



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

September 21, 2009

**SUBJECT: Southern Water and Sewer
ARRA- Tank Replacement and System Improvements
Contract Award Concurrence**

**TO: Area Director
Morehead, Kentucky**

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of subject contract to the low bidder on Contract No. 32, Kentucky Glass Lined Tank Systems, Inc., in the amount of \$349,498.00, and the low bidder on Contract No. 33, Kenney, Inc., in the amount of \$241,545.00.

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


VERNON BROWN
Acting State Director
Rural Development

**cc: Kentucky Engineering Group, PLLC
Versailles, Kentucky**

~~**Rubin and Hays**~~
Louisville, Kentucky

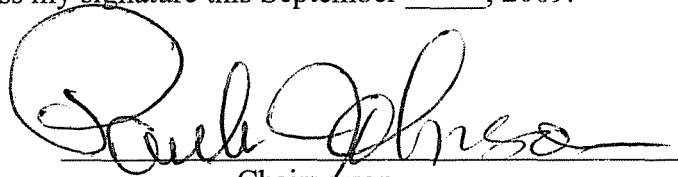
**CERTIFICATE OF CHAIRPERSON OF
SOUTHERN WATER AND SEWER DISTRICT,
AS TO STATEMENT REQUIRED BY SECTION 1(5) OF 807 KAR 5:069**

I, Paula Johnson, hereby certify that I am the duly qualified and acting Chairperson of the Southern Water and Sewer District of Floyd and Knott Counties, Kentucky, and that said District is in the process of arranging to finance the construction of extensions, additions and improvements to the existing waterworks system of the District (the "Project"), in cooperation with Kentucky Engineering Group, PLLC, Versailles, Kentucky, the Engineers for the District (the "Engineers").

Based on information furnished to me by said Engineers for the District, 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 proposed by the District in its current Application filed with the Kentucky Public Service Commission are contemplated to produce total revenue requirements set out in the Engineering Reports prepared by such Engineers and filed with the Public Service Commission.
4. That it is now contemplated that construction of the Project will begin on or about November 15, 2009, and will end on or April 30, 2010.

IN TESTIMONY WHEREOF, witness my signature this September 25, 2009.



Chairperson
Southern Water and Sewer District

STATE OF KENTUCKY)
) SS
COUNTY OF FLOYD)

Subscribed and sworn to before me by Paula Johnson, Chairperson of the Board of Commissioners of the Southern Water and Sewer District, on this September 25, 2009.



Notary Public
In and For Said State and County

NOTICE OF PROPOSED RATE CHANGE

In accordance with the requirements of the Public Service Commission of the Commonwealth of Kentucky as set out in 807 KAR 5:069, Section 2, notice is hereby given to the customers of the Southern Water and Sewer District of a change to the District's rate schedule as set forth herein. The proposed rate increase is required by USDA, Rural Development in connection with a loan by the RD to the District in the amount of \$530,000 to be evidenced by the issuance by the District of its Waterworks Revenue Bonds in such amount, which RD has agreed to purchase provided the District meets certain conditions of RD, including increasing water rates as set forth below:

Current Monthly Rates

All Meters:

First 2,000 gallons	\$16.50 minimum bill
All over 2,000 gallons	5.60 per 1,000 gallons

Wholesale Rates

City of Hindman	\$2.40 per 1,000 gallons
City of Wheelwright	2.40 per 1,000 gallons

Proposed Monthly Rates

All Meters:

First 2,000 gallons	\$20.00 minimum bill
All over 2,000 gallons	7.00 per 1,000 gallons

Wholesale Rates

City of Hindman	\$2.74 per 1,000 gallons
City of Wheelwright	2.72 per 1,000 gallons
Knott County Water District	2.80 per 1,000 gallons

The RD loan proceeds will be used to finance the cost of extensions, additions and improvements to the existing waterworks system of the District, consisting of the replacement of the existing Price water storage tank with a 300,000 gallon tank; upgrades to the Spewing Camp pump station; the replacement of the existing Fisher Hollow pump station; and the installation of a master meter and appurtenances to connect to the old Sandy Valley Water District system. Signed: Paula Johnson, Chairperson, Southern Water and Sewer District, McDowell, Kentucky