

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

In the Matter of:

**ELECTRONIC APPLICATION OF THE GRAYSON )  
COUNTY WATER DISTRICT FOR AN ORDER )  
APPROVING A CHANGE IN RATES ) Case No. 2026-00038  
PURSUANT TO KRS 278.023 )**

**A P P L I C A T I O N**

This Electronic Application of the Grayson County Water District ("Grayson District"), respectfully shows:

1. That Grayson 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 Grayson District is:

Grayson County Water District  
c/o Mr. Jeremy Woosley, District Manager  
21 Shull White Road  
Leitchfield, Kentucky 42754  
Phone: (270) 259-2917  
Fax: (270) 200-4302  
email address: [jwoosley@graysonwater.com](mailto:jwoosley@graysonwater.com)

3. That Grayson District, pursuant to the provisions of KRS 278.023, seeks an Order approving increased water rates.

4. That Grayson District desires to acquire the existing water system of the City of Caneyville ("Caneyville") and accordingly both parties have entered into an Asset Purchase Agreement (the "Agreement") wherein Grayson District will (i) acquire and operate the Caneyville water system; and (ii) assume the outstanding indebtedness of Caneyville which is currently held by USDA, Rural Development ("RD").

5. That on February 16, 2022, Grayson District and Caneyville filed a joint application with the Commission (Case No. 2021-00387) requesting approval of Grayson District's acquisition of the Caneyville water system and assumption of the outstanding RD indebtedness. The

Commission issued its' approving Order on June 6, 2022. **Case No. 2021-00387** and all documents contained therein are incorporated in this Application by reference.

6. That RD issued a Letter of Conditions (the "LOC") to Grayson District on September 9, 2025 setting forth the terms and conditions required by RD to approve and complete the transfer of the Caneyville water system and the assumption of the RD indebtedness. Section II (3) of the LOC sets forth the minimum rates and charges required by RD in order for Grayson District to meet the principal and interest payments on the Caneyville indebtedness and the required deposits to the debt service and depreciation reserve funds. A copy of the LOC is attached hereto as **Exhibit "A"**.

7. That 807 KAR 5:069, Section 2 requires the filing of certain exhibits in support of Applications filed pursuant to KRS 278.023, namely:

- A. Copy of RD Letter of Conditions (see **Exhibit "A"**).
- B. Copy of RD Letter of Concurrence in Contract Award.
- 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 Chairperson based upon statements of the Engineers for the 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 the 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.

6. That due to the fact that no construction project is involved in this matter, Grayson District hereby requests a deviation from the filing requirements of 807 KAR 5:069, Section 2, subsections (3), (4), (5) and (6).

7. That Grayson 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.graysonwater.com](http://www.graysonwater.com)) along with

a hyperlink to the location on the Commission's website where the case documents are available. Grayson 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 Grayson 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 "B"**. Grayson 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).

8. 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.

WHEREFORE, Grayson County Water District requests that the Kentucky Public Service Commission grant the following:

- a. An Order approving the proposed rates as set out in Section II (3) of the RD Letter of Conditions filed herewith as an Exhibit.
- b. A deviation from the filing requirements set forth in 807 KAR 5:069, Section 2, subsections (3), (4), (5) and (6), due to the fact that no construction project is involved in the matter.

Grayson County Water District

By: Nancy Cain  
Chairperson  
Board of Water Commissioners

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# **EXHIBIT A**

USDA Letter of Conditions



United States Department of Agriculture

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September 9, 2025

Nancy Cain, Chairman  
Grayson County Water District  
21 Shull White Road  
Leitchfield, Kentucky 42754

**SUBJECT:** Letter of Conditions  
Transfer and Assumption Application of City of Caneyville

Dear Chairman Cain:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The transfer and assumption 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 the proposed transfer and assumption must be reported to and concurred with by the Agency by written amendment to this letter. If 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 transfer and assumption approval. The transfer and assumption will be approved on the day Form RD 1951-15, "Community Programs Assumption Agreement," is signed by all necessary parties.

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 Form RD 1942-46, "Letter of Intent to Meet Conditions" within 10 days.

All parties may access information and regulations referenced in this letter at our website located at: [Water and Environmental Programs | Rural Development \(usda.gov\)](http://www.usda.gov/water-and-environmental-programs/rural-development)

The conditions are as follows:

### **SECTION I - PROJECT SCOPE**

Rural Development • Kentucky State Office  
771 Corporate Drive, Suite 200 • Lexington, KY 40502  
Voice (859) 224-7300 • Fax (859) 224-7425 • 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/complaining/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](mailto:program.intake@usda.gov).

**1. Project Description** – Grayson County Water District (herein referred to as “Transferee”) has applied to assume the City of Caneyville (herein referred to as “Transferor”) water system. Transferor agrees to transfer all assets, both real and personal, to the Transferee as part of this assumption. Transferee agrees to assume all liabilities of the Transferor, including but not limited to all debts owed to the Agency and all responsibilities of any grant agreements in effect.

**2. Agency Debts** – When complete, the Transferee will assume liability and responsibility for the following Agency debts and grants:

<b>Loan/Grant Number</b>	<b>Original Amount</b>	<b>Type of Debt Instrument</b>	<b>Date of Debt Instrument</b>
#04	\$608,400.00	Grant Agreement	9/09/1985
#07	\$184,000.00	Grant Agreement	9/09/1985
#09	\$130,500.00	Grant Agreement	8/22/1995
#10	\$100,000.00	Grant Agreement	8/22/1995
#11	\$818,000.00	Revenue Bond	2/24/2022
#12	\$300,000.00	Grant Agreement	10/25/2021

## **SECTION II – LOAN AND GRANT TERMS**

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

### 5/8" Meter:

First 1,500 gallons @ \$25.48 - Minimum Bill.  
 Next 8,500 gallons @ \$12.10 – per 1,000 gallons.  
 Next 40,000 gallons @ \$10.92 – per 1,000 gallons.  
 Next 100,000 gallons @ \$ 9.75 – per 1,000 gallons.  
 All Over 150,000 gallons @ \$ 8.61 – per 1,000 gallons.

### 3/4" Meter:

First 3,000 gallons @ \$43.61 - Minimum Bill.  
 Next 7,000 gallons @ \$12.10 – per 1,000 gallons.  
 Next 40,000 gallons @ \$10.92 – per 1,000 gallons.  
 Next 100,000 gallons @ \$ 9.75 – per 1,000 gallons.  
 All Over 150,000 gallons @ \$ 8.61 – per 1,000 gallons.

1" Meter:

First 5,000 gallons @ \$67.80 - Minimum Bill.  
Next 5,000 gallons @ \$12.10 – per 1,000 gallons.  
Next 40,000 gallons @ \$10.92 – per 1,000 gallons.  
Next 100,000 gallons @ \$ 9.75 – per 1,000 gallons.  
All Over 150,000 gallons @ \$ 8.61 – per 1,000 gallons.

1.5" Meter:

First 10,000 gallons @ \$128.27 - Minimum Bill.  
Next 40,000 gallons @ \$10.92 – per 1,000 gallons.  
Next 100,000 gallons @ \$ 9.75 – per 1,000 gallons.  
All Over 150,000 gallons @ \$ 8.61 – per 1,000 gallons.

2" Meter:

First 16,000 gallons @ \$193.80 - Minimum Bill.  
Next 34,000 gallons @ \$10.92 – per 1,000 gallons.  
Next 100,000 gallons @ \$ 9.75 – per 1,000 gallons.  
All Over 150,000 gallons @ \$ 8.61 – per 1,000 gallons.

3" Meter:

First 30,000 gallons @ \$346.68 - Minimum Bill.  
Next 20,000 gallons @ \$10.92 – per 1,000 gallons.  
Next 100,000 gallons @ \$ 9.75 – per 1,000 gallons.  
All Over 150,000 gallons @ \$ 8.61 – per 1,000 gallons.

4" Meter:

First 50,000 gallons @ \$565.09 - Minimum Bill.  
Next 100,000 gallons @ \$ 9.75 – per 1,000 gallons.  
All Over 150,000 gallons @ \$ 8.61 – per 1,000 gallons.

6" Meter:

First 100,000 gallons @ \$1,052.41 - Minimum Bill.  
Next 50,000 gallons @ \$ 9.75 – per 1,000 gallons.  
All Over 150,000 gallons @ \$ 8.61 – per 1,000 gallons.

8" Meter:

First 150,000 gallons @ \$1,539.73 - Minimum Bill.  
All Over 150,000 gallons @ \$ 8.61 – per 1,000 gallons.

10" Meter:

First 250,000 gallons @ \$2,400.80 - Minimum Bill.  
All Over 250,000 gallons @ \$ 8.61 – per 1,000 gallons.

Wholesale – Edmonson County Water District:

\$3.84/ 1,000 Gallons

**4. Repayment** – Repayment of the above Agency debts will be paid in accordance with the rates and terms stipulated in the existing debt instruments.

**5. Security** -- The Agency debts described above are evidenced by a Revenue bond with parity lien position related to the facility(ies).

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.

As part of the transfer and assumption of the facility, the Transferee must adopt RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)," and RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," adopting the above security instruments. Transferee must adopt the Loan Resolution and Grant agreement prior to the closing of the transfer.

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.

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

**7. Reserves** – The following reserves are required to be maintained:

- a. **Debt Service Reserve** – Transferor has established a debt service reserve fund equal to at least one annual loan installment that accumulated 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 \$235 per month; this amount should be deposited monthly until a total of \$28,200 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. Transferor agrees to transfer the funds from this account to the Transferee at closing of the transfer, and Transferee agrees to maintain these reserve funds in accordance with Agency requirements.

- b. **Short-Lived Asset Reserve** – In addition to the debt service reserve fund, the Transferor has also established a short-lived asset reserve fund, to which it deposits at least \$22,500 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. If adjustments are made, the Agency should be notified in writing. Transferor agrees to transfer the funds from this account to the Transferee at closing of the transfer, and Transferee agrees to maintain this reserve fund in accordance with Agency requirements.

### **SECTION III – REQUIREMENTS PRIOR TO CLOSING OF THE TRANSFER**

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

Principal –

- i. An officer, director, owner, partner, principal investigator, or other person within a participant with management or supervisory responsibilities related to a covered transaction; or
- ii. A consultant or other person, whether or not employed by the participant or paid with federal funds, who –
  1. Is in a position to handle federal funds;
  2. Is in a position to influence or control the use of those funds; or,
  3. Occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to perform the covered transaction. (2 CFR §180.995)

**9. Environmental Requirements** - The transfer and assumption qualifies as a categorical exclusion without report under 7 CFR 1970.53, and 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.

**10. Accounting of Real and Personal Property of Transferee** - Prior to the closing of the transfer, the Transfer must provide the following:

- a) **Preliminary Title Work (Title Opinion)** – Transferor's attorney must provide to the Agency and Transferee a title opinion describing all real property, easements, water rights, and any other real property owned by the Transferor, any and all encumbrances thereof, and actions needed to transfer the property free and clear to the Transferee. There must be no lien, judgments, or similar claims of other parties against the real property being transferred unless the Transferee is willing to accept such claims. Transferor agrees to maintain and insure the real property described in the opinion, and transfer this real property to the Transferee at the time of closing.

- a) **Personal Property-** Within 30 days of the date of this letter, Transferor must provide to the Agency and Transferee a certified listing of all personal property, including equipment, inventory, deposit accounts and certificate of deposits, and any other personal property owned and controlled by the Transferor. Deposit accounts and certificate of deposits will be evidenced by bank statements, with a detailed breakdown of amounts in the Transferor's debt service reserve account, short-lived asset reserve account, operation and maintenance account, and any other accounts. Transferor agrees to maintain the amounts in each of these accounts, except for payment of ordinary operation and maintenance, and to transfer these amounts to the Transferee at the closing of the transfer.

**11. System Policies, Procedures, Contracts, and Agreements** – The facility(ies) must be operated on a sound business plan. The Transferee must adopt 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 of the transfer.

- a. **Conflict of Interest Policy** – Prior to closing, 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. **Contracts for Other Services/Lease Agreement** – If the assumed system requires any contracts or other forms of agreements for other services, including audit, management, operation, and maintenance, or lease agreements essential to the successful operation of the facility, the Transferee must submit a draft of these documents to the Agency for review and concurrence before the closing of the transfer.
- c. **Parity/Intercreditor Agreement** – If the assumed system has an existing written agreement between the parity lenders. The Transferor must submit the updated agreement to the Agency for review and concurrence before the closing of the transfer.

**12. Legal Existence and Authority** - You must have or will obtain the legal authority necessary for owning, constructing, operating, and maintaining the proposed facility, and for obtaining, giving security for, and repaying the proposed loan. Your organizational documents and/or your attorney's opinion on your legal authority will be reviewed by the Agency's Regional Attorney for adequacy. You agree to make any changes necessary and/or submit additional documentation to satisfy this requirement.

**13. 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. Closing instructions must be obtained prior to closing of the transfer.

**14. Proposed Operating Budget** – The Transferee agrees to 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 closing the transfer, the Transferee must submit a proposed annual operating budget to the Agency, as well as a proposed rate schedule, which demonstrates an ability to cash flow the assumed system, as well as the Transferee's current system. It is expected that O and M expenses will change over each successive year and user rates will need to be adjusted on a regular basis.

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

**15. Permits/Regulatory Approvals** – The Transferee is responsible to obtain all applicable permits and regulatory approvals for the transfer and assumption and must provide a written certification or other legal evidence to the Agency that all applicable permits and regulatory approvals have been obtained prior to the closing of the transfer.

**16. Other Debts** – The Transferee is required to provide evidence that lenders with any of their other debts held have approved the transfer and assumption of the system.

**17. 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. Borrowers with existing systems must provide a certification that an RRA/ERP has been completed prior to closing the transfer. Technical assistance is available in preparing these documents at no cost to you.

Before closing the transfer, 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.

**18. Insurance and Bonding Requirements** - Prior to the closing of the transfer, the Transferee 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 the Transferee has the financial resources to cover potential claims requiring payment of the deductible. The Agency strongly recommends that the Transferee’s 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 construction in designated special flood or mudslide prone areas, a flood insurance policy must be in place at the time of loan closing.
- c. **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 V.

#### **SECTION IV - REQUIREMENTS AT CLOSING**

**19. Documents from Section II and III -** The security documents described in paragraph 4 must be fully executed and adopted. Form RD 3550-28, "Authorization Agreement for Preauthorized Payments," described in paragraph 5 must be submitted. The policies, procedures, contracts and agreements described in paragraphs 10 & 11 must be fully executed and adopted.

**20. Real and Personal Property Transfer-** All requirements contained in the Agency's Loan Closing Instructions provided by the Office of General Counsel (OGC), as well as any requirements of your Attorney and/or Bond Counsel, must be met prior to the date the transfer is closed. The transfer will be closed in accordance with the Agency's Loan Closing Instructions.

- a) **Final Title Opinion** - Within 30 days of the closing of the transfer, the Transferee's attorney will provide a final title opinion showing all real property, easements, water rights, and any other real property previously owned by the Transferor has been conveyed to the Transferee.
- b) **Transfer Closing Opinion** - Within 30 days of the closing of the transfer, the Transferee's attorney will provide a Transfer Closing Opinion that all personal property previously owned by the Transferor has been conveyed to the Transferee.
- c) **Filing of the Assumption Agreement** – Form RD 1951-15, "Community Programs Assumption Agreement," will be executed by the Transferee and the Agency approval official once the above opinions have been received. The Transferee's attorney will file the executed Form RD 1951-15, "Community Programs Assumption Agreement" in the appropriate real estate records.

#### **21. Other Requirements**

- 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. (Sec 2 CFR Part 25 and the “Help” section at <http://sam.gov>).

- b. **Litigation.** You are required to notify the Agency within 30 days of receiving notification of being involved in any type of litigation prior to closing the transfer. Additional documentation regarding the situation and litigation may be requested by the Agency.
- c. **Certified Operator.** Evidence must be provided that your system has or will have a certified operator, as defined by applicable State or Federal requirements, available prior to closing the transfer, or that a suitable supervisory agreement with a certified operator is in effect.

## **SECTION VII – SERVICING REQUIREMENTS AFTER CLOSING OF THE TRANSFER**

**22. Prepayment and Extra Payments** - Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower, with no penalty.

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

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

**23. Annual Financial Reporting/Audit Requirements** – The Transferee is 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 \$1,000,000 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.
- b. **Financial Statements** - If you expend less than \$1,000,000 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.

**24. 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.

**25. Graduation** - By accepting this loan, the Transferee is 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.

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

**27. 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 20 of this letter.

**28. 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.

**29. Insurance.** – Insurance requirements are further outlined in Section III 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.

**30. Statutory and National Policy Requirements** – As a recipient of Federal funding, you are required to comply with U.S. statutory and public policy requirements, including but not limited to:

- a. **Section 504 of the Rehabilitation Act of 1973** – Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Agency financial assistance.
- b. **Civil Rights Act of 1964** – All borrowers are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and 7 CFR 1901, Subpart E, particularly as it relates to conducting and reporting of compliance reviews. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by Paragraph 1901.202(e) of this Title.
- c. **The Americans with Disabilities Act (ADA) of 1990** – This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, State and local government services, public transportation, public accommodations, facilities, and telecommunications.
- d. **Age Discrimination Act of 1975** – This Act (42 U.S.C. 6101 et seq.) provides that no person in the United States shall on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.
- e. **Limited English Proficiency (LEP) under Executive Order 13166** - LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the ground of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons. LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write, or understand English. These individuals may be entitled to language assistance, free of charge. You must take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to USDA programs, services, and information your organization provides. These protections are pursuant to Executive Order 13166 entitled, “Improving Access to Services by Persons with Limited English Proficiency” and further affirmed in the USDA Departmental Regulation 4330-005, “Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA.”

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

**31. 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 both organizations to complete this transfer and assumption. If you have any questions, please contact Emily James at (859)556-9815 or by e-mail at [emily.james@usda.gov](mailto:emily.james@usda.gov).

Sincerely,

**TRAVIS BURTON** Digitally signed by TRAVIS  
BURTON  
Date: 2025.09.09 13:09:28 -04'00'

TRAVIS BURTON  
State Director

Attachments, as applicable:

Form RD 440-22, "Promissory Note"  
Form RD 442-2, "Statement of Budget, Income and Equity"  
Form RD 442-3, "Balance Sheet"  
Form RD 442-20, "Right-of-Way Easement"  
Form RD 442-21, "Right-of-Way Certificate"  
Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way"  
Form RD 1927-9, "Preliminary Title Opinion"  
Form RD 1927-10, "Final Title Opinion"  
Form RD 1942-8, "Resolution of Members or Stockholders"  
Form RD 1942-46, "Letter of Intent to Meet Conditions"  
Form RD 3550-28, "Authorization Agreement for Preauthorized Payments"  
Form UCC-1, "Financing Statement"  
Form UCC-1Ad, "UCC Financing Statement Addendum"  
SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form"  
RUS Bulletin 1780-12, "Water and Waste System Grant Agreement"  
RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)"  
RUS Bulletin 1780-28, "Loan Resolution Security Agreement"

cc: Lindsay Durbin, Deitz, Shields, Freeburger & Durbin, LLP – Dixon, KY.  
Randall Jones, Rubin & Hays – Louisville, KY.

# **EXHIBIT B**

## 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 Grayson County 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 the acquisition by the District of the City of Caneyville's ("City") water system and the assumption by the District of certain waterworks revenue bonds issued by the City in the original principal amount of \$818,000 currently held by RD. RD has agreed to the proposed debt assumption provided the District meets certain conditions of RD, including revising the water rates as set forth below:

<b>Current Monthly Rates</b>				
<u>5/8" x 3/4" Meter</u>				
First	1,500	Gallons	\$21.02	Minimum Bill
Next	8,500	Gallons	\$9.98	Per 1,000 Gallon
Next	40,000	Gallons	\$9.01	Per 1,000 Gallon
Next	100,000	Gallons	\$8.04	Per 1,000 Gallon
Over	150,000	Gallons	\$7.10	Per 1,000 Gallon
<u>3/4-Inch Meter</u>				
First	3,000	Gallons	\$35.97	Minimum Bill
Next	7,000	Gallons	\$9.98	Per 1,000 Gallon
Next	40,000	Gallons	\$9.01	Per 1,000 Gallon
Next	100,000	Gallons	\$8.04	Per 1,000 Gallon
Over	150,000	Gallons	\$7.10	Per 1,000 Gallon
<u>1-Inch Meter</u>				
First	5,000	Gallons	\$55.93	Minimum Bill
Next	5,000	Gallons	\$9.98	Per 1,000 Gallon
Next	40,000	Gallons	\$9.01	Per 1,000 Gallon
Next	100,000	Gallons	\$8.04	Per 1,000 Gallon
Over	150,000	Gallons	\$7.10	Per 1,000 Gallon
<u>1 1/2-Inch Meter</u>				
First	10,000	Gallons	\$105.81	Minimum Bill
Next	40,000	Gallons	\$9.01	Per 1,000 Gallon
Next	100,000	Gallons	\$8.04	Per 1,000 Gallon
Over	150,000	Gallons	\$7.10	Per 1,000 Gallon
<u>2- Inch Meter</u>				
First	16,000	Gallons	\$159.86	Minimum Bill
Next	34,000	Gallons	\$9.01	Per 1,000 Gallon
Next	100,000	Gallons	\$8.04	Per 1,000 Gallon
Over	150,000	Gallons	\$7.10	Per 1,000 Gallon

3- Inch Meter				
First	30,000	Gallons	\$285.97	Minimum Bill
Next	20,000	Gallons	\$9.01	Per 1,000 Gallon
Next	100,000	Gallons	\$8.04	Per 1,000 Gallon
Over	150,000	Gallons	\$7.10	Per 1,000 Gallon
4- Inch Meter				
First	50,000	Gallons	\$466.13	Minimum Bill
Next	100,000	Gallons	\$8.04	Per 1,000 Gallon
Over	150,000	Gallons	\$7.10	Per 1,000 Gallon
6-Inch Meter				
First	100,000	Gallons	\$868.11	Minimum Bill
Next	50,000	Gallons	\$8.04	Per 1,000 Gallon
Over	150,000	Gallons	\$7.10	Per 1,000 Gallon
8-Inch Meter				
First	150,000	Gallons	\$1,270.09	Minimum Bill
Over	150,000	Gallons	\$7.10	Per 1,000 Gallon
10-Inch Meter				
First	250,000	Gallons	\$1,980.37	Minimum Bill
Over	250,000	Gallons	\$7.10	Per 1,000 Gallon

Proposed Monthly Rates					Increase (\$)	Increase (%)
5/8" x 3/4" Meter						
First	1,500	Gallons	\$25.48	Minimum Bill	\$4.46	21.23%
Next	8,500	Gallons	\$12.10	Per 1,000 Gallon	\$2.12	21.23%
Next	40,000	Gallons	\$10.92	Per 1,000 Gallon	\$1.82	21.23%
Next	100,000	Gallons	\$9.75	Per 1,000 Gallon	\$1.71	21.23%
Over	150,000	Gallons	\$8.61	Per 1,000 Gallon	\$1.51	21.23%
3/4-Inch Meter						
First	3,000	Gallons	\$43.61	Minimum Bill	\$7.64	21.23%
Next	7,000	Gallons	\$12.10	Per 1,000 Gallon	\$2.12	21.23%
Next	40,000	Gallons	\$10.92	Per 1,000 Gallon	\$1.82	21.23%
Next	100,000	Gallons	\$9.75	Per 1,000 Gallon	\$1.71	21.23%
Over	150,000	Gallons	\$8.61	Per 1,000 Gallon	\$1.51	21.23%

1-Inch Meter						
First	5,000	Gallons	\$67.80	Minimum Bill	\$11.87	21.23%
Next	5,000	Gallons	\$12.10	Per 1,000 Gallon	\$2.12	21.23%
Next	40,000	Gallons	\$10.92	Per 1,000 Gallon	\$1.82	21.23%
Next	100,000	Gallons	\$9.75	Per 1,000 Gallon	\$1.71	21.23%
Over	150,000	Gallons	\$8.61	Per 1,000 Gallon	\$1.51	21.23%
1 1/2-Inch Meter						
First	10,000	Gallons	\$128.27	Minimum Bill	\$22.46	21.23%
Next	40,000	Gallons	\$10.92	Per 1,000 Gallon	\$1.82	21.23%
Next	100,000	Gallons	\$9.75	Per 1,000 Gallon	\$1.71	21.23%
Over	150,000	Gallons	\$8.61	Per 1,000 Gallon	\$1.51	21.23%
2- Inch Meter						
First	16,000	Gallons	\$193.80	Minimum Bill	\$33.94	21.23%
Next	34,000	Gallons	\$10.92	Per 1,000 Gallon	\$1.82	21.23%
Next	100,000	Gallons	\$9.75	Per 1,000 Gallon	\$1.71	21.23%
Over	150,000	Gallons	\$8.61	Per 1,000 Gallon	\$1.51	21.23%
3- Inch Meter						
First	30,000	Gallons	\$346.68	Minimum Bill	\$60.71	21.23%
Next	20,000	Gallons	\$10.92	Per 1,000 Gallon	\$1.82	21.23%
Next	100,000	Gallons	\$9.75	Per 1,000 Gallon	\$1.71	21.23%
Over	150,000	Gallons	\$8.61	Per 1,000 Gallon	\$1.51	21.23%
4- Inch Meter						
First	50,000	Gallons	\$565.09	Minimum Bill	\$98.96	21.23%
Next	100,000	Gallons	\$9.75	Per 1,000 Gallon	\$1.71	21.23%
Over	150,000	Gallons	\$8.61	Per 1,000 Gallon	\$1.51	21.23%
6-Inch Meter						
First	100,000	Gallons	\$1,052.41	Minimum Bill	\$184.30	21.23%
Next	50,000	Gallons	\$9.75	Per 1,000 Gallon	\$1.71	21.23%
Over	150,000	Gallons	\$8.61	Per 1,000 Gallon	\$1.51	21.23%
8-Inch Meter						
First	150,000	Gallons	\$1,539.73	Minimum Bill	\$269.64	21.23%
Over	150,000	Gallons	\$8.61	Per 1,000 Gallon	\$1.51	21.23%
10-Inch Meter						
First	250,000	Gallons	\$2,400.80	Minimum Bill	\$420.43	21.23%
Over	250,000	Gallons	\$8.61	Per 1,000 Gallon	\$1.51	21.23%

Wholesale

\$3.84 Per 1,000 Gallon

### 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	3,251	38.49	46.67	8.18	21.23%
1 Inch Meter	15,378	154.29	187.03	32.74	21.23%
4 Inch Meter	414,434	3,396.18	4,118.30	722.12	21.23%

The proposed monthly water rates shall be effective for water sold after April 1, 2026, 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) Grayson County Water District, 21 Shull White Road, Leitchfield, KY 42754; (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. Signed: Nancy Cain, Chairperson, Grayson County Water District.