of the date this Application is submitted to the Commission, on it's website (www.us60water.com) along with a hyperlink to the location on the Commission's website where the case documents are available. at its place of business. U.S. 60 District has also arranged for the publication, prior to or at the same time this Application is filed, of the Notice pursuant to 807 KAR 5:069, Section 3(2) in the

newspapers of general circulation in U.S. 60 District's service area. Said Notice sets out the content requirements of 807 KAR 5:069, Section 3(4). A copy of said Notice is filed herewith as **Exhibit "E"**. U.S. 60 District shall file with this Commission no later than fifteen (15) days from the date this Application was initially filed, an affidavit and tearsheet from the publisher as required by 807 KAR 5:069 Section 3(3)(b).

9. That the foregoing constitutes the documents necessary to obtain the approval of this Commission in accordance with Section 278.023 of the Kentucky Revised Statutes and in accordance with the "Filing Requirements" specified in 807 KAR 5:069, Section 2.

WHEREFORE, U.S. 60 Water District asks that the Kentucky Public Service Commission grant the following:

a. A Certificate of Public Convenience and Necessity permitting U.S. 60 District to construct improvements to its existing water system.

b. An Order authorizing the issuance of securities, viz., $1,600,000 of bonds maturing over a 40-year period at an interest rate not to exceed 3.25% per annum.

c. An Order approving the proposed rates as set out in Section 3 of the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

U.S. 60 Water District

By: _____
Chairman
Board of Water Commissioners

_____
W. Randall Jones, Esq.
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7534
Fax: (502) 569-7555
wrjones@rubinhays.com

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF SHELBY)

The undersigned, Pat Hargadon, being duly sworn, deposes and states that he is the Chairman of the Board of Commissioners of the U.S. 60 Water District, Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this October 17, 2023.

Pat Hargadon, Chairman
U.S. 60 Water District

Subscribed and sworn to before me by Pat Hargadon, Chairman of the Board of Commissioners of the U.S. 60 Water District on this October 17, 2023.

My Commission expires: 6-24-26.

Notary Public

KYNP53801
Notary Public ID Number

EXHIBIT A

Project Description and Necessity

Exhibit A – Project Description and Necessity

The proposed project will upgrade, replace, and/or supplement various aging, undersized, and inadequate infrastructure components throughout the District's water distribution system. These components include an existing booster pump station, storage tank, and customer metering equipment. The improvements will ensure that the system can meet the demands of existing and future customers in a safe and efficient manner.

The existing 200,000-gallon Driscoll water storage tank is in need of a major renovation. The existing interior and exterior tank coating systems have reached the end of their useful life. Failures of the existing coating system are located sporadically throughout all surfaces. A few areas on the tank are beginning to show signs severe pitting and metal loss, however metal loss has been minimal up to this point. The piping arraignment for the tank is such that water enters and exits both from the tank floor. This results in poor tank turn-over and negatively impacts the systems overall water quality.

The existing Grafenburg booster pump station serves to fill the Driscoll water storage tank. The pump station is aging, deteriorated, and lacks the capacity needed to effectively supply the area. In addition to these capacity constraints, the existing station is below grade and subject to being inundated by runoff during periods of heavy rain. Given these various issues, the existing station should be replaced with an above ground structure.

According to District records and system operators, many of the existing customer water meters have been in the system for over ten (10) years, with some estimated to be in excess of fifteen (15) years. It is likely that these older meters are not effectively or accurately measuring customer usage. As meters age, it is universally accepted that accuracy suffers almost always in the favor of the customer, not the utility. The resulting outcome is a decrease in revenue and an increase in water loss or unsold water for the system. Therefore, the project proposed to replace a portion the District's existing meters, with modern metering equipment including radio read technology. In addition to the actual meters, a portion of the District's customer meter boxes or vaults are deteriorated or otherwise inadequate. This situation is estimated to represent approximately 40% of the total. These deficient boxes and lids should also be replaced at this time.

In order to correct the above-described deficiencies, the proposed project includes a complete replacement of the existing Grafenburg Booster Pump Station, a full-scale rehabilitation of the District's existing Driscoll Water Storage Tank, and the replacement of 1,000 existing conventional customer meters with radio read meters.

The new booster pump station will be an above ground structure equipped with modern high-efficiency equipment, pumps, and controls. This will include Variable Frequency Drives (VFD's) and an electromagnetic flow meter, both of which are lacking at the existing station. The capacity will be increased by approximately 150 GPM, with a total proposed pumping capacity of 400 GPM.

The tank rehabilitation will include various structural and other repairs, safety improvements, along with the complete removal and replacement of all interior and exterior coatings, a new control valve vault and piping modifications. The piping and control valve arraignment will be modified such that the tank will fill near the top and drain from the bottom of the bowl. This will greatly improve the turnover and reduce the production of disinfection byproducts.

The existing convention meters to be replaced with new radio read meters are located throughout the District's water system. The meter replacements included in the project represent the initial phase of meter replacements, with subsequent phases to follow in the future until all meters are upgraded to radio read technology. The proposed meters will be electromagnetic type which have no moving parts and high accuracy at all flow ranges.

EXHIBIT B

RD Letter of Conditions and Forms RD 1940-1

USDA

United States Department of Agriculture

Rural Development

Kentucky State Office

771 Corporate Drive
Suite 200
Lexington, KY
40503

Voice 859 224 7300
Fax 859 224 7425
TTY 859 224 7422

September 26, 2022

Pat Hargadon, Chairman
US 60 Water District
PO Box 94
Baghdad, KY 40003

SUBJECT: Letter of Conditions
Project Name: FY22 Water System Improvements
CFDA NUMBER – 10.760
RUS Loan: $1,600,000

Dear Chairman Hargadon

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA Rural Development (RD), both of which are referred to throughout this letter as the Agency. Any changes in project cost, source of funds, scope of project, or any other significant changes in the project or applicant must be reported to and concurred with by the Agency by written amendment to this letter. This includes any significant changes in the Applicant's financial condition, operation, organizational structure or executive leadership. Any changes made without Agency concurrence shall be cause for discontinuing processing of the application.

This letter does not constitute loan approval, nor does it ensure that funds are or will be available for the project. The funding is being processed on the basis of a loan not to exceed $1,600,000. The loan will be considered approved on the date Form RD 1940-1, "Request for Obligation of Funds" is signed by the Agency approval official.

The applicant will ensure projects are completed in a timely, efficient, and economical manner. You must meet all conditions set forth under Section III – Requirements Prior to Advertising for Bids within 1 year of this letter.

If you do not meet the conditions of this letter, the Agency reserves the right to withdraw Agency funding.

If you agree to meet the conditions set forth in this letter and desire further consideration be given to your application, please complete and return the following forms within 240 days:

Form RD 1942-46, "Letter of Intent to Meet Conditions"
Form RD 1940-1, "Request for Obligation of Funds"

All parties may access information and regulations referenced in this letter at our website located at https://www.rd.usda.gov/programs-services/water-environmental-programs/water-waste-disposal-loan-grant-program.

The conditions are as follows:

SECTION I - PROJECT SCOPE

1. **Project Description** – Funds will include a complete replacement of the existing Grafenburg Booster Pump Station and a full scale rehabilitation of the District's existing Driscoll Water Storage Tank. In addition, the replacement of approximately 1,000 existing conventional customer meters with radio read meter will be included.

Facilities will be designed and constructed in accordance with sound engineering practices and must meet the requirements of Federal, State, and local agencies. The proposed facility design must be based on the Preliminary Engineering Report (PER), prepared by Monarch Engineering, Inc dated January 2021 as concurred with by the Agency.

2. **Project Funding** – The Agency is offering the following funding for your project:

RUS Loan (Only) -	$ 1,600,000
TOTAL PROJECT COST -	$ 1,600,000

Any changes in funding sources following obligation of Agency funds must be reported to the processing official. Prior to loan closing, any increase in non-Agency funding will be applied first as a reduction to Agency grant funds, up to the total amount of the grant, and then as a reduction to Agency loan funds.

The applicant must certify that they have exhausted all other funding avenues and have no pending funding considerations from any other sources. Further, the applicant must certify that they do not intend to apply anywhere else for funding for this project. If, after obligation of Agency funds, other funding becomes available, the Agency reserves the right to deobligate any and all funding for this project and to re-underwrite. This may result in the offering of a different funding package for this project.

Prior to advertisement for construction bids, you must provide evidence of applicant contributions and 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.

3. **Project Budget** Funding from all sources has been budgeted for the estimated expenditures as follows:

Project Costs:	Total Budgeted:
Development	$ 1,225,000
Contingency	122,500
Engineering Fees	186,000
Interest - Interim	30,000
Land and Rights-of-Way	11,500
Legal Fees	25,000
TOTAL	$ 1,600,000

Project feasibility and funding will be reassessed if there is a significant change in project costs after bids are received. Obligated loan and/or grant funds not needed to complete the proposed project will be deobligated. Any reduction will be applied to Agency grant funds first. If actual project costs exceed the project cost estimates, an additional contribution by the Owner may be necessary. An "Amended Letter of Conditions" will be issued for any changes to the total project budget.

4. **Project Timeline** – To ensure that the project proceeds in a timely manner, key processing milestones have been established in accordance with the PER or other Agency approved documentation. **Projects should be completed and Agency funds fully disbursed within three years of obligation.** By agreeing to the terms herein, you agree to comply with the milestones identified below. If, for any reason, one or more of the milestones cannot be met, you must notify the Agency in writing at least 30 days prior to the referenced date. Should your final completion date become more than three years after obligation the written request will follow the procedures outlined in Section VI of this letter, including the submission of not less than 90 days prior to the benchmark. The correspondence must contain a valid explanation as to why the milestone cannot be met and include a proposed revised project completion schedule. If the Agency agrees to the modification, a written confirmation will be issued. The Agency reserves the right to de-obligate loan and/or grant funds, or take other appropriate action, if the established or amended deadlines are not met.

Milestone	Date
Land & Easement Acquisition	May 2022
Plans & Specifications, and Design Complete	November 2022
Permits Acquisition Complete	January 2023
Initial Advertisement for Bids	March 2023
Award Contract(s) Initiate Construction	June 2023
Substantial Completion	March 2024
Final Completion	May 2024

SECTION II – RATES & TERMS

5. **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.

Rate Schedule: 5/8 x 3/4-Inch (Residential)
First 1,000 Gallons @ $ 18.50 Minimum
Next 2,000 Gallons @ $ 9.90 Per 1,000 Gallons
Next 2,000 Gallons @ $ 8.40 Per 1,000 Gallons
All Over 5,000 Gallons @ $ 7.70 Per 1,000 Gallons

Rate Schedule: 1-Inch (Residential and Non-Residential)
First 5,000 Gallons @ $ 55.10 Minimum
All Over 5,000 Gallons @ $ 7.70 Per 1,000 Gallons

Rate Schedule: 1-1/2-Inch (Non-Residential)
First 15,000 Gallons @ $ 132.10 Minimum
All Over 15,000 Gallons @ $ 7.70 Per 1,000 Gallons

Rate Schedule: 2-Inch (Non-Residential)
First 25,000 Gallons @ $209.10 Minimum
All Over 25,000 Gallons @ $ 7.70 Per 1,000 Gallons

Rate Schedule: Bulk User Rate
First 1,000 Gallons @ $14.90 Minimum
All Over 1,000 Gallons @ $ 9.90 Per 1,000 Gallons

Rate Schedule: Wholesale Water Rates
First 25,000 Gallons @ $184.50 Minimum
All Over 25,000 Gallons @ $ 6.70 Per 1,000 Gallons

6. **Interest Rates and Loan Terms** – The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, unless you request otherwise. Should the interest rate be reduced, the payment will be recalculated to the lower amount. The payment due date will be established as the day that the loan closes.

Your loan will be scheduled for repayment over a period of 40years. Payments will be equal annual amortized installments, beginning one year after closing date. For planning purposes, use a 3.25% interest which provides for an annual payment of $72,048. The precise payment amount will be based on the interest rate at which the loan is closed and may be different than the one above.

7. **Security** – The loan will be secured by a Revenue bond with first lien, parity, or subordinate position in the amount of $1,600,000. The bond will be fully registered as to both principal and interest in the name of the "United States of America, Acting through the United States Department of Agriculture." Bond Counsel will be utilized in preparation of these documents.

The bond and any ordinance or resolution relating thereto must not contain any provision in conflict with the Agency Loan Resolution, applicable regulations, or associated laws. There must be no defeasance or refinancing clause in conflict with the graduation requirements of 7 U.S.C. 1983.

Additional security requirements are contained in RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)". A draft of all security instruments, including draft bond resolution, must be reviewed and concurred in by the Agency prior to advertising for bids. Bond/loan resolutions must be duly adopted and executed prior to loan closing.

Form UCC-1, "Financing Statement," with Form UCC-1Ad, "UCC Financing Statement Addendum," as appropriate, or other action as allowed by State statute, must be filed to perfect a security interest in collateral, including fixtures.

Additional security requirements are contained in RUS Bulletin 1780-28, "Loan Resolution Security Agreement," which also serves as an assignment of income.

8. **Reserves** – Reserves must be properly budgeted and set aside to maintain the financial viability and sustainability of any operation. Reserves are important to fund unanticipated emergency repairs, to assist with debt service should the need arise, and for the replacement of assets which have a useful life less than the repayment period of the loan. The following reserves are required to be established as a condition of this loan:

a. **Debt Service Reserve** – As a part of this Agency loan proposal, you must establish a debt service reserve fund equal to at least one annual loan installment that accumulates at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. For planning purposes, 10% of the proposed loan installment would equal $605 per month; this amount should be deposited monthly until a total of $72,600 has accumulated. Prior written concurrence from the Agency must be obtained before funds may be withdrawn from this account during the life of the loan. When funds are withdrawn during the life of the loan, deposits will continue as designated above until the fully funded amount is reached.

b. **Short-Lived Asset Reserve** – In addition to the debt service reserve fund, you must establish a short-lived asset reserve fund. Based on the PER, you must deposit at least $175,000 into the short-lived asset reserve fund annually for the life of the loan to pay for repairs and or replacement of major system assets. It is your responsibility to assess your facility's short-lived asset needs on a regular basis and adjust the amount deposited to meet those needs.

SECTION III –REQUIREMENTS PRIOR TO ADVERTISING FOR BIDS

9. **Organization** – The Bond Counsel transcripts of proceedings must show that your organization is a duly incorporated public body and has continued legal existence. Your organization must have the authority to own, construct, operate, and maintain the proposed facility, as well as for borrowing money, pledging security and raising revenues.

10. **Suspension and Debarment Screening** – You will be asked to provide information on the principals of your organization. Agency staff must conduct screening for suspension and debarment of the entity, as well as its principals through the Do Not Pay Portal.

Principal –

i. An officer, director, owner, partner, principal investigator, or other person within a participant with management or supervisory responsibilities related to a covered transaction; or

ii. A consultant or other person, whether or not employed by the participant or paid with federal funds, who –

1. Is in a position to handle federal funds;
2. Is in a position to influence or control the use of those funds; or,
3. Occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to perform the covered transaction. (2 CFR §180.995)

11. **Environmental Requirements** –At the conclusion of the proposal's environmental review process, specific action(s) were determined necessary to avoid or minimize adverse environmental impacts. As outlined in the Environmental Report (ER) dated October 2021 the following actions are required for successful completion of the project and must be adhered to during project design and construction:

a. The project shall be in compliance with all requirements noted in the Department for Local Government letter dated September 8, 2021, from Ms. Lee Nalley.

b. 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.

c. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.

d. Best Management Practices shall be incorporated into the project design, construction, and maintenance.

e. The design and construction shall be in compliance with the requirements of the U.S. Fish and Wildlife Service as requested by letter dated September 8, 2021, and signed by Virgil Lee Andrews, Jr., Field Supervisor.

The project, as proposed, has been evaluated to be consistent with the National Environmental Policy Act. Other Federal, State, tribal, and local laws, regulations and/or permits may apply or be required. If the project or any project element deviates from or is modified from the originally approved project, additional environmental review may be required.

12. **Engineering Services** – You have been required to complete an Agreement for Engineering Services, which should consist of the Engineers Joint Contract Documents Committee (EJCDC) documents as indicated in RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Documents on Water and Waste Projects with RUS Financial Assistance," or other approved form of agreement. The Agency will provide concurrence prior to advertising for bids and must approve any modifications to this agreement.

13. **Contract Documents, Final Plans, and Specifications-** All development will be completed by contract in accordance with applicable provisions of RUS Instruction 1780, Subpart C – Planning, Designing, Bidding, Contracting, Constructing and Inspections, (copy available upon request), and in compliance with all statutory requirements. You are responsible to share this with your engineer before pre-design.

a. The plans and specifications and all proposals required by law must be approved by Kentucky Division of Water.

b. In preparing final design and providing service to the planned project area, you and your engineer will comply with all zoning and planning requirements of the appropriate governing bodies where service is to be provided.

c. The Agency will need to concur in the plans and specifications prior to advertising for bids. The Agency may require an updated cost estimate if a significant amount of time has elapsed between the original project cost estimate and advertising for bids.

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

e. 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.

f. **American Iron and Steel Requirements.** 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) and subsequent statutes mandating domestic preference applies the American Iron and Steel (AIS) requirement to obligations made after May 5, 2017:

(1) No Federal funds made available for this fiscal year for the rural water, wastewater, 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.

(4) Owners are ultimately responsible for compliance with AIS requirements (as defined in RUS Bulletin 1780-35).

(a) ***Sign*** loan resolutions, grant agreements and letters of intent to meet conditions which include AIS language, accepting AIS requirements in those documents and in the letter of conditions.

(b) ***Sign*** agreements for engineering services, executed construction contracts and all other appropriate and necessary documents which include AIS language. Change Orders and Partial Payment Estimates: ***Acknowledge*** responsibility for compliance with AIS requirements by signing change orders (EJCDC C-941) and partial payment estimates (EJCDC C-620).

(c) Substantial completion of project: ***Obtain*** the certification letters from the consulting engineer and ***maintain*** this documentation for the life of the loan.

(d) *Special Cases*

i. Where Owner provides their own engineering, the Owner's responsibilities will include items listed in Section 5 of RUS Bulletin 1780-35.

ii. Where Owner performs their own construction, the Owner's responsibilities will include items listed in Section 6 of RUS Bulletin 1780-35.

iii. Where Owner directly procures AIS products, Owner must ***utilize*** EJCDC Procurement Series standard contract documents following RUS Bulletin 1780-26 Exhibit D and ***obtain*** manufacturers' certifications and provide copies to Engineer and Contractor.

14. **Legal Services** –A legal services agreement is required with your attorney and bond counsel, if applicable, for any legal work needed in connection with this project. The agreement should stipulate an hourly rate for the work, with a "not to exceed" amount for the services, including reimbursable expenses. RUS Bulletin 1780-7, "Legal Services Agreement," or similar format may be used. The Agency will provide concurrence prior to advertising for bids. Any changes to the fees or services spelled out in the original agreement must be reflected in an amendment to the agreement and have prior Agency concurrence.

15. **Property Rights** - Prior to advertising for bids, you and your legal counsel must furnish satisfactory evidence that you have adequate continuous and valid control over the lands and rights-of-way needed for the project. Acquisitions of necessary land and rights must be accomplished in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act. Such control over the lands and rights will be evidenced by the following:

a. **Right-of-Way Map** – Your engineer will provide a map clearly showing the location of all lands and rights-of-way needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
b. **Form RD 442-20, "Right-of-Way Easement"** – This form, or similar format, may be used to obtain any necessary easements for the proposed project.
c. **Form RD 442-21, "Right-of-Way Certificate"** – You will provide a certification on this form that all right-of-way requirements have been obtained for the proposed project.
d. **Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way"** – Your attorney will provide a certification and legal opinion on this form addressing rights-of-way, easements, and title.
e. **Preliminary Title Opinion** – When applicable, your attorney or title company will provide a preliminary title opinion for any property related to the facility, currently owned and to be acquired, along with copies of deeds, contracts or options for purchasing said property. Form RD 1927-9, "Preliminary Title Opinion," may be used.

The approving official may waive title defects or restrictions, such as utility easements, that do not adversely affect the suitability, successful operation, security value, or transferability of the facility. Any such waivers must be provided by the approving official in writing prior to closing or the start of construction, whichever occurs first.

You are responsible for the acquisition of all property rights necessary for the project and for determining that prices paid are reasonable and fair. The Agency may require an appraisal by an independent appraiser or Agency employee in order to validate the price to be paid.

16. **System Policies, Procedures, Contracts, and Agreements** – The facility must be operated on a sound business plan which involves adopting policies, procedures, and/or ordinances outlining the conditions of service and use of the proposed system. Mandatory connection policies should be used where enforceable. The policies, procedures, and/or ordinances must contain an effective collection policy for accounts not paid in full within a specified number of days after the date of billing. They should include appropriate late fees, specified timeframes for disconnection of service, and reconnection fees. A draft of these policies, procedures, and/or ordinances must be submitted for Agency review and concurrence, along with the documents below, before closing instructions may be issued unless otherwise stated.

a. **Conflict of Interest Policy** Prior to obligation of funds, you must certify in writing that your organization has in place up-to-date written standards of conduct covering conflict of interest. The standards of conduct must include disciplinary actions in the event of a violation by officers, employees, or agents of the borrower.

The standards identified herein apply to any parent, affiliate or subsidiary organization of the borrower that is not a state or local government, or Indian Tribe. Policies and accompanying documents shall be furnished to Rural Development upon request.

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. Disclosure must be in the form of a written letter signed and dated by the applicant's official. A negative disclosure in the same format is required if no conflicts are anticipated.

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.

Assistance in developing a conflict of interest policy is available through Agency-contracted technical assistance providers if desired.

b. **Water Purchase Contract** – You propose to purchase water from Shelbyville Municipal Water & Sewer Commission and Frankfort Electric & Water Plant Board. These purchase arrangements must be evidenced by a water purchase contract. A draft of the proposed contract must be submitted to the Agency for review and concurrence prior to advertising for bids. The draft contract must meet the requirements of 7 CFR 1780.62.
c. **Water User Agreement** – Projects not involving mandatory connection require users to execute a Water Users Agreement. The draft agreement must receive Agency concurrence prior to advertising for bids. RUS Bulletin 1780-9, "Water Users Agreement," or similar format may be used.
d. **Contracts for Other Services/Lease Agreement** – Drafts of any contracts or other forms of agreements for other services, including audit, management, operation, and maintenance, or lease agreements covering real property essential to the successful operation of the facility, must be submitted to the Agency for review and concurrence prior to advertising for bids.

Fully executed copies of any policies, procedures, ordinances, contracts, or agreements above must be submitted prior to loan closing, with the exception of the conflict of interest policy, which must be in place prior to obligation of funds.

17. **Closing Instructions** – The Agency will prepare closing instructions as soon as the requirements of the previous paragraphs are complete, as well as a draft of the security instrument(s). Both your bond and legal counsel must comply with these instructions when closing the Agency loan/grant.

18. **System Users** – This letter of conditions is based upon your indication at application that there will be at least 2,542 residential users, and 17 non-residential users on the existing system when construction is completed.

Before the Agency can agree to the project being advertised for construction bids, you must certify that the number of users indicated at application are currently using the system or signed up to use the system once it is operational.

If the actual number of existing and/or proposed users that have signed up for service is less than the number indicated at the time of application, you must provide the Agency with a written plan on how you will obtain the necessary revenue to adequately cash flow the expected operation, maintenance, debt service, and reserve requirements of the proposed project (e.g., increase user rates, sign up an adequate number of other users, reduce project scope, etc.). Similar action is required if there is cause to modify the anticipated flows or volumes presented following approval.

a. **Water User Agreements** – Users will be required to execute a Water Users Agreement prior to advertising for construction bids. The amount of cash contributions required will be set by you and concurred with by the Agency. Contributions should be an amount high enough to indicate sincere interest on the part of the potential user, but not so high as to preclude service to low-income families, and must have a deadline for the contribution to be used or forfeited. RUS Bulletin 1780-9, "Water Users Agreement," or similar agreement may be used.

19. **Construction Account** – A separate construction account is not required for project funds. However, the recipient must be able to separately identify, report and account for all Federal funds, including the receipt, obligation and expenditure of funds, in accordance with 2 CFR 200.305. These funds must be deposited in a bank with Federal Deposit Insurance Corporation (FDIC) insurance coverage. **If the balances at the financial institution where federal funds will be deposited exceeds the FDIC insurance coverage, the excess amount must be collaterally secured up to 100 percent of the highest amount of funds expected to be deposited in the account at any one time, per the Department of Treasury regulations and requirements.**

20. **Interim Financing** – The Agency's policy is to utilize interim financing for all loans exceeding $500,000. Prepayment penalties on interim financing are not allowed. Borrowers are required to seek interim financing initially from private or cooperative lenders if funds can be borrowed at reasonable interest rates on an interim basis from those sources for the construction period. The fact that a commercial lender's rates are higher than current Agency interest rates does not necessarily mean that the commercial rate is not reasonable.

21. **Proposed Operating Budget** – You must establish and/or maintain a rate schedule that provides adequate income to meet the minimum requirements for operation and maintenance (O and M), debt service, and reserves. Prior to advertising for bids, you must submit a proposed annual operating budget to the Agency, as well as your proposed rate schedule. The operating budget should be based on a typical year cash flow after completion of the construction phase and should be signed by the appropriate official of your organization. Form RD 442-7, "Operating Budget," or similar format may be utilized for this purpose.

It is expected that O and M expenses will change over each successive year and user rates will need to be adjusted on a regular basis.

Technical assistance is available at no cost to help you evaluate and complete a rate analysis on your system. This assistance is available free to your organization. If you are interested, please contact our office for information.

22. **Permits** –The owner or responsible party will be required to obtain all applicable permits for the project, prior to advertising for bids. The consulting engineer must submit written evidence that all applicable permits required prior to construction have been obtained with submission to the Agency of the final plans, specifications, and bid documents.

23. **Risk and Resilience Assessment/Emergency Response Plan (RRA/ERP)** The Agency requires all financed water and wastewater systems to have a RRA/ERP in place. New water or wastewater systems must provide a certification that an ERP is complete prior to the start of operation, and a certification that an RRA is complete must be submitted within one year of the start of operation. Borrowers with existing systems must provide a certification that an RRA/ERP has been completed prior to advertising for bids. Technical assistance is available in preparing these documents at no cost to you.

Before funds are drawn, you should have in place a cybersecurity plan, a supply chain plan, and a plan to comply with cybersecurity requirements of the National Institute of Standards and Technology and the Cybersecurity and Infrastructure Security Agency. These items should be addressed in the RRA/ERP.

The RRA/ERP documents themselves are not submitted to the Agency. The RRA/ERP must address potential impacts from natural disasters and other emergency events. It should include plans to address impacts of flash flooding in areas where severe drought or wildfires occur. The documents should be reviewed and updated every five years at a minimum.

24. **Bid Authorization** - Once all the conditions outlined in Section III of this letter have been met, the Agency will authorize you to advertise the project for construction bids. Such advertisement must be in accordance with applicable State statutes.

SECTION IV - REQUIREMENTS PRIOR TO START OF CONSTRUCTION

25. **Disbursement of Agency Funds** - Agency funds will be disbursed electronically into the construction account as they are needed. SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form," must be completed and submitted to the Agency prior to commencement of construction.

The order of disbursement is as follows: 1) Applicant contribution, 2) other funding sources, 3) interim financing or Agency loan funds, and 4) Agency grant funds. Interim financing or Agency loan funds will be expended after all other funding sources unless a written agreement is reached with all other funding sources on how funds are to be disbursed prior the first disbursement.

Interim financing funds or Agency loan funds must be used prior to the use of Agency grant funds. Agency Grant funds must not be disbursed prior to loan funds except as authorized in 7 CFR 1780.45(d).

26. **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 Section III 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 percent 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 deobligated 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 deobligated, with grant funds being deobligated first. Excess funds do not include contingency funds as described in this letter.

27. **Suspension and Debarment Screening** – In accordance with 2 CFR Part 180, Subpart C, as a condition of the transaction and the responsibilities to persons at the next lower tier with whom you enter into transactions, you must conduct screening for suspension and debarment of lower tier recipients (e.g., vendors, contractors, etc.).

28. **Contract Review** – Your attorney will certify that the executed contract documents, including performance and payment bonds, if required, are adequate and that the persons executing these documents have been properly authorized to do so in accordance with 7 CFR 1780.61(b).

Once your attorney has certified that they are acceptable, the contract documents will be submitted to the Agency for concurrence. Construction cannot commence until the Agency has concurred in the construction contracts.

29. **Final Rights of Way** – Your attorney or title company must furnish a separate final title opinion or Title Insurance Policy on all real property related to the facility, now owned and to be acquired for this project, as of the day of loan closing or start of construction, whichever occurs first. Form RD 1927-10, "Final Title Opinion" may be used.

If any of the right-of-way forms listed previously in this letter contain exceptions that do not adversely affect the suitability, successful operation, security value, or transferability of the facility, the approving official must provide a written waiver prior to the issuance of the Notice to Proceed.

30. **Insurance and Bonding Requirements** - Prior to the start of construction or loan closing, whichever occurs first, you must acquire and submit to the Agency proof of the types of insurance and bond coverage for the borrower shown below. The use of deductibles may be allowed, providing you have the financial resources to cover potential claims requiring payment of the deductible. The Agency strongly recommends that you have your engineer, attorney, and insurance provider(s) review proposed types and amounts of coverage, including any exclusions and deductible provisions. It is your responsibility and not that of the Agency to assure that adequate insurance and fidelity bond coverage is maintained.

a. **General Liability Insurance** – Include vehicular coverage.
b. **Workers' Compensation** – In accordance with appropriate State laws.
c. **Guaranty or Fidelity Insurance**–Coverage for all persons who have access to funds, including persons working under a contract or management agreement. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees. Each position is to be insured in an amount equal to the maximum amount of funds expected to be under the control of that position at any one time. The minimum coverage allowed will be an amount equal to the total annual debt service payment on the Agency loans. The coverage may be increased during construction based on the anticipated monthly advances.
d. **National Flood Insurance** - If the project involves acquisition or construction in a designated special flood area, the community in which the acquisition or construction is situated must be currently participating in the national flood insurance program. Additionally, if the project involves acquisition or constriction in designated special flood or mudslide prone areas, a flood insurance policy must be in place at the time of loan closing.
e. **Real Property Insurance** – Fire and extended coverage will normally be maintained on all structures except reservoirs, pipelines and other structures if such structures are not normally insured, and subsurface lift stations except for the value of electrical and pumping equipment. The Agency will be listed as mortgagee on the policy when the Agency has a lien on the property. Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all facilities identified above.

The Agency is to be listed as "Other Insured" so as to receive notifications on all insurance, regardless of security. Insurance types described above are required to be continued throughout the life of the loan. See Section VII.

31. **Initial Civil Rights Compliance Review** – The Agency will conduct an initial civil rights compliance review of the borrower prior to loan closing or start of construction, whichever occurs first, in accordance with 7 CFR 1901, Subpart E.

You are expected to comply with the completion of the review, including the furnishing of any documents, records, or other applicable material.

SECTION V – REQUIREMENTS PRIOR TO CLOSING

32. **Interim Financing.** Interim financing is being used. Generally, loan closing will occur near the end of construction when interim funds are fully disbursed. Documents detailed above from Sections II and III regarding security, electronic payments (Form 3550-28), and system policies, procedures, contracts, and agreements must be adopted and/or executed and submitted to the Agency prior to loan closing.

33. **Electronic Payments** – Payments will be made through an electronic preauthorized debit system. You will be required to complete Form RD 3550-28, "Authorization Agreement for Preauthorized Payments," for all new and existing indebtedness to the Agency prior to loan closing.

34. **Other Requirements** – All requirements contained in the Agency's closing instructions, as well as any requirements of your bond counsel and/or attorney, must be met prior to loan closing.

a. **System for Award Management**. You will be required to maintain a Unique Entity ID (UEI) and maintain an active registration in the System for Award Management (SAM) database. Renewal can be completed online at: http://sam.gov. This registration must be renewed and revalidated every 12 months for as long as there is an active loan, grant, or guaranteed loan with the Agency.

   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).

b. **Litigation.** You are required to notify the Agency within 30 days of receiving notification of being involved in any type of litigation prior to loan closing or start of construction, whichever occurs first. Additional documentation regarding the situation and litigation may be requested by the Agency.

c. **Certified Operator**. Evidence must be provided that your system has or will have a certified operator, as defined by applicable State or Federal requirements, available prior to the system becoming operational, or that a suitable supervisory agreement with a certified operator is in effect.

SECTION VI – REQUIREMENTS DURING CONSTRUCTION AND POST CONSTRUCTION

35. **Construction Completion Timeframe** – Following the benchmarks established in Section I, Item 4, Project Timeline, all projects should be completed and Agency funds fully disbursed within three years of the date of obligation. If funds are not disbursed within three years of obligation and you have not already done so per Section I, Item 4, you must submit a written request for extension of time to the Agency with adequate justification of the circumstances, including any beyond your control. The request must be submitted at least 90 days prior to the end of the three-year timeframe and include a revised estimated date of completion. The Agency will typically only allow one extension. Subsequent requests for waivers beyond the initial extension or requests that exceed five years from the initial date of obligation will be submitted to the RUS, Water and Environmental Programs for consideration. The Agency retains the right to de-obligate any loan and/or grant monies, or take other appropriate action, related to unliquidated funds that exceed the timeframes above and are not under an active extension.

36. **Resident Inspector(s)** – Full-time inspection is required unless you request an exception. Such requests must be made in writing and the Agency must provide written concurrence. Inspection services are to be provided by the consulting engineer unless other arrangements are requested in writing and concurred with by the Agency. A resume of qualifications of any resident inspector(s) will be submitted to the owner and Agency for review and concurrence prior to the pre-construction conference. The resident inspector(s) must attend the preconstruction conference.

37. **Preconstruction Conference** – A preconstruction conference will be held prior to the issuance of the Notice to Proceed. The consulting engineer will review the planned development with the Agency, owner, resident inspector, attorney, contractor, other funders, and other interested parties, and will provide minutes of this meeting to the owner and Agency.

38. **Inspections** - The Agency requires a preconstruction conference, pre-final, final, and warranty inspections. Your engineer will schedule a warranty inspection with the contractor and the Agency before the end of the [one-year] warranty period to address and/or resolve any outstanding warranty issues. The Agency will conduct an inspection with you of your records management system at the same time and will continue to inspect the facility and your records system every three years for the life of the loan. See Section VII of this letter.

39. **Change Orders** – A Change Order must be submitted for all modifications to the approved scope of work, including existing contracts. This includes non-physical modifications such as any time extension requests. Prior written Agency concurrence is required for all Change Orders.

40. **Payments** – Prior Agency concurrence is required for all invoices and requests for payment before Agency funds will be released. Requests for payment related to a contract or service agreement will be signed by the owner, project engineer, and contractor or service provider prior to Agency concurrence. Invoices not related to a construction contract or service agreement will include the owner's written concurrence.

41. **Use of Remaining Funds** - As stated above, applicant contribution and connection or tap fees will be the first funds expended in the project. Funds remaining after all costs incident to the basic project have been paid or provided will be handled as follows:

a. Funds remaining after the applicant contribution and connection fees may be considered in direct proportion to the amounts of funding obtained from each source. The use of Agency funding will be limited to eligible loan and grant purposes, provided the use will not result in major changes to the original scope of work and the purpose of the loan and grant remains the same.
b. Any reductions in the Agency funding will be first applied to the grant funds.
c. Under no circumstances is it appropriate to use remaining funds as contributions to a new project outside the scope of the funded project.
d. Loan funds that are not needed will be cancelled (de-obligated) prior to loan closing.

42. **Technical, Managerial and Financial Capacity** - It is required that members of the Board of Directors, City Council members, trustees, commissioners and other governing members possess the necessary technical, managerial, and financial capacity skills to consistently comply with pertinent Federal and State laws and requirements. It is recommended members receive training within one year of appointment or election to the governing board, and a refresher training for all governing members on a routine basis. The content and amount of training should be tailored to the needs of the individual and the utility system. Technical assistance providers are available to provide this training for your organization, often at no cost. Contact the Agency for additional information.

43. **Reporting Requirements Related to Expenditure of Funds** -- An annual audit under 2 CFR 200 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. 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. Both the audit and accompanying management report must be submitted for review.

If an audit is required, you must enter into a written agreement with the auditor and submit a copy of that agreement to the Agency prior to the advertisement of construction bids. The audit agreement may include terms and conditions that the borrower and auditor deem appropriate; however, the agreement should include the type of audit to be completed, the time frame in which the audit will be completed, and how irregularities will be reported.

SECTION VII – SERVICING REQUIREMENTS DURING THE TERM OF THE LOAN

44. **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 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.*

45. **Annual Financial Reporting/Audit Requirements** – You are required to submit an annual financial report at the end of each fiscal year. The annual report will be certified by the appropriate organization official, and will consist of financial information, a current rate schedule, and listing of board members with their terms. Financial statements must be prepared on an accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The annual report will include separate reporting for each water and waste disposal facility, and itemized cash accounts by type (debt service, short-lived assets, etc.) under each facility. All records, books and supporting material are to be retained for three years after the issuance of the annual report. Technical assistance is available, at no cost, with preparing financial reports.

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

a. **Audits** – An 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.

   See Section VI for additional information regarding audits.

b. **Financial Statements** – If you expend less than $750,000 in Federal financial assistance per fiscal year, you may submit financial statements in lieu of an audit which include, at a minimum, a balance sheet and an income and expense statement. You may use Form RD 442-2, "Statement of Budget, Income and Equity," and 442-3, "Balance Sheet," or similar format to provide the financial information. The financial statements must be signed by the appropriate borrower official and submitted within 60 days of your fiscal year end.

46. **Annual Budget and Projected Cash Flow** - Thirty days prior to the beginning of each fiscal year, you will be required to submit an annual budget and projected cash flow to this office. The budget must be signed by the appropriate borrower official. Form RD 442-2, "Statement of Budget, Income and Equity," or similar format may be used.

Technical assistance is available at no cost to help you evaluate and complete a rate analysis on your system, as well as completing the annual budget.

47. **Graduation** - By accepting this loan, you are also agreeing to refinance (graduate) the unpaid loan balance in whole, or in part, upon request of the Government. If at any time the Agency determines you can obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms, you will be requested to refinance. Your ability to refinance will be assessed every other year for those loans that are five years old or older.

48. **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.

49. **System for Award Management**. You will be required to maintain a Unique Entity ID (UEI) and maintain an active registration in the System for Award Management (SAM) database. Further information can be found at paragraph 33 of this letter.

50. **Risk and Resiliency Assessment/Emergency Response Plan (RRA/ERP)** – The RRA/ERP is further outlined under Section III of this letter. You will be required to submit a certification to the servicing office every five years that the RRA/ERP is current and covers all sites related to the facility. The RRA/ERP documents themselves are not submitted to the Agency. The RRA/ERP must address potential impacts from natural disasters and other emergency events. It should include plans to address impacts of flash flooding in areas where severe drought or wildfires occur. Technical assistance is available in preparing these documents at no cost to you.

51. **Insurance**. – Insurance requirements are further outlined in Section IV of this letter. You will be required to maintain insurance on the facility and employees as previously described in this letter for the life of the loan.

52. **Statutory and National Policy Requirements** – As a recipient of Federal funding, you are required to comply with U.S. statutory and public policy 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 Agency 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 7 CFR 1901, Subpart E, 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.

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."

f. **Controlled Substances Act** - Even though state law may allow some activities, as a recipient of Federal funding, you are subject to the Controlled Substances Act. Specific questions about the Controlled Substances Act should be directed to the Servicing Official who will contact the Office of General Counsel, as appropriate.

53. **Compliance Reviews and Data Collection** – 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 regular compliance reviews.

The Agency will conduct regular compliance reviews of the borrower and its operation in accordance with 7 CFR Part 1901, Subpart E, and 36 CFR 1191, Americans with Disabilities Act (ADA) Accessibility Guidelines for Buildings and Facilities; Architectural Barriers Act (ABA) Accessibility Guidelines. Compliance reviews will typically be conducted in conjunction with the security inspections described in this letter.

If beneficiaries (users) are required to complete an application or screening for the use of the facility or service that you provide, you must request and collect data by race (American Indian or Alaska Native, Asian, Black or African American, White); ethnicity (Hispanic or Latino, Not Hispanic or Latino); and by sex. The Agency will utilize this data as part of the required compliance review.

SECTION VIII – REMEDIES FOR NON-COMPLIANCE

Non-compliance with the conditions in this letter or requirements of your security documents will be addressed under the provisions of Agency regulations, statutes, and other applicable policies.

We look forward to working with you to complete this project. If you have any questions, please contact Greg Pridemore at 502-633-3294 Ext. 4029 or by e-mail at Greg.Pridemore@usda.gov.

Sincerely,

THOMAS CAREW

Digitally signed by THOMAS CAREW
Date: 2022.09.26 08:15:36 -04'00'

DR. THOMAS E. CAREW
State Director

Attachments

cc: Field Director – Shelbyville, Kentucky
Field Specialist – Shelbyville, Kentucky
KIPDA ADD – Louisville, Kentucky
Randy Jones, Rubin & Hays – Louisville, Kentucky
David Bullock, Riggs, Pippin, & Bullock PSC – Shelbyville, Kentucky
Lee Mudd, Monarch Engineering – Lawrenceburg, Kentucky
PSC – ATTN: Linda Bridwell – Frankfort, Kentucky

FORMS and BULLETINS:

Form AD-3031 "Assurance Regarding Felony Convictions or Tax Delinquent Status for Corporate Applicants" – Item 30
Internal Revenue Service Form 1023, Appendix A, "Sample Conflict of Interest Policy" - Item 15
Form RD 440-22, "Promissory Note" – Item 6
Form RD 442-2, "Statement of Budget, Income and Equity" – Items 45 and 46
Form RD 442-3, "Balance Sheet" – Item 45
Form RD 442-7, "Operating Budget" – Item 20
Form RD 442-20, "Right-of-Way Easement" – Item 14
Form RD 442-21, "Right-of-Way Certificate" – Item 14
Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way" – Item 14
Form RD 1927-9, "Preliminary Title Opinion" – Item 14
Form RD 1927-10, "Final Title Opinion" – Item 28
Form RD 1940-1, "Request for Obligation of Funds" – Pages 1 and 2
Form RD 1942-8, "Resolution of Members or Stockholders" – Item 6
Form RD 1942-46, "Letter of Intent to Meet Conditions" – Page 2
Form RD 3550-28, "Authorization Agreement for Preauthorized Payments" – Items 32 and 33
Form UCC-1, "Financing Statement" – Item 6
Form UCC-1Ad, "UCC Financing Statement Addendum" – Item 6
SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form" – Item 24
RUS Bulletin 1780-7, "Legal Services Agreement" – Item 13
RUS Bulletin 1780-9, "Water Users Agreement" - Items 15 and 17
RUS Bulletin 1780-12, "Water and Waste System Grant Agreement" – Item 6
RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Documents on Water and Waste Projects with RUS Financial Assistance" – Items 11 and 12
RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)" – Item 6
RUS Bulletin 1780-28, "Loan Resolution Security Agreement" – Item 6

Appendix A
(INSTRUCTIONS TO FIELD)

A. Reporting Total Compensation of Recipient Executives

In the rare instance in which all of the following apply, please contact your POB Specialist for language to include in the LOC:

1. The total Federal funding authorized to date under this award is $30,000 or more:

2. In the preceding fiscal year, the applicant received—

   (A) 80 percent or more of their annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards); and

   (B) $25,000,000 or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards); and

3. The public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. (To determine if the public has access to the compensation information, see the U.S. Security and Exchange Commission total compensation filings at http://www.sec.gov/answers/execomp.htm.)

B. Subaward and Subrecipients

In the rare instance in which there is a subrecipient in the project, please contact your POB Specialist for language to include in the LOC:

Subrecipient means an entity that:

i. Receives a subaward from the recipient under this award: and

ii. Is accountable to the recipient for the use of the Federal funds provided by the subaward.

   a. Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program.

USDA
United States Department of Agriculture

Rural Development

Kentucky State Office

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Suite 200
Lexington, KY
40503

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TTY 859.224.7422

October 13, 2023

Pat Hargadon, Chairman
U.S. 60 Water District
P.O. Box 97
Bagdad, KY 40003

SUBJECT: Letter of Conditions
U.S. 60 Water District
Project Name: FY 22 Water System Improvements
CFDA NUMBER – 10.760

RUS Loan: $1,600,000

Dear Chairman Hargadon:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated September 26, 2022. The purpose of this amendment is to revise project budget and funding to include applicant contribution of $440,000 as result of cost overrun.

Paragraph numbered "3" is revised to read as follows:

1. Project Budget – Funding from all sources has been budgeted for the estimated expenditures as follows:

Project Costs:	**Total Budgeted:**
Administration	$ 5,000
Development	1,629,893
Contingency	160,607
Engineering Fees	186,000
Includes:	
Preliminary Engineering Report	10,000
Environmental Report	5,000
Design	105,000
Resident Project Representation (Inspection)	66,000
Interest - Interim	30,000
Land and Rights-of-Way	8,500
Legal Fees	20,000
TOTAL	$2,040,000

Obligated loan not needed to complete the proposed project will be de-obligated. If actual project costs exceed the project cost estimates, an additional contribution by the Owner may be necessary. An "Amended Letter of Conditions" will be issued for any changes to the total project budget.

Paragraph numbered "2" is revised to read as follows:

2. **Project Funding** – The Agency is offering the following funding for your project:

RUS Loan -	$ 1,600,000

This offer is based upon the following additional funding being obtained.

U.S. 60 Water District -	$ 440,000
TOTAL PROJECT COST -	$ 2,040,000

Any changes in funding sources following obligation of Agency funds must be reported to the processing official.

The applicant must certify that they have exhausted all other funding avenues and have no pending funding considerations from any other sources. Further, the applicant must certify that they do not intend to apply anywhere else for funding for this project. If other funding becomes available, the Agency reserves the right to deobligate any and all funding for this project and to re-underwrite. This may result in the offering of a different funding package to for this project.

Paragraph numbered "5" is revised to read as follows:

3. "**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.

Rate Schedule: 5/8 x 3/4 – Inch (Residential)
First 1,000 Gallons @ $18.57 Minimum
Next 2,000 Gallons @ $9.97 Per 1,000 Gallons
Next 2,000 Gallons @ $8.47 Per 1,000 Gallons
Over 5,000 Gallons @ $7.77 Per 1,000 Gallons

Rate Schedule: 1- Inch (Residential and Non- Residential)
First 5,000 Gallons @ $55.45 Minimum
All Over 5,000 Gallons @ $7.77 Per 1,000 Gallons

Rate Schedule: 1- 1/2 (Non-Residential)
First 15,000 Gallons @ $133.15 Minimum
All Over 15,000 Gallons @ $7.77 Per 1,000 Gallons

Rate Schedule: 2- Inch (Non -Residential)
First 25,000 Gallons @ $210.85 Minimum
Over 25,000 Gallons @ $7.77 Per 1,000 Gallons

Rate Schedule: Bulk User Rate
First 1,000 Gallons @ $14.97 Minimum
All Over 1,000 Gallons @ $9.97 Per 1,000 Gallons

Rate Schedule: Wholesale Water Rates
First 25,000 Gallons @ $186.25 Minimum
All Over 25,000 Gallons @ $6.77 Per 1,000 Gallons

All other provisions of the referenced Letter of Conditions remain in full force and unchanged.

Sincerely,

THOMAS CAREW

Digitally signed by THOMAS CAREW
Date: 2023.10.13 14:04:49 -04'00'

Dr. Thomas E. Carew
State Director

cc: Community Programs Director, USDA Rural Development,
Field Specialist – Shelbyville, Kentucky
KIPDA ADD – Louisville, Kentucky
Randy Jones, Rubin & Hays – Louisville, Kentucky
David Bullock, Riggs, Pippin, & Bullock PSC – Shelbyville, Kentucky
Lee Mudd, Monarch Engineering – Lawrenceburg, Kentucky
PSC – Frankfort, Kentucky

USDA
Form RD 1940-1
(Rev. 06-10)

REQUEST FOR OBLIGATION OF FUNDS

FORM APPROVED
OMB No. 0570-0062

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED ( )
Complete Items 1 through 29 and applicable Items 30 through 34. See FMI.

1. CASE NUMBER ST CO BORROWER ID 21-006-*****3648	LOAN NUMBER	FISCAL YEAR
2. BORROWER NAME US 60 Water District	3. NUMBER NAME FIELDS (1, 2, or 3 from Item 2)	
	4. STATE NAME Kentucky	
	5. COUNTY NAME Shelby	

GENERAL BORROWER/LOAN INFORMATION

6. RACE/ETHNIC CLASSIFICATION	7. TYPE OF APPLICANT	8. COLLATERAL CODE	9. EMPLOYEE RELATIONSHIP CODE
1 - WHITE 4 - HISPANIC 2 - BLACK 5 - A.P.I. 3 - AIAN	1 - INDIVIDUAL 6 - ORG. OF FARMERS 2 - PARTNERSHIP 7 - NONPROFIT-SECULAR 3 - CORPORATION 8 - NONPROFIT-FAITH BASED 4 - PUBLIC BODY 9 - INDIAN TRIBE 5 - ASSOC. OF FARMERS 10 - PUBLIC COLLEGE/UNIVERSITY 11 - OTHER 4	1 - REAL ESTATE SECURED 4 - MACHINERY ONLY 2 - REAL ESTATE AND CHATTEL 5 - LIVESTOCK ONLY 3 - NOTE ONLY OR CHATTEL ONLY 6 - CROPS ONLY 7 - SECURED BY BONDS 8 - RLF ACCT 7	1 - EMPLOYEE 2 - MEMBER OF FAMILY 3 - CLOSE RELATIVE 4 - ASSOC

10. SEX CODE	11. MARITAL STATUS	12. VETERAN CODE	13. CREDIT REPORT
3 - FAMILY UNIT 4 - ORGAN MALE OWNED 5 - ORGAN FEMALE OWNED 6 - PUBLIC BODY 6 1 - MALE 2 - FEMALE	1 - MARRIED 3 - UNMARRIED (INCLUDES 2 - SEPARATED WIDOWED DIVORCED)	1 - YES 2 - NO	1 - YES 2 - NO 2

14. DIRECT PAYMENT	15. TYPE OF PAYMENT	16. FEE INSPECTION
3 (See FMI)	1 - MONTHLY 3 - SEMI-ANNUALLY 2 - ANNUALLY 4 - QUARTERLY 2	1 - YES 2 - NO 2

17. COMMUNITY SIZE	18. USE OF FUNDS CODE
1 - 10,000 OR LESS (FOR SFH AND 2 - OVER 10,000 HPG ONLY)	(See FMI)

COMPLETE FOR OBLIGATION OF FUNDS

19. TYPE OF ASSISTANCE	20. PURPOSE CODE	21. SOURCE OF FUNDS	22. TYPE OF ACTION
061 (See FMI)	3		1 - OBLIGATION ONLY 2 - OBLIGATION/CHECK REQUEST 3 - CORRECTION OF OBLIGATION 1

23. TYPE OF SUBMISSION	24. AMOUNT OF LOAN	25. AMOUNT OF GRANT
1 - INITIAL 2 - SUBSEQUENT 2	$1,600,000.00	

26. AMOUNT OF IMMEDIATE ADVANCE	27. DATE OF APPROVAL	28. INTEREST RATE	29. REPAYMENT TERMS
	MO DAY YR 09 27 22	3.2500 %	40

COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS

30. PROFIT TYPE	
1 - FULL PROFIT 2 - LIMITED PROFIT 3 - NONPROFIT	

COMPLETE FOR EM LOANS ONLY	COMPLETE FOR CREDIT SALE-ASSUMPTION
31. DISASTER DESIGNATION NUMBER (See FMI)	32. TYPE OF SALE 1 - CREDIT SALE ONLY 2 - ASSUMPTION ONLY 3 - CREDIT SALE WITH SUBSEQUENT LOAN 4 - ASSUMPTION WITH SUBSEQUENT LOAN

FINANCE OFFICE USE ONLY	COMPLETE FOR FP LOANS ONLY
33. OBLIGATION DATE MO DA YR	34. BEGINNING FARMER/RANCHER (See FMI)

If the decision contained above in this form results in denial, reduction, or termination of USDA assistance, you may appeal this decision and have a hearing or you may request review to be followed by hearing. Please use the form we have included for this purpose.

Position 2

ORIGINAL - Borrower's Case Folder COPY 1 - Finance Office COPY 2 - Applicant/Lender COPY 3 - State Office

CERTIFICATION APPROVAL

For All Farmers Programs — EM, OL, FO, and SW Loans

This loan is approved subject to the availability of funds. If this loan does not close for any reason within 90 days from the date of approval on this document, the approval official will request updated eligibility information. The undersigned loan applicant agrees that the approval official will have 14 working days to review any updated information prior to submitting this document for obligation of funds. If there have been significant changes that may affect eligibility, a decision as to eligibility and feasibility will be made within 30 days from the time the applicant provides the necessary information.

If this is a loan approval for which a lien and/or title search is necessary, the undersigned applicant agrees that the 15-working-day loan closing requirement may be exceeded for the purposes of the applicant's legal representative completing title work and completing loan closing.

35. COMMENTS AND REQUIREMENTS OF CERTIFYING OFFICIAL

Approval of financial assistance is subject to the provisions of the Letter of Conditions dated September 26, 2022, and any amendments thereto.

9/27/22 Obligation entered over terminal @ 10:09 am aor

36. I HEREBY CERTIFY that I am unable to obtain sufficient credit elsewhere to finance my actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near my community for loans for similar purposes and periods of time. I agree to use the sum specified herein, subject to and in accordance with regulations applicable to the type of assistance indicated above, and request payment of such sum. I agree to report to USDA any material adverse changes, financial or otherwise, that occur prior to loan closing. I certify that no part of the sum specified herein has been received. I have reviewed the loan approval requirements and comments associated with this loan request and agree to comply with these provisions.

(For FP loans at eligible terms only) If this loan is approved, I elect the interest rate to be charged on my loan to be the lower of the interest rate in effect at the time of loan approval or loan closing. If I check "NO", the interest rate charged on my loan will be the rate specified in Item 28 of this form _____ YES _____ NO

WARNING: **Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."**

Date 26 Sept, 20 22 — Pat Hargadon Chairman

(Signature of Applicant)

Date _____, 20 ___ — _____

(Signature of Co-Applicant)

37 I HEREBY CERTIFY that all of the committee and administrative determinations and certifications required by regulations prerequisite to providing assistance of the type indicated above have been made and that evidence thereof is in the docket, and that all requirements of pertinent regulations have been complied with. I hereby approve the above-described assistance in the amount set forth above, and by this document, subject to the availability of funds, the Government agrees to advance such amount to the applicant for the purpose of and subject to the availability prescribed by regulations applicable to this type of assistance.

(Signature of Approving Official)

Typed or Printed Name: Dr. Thomas E. Carew

Date Approved 9/27/22 — Title State Director

38 TO THE APPLICANT: As of this date 10/5/22 aor, this is notice that your application for financial assistance from the USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the USDA. If you have any questions contact the appropriate USDA Servicing Office.

EXHIBIT C

RD Letter of Concurrence in Contract Award

USDA

United States Department of Agriculture

Rural Development

Kentucky State Office

771 Corporate Drive,
Suite 200
Lexington, KY
40503

Voice 859.224.7300
Fax 859.224.7425
TTY 859.224.7422

October 11, 2023

SUBJECT: U.S. 60 WD
2021 Water Improvements
Contract Award Concurrence

TO: State Office
Lexington, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of subject contract to the low bidder on Contract 1, Cumberland Pipeline, LLC, in the amount of $1,386,743 and the low bidder on Contract 2, Currens Construction, LLC, in the amount of $243,150.

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

Julie Anderson

Julie Anderson
State Director
Rural Development

EXHIBIT D

Certificate of Chairman

CERTIFICATE OF CHAIRMAN OF THE U.S. 60 WATER DISTRICT AS TO STATEMENT REQUIRED BY SECTION 2(6) OF 807 KAR 5:069

I, the undersigned, hereby certify that I am the duly qualified and acting Chairman of the U.S. 60 Water District (the "District"), and that said District is in the process of arranging to finance the construction of improvements to its water system (the "Project"), in cooperation with Monarch Engineering, Inc., Lawrenceburg, Kentucky, the Engineers for the District (the "Engineers").

Based on information furnished to me by said Engineers, I hereby certify as follows:

1. That the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.

2. That all other state approvals and/or permits have been obtained.

3. That the rates proposed by the District in its current Application filed with the Kentucky Public Service Commission are contemplated to produce total revenue requirements recommended in the Engineering Reports prepared by such Engineers and filed with the Kentucky Public Service Commission.

4. That it is now contemplated that construction of the Project will begin on or about February 1, 2024, and will end on or about October 31, 2024.

IN TESTIMONY WHEREOF, witness my signature this October 17, 2023.

Chairman
U.S. 60 Water District

STATE OF KENTUCKY)
) SS
COUNTY OF SHELBY)

Subscribed and sworn to before me by Pat Hargadon, Chairman of the Board of Commissioners of the U.S. 60 Water District on this October 17, 2023.

6-24-26

Notary Public
In and For Said State and County

KYNP53801

Notary Public ID Number

EXHIBIT E

Notice of Proposed Rate Change

NOTICE OF PROPOSED RATE CHANGE

In accordance with the requirements of the Kentucky Public Service Commission ("PSC") as set out in 807 KAR 5:069, Section 3, notice is hereby given to the customers of the U.S. 60 Water District ("District") of a change in water rates for users of the District's water system. The changes in water rates are required by USDA, Rural Development ("RD") in connection with a loan by RD to the District in the amount of $1,600,000 to be evidenced by the issuance by the District of its water revenue bonds in such amount, which RD has agreed to purchase provided the District meets certain conditions of RD, including revising the water rates as set forth below:

	Current Rates	Proposed Rates	Increase ($)	Increase (%)
5/8 x 3/4 Inch Meters:				
First 1,000 gallons	$17.35 Minimum Bill	$18.57 Minimum Bill	$1.22	7.03%
Next 2,000 gallons	$0.00968 per gallon	$0.00997 per gallon	$0.00029	3.00%
Next 2,000 gallons	$0.00818 per gallon	$0.00847 per gallon	$0.00029	3.55%
Over 5,000 gallons	$0.00746 per gallon	$0.00777 per gallon	$0.00031	4.16%
1 Inch Meters				
First 5,000 gallons	$53.07 Minimum Bill	$55.45 Minimum Bill	$2.38	4.49%
Over 5,000 gallons	$0.00746 per gallon	$0.00777 per gallon	$0.00031	4.16%
1 1/2 Inch Meters:				
First 15,000 gallons	$127.67 Minimum Bill	$133.15 Minimum Bill	$5.48	4.29%
Over 15,000 gallons	$0.00746 per gallon	$0.00777 per gallon	$0.00031	4.16%
2 Inch Meters:				
First 25,000 gallons	$202.27 Minimum Bill	$210.85 Minimum Bill	$8.58	4.24%
Over 25,000 gallons	$0.00746 per gallon	$0.00777 per gallon	$0.00031	4.16%
Bulk User Rate:				
First 1,000 gallons	$4.49 Minimum Bill	$14.97 Minimum Bill	$10.48	233.41%
Over 1,000 gallons	$0.00449 per gallon	$0.00997 per gallon	$0.00548	122.05%
Wholesale Water Rates:				
First 25,000 gallons	$171.53 Minimum Bill	$186.25 Minimum Bill	$14.72	8.58%
Over 25,000 gallons	$0.00633 per gallon	$0.00677 per gallon	$0.00044	6.95%

Customer Class	Average Monthly Usage Per Customer	Average Monthly Bill (Current Rates)	Average Monthly Bill (Proposed Rates)	Increase in Average Monthly Bill ($)	Increase in Average Monthly Bill (%)
5/8 x 3/4 Inch Meter	4,244	$48.75	50.91	$2.16	4.43%
1 Inch Meters	4,138	$53.07	$55.45	$2.38	4.49%
1 1/2 Inch Meters	12,855	$127.67	$133.15	$5.48	4.29%
2 Inch Meters	155,490	$1,175.73	$1,224.76	$49.03	4.17%
Bulk User	0	-	-	-	-
Wholesale Water	0	-	-	-	-

The proposed monthly water rates shall be effective for water sold after the date of the final approving Order of the PSC, which Order is expected to be issued no later than November 27, 2023. The Application for approval of the rate change has been filed with the PSC and may be examined during normal business hours at the following locations: (i) US 60 Water District, 4596 Bagdad Rd, Bagdad, KY 40003; (ii) PSC, 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., E.T.; and (iii) via the PSC website at http://psc.ky.gov. Comments regarding the Application may be submitted to the PSC via its website or by mail to PSC, P.O. Box 615, Frankfort, Kentucky 40602.

The proposed rates are required under the terms of an agreement between the District and RD and KRS 278.023 does not grant the PSC any discretionary authority to modify or reject any portion of the agreement between the District and RD, or to defer the issuance of all necessary orders to implement the terms of the agreement. The RD loan proceeds will be used to finance the costs of (i) the complete replacement of the existing Grafenburg Booster Pump Station, (ii) a full-scale rehabilitation of the District's existing Driscoll Water Storage Tank, and (iii) the replacement of 1,000 existing conventional customer meters with radio read meters.

Signed: Pat Hargadon, Chairman, US 60 Water District.