COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF THE EAST LAUREL WATER DISTRICT FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND)))
NECESSITY TO CONSTRUCT A SYSTEM) Case No. 2025 - 00305
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 East Laurel Water District ("East Laurel District"), respectfully shows:

- 1. That East Laurel 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 East Laurel District is:

East Laurel Water District c/o Mr. Dewayne Lewis, Office Manager

P.O. Box 726

London, Kentucky 40743 Phone: (606) 878-9420 Fax: (606) 878-9425

email address: dewaynelewis@woodcreekwater.org

- 3. That East Laurel District, pursuant to the provisions of KRS 278.023, seeks (i) a Certificate of Public Convenience and Necessity permitting East Laurel 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 East Laurel District proposes to finance the construction of the Project through (i) the issuance of \$2,351,000 of its Waterworks Revenue Bonds, Series 2026; (ii) USDA, Rural Development (RD) grant in the amount of \$664,000; (iii) FY22 Cleaner Water grant in the amount of \$448,640; and (iv) FY23 Cleaner Water grant in the amount of \$794,380. East Laurel District has a commitment from RD to purchase said \$2,351,000 of Bonds maturing over a 40-year period at an interest rate not to exceed 2.75% per annum as set out in the RD Letter of Conditions filed herewith as an Exhibit.
- 6. That East Laurel District does not contemplate having the Project constructed with any deviation from minimum construction standards of this Commission.
- 7. That East Laurel 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 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 East Laurel 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 East Laurel 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 East Laurel 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.eastlaurelwater.com) along with a hyperlink to the location on the Commission's website where the case documents are available.

at its place of business. East Laurel 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 newspaper of general circulation in East Laurel 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"**. East Laurel 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, East Laurel Water District asks that the Kentucky Public Service Commission grant the following:

- a. A Certificate of Public Convenience and Necessity permitting East Laurel District to construct improvements to its existing water system.
- b. An Order authorizing the issuance of securities, viz., \$2,351,000 of bonds maturing over a 40-year period at an interest rate not to exceed 2.75% per annum.
- c. An Order approving the proposed rates as set out in Section 5 of the RD Letter of Conditions filed herewith as an Exhibit.

East Laurel Water District

Chairman

Board of Water Commissioners

W. Randall Jones, Esq.

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COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF LAUREL)

The undersigned, Deverlee Humfleet, being duly sworn, deposes and states that he is the Chairman of the Board of Commissioners of the East Laurel 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 September 17, 2025.

Deverlee Humfleet, Chairman
East Laurel Water District

Subscribed and sworn to before me by Deverlee Humfleet, Chairman of the Board of Commissioners of the East Laurel Water District on this September 17, 2025.

My Commission expires: October 20, 2027.

Notary Public

Notary Public ID Number

EXHIBIT A

Project Description, Necessity and Current Status

Attached are Excerpts from the Revised Preliminary Engineering Report prepared by Kenvirons, LLC in January, 2024.

The Project is broken down into 3 separate contracts. Contract 1 was bid on May 3, 2024 and construction commenced on June 18, 2024 and was completed on July 30, 2025. Contract 1 was funded entirely by the proceeds of 2 Cleaner Water grants. Due to the timing uncertainty of the USDA, Rural Development process, East Laurel District decided to commence with the work on Contract 1 in order to expend the Cleaner Water grant proceeds prior to the expiration of said grants.

East Laurel District did not submit and application with the Commission to issue a Certificate of Public Convenience and Necessity (CPCN) for Contract 1 based on the CPCN exceptions contained in KRS 278.020(1)(a)(2) and KRS 278.020(1)(a)(3)(b). The project constructed under Contract 1 did not require an incurrence of obligations or a rate increase due to the fact that it was entirely funded by Cleaner Water grant proceeds.

The Application filed in this Case requests (i) a CPCN for Contracts 2 and 3 only; (ii) authorization to issue securities in the form of a \$2,351,000 Bond issue to be purchased by USDA, Rural Development; and (iii) approval of increased rates pursuant to Section 5 of the USDA, Rural Development Letter of Conditions.

1.0 INTRODUCTION

East Laurel Water District (ELWD), founded in 1965, is a water utility system whose purpose is to establish, develop, and operate a water supply and distribution system for its members and customers in eastern Laurel County and a small portion of western Clay County, Kentucky and northern Knox County, Kentucky. ELWD sells treated water to Manchester Water Works. ELWD purchases water from Wood Creek Water District (WCWD). Three utilities, ELWD, WCWD, and West Laurel Water Association (WLWA), are located at an office at 1670 Hal Rogers Parkway, London, KY 40741. The ELWD and WLWA have no employees, and the three utilities are operated and maintained by WCWD.

East Laurel Water District is a regional provider of treated water in Laurel County. ELWD purchases water from WCWD who built their treatment plant in 1967 and have expanded since, including a major expansion in 2008 that increased its capacity to 12.0 Million Gallons per Day (MGD). ELWD, along with WLWA and WCWD, serves a majority of rural Laurel County along with small portions of Clay, Knox, and Jackson Counties. Many of the existing lines and pump stations in this project are outdated, undersized for the demand needed, and have reached the end of their usable lives. Collectively, ELWD is aiming to construct 1,000 linear feet (LF) of 16" D.I. waterline, 29,000 LF of 6" PVC waterline, a pump station upgrade, new pump station, 2 master meter stations, a 139,000-gallon ground storage tank and 70 customers reconnects. Also, branch tie-ins will be converted to the 16" waterline on E KY 80 to abandon the existing 6" waterline. If funds remain at the completion of the project, a 3" PVC waterline will be installed up Hodge Road (Alternate #1) and/or replacing approximately 1,100 LF of 12" D.I. waterline with 16" D.I. waterline near North Laurel High School (Alternate #2). This project will be an essential step in supporting the growth of the ELWD system.

2.0 PROJECT PLANNING

2.1 Location

Founded in 1825, Laurel County was created from parts of Rockcastle, Clay, Knox, and Whitley Counties in the Commonwealth. It is situated in the southeastern region of Kentucky and sits at the heart of the Daniel Boone National Forest. London serves as the County Seat for Laurel County, and is near the geographic center of the County.

As stated previously, East Laurel Water District is a rural water utility system. The purpose of the ELWD is to establish, develop, and operate a water supply and distribution system for its customers in eastern Laurel County, northern Knox County, and western Clay County. Since the inception of the ELWD, there has been a steady rise in demand for clean, potable drinking water. This project will help East Laurel Water District support this increase in demand. A location map of the system with proposed project sites and additive alternates is shown in Figure 1 of the Appendix.

2.2 Environmental Resources Present

The proposed project is located across the eastern portion of Laurel County. According to the Soil Survey of Laurel and Rockcastle Counties, Kentucky, prepared by the USDA Soil Conservation Service, the major natural resources in the area are coal, timber and saltpeter, however, most of the saltpeter mines were located in adjoining Rockcastle County. Large amounts of saltpeter were mined during the War of 1812, and now the saltpeter industry is dormant. The mining and timber industry have also taken a sharp decline in recent years. Laurel County has an approximate land area of 446 square miles. Of that, 220 square miles is forest land, with the Forest Service owning and managing 80 square miles, and approximately 184 square miles is designated as farmland. The most important and prominent environmental resource in the area is the soil. Soil supports farming, which is the largest industry in the area. The farms are primarily family owned, and the primary crop is tobacco. About half the farm income comes from the sale of crops while the other half comes from livestock and livestock products. However, the area is growing and adding additional jobs and industries and will need the support of this project in order to deliver a sufficient water supply to these new homes and new industries. A more detailed Environmental Report will be completed at a later date. The Environmental Report focuses closely on many more aspects of the environment, and how each respective resource will be affected by the project.

2.3 Population Trends

The population of Laurel County according to the 2010 Census conducted by the United States Census Bureau was 58,849. East Laurel Water District currently services 5,549 customers or approximately 12,966 people. This is roughly 22 percent of the Laurel County population. Laurel County has seen a growth in population since 1980, at a rate of 1.15 percent per year. A population and water usage projection graph is attached as Figure 2 in the Appendix. Assuming the same trend will continue, the current water lines will not be able to efficiently withstand the growth without another feed into the system. This project will allow Laurel County to grow at its current rate and provide users a sufficient potable water supply.

3.0 EXISTING FACILITIES

3.1 Location Map

A location map for the East Laurel Water District distribution system is attached in the Appendix as Figure 1.

3.2 History

As stated previously, East Laurel Water District was founded in 1965 and has been a regional provider of treated water since its establishment. East Laurel Water District sells water and operates in accordance with West Laurel Water Association and Wood Creek Water District. These three utilities along with the London Utility Commission and Laurel County Water District #2 make up the majority of treated water distribution in Laurel County. The existing lines in this project have been in place for nearly 30 years and the demand has outgrown what the existing waterlines can efficiently deliver. This project will

upgrade these lines and one booster pump station, as well as adding an additional pump station and 139,000-gallon water storage tank to help ELWD run a more efficient, cost effective system.

3.3 Condition of Existing Facilities

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

- **3.3.1 Water Supply and Treatment:** East Laurel Water District is a regional provider of treated water in Laurel County. It purchases all water from Wood Creek Water District, who maintains its own Water Treatment Plant. The source of the raw water is Wood Creek Lake. Using data gathered from East Laurel Water District's 2020 Audit Report, ELWD purchased approximately 467.8 million gallons from Wood Creek Water District in the year 2020.
- **3.3.2 Storage:** East Laurel Water District currently has three (3) water storage tanks that serve as finished water storage facilities. All finished water supplied by the Wood Creek WTP is pumped to each of the water storage tanks in the system. The construction dates for these tanks range from 1989-2000 and are inspected regularly to ensure that they are up to code. The volumes of the three tanks across the system vary from 200,000 to 1,000,000 gallons totaling at 1.45 Million Gallons (MG) with overflow elevations that range from 1,420' to 1,426' above mean sea level.
- 3.3.3 Pumping Stations: East Laurel Water District system has four (4) pumping stations located in their distribution system. These pumps are located throughout the system and range in performance from 65 gallons per minute (GPM) to 1,200 GPM. These pumps maintain the water level in the water storage tanks, which sets the hydraulic grade line that drives the water throughout the extents of the system. While the East Pittsburg pump station has performed well over the years, it has begun to show its age and cannot efficiently meet the increased demands in the system. Based on monthly operating reports from ELWD, the distributed water that has passed through this pump station is as follows:

East Pittsburg Pump Station:

Annual Volume: 486,704,700 Gallons

Daily Average Volume: 1,333,400 Gallons per Day (GPD) Daily Average during Maximum Month: 1,497,300 GPD

Maximum Day: 2,000,100 Gallons

The pumps at the East Pittsburg Pump Station generally run at a rate of 1,200 GPM. At this pumping rate, the approximate pump run time during 2020 was:

East Pittsburg Pump Station:

Annual Average Day: 18.3 hours (76% of capacity)

Maximum Month Average Day: 21.3 hours (89% of capacity)

Maximum Day: 23.78 hours (99% of capacity)

3.3.4 Distribution System: The East Laurel Water District distribution system carries a large volume of water through an aging and undersized network of lines that were constructed nearly 30 years ago. Since then, only a select few of the distribution system lines and components have been replaced. Several waterlines have been extended to the outskirts of eastern Laurel County, which puts more stress on these existing lines due to the increased demand throughout the system. Without the implementation of this project, these lines will continue to age, deteriorate, and hinder ELWD with additional maintenance costs. The aging, inefficient lines will lead to reduced hydraulic transmission capacity, lower system pressures, and overall poor system performance. The current distribution system network totals over 290 miles of water distribution lines with nearly 70% being diameters 4" and less. This project will replace approximately 5.5 miles of these existing, undersized 4" lines so that ELWD may grow and provide existing customers with safe, clean drinking water in the quantities they desire.

3.4 Financial Status of Existing Facilities

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

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

4.0 NEED FOR PROJECT

4.1 Health, Sanitation, and Security

Many of the existing lines were constructed nearly 30 years ago and are badly undersized for the demand needed across the system at the present time. These inefficient lines can lead to breaks and leaks that can affect the customers' health throughout the ELWD service area. The replacement of these aging, undersized lines will ensure that ELWD will remain in compliance with federal regulations, and that end users are provided with clean, safe drinking water. After project construction, there are no other known health, sanitation, or security issues faced by ELWD.

4.2 Aging Infrastructure

The existing East Pittsburg booster pump station has been in place for 20 years. While the pump station has performed well over the years, the existing pumps are in need of an upgrade due to the increased demand in this area of the system in recent years. As with the pump station, the lines that will be replaced along Old Salem Road, McWhorter Road, and Maplesville School Road have given East Laurel Water District many problems with leaks and breaks due to age and increased demand. This project will replace the pump station and undersized, aging waterlines to give ELWD a more efficient and reliable system that can easily sustain future growth throughout eastern Laurel County.

4.3 Reasonable Growth

A detailed computer based hydraulic model has been developed for the East Laurel Water District, and has been updated over several years to reflect current system conditions. The replacement of waterlines and the existing pump station, as well as adding a new pump station and 139,000-gallon water storage tank, would allow for the area of eastern Laurel County to accommodate future growth.

In order to predict potential usage in the future, past population growth rates were analyzed, and this data was expanded using linear regression to develop an estimated future demand based upon the population growth. The future forecast period and hydraulic design basis will be a 20 year period, (although the design life of PVC pipe is much greater) providing an approximation to the year 2042. The population growth pattern was graphed, and is shown in Figure 2 in the Appendix. According to the graph, the population of Laurel County will be approximately 77,965 people by the year 2042. East Laurel Water District has a current customer base of 5,549 with a usage of 1.33 MGD. Assuming the same population growth pattern of 1.15 percent per year applies, an estimated customer base of 6,888 would require 1.65 MGD by the year 2042. This is an increase of approximately 24 percent over the current demand. With the construction of the proposed project, ELWD will be able to more efficiently support this increase in demand.

5.0 ALTERNATIVES CONSIDERED

5.1 Description

After consulting with East Laurel Water District, and discussing multiple alternatives, there were three alternatives that were ultimately to be considered. There are two technically feasible alternatives and one technically infeasible alternative to be considered. The alternatives considered to be technically feasible are the proposed plan outlined in this report, or construct the project in phases based on the highest priority waterlines being replaced first. This second alternative would involve procuring the funding to replace one section of waterline and pump station, as well as adding a new pump station and water storage tank now, and waiting to replace the additional lines along Hal Rogers Parkway and McWhorter Road, and tie-ins along KY 80 at a later date. The final alternative that could be chosen is not technical in nature, but is an option that ELWD is facing. This alternative is to simply not do the project, and continue the current practice of repairing leaks when they occur, otherwise known as reactive maintenance. This has been a substantial cost for ELWD due in part to both the intense labor needed to repair lines, as well as in the physical water losses. This option also does not allow for the community to grow and maximize its potential. Since the last option is technically infeasible, only the first options of replacement will be analyzed. Following the evaluation, one of the alternatives will be recommended to ELWD.

5.2 Design Criteria

Both technically feasible designs must be able to supply the current customer load of 5,549 with the ability to withstand the growth determined in Section 3.3 of this report. The current average daily demand for water is 1.33 MGD, with 1.33 MGD passing through

East Pittsburg pump station. With the population growing at a rate of 1.15 percent per year, the average daily demand is estimated to grow to 1.65 MGD, with 1.65 MGD passing through East Pittsburg pump station. The design criteria will be that the pump station will need to be able to handle at least 2.0 MGD, preferably 2.5 MGD. The waterlines will be designed to at least the standards of the current edition of Recommended Standards for Water Works (10 State Standards). No matter which alternative is chosen, the project will need to fulfill the needs of the East Laurel Water District by providing clean drinking water in the quantity required to sustain growth, all while remaining within the District's budget.

5.3 Map

Figure 4 in the Appendix shows the proposed waterline and pump station replacement, as well as the new pump station and water storage tank that will be constructed if Alternative #1 is implemented. Figure 5 in the Appendix depicts only the replacement of one section of waterline and pump station, as well as adding a new pump station and water storage tank if Alternative #2 is chosen.

5.4 Environmental Impacts

The environmental impacts of this project are minimal, as the area has been previously disturbed and the right-of-way for the waterlines have been previously cleared. However, there are differences in impacts between the two alternatives. Alternative #1 will construct all the waterlines, pump stations, and tank in a single construction period. In this way, the impacts to the environment will be limited to the time of construction. Alternative #2 will require environmental disturbance at multiple, separate time periods. The overall environmental impact of Alternative #2 would be greater, due to the necessity of multiple, separate construction periods. Both alternatives were assessed, and the resources that may be potentially affected are streams and local waterways, and the soils surrounding the pipeline right-of-way. An Environmental Report will be completed at a later date to further determine the environmental impacts once an alternative is chosen.

5.5 Land Requirements

The land where the line replacement will be executed is on an existing right-of-way from the Kentucky Department of Transportation and residential landowners. In order to proceed with the project, an encroachment permit from the County and Kentucky Department of Highways will need to be obtained. The location for the pump station and tank sites will be on an easement that has been acquired by the District.

5.6 Potential Construction Problems

Both alternatives would face similar construction issues. The lines that are to be replaced may cause minimal traffic concerns depending on work space in the right-of-way. Utilizing traditional open trench and backfill construction, there could be daily lane closures until the new sections of line were in place, but are not likely. Another concern that was considered while evaluating potential construction problems that each alternative might face is the severity of tree removal. The land area where new lines are to be constructed will be minimal and due to the construction on existing right-of-way, tree removal is not a likely concern. If tree removal is deemed necessary though, the removal or mitigation

operations will be conducted in accordance with the Endangered Species Act (ESA) Compliance Options listed in the Version 2: June 2016, Revised Conservation Strategy for Forest Dwelling Bats published by the U.S. Fish and Wildlife Service, Kentucky Field Office. Both alternatives have been analyzed, and there are no other foreseeable construction issues beyond these which have been addressed.

5.7 Sustainability Considerations

For sustainability considerations, both alternatives would utilize PVC pipe in their design. PVC pipe has many advantages over similar specification metal pipe. Some of these advantages include energy efficiency (both in manufacturing effort as well as pumping costs for the Owner), NSF sustainability certification, lower purchase and construction costs per linear foot, as well as widely and readily available. PVC pipe is also formed with inert materials, which makes it less susceptible to corrosion. Also, AWWA, an industry leader in water treatment and distribution, has performed and analyzed the results of a recent study concerning the longevity of PVC pipe. The study results showed that PVC pipe has a useful life of well over 100 years. With this product's performance, advantages, and useful design life of at least 50 years, ELWD and its potable water customers will be well served for many years to come.

5.8 Cost Estimates

Table 1 on the following page shows the following breakdown of costs associated with the project if Alternative #1 (all waterlines, pump stations, and tank) is chosen. The primary costs considered were legal fees, engineering fees, project construction, contingency, environmental, as well as other miscellaneous costs. Figure 6 in the Appendix shows a detailed Engineer's Opinion of Probable Cost & Estimated User Rate Impact for Alternative #1.

Table 1: Cost Estimate of Alternative #1		
Category	Cost	
Construction	\$3,249,200	
Contingency	483,280	
Administration	35,000	
Engineering Design Fee	209,300	
Construction Observation	113,600	
Preliminary Engineering Report	12,000	
Geotechnical Report	15,000	
Environmental Study	15,000	
Legal	25,000	
Land	20,000	
Interest	80,000	
Total Project Cost	\$4,257,380	

Table 2 below shows the following breakdown of costs associated with the project if Alternative #2 (reduced project) is chosen. The primary costs considered were legal fees, engineering fees, project construction, contingency, environmental, as well as other miscellaneous costs. Figure 7 in the Appendix shows a detailed Engineer's Opinion of Probable Cost & Estimated User Rate Impact for Alternative #2.

Table 2: Cost Estimate of Alternative #2		
Category	Cost	
Construction	\$2,523,140	
Contingency	252,360	
Administration	35,000	
Engineering Design Fee	187,500	
Construction Observation	108,200	
Preliminary Engineering Report	12,000	
Geotechnical Report	15,000	
Environmental Study	15,000	
Legal	25,000	
Land	20,000	
Interest	80,000	
Total Project Cost	\$3,273,200	

6.0 SELECTION OF AN ALTERNATIVE

6.1 Life Cycle Cost Analysis

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

The Annual Operation and Maintenance (O&M) values used in the analysis were obtained by increasing the 2022 O&M values by 4 percent per year for 3 years, with slight changes made based on the 2025 projections to obtain the Transmission and Distribution value. In Alternative #1, Transmission and Distribution was reduced by 20 percent due to the completion of the full project. In Alternative #2, Transmission and Distribution was reduced by 10 percent due to only half of the line replacement being constructed and increases in materials costs for reactive maintenance along Hal Rogers Parkway and McWhorter Road. Tables 3 and 4 are the expected values for the first year of operation (2025) for Alternatives #1 and #2, respectively.

Table 3: Alternative #1 Life	Cycle Cost Analy	sis
Capital Expense		\$4,257,380.00
Annual O&M		
Purchased Water and Power	\$2,010,601.0	00
Water Treatment	55,700.0	00
Transmission and Distribution	610,981.0	00
Administration of Customer Accounts	386,183.0	00
Administration and General	194,820.0	00
Total O & M Cost	\$3,258,285.0	00
USPW Factor	x 18.9	9
Present Worth; Annual O&M		\$61,874,832.00
Salvage Value		
Existing Facilities	\$4,834,857.0	00
Proposed Improvements	1,949,520.0	00
Total Salvage Value	\$6,784,377.0	00
SPPW Factor	x 0.9	31
Present Worth; Salvage		\$6,173,783.00
Net Present Value:		\$59,958,429.00

Table 4: Alternative #2 Life (Cycle Cost Analysis	
Capital Expense		\$3,273,200 .00
Annual O&M		
Purchased Water and Power	\$2,010,601.00	
Water Treatment	55,700.00	
Transmission and Distribution	687,353.00	
Administration of Customer Accounts	386,183.00	
Administration and General	194,820.00	_
Total O & M Cost	\$3,334,657.00	
USPW Factor	x 18.99	
Present Worth; Annual O&M		\$63,325,136.00
Salvage Value		
Existing Facilities	\$4,834,857.00	
Proposed Improvements	1,513,884.00	-
Total Salvage Value	\$6,348,741.00	
SPPW Factor	x 0.91	
Present Worth; Salvage		\$5,777,355.00
Net Present Value:		\$60,820,982.00

Notes and Equations Used in Life Cycle Cost Analysis:

Interest Rate (i) = 0.5%

Planning Period (n) = 20 years

Estimated Purchased Water and Power = (Existing Purchased Water and Power x 1.02^3) x 0.85 Estimated Transmission and Distribution for Alternative #1

= (Existing Transmission and Distribution x 1.02³) x 0.9

Estimated Transmission and Distribution for Alternative #2

= (Existing Transmission and Distribution $\times 1.02^{\circ}3$) $\times 0.95$

Salvage Value; Existing Facilities = Straight Line Depreciation value from utility's financial statement Salvage Value; Proposed Improvements = Straight Line Depreciation of construction cost from PER Assumed life of 50 years, depreciated over 20 years

$$NPV = \text{Capital} + (\text{USPW} * \text{Total O&M}) - (\text{SPPW} * \text{Total Salvage Value})$$

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

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

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

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

6.2 Non-Monetary Factors

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

7.0 PROPOSED PROJECT

7.1 Preliminary Project Design

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

7.1.1 Project Layout: The primary focus of this project is to replace existing water lines, upgrade one booster pump station, and add a booster pump station and water storage tank. Waterlines along Old Salem Road, Maplesville School Road, and Hal Rogers Parkway have given the District problems over the years with leaks and breaks due to the lines being undersized and the increased demand in the system. These lines will be replaced and upgraded from 3" PVC pipe to 6" PVC, SDR-17 pipe along Old Salem Road and Maplesville School Road. The portion of waterline on Hal Rogers Parkway will not change in size but will upgrade to a new 16" D.I. CL 350 that will sit closer the road and will be easier to maintain in the future. These lines will be far less susceptible to breaks and leaks due to the upgrade in pressure classification, which currently plagues the existing lines. In addition, all tie-ins and meters along KY 80 will be connected to the

existing 16" D.I. CL 350 waterline and abandoning the 6" AC waterline. The new lines will also provide increased hydraulic capacity to serve the extents of ELWD's system for many years to come. Along with these line replacements, the pump station along E Pittsburg Church Road will be upgraded and one booster pump station and elevated water storage tank will be added, both located along KY 472. The pump station along E Pittsburg Church Road has performed well, but has reached the end of its usable life due to increased demands in these areas of the system. New, more efficient pumps will be installed in the pump station and will be equipped with telemetry communications to allow for the District to save on operational costs. The booster pump station and water storage tank along KY 472, as well as a 6" PVC, SDR-17 waterline with Master Meter that will be added along McWhorter Road tying into the Wood Creek Water District system, will help to increase pressure and capacity in this area of the distribution system. With the new waterlines, pump stations and tank, East Laurel Water District will now be able to reliably and efficiently provide water across the system for the foreseeable future without issue.

7.2 Project Schedule

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

Table 5: Estimated Project Schedule			
Category	Estimated Date		
Environmental Review Submittal	June 1, 2023		
Bid Opening	May 1, 2024		
Construction Start	July 1, 2024		
Construction Completion	February 1, 2025		

7.3 Permit Requirements

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

Table 6: Permits & Approvals Needed			
Agency	Permit or Approval		
KY Division of Water	Approval of Plans & Specifications		
KY Division of Water	KPDES Permit		
KY Division of Water	Stream Construction Permit		
KY Department of Transportation	Encroachment Permit		

7.4 Total Project Cost Estimate

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

Table 7: Total F	Project Cost Estimate	
Category		Cost
Construction		\$3,249,200
Contingency		483,280
Administration		35,000
Engineering Design Fee		209,300
Construction Observation		113,600
Preliminary Engineering Report		12,000
Geotechnical Report		15,000
Environmental Study		15,000
Legal		25,000
Land		20,000
Interest		80,000
	Total Project Cost	\$4,257,380

7.5 Excess Funding Disbursement

Any remaining funds leftover after the project has been substantially completed will be used to fund the following items as needed or deemed most appropriate by the East Laurel Water District: a 3" PVC waterline will be installed up Hodge Road, replacing approximately 1,100 LF of 12" D.I. waterline with 16" D.I. waterline near North Laurel High School, and/or for purchase of Radio Read Water Meters. A site map of the two additive Alternates are attached as Figure 8 in the Appendix.

7.6 Annual Operating Budget

Table 8 shown below is a summarized version of the Existing Operating Budget for Year Ending 2022 and proposed operation and maintenance costs upon project completion. The full Existing Operating Budget for Year Ending 2022 is included in the Appendix as Figure 3.

Table 8: Annual Operation & Maintenance Cost			
Category	Existing	Proposed	
Purchased Water and Power	\$1,787,416	\$2,010,601	
Water Treatment	49,517	55,700	
Transmission and Distribution	706,108	610,981	
Administration of Customer Accounts	343,315	386,183	
Administration and General	173,194	194,820	
Total Operation & Maintenance Cost	\$ 3,059,550	\$3,258,285	

8.0 CONCLUSIONS AND RECOMMENDATIONS

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

An evaluation of the revenue needed for the proposed project was conducted to determine the project's impact on the water rates. The evaluation of estimated user rate impact can be found in Figure 6 of the Appendix. Based on the evaluation of the revenue needed for debt repayment from the proposed project, the user rates will need to be increased 5.19% to finance the proposed project.

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

EXHIBIT B

RD Letter of Conditions and Form RD 1940-1



United States Department of Agriculture

May 13, 2024

Deverle Humfleet, Chairman East Laurel Water District P.O. Box 726 London, KY 40741

SUBJECT: Letter of Conditions

East Laurel Water District

Project Name: Old Salem Rd. / McWhorter Rd. System Improvements

CFDA NUMBER – 10.760

Agency Loan: \$2,351,000 Agency Grant: \$664,000 FY22 CWG: \$448,640 FY23 CWG: \$794,380

Dear Chairman Humfleet:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant 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 and grant 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 \$2,351,000 and/or a grant not to exceed \$664,000. The loan and grant 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.

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

USDA is an equal opportunity provider, employer and lender.

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

East Laurel Water District

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 10 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: Water and Environmental Programs | Rural Development (usda.gov)

The conditions are as follows:

SECTION I - PROJECT SCOPE

1. <u>Project Description</u> – Funds will be used to Project consist of 1,000 LF of 16" D.I. waterline, 29,000 LF of 6" PVC waterline, a pump station upgrade, new pump station, 2 master meter stations,100,000 gallon water storage tank and 70 customer reconnects. Also, branch tie-ins will be reconnected to the 16" waterline on E KY 80 to abandon the existing 6" waterline. If funds remain at the completion of the project, a 3" PVC waterline will be installed up Hodge Road (Alternate 1) and/or replace approximately 1,100 LF of 12" D.I. waterline with 16" D.I. waterline near North Laurel High School (Alternate 2).

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 Kenvirons dated January 2024, as concurred with by the Agency.

2. <u>Project Funding</u> – The Agency is offering the following funding for your project:

Agency Loan - \$ 2,351,000 Agency Grant - \$ 664,000

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

FY22 CWG - \$ 448,640 FY23 CWG - \$ 794,380

TOTAL PROJECT COST - \$ 4.258.020

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.

East Laurel Water District

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 to 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. <u>Project Budget</u> – Funding from all sources has been budgeted for the estimated expenditures as follows:

Project Costs:	Total Budgeted:	
Administration	\$35,000	
Development	\$3,249,200	
Contingency	\$483,920	
Engineering Fees	\$364,900	
Includes:		
Design		\$209,300
Resident Project Represe Additional Services	ntation (Inspection)	\$113.600 \$42,000
Interest - Interim	\$80,000	
Land and Rights-of-Way	\$20,000	
Legal Fees	\$25,000	
TOTAL	\$4,258,020	

Project feasibility and funding will be reassessed if there is a significant change in project costs after bids are received. Obligated loan and 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. <u>Project Timeline</u> – 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. <u>Projects should be completed and Agency funds fully disbursed within</u> 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 grant funds, or take other appropriate action, if the established or amended deadlines are not met.

<u>Milestone</u>	<u>Date</u>
Land & Easement Acquisition	Completed
Plans & Specifications, and Design Complete	Completed
Permits Acquisition Complete	Completed
Initial Advertisement for Bids	06/01/2024
Award Contract(s)/Initiate Construction	09/01/2024
Substantial Completion	03/01/2025
Final Completion	04/01/2025

SECTION II – RATES & TERMS

5. <u>Rates & Charges</u> — 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.

5/8"x3/4" Meter			
Water Use		Existing Rate	Proposed Rate
First	2,000	\$24.73 Min. Bill	\$26.33 Min. Bill
Next	2,000	\$ 9.81 /1,000 gal.	\$10.44 / 1,000 gal.
Next	2,000	\$ 9.53 /1,000 gal.	\$10.15 /1,000 gal.
Next	2,000	\$ 8.64 /1,000 gal.	\$ 9.20 /1,000 gal.
All Over 10,000		\$ 7.90 /1,000 gal.	\$ 8.41 /1,000 gal.
1" Meter			
Water Use		Existing Rate	Proposed Rate
First 6,000		\$63.41 Min. Bill	\$67.51 Min. Bill
Next 4,000		\$8.64 /1,000 gal.	\$9.20 /1,000 gal.
All Over 10,000		\$7.90 /1,000 gal.	\$8.41 /1,000 gal.
2" Meter			
Water Use		Existing Rate	Proposed Rate
First 20,000		\$176.92 Min. Bill	\$188.35 Min. Bill
All Over	20,000	\$ 7.90 /1,000 gal.	\$ 8.41 /1,000 gal.
3" Meter			
Water Us	e	Existing Rate	Proposed Rate
First 30,0	00	\$255.88 Min. Bill	\$272.41 Min. Bill
All Over	30,000	\$ 7.90 /1,000 gal.	\$ 8.41 /1,000 gal.
Wholesal	le User		
Utility		Existing Rate	Proposed Rate
Manches	ter Water Works	\$ 5.80 /1,000 gal.	\$ 6.17 /1,000 gal.

6. <u>Interest Rates and Loan Terms</u> – 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 40 years. Payments will be equal annual amortized installments, beginning one year after closing. For planning purposes, use a 2.75% interest which provides for an annual payment of \$97,661. 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. <u>Security</u> – The loan will be secured by a Revenue bond with first/parity lien position in the amount of \$2,351,000. 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.

If the loan will be on parity with other lender/s, the bond must specify that, in the event of default, each lender will be affected on a proportionate basis.

Additional security requirements are contained in RUS Bulletin 1780-27, "Loan Resolution (Public Bodies) and/or RUS Bulletin 1780-12, "Water and Waste System Grant Agreement". 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.

The Grant Agreement will be executed prior to the first disbursement of grant funds. The grantee understands that any property acquired or improved with Federal grant funds may have use and disposition conditions which apply to the property as provided by 2 CFR part 200 in effect at this time and as may be subsequently modified. The grantee understands that any sale or transfer of property is subject to the interest of the United States Government in the market value in proportion to its participation the project.

8. <u>Reserves</u> – 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 \$815 per month; this amount should be deposited monthly until a total of \$97,800 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 \$4,014 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.** <u>Organization</u> 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.** <u>Suspension and Debarment Screening</u> 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 December 2023, the following actions are required for successful completion of the project and must be adhered to during project design and construction:

The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated 10/27/2023, from Ms. Lee Nalley.

The design and construction shall be in compliance with the requirements of the U.S. Fish and Wildlife Service as requested by letter dated 09/19/2022, and signed by Jennifer Garland, Field Supervisor.

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.

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 pending the notification process and further directions issued by Agency after consultation with the State Historic Preservation Officer (SHPO).

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

The following best management practices will be implemented during the construction of the project. This list is not exhaustive, but covers commonly implemented practices, especially when working in close proximity to a river or stream:

- Perform equipment maintenance away from streams, water bodies, and ditch lines whenever possible. Fuel storage shall be contained in an area away from the river bank and above the Ordinary High Water mark.
- Minimize the area to be disturbed.
- Seed and mulch disturbed areas in a timely manner.
- Install silt fences/straw bales to contain sediment transport.
- Install riprap and/or erosion control blankets on steep slopes.
- Construct diversion ditches, silt checks, check dams, and/or sediment traps where needed to minimize the transport of sediment into water bodies.
- Stabilize soil embankments using vegetative cover or riprap.

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.

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.
- **14.** <u>Build America</u>, <u>Buy America</u> (<u>BABAA</u>) <u>Requirements</u>- Recipients of an award of Federal financial assistance from a program for infrastructure are hereby notified that none of the funds provided under this award may be used for a project for infrastructure unless:
 - a. all iron and steel permanently installed in the project are produced in the United Statesthis means all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States;
 - b. all manufactured products permanently installed in the project are produced in the United States—this means the manufactured product was manufactured in the United States; and the cost of the components of the manufactured product that are mined, produced, or manufactured in the United States is greater than 55 percent of the total cost of all components of the manufactured product, unless another standard for determining the minimum amount of domestic content of the manufactured product has been established under applicable law or regulation; and
 - c. all construction materials permanently installed are manufactured in the United States—this means that all manufacturing processes for the construction material occurred in the United States.

The BABAA requirement applies to the entirety of an infrastructure project even if only a portion of the project is funded by Federal funds.

East Laurel Water District

The Buy America preference only applies to articles, materials, and supplies that are consumed in, incorporated into, or affixed to an infrastructure project. As such, it does not apply to tools, equipment, and supplies, such as temporary scaffolding, brought to the construction site and removed at or before the completion of the infrastructure project. Nor does a Buy America preference apply to equipment and furnishings, such as movable chairs, desks, and portable computer equipment, that are used at or within the finished infrastructure project but are not an integral part of the structure or permanently affixed to the infrastructure project.

Waivers

When necessary, recipients may apply for, and the agency may grant, a waiver from these requirements. The agency should notify the recipient for information on the process for requesting a waiver from these requirements.

When the Federal agency has made a determination that one of the following exceptions applies, the awarding official may waive the application of the domestic content procurement preference in any case in which the agency determines that:

- a. applying the domestic content procurement preference would be inconsistent with the public interest;
- b. the types of iron, steel, manufactured products, or construction materials are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality; or
- c. the inclusion of iron, steel, manufactured products, or construction materials produced in the United States will increase the cost of the overall project by more than 25 percent.

A request to waive the application of the domestic content procurement preference must be in writing. The agency will provide instructions on the format, contents, and supporting materials required for any waiver request. Waiver requests are subject to public comment periods of no less than 15 days and must be reviewed by the Made in America Office.

Definitions

"Construction materials" includes an article, material, or supply—other than an item of primarily iron or steel; a manufactured product; cement and cementitious materials; aggregates such as stone, sand, or gravel; or aggregate binding agents or additives—that is or consists primarily of:

- non-ferrous metals:
- plastic and polymer-based products (including polyvinylchloride, composite building materials, and polymers used in fiber optic cables);
- glass (including optic glass);
- lumber; or
- drywall.

"Domestic content procurement preference" means all iron and steel used in the project are produced in the United States; the manufactured products used in the project are produced in the United States; or the construction materials used in the project are produced in the United States.

"Infrastructure" includes, at a minimum, the structures, facilities, and equipment for, in the United States, roads, highways, and bridges; public transportation; dams, ports, harbors, and other maritime facilities; intercity passenger and freight railroads; freight and intermodal facilities; airports; water systems, including drinking water and wastewater systems; electrical transmission facilities and systems; utilities; broadband infrastructure; and buildings and real property. Infrastructure includes facilities that generate, transport, and distribute energy.

"Project" means the construction, alteration, maintenance, or repair of infrastructure in the United States.

Owners are ultimately responsible for compliance with the evidence standards as outlined in the Build America Buy America (BABAA) appendix to this Letter. Owners are required to maintain records as specified in their loan or grant agreement, but in all cases, they should maintain records for a minimum of three years after the final expenditure report. Minimum records include certifications from manufacturers, the architect/engineer, and the prime contractor. Supporting documentation includes purchasing records and notes and photos taken by the Resident Project Representative (RPR). Further guidance regarding certifications will be provided by the Agency.

- 15. <u>Legal Services</u> —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.
- 16. <u>Property Rights</u> 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 Work (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.

- 17. 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 Wood Creek Water District. This purchase arrangement 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.
- #e. Parity/Intercreditor Agreement Projects with parity liens must have in place a written agreement between the parity lenders. The draft agreement must receive Agency concurrence prior to advertising for bids.
- **#f. Other agreements** with governments or other entities regarding joint operation of facilities, granting authority to Agency borrower for providing service within another entity's service area, etc. The draft agreement must receive Agency 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.

- **18.** 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.
- **19.** <u>System Users</u> This letter of conditions is based upon your indication at application that there will be at least 5,525 residential users, 208 non-residential users, and 1 bulk / wholesale 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. **Positive Program to Encourage Connections** You must provide a positive program to encourage connection by all users as soon as service is available. The program will be reviewed by the Agency prior to advertising for bids. A guide for developing your positive program is available from the Agency.
- b. 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.
- c. **Service Declination Statement** Each potential user who is located along planned lines and declines the offered service will be provided an opportunity to sign a "Service Declination Statement."
- 20. 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.
- **21.** <u>Interim Financing</u> 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.
- **22.** <u>Proposed Operating Budget</u> 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.

East Laurel Water District

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.

- **23.** <u>Permits</u> –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.
- **24.** 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 Science and Technology and the Cybersecurity and Infrastructure Security Administration. 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.

25. <u>Bid Authorization</u> - 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

26. <u>Disbursement of Agency Funds</u> - 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).

East Laurel Water District

Grant funds are to be deposited in an interest-bearing account (exception provided below) in accordance with 2 CFR Part 200 and interest in excess of \$500 per year remitted to the Agency. The funds should be disbursed by the recipient immediately upon receipt, and there should be little interest accrual on the Federal funds. Recipients shall maintain advances of Federal funds in interest-bearing accounts, unless:

- The recipient receives less than \$120,000 in Federal awards per year.
- The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.
- The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
- A foreign government or banking system prohibits or precludes interest-bearing accounts.
- **27.** <u>Bid Tabulation</u> 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.
- **28.** <u>Suspension and Debarment Screening</u> 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.).

29. <u>Contract Review</u> – 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.

30. <u>Final Rights of Way</u> – 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.

- **31.** <u>Insurance and Bonding Requirements</u> 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.

32. <u>Initial Civil Rights Compliance Review</u> – 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

- 33. <u>Interim Financing</u>. 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.
- **34.** <u>Electronic Payments</u> 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.
- **35.** 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.** <u>Litigation.</u> 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.** <u>Certified Operator</u>. 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.

<u>SECTION VI – REQUIREMENTS DURING CONSTRUCTION AND POST CONSTRUCTION</u>

- **36.** 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 grant monies, or take other appropriate action, related to unliquidated funds that exceed the timeframes above and are not under an active extension.
- 37. 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.
- **38.** <u>Preconstruction Conference</u> 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.
- **39.** <u>Inspections</u> 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.

- **40.** <u>Change Orders</u> 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.
- **41.** <u>Payments</u> 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.
- **42.** <u>Use of Remaining Funds</u> 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 <u>original</u> 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. Grant funds not expended for authorized purposes will be cancelled (de-obligated) within 180 days of final completion of project. Prior to actual cancellation, you, your attorney and engineer will be notified of the Agency's intent to cancel the remaining funds and given appropriate appeal rights.
 - d. Under no circumstances is it appropriate to use remaining funds as contributions to a new project outside the scope of the funded project.
 - e. Loan funds that are not needed will be cancelled (de-obligated) prior to loan closing.
- **43.** 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.
- **44.** 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

45. <u>Prepayment and Extra Payments</u> - 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.

46. 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.
- c. **Quarterly Reports** Quarterly Income and Expense Statements will be required until the processing office waives this requirement. You may use Form RD 442-2, "Statement of Budget, Income and Equity," or similar format to provide this information. The reports are to be signed by the appropriate borrower official and submitted within 30 days of each quarter's end. The Agency will notify you in writing when quarterly reports are no longer required.
- **47.** 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.

- **48.** <u>Graduation</u> 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.
- **49.** <u>Security/Operational Inspections</u> 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.
- **50.** 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.
- **51.** 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.

- **52.** <u>Insurance</u>. 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.
- **53.** <u>Statutory and National Policy Requirements</u> 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 <u>et seq.</u>) 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.
- **54.** 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 Lesli Gill at 606-401-2287 or by e-mail at lesli.gill@usda.gov

Sincerely,

THOMAS

Digitally signed by THOMAS

CAREW

CAREW

Date: 2024.05.13 15:59:16

-04'00'

DR. THOMAS CAREW State Director

Attachments

cc: Community Programs Field Director – Shelbyville, KY Attorney – Larry Bryson, London, KY Bond Counsel – Rubin & Hays, Louisville, KY Engineer - Kenvirons - Frankfort, KY

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 <u>all</u> 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 <u>not</u> include payments to a contractor or payments to an individual that is a beneficiary of a Federal program.

Appendix B Build America, Buy America Evidence Standards

Manufacturers

For each item to which BABAA applies (every item permanently installed on the project, except for aggregate and aggregate binding materials), a manufacturer's certification letter or other document demonstrating compliance is required. It must, at a minimum, identify the item being certified (short written description as well as part number, if applicable) and affirm that the item complies with BABAA. This document must be signed by an authorized company representative.

Architects and Engineers

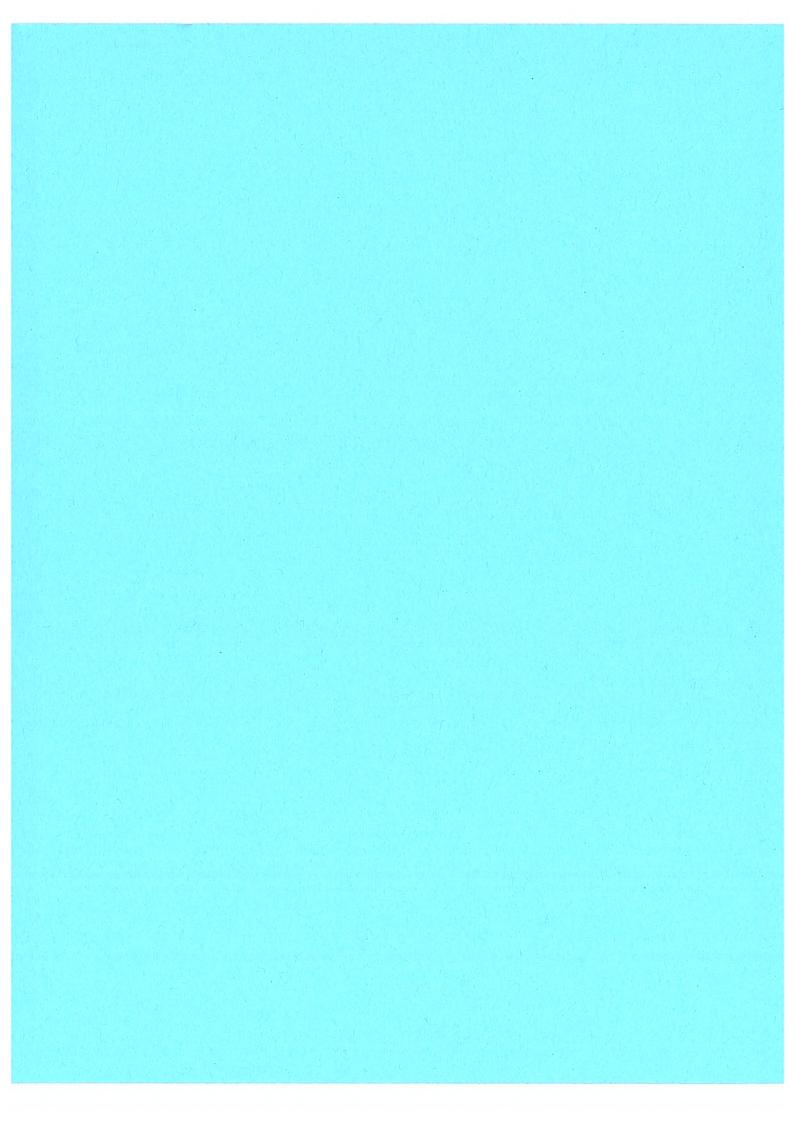
Compliance with BABAA will be spelled out in agreements for services, construction contracts, and procurement contracts. Generally, the A/E contract should include, as a basic service, obtaining and maintaining all BABAA documentation (particularly manufacturers' certifications) during construction, which shall be transferred to the Owner upon completion of the project. The architect or engineer will need to certify to this action at the project's end.

Resident Project Representative / Resident Inspector

As part of their duties. Resident Project Representative/Resident Inspector should be instructed to verify items delivered to the site and installed are accompanied by documentation of compliance with BABAA. They should photograph items as appropriate. RPR/RI daily logs and photographs will become part of the construction record and can be used as supporting information during audits, providing evidence for items that are buried or otherwise inaccessible.

Contractors

Construction contract(s) must include a requirement to procure and install only items that comply with BABAA or are subject to an approved waiver. Contractors must provide manufacturers' certifications for all BABAA compliant items to the responsible party before a request for reimbursement to the Agency is made. At completion, the contractor will be required to certify that all items used on the contract complied with BABAA and that all manufacturers' certifications were provided.



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

REQUEST FOR OBLIGATION OF FUNDS

FORM APPROVED OMB No. 0570-0062

INSTRUCTIONS-TYPE IN CAPIT					
Complete Items 1 through 29 ar		FISCAL YEAR			
1. CASE NUMBER	LOAN NUMBER	FISCAL TEAR			
ST CO BORROWER ID		2024			
20-063-****9993		2024			
2. BORROWER NAME	3. NUMBER NAME FIELD	S			
East Laurel Water District	(1, 2, or 3 from Item 2)				
	4. STATE NAME				
	Kentucky 5. COUNTY NAME				
	Laurel				
GENERAL E	BORROWER/LOAN INFORMATIC	ON			
6. RACE/ETHNIC CLASSIFICATION 1 - WHITE	8. COLLATERAL CO 1. REAL ESTATE 4. MAC SECURED 5. LIVE 2. REAL ESTATE 5. CRO AND CHATTEL 7. SEC	DE 9. EMPLOYEE HINERY ONLY STOCK ONLY IPS ONLY UNED BY UNED BY US 1. EMPLOYEE 2. MEMBER OF FAMILY 1. GLOSE RELATIVE 1. GLOSE RELATIVE 1. GLOSE RELATIVE			
10. SEX CODE 3 FAMILY UNIT	US 12. VETERAN C				
14. DIRECT PAYMENT 15. TYPE OF PAYMENT	16. FEE INSPECTION				
2 (See FMI) 2 1. MONTHLY 3. SEMI-ANNUA 2 2 2 ANNUALLY 4. QUARTERLY	2 ^{2 · NO}				
17. COMMUNITY SIZE 1. 10 000 OR LESS (FOR SFH AND 2. OVER 10,000 HPG ONLY)	18. USE OF FUNDS COD	E			
COMPLE	TE FOR OBLIGATION OF FUNDS				
19. TYPE OF 20. PURPOSE CODE ASSISTANCE	21. SOURCE OF FUNDS	22. TYPE OF ACTION 1 OBLIGATION ONLY 2 OBLIGATION CHECK REQUEST			
067 (See FMI) 4		1 3 CORRECTION OF OBLIGATION			
23. TYPE OF SUBMISSION 1 INITIAL 2 SUBSEQUENT 5 (2, 351, 000.		MOUNT OF GRANT			
26. AMOUNT OF 27. DATE OF APPROVAL	28. INTEREST RA				
05 16	2024 2.7500	% 40			
COMPLETE FOR COMMUNITY PRO	GRAM AND CERTAIN MULTIPLE	E-FAMILY HOUSING LOANS			
30. PROFIT TYPE 2 - LIMITED PROFIT 1 - FULL PROFIT 3 - NONPROFIT	85				
COMPLETE FOR EM LOANS ONLY		COMPLETE FOR CREDIT SALE-ASSUMPTION			
31. DISASTER DESIGNATION NUMBER (See FMI)	1 -CREDIT SALE ONLY 3 -C	32. TYPE OF SALE 2 - ASSUMPTION ONLY 1 - CREDIT SALE ONLY 3 - CREDIT SALE WITH SUBSEQUENT LOAN 4 - ASSUMPTION WITH SUBSEQUENT LOAN			
FINANCE OFFICE USE ONLY		LETE FOR FP LOANS ONLY			
33. OBLIGATION DATE	34. BEGINNING FARME	MANOREK			
MO DA YR	(See FMI)				

If the decision contained above in this form results in denial reduction or cancellation of USDA assistance, voicing appeal this decision and have a hearing or you may request a resistion in lice of a 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 May 13, 2024, and any further admendments thereto.
- 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 Whoever, in any matter within the jurisdiction of any department or agency of the United States WARNING: 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."

Lucke Humplett

20 Date 5 16 - 24 20 ___ (Signature of Applicant) (Signature of Co-Applicant) 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 thereby approve the above described assistance in the amount set forth above, and by this document, subject to the availability of funds, the frovernment agrees to advance such amount to the applicant for the purpose of and subject to the availability prospect of regulations applicable to this type of amount to the applicant for the purpose of and subject to the availability assistance. (Signature of Approving Official) Typed or Printed Name: Dr. Thomas E. Carew Date Approved: 05/16/2014 Title: State Director

38. TO THE APPLICANT: As of this date VY LHWLT, 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



United States Department of Agriculture

Rural Development

September 10, 2025

Kentucky State Office

771 Corporate Drive, Suite 200 Lexington, KY 40503

Voice 859.224.7300 Fax 859.224.7425 TTY 859.224.7422 Donta Evans, Superintendent East Laurel Water District

PO Box 726 London, KY 40743-0726

RE:

Old Salem Road/McWhorter Road System Improvements

Contract 2 - Waterline & Pump Station

Mr. Evans:

I have reviewed the Bid Tabulations and recommendation information from Kenvirons regarding the above referenced project.

The Engineer submitted a recommendation to the East Laurel Water District dated September 8, 2025 recommending the bid be awarded to the low bidder, Precision, Inc., in the amount of \$1,722,415.00, and subsequently, East Kentucky Water District has submitted a request to award the bid as recommended, which would include the base bid and both alternates. After review of the bid documents, I am in concurrence regarding award of the bid as requested.

When your Engineer submits the executed Contract Documents, a resume for the Resident Project Representative should be included for RD review along with any required domestic preference documentation.

Sincerely,

PHILIP ELSWICK Digitally signed by PHILIP ELSWICK Date: 2025.09.10 14:32:09 -04'00'

Philip R. Elswick, PE State Engineer

CC:

J.D. Sims, PE – Kenvirons Lesli Gill – USDA Rural Development

USDA is an equal opportunity provider and employer.

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



United States Department of Agriculture

Rural Development

September 10, 2025

Kentucky State Office

Donta Evans, Superintendent East Laurel Water District PO Box 726 London, KY 40743-0726

771 Corporate Drive, Suite 200 Lexington, KY 40503

RE: Old Sa

Voice 859.224.7300 Fax 859.224.7425 TTY 859.224.7422 Old Salem Road/McWhorter Road System Improvements Contract 3 – 139,000 Gallon Ground Storage Tank

Mr. Evans:

I have reviewed the Bid Tabulations and recommendation information from Kenvirons regarding the above referenced project.

The Engineer submitted a recommendation to the East Laurel Water District dated September 8, 2025 recommending the bid be awarded to the low bidder, Kentucky Glass Kined Tank Systems, Inc., in the amount of \$638,491.00, and subsequently, East Kentucky Water District has submitted a request to award the bid as recommended. After review of the bid documents, I am in concurrence regarding award of the bid as requested.

When your Engineer submits the executed Contract Documents, a resume for the Resident Project Representative should be included for RD review along with any required domestic preference documentation.

Sincerely,

PHILIP ELSWICK Digitally signed by PHILIP ELSWICK Date: 2025.09.10 12:56:40 -04'00'

Philip R. Elswick, PE State Engineer

CC:

J.D. Sims, PE – Kenvirons Lesli Gill – USDA Rural Development

USDA is an equal opportunity provider and employer.

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

EXHIBIT D

Certificate of Chairman

CERTIFICATE OF CHAIRMAN OF THE EAST LAUREL 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 East Laurel Water District, and that said District is in the process of arranging to finance the construction of improvements to the water system (the "Project"), in cooperation with Kenvirons, Inc., Frankfort, 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 Public Service Commission.
- 4. That it is now contemplated that construction of the Project will begin on or about November 1, 2025, and will end on or about July 31, 2026.

IN TESTIMONY WHEREOF, witness my signature this September 17, 2025.

Venerle Hungled
Chairman

East Laurel Water District

STATE OF KENTUCKY

) SS

COUNTY OF LAUREL

Subscribed and sworn to before me by Deverlee Humfleet, Chairman of the Board of Commissioners of the East Laurel Water District, on this September 17, 2025.

Notary Public

In and For Said State and County

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 East Laurel 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 \$2,351,000 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 Rate Schedule

5/8 x 3/4 Inch Meter Tap								
First 2,000 Gallons \$24.73 Min. Bill								
	•		•					
Next	2,000	Gallons	\$9.81	per 1,000 Gal.				
Next	2,000	Gallons	\$9.53	per 1,000 Gal.				
Next	4,000	Gallons	\$8.64	per 1,000 Gal.				
Over	10,000	Gallons	\$7.90	per 1,000 Gal.				
1 Inch Me								
First	6,000	Gallons	\$63.41	Min. Bill				
Next	4,000	Gallons	\$8.64	per 1,000 Gal.				
Over	10,000	Gallons	\$7.90	per 1,000 Gal.				
2 Inch Me	ater Tan							
	100 (11) (11) (11) (12) (13) (14) (15) (15)	0 - 11	4470.00	Min Dill				
First	20,000	Gallons	\$176.92	Min. Bill				
Over	20,000	Gallons	\$7.90	per 1,000 Gal.				
3 Inch Meter Tap								
First	30,000	Gallons	\$255.88	Min. Bill				
		•	·					
Over	30,000	Gallons	\$7.90	per 1,000 Gal.				
Wholesale User								
Manches	ster Water	Works	\$5.80	per 1,000 Gal.				

Proposed Rate Structure

					Increase (\$)	Increase (%)
5/8 x 3/4	Inch Mete	r Tap				
First	2,000	Gallons	\$26.33	Min. Bill	\$1.60	6.47%
Next	2,000	Gallons	\$10.44	per 1,000 Gal.	\$0.63	6.42%
Next	2,000	Gallons	\$10.15	per 1,000 Gal.	\$0.62	6.51%
Next	4,000	Gallons	\$9.20	per 1,000 Gal.	\$0.56	6.48%
Over	10,000	Gallons	\$8.41	per 1,000 Gal.	\$0.51	6.46%

1 Inch M	eter Tap					
First	6,000	Gallons	\$67.51	Min. Bill	\$4.10	6.47%
Next	4,000	Gallons	\$9.20	per 1,000 Gal.	\$0.56	6.48%
Over	10,000	Gallons	\$8.41	per 1,000 Gal.	\$0.51	6.46%
O Imah M	latar Tan					
2 Inch M	leter Tap					
First	20,000	Gallons	\$188.35	Min. Bill	\$11.43	6.46%
Over	20,000	Gallons	\$8.41	per 1,000 Gal.	\$0.51	6.46%
3 Inch M	leter Tap					
First	30,000	Gallons	\$272.41	Min. Bill	\$16.53	6.46%
Over	30,000	Gallons	\$8.41	per 1,000 Gal.	\$0.51	6.46%
Wholes	ale User					
Manchester Water Works		\$6.17	per 1,000 Gal.	\$0.37	6.38%	

Comparison of Average Existing and Proposed Bills

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	4,092	\$45.23	\$48.14	\$2.91	6.43%
1 Inch Meter	17,986	\$161.06	\$171.47	\$10.41	6.46%
2 Inch Meter	27,635	\$237.24	\$252.56	\$15.32	6.46%
3 Inch Meter	47,333	\$392.81	\$418.18	\$25.37	6.46%
Wholesale User	1,115,250	\$6,468.45	\$6,881.09	\$412.64	6.38%

The proposed monthly water rates shall be effective for water sold after October 22, 2025, the expected issue date of the final approving Order of the PSC. 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) East Laurel Water District, 1670 Hal Rogers Parkway, London, KY 40743; (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 Old Salem Rd. / McWhorter Rd. System Improvements which includes the replacement/extension of approximately 32,700 linear feet of water line. Signed: Donta Evans, Superintendent, East Laurel Water District.