

REED LAW OFFICE

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December 4, 2009

RECEIVED

DEC 07 2009

**PUBLIC SERVICE
COMMISSION**

Mr. Jeff R. Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

2009-00477

In re: Application of Western Mason County Water District

Mr. Derouen:

Enclosed herewith please find ten (10) copies of the Petition of the Western Mason County Water District seeking a Certificate of Public Convenience and necessity with appropriate Exhibits.

The Petition also seeks an increase in the District's water rates.

HMB Professional Engineers, Inc., Frankfort, Kentucky is the Consulting Engineers employed by the District for this Project. You are respectfully requested to direct any requests of the Commission for additional engineering information directly to HMB Professional Engineers, Inc.

If this office can supply any other additional information please don't hesitate to advise me.

Sincerely yours,


HENRY M. REED III

cc: Mr. Jeff Reynolds
HMB Professional Engineers, Inc.
3 HMB Circle US 460
Frankfort, Kentucky 40601

Mr. David French, Manager
Western Mason County Water District
2573 Mary Ingles Hwy.
Dover, Kentucky 41304

Mr. Elwood Howe
Area Specialist
U.S. Department of Agriculture,
Rural Development
220 W. 1st Street
Morehead, Kentucky 40351

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF THE APPLICATION)
OF THE WESTERN MASON COUNTY WATER)
DISTRICT, A WATER DISTRICT ORGANIZED)
PURSUANT TO CHAPTER 74 OF THE KENTUCKY)
REVISED STATUTES, IN MASON COUNTY,)
KENTUCKY, FOR (1) A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY, AUTHORIZING AND)
PERMITTING SAID WESTERN MASON)
COUNTY WATER DISTRICT)
TO CONSTRUCT WATER DISTRIBUTION)
SYSTEM IMPROVEMENTS, CONSISTING OF)
REPLACEMENT OF OLD AC LINES WITH 8")
PVC; APPROXIMATELY 57,250 FT. OF WATER)
LINE REPLACEMENT & UPGRADE (2) THE)
APPROVAL OF THE PROPOSED PLAN OF)
FINANCING SAID IMPROVEMENTS AND (3) AN)
INCREASE IN THE RATES AND CHARGES FOR)
WATER SERVICE PROVIDED BY WESTERN MASON)
COUNTY WATER DISTRICT.)

CASE NO. 2009-00477

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PUBLIC SERVICE
COMMISSION

Index to Application

1. Petition of Western Mason County Water District ("District") for Certificate of Public Convenience and Necessity.
2. Affidavit of Publication - *Maysville Ledger Independent* - Legal Notice Regarding the District's Intention to File with the Public Service Commission.
3. Letter of Conditions to District from United States of America, acting through the U.S. Department of Agriculture ("USDARD") dated July 15, 2009.
4. Resolution of the Board of Water Commissioners of the District amending rates and charges for Water Service in accordance with USDARD Letter of Conditions.
5. Certificate of Chairman of District regarding compliance with Public Service Commission requirements.
6. Letter of USDARD acquiescence to bid calculations.
7. Summary of Terms of State Stimulus Loan to District.
8. Debt Service Schedule for USDARD Bond Loan to District.
9. Preliminary Engineering Report of HMB Professional Engineers, Inc., Frankfort, Kentucky.
10. Final Engineering Report of HMB Professional Engineers, Inc., Frankfort, Kentucky.

Prepared by Henry M. Reed III, Bond Counsel to District
2218 Frankfort Avenue, Louisville, Kentucky 40206
Phone: 502-899-3880, Fax: 502-899-3882
e-mail: hankreed@bellsouth.net

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COUNTY WATER DISTRICT.)

CASE NO. _____

PETITION

Pursuant to KRS 278.023, this Petition of the Western Mason County Water District ("District"), respectfully states:

1. That Petitioner is a Water District in Mason County, created and existing under and by virtue of Chapter 74 of the Kentucky Revised Statutes, pursuant to an Order of the County Court of said County, following the requisite procedure prescribed in said Chapter 74.

2. That the Post Office address of said District is "Western Mason County Water District, Larry Redden, Chairman, PO Box 49, 2573 Mary Ingles Highway, Dover, Kentucky 41304-0049".

3. That the formation of the District, its present tariff of rates, and the issuance of its outstanding long term indebtedness have been previously approved by Orders of the Public Service Commission of Kentucky ("PSC").

4. That the District seeks a Certificate of Public Convenience and Necessity approving the proposed Construction Project consisting of replacement of old AC lines with 8" PVC in the Germantown area, approximately 57,250 feet of water line replacement & upgrade ("Construction Project").

5. That subject to the approval of the Commission, the District proposes to finance the Construction Project identified above pursuant to the terms of a certain Letter of Conditions dated July 15, 2009, from the United States Department of Agriculture, Rural Development ("USDARD") to the District, whereunder USDARD proposes to lend to the District through the issuance of the District's Water Revenue Bonds, Series of 2010, the sum of approximately \$700,000 at an estimated interest rate of 3.50% per annum supplemented by (a) a USDARD Grant in the amount of approximately \$300,000; and (b) a Kentucky State Revolving Fund Stimulus Loan (DWSRF) in the amount of approximately \$500,000.

6. That under the USDARD Letter of Conditions the District is required to increase its rates and charges for water service in accordance with the District's Amending Rate Resolution attached to this Petition as Exhibit A.

7. That the Petitioner has observed the appropriate legal procedure in employing HMB Professional Engineers, Inc., Frankfort, Kentucky to prepare the plans and specifications for the construction of the proposed Construction Project. The plans and specifications as to said Construction Project have been approved by the appropriate governmental agencies.

8. That the approval of the Public Service Commission is urgently required in order to enable the District to proceed to accept construction bids for the Construction Project and proceed with the construction in order to provide for the needs of the District.

9. That there are attached to this Petition those Exhibits indicated in the Exhibit Addendum to this Petition which the Petitioner believes the Commission will find necessary in ruling on the requests set forth in this Petition pursuant to KRS 278.023.

WHEREFORE, Petitioner prays that the Public Service Commission of Kentucky grant to the Petitioner the following:

A. A Certificate of Public Convenience and Necessity, permitting the Petitioner District to proceed with the Construction Project as described in the Engineers Report filed herewith as an Exhibit in order to provide required water service to said District.

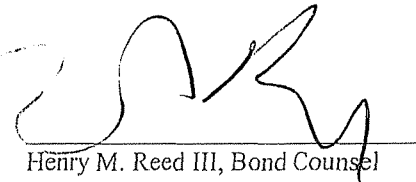
B. An Order approving the financing arrangements made by the District in the issuance of \$700,000 of its Water Revenue Bonds, at an interest rate not exceeding 3.50% per annum, to be supplemented by (a) a USDARD Grant in the amount of approximately \$300,000, and (b) Kentucky State Revolving Fund Stimulus Loan (DWSRF) in the amount of approximately \$500,000.

C. The approval of the increased tariff of rates and charges for water service provided by the District as shown on the attached Amending Rate Resolution.

Dated at Dover, Kentucky as of this 16 day of November, 2009.

WESTERN MASON COUNTY WATER DISTRICT


By 
Chairman


Henry M. Reed III, Bond Counsel
2218 Frankfort Avenue
Louisville, Kentucky 40206

STATE OF KENTUCKY)
) SS
COUNTY OF MASON)

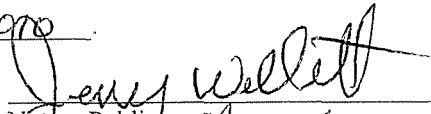
The undersigned, Larry Redden, being first duly sworn, deposes and states: That he is the Chairman of the Western Mason County Water District of Mason County, Kentucky, Petitioner in the above Petition; that he has read the foregoing Petition and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 16 day of November, 2009.


Larry Redden

Acknowledged before me by Larry Redden, Chairman of the Western Mason County Water District, on this 16 day of November, 2009.

My Commission expires July 7, 2010.


Notary Public Mason Co
Kentucky

(Seal of Notary)

**LEGAL NOTICE REGARDING
THE WESTERN MASON COUNTY WATER DISTRICT**

On or about November 30, 2009, the Western Mason County Water District ("District") will file a Petition with the Public Service Commission of Kentucky ("PSC") seeking approval for:

1. The issuance of a Certificate of Public Convenience and Necessity for the construction by the District of improvements to the District's water distribution system ("Construction Project"), and
2. The plan of financing the Construction Project in accordance with the terms of a certain Letter of Conditions dated July 15, 2009, from the United States Department of Agriculture, Rural Development ("USDARD") to the District, whereunder USDARD proposes to lend to the District through the issuance of the District's Water Revenue Bonds, Series of 2010, the sum of approximately \$700,000 to be supplemented by (a) a USDARD Grant in the amount of approximately \$300,000 and (b) a State Stimulus Loan in the amount of \$500,000, and
3. An increase in the water rates charged by the District for its water service.

The Construction Project consists of replacement of old AC lines with 8" PVC in the Germantown area. Approximately 57,250 ft. of water line replacement & upgrade.

The new water rates and charges sought by the District in the Petition are as follows:

<u>Gallage Block</u>	<u>Existing Rates</u>	<u>New Rates</u>
First 2,000 gallons	\$25.00 Minimum Bill	\$27.50 Minimum Bill
Next 8,000 gallons	3.55 per 1,000 gallons	4.00 per 1,000 gallons
All over 10,000 gallons	3.00 per 1,000 gallons	3.50 per 1,000 gallons
Bulk Sales	3.75 per 1,000 gallons	4.20 per 1,000 gallons

The Petition will be filed pursuant to the provisions of KRS 278.023 and it is anticipated that an Order will be entered by the Public Service Commission approximately 30 days after the actual filing of the Petition.

WESTERN MASON COUNTY WATER DISTRICT
s/Larry Redden, Chairman

West Mason

AFFIDAVIT OF PUBLICATION

I hereby certify that I am the Controller of

LEDGER INDEPENDENT

the newspaper published in the County of Mason, Kentucky (hereinafter referred to as the "publication area") which has the largest bona fide circulation in said publication area of any newspaper published therein.

I further certify that there is attached hereto a true copy of

LEGAL NOTICE

which was published in said newspaper in its regular issue for the 20th day of November, 2009.

I further certify that said newspaper maintains its principal office in the publication area for the purpose of gathering news and soliciting advertisements and other general business of newspaper publication and has a second-class mailing permit issued for that office. I further certify that said newspaper is published regularly as frequently as once a week for at least fifty weeks during the calendar year, as prescribed by its mailing permit; and it has been so published in the publication area for the immediately preceding two-year period prior to the date of publication hereinbefore referred to.

I further certify that said newspaper is circulated generally in the publication area, maintains a definite price or consideration not less than fifty per cent of its publication price and is paid for by not less than fifty per cent of those to whom distribution is made. I further certify that said newspaper bears a title or name, consists of not less than four pages without a cover, is of a type to which the general public resorts for passing events of a political, religious, commercial and social nature for current happenings, announcements, miscellaneous reading matter, advertisements and other notices and that the news content of said newspaper is at least twenty-five percent of the total column space in more than one-half of the issues during any 12-month period.

I further certify that all of the foregoing facts were true on the date of the publication hereinbefore referred to.

Dated this 20th day of Nov, 2009.

Kellie Craepest

Acknowledged before me this 20th day of November, 2009.

My commission expires May 23, 2012

Rita Kinder
Notary Public, Maysville, Mason Co, Kentucky

(Seal of Notary)



United States Department of Agriculture
Rural Development
Kentucky State Office

July 15, 2009

Mr. Larry Redden, Chairman
Western Mason County Water District
PO Box 49
Dover, Kentucky 41034

Dear Mr. Redden:

This letter establishes conditions which 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 \$700,000; a RUS grant not to exceed \$300,000; and a Kentucky State Revolving Fund Stimulus (DWSRF) loan in the amount of \$500,000.

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:

1. Number of Users and Their Contribution:

There shall be 1,032 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. No cash contribution is required by the District.

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 District 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 Bond. Principal payment will not be deferred for a period in excess of two years from the date of the Bond. Payments will be in accordance with applicable KRS, which requires interest to be paid semi-annually (January 1st and July 1st) and principal will be due on or before the first of January. Rural Development may require the District to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the bond 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 RD 3550-28, "Authorization Agreement for Preauthorized Payments," should be signed by the District 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 District will be required to deposit \$280 per month into a "Funded Debt Reserve Account" until the account reaches \$33,600. The deposits are to be resumed any time the account falls below the \$33,600.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the District's prior bond 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 District also needs to fund an account for short-lived assets by depositing a sum of \$1,100 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District's water system. This short-lived asset reserve amount replaces any previous short-lived assets requirements previously set with any prior RUS loan.

7. Security Requirements:

A pledge of gross water revenue will be provided in the Bond Resolution. Bonds shall rank on a parity with existing bonds, if possible.

If this is not possible, the bond will be subordinate and junior to the existing bonds, in which case the District will be required to abrogate its right to issue additional bonds ranking on a parity with the existing bonds, so long as any unpaid indebtedness remains on this bond issue.

8. Land Rights and Real Property:

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

10. Business Operations:

The District 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 District after review by Rural Development. At no later than loan pre-closing, the District 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 District 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 District shall obtain the assistance of its accountant to establish the District's accounting system. Rural Development review of the accounting system is required.

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

The District will accomplish audits in accordance with OMB Circular A-133, during the years in which federal funds are received. The District 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 District. The District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The District 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 \$161,000.
- D. Real Property Insurance - The District 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 District 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 District will obtain and maintain adequate coverage on any facilities located in a 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.

Prior to receipt of an authorization to advertise for construction bids, the District will obtain advance clearance from Bond Counsel regarding compliance with KRS 424 pertaining to publishing of the advertisement for construction bids in local newspapers and the period of time the notice is required to be published.

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 District.

17. Compliance with Special Laws and Regulations:

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

18. Treatment Plant and System Operator:

The District is reminded that the treatment plant and system operator must have an Operator's Certificate issued by the State.

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

- A. Form RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."
- B. Form RD 400-1, "Equal Opportunity Agreement."
- C. Form RD 400-4, "Assurance Agreement."
- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."
- G. RUS Bulletin 1780-22, "Eligibility Certification."

20. Refinancing and Graduation Requirements:

The District is reminded that if at any time it shall appear to the Government that the District 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 District will apply for and accept such loan in sufficient amount to repay the Government.

21. Commercial Interim Financing:

The District 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 District 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 District 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 District 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 District, 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 District.

Form RD 440-11, "Estimate of Funds Needed for 30-Day Period Commencing _____," will be prepared by the District 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 District'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 District. Grant funds, upon receipt, must be deposited in an interest bearing account in accordance with 7 CFR part 3016 (as applicable). Interest earned on grant funds in excess of \$100 (as applicable) per year will be submitted to RUS at least quarterly.

24. Cost of Facility:

Breakdown of Costs:

Development	\$ 1,175,000
Land and Rights	5,000
Legal and Administrative	27,000
Engineering	180,000
Interest	15,000
Contingencies	<u>98,000</u>
TOTAL	\$ 1,500,000

Financing:

RUS Loan	\$ 700,000
RUS Grant	300,000
DWSRF Stimulus Loan	<u>500,000</u>
TOTAL	\$ 1,500,000

25. Commitment of Other Project Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the DWSRF in the amount of \$500,000.

26. 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 grant, that part would be RUS/DWSRF loan funds and refund in proportion to participation in the project.

27. 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.

28. Rates and Charges:

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

Water rates will be at least:

First	2,000	gallons @ \$	27.50. - Minimum Bill.
Next	8,000	gallons @ \$	4.00. - per 1,000 gallons.
All Over	10,000	gallons @ \$	3.50. - per 1,000 gallons.

Bulk User Rate \$ 4.20 per 1,000 gallons.

29. Operating Cost:

Water District's management needs to review operating cost. The budget/operating cost in the proposed budget is \$354,458. The planned 1,032 customers will equate to \$343 operation and maintenance cost per customer annually. This level of cost is above typical user operating cost.

30. Compliance with the Bioterrorism Act:

Prior to pre-closing the loan, the District 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).

31. Floodplain Construction:

The District will be required to pass and adopt a Resolution or amend its By-Laws whereby the District 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 District 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.

32. Water Withdrawal Permit:

The District will be required to obtain satisfactory evidence that a revised water withdrawal permit has been secured from the Division of Water. The permit must be obtained prior to the commencement of construction on the water project.

33. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated April 20, 2009, 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 pending 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.
- E. Best Management Practices shall be incorporated into the project design, construction, and maintenance.

34. **American Recovery and Reinvestment Act of 2009 ("Recovery Act").**

Recovery Act requirements apply to this financing. In addition to the other conditions contained in this Letter of Conditions, you must understand and agree to these following conditions specific to the Recovery Act:

- (A). Certifications. With respect to Recovery Act funds made available to State or local governments for infrastructure investments, Section 1511 of the Recovery Act requires the Governor, mayor or other chief executive, as appropriate, to certify that the infrastructure investment has been properly approved as required by law and that the chief executive accepts responsibility that the infrastructure investment is an appropriate use of taxpayer dollars. RD Water and Waste personnel will provide specific guidance on the information required in the certification.
- (B). Reports on Use of Funds. Section 1512 of the Recovery Act requires each recipient receiving Recovery Act funding to provide specific information to the government on a periodic basis for inclusion in various internal and publicly-available reports. RD Water and Waste Program personnel will provide specific guidance on the type and frequency of information required to assist Recovery Act recipients in complying with this condition.
- (C). Buy American. Section 1605 of the Recovery Act requires that all projects financed with Recovery Act funds be bid and constructed using only iron, steel and manufactured goods produced in the United States in accordance with Section 1605 of the Recovery Act. Specific guidance, including contract provisions to be included in any construction contracts, is being formulated and drafted as of the date of this Letter of Conditions. RD Water and Waste Program personnel will provide specific guidance related to this condition as soon as it is available.

- (D). Wage Rate Requirements. Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors for the project will be paid wages at rates not less than those prevailing on projects of a character similar in the locality where this project will occur. Specific guidance, including contract provisions to be included in any construction or otherwise related contracts, is being formulated and drafted as of the date of this Letter of Conditions. RD Water and Waste Program personnel will provide specific guidance related to this condition as soon as it is available.

Compliance with the conditions in this section is required for financing under the Recovery Act. However, these conditions are not substitutes for, or in lieu of, the remaining conditions contained in this Letter of Conditions. Each of the conditions in this Letter of Conditions must also be understood and complied with to receive financing for your project.

35. 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,


VERNON C. BROWN
Acting State Director

Enclosures

cc: Area Director - Morehead, Kentucky
Buffalo Trace ADD - Maysville, Kentucky
Henry M. Reed - Louisville, Kentucky
Steve Zweigart - Flemingsburg, Kentucky
HMB Professional Engineers - Frankfort, Kentucky
PSC - ATTN: Dennis Jones - Frankfort, Kentucky

A RESOLUTION OF THE BOARD OF WATER COMMISSIONERS OF WESTERN MASON COUNTY WATER DISTRICT AMENDING RATES AND CHARGES FOR WATER SERVICE PROVIDED BY THE DISTRICT.

WHEREAS, Western Mason County Water District (the "District") will apply to the Kentucky Public Service Commission ("PSC") for a Certificate of Public Convenience and Necessity authorizing and permitting said District to construct water distribution system improvements consisting of replacement of old AC lines with 8" PVC in the Germantown area including approximately 57,250 feet of water line replacement & upgrade (the "Construction Project"), and,

WHEREAS, the District proposes to finance said Construction Project through the issuance of \$700,000 of the District's "Water Revenue Bonds, Series of 2010," (the "Bonds") to the United States Department of Agriculture, Rural Development ("USDARD") supplemented by a \$300,000 Grant from USDARD and a \$500,000 Kentucky State Revolving Fund Stimulus Loan (DWSRF), and,

WHEREAS, the District will apply to the Kentucky Public Service Commission for a Certificate of Public Convenience and Necessity and approval of a Schedule of increased Rates and Charges for water service in accordance with the USDARD Letter of Conditions, dated July 15, 2009, and

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE WESTERN MASON COUNTY WATER DISTRICT AS FOLLOWS:

1. That subject to PSC approval commencing with the billing period corresponding to the month following the month in which the approval of the Public Service Commission is obtained, the District's rates and charges for water service shall be as follows:

<u>Gallage Block</u>	<u>Existing Rates</u>	<u>New Rates</u>
First 2,000 gallons	\$25.00 Minimum Bill	\$27.50 Minimum Bill
Next 8,000 gallons	3.55 per 1,000 gallons	4.00 per 1,000 gallons
All over 10,000 gallons	3.00 per 1,000 gallons	3.50 per 1,000 gallons
Bulk Sales	3.75 per 1,000 gallons	4.20 per 1,000 gallons

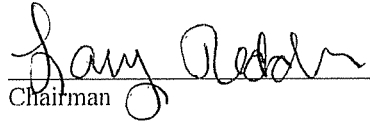
2. That all other rates and charges not specifically mentioned herein shall remain as presently effective.

3. That all resolutions or parts thereof in conflict with the provisions of this Resolution are hereby repealed to the extent of such conflict.

4. That this Resolution shall become effective upon its adoption and approval of the Public Service Commission.

Passed and adopted this 16 day of November, 2009.

WESTERN MASON COUNTY WATER DISTRICT


Chairman

Attest:


Secretary

**CERTIFICATION OF DISTRICT CHAIRMAN REGARDING COMPLIANCE
WITH PUBLIC SERVICE COMMISSION REQUIREMENTS**

The undersigned certifies that he is the duly authorized and acting Chairman of the Western Mason County Water District ("District") which intends to file with the Public Service Commission of Kentucky ("PSC") a Petition seeking a Certificate of Public Convenience and Necessity in connection with the construction of additions, extensions, and improvements to the District's water distribution system, consisting of the replacement of old AC lines with 8" PVC in the Germantown area. Approximately 57,250 ft. of water line replacement & upgrade ("Construction Project").

The undersigned has executed this Certificate in reliance upon information and advice of HMB Professional Engineers, Inc., Frankfort, Kentucky ("Engineers") which firm has been retained by the District to provide engineering services in connection with the Construction Project.

The undersigned states that the proposed plans and specifications for the Construction Project have been designed to meet the minimum construction and operating requirements established 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.

The undersigned has been advised by the Engineers that on or before the actual filing of the District's Petition with PSC all other State approvals or permits will have been obtained.

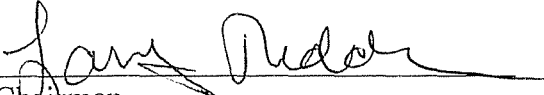
The undersigned further certifies that the Construction Project is to be financed through the issuance of the District's Water Revenue Bonds, Series of 2010, in the principal amount of \$700,000 ("Bonds") which are to be sold to the United States Department of Agriculture, Rural Development ("USDARD"), plus (a) a USDARD Grant not to exceed the amount of \$300,000; and (b) a State Stimulus Loan in the amount of approximately \$500,000.

Based upon the information supplied by the Engineers, it is estimated that the Construction Project will commence on January 4, 2010 and end on October 5, 2010.

Based upon the advice of the Engineers and USDARD, the undersigned believes that increased water rates will be required by the District in order to meet the expenses incident to the operation and maintenance of the District's water distribution system and pay and retire all of the District's outstanding Water Revenue Bonds, Series of 1988, Series of 1997, Series of 2001, 2007 and Series of 2010.

Dated this 16 day of November, 2009.

**WESTERN MASON COUNTY WATER
DISTRICT**


Chairman



United States Department of Agriculture
Rural Development
Kentucky State Office


November 23, 2009

SUBJECT: Western Mason Water District
ARRA- Germantown Waterline Replacement
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, B.P. Pipeline, in the amount of \$1,138,970.00.

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

to 
VERNON BROWN
Acting State Director
Rural Development

cc: ~~HMB Engineers, Inc.~~
Frankfort, Kentucky


695-9810

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER REVOLVING LOAN FUND (FUND "F")
WESTERN MASON WATER DISTRICT
PROJECT REVIEW
WX21161031**

I. PROJECT DESCRIPTION

Western Mason Water District (WMWD) is requesting a Fund F loan in the amount of \$500,000 from the American Reinvestment and Recovery Act of 2009 for the Germantown Water Upgrade. This project will upgrade existing asbestos-cement (AC) water lines to polyvinyl chloride (PVC) from the Germantown Water storage tank to Germantown and the surrounding area. More specifically, the project includes the installation/replacement of 36,000 l.f. of 8", 8,400 l.f. of 6" and 6,200 l.f. of 4" waterline and 2 pumps. WMWD has experienced several leaks in the existing AC lines resulting from an increase of pressure from the new tank. Because of these leaks WMWD is unable to fully use the tank for fear of causing more leaks. The existing 6" AC line is approximately 40 years old and has become very brittle. The district continually has to repair leaks which results in boil water advisories. Replacing the line should eliminate the leaks and the potential for contaminated water.

II. PROJECT BUDGET

Administrative Expenses	\$	10,000
Legal Expenses		17,000
Land, Easements		5,000
Engineering Fees		180,000
Construction		1,175,000
Contingency		103,000
Other		10,000
TOTAL	\$	1,500,000

III. PROJECT FUNDING

Fund F Loan	\$	500,000
Rural Development		1,000,000
TOTAL	\$	1,500,000

IV. KIA DEBT SERVICE

Construction Loan	\$	500,000
Less: Principal Forgiveness (54.1%)	\$	270,500
Amortized Loan Amount	\$	229,500
Interest Rate		2.00%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	13,979
Administrative Fee (0.25%)	\$	574
Total Estimated Annual Debt Service	\$	14,553

V. PROJECT SCHEDULE

Bid Opening:	November 5, 2009
Construction Start:	February, 2010
Construction Stop:	October, 2010

VI. RATE STRUCTURE

CUSTOMER COMPOSITION

	Current	Proposed	TOTAL
Residential	1,007	0	1,007
Commercial	25	0	25
Industrial	0	0	0
	<u>1,032</u>	<u>0</u>	<u>1,032</u>

RATES

Water rates were last increased August 3, 2007. The district is in the process of increasing rates by approximately 10.6% to be placed into effect later in early 2010. The current and proposed monthly charges for water utility service are:

	Current	Proposed
First 2,000 gallons	\$ 25.00	\$ 27.50
Next 8,000 gallons (per 1,000 gal.)	3.55	4.00
All Over 10,000 gallons (per 1,000 gal.)	3.00	3.50
Residential Bill for 4,000 gallons	\$ 32.10	\$ 35.50
Affordability Index (Rate/MHI)	1.3%	1.4%
Bulk User Rate per 1,000 gallons	\$ 3.75	\$ 4.20

The proposed rates are consistent with the required rates in the RD letter of conditions.

VII. DEMOGRAPHICS

The district serves approximately 1,032 customers in Mason County. According to the 2000 census Mason County's population was 16,800 and the County's Median Household Income (MHI) level was \$30,195. The median household income for the Commonwealth is \$33,672. Based on median household income, the project will qualify for the 2% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the district was obtained from audited financial statements for the years ended December 31, 2006, 2007 and 2008.

HISTORICAL

Revenues have increased an average of over 20% from 2006 when revenues were \$315,726 to 2008 when revenues reached \$460,117. O&M expenses grew by an average of 11% for the same years with total expenses exceeding an average increase of 16%. In 2006, expenses totaled \$367,123 and outpaced revenues for that year; however, 2007 and 2008 revenues outpaced expenses. The debt coverage ratio has remained above 1 for all years reviewed and is strong at 1.78 in 2008. In 2007, bonds were issued in the amount of \$1.4 million to payoff interim financing obtained through Rural Water that was used to finance capital construction projects and represents 67% of the current debt on the system.

The balance sheet reflects total current and restricted assets increasing from 2006 to 2008. The main contributor to the asset levels is the interim financing and bond issuance that was utilized for capital construction. Long term liabilities have tripled from 2006 to 2008; however, retained earnings have doubled during the same period. Grant contributions and debt reserve requirements have contributed to the increase in retained earnings between 2007 and 2008.

PROJECTED

Projections are based on the following assumptions:

- Charges for services in 2010 are projected to increase by a total of 11% related to a proposed rate increase (for the average customer bill) that will be enacted later this year following PSC approval.
- Charges for services in 2009, 2011 and 2012 reflect a conservative 3% increase.
- O & M expenses are projected to increase 5% annually.
- The replacement reserve is \$1,250 annually for this project.
- Proposed Rural Development financing of \$1 million in project costs add an estimated \$26,169 in annual debt service.
- Debt service on the new KIA loan will be \$14,553 annually beginning in June, 2011.

Based on the above assumptions, the Western Mason Water District will meet the required cashflow through the projected years. A debt coverage ratio of 1.03 is projected by the water system in 2011 when the loan enters repayment.

REPLACEMENT RESERVE

Based on the information provided in the application the annual replacement cost is \$1,250. This amount should be added to the replacement account each December 1 until the balance reaches \$12,500 and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

Debt Issue	Outstanding
1988 Series	\$267,000
1997 Series	\$176,500
2001 Series	\$244,500
2007 Series	\$1,401,000
Total	<u>\$2,163,495</u>

X. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

Project Title	Funding Source	Amount
Water System Improvements	HB 267	\$170,000
Well Project	HB 380	\$50,000
T Wenz Road	HB 608	\$20,000

XI. CONTACTS

Applicant		Applicant Contact	
Name	Western Mason Water District	Name	Buffalo Trace ADD
Address	2573 Mary Ingles Hwy, P.O. Box 49 Dover, KY 41034	Address	201 Government St, Ste 300 Maysville, KY 41056
County	Mason	Contact	Laura Jefferson
Contact	Larry Redden	Phone	(606) 564-6894
Phone	(606) 882-3141	Email	ljefferson@btadd.com
Email	wmwd@maysvilleky.net		

Engineer

Name	Jeff Reynolds
Firm	HMB Professional Engineers
Address	3 HMB Circle Frankfort, KY 40601
Phone	(502) 695-9800
Email	jdreynolds@hmbpe.com

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions and the additional ARRA conditions.

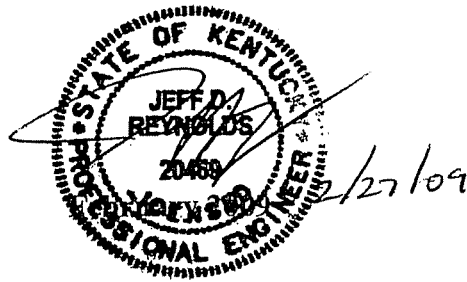
BOND SCHEDULE, 8/13/2009

Name of Borrower: Western Mason County Water District			
Amount of Loan	700000	Annual Interest Rate	0.035
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	false
Principal Payment Units	500	Interest Payment Units	1

YEAR	PERIOD	NUMBER	PAYMENT	INTEREST	PRINCIPAL	BALANCE
2011	1	1	24500	24500	0	700000
2012	1	2	24500	24500	0	700000
2013	1	3	33500	24500	9000	691000
2014	1	4	33685	24185	9500	681500
2015	1	5	33353	23853	9500	672000
2016	1	6	33520	23520	10000	662000
2017	1	7	33670	23170	10500	651500
2018	1	8	33803	22803	11000	640500
2019	1	9	33418	22418	11000	629500
2020	1	10	33533	22033	11500	618000
2021	1	11	33630	21630	12000	606000
2022	1	12	33710	21210	12500	593500
2023	1	13	33773	20773	13000	580500
2024	1	14	33818	20318	13500	567000
2025	1	15	33345	19845	13500	553500
2026	1	16	33373	19373	14000	539500
2027	1	17	33383	18883	14500	525000
2028	1	18	33375	18375	15000	510000
2029	1	19	33350	17850	15500	494500
2030	1	20	33808	17308	16500	478000
2031	1	21	33730	16730	17000	461000
2032	1	22	33635	16135	17500	443500
2033	1	23	33523	15523	18000	425500
2034	1	24	33393	14893	18500	407000
2035	1	25	33745	14245	19500	387500
2036	1	26	33563	13563	20000	367500
2037	1	27	33363	12863	20500	347000
2038	1	28	33645	12145	21500	325500
2039	1	29	33393	11393	22000	303500
2040	1	30	33623	10623	23000	280500
2041	1	31	33818	9818	24000	256500
2042	1	32	33478	8978	24500	232000
2043	1	33	33620	8120	25500	206500
2044	1	34	33728	7228	26500	180000
2045	1	35	33800	6300	27500	152500
2046	1	36	33838	5338	28500	124000
2047	1	37	33840	4340	29500	94500
2048	1	38	33808	3308	30500	64000
2049	1	39	33740	2240	31500	32500
2050	1	40	33638	1138	32500	0
TOTALS			1325968	625968	700000	

PRELIMINARY ENGINEERING REPORT

**GERMANTOWN WATER LINE REPLACEMENT PROJECT
WESTERN MASON WATER DISTRICT
MASON COUNTY, KENTUCKY**



Prepared By:



**3 HMB CIRCLE
FRANKFORT, KENTUCKY
502-695-9800
502-695-9810-FAX**

TABLE OF CONTENTS

- I. Introduction
- II. Description of Water District
- III. Existing Water System
- IV. Need for Project
- V. The Proposed Project
- VI. Cost Summary
- VII. Funding
- VIII. Recommendations

Appendices

Appendix A - Project Maps

I INTRODUCTION

This Preliminary Engineering Report will examine the proposed Germantown Water Line Replacement Project for the Western Mason Water District. This project will replace or upgrade approximately 36,000 linear feet of asbestos cement (A.C.) water line in the Germantown area. Currently, the District is unable to use the upper portion of the new Germantown water storage tank. The increase in pressure caused by using the upper portion of the tank has caused numerous leaks in the existing AC water line. The proposed water line will be designed to handle the additional pressure caused by the new tank.

II DESCRIPTION OF WATER DISTRICT

Western Mason Water District was created in approximately 1960. The members of the Board of Commissioners are nominated by the Judge Executive of Mason County and must be approved by the Fiscal Court. These Commissioners transact and administer all business of the District at its office located in Dover, Kentucky. The District serves areas of Western Mason County, which includes the communities of Dover, Germantown, Minerva, Fernleaf and Highland Heights Area.

III EXISTING WATER SYSTEM

Western Mason Water District is comprised of approximately 80 miles of water line ranging in sizes from 2 inches to 8 inches and consists of 4 water storage tanks. The water storage tanks have a combined capacity of 485,000 gallons and are filled by the well pumps located in Dover and three booster pump stations. The District supplies approximately 1,050 customers with potable water.

The District's Water Treatment Plant (WTP), which is located in Dover, consists of chlorination and fluoridation facilities. Two wells, also located in Dover, act as the raw water source for the WTP. The water treatment plant has a capacity of 720,000 gpd. At present, the WTP operates at an average of 250,000 gpd, which is 35 percent of capacity. The District also has a contract with the City of Maysville to purchase 100,000 gpd and 200,000 gpd with approval. At present, the District purchases an average of 20,000 gpd from the City of Maysville.

IV NEED FOR PROJECT

Existing System

The Western Mason Water District recently constructed a water storage in tank in the Germantown area to improve water pressure to the customers in the area. Currently, the District can not use the upper portion of the tank because the increase of pressure is causing the existing small diameter AC water line and saddles to experience leaks. Much of the District's system is comprised of these small diameter AC water line that has been in service for over 40 years. These lines are not only too small to sufficiently meet the existing and future demands of the system but are very brittle resulting in numerous leaks.

V THE PROPOSED PROJECT

The proposed Germantown Water Line Replacement Project will upgrade or replace approximately 36,000 linear feet of small diameter AC water line in the Germantown area. This should dramatically reduce the number of leaks in the Germantown area and allow the District to use the upper portion of the water storage tank. This will result in an increase of pressure to customers that currently experience low pressures.

VI COST SUMMARY

Tables 1 through 3 summarize the estimated construction cost for the project. Table 4 shows the estimated project cost.



Water/Wastewater
Transportation
Engineers
Environmental

Project: WMWD
Date: 2/20/2009
Engineer: JR
Page:

TABLE 1
Construction Cost Estimate
for
Germantown Area

Item	Quantity	Unit Price	Total
8" SDR-21 Water Line (In Town)	4000	\$25.00	\$100,000.00
8" SDR-21 Water Line (Out of Town)	6600	\$10.00	\$66,000.00
8" DI Water Line	400	\$20.00	\$8,000.00
6" SDR-21 Water Line (In Town)	1000	\$15.00	\$15,000.00
6" SDR-21 Water Line (Out of Town)	5600	\$10.00	\$56,000.00
3" SDR-21 Water Line (In Town)	2700	\$10.00	\$27,000.00
8" Gate Valve	8	\$750.00	\$6,000.00
6" Gate Valve	4	\$550.00	\$2,200.00
3" Gate Valve	4	\$400.00	\$1,600.00
14" Road Bore	140	\$100.00	\$14,000.00
12" Road Bore	40	\$90.00	\$3,600.00
8" Road Bore	80	\$80.00	\$6,400.00
Cust. Service (Same)	99	\$800.00	\$79,200.00
Cust. Service (Opp.)	99	\$700.00	\$69,300.00
Additional Service Tubing	200	\$7.00	\$1,400.00
Connection to Existing Mains	4	\$1,500.00	\$6,000.00
Air Release Valve	2	\$400.00	\$800.00
Bit. Replacement	1200	\$35.00	\$42,000.00
Fire Hydrant	15	\$2,500.00	\$37,500.00
Sidewalk Replacement	200	\$25.00	\$5,000.00
Gravel Replacement	2000	\$5.00	\$10,000.00
Total			\$557,000.00



Water/Wastewater
 Transportation
 Engineers
 Environmental

Project: WMWD
 Date: 2/20/2009
 Engineer: JR
 Page:

TABLE 2
Construction Cost Estimate
 for
KY 10 (KY 435 to Tank)

Item	Quantity	Unit Price	Total
8" SDR-21 Water Line	10300	\$10.00	\$103,000.00
8" Gate Valve	4	\$750.00	\$3,000.00
14" Road Bore	105	\$100.00	\$10,500.00
Cust. Service (Same)	12	\$800.00	\$9,600.00
Cust. Service (Opp.)	11	\$700.00	\$7,700.00
Additional Service Tubing	50	\$7.00	\$350.00
Connection to Existing Mains	3	\$1,500.00	\$4,500.00
Air Release Valve	1	\$400.00	\$400.00
Bit. Replacement	200	\$40.00	\$8,000.00
Fire Hydrant	1	\$2,500.00	\$2,500.00
Gravel Replacement	300	\$5.00	\$1,500.00
Total			\$151,050.00



Water/Wastewater
 Transportation
 Engineers
 Environmental

Project: WMWD
 Date: 2/20/2009
 Engineer: JR
 Page:

TABLE 3
Construction Cost Estimate
for
Clarks Run Road

Item	Quantity	Unit Price	Total
4" SDR-21 Water Line	5300	\$6.00	\$31,800.00
4" Gate Valve	2	\$450.00	\$900.00
Cust. Service (Same)	4	\$800.00	\$3,200.00
Cust. Service (Opp.)	12	\$700.00	\$8,400.00
Additional Service Tubing	100	\$7.00	\$700.00
Connection to Existing Mains	1	\$1,500.00	\$1,500.00
Air Release Valve	1	\$400.00	\$400.00
Bit. Replacement	50	\$35.00	\$1,750.00
Blowoff Hydrant	1	\$2,500.00	\$2,500.00
Gravel Replacement	500	\$5.00	\$2,500.00
Total			\$53,650.00

TABLE 4
ESTIMATED PROJECT COST

Construction Cost	\$761,700
Engineering Fees	\$ 80,800
Resident Inspection Fee	\$ 46,800
Legal & Administrative Costs	\$ 10,000
Land and/or Rights	\$ 5,000
Interest During Construction	\$ 20,000
Contingencies	\$ 75,700
TOTAL ESTIMATED PROJECT COST	\$1,000,000

VII FUNDING

Proposed funding for this project is being made available by the following:

TABLE 5
PROPOSED FUNDING

Rural Development Grant	\$300,000
Rural Development Loan ⁽¹⁾	\$700,000
TOTAL PROJECT FUNDING	\$1,000,000

(1) 4.5% loan for 40 years with principal deferred for 2 years.

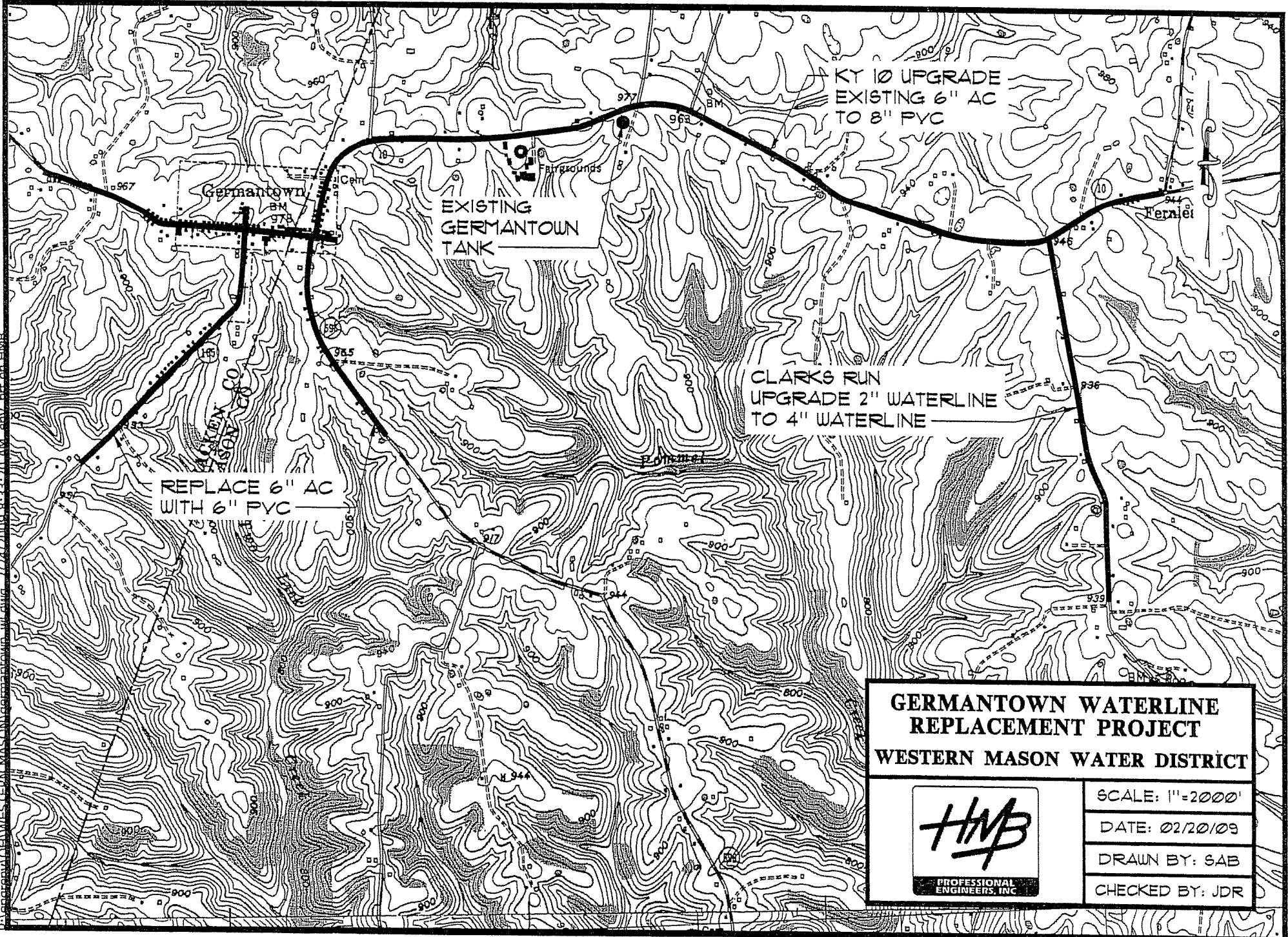
VIII RECOMMENDATIONS

It is recommended that the project be funded by Rural Development and a Letter of Conditions be issued as soon as possible.

Appendix A

Project Maps

D:\projects\1011\WESTEDN_MASON\1011\germantown_wl.dwg 7/24/2009 8:32:20 AM .epw .prt on HMB



▲ KY 10 UPGRADE
EXISTING 6" AC
TO 8" PVC

EXISTING
GERMANTOWN
TANK

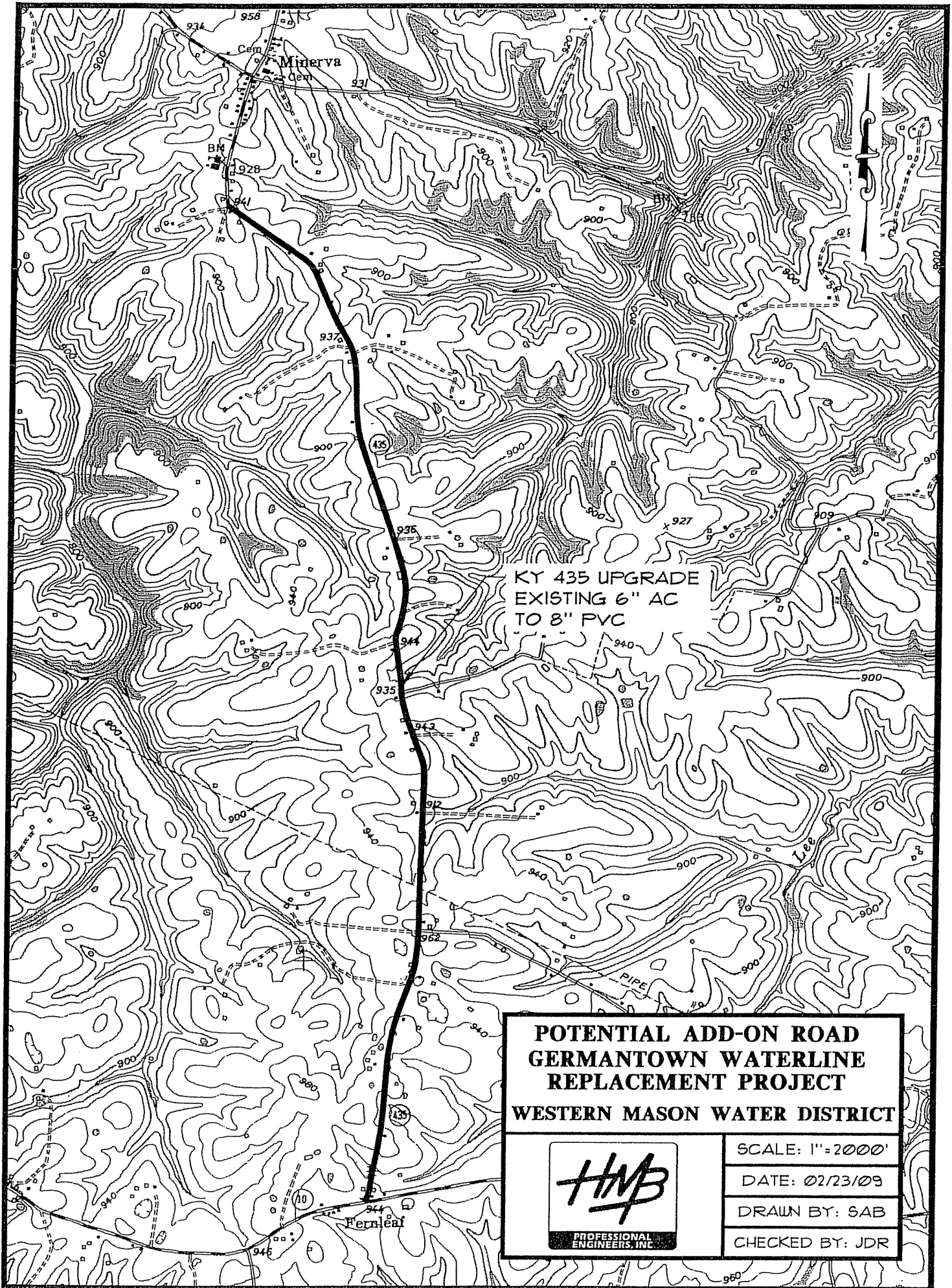
CLARKS RUN
UPGRADE 2" WATERLINE
TO 4" WATERLINE

REPLACE 6" AC
WITH 6" PVC

**GERMANTOWN WATERLINE
REPLACEMENT PROJECT
WESTERN MASON WATER DISTRICT**



SCALE: 1"=2000'
DATE: 02/20/09
DRAWN BY: SAB
CHECKED BY: JDR



KY 435 UPGRADE
EXISTING 6" AC
TO 8" PVC

**POTENTIAL ADD-ON ROAD
GERMANTOWN WATERLINE
REPLACEMENT PROJECT
WESTERN MASON WATER DISTRICT**



SCALE: 1"=2000'
DATE: 02/23/09
DRAWN BY: SAB
CHECKED BY: JDR



3 HMB Circle
 U.S. 460
 Frankfort, KY 40601
 Office: (502) 695-9800
 Fax: (502) 695-9810

November 6, 2009

Elwood Howe
 Rural Development
 220 West First Street
 Morehead, Ky 40351

Re: Final Engineering Report
 Germantown Water Line Replacement
 Western Mason Water District
 Fleming County Water Association
 HMB #4132

Dear Mr. Howe:

As you are aware, the above referenced project was bid November 5, 2009. The low bidder was B. P. Pipeline from Quincy, Kentucky. Their bid was \$1,138,970.

Following is a summary of the financing and budget for this project:

	<u>Project Budget</u>	<u>Letter of Conditions</u>	<u>As Bid</u>
Development		\$1,175,000	\$1,138,970
Land and Rights		\$5,000	\$5,000
Highway Engineering		\$27,000	\$27,000
Structural Engineering		\$180,000	\$175,100
Water & Wastewater		\$15,000	\$15,000
Site Development		<u>\$98,000</u>	<u>\$138,930</u>
Master Planning			
Environmental Planning			
Surveying			
Project Management			
Cost Estimation			
Construction Inspection			
Aviation Services			
Environmental Remediation			
Landscape Architecture			
Total Project Cost		\$1,500,000	\$1,500,000

Financing:

<u>Funding Source</u>	<u>Letter of Conditions</u>
RUS Loan	\$700,000
RUS Grant	\$300,000
DWSRF Stimulus Loan	<u>\$500,000</u>
Total Project Cost	\$1,500,000

It appears the project can be completed within the available funding; therefore, we recommend this contract be approved and allowed to go forward. Please contact us if there are any questions.




Attached please find a copy of the Bid Tabulation for the project.

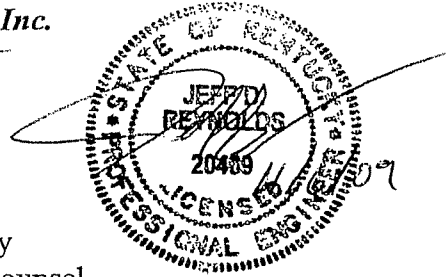
If you have any questions or need additional information, please call.

Sincerely,

HMB Professional Engineers, Inc.



Jeff Reynolds, P.E.



cc: David French, WMWD
Steve Zweigart, Attorney
Henry M. Reed, Bond Counsel




Bid Tabulation
Germantown Water Line Replacement
Western Mason Water District
 Bid Date: November 5, 2009 @ 2:00 PM local time

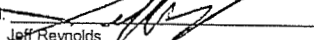
Project: 4146.00
 Date: 11/5/2009
 Engineer: JR
 Page: 1 of 2

ITEM NO	ITEM DESCRIPTION	QUANTIT	UNIT	B. P. Pipeline		Distel Construction		Tilton Excavating		Stotts Construction		Independent Excavating		Kenney	
				UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL
1	8" PVC, Class 200 Pipe, SDR 21 (In Town), Furnishing, Trenching, Installing and Backfilling (Unclassified Excavation)	4,200	LF	\$17.00	\$71,400.00	\$22.00	\$92,400.00	\$24.00	\$100,800.00	\$42.70	\$179,340.00	\$19.34	\$81,228.00	\$18.85	\$79,170.00
2	8" PVC, Class 200 Pipe, SDR 21 (Out of Town), Furnishing, Trenching, Installing and Backfilling (Unclassified Excavation)	33,500	LF	\$9.50	\$318,250.00	\$10.00	\$335,000.00	\$10.25	\$343,375.00	\$11.00	\$368,500.00	\$12.03	\$403,005.00	\$15.30	\$512,550.00
3	8" D.I., Class 350 Pipe, Including Viton Gaskets, Furnishing, Trenching, Installing and Backfilling (Unclassified Excavation)	375	LF	\$35.00	\$13,125.00	\$43.00	\$16,125.00	\$32.00	\$12,000.00	\$72.50	\$27,187.50	\$57.66	\$21,622.50	\$50.70	\$19,012.50
4	6" PVC, Class 200 Pipe, SDR 21, Furnishing, Trenching, Installing and Backfilling (Unclassified Excavation)	10,100	LF	\$7.80	\$78,780.00	\$11.50	\$116,150.00	\$8.00	\$80,800.00	\$8.00	\$80,800.00	\$9.51	\$96,051.00	\$11.10	\$112,110.00
5	4" PVC, Class 200 Pipe, SDR 21 (In Town), Furnishing, Trenching, Installing and Backfilling (Unclassified Excavation)	3,100	LF	\$10.00	\$31,000.00	\$22.00	\$68,200.00	\$14.00	\$43,400.00	\$38.90	\$120,590.00	\$11.30	\$35,030.00	\$12.20	\$37,820.00
6	4" PVC, Class 200 Pipe, SDR 21 (Out of Town), Furnishing, Trenching, Installing and Backfilling (Unclassified Excavation)	5,700	LF	\$7.00	\$39,900.00	\$10.00	\$57,000.00	\$5.50	\$31,350.00	\$6.20	\$35,340.00	\$5.84	\$33,288.00	\$10.00	\$57,000.00
7	2" PVC, Class 200 Pipe, SDR 21, Furnishing, Trenching, Installing and Backfilling (Unclassified Excavation)	275	LF	\$5.00	\$1,375.00	\$10.00	\$2,750.00	\$12.00	\$3,300.00	\$8.20	\$2,255.00	\$8.01	\$2,202.75	\$9.25	\$2,543.75
8	14" Steel Casing by Bore & Jack under State, County, and City Roads (Water Line Not Included)	355	LF	\$60.00	\$21,300.00	\$75.00	\$26,625.00	\$90.00	\$31,950.00	\$32.00	\$11,360.00	\$96.88	\$34,392.40	\$130.00	\$46,150.00
9	8" Steel Casing by Bore & Jack under State, County and City Roads (Water Line not Included)	40	LF	\$50.00	\$2,000.00	\$65.00	\$2,600.00	\$80.00	\$3,200.00	\$23.50	\$940.00	\$143.87	\$5,754.80	\$60.00	\$2,400.00
10	8" Unclassified Bore and/or Jack under improved surfaces, including driveways, no casing required (Water Pipe Not Included)	200	LF	\$10.00	\$2,000.00	\$52.00	\$10,400.00	\$45.00	\$9,000.00	\$20.00	\$4,000.00	\$55.00	\$11,000.00	\$50.00	\$10,000.00
11	6" Unclassified Bore and/or Jack under improved surfaces, including driveways, no casing required (Water Pipe Not Included)	350	LF	\$10.00	\$3,500.00	\$50.00	\$17,500.00	\$45.00	\$15,750.00	\$20.00	\$7,000.00	\$64.35	\$22,522.50	\$45.00	\$15,750.00
12	4" Unclassified Bore and/or Jack under improved surfaces, including driveways, no casing required (Water Pipe Not Included)	40	LF	\$10.00	\$400.00	\$40.00	\$1,600.00	\$45.00	\$1,800.00	\$20.00	\$800.00	\$58.13	\$2,325.20	\$25.00	\$1,000.00
13	Open Cut Furnishing and Installing 14" Steel Casing (Water Line not Included)	140	LF	\$40.00	\$5,600.00	\$49.00	\$6,860.00	\$35.00	\$4,900.00	\$50.00	\$7,000.00	\$64.12	\$8,976.80	\$65.00	\$9,100.00
14	Open Cut Furnishing and Installing 8" Steel Casing (Water Line not Included)	25	LF	\$30.00	\$750.00	\$45.00	\$1,125.00	\$30.00	\$750.00	\$35.50	\$887.50	\$65.10	\$1,627.50	\$55.00	\$1,375.00
15	8" CI AWWA NRS Gate Valve and Box, Concrete Pad, Complete in Place	29	EA	\$820.00	\$23,780.00	\$775.00	\$22,475.00	\$1,000.00	\$29,000.00	\$1,060.00	\$30,740.00	\$1,112.60	\$32,265.40	\$965.00	\$27,985.00
16	6" CI AWWA NRS Gate Valve and Box, Concrete Pad, Complete in Place	9	EA	\$600.00	\$5,400.00	\$650.00	\$5,850.00	\$600.00	\$5,400.00	\$735.00	\$6,615.00	\$891.51	\$8,023.59	\$650.00	\$5,850.00
17	4" CI AWWA NRS Gate Valve and Box, Concrete Pad, Complete in Place	8	EA	\$500.00	\$4,000.00	\$540.00	\$4,320.00	\$500.00	\$4,000.00	\$600.00	\$4,800.00	\$732.55	\$5,860.40	\$525.00	\$4,200.00
18	3" CI AWWA NRS Gate Valve and Box, Concrete Pad, Complete in Place	4	EA	\$400.00	\$1,600.00	\$400.00	\$1,600.00	\$500.00	\$2,000.00	\$580.00	\$2,320.00	\$690.26	\$2,761.04	\$475.00	\$1,900.00
19	2" CI AWWA NRS Gate Valve and Box, Concrete Pad, Complete in Place	1	EA	\$310.00	\$310.00	\$350.00	\$350.00	\$400.00	\$400.00	\$450.00	\$450.00	\$613.93	\$613.93	\$375.00	\$375.00

20	Replace Existing Customer Service with 5/8" AMR Meter, Copper Setter, Meter Box, Lid, Same Side of Road, 10 feet Copper Service Tubing (Max.)	375	EA	\$650.00	\$243,750.00	\$709.00	\$265,875.00	\$800.00	\$300,000.00	\$725.00	\$271,875.00	\$798.44	\$299,415.00	\$840.00	\$315,000.00
21	Replace Existing Customer Service with 3/8" AMR Meter, Copper Setter, Meter Box, Lid, Opposite Side of Road, 50 feet Copper Service Tubing (Max.)	150	EA	\$800.00	\$120,000.00	\$950.00	\$142,500.00	\$1,200.00	\$180,000.00	\$1,350.00	\$202,500.00	\$1,286.88	\$193,032.00	\$1,200.00	\$180,000.00
22	Additional 3/4" Copper Service Tubing, Furnishing, Laying, Trenching and Backfilling. Where Required in Addition to Maximum Lengths	500	LF	\$10.00	\$5,000.00	\$9.00	\$4,500.00	\$7.00	\$3,500.00	\$19.00	\$9,500.00	\$10.46	\$5,230.00	\$15.25	\$7,625.00
23	Fire Hydrant Assembly Including Tee, valve, Valve Box, Mechanical Joint Anchoring, Pipe and Fittings. Complete in Place	15	EA	\$2,900.00	\$43,500.00	\$3,100.00	\$46,500.00	\$2,500.00	\$37,500.00	\$3,000.00	\$45,000.00	\$5,447.23	\$81,708.45	\$3,600.00	\$54,000.00
24	Single Nozzle Blowoff Hydrant Assembly, Including Tee, valve, Valve Box, Mechanical Joint Anchoring, Pipe and Fittings. Complete in Place	1	EA	\$1,500.00	\$1,500.00	\$2,500.00	\$2,500.00	\$1,000.00	\$1,000.00	\$1,800.00	\$1,800.00	\$4,518.57	\$4,518.57	\$1,425.00	\$1,425.00
25	#57 Crushed Stone on Trench Surface at Driveways, Roadway Crossings and Streets, Full Depth of Ditch	2,500	LF	\$10.00	\$25,000.00	\$6.00	\$15,000.00	\$5.00	\$12,500.00	\$7.80	\$19,500.00	\$12.00	\$30,000.00	\$10.25	\$25,625.00
26	Bituminous Paving Replacement on State Maintained Roads, County Roads and Driveways. Including gravel backfill.	1,000	LF	\$20.00	\$20,000.00	\$26.00	\$26,000.00	\$35.00	\$35,000.00	\$20.00	\$20,000.00	\$40.00	\$40,000.00	\$36.20	\$36,200.00
27	Concrete Paving Replacement, 6" Thick, including gravel backfill	500	LF	\$15.00	\$7,500.00	\$18.00	\$9,000.00	\$40.00	\$20,000.00	\$15.00	\$7,500.00	\$50.00	\$25,000.00	\$35.70	\$17,850.00
28	Concrete Sidewalk Replacement (4" Thick, including gravel backfill.	300	LF	\$20.00	\$6,000.00	\$35.00	\$10,500.00	\$30.00	\$9,000.00	\$15.00	\$4,500.00	\$25.00	\$7,500.00	\$35.50	\$10,650.00
29	Cut and Cap Existing Water Line, All Sizes	10	EA	\$500.00	\$5,000.00	\$150.00	\$1,500.00	\$500.00	\$5,000.00	\$375.00	\$4,500.00	\$557.89	\$5,578.90	\$580.00	\$5,800.00
30	Flowable Fill Concrete, Including sand and flowable backfill as shown on detail sheet and described in specs. (Bit. Replacement not included)	250	LF	\$20.00	\$5,000.00	\$33.00	\$8,250.00	\$40.00	\$10,000.00	\$50.00	\$12,500.00	\$40.00	\$10,000.00	\$31.50	\$7,875.00
31	Videotape Entire Work Area Prior to Start of Construction	1	LS	\$1,000.00	\$1,000.00	\$4,500.00	\$4,500.00	\$0.00	\$0.00	\$2,500.00	\$2,500.00	\$11,538.00	\$11,538.00	\$4,600.00	\$4,600.00
32	Existing Hydrant Removal, Including Isolation Valve	10	EA	\$500.00	\$5,000.00	\$450.00	\$4,500.00	\$1,000.00	\$10,000.00	\$600.00	\$6,000.00	\$300.00	\$3,000.00	\$735.00	\$7,350.00
33	Existing Gate Valve Box Removal	25	EA	\$50.00	\$1,250.00	\$50.00	\$1,250.00	\$50.00	\$1,250.00	\$200.00	\$5,000.00	\$100.00	\$2,500.00	\$125.00	\$3,125.00
34	Automated Meter Reading System, including hardware, software, laptop, etc. as described in specifications	1	LS	\$25,000.00	\$25,000.00	\$23,000.00	\$23,000.00	\$25,000.00	\$25,000.00	\$27,500.00	\$27,500.00	\$23,451.00	\$23,451.00	\$25,600.00	\$25,600.00
BID TOTALS:					\$1,138,970.00		\$1,354,305.00		\$1,372,925.00		\$1,530,350.00		\$1,551,022.73		\$1,649,016.25

 Denotes Error in Bid Calculation

This is to state that the above is an accurate tabulation of bids received on November 5, 2009 by Western Mason Water District for the Germantown Water Line Replacement Project.

Signed: 
 Jeff Reynolds
 Kentucky PE No. 20469