

Rubin & Hays

ATTORNEYS AT LAW

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CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

November 3, 2008

2008-00463

Ms. Stephanie Stumbo
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

RECEIVED
NOV 5 2008
PUBLIC SERVICE
COMMISSION

Re: Bronston Water Association Water Project

Dear Ms. Stumbo,

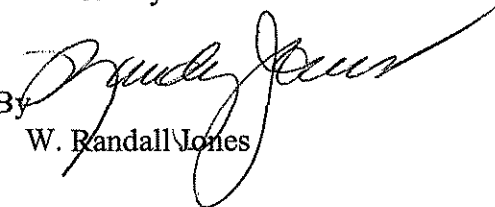
Enclosed please find the original and ten (10) copies of the Application of Bronston Water Association for an Order approving construction financing and issuing a Certificate of Public Convenience and Necessity pursuant to KRS 278.023.

Also enclosed are eleven (11) copies of the exhibits required pursuant to 807 KAR 5.069, and the **Preliminary and Final Engineering Reports, of which two copies are enclosed.**

If you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jlm
Enclosures

cc: Deron S. Byrne, P.E.
Mr. David Slagle, Bronston Water Association
Mr. Barry Turner, USDA, Rural Development

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
NOV 5 2008
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF BRONSTON WATER)
ASSOCIATION, INC., OF WAYNE AND PULASKI)
COUNTIES, KENTUCKY FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY TO)
CONSTRUCT AND FINANCE PURSUANT TO THE)
PROVISIONS OF KRS 278.023)

NO. 2008-00463

APPLICATION

This Application of the Bronston Water Association, Inc., (the "Applicant") of Wayne and Pulaski Counties, Kentucky, respectfully shows:

1. That the Applicant is a non-profit water association of Wayne and Pulaski Counties, Kentucky, created and existing under and by virtue of Chapter 273 of the Kentucky Revised Statutes.

2. That the post office address of the Applicant is:

Bronston Water Association, Inc.
c/o Mr. John Palmer, President
P.O. Box 243
Bronston, Kentucky 42518

3. That the Applicant, pursuant to the provisions of KRS 278.020 and 278.023, seeks (i) a Certificate of Public Convenience and Necessity, permitting the Applicant to construct a waterworks construction project, consisting of extensions, additions, and improvements (the "Project") to the existing waterworks system of the Applicant; and (ii) approval of the proposed plan of financing said Project.

4. That the proposed Project includes the construction of a new 500,000 gallon ground storage tank and appurtenances and the demolition and removal of an existing 100,000 gallon ground storage tank.

5. That the Applicant proposes to finance the construction of the Project through (i) issuance of a \$435,000 Promissory Note; and (ii) a Rural Development ("RD") grant in the amount of \$300,000. The Applicant has a commitment from the RD to purchase said \$435,000 note maturing over a 40-year period, at an interest rate of not exceeding 4.375% per annum, as set out in the RD Letter of Conditions filed herewith as an Exhibit.

6. That the Applicant does not contemplate having the Project constructed with any deviation from minimum construction standards of this Public Service Commission.

7. That the Applicant files herewith the following Exhibits pursuant to 807 KAR 5:069 in support of this Application:


- A. Copy of Applicant's Articles of Incorporation and Amendments (**previously filed with the Commission in Case No. 2003-00193**).
- B. Copy of RD Letter of Conditions.
- C. Copy of RD Letter of Concurrence in Bid Award.
- D. Copy of Preliminary and Final Engineering Reports.
- E. Certified statement from the President of the Applicant, based upon statements of the Engineers for the Applicant, 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 already been obtained;
 - (3) The existing rates of the Applicant shall produce the total revenue requirements set out in the engineering reports; and
 - (4) Setting out the dates when it is anticipated that construction will begin and end.

8. That the foregoing constitutes the documents necessary to obtain the approval of the Public Service 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 1.


WHEREFORE, the Applicant, the Bronston Water Association, Inc., asks that the Public Service Commission of the Commonwealth of Kentucky grant to the Applicant the following:

- a. A Certificate of Public Convenience and Necessity permitting the Applicant to construct a waterworks project consisting of extensions, additions, and improvements to the existing waterworks system of the Applicant.
- b. An Order approving the financing arrangements made by the Applicant, viz., the issuance of a \$435,000 Promissory Note at an interest rate of not exceeding 4.375% per annum; and an RD grant in the amount of \$300,000.

BRONSTON WATER ASSOCIATION, INC.

By: 
President
Board of Directors

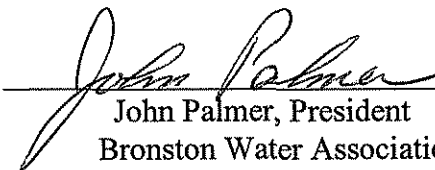
RUBIN & HAYS

By: 
Counsel for Applicant
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 569-7525

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF PULASKI)

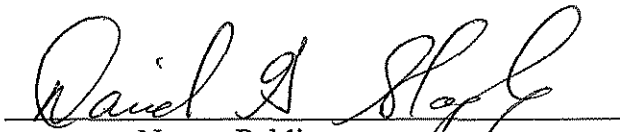
The undersigned, John Palmer, being duly sworn, deposes and states that he is the President of the Board of Directors of the Bronston Water Association, Inc., the Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true 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.

4 IN TESTIMONY WHEREOF, witness the signature of the undersigned on this November 2008.


John Palmer, President
Bronston Water Association, Inc.

Subscribed, sworn and acknowledged to before me by John Palmer, President of the Board of Directors of the Bronston Water Association, Inc., on this November 4, 2008.

My Commission expires: My Commission Expires February 24, 2010


Notary Public
In and for said County and State

(Seal of Notary)



United States Department of Agriculture
Rural Development
Kentucky State Office

March 13, 2008

Mr. John Palmer, President
Bronston Water Association, Inc.
P.O. Box 243
Bronston, Kentucky 42518

Dear Mr. Palmer:

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

This letter is not to be considered as loan and grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$435,000 and a RUS grant not to exceed \$300,000.

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

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

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

If the conditions set forth in this letter are not met within 240 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application.

In signing Form RD 1942-46, "Letter of Intent to Meet Conditions," you are agreeing to complete the following as expeditiously as possible:

771 Corporate Drive • Suite 200 • Lexington, KY 40503
Phone: (859) 224-7336 • Fax: (859) 224-7444 • TDD: (859) 224-7422 • Web: <http://www.rurdev.usda.gov/ky>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, SW, Washington, DC 20250-9410
or call (800) 795-3272 (voice) or (202) 720-6382 (TDD)

1. Number of Users and Their Contribution:

There shall be 1,692 water users, all of which are existing users. The Area Director will review and authenticate the number of users prior to advertising for construction bids.

2. Grant Agreement:

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

3. Drug-Free Work Place:

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

4. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed 40 years from the date of the Promissory Note. Principal payment will not be deferred for a period in excess of two years from the date of the Promissory Note. The Association will be required to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the Promissory Note is held or insured by RUS. Monthly payments will be approximate amortized installments.

5. Recommended Repayment Method:

Payments on this loan shall be made using the Preauthorized Debit (PAD) payment method. This procedure eliminates the need for paper checks and ensures timely receipt of RD loan payments. To initiate PAD payments, Form SF 5510, "Authorization Agreement for Preauthorized Payments," should be signed by the Association to authorize the electronic withdrawal of funds from your designated bank account on the exact installment payment due date. The Area Director will furnish the necessary forms and further guidance on the PAD procedure.

6. Reserve Accounts:

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

The Association will be required to deposit \$200 per month into a "Funded Depreciation Reserve Account" until the account reaches \$24,000. The deposits are to be resumed any time the account falls below the \$24,000.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the Association's prior loan resolutions.

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

The Association also needs to fund an account for short-lived assets by depositing a sum of \$235 monthly into the account. The funds in the short-lived asset account may be used by the Association as needed to replace or add short-lived assets in the Association's water system.

7. Security Requirements:

The loan will be secured by a real estate mortgage, a financing statement, and a pledge of gross water revenue, in the Loan Resolution and Financing Statement.

8. Land Rights and Real Property:

The Association will be required to furnish satisfactory title, easements, etc., necessary to install, maintain and operate the facility to serve the intended users. The pipelines will be on private rights-of-way where feasible. Easements and options are to be secured prior to advertising for construction bids.

9. Organization:

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

10. Business Operations:

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

11. Accounts, Records and Audits:

The Association will be required to maintain adequate records and accounts and submit annual budgets and year-end reports (annual audits) in accordance with subsection 1780.47 of RUS Instruction 1780.

The enclosed audit booklet will be used as a guide for preparation of audits. The Association shall be required to submit a copy of its audit agreement for review and concurrence by Rural Development prior to pre-closing the loan.

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

The Association will accomplish audits in accordance with OMB Circular A-133, during the years in which federal funds are received. The Association will provide copies of the audits to the Area Office and the appropriate Federal cognizant agency as designated by OMB Circular A-133.

13. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the Association. The Association should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The Association will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The Association will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$104,000.
- D. Real Property Insurance - The Association will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures. The amounts of coverage should be based on recommendations obtained by the Association from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The Association will obtain and maintain adequate coverage on any facilities located in special flood and mudslide prone areas.

14. Planning and Performing Development:

- A. The engineer should not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost shown in paragraph "24" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 210 days from this date, and prepare bid documents. The Area Director is prepared to furnish the necessary guide to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.
- B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:
 - 1. Final plans, specifications and bid documents.
 - 2. Applicant's letter on efforts to encourage small business and minority-owned business participation.
 - 3. Legal Service Agreements.
 - 4. Engineering Agreements.

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

15. Civil Rights & Equal Opportunity:

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

A. Section 504 of the Rehabilitation Act of 1973:

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

B. Civil Rights Act of 1964:

All borrowers are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and Subpart E of Part 1901 of this Title, particularly as it relates to conducting and reporting of compliance reviews. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by paragraph 1901.202(e) of this Title.

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

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

D. Age Discrimination Act of 1975:

This Act (42 U.S.C. 6101 et seq.) provides that no person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

Rural Development financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap.

16. Closing Instructions:

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

17. Compliance with Special Laws and Regulations:

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

18. System Operator:

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

19. Prior to Pre-Closing the Loan, the Association Will Be Required to Adopt:

- A. Form RD 1942-8, "Resolution of Members or Stockholders."
- B. Form RUS Bulletin 1780-28, "Loan Resolution Security Agreement."
- C. Form RD 400-1, "Equal Opportunity Agreement."
- D. Form RD 400-4, "Assurance Agreement."
- E. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- F. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- G. RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."
- H. RUS Bulletin 1780-22, "Eligibility Certification."

20. Refinancing and Graduation Requirements:

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

21. Commercial Interim Financing:

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

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

22. Disbursement of Project Funds:

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

For each "construction account" as established, if the amount of RUS loan and grant funds plus any applicant contributions or funds from other sources to be deposited into the account are expected to exceed \$100,000 at any time, the financial institution will secure the amount in excess of \$100,000 by pledging collateral with the Federal Reserve Bank in an amount not less than the excess in accordance with 7 CFR, 1902.7(a).

During construction, the Association shall disburse project funds in a manner consistent with subsection 1780.76 (e) of RUS Instruction 1780. Form RD 1924-18, "Partial Payment Estimate," or similar form approved by Rural Development, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to Rural Development for review and acceptance. Prior to disbursement of funds by the Association, the Board of Directors shall review and approve each payment estimate. All bills and vouchers must be approved by Rural Development prior to payment by the Association.

Form RD 440-11, "Estimate of Funds Needed for 30-Day Period Commencing _____," will be prepared by the Association and submitted to Rural Development in order that a periodic advance of federal cash may be requested.

Borrowers receiving federal loan and/or grant funds by EFT will have funds directly deposited to a specified account at a financial institution with funds being available to the recipient on the date of payment. The borrower should complete Form SF-3881, "Electronic Funds Transfer Payment Enrollment Form," for each account where funds will be electronically received. The completed form(s) must be received by Rural Development at least thirty (30) days prior to the first advance of funds.

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

23. Disbursement of Grant Funds:

The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of obligations due and payable by the Association. Grant funds, upon receipt, must be deposited in an interest bearing account in accordance with 7 CFR part 3019 (as applicable). Interest earned on grant funds in excess of \$250 (as applicable) per year will be submitted to RUS at least quarterly.

24. Cost of Facility:

Breakdown of Costs:

Development	\$ 525,000
Land and Rights	10,000
Legal and Administrative	25,000
Engineering	112,000
Interest	10,000
Contingencies	<u>53,000</u>
TOTAL	\$ 735,000

Financing:

RUS Loan	\$ 435,000
RUS Grant	<u>300,000</u>
TOTAL	\$ 735,000

25. Use of Remaining Project Funds:

After providing for all authorized costs, any remaining project funds will be considered to be RUS grant funds and refunded to RUS. If the amount of unused project funds exceeds the grants, that part would be RUS loan funds.

26. Proposed Operating Budget:

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

27. Rates and Charges:

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

Water rates will be at least:

5/8" x 3/4" Meter:

First	1,500	gallons @ \$	13.75 - Minimum Bill.
All Over	1,500	gallons @ \$	5.72 - per 1,000 gallons.

1" Meter:

First	5,000	gallons @ \$	33.77 - Minimum Bill.
All Over	5,000	gallons @ \$	5.72 - per 1,000 gallons.

2" Meter:

First 20,000 gallons @ \$ 93.30 - Minimum Bill.
All Over 20,000 gallons @ \$ 5.72 - per 1,000 gallons.

4" Meter:

First 50,000 gallons @ \$ 220.80 - Minimum Bill.
All Over 50,000 gallons @ \$ 5.72 - per 1,000 gallons.

28. Water Purchase Contract:

The Association will submit a Water Purchase Contract for approval by Rural Development before advertising for construction bids. If the contract is not on Form RD 442-30, "Water Purchase Contract," the contract will require approval by our Regional Attorney. The contract must meet the requirements of subsection 1780.62 of RUS Instruction 1780.

29. Compliance with the Bioterrorism Act:

Prior to pre-closing the loan, the Association will provide a certification they have completed a Vulnerability Assessment (VA) and prepared an emergency response plan (ERP) as required by the Safe Drinking Water Act (SDWA).

30. Floodplain Construction:

The Association will be required to pass and adopt a Resolution or amend its By-Laws whereby the Association will deny any water service to any future customer wishing to build on or develop property located within a designated floodplain. If a customer or developer requests service for construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the Association and Rural Development officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP) and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

31. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated December 5, 2007, from Ms. Lee Nalley.
- B. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without effect after construction is complete. The Army Corps of Engineers Nationwide Permit No. 12 applies to all floodplain and wetland utility line construction.
- C. Any excavation by Contractor that uncovers a historical or archaeological artifact shall be immediately reported to Owner and a representative of Agency. Construction shall be temporarily halted ending the notification process and further directions issued by Agency after consultation with the State Historic Preservation Officer (SHPO).

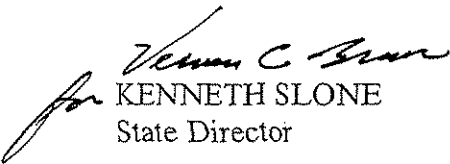
D. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.

32. Final Approval Conditions:

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

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

Sincerely,


for KENNETH SLONE
State Director

Enclosures

cc: Area Director – London, Kentucky
Lake Cumberland ADD – Russell Springs, Kentucky
Winter Huff – Somerset, Kentucky
Monarch Engineering – Lawrenceburg, Kentucky
PSC - ATTN: Bob Amato - Frankfort, Kentucky



**United States Department of Agriculture
Rural Development**
Kentucky State Office


October 31, 2008

SUBJECT: Bronston Water Association
Tank Replacement
Contract Award Concurrence

TO: Area Director
London, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of subject contract to the low bidder, Kentucky Glass Lined Tank Systems, Inc., in the amount of \$387,515.00.

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


KENNETH SLONE
State Director
Rural Development

cc: Monarch Engineering, Inc.
Lawrenceburg, Kentucky

~~Rubin and Hayes
Louisville, Kentucky~~

771 Corporate Drive • Suite 200 • Lexington, KY 40503
Phone: (859) 224-7300 • Fax: (859) 224-7425 • TDD: (859) 224-7422 • Web: <http://www.rurdev.usda.gov/ky>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).

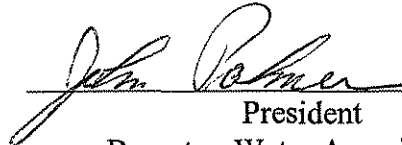
**CERTIFICATE OF PRESIDENT OF BRONSTON WATER ASSOCIATION, INC.
AS TO STATEMENT REQUIRED BY SECTION 1(5) OF 807 KAR 5:069**

I, John Palmer, hereby certify that I am the duly qualified and acting President of the Bronston Water Association, Inc., and that said Association is in the process of arranging to finance the construction of extensions, additions and improvements to the existing waterworks system of the Association (the "Project"), in cooperation with the Engineers for the Association, Monarch Engineering, Inc., Lawrenceburg, Kentucky.

Based on information furnished to me by said Engineers for the Association, 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 already been obtained.
3. That the rates of the Association shall produce the total revenue requirements set out in the engineering reports.
4. That it is now contemplated that construction of the Project will begin on or about January 1, 2009, and will end on or about September 1, 2009.

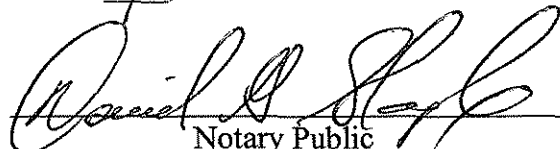
IN TESTIMONY WHEREOF, witness my signature this November 4, 2008.



President
Bronston Water Association, Inc.

STATE OF KENTUCKY)
) SS
COUNTY OF PULASKI)

Subscribed and sworn to before me by John Palmer, President of the Board of Directors of the Bronston Water Association, Inc., on this November 4, 2008.



Notary Public
In and For Said State and County

(Seal of Notary)

**PRELIMINARY ENGINEERING REPORT
FOR THE
BRONSTON WATER ASSOCIATION
WATER SYSTEM IMPROVEMENTS
500,000 GALLON WATER STORAGE TANK**

RECEIVED
NOV 5 2008
PUBLIC SERVICE
COMMISSION

OCTOBER 2007

M
Monarch Engineering, Inc.

DERON S. BYRNE
STATE OF KENTUCKY
DERON S. BYRNE
23127
LICENSED
PROFESSIONAL ENGINEER
10/24/07

**PRELIMINARY ENGINEERING REPORT
FOR THE
BRONSTON WATER ASSOCIATION
WATER SYSTEM IMPROVEMENTS
500,000 GALLON WATER STORAGE TANK**

OCTOBER 2007

PRELIMINARY ENGINEERING REPORT

WATER SYSTEM IMPROVEMENTS 500,000 GALLON WATER STORAGE TANK

BRONSTON WATER ASSOCIATION PULASKI COUNTY, KENTUCKY

I. GENERAL

This Preliminary Engineering Report is intended to analyze the proposed water system improvement that is being planned by the Bronston Water Association to serve residential customers in Pulaski County with potable drinking water. The project includes the replacement of a 100,000 gallon water storage tank with a new 500,000 gallon water storage tank. Included in this report are project cost estimates which outline all of the project costs along with the proposed financing scheme.

II. PROJECT PLANNING AREA

The proposed water system improvement will take place along the Kentucky Highway 90 area. The majority of the project involves the demolition of an existing 100,000 gallon water storage tank and the erection of a 500,000 gallon water storage tank. The proposed site for the water storage tank is adjacent to the existing 100,000 gallon water storage tank.

It is not anticipated that a significant growth pattern will emerge as a result of the implementation of an increased water supply but rather that the standard of living for those residents will be greatly improved. It is anticipated that 1,700 homes will be immediately affected by the project. The proposed service area is shown on the attached maps.

III. EXISTING FACILITIES

The Bronston Water Association owns and operates the water distribution system that serves nearly the entire rural portion of southwest Pulaski County and portions of northeast Wayne County. The Association purchases all water for resale from the City of Monticello which has more than sufficient water treatment capacity to serve the proposed improvement. A contract amendment has been agreed upon to allow for the purchase of unlimited water.

IV. NEED FOR THE PROJECT

The replacement of the 100,000 gallon water storage tank in the Kentucky Highway 90 area is proposed based on the growth of the water system and the upcoming need for the overall renovation of the structure. The steel ground storage tank will require a major overhaul in the form of some minor structural repair along with repainting the entire interior and exterior surfaces. Due to the cost involved in the repair of the structure, and the District's desire to continue to maintain an adequate level of service that will continue into the future, the best alternative is that which will replace the structure with that which will have a larger storage capacity. The capacity of the new tank is planned to be 500,000 gallons

V. ALTERNATIVES CONSIDERED

Based on the fact that there are no other major potable water suppliers that exist in this area, the only practical potable water supplier that would consider serving these areas is the Bronston Water Association. There are no other practical alternatives that could be considered. The source of raw water for the City of Monticello is the Lake Cumberland Reservoir which has excess capacity and excellent quality. The City of Monticello is well situated to supply to the Water Association the necessary volume of water that will be required by the replacement. Therefore, it was determined that these areas would be best served by a water system built, owned, operated and served by the Bronston Water Association.

VI. PROPOSED PROJECT

The proposed project consists of the replacement of a 100,000 gallon water storage tank with a 500,000 gallon water storage tank. An itemized cost estimate is included in this report and it outlines all of the individual construction items along with their associated unit costs. A summary cost estimate summarizes all of the project costs and outlines the funding scheme for the project which is also included in this report.

The project cost has been estimated to be \$735,000 and it is to be financed by a grant from USDA Rural Development for \$367,500 and a loan from USDA Rural Development for \$367,500.

VII. CONCLUSIONS AND RECOMMENDATIONS

Based on the desperate need for the residents in these communities to have a potable water supply, it is recommended that the Bronston Water Association take the steps necessary to develop the potable water system so that this unhealthy situation can be resolved. The Bronston Water Association is the only major supplier of potable water in and around these areas and their system is situated such that these improvements as proposed can be made without adversely affecting service to their existing customers.

**PRELIMINARY COST ESTIMATE
WATER SYSTEM IMPROVEMENTS
BRONSTON WATER ASSOCIATION
OCTOBER 2007**

PROJECT COSTS

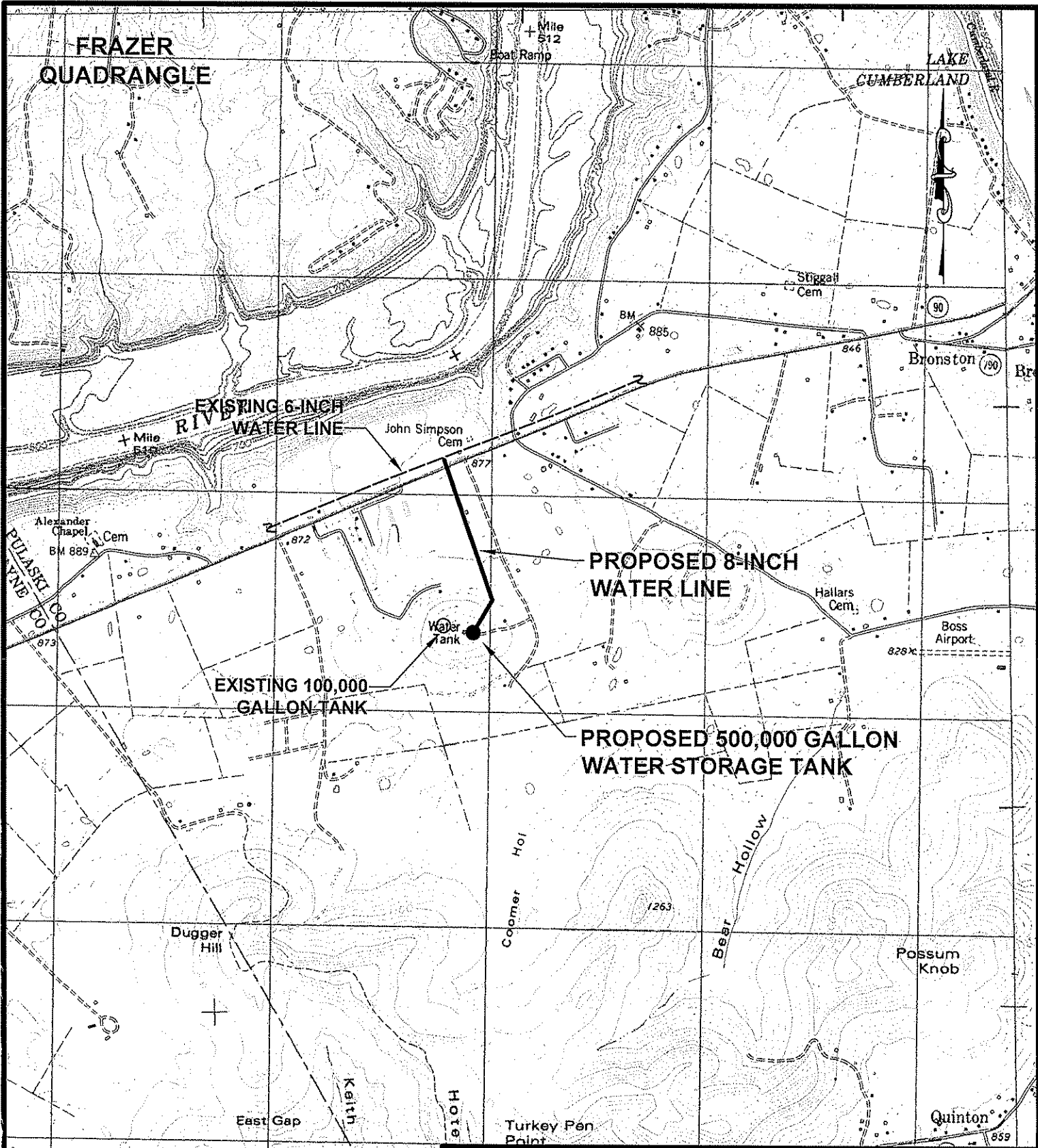
DEVELOPMENT	\$525,000.00
CONTINGENCY	53,000.00
ENGINEERING DESIGN	54,000.00
CONSTRUCTION INSPECTION	38,000.00
LAND & EASEMENT ACQUISITION	10,000.00
LEGAL & ADMINISTRATION	25,000.00
ADDITIONAL ENGINEERING	20,000.00
INTEREST	<u>10,000.00</u>
TOTAL PROJECT COSTS	\$735,000.00

PROJECT FUNDING :

U.S.D.A. RURAL DEVELOPMENT LOAN	\$367,500.00
U.S.D.A. RURAL DEVELOPMENT GRANT	<u>367,500.00</u>
TOTAL PROJECT FUNDING :	\$735,000.00

**PRELIMINARY COST ESTIMATE
500,000 GALLON WATER STORAGE TANK
BRONSTON WATER ASSOCIATION
OCTOBER 2007**

ITEM NO.	DESCRIPTION	QUANTITY	TOTAL COST
1	Site Work	1 LS	\$25,000.00
2	Foundation	1 LS	25,000.00
3	Steel Structure	1 LS	370,000.00
4	Painting/Sterilization	1 LS	25,000.00
5	8-Inch Piping and Appurtenances	2,500 LF	10,000.00
6	Valve Vault	1 LS	20,000.00
7	Fencing	1 LS	10,000.00
8	Dismantle Existing Tank	1 LS	15,000.00
9	Telemetry Control	1 LS	25,000.00
	SUBTOTAL		\$525,000.00
	CONTINGENCY		53,000.00
	TOTAL CONSTRUCTION COST		\$578,000.00



SCALE 1" = 2,000'



**500,000 GALLON
WATER STORAGE TANK
BRONSTON WATER ASSOCIATION**

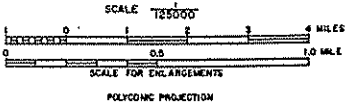
M
Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, KY



PROJECT LOCATION

1988 EDITION
 GENERAL HIGHWAY MAP
PULASKI COUNTY
 KENTUCKY

PREPARED BY THE
 KENTUCKY TRANSPORTATION CABINET
 DEPARTMENT OF HIGHWAYS
 DIVISION OF PLANNING
 IN COOPERATION WITH THE
 U.S. DEPARTMENT OF TRANSPORTATION
 FEDERAL HIGHWAY ADMINISTRATION



FINAL ENGINEERING REPORT

**500,000 GALLON GROUND WATER STORAGE TANK &
100,000 GALLON GROUND WATER STORAGE TANK
DEMOLITION & REMOVAL**

**BRONSTON WATER ASSOCIATION
PULASKI COUNTY, KENTUCKY**

RECEIVED

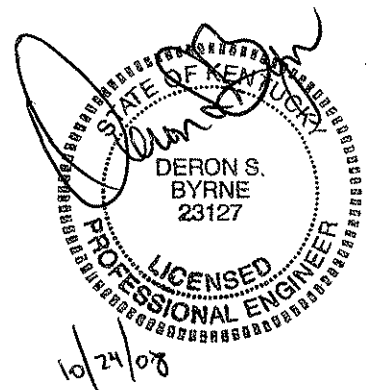
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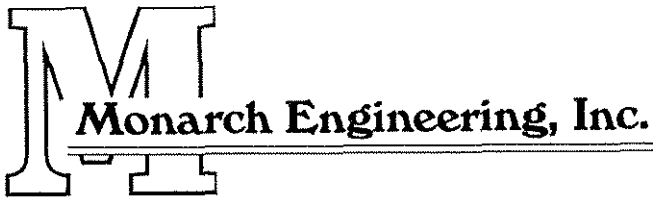
PUBLIC SERVICE
COMMISSION

OCTOBER 24, 2008

PREPARED BY:

M
Monarch Engineering, Inc.





October 24, 2008

Mr. John Palmer, President
Bronston Water Association
2013 Highway 90
PO Box 243
Bronston, Kentucky 42518

Re: Bronston Water Association
500,000 Gallon Ground Water Storage Tank &
100,000 Gallon Ground Water Storage Tank Demolition & Removal
USDA RD Loan \$435,000
USDA RD Grant \$300,000

Dear Mr. Palmer:

On October 23, 2008, bids were received by the Bronston Water Association for the 500,000 Gallon Ground Water Storage Tank and 100,000 Gallon Ground Water Storage Tank Demolition and Removal. Three proposals were submitted. The lowest bid was submitted by Kentucky Glass Lined Tank Systems, Inc. located in Lexington, Kentucky for an amount of \$387,515.00. A copy of the summarized bid tabulation of all bids accepted is attached along with a final project budget.

Based on the comparison of the bids submitted and our experience with construction costs at this time we recommend that the Bronston Water Association consider awarding a contract to Kentucky Glass Lined Tank Systems, Inc., for the Base Bid amount of \$387,515.00. This recommendation is contingent upon approval by USDA Rural Development and the Kentucky Public Service Commission.

Sincerely,

A handwritten signature in cursive script that reads 'Deron S. Byrne'.

Deron S. Byrne, P.E.
Project Engineer

/dsb

cc: Barry Turner, London
USDA Rural Development

Julie Anderson, Lexington
USDA Rural Development

MONARCH ENGINEERING, INC.
 556 Carlton Drive
 Lawrenceburg, KY 40342
 Phone (502) 839-1310
 Fax (502) 839-1373

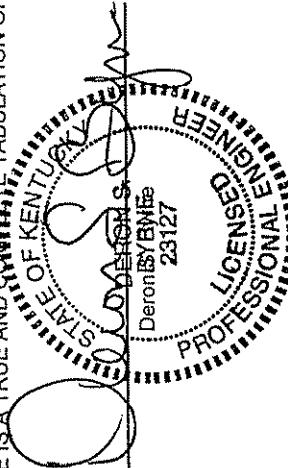
BID TABULATIONS
BRONSTON WATER ASSOCIATION
500,000 GALLON GROUND WATER STORAGE WATER TANK
& 100,000 GALLON GROUND STORAGE WATER TANK
DEMOLITION & REMOVAL
PULASKI COUNTY, KENTUCKY
BID DATE: OCTOBER 23, 2008 @ 10:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
BASE BID						
1	500,000 Gallon Ground Storage Water Tank	1 LS	\$71,733.00	\$71,733.00	\$50,000.00	\$50,000.00
	1A) Foundation	1 LS	230,636.00	230,636.00	367,000.00	367,000.00
	1B) Steel Tank Structure & Erection	1 LS	37,281.00	37,281.00	28,000.00	28,000.00
	1C) Valve Vault, Piping, Hydrant	1 LS	0.00	0.00	25,000.00	25,000.00
	1D) Field Painting	1 LS	1,000.00	1,000.00	1,000.00	1,000.00
	1E) Sterilization	1 LS	15,763.00	15,763.00	20,000.00	20,000.00
	1F) Fence	1 LS	14,863.00	14,863.00	10,000.00	10,000.00
	1G) Sitework					
2	Demolition & Removal of existing 100,000 gallon ground storage water tank, including all steel tank appurtenances, materials, debris	1 LS	16,239.00	16,239.00	12,000.00	12,000.00
TOTAL BASE BID				\$387,515.00		\$513,000.00

Kentucky Glass Lined Tank Systems, Inc.
 P.O. Box 13370
 Lexington, KY 40583

Laurel Construction Co., Inc.
 5209 Somerset Rd.
 London, KY 40741

THE ABOVE IS A TRUE AND COMPLETE TABULATION OF BIDS RECEIVED AT 10:00A.M. LOCAL TIME, THURSDAY, OCTOBER 23, 2008 AT THE BRONSTON WATER ASSOCIATION.



10/24/2008
 DATE

BY:

MONARCH ENGINEERING, INC.
 556 Carlton Drive
 Lawrenceburg, KY 40342
 Phone (502) 839-1310
 Fax (502) 839-1373

BID TABULATIONS
BRONSTON WATER ASSOCIATION
500,000 GALLON GROUND WATER STORAGE WATER TANK
& 100,000 GALLON GROUND STORAGE WATER TANK
DEMOLITION & REMOVAL
PULASKI COUNTY, KENTUCKY
BID DATE: OCTOBER 23, 2008 @ 10:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST
	BASE BID			
1	500,000 Gallon Ground Storage Water Tank	1 LS	\$87,000.00	\$87,000.00
	1A) Foundation	1 LS	326,800.00	326,800.00
	1B) Steel Tank Structure & Erection	1 LS	30,000.00	30,000.00
	1C) Valve Vault, Piping, Hydrant	1 LS	61,700.00	61,700.00
	1D) Field Painting	1 LS	1,500.00	1,500.00
	1E) Sterilization	1 LS	10,000.00	10,000.00
	1F) Fence	1 LS	4,000.00	4,000.00
	1G) Sitework			
2	Demolition & Removal of existing 100,000 gallon ground storage water tank, including all steel tank appurtenances, materials, debris	1 LS	8,800.00	8,800.00
	TOTAL BASE BID			\$529,800.00

Caldwell Tanks, Inc.
 P.O. Box 35770
 Louisville, KY 40232

**FINAL PROJECT BUDGET
BRONSTON WATER ASSOCIATION
500,000 GALLON GROUND WATER STORAGE TANK & 100,000 GALLON
GROUND WATER STORAGE TANK DEMOLITION & REMOVAL**

OCTOBER 24, 2008

PROJECT COSTS:

CONSTRUCTION COST	\$387,515.00
CONTINGENCY	169,366.55
ENGINEERING DESIGN	41,730.20
ENGINEERING INSPECTION	31,388.25
TELEMETRY	25,000.00
LAND & EASEMENT ACQUISITION	10,000.00
LEGAL & ADMINISTRATION	25,000.00
INTEREST	10,000.00
PRELIMINARY ENGINEERING REPORT	10,000.00
ADDITIONAL ENGINEERING	25,000.00
TOTAL PROJECT COST	\$735,000.00

PROJECT FUNDING:

USDA RURAL DEVELOPMENT LOAN	\$435,000.00
USDA RURAL DEVELOPMENT GRANT	\$300,000.00
TOTAL PROJECT FUNDING	\$735,000.00