Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410
Telephone (502) 569-7525 Telefax (502) 569-7555 www.rubinhays.com

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

December 10, 2009

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

Re: Cawood Water District - USDA, Rural Development Project

2009-00499

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the Cawood Water District for a Certificate of Public Convenience and Necessity to construct, finance and increase rates pursuant to KRS 278.023.

Also enclosed are eleven (11) copies of the exhibits required pursuant to 807 KAR 5.069, with the **exception of 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:jkm
Enclosures
cc: Distribution List

DISTRIBUTION LIST

Account No. 143.0000

Re: Cawood Water District Waterworks Revenue Bonds, Series 2010, in the principal amount of $357,000.

Mr. Thomas G. Fern
State Director
USDA, Rural Development
771 Corporate Drive, Suite 200
Lexington, Kentucky 40503-5477
Telephone: (859) 224-7336
Fax: (859) 224-7340

Mr. Tom Partin
USDA, Rural Development
100 Nami Plaza, Suite 3
London, Kentucky 40741
Telephone: (606) 864-2172
Fax: (606) 864-7717

Mr. Walter Burkhart, Chairman
Cawood Water District
P.O. Box 429
Cawood, Kentucky 40815
Telephone: (606) 573-3744

Kenneth D. Taylor, P.E.
Kenvirons, Inc.
452 Versailles Road
Frankfort, Kentucky 40601
Telephone: (502) 695-4357

Otis Doan, Jr., P.S.C.
Attorney at Law
117 North First Street
Harlan, Kentucky 40831
Telephone: (606) 573-1766
Fax: (606) 573-1913

W. Randall Jones, Esq.
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Telephone: (502) 569-7534
Fax: (502) 569-7555

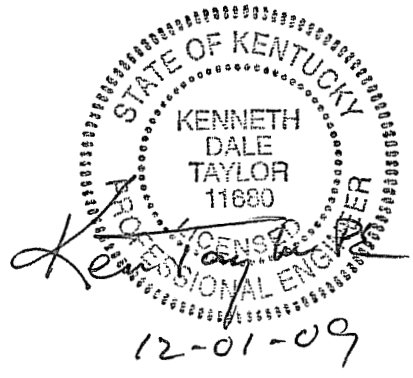
FINAL ENGINEERING REPORT

FOR

CAWOOD WATER DISTRICT
KY 987 (SMITH) WATER SYSTEM EXTENSIONS
HARLAN COUNTY, KENTUCKY

PROJECT NO. 2006195

NOVEMBER, 2009



FINAL ENGINEERING REPORT

CAWOOD WATER DISTRICT

KY 987 (SMITH) WATER SYSTEM EXTENSIONS

A preliminary engineering report dated February, 2008 and revised in June and July, 2008 describes in detail the scope and need for this project. This preliminary engineering report is included herewith by reference. The budget has been revised to reflect the construction bids received. Sufficient funding is available to cover all anticipated expenses with an adequate contingency fund.

Since the Preliminary Engineering Report was completed in July, 2008, the District's Audited Financial Statements for 2008 were issued showing a continuing deterioration in the District's financial condition and a need to revisit the rates proposed in the Preliminary Engineering Report. The rates in the July, 2008 Preliminary Engineering Report reflected an across the board rate increase of 13%. In order to cover the increased expenses reflected in the 2008 Audited Financial Statements and the District's 2009 Income Statement thru September 30, 2009 the District is now proposing a 25% rate increase. Attached to this report are revised income forecasts and proposed operating budgets reflecting the increase in operating expenses and the currently proposed rate increase.

Bids were received for the two (2) contracts which make-up the project on September 24, 2009. Five (5) bids were received for Contract 12 – Water Line Extensions, and three (3) bids were received for Contract 13 – 37,000 Gallon Standpipe. Cumberland Pipeline, LLC was the low bidder on Contract 12 at $1,675,439.32 and Laurel Construction Company, Inc. was the low bidder on Contract 13 at $172,000.00. Copies of the certified bid tabulations for each contract are included at the end of this report. The low bids for both contracts came in slightly below the engineer's pre-bid estimates.

The following is an estimated overall project budget, revised to reflect the bids received.

PROPOSED PROJECT BUDGET

EXPENSES

ITEM	JULY 2008 BUDGET	REVISED BUDGET
Development (Construction)	$2,304,500.00	$1,847,439.32
Land and Rights	25,000.00	25,000.00
Legal	25,000.00	25,000.00
Engineering: Basic Design	174,000.00	170,400.00
Inspection	101,000.00	87,875.00
Other	18,000.00	18,000.00
Interest	22,000.00	22,000.00
Contingency	232,000.00	705,785.68
TOTAL	**$2,901,500.00**	**$2,901,500.00**

FUNDING

SOURCE	BUDGET
Tap Fees	$16,500.00
ARC Grant	375,000.00
Coal Severance Grant	2,000,000.00
RD-RUS Loan	357,000.00
RD-RUS Grant	153,000.00
TOTAL	**$2,901,500.00**

CONCLUSIONS AND RECOMMENDATIONS

1. The bids received for the project are reasonable considering the current conditions. The contractors submitting the low bids on both contracts are experienced and acceptable. Therefore, it is our recommendation that Contract 12 be awarded to Cumberland Pipeline, LLC and Contract 13 be awarded to Laurel Construction Company, Inc.

2. Adequate funding is available from the monies previously secured.

3. Upon completion of the project, the District will have adequate customer base to cover operating expenses, debt service coverage, bond resolution depreciation reserve funding and provide some net un-obligated monies at the revised rates.

4. The District should proceed with application to the Kentucky Public Service Commission for authority to construct the proposed facilities.

FOR Cawood
Community, Town or City

P.S.C. KY. NO. 2

4th Revised SHEET NO. 1

Cawood Water District
(Name of Utility)

CANCELLING P.S.C. KY. NO. 2

3rd Revised SHEET NO. 1

RATES AND CHARGES

METERED CHARGES
CAWOOD AREA

A. Minimum Water Rate. The minimum water bill shall be $20.56 per month, and each water customer shall be entitled to 2, 000 gallons (or less) of water in each month for such minimum charge.

B. Metered Rates for Water Usage in Addition to Minimum Charge. Subject to the minimum monthly rate specified above, the following metered charges shall be made for each 1,000 gallons of water consumption per month to customers of all size connections:

Number of Gallons of Water per Month	Monthly Charge per 1,000 Gallons
First 2,000 gallons or less	$20.56 (Minimum Monthly Charge)
Next 8,000 gallons	$6.92 per 1,000 gallons
All over 10,000 gallons	$4.93 per 1,000 gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Harlan County, KY
Community, Town or City

P.S.C. KY. NO. 3

2nd Revised SHEET NO. 1A

Cawood Water District
(Name of Utility)

CANCELLING P.S.C. KY. NO. 2

1st Revised SHEET NO. 1A

RATES AND CHARGES

MONTHLY WATER RATES – PATH FORK AREA

First 2,000 gallons	$22.35 Minimum Bill
Next 8,000 gallons	$8.53 per 1,000 gallons
Over 10,000 gallons	$6.53 per 1,000 gallons

DATE OF ISSUE
Month / Date / Year

DATE EFFECTIVE
Month / Date / Year

ISSUED BY
(Signature of Officer)

TITLE

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. DATED

FORECAST OF WATER USAGE - INCOME - EXISTING CAWOOD USERS 2009

25% Rate Increase

Meter Size*	Monthly Water Usage			Average	Average Rate	Residential No. of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No. of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 -	2,000	Gallons	1,000	20.56	4,060	4,060.00	83,473.60	372	372.00	7,648.32
	2,000 -	3,000	Gallons	2,500	24.02	2,698	6,745.00	64,805.96	12	30.00	288.24
	3,000 -	4,000	Gallons	3,500	30.94	2,498	8,743.00	77,288.12	36	126.00	1,113.84
	4,000 -	5,000	Gallons	4,500	37.86	2,041	9,184.50	77,272.26	12	54.00	454.32
	5,000 -	6,000	Gallons	5,500	44.78	1,618	8,899.00	72,454.04	12	66.00	537.36
	6,000 -	7,000	Gallons	6,500	51.70	1,074	6,981.00	55,525.80	12	78.00	620.40
	7,000 -	8,000	Gallons	7,500	58.62	691	5,182.50	40,506.42	12	90.00	703.44
	8,000 -	9,000	Gallons	8,500	65.54	461	3,918.50	30,213.94	12	102.00	786.48
	9,000 -	10,000	Gallons	9,500	72.46	304	2,888.00	22,027.84	12	114.00	869.52
5/8 x 3/4	10,000 -	11,000	Gallons	10,500	78.39	291	3,055.50	22,811.49	12	126.00	940.68
Inch	11,000 -	12,000	Gallons	11,500	83.32	145	1,667.50	12,081.40	12	138.00	999.84
	12,000 -	13,000	Gallons	12,500	88.25	81	1,012.50	7,148.25	12	150.00	1,059.00
	13,000 -	14,000	Gallons	13,500	93.18	113	1,525.50	10,529.34	12	162.00	1,118.16
	14,000 -	15,000	Gallons	14,500	98.11	65	942.50	6,377.15	12	174.00	1,177.32
	15,000 -	16,000	Gallons	15,500	103.04	33	511.50	3,400.32	12	186.00	1,236.48
	16,000 -	17,000	Gallons	16,500	107.97	32	528.00	3,455.04	12	198.00	1,295.64
	17,000 -	18,000	Gallons	17,500	112.90	20	350.00	2,258.00	12	210.00	1,354.80
	18,000 -	19,000	Gallons	18,500	117.83	16	296.00	1,885.28	6	111.00	706.98
	19,000 -	20,000	Gallons	19,500	122.76	16	312.00	1,964.16	6	117.00	736.56
	20,000 -	30,000	Gallons	25,000	149.88	12	300.00	1,798.56	12	300.00	1,798.56
			Gallons	43,750	242.31		-	-	48	2,100.00	11,630.88
			Gallons	133,500	684.78		-	-	48	6,408.00	32,869.44
				Subtotal		16,269	67,102.50	$ 597,276.97	708	11,412.00	$ 69,946.26
				Average Monthly Bill	$ 39.30						
				Average Monthly Usage			4,125 gallons			16,119	gallons

FORECAST OF WATER USAGE / INCOME - EXISTING PATHFORK USERS ONLY (2009)

25% Rate Increase

Meter Size*	Monthly Water Usage	Average	Average Rate	Residential No. of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No. of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 - 2,000 Gallons	1,000	22.35	610	610.00	13,633.50	48	48.00	1,072.80
	2,000 - 3,000 Gallons	2,500	26.61	261	652.50	6,945.21		-	-
	3,000 - 4,000 Gallons	3,500	35.14	298	1,043.00	10,471.72		-	-
	4,000 - 5,000 Gallons	4,500	43.67	190	855.00	8,297.30		-	-
	5,000 - 6,000 Gallons	5,500	52.20	107	588.50	5,585.40		-	-
	6,000 - 7,000 Gallons	6,500	60.73	84	546.00	5,101.32		-	-
	7,000 - 8,000 Gallons	7,500	69.26	23	172.50	1,592.98		-	-
	8,000 - 9,000 Gallons	8,500	77.79	12	102.00	933.48		-	-
	9,000 - 10,000 Gallons	9,500	86.32	12	114.00	1,035.84		-	-
5/8 x 3/4	10,000 - 11,000 Gallons	10,500	93.84	16	168.00	1,501.44		-	-
Inch	11,000 - 12,000 Gallons	11,500	100.37	16	184.00	1,605.92		-	-
	12,000 - 13,000 Gallons	12,500	106.90	15	187.50	1,603.50		-	-
	13,000 - 14,000 Gallons	13,500	113.43		-	-		-	-
	14,000 - 15,000 Gallons	14,500	119.96		-	-		-	-
	15,000 - 16,000 Gallons	15,500			-	-		-	-
	16,000 - 17,000 Gallons	16,500			-	-		-	-
	17,000 - 18,000 Gallons	17,500			-	-		-	-
	18,000 - 19,000 Gallons	18,500			-	-		-	-
	19,000 - 20,000 Gallons	19,500			-	-		-	-
	20,000 - 30,000 Gallons	25,000			-	-		-	-
	30,000 - 50,000 Gallons	40,000			-	-		-	-
	>50,000 - Gallons	70,000			-	-		-	-
		Subtotal		1,644	5,223.00	$ 58,307.61	48	48.00	$ 1,072.80
		Average Monthly Bill	$ 35.47						
		Average Monthly Usage			3,177 gallons			1,000 gallons	

FORECAST OF WATER USAGE / INCOME - NEW KY 987 USERS ONLY

25% rate increase

Meter Size*	Monthly Water Usage			Average	Average Rate	Residential No. of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No. of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 -	2,000	Gallons	1,000	20.56	489	489.00	10,053.84	36	36.00	740.16
	2,000 -	3,000	Gallons	2,500	24.02	210	525.00	5,044.20	8	20.00	192.16
	3,000 -	4,000	Gallons	3,500	30.94	239	836.50	7,394.66	6	21.00	185.64
	4,000 -	5,000	Gallons	4,500	37.86	153	688.50	5,792.58	6	27.00	227.16
	5,000 -	6,000	Gallons	5,500	44.78	86	473.00	3,851.08	4	22.00	179.12
	6,000 -	7,000	Gallons	6,500	51.70	67	435.50	3,463.90		-	-
	7,000 -	8,000	Gallons	7,500	58.62	19	142.50	1,113.78		-	-
	8,000 -	9,000	Gallons	8,500	65.54	10	85.00	655.40		-	-
	9,000 -	10,000	Gallons	9,500	72.46	10	95.00	724.60		-	-
5/8 x 3/4	10,000 -	11,000	Gallons	10,500	78.39	13	136.50	1,019.07		-	-
Inch	11,000 -	12,000	Gallons	11,500	83.32	12	138.00	999.84		-	-
	12,000 -	13,000	Gallons	12,500	88.25	12	150.00	1,059.00		-	-
	13,000 -	14,000	Gallons	13,500	93.18		-	-		-	-
	14,000 -	15,000	Gallons	14,500	98.11		-	-		-	-
	15,000 -	16,000	Gallons	15,500	103.04		-	-		-	-
	16,000 -	17,000	Gallons	16,500			-	-		-	-
	17,000 -	18,000	Gallons	17,500			-	-		-	-
	18,000 -	19,000	Gallons	18,500			-	-		-	-
	19,000 -	20,000	Gallons	19,500			-	-		-	-
	20,000 -	30,000	Gallons	25,000			-	-		-	-
	30,000 -	50,000	Gallons	40,000			-	-		-	-
	>50,000 -		Gallons	70,000			-	-		-	-
				Subtotal		1,320	4,194.50	$ 41,171.95	60	126.00	$ 1,524.24
				Average Monthly Bill	$ 31.19						
				Average Monthly Usage			3,178 gallons			2,100 gallons	

XXXI. PROPOSED OPERATING BUDGET (WATER SYSTEM) EXISTING SYSTEM AND NEW USERS
(1st Full Year of Operation) Year Ending Dec. 31, 2010

A. Operating Income:

Water Sales	$769,300
Disconnect/Reconnect/Late Charge Fees	27,000
Other (Describe)	
Less Allowances and Deductions	( )
Total Operating Income	$796,300

B. Operation and Maintenance Expenses:
(Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

Source of Supply Expense	$17,000
Pumping Expense	56,000
Water Treatment Expense	280,000
Transmission and Distribution Expense	168,000
Customer Accounts Expense	50,000
Administrative and General Expense	90,000
Total Operating Expenses	$661,000
Net Operating Income	$135,300

C. Non-Operating Income:

Interest on Deposits	$1,500
Other (Identify)	
Total Non-Operating Income	$1,500

D. Net Income $136,800

E. Debt Repayment:

RUS Interest	$86,900
RUS Principal	28,000
Non-RUS Interest	
Non-RUS Principal	
Total Debt Repayment	$114,900

F. Balance Available for Coverage $ 21,900

XXXII. PROPOSED OPERATING BUDGET (WATER SYSTEM) NEW USERS EXTENSION ONLY
(1st Full Year of Operation) Year Ending Dec.31, 2010

A. Operating Income:

Water Sales	$42,700
Disconnect/Reconnect/Late Charge Fees	1,000
Other (Describe)	0
Less Allowances and Deductions	( )
Total Operating Income	$43,700

B. Operation and Maintenance Expenses:
(Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

Source of Supply Expense	$0
Pumping Expense	2,000
Water Treatment Expense	6,000
Transmission and Distribution Expense	4,000
Customer Accounts Expense	3,000
Administrative and General Expense	1,500
Total Operating Expenses	$16,500
Net Operating Income	$27,200

C. Non-Operating Income:

Interest on Deposits	$ 0
Other (Identify)	
Total Non-Operating Income	$ 0

D. Net Income $ 27,200

E. Debt Repayment:

RUS Interest	$22,950
RUS Principal	
Non-RUS Interest	
Non-RUS Principal	
Total Debt Repayment	$22,950

F. Balance Available for Coverage $ 4,250

KENVIRONS, INC
452 VERSAILLES ROAD
FRANKFORT, KENTUCKY 40601
TEL (502) 695-4357
FAX (502) 695-4363

BID TABULATIONS

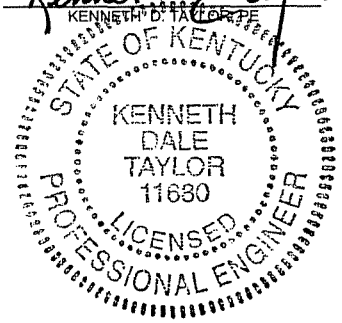
PROJECT: Contract 12: Water Line Extensions - KY 987 Water Systems Extensions
LOCATION: Cawood Water District
BID DATE: *September* 24, 2009 @ 10:00 a.m. (local time)

BASE BID

ITEM NO.	ITEM DESCRIPTION	UNIT	QUANTITY	Cumberland Pipeline, LLC P.O. Box 277 Russell Springs, KY 42642		Akins Excavating Co., Inc. 182 Busy Lane Corbin, KY 40741		Clay Pipeline, Inc 70 Fox Hollow Road Manchester, KY 40962	
				UNIT COST	COST	UNIT COST	COST	UNIT COST	COST
1	6-Inch Ductile Iron Cl. 350 Pipe	LF	400	$16.33	$6,532.00	$20.50	$8,200.00	$15.85	$6,340.00
2	6-Inch PVC SDR 17 Pipe	LF	5,100	11.01	56,151.00	11.85	60,435.00	10.45	53,295.00
3	6-Inch PVC SDR 21 Pipe	LF	26,400	10.39	274,296.00	11.10	293,040.00	9.85	260,040.00
4	4-Inch Ductile Iron CL. 350 Pipe	LF	17,600	15.87	279,312.00	17.40	306,240.00	14.10	248,160.00
5	4-Inch C900 CL200 PVC Pipe	LF	3,300	8.43	27,819.00	10.50	34,650.00	9.45	31,185.00
6	4-Inch PBC SDR 17 Pipe	LF	7,400	7.70	56,980.00	9.55	70,670.00	10.15	75,110.00
7	4-Inch PBC SDR 21 Pipe	LF	21,100	7.44	156,984.00	9.20	194,120.00	7.45	157,195.00
8	3-Inch PVC SDR 21 Pipe	LF	9,500	6.92	65,740.00	8.60	81,700.00	6.00	57,000.00
9	6-Inch Bore and Case	LF	120	119.29	14,314.80	85.00	10,200.00	140.00	16,800.00
10	6-Inch Free Bore	LF	100	50.00	5,000.00	35.00	3,500.00	50.00	5,000.00
11	3 & 4-Inch Bore and Case	LF	395	94.58	37,359.10	68.00	26,860.00	95.00	37,525.00
13	3 & 4-Inch Free Bore	LF	150	40.00	6,000.00	35.00	5,250.00	50.00	7,500.00
14	Directional Bore No. 1	LS	1	15,647.00	15,647.00	11,250.00	11,250.00	28,000.00	28,000.00
15	Directional Bore No. 2	LS	1	5,190.00	5,190.00	6,750.00	6,750.00	9,400.00	9,400.00
16	Directional Bore No. 3	LS	1	4,660.00	4,660.00	5,550.00	5,550.00	9,400.00	9,400.00
17	Directional Bore No. 4	LS	1	4,660.00	4,660.00	5,550.00	5,550.00	12,350.00	12,350.00
18	Directional Bore No. 5	LS	1	4,120.00	4,120.00	6,750.00	6,750.00	12,350.00	12,350.00
19	Directional Bore No. 6	LS	1	3,585.00	3,585.00	6,750.00	6,750.00	12,350.00	12,350.00
20	Directional Bore No. 7	LS	1	4,120.00	4,120.00	5,550.00	5,550.00	10,000.00	10,000.00
21	Directional Bore No. 8	LS	1	4,120.00	4,120.00	6,750.00	6,750.00	12,350.00	12,350.00
22	Directional Bore No. 9	LS	1	4,030.00	4,030.00	5,550.00	5,550.00	5,630.00	5,630.00
23	Directional Bore No. 10	LS	1	5,550.00	5,550.00	5,550.00	5,550.00	10,000.00	10,000.00
24	Directional Bore No. 10A	LS	1	5,550.00	5,550.00	6,600.00	6,600.00	12,100.00	12,100.00
25	Directional Bore No. 10B	LS	1	4,030.00	4,030.00	5,550.00	5,550.00	12,350.00	12,350.00
26	Directional Bore No. 11	LS	1	5,550.00	5,550.00	7,300.00	7,300.00	5,745.00	5,745.00
27	Martins Fork Bridge Crossing #1	LS	1	27,000.00	27,000.00	45,000.00	45,000.00	30,070.00	30,070.00
28	Martins Fork Bridge Crossing #2	LS	1	40,500.00	40,500.00	60,000.00	60,000.00	31,615.00	31,615.00
29	Railroad Crossing - Hober Drive	LS	1	27,556.80	27,556.80	24,000.00	24,000.00	28,000.00	28,000.00
30	Railroad Crossing - KY 3463	LS	1	20,678.00	20,678.00	18,000.00	18,000.00	21,000.00	21,000.00
31	6-Inch Gate Valve	EA	11	738.04	8,118.44	860.00	9,460.00	765.00	8,415.00
32	4-Inch Gate Valve	EA	25	612.34	15,308.50	730.00	18,250.00	665.00	16,625.00
33	3-Inch Gate Valve	EA	11	535.84	5,894.24	680.00	7,480.00	645.00	7,095.00
34	6" x 6" Tie-In	EA	1	1,350.00	1,350.00	900.00	900.00	575.00	575.00
35	Air Release Valve	EA	2	475.00	950.00	500.00	1,000.00	670.00	1,340.00
36	Leak Detection Meter	EA	16	732.84	11,725.44	1,170.00	18,720.00	700.00	11,200.00
37	3-Inch Blow-Off Assembly, Type 1	EA	10	1,075.00	10,750.00	802.00	8,020.00	1,055.00	10,550.00
38	4-Inch Blow-Off Assembly, Type 1	EA	7	1,100.00	7,700.00	857.00	5,999.00	1,090.00	7,630.00
39	4-Inch Blow-Off Assembly, Type 2	EA	1	1,400.00	1,400.00	1,058.00	1,058.00	1,260.00	1,260.00
40	Booster Pump Station, 35 GPM	LS	1	82,500.00	82,500.00	47,000.00	47,000.00	152,000.00	152,000.00
41	3/4" x 5/8" Meter Setting	EA	63	651.00	41,013.00	540.00	34,020.00	675.00	42,525.00
42	3/4" x 5/8" Meter Setting w/Individual PRV	EA	145	735.00	106,575.00	670.00	97,150.00	760.00	110,200.00
43	3/4" Service Tubing	LF	22,000	4.71	103,620.00	4.00	88,000.00	9.00	198,000.00
44	Pavement Replacement	LF	4,500	18.00	81,000.00	17.00	76,500.00	15.00	67,500.00
45	Telemetry	LS	1	24,500.00	24,500.00	22,000.00	22,000.00	32,000.00	32,000.00
TOTAL BASE BID					**$1,675,439.32**		**$1,762,872.00**		**$1,884,775.00**

*- DENOTES AN ARITHMETIC ERROR WAS MADE ON BASE BID, AMOUNT HAS BEEN CORRECTED TO REFLECT UNIT PRICE SUBMITTED ON BASE BID.
THE ABOVE IS A *TRUE AND COMPLETE TABULATION OF BIDS* RECEIVED UNTIL 10:00 A.M. LOCAL TIME AT CAWOOD WATER DISTRICT OFFICE, CAWOOD, KY 40815

BY: Kenneth D Taylor PE 9-29-09
KENNETH D. TAYLOR, PE — DATE



KENVIRONS, INC.
452 VERSAILLES ROAD
FRANKFORT, KENTUCKY 40601
TEL (502) 695-4357
FAX (502) 695-4363

BID TABULATIONS
PROJECT: Contract 12: Water Line Extensions - KY 987 Water Systems Extensions
LOCATION: Cawood Water District
BID DATE: September 24, 2009 @ 10:00 a.m. (local time)

BASE BID

ITEM NO.	ITEM DESCRIPTION	UNIT	QUANTITY	Garrison Constsruction Co , Inc 6960 Greensburg Road Greensburg, KY 42743		B P. Pipeline, LLC 269 Pebble Lane Quincy, KY 41166	
				UNIT COST	COST	UNIT COST	COST
1	6-Inch Ductile Iron Cl. 350 Pipe	LF	400	$14.84	$5,936.00	$30.00	$12,000.00
2	6-Inch PVC SDR 17 Pipe	LF	5,100	10.06	51,306.00	13.00	66,300.00
3	6-Inch PVC SDR 21 Pipe	LF	26,400	9.35	246,840.00	12.50	330,000.00
4	4-Inch Ductile Iron CL. 350 Pipe	LF	17,600	14.95	263,120.00	24.00	422,400.00
5	4-Inch C900 CL200 PVC Pipe	LF	3,300	8.85	29,205.00	12.00	39,600.00
6	4-Inch PBC SDR 17 Pipe	LF	7,400	8.05	59,570.00	10.00	74,000.00
7	4-Inch PBC SDR 21 Pipe	LF	21,100	7.75	163,525.00	9.50	200,450.00
8	3-Inch PVC SDR 21 Pipe	LF	9,500	7.31	69,445.00	7.00	66,500.00
9	6-Inch Bore and Case	LF	120	175.23	21,027.60	70.00	8,400.00
10	6-Inch Free Bore	LF	100	66.00	6,600.00	40.00	4,000.00
11	3 & 4-Inch Bore and Case	LF	395	171.14	67,600.30	80.00	31,600.00
13	3 & 4-Inch Free Bore	LF	150	66.00	9,900.00	40.00	6,000.00
14	Directional Bore No. 1	LS	1	32,620.50	32,620.50	18,000.00	18,000.00
15	Directional Bore No. 2	LS	1	17,876.10	17,876.10	6,000.00	6,000.00
16	Directional Bore No. 3	LS	1	14,206.50	14,206.50	6,000.00	6,000.00
17	Directional Bore No. 4	LS	1	16,005.00	16,005.00	4,000.00	4,000.00
18	Directional Bore No. 5	LS	1	16,005.00	16,005.00	3,000.00	3,000.00
19	Directional Bore No. 6	LS	1	17,876.10	17,876.10	3,000.00	3,000.00
20	Directional Bore No. 7	LS	1	17,876.10	17,876.10	3,000.00	3,000.00
21	Directional Bore No. 8	LS	1	16,005.00	16,005.00	3,000.00	3,000.00
22	Directional Bore No. 9	LS	1	15,521.00	15,521.00	3,000.00	3,000.00
23	Directional Bore No. 10	LS	1	19,525.00	19,525.00	3,500.00	3,500.00
24	Directional Bore No. 10A	LS	1	15,521.00	15,521.00	3,500.00	3,500.00
25	Directional Bore No. 10B	LS	1	15,521.00	15,521.00	4,500.00	4,500.00
26	Directional Bore No. 11	LS	1	27,533.00	27,533.00	4,000.00	4,000.00
27	Martins Fork Bridge Crossing #1	LS	1	60,500.00	60,500.00	130,000.00	130,000.00
28	Martins Fork Bridge Crossing #2	LS	1	77,000.00	77,000.00	150,000.00	150,000.00
29	Railroad Crossing - Hober Drive	LS	1	40,840.80	40,840.80	20,000.00	20,000.00
30	Railroad Crossing - KY 3463	LS	1	30,668.00	30,668.00	10,000.00	10,000.00
31	6-Inch Gate Valve	EA	11	605.00	6,655.00	600.00	6,600.00
32	4-Inch Gate Valve	EA	25	495.00	12,375.00	450.00	11,250.00
33	3-Inch Gate Valve	EA	11	465.30	5,118.30	400.00	4,400.00
34	6" x 6" Tie-In	EA	1	275.00	275.00	1,500.00	1,500.00
35	Air Release Valve	EA	2	935.00	1,870.00	600.00	1,200.00
36	Leak Detection Meter	EA	16	550.00	8,800.00	1,200.00	19,200.00
37	3-Inch Blow-Off Assembly, Type 1	EA	10	1,045.00	10,450.00	650.00	6,500.00
38	4-Inch Blow-Off Assembly, Type 1	EA	7	1,089.00	7,623.00	650.00	4,550.00
39	4-Inch Blow-Off Assembly, Type 2	EA	1	1,276.00	1,276.00	1,200.00	1,200.00
40	Booster Pump Station, 35 GPM	LS	1	131,175.00	131,175.00	35,000.00	35,000.00
41	3/4" x 5/8" Meter Setting	EA	63	688.60	43,381.80	600.00	37,800.00
42	3/4" x 5/8" Meter Setting w/Individual PRV	EA	145	781.00	113,245.00	650.00	94,250.00
43	3/4" Service Tubing	LF	22,000	6.82	150,040.00	6.00	132,000.00
44	Pavement Replacement	LF	4,500	28.60	128,700.00	30.00	135,000.00
45	Telemetry	LS	1	28,226.00	28,226.00	25,000.00	25,000.00
TOTAL BASE BID					**$2,094,385.10**		**$2,151,200.00**

KENVIRONS, INC.
452 VERSAILLES ROAD
FRANKFORT, KENTUCKY 40601
TEL (502) 695-4357
FAX (502) 695-4363

BID TABULATIONS

PROJECT: Contract 13: 37,000 Gallon Standpipe - KY 987 Water System Extensions
LOCATION: Cawood Water District
BID DATE: September 24, 2009 @ 10:00 a.m. (local time)

Base Bid

ITEM NO.	ITEM DESCRIPTION	UNIT	QUANTITY	Laurel Construction Co., Inc. 5209 Somerset Road London, KY 40741		Welding Incorporated P.O. Box 6007 Charleston, WV 25362		KY Glass Lines Tank Systems, Inc. P.O. Box 13370 Lexington, KY 40583	
				UNIT COST	COST	UNIT COST	COST	UNIT COST	COST
1	37,000 Gallon Standpipe	LS	1	$90,000.00	$90,000.00	$55,000.00	$55,000.00	$85,389.00	$85,389.00
2	Earthwork	LS	1	14,000.00	14,000.00	10,000.00	10,000.00	50,000.00	50,000.00
3	Foundation	LS	1	18,000.00	18,000.00	20,000.00	20,000.00	32,200.00	32,200.00
4	Painting	LS	1	10,000.00	10,000.00	10,000.00	10,000.00		0.00
5	Yard Work including line channels & site restoration	LS	1	10,000.00	10,000.00	50,000.00	50,000.00	15,500.00	15,500.00
6	Yard Piping	LS	1	4,000.00	4,000.00	5,000.00	5,000.00	6,200.00	6,200.00
7	Check Valve Station	LS	1	11,000.00	11,000.00	15,000.00	15,000.00	17,600.00	17,600.00
8	Fencing	LF	400	20.00	8,000.00	35.00	14,000.00	15.00	6,000.00
9	Access Road	LS	1	2,000.00	2,000.00	6,000.00	6,000.00	11,100.00	11,100.00
10	Mixing System	LS	1	5,000.00	5,000.00	8,000.00	8,000.00	4,000.00	4,000.00
TOTAL BASE BID					**$172,000.00**		**$193,000.00**		**$227,989.00**

*- DENOTES AN ARITHMETIC ERROR WAS MADE ON BASE BID, AMOUNT HAS BEEN CORRECTED TO REFLECT UNIT PRICE SUBMITTED ON BASE BID.
THE ABOVE IS A TRUE AND COMPLETE TABULATION OF BIDS RECEIVED UNTIL 10:00 A.M. LOCAL TIME AT THE CAWOOD WATER DISTRICT OFFICE, CAWOOD, KY 40815

BY: _____
KENNETH D. TAYLOR, PE

COMMONWEALTH OF KENTUCKY
KENNETH DALE TAYLOR 11680 LICENSED PROFESSIONAL ENGINEER

9/28/09
DATE

REVISED

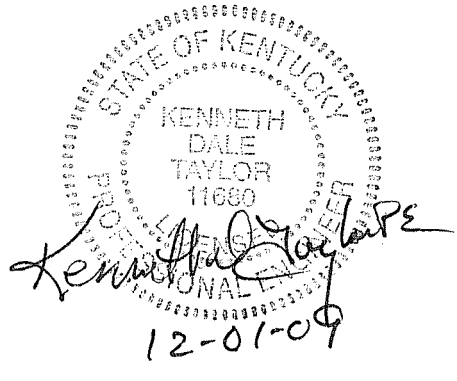
PRELIMINARY ENGINEERING REPORT
KY 987 (SMITH) WATER SYSTEM EXTENSION PROJECT
CAWOOD WATER DISTRICT
HARLAN COUNTY, KENTUCKY

PROJECT NO. 2006195

FEBRUARY 2008

REVISED JUNE 2008

REVISED JULY 2008



PRELIMINARY ENGINEERING REPORT
KY 987 (SMITH) EXTENSION PROJECT
CAWOOD WATER DISTRICT
HARLAN COUNTY, KENTUCKY

I. INTRODUCTION

The Cawood Water District (CWD) was originally formed to provide a safe, dependable supply of potable water to the citizens of the Cawood community in Harlan County. Since its original project in 1990 the CWD has grown until it currently serves approximately 1500 customers in a large portion of the south central part of the county. CWD intends to eventually make treated water available to every citizen within its boundary. This project will go a long way toward accomplishing this as it extends service into the only remaining large unserved area in the district. CWD anticipates serving approximately 115 new users or 50% of the approximately 230 potential users. The proposed facilities are modest in design, size and cost and will be constructed and operated in an environmentally responsible manner.

II. PROJECT PLANNING AREA

Included as Exhibit 1 is a map of a portion of Harlan County with CWD's boundary, existing facilities and proposed facilities indicated. The planning area for the proposed project includes all of the area within CWD's boundary as the entire distribution system must be designed to ultimately provide treated water to the entire area. Toward this goal the facilities previously constructed and planned by CWD have been designed to provide the necessary volume and pressures for the completed system. The facilities proposed in this project are shown on Exhibit II which is portions of USGS 7.5 minute topographic maps of the area. The specific areas to be served by the project include the following roads/communities: Ky. Hwy. 987 (Martins Fork) from just below the Martins Fork Reservoir Dam to the last residence before reaching the Bell Co. line and all side roads.

The project will address a serious problem faced by the residents of these areas, that being the lack of safe, dependable water supply. The general welfare and personal health and safety of the residents are threatened by contaminated water sources. A portion of the families are also forced to haul water, creating a financial burden. As a part of a ground water study we conducted in 2005, we performed a limited chemical analyses on 18 domestic water sources in the project area. Over half of the sources analyzed did not meet the federal drinking water standard for pH or iron. The Cumberland Valley District Health Department also reports that over 75% of the domestic water sources they have tested from the area yielded a positive result for contamination.

The only known or anticipated unusual construction conditions in the proposed project area are the Martins Fork Reservoir crossings, which will be accomplished by attaching the water line to the highway bridge decks. Due to the topography of the area much of

the water line will have to be installed on highway right-of-way as it is in much of East Kentucky. Several stream crossings and two railroad crossing will be necessary. The stream crossings will be made by directional drilling methods. There are no known environmentally significant features, historic sites, or important land resources which will be adversely impacted by the project.

III. EXISTING FACILITIES

The District's water treatment plant has a state approved rated capacity of 300 gallons per minute (gpm) or 432,000 gallons per day (gpd). With this proposed expansion the anticipated average daily production will be approximately 351,000 gpd which is well within the plants capacity. The nominal capacity of the raw water and high service pumps, is 400 gpm and the raw water source, Martins Fork, is more than adequate.

The District's distribution facilities now consist of approximately 16,000 feet of 12 inch, 8,800 feet of 10-inch, 114,500 feet of 6-inch, 80,600 feet of 4-inch and 83,700 feet of 3-inch water line with the usual appurtenances such as gate valves, air release valves, blow-off assemblies, etc. The distribution system currently includes four main line pressure reducing stations, one solenoid valve station, three booster pump stations and five storage tanks.

The existing distribution system has had a slightly excessive leakage rate of approximately 25%. The District has been working on this problem and feels they are moving toward having it under control. Due to the topography of the area and the many naturally occurring springs and wet areas, it is sometimes very difficult and time consuming to locate leaks/line breaks in this area.

Given in the attached Summary/Addendum are the District's current rate schedules, tabulation of users by monthly usage categories, status of existing long-term indebtedness and amounts on deposit in the required reserve accounts. The District's rates are currently covering all operational expenses and other obligations with some depreciation coverage.

IV. PROPOSED FACILITIES AND SERVICES

General Description. The proposed project consists of approximately 83,000 feet of distribution main, one booster pump station, one ground storage tank and the normal distribution system appurtenances such as gate valves, air release valves, blow-off assemblies, meters, etc.. The distribution mains will be primarily of ductile iron and PVC. Some small sections of polyethylene pipe may be used in special areas, i.e., stream crossings. The facilities will be designed to provide the customers with a minimum pressure of 30 psi at the meter at peak flow conditions. Where static pressures exceed 90 psi, individual pressure regulating valves will be installed with the meter settings. The hydraulic model of the system is currently being updated to include the proposed project and significant results of the model will be appended to this report when completed.

The locations of the major elements of the project are shown on the attached portions of the USGS topographic maps. An itemized estimate of the probable project costs is given in Table 1. The extension of the Districts' distribution system into the project area is the only viable alternative for providing water service to this area of the county.

Land. It will be necessary to acquire land on which to construct the booster pump station (b.p.s.) and ground storage tank. A tract approximately 20'X 20' will be needed for the b.p.s. The ground storage tank will require a tract approximately 60' x 60'. The approximate location of these facilities are shown on the attached maps. The locations may vary depending on the final design of the system and the ability to acquire the land.

Rights. Easements will be required for the water distribution lines, many of which will be given by the individual customers. By necessity, some easements (permits) for the distribution lines will be on State and County road right-of-way. A permit will also be required from CSX Transportation, Inc. before the water line can be placed under the railroad tracks.

Permits. No permits or easements have been obtained at this time for the proposed work. It is anticipated that in addition the Land and Rights requirements given above, permits and/or approvals will be required from the following agencies:

Kentucky Public Service Commission
Kentucky Department of Transportation
Kentucky Division of Water
Harlan County Fiscal Court
U. S. Army Corps of Engineers

V. COST ESTIMATE

An estimate of the probable project costs is given in Table 1 on the following page.

VI. FEASIBILITY STUDY

Expense

It is anticipated that this project will be funded by tap fees paid by the users, Coal Severace Grants and loan and grant money from the USDA Rural Development. This section contains an economic feasibility analysis to determine the affect of additional borrowing on the District's financial integrity and the need for a rate adjustment. The District supplied computer generated billing data for the calendar year 2007, from which the billing analysis was prepared. The annual operating budget was developed adjusting the 2007 Annual PSC Report and 2007 Audited Financial Statement for the additional customers, inflation, employee pay raises, etc.

TABLE 1

Cawood Water District
KY 987 Water System Extensions

Opinion of Probable Cost

June 2, 2008

Item No.	Item	Unit	Quantity	Unit Price	Item Price
1	6-Inch PVC SDR-17 Pipe	LF	5,050	17.00	85,850.00
2	6-Inch PVC SDR-21 Pipe	LF	26,050	16.00	416,800.00
3	4-Inch D.I. Cl. 350 Pipe	LF	15,400	24.00	369,600.00
4	4-Inch C900 CL200 PVC Pipe	LF	3,200	11.00	35,200.00
5	4-Inch PVC SDR-17 Pipe	LF	7,400	10.00	74,000.00
6	4-Inch PVC SDR-21 Pipe	LF	21,100	9.00	189,900.00
8	3-Inch PVC SDR-21 Pipe	LF	5,450	7.50	40,875.00
9	6-Inch Bore & Case	LF	120	100.00	12,000.00
10	4-Inch Bore & Case	LF	120	100.00	12,000.00
11	3-Inch Bore & Case	LF	110	100.00	11,000.00
12	3-Inch Open Cut and Case	LF	30	80.00	2,400.00
13	6-inch Freebore	LF	50	60.00	3,000.00
14	Martins Fork Bridge Crossing I	EA	1	80,000.00	80,000.00
15	Martins Fork Bridge Crossing II	EA	1	80,000.00	80,000.00
16	Tie-In to 6" Water Line	EA	1	500.00	500.00
17	6-Inch Gate Valve	EA	11	900.00	9,900.00
18	4-Inch Gate Valve	EA	21	800.00	16,800.00
19	3-Inch Gate Valve	EA	5	800.00	4,000.00
20	3-Inch Blow-Off Assembly Type 1	EA	5	850.00	4,250.00
21	4-Inch Blow-Off Assembly Type 1	EA	6	900.00	5,400.00
22	4-Inch Blow-Off Assembly Type 2	EA	1	1,000.00	1,000.00
23	5/8" x 3/4" Meter Box Installation	EA	63	650.00	40,950.00
24	5/8" x 3/4" Meter Box Installation w/Ind. PRV	EA	145	750.00	108,750.00
25	3/4" Service Tubing	LF	5,400	8.00	43,200.00
26	Pavement Replacement	LF	500	20.00	10,000.00
27	Leak Detection Test Meter w/ G.V.	EA	11	650.00	7,150.00
28	4" Railroad Crossing	EA	2	15,000.00	30,000.00
29	6" Directional Bore for 6-Inch Pipe	EA	1	25,000.00	25,000.00
30	4" Directional Bore for 4-Inch Pipe	EA	4	25,000.00	100,000.00
31	3" Directional Bore for 3-Inch Pipe	EA	4	20,000.00	80,000.00
32	41,000 Gallon Water Storage Tank	LS	1	300,000.00	300,000.00
33	Telemetry	EA	1	30,000.00	30,000.00
34	Booster Pump Station	EA	1	75,000.00	75,000.00
	Total Construction Cost				**$2,304,525.00**

Construction	$2,304,525.00
Contingency	230,452.50
Design	175,200.00
Inspection	102,784.00
Other Engineering	15,000.00
Legal	25,000.00
Right-of-Way & Land	25,038.50
Interest	22,000.00
Total	**$2,900,000.00**

O&M Expenses

TABLE 2
PROJECTED OPERATION AND MAINTENANCE EXPENSES
CALENDAR YEAR 2009

A. Salaries, Wages	$257,000.00
B. Benefits	61,750.00
C. Purchased Power	51,500.00
D. Chemicals	28,500.00
E. Materials/Supplies	55,000.00
F. Contractual Services	28,500.00
G. Transportation	5,000.00
H. Insurance	19,000.00
I. Miscellaneous	52,250.00
J. Bad Debt	1,500.00
K. Taxes	21,000.00
L. Purchased Water	14,000.00
TOTAL	$595,000.00

TABLE 3
EXISTING DEBT SERVICE REQUIREMENTS

LOAN AMOUNTS

BOND ISSUE	BALANCE AS OF JANUARY 1, 2008	INTEREST RATE
1991 Series A	$330,000.00	5.0%
1991 Series B	142,000.00	5.0%
1995 Series A	293,600.00	4.5%
1995 Series B	293,600.00	4.5%
2004 Series A	338,000.00	4.5%

PRINCIPAL MATURITIES - JANUARY 1

BOND ISSUE	2009	2010	2011	Total
1991 Series A	$7,000	$7,000	$8,000	$22,000
1991 Series B	5,000	5,000	5,000	15,000
1995 Series A	6,000	6,300	6,600	18,900
1995 Series B	6,000	6,300	6,600	18,900
2004 Series A	4,000	5,000	5,000	14,000
TOTAL	$28,000	$29,600	$31,200	$88,800

3 yr. Average = $29,600

INTEREST*

BOND ISSUE	2009	2010	2011	Total
1991 Series A	$16,200	$15,850	$15,500	$47,550
1991 Series B	6,800	6,450	6,200	19,450
1995 Series A	12,950	12,680	12,398	38,028
1995 Series B	12,950	12,680	12,398	38,028
2004 Series A	15,030	14,850	14,625	44,505
TOTAL	$63,930	$62,510	$61,121	$187,561

3yr. Average = $62,520.

*Interest due on previous years balance.

3-year Average Principal and Interest Payment = $92,120.

Table 4

ACTUAL WATER USAGE / INCOME - EXISTING CAWOOD USERS (2007)

Meter Size*	Monthly Water Usage	Average	Average Rate	Residential No. of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No. of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 - 2,000 Gallons	1,000	16.45	3,837	3,837.00	63,118.65	372	372.00	6,119.40
	2,000 - 3,000 Gallons	2,500	19.22	2,550	6,375.00	49,011.00	12	30.00	230.64
	3,000 - 4,000 Gallons	3,500	24.76	2,361	8,263.50	58,458.36	36	126.00	891.36
	4,000 - 5,000 Gallons	4,500	30.30	1,929	8,680.50	58,448.70	12	54.00	363.60
	5,000 - 6,000 Gallons	5,500	35.84	1,529	8,409.50	54,799.36	12	66.00	430.08
	6,000 - 7,000 Gallons	6,500	41.38	1,015	6,597.50	42,000.70	12	78.00	496.56
	7,000 - 8,000 Gallons	7,500	46.92	653	4,897.50	30,638.76	12	90.00	563.04
	8,000 - 9,000 Gallons	8,500	52.46	436	3,706.00	22,872.56	12	102.00	629.52
	9,000 - 10,000 Gallons	9,500	58.00	287	2,726.50	16,646.00	12	114.00	696.00
5/8 x 3/4	10,000 - 11,000 Gallons	10,500	62.74	275	2,887.50	17,253.50	12	126.00	752.88
Inch	11,000 - 12,000 Gallons	11,500	66.68	145	1,667.50	9,668.60	12	138.00	800.16
	12,000 - 13,000 Gallons	12,500	70.62	81	1,012.50	5,720.22	12	150.00	847.44
	13,000 - 14,000 Gallons	13,500	74.56	113	1,525.50	8,425.28	12	162.00	894.72
	14,000 - 15,000 Gallons	14,500	78.50	65	942.50	5,102.50	12	174.00	942.00
	15,000 - 16,000 Gallons	15,500	82.44	33	511.50	2,720.52	12	186.00	989.28
	16,000 - 17,000 Gallons	16,500	86.38	32	528.00	2,764.16	12	198.00	1,036.56
	17,000 - 18,000 Gallons	17,500	90.32	20	350.00	1,806.40	12	210.00	1,083.84
	18,000 - 19,000 Gallons	18,500	94.26	16	296.00	1,508.16	6	111.00	565.56
	19,000 - 20,000 Gallons	19,500	98.20	16	312.00	1,571.20	6	117.00	589.20
	20,000 - 30,000 Gallons	25,000	119.87	12	300.00	1,438.44	12	300.00	1,438.44
	- Gallons	43,750	193.75		-	-	48	2,100.00	9,300.00
	- Gallons	133,500	547.36		-	-	48	6,408.00	26,273.28
		Subtotal		15,405	63,826.00	$ 453,973.07	708	11,412.00	$ 55,933.56
		Average Monthly Bill	$ 29.47						
		Average Monthly Usage			4,143 gallons			16,119 gallons	

Table 5

ACTUAL WATER USAGE / INCOME - EXISTING PATHFORK USERS ONLY (2007)

Meter Size*	Monthly Water Usage	Average	Average Rate	Residential No. of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No. of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 - 2,000 Gallons	1,000	17.88	554	554.00	9,905.52	48	48.00	858.24
	2,000 - 3,000 Gallons	2,500	21.295	258	645.00	5,494.11		-	-
	3,000 - 4,000 Gallons	3,500	28.125	294	1,029.00	8,268.75		-	-
	4,000 - 5,000 Gallons	4,500	34.955	188	846.00	6,571.54		-	-
	5,000 - 6,000 Gallons	5,500	41.785	106	583.00	4,429.21		-	-
	6,000 - 7,000 Gallons	6,500	48.615	83	539.50	4,035.05		-	-
	7,000 - 8,000 Gallons	7,500	55.445	23	172.50	1,275.24		-	-
	8,000 - 9,000 Gallons	8,500	62.275	12	102.00	747.30		-	-
	9,000 - 10,000 Gallons	9,500	69.105	12	114.00	829.26		-	-
5/8 x 3/4	10,000 - 11,000 Gallons	10,500	75.135	23	241.50	1,728.11		-	-
Inch	11,000 - 12,000 Gallons	11,500	80.365	23	264.50	1,848.40		-	-
	12,000 - 13,000 Gallons	12,500	85.595	12	150.00	1,027.14		-	-
	13,000 - 14,000 Gallons	13,500			-	-		-	-
	14,000 - 15,000 Gallons	14,500			-	-		-	-
	15,000 - 16,000 Gallons	15,500			-	-		-	-
	16,000 - 17,000 Gallons	16,500			-	-		-	-
	17,000 - 18,000 Gallons	17,500			-	-		-	-
	18,000 - 19,000 Gallons	18,500			-	-		-	-
	19,000 - 20,000 Gallons	19,500			-	-		-	-
	20,000 - 30,000 Gallons	25,000			-	-		-	-
	30,000 - 50,000 Gallons	40,000			-	-		-	-
	>50,000 - Gallons	70,000			-	-		-	-
		Subtotal		1,588	5,241.00	$ 46,159.61	48	48.00	$ 858.24
		Average Monthly Bill	$ 29.07						
		Average Monthly Usage			3,300 gallons			1,000 gallons	

Table 6

FORECAST OF WATER USAGE - INCOME - EXISTING CAWOOD USERS 2009

Existing Rates

Meter Size*	Monthly Water Usage			Average	Average Rate	Residential			Non-Residential		
						No of Users	Usage (1000 gal)	Income ($1,000)	No of Users	Usage (1000 gal)	Income ($1,000)
	0 -	2,000	Gallons	1,000	16.45	4,060	4,060.00	66,787.00	372	372.00	6,119.40
	2,000 -	3,000	Gallons	2,500	19.22	2,698	6,745.00	51,855.56	12	30.00	230.64
	3,000 -	4,000	Gallons	3,500	24.76	2,498	8,743.00	61,850.48	36	126.00	891.36
	4,000 -	5,000	Gallons	4,500	30.30	2,041	9,184.50	61,842.30	12	54.00	363.60
	5,000 -	6,000	Gallons	5,500	35.84	1,618	8,899.00	57,989.12	12	66.00	430.08
	6,000 -	7,000	Gallons	6,500	41.38	1,074	6,981.00	44,442.12	12	78.00	496.56
	7,000 -	8,000	Gallons	7,500	46.92	691	5,182.50	32,421.72	12	90.00	563.04
	8,000 -	9,000	Gallons	8,500	52.46	461	3,918.50	24,184.06	12	102.00	629.52
	9,000 -	10,000	Gallons	9,500	58.00	304	2,888.00	17,632.00	12	114.00	696.00
5/8 x 3/4	10,000 -	11,000	Gallons	10,500	62.74	291	3,055.50	18,257.34	12	126.00	752.88
Inch	11,000 -	12,000	Gallons	11,500	66.68	145	1,667.50	9,668.60	12	138.00	800.16
	12,000 -	13,000	Gallons	12,500	70.62	81	1,012.50	5,720.22	12	150.00	847.44
	13,000 -	14,000	Gallons	13,500	74.56	113	1,525.50	8,425.28	12	162.00	894.72
	14,000 -	15,000	Gallons	14,500	78.50	65	942.50	5,102.50	12	174.00	942.00
	15,000 -	16,000	Gallons	15,500	82.44	33	511.50	2,720.52	12	186.00	989.28
	16,000 -	17,000	Gallons	16,500	86.38	32	528.00	2,764.16	12	198.00	1,036.56
	17,000 -	18,000	Gallons	17,500	90.32	20	350.00	1,806.40	12	210.00	1,083.84
	18,000 -	19,000	Gallons	18,500	94.26	16	296.00	1,508.16	6	111.00	565.56
	19,000 -	20,000	Gallons	19,500	98.20	16	312.00	1,571.20	6	117.00	589.20
	20,000 -	30,000	Gallons	25,000	119.87	12	300.00	1,438.44	12	300.00	1,438.44
			Gallons	43,750	193.75		-	-	48	2,100.00	9,300.00
			Gallons	133,500	547.36		-	-	48	6,408.00	26,273.28
				Subtotal		16,269	67,102.50	$ 477,987.18	708	11,412.00	$ 55,933.56
				Average Monthly Bill	$ 31.45						
				Average Monthly Usage			4,125 gallons			16,119	gallons

Table 7

FORECAST OF WATER USAGE / INCOME - EXISTING PATHFORK USERS ONLY (2007)

Existing Rates

Meter Size*	Monthly Water Usage	Average	Average Rate	Residential No. of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No. of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 - 2,000 Gallons	1,000	17.88	610	610.00	10,906.80	48	48.00	858.24
	2,000 - 3,000 Gallons	2,500	21.295	261	652.50	5,558.00		-	-
	3,000 - 4,000 Gallons	3,500	28.125	298	1,043.00	8,381.25		-	-
	4,000 - 5,000 Gallons	4,500	34.955	190	855.00	6,641.45		-	-
	5,000 - 6,000 Gallons	5,500	41.785	107	588.50	4,471.00		-	-
	6,000 - 7,000 Gallons	6,500	48.615	84	546.00	4,083.66		-	-
	7,000 - 8,000 Gallons	7,500	55.445	23	172.50	1,275.24		-	-
	8,000 - 9,000 Gallons	8,500	62.275	12	102.00	747.30		-	-
	9,000 - 10,000 Gallons	9,500	69.105	12	114.00	829.26		-	-
5/8 x 3/4	10,000 - 11,000 Gallons	10,500	75.135	16	168.00	1,202.16		-	-
Inch	11,000 - 12,000 Gallons	11,500	80.365	16	184.00	1,285.84		-	-
	12,000 - 13,000 Gallons	12,500	85.595	15	187.50	1,283.93		-	-
	13,000 - 14,000 Gallons	13,500			-	-		-	-
	14,000 - 15,000 Gallons	14,500			-	-		-	-
	15,000 - 16,000 Gallons	15,500			-	-		-	-
	16,000 - 17,000 Gallons	16,500			-	-		-	-
	17,000 - 18,000 Gallons	17,500			-	-		-	-
	18,000 - 19,000 Gallons	18,500			-	-		-	-
	19,000 - 20,000 Gallons	19,500			-	-		-	-
	20,000 - 30,000 Gallons	25,000			-	-		-	-
	30,000 - 50,000 Gallons	40,000			-	-		-	-
	>50,000 - Gallons	70,000			-	-		-	-
		Subtotal		1,644	5,223.00	$ 46,665.87	48	48.00	$ 858.24
		Average Monthly Bill	$ 28.39						
		Average Monthly Usage			3,177 gallons			1,000 gallons	

Table 8

FORECAST OF WATER USAGE / INCOME - NEW KY 987 USERS ONLY

Existing rates

Meter Size*	Monthly Water Usage	Average	Average Rate	Residential No. of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No. of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 - 2,000 Gallons	1,000	16.45	489	489.00	8,044.05	36	36.00	592.20
	2,000 - 3,000 Gallons	2,500	19.22	210	525.00	4,036.20	8	20.00	153.76
	3,000 - 4,000 Gallons	3,500	24.76	239	836.50	5,917.64	6	21.00	148.56
	4,000 - 5,000 Gallons	4,500	30.30	153	688.50	4,635.90	6	27.00	181.80
	5,000 - 6,000 Gallons	5,500	35.84	86	473.00	3,082.24	4	22.00	143.36
	6,000 - 7,000 Gallons	6,500	41.38	67	435.50	2,772.46		-	-
	7,000 - 8,000 Gallons	7,500	46.92	19	142.50	891.48		-	-
	8,000 - 9,000 Gallons	8,500	52.46	10	85.00	524.60		-	-
	9,000 - 10,000 Gallons	9,500	58.00	10	95.00	580.00		-	-
5/8 x 3/4	10,000 - 11,000 Gallons	10,500	62.74	13	136.50	815.62		-	-
Inch	11,000 - 12,000 Gallons	11,500	66.68	12	138.00	800.16		-	-
	12,000 - 13,000 Gallons	12,500	70.62	12	150.00	847.44		-	-
	13,000 - 14,000 Gallons	13,500	74.56		-	-		-	-
	14,000 - 15,000 Gallons	14,500	78.50		-	-		-	-
	15,000 - 16,000 Gallons	15,500			-	-		-	-
	16,000 - 17,000 Gallons	16,500			-	-		-	-
	17,000 - 18,000 Gallons	17,500			-	-		-	-
	18,000 - 19,000 Gallons	18,500			-	-		-	-
	19,000 - 20,000 Gallons	19,500			-	-		-	-
	20,000 - 30,000 Gallons	25,000			-	-		-	-
	30,000 - 50,000 Gallons	40,000			-	-		-	-
	>50,000 - Gallons	70,000			-	-		-	-
		Subtotal		1,320	4,194.50	$ 32,947.79	60	126.00	$ 1,219.68
		Average Monthly Bill	$ 24.96						
		Average Monthly Usage			3,178 gallons			2,100 gallons	

FORECAST OF WATER USAGE - INCOME - EXISTING CAWOOD USERS 2009

13% Rate Increase

Meter Size*	Monthly Water Usage			Average	Average Rate	Residential No of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 -	2,000	Gallons	1,000	18.60	4,060	4,060.00	75,516.00	372	372.00	6,919.20
	2,000 -	3,000	Gallons	2,500	21.73	2,698	6,745.00	58,627.54	12	30.00	260.76
	3,000 -	4,000	Gallons	3,500	27.99	2,498	8,743.00	69,919.02	36	126.00	1,007.64
	4,000 -	5,000	Gallons	4,500	34.25	2,041	9,184.50	69,904.25	12	54.00	411.00
	5,000 -	6,000	Gallons	5,500	40.51	1,618	8,899.00	65,545.18	12	66.00	486.12
	6,000 -	7,000	Gallons	6,500	46.77	1,074	6,981.00	50,230.98	12	78.00	561.24
	7,000 -	8,000	Gallons	7,500	53.03	691	5,182.50	36,643.73	12	90.00	636.36
	8,000 -	9,000	Gallons	8,500	59.29	461	3,918.50	27,332.69	12	102.00	711.48
	9,000 -	10,000	Gallons	9,500	65.55	304	2,888.00	19,927.20	12	114.00	786.60
5/8 x 3/4	10,000 -	11,000	Gallons	10,500	70.91	291	3,055.50	20,633.36	12	126.00	850.86
Inch	11,000 -	12,000	Gallons	11,500	75.36	145	1,667.50	10,926.48	12	138.00	904.26
	12,000 -	13,000	Gallons	12,500	79.81	81	1,012.50	6,464.21	12	150.00	957.66
	13,000 -	14,000	Gallons	13,500	84.26	113	1,525.50	9,520.82	12	162.00	1,011.06
	14,000 -	15,000	Gallons	14,500	88.71	65	942.50	5,765.83	12	174.00	1,064.46
	15,000 -	16,000	Gallons	15,500	93.16	33	511.50	3,074.12	12	186.00	1,117.86
	16,000 -	17,000	Gallons	16,500	97.61	32	528.00	3,123.36	12	198.00	1,171.26
	17,000 -	18,000	Gallons	17,500	102.06	20	350.00	2,041.10	12	210.00	1,224.66
	18,000 -	19,000	Gallons	18,500	106.51	16	296.00	1,704.08	6	111.00	639.03
	19,000 -	20,000	Gallons	19,500	110.96	16	312.00	1,775.28	6	117.00	665.73
	20,000 -	30,000	Gallons	25,000	144.48	12	300.00	1,733.76	12	300.00	1,733.76
			Gallons	43,750	218.87		-	-	48	2,100.00	10,505.52
			Gallons	133,500	618.26		-	-	48	6,408.00	29,676.24
				Subtotal		16,269	67,102.50	$ 540,408.96	708	11,412.00	$ 63,302.76
			Average Monthly Bill		$ 35.56						
			Average Monthly Usage				4,125 gallons			16,119	gallons

FORECAST OF WATER USAGE / INCOME - EXISTING PATHFORK USERS ONLY (2009)

13% Rate Increase

Meter Size*	Monthly Water Usage		Average	Average Rate	Residential No. of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No. of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 -	2,000 Gallons	1,000	20.20	610	610.00	12,322.00	48	48.00	969.60
	2,000 -	3,000 Gallons	2,500	24.060	261	652.50	6,279.66		-	-
	3,000 -	4,000 Gallons	3,500	31.780	298	1,043.00	9,470.44		-	-
	4,000 -	5,000 Gallons	4,500	39.500	190	855.00	7,505.00		-	-
	5,000 -	6,000 Gallons	5,500	47.220	107	588.50	5,052.54		-	-
	6,000 -	7,000 Gallons	6,500	54.940	84	546.00	4,614.96		-	-
	7,000 -	8,000 Gallons	7,500	62.660	23	172.50	1,441.18		-	-
	8,000 -	9,000 Gallons	8,500	70.380	12	102.00	844.56		-	-
	9,000 -	10,000 Gallons	9,500	78.100	12	114.00	937.20		-	-
5/8 x 3/4	10,000 -	11,000 Gallons	10,500	84.910	16	168.00	1,358.56		-	-
Inch	11,000 -	12,000 Gallons	11,500	87.860	16	184.00	1,405.76		-	-
	12,000 -	13,000 Gallons	12,500	93.760	15	187.50	1,406.40		-	-
	13,000 -	14,000 Gallons	13,500	99.660		-	-		-	-
	14,000 -	15,000 Gallons	14,500	105.560		-	-		-	-
	15,000 -	16,000 Gallons	15,500			-	-		-	-
	16,000 -	17,000 Gallons	16,500			-	-		-	-
	17,000 -	18,000 Gallons	17,500			-	-		-	-
	18,000 -	19,000 Gallons	18,500			-	-		-	-
	19,000 -	20,000 Gallons	19,500			-	-		-	-
	20,000 -	30,000 Gallons	25,000			-	-		-	-
	30,000 -	50,000 Gallons	40,000			-	-		-	-
	>50,000 -	Gallons	70,000			-	-		-	-
			Subtotal		1,644	5,223.00	$ 52,638.26	48	48.00	$ 969.60
		Average Monthly Bill		$ 32.02						
		Average Monthly Usage				3,177 gallons			1,000 gallons	

FORECAST OF WATER USAGE / INCOME - NEW KY 987 USERS ONLY

13% rate increase

Meter Size*	Monthly Water Usage	Average	Average Rate	Residential No. of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No. of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 - 2,000 Gallons	1,000	18.60	489	489.00	9,095.40	36	36.00	669.60
	2,000 - 3,000 Gallons	2,500	21.73	210	525.00	4,563.30	8	20.00	173.84
	3,000 - 4,000 Gallons	3,500	27.99	239	836.50	6,689.61	6	21.00	167.94
	4,000 - 5,000 Gallons	4,500	34.25	153	688.50	5,240.25	6	27.00	205.50
	5,000 - 6,000 Gallons	5,500	40.51	86	473.00	3,483.86	4	22.00	162.04
	6,000 - 7,000 Gallons	6,500	46.77	67	435.50	3,133.59		-	-
	7,000 - 8,000 Gallons	7,500	53.03	19	142.50	1,007.57		-	-
	8,000 - 9,000 Gallons	8,500	59.29	10	85.00	592.90		-	-
	9,000 - 10,000 Gallons	9,500	65.55	10	95.00	655.50		-	-
5/8 x 3/4	10,000 - 11,000 Gallons	10,500	70.91	13	136.50	921.77		-	-
Inch	11,000 - 12,000 Gallons	11,500	75.36	12	138.00	904.26		-	-
	12,000 - 13,000 Gallons	12,500	79.81	12	150.00	957.66		-	-
	13,000 - 14,000 Gallons	13,500	84.26		-	-		-	-
	14,000 - 15,000 Gallons	14,500	88.71		-	-		-	-
	15,000 - 16,000 Gallons	15,500	93.155		-	-		-	-
	16,000 - 17,000 Gallons	16,500			-	-		-	-
	17,000 - 18,000 Gallons	17,500			-	-		-	-
	18,000 - 19,000 Gallons	18,500			-	-		-	-
	19,000 - 20,000 Gallons	19,500			-	-		-	-
	20,000 - 30,000 Gallons	25,000			-	-		-	-
	30,000 - 50,000 Gallons	40,000			-	-		-	-
	>50,000 - Gallons	70,000			-	-		-	-
		Subtotal		1,320	4,194.50	$ 37,245.67	60	126.00	$ 1,378.92
		Average Monthly Bill	$ 28.22						
		Average Monthly Usage			3,178 gallons			2,100 gallons	

DEPRECIATION - EXISTING/FACILITIES

2007 Depreciation from Financial Statement	$ 167,053.00

DEPRECIATION AND DEBT SERVICE - PROPOSED PROJECT

Depreciation	$ 35,000.00
Debt Payment*	27,710.00
	$ 62,710.00

*Assuming no grant funds - $510,000.00 loan for 40 years at 4.5%.

TOTAL YEARLY EXPENSES

Operation and Maintenance	$ 595,000.00
Existing Debt Service - Principal & Interest	92,120.00
Depreciation - Existing/Facilities	167,053.00
Depreciation and Debt Service - Proposed Project	62,710.00
Total Expenses	$ 916,883.00

TOTAL REVENUES - EXISTING RATES

Sale of Water – Cawood WTP	$ 568,100.00
Sale of Water - Pathfork	47,500.00
Fees-Service, Reconnect, Tap, etc.	27,000.00
Interest on Accounts	12,000.00
TOTAL	$ 654,600.00

TOTAL REVENUES - PROPOSED RATES

Sale of Water – Cawood WTP	$ 642,336.00
Sale of Water - Pathfork	53,608.00
Fees-Service, Reconnect, Tap, etc.	27,000.00
Interest on Accounts	12,000.00
TOTAL	$ 734,944.00

As can be seen from comparing the total yearly expenses of $934,944.00 to the total yearly revenues of $654,600.00 generated by the existing rates, a substantial rate increase would be necessary to cover 100% of the depreciation and provide funds to repay an additional $510,000.00 loan. The rate increase would have to generate an additional $262,286.00 or an average of over $13.00 per bill ($262,286.00 ÷ 20049 = $13.08/bill). A rate increase of this magnitude is not acceptable as it would make the water unaffordable to many of the users who are most in need of the water. Therefore, it is recommended that the rates not be established to cover 100% of the depreciation and grant funds be requested to limit the principal and interest payments to an affordable level.

Existing Rate Schedule: Cawood/Pathfork

First	2,000	Gallons @	$ 16.45/17.88	Minimum.
Next	8,000	Gallons @	$ 5.54/6.83	per 1,000 Gallons.
All Over	10,000	Gallons @	$ 3.94/5.23	per 1,000 Gallons.
Date This Rate Went Into Effect			February 21, 2000 / July 1, 2007	

Proposed Rate Schedule: Cawood/Pathfork

First	2,000	Gallons @	$ 18.60/20.20	Minimum.
Next	8,000	Gallons @	$ 6.26/7.72	per 1,000 Gallons.
All Over	10,000	Gallons @	$ 5.23/5.90	per 1,000 Gallons.

Given below are projected expense and income figures using the proposed rates and a funding package they will support.

REQUESTED FUNDING

Tap Fees	$ 15,000.00
Coal Severance Grants	2,000,000.00
ARC Grant	375,000.00
RUS Loan	357,000.00
RUS Grant	153,000.00
Total	**$2,900,000.00**

REVISED EXPENSES

Operation and Maintenance	$	595,000.00
Existing Debt Service		92,120.00
Debt Service Requested Loan - 40 yrs. @ 4.5%		27,710.00
Total	**$**	**714,830.00**

Balance available for Depreciation & Debt Coverage:
$734,944.-714,830 = $20,114

VII. CONCLUSION

If funding can be secured in the approximate Loan/Grant ratio given above, the project can be supported with the proposed rates which are a 13% increase on the existing rates and the District should proceed with the project.

SUMMARY ADDENDUM

TO

PRELIMINARY ENGINEERING REPORT

DATED: February 2008
Revised June 2008
Revised July 2008
FOR

KY 987 (Smith) Water System Extensions
Cawood Water District, Harlan County, Kentucky
(NAME OF PROJECT)

APPLICANT CONTACT PERSON Walter Burkhart, Chairman

APPLICANT PHONE NUMBER 606-573-3744

APPLICANT TAX IDENTIFICATION NUMBER (TIN) 61-105-9981

ITEMS IN BOLD ITALIC PRINT ARE APPLICABLE TO SEWER SYSTEMS.

In order to avoid unnecessary delays in application processing, the applicant and its consulting engineer should prepare a summary of the preliminary report in accordance with this Guide.

Please complete the applicable sections of the Summary Addendum. ***Please note, if water and sewer revenue will both be taken as security for the loan, all user information and characteristics of both utility systems will be needed even though the project will benefit only one utility.***

Feasibility reviews and grant determinations may be processed more accurately and more rapidly if the Summary/Addendum is submitted simultaneously with the preliminary engineering report, or as soon thereafter as possible.

I. GENERAL

A. Proposed Project: Provide a brief description of the proposed project. In addition to this summary, the applicant/engineer should submit a project map of the service area. **This project will make water service available to approximately 238 residences/small businesses in rural Harlan County. It is anticipated that approximately 115 (50%) of these will initially become users. The required facilities include approximately 83,300 linear feet of distribution line with the normal appurtenances such as gate valves, blow-offs, casings, etc. A 30,000 gallon ground storage tank and 35 gpm booster pump station are proposed for the western end of the KY 987 extension.**

II. FACILITY CHARACTERISTICS OF EXISTING SEWER SYSTEM

A. Sewage Treatment: *Not Applicable*

1. Type _____

2. Method of Sludge Disposal _____

3. Cost per 1,000 gallons is sewage treatment is contracted:

*$*_____

4. Date Constructed _____

B. Treatment Capacity of Sewage Treatment Plant _____

C. Type of Sewage Collector System (Describe) _____

_____

_____

D. Number and Capacity of Sewage Lift Stations _____

_____

E. Sewage Collection System:

Lineal Feet of Collection Lines, by size 6" _____ *8"* _____

10" _____ *12"* _____ *, Larger* _____

Date(s) Constructed _____

F. *Conditions of Existing System: Briefly describe the conditions and suitability for continued use of facility now owned by the applicant. Include any major renovation that will be needed within five to ten years.*

III. FACILITY CHARACTERISTICS OF EXISTING WATER SYSTEM

Water Source: Describe adequacy of source (quality and quantity). Include an explanation of raw water source, raw water intake structure, treatment plant capacity, and current level of production (WTP). Also describe the adequacy of Water Purchase Contract if applicable.

The CWD currently produces all of the water it sells except for the Pathfork Service Area. The WTP was expanded approximately 10 years ago to a rated capacity of 300 gpm (432,000 gpd). With this proposed expansion the anticipated average daily production will be approximately 351,000 gpd which is well within the capacity of the WTP. Martins Fork of the Cumberland River serves as the raw water source. With the federally owned Martins Fork Lake a short distance upstream the raw water source is very dependable. The raw water intake is designed for 400 gpm. Martins Fork Lake also helps to make the quality of the raw water better and more uniform than the other similar sized streams in the area. CWD purchases water from the City of Pineville for the Pathfork Service Area.

If the applicant purchases water:

Seller(s);

1. City of Pineville (Pathfork Area)
2.
3.

Price/1,000 gallons:

1. $1.88
2.
3.

Present Estimated Market Value of Existing System: $ 7,000,000.00

B. Water Storage:

Type: Ground Storage Tank 3 Elevated Tank -

Standpipe 2 Other -

Number of Storage Structures 5

Total Storage Volume Capacity 617,000

Date Storage Tank(s) Constructed 1990, 1996, 1999, 2005

C. Water Distribution System:

Pipe Material ductile iron and pvc

Lineal Feet of Pipe: 3" Diameter 83,700 4" 80,600

6" 114,500 8" 46,910

10" 8,800 12" 16,000

Date(s) Water Lines Constructed 1992, 1995, 1996, 1998, 1999, 2005

Number and Capacity of Pump Station(s) 1 @ 400 gpm high service pump, 1 @ 150 gpm booster pump station and 2 @ 70 gpm booster pump station .

D. Condition of Existing Water System:

Briefly describe the condition and suitability for continued use of facility now owned by the applicant. Include any major renovation that will be needed within five to ten years.

The original distribution system has experienced an above normal amount of leaks and breaks but is now getting better. All facilities are adequate to serve anticipated growth with no major renovations anticipated.

E. Percentage of Water Loss Existing System currently 20.1%

IV. EXISTING LONG-TERM INDEBTEDNESS

A. List of Bonds and Notes:

Date of Issue	Bond/Note Holder	Principal Balance	Payment Date	Bond Type Water/Sewer*			Amount on Deposit in Reserve Account
1991 Issue	RD (FmHA)	$330,000	Jan. 1	100	%	%	
1991 Issue	RD (FmHA)	$142,000	Jan. 1	100	%	%	
1996 Issue	RD	$293,600	Jan. 1	100	%	%	
1996 Issue	RD	$293,600	Jan. 1	100	%	%	
2004 Issue	RD	$338,000	Jan. 1	100	%	%	$ 84,359.00 (TOTAL)

*If a combined issue, show attributable portion to each system.

B. Principal and Interest Payments: (Begin with Next Fiscal Year Payment)

		Payment Year 2009___		Payment Year 2010___		Payment Year 2011_	
Date of Issue	Bond/Note Holder	Principal Payment	Interest Payment	Principal Payment	Interest Payment	Principal Payment	Interest Payment
1991 Issue	FmHA	7,000	16,200	7,000	15,850	8,000	15,500
1991 Issue	FmHA	5,000	6,800	5,000	6,450	5,000	6,200
1996 Issue	RD	6,000	12,951	6,300	12,681	6,600	12,398
1996 Issue	RD	6,000	12,951	6,300	12,681	6,600	12,398
2004 Issue	RD	4,000	15,030	5,000	14,850	5,000	14,625
19__ Issue							

V. EXISTING SHORT-TERM INDEBTEDNESS

NONE

A. List of All Short Term Debts: (Do Not Show Any Debt Listed in Paragraph IV Above)

Lender or Lesser	Date of Issue (Month & Year)	Principal Balance	Purpose (Water and/ or Sewer)	Payment Date	Principal & Interest Payment (P&I)	Date to Be Paid In Full

VI. LAND AND RIGHTS - EXISTING SYSTEM(S)

Number of Treatment Plant Sites:	Water	1	*Sewer*	
Number of Storage Tank Sites:	Water	5	*Sewer*	
Number of Pump Stations:	Water	3	*Sewer*	
Total Acreage:	Water	3.5 Acres	*Sewer*	Acres
Purchase Price:	Water	$33,000.	*Sewer*	$

VII. NUMBER OF EXISTING USERS

	Water	Sewer
Residential (In Town)*	0	
Residential (Out of Town)*	1,442	
Non-Residential (In Town)	0	
Non-Residential (Out of Town)	55	
Total	1,497	
Number to Total Potential Users Living in the Service Area	1,875	

*Note: Residential Users: Classify by type of user regardless of quantity of water used. This classification should include those meters serving individual rural residence.

VIII. CURRENT WATER AND SEWER CONNECTION FEES FOR EACH SIZE WATER METER CONNECTION

Meter Size	Water Connection Fee	*Sewer Connection Fee*
5/8" x 3/4"	$ 550.00	*$*
larger	$ cost	*$*

IX. SEWER RATES - EXISTING SYSTEM

NOT APPLICABLE

Percentage of Water Bill ____ *%* *Minimum Charge* *$* ____

Other: (If Charge Not Based on Water Bill) ____

Date This Rate Went Into Effect ____

X. WATER RATES - EXISTING SYSTEM

Existing Rate Schedule: Cawood/Pathfork

First	2,000	Gallons @	$ 16.45/17.88	Minimum.
Next	8,000	Gallons @	$ 5.54/6.83	per 1,000 Gallons.
Next		Gallons @	$	per 1,000 Gallons.
Next		Gallons @	$	per 1,000 Gallons.
Next		Gallons @	$	per 1,000 Gallons.
Next		Gallons @	$	per 1,000 Gallons.
All Over	10,000	Gallons @	$ 3.94/5.23	per 1,000 Gallons.

Date This Rate Went Into Effect February 21, 2000 / July 1, 2007

If More Than One Rate Schedule, Please Include All Schedules.

XI. ANALYSIS OF ACTUAL SEWER USAGE - EXISTING SYSTEM - 12 MONTH PERIOD

For Period NOT APPLICABLE *to* _____.

All Meter Sizes	Monthly Sewer Usage			Average	Residential		Non-Residential	
					No. of Users	Usage (1000)	No. of Users	Usage (1000)
	0	- 2,000	Gal.	1,000				
	2,000	- 3,000	Gal.	2,500				
	3,000	- 4,000	Gal.	3,500				
	4,000	- 5,000	Gal.	4,500				
	5,000	- 6,000	Gal.	5,500				
	6,000	- 7,000	Gal.	6,500				
	7,000	- 8,000	Gal.	7,500				
	8,000	- 9,000	Gal.	8,500				
	9,000	- 10,000	Gal.	9,500				
	10,000	- 11,000	Gal.	10,500				
	11,000	- 12,000	Gal.	11,500				
	12,000	- 13,000	Gal.	12,500				
	13,000	- 14,000	Gal.	13,500				
	14,000	- 15,000	Gal.	14,500				
	15,000	- 16,000	Gal.	15,500				
	16,000	- 17,000	Gal.	16,500				
	17,000	- 18,000	Gal.	17,500				
	18,000	- 19,000	Gal.	18,500				
	19,000	- 20,000	Gal.	19,500				
	_____	- _____	Gal.					
	_____	- _____	Gal.					
	_____	- _____	Gal.					
				Total	( )	( )	( )	( )
				Average Usage		( )		( )

Table 4

ACTUAL WATER USAGE / INCOME - EXISTING CAWOOD USERS (2007)

Meter Size*	Monthly Water Usage	Average	Average Rate	Residential No of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 - 2,000 Gallons	1,000	16.45	3,837	3,837.00	63,118.65	372	372.00	6,119.40
	2,000 - 3,000 Gallons	2,500	19.22	2,550	6,375.00	49,011.00	12	30.00	230.64
	3,000 - 4,000 Gallons	3,500	24.76	2,361	8,263.50	58,458.36	36	126.00	891.36
	4,000 - 5,000 Gallons	4,500	30.30	1,929	8,680.50	58,448.70	12	54.00	363.60
	5,000 - 6,000 Gallons	5,500	35.84	1,529	8,409.50	54,799.36	12	66.00	430.08
	6,000 - 7,000 Gallons	6,500	41.38	1,015	6,597.50	42,000.70	12	78.00	496.56
	7,000 - 8,000 Gallons	7,500	46.92	653	4,897.50	30,638.76	12	90.00	563.04
	8,000 - 9,000 Gallons	8,500	52.46	436	3,706.00	22,872.56	12	102.00	629.52
	9,000 - 10,000 Gallons	9,500	58.00	287	2,726.50	16,646.00	12	114.00	696.00
5/8 x 3/4	10,000 - 11,000 Gallons	10,500	62.74	275	2,887.50	17,253.50	12	126.00	752.88
Inch	11,000 - 12,000 Gallons	11,500	66.68	145	1,667.50	9,668.60	12	138.00	800.16
	12,000 - 13,000 Gallons	12,500	70.62	81	1,012.50	5,720.22	12	150.00	847.44
	13,000 - 14,000 Gallons	13,500	74.56	113	1,525.50	8,425.28	12	162.00	894.72
	14,000 - 15,000 Gallons	14,500	78.50	65	942.50	5,102.50	12	174.00	942.00
	15,000 - 16,000 Gallons	15,500	82.44	33	511.50	2,720.52	12	186.00	989.28
	16,000 - 17,000 Gallons	16,500	86.38	32	528.00	2,764.16	12	198.00	1,036.56
	17,000 - 18,000 Gallons	17,500	90.32	20	350.00	1,806.40	12	210.00	1,083.84
	18,000 - 19,000 Gallons	18,500	94.26	16	296.00	1,508.16	6	111.00	565.56
	19,000 - 20,000 Gallons	19,500	98.20	16	312.00	1,571.20	6	117.00	589.20
	20,000 - 30,000 Gallons	25,000	119.87	12	300.00	1,438.44	12	300.00	1,438.44
	- Gallons	43,750	193.75		-	-	48	2,100.00	9,300.00
	- Gallons	133,500	547.36		-	-	48	6,408.00	26,273.28
		Subtotal		15,405	63,826.00	$ 453,973.07	708	11,412.00	$ 55,933.56
		Average Monthly Bill	$ 29.47						
		Average Monthly Usage			4,143 gallons			16,119 gallons	

Table 5

ACTUAL WATER USAGE / INCOME - EXISTING PATHFORK USERS ONLY (2007)

Meter Size*	Monthly Water Usage	Average	Average Rate	Residential No. of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No. of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 - 2,000 Gallons	1,000	17.88	554	554.00	9,905.52	48	48.00	858.24
	2,000 - 3,000 Gallons	2,500	21.295	258	645.00	5,494.11		-	-
	3,000 - 4,000 Gallons	3,500	28.125	294	1,029.00	8,268.75		-	-
	4,000 - 5,000 Gallons	4,500	34.955	188	846.00	6,571.54		-	-
	5,000 - 6,000 Gallons	5,500	41.785	106	583.00	4,429.21		-	-
	6,000 - 7,000 Gallons	6,500	48.615	83	539.50	4,035.05		-	-
	7,000 - 8,000 Gallons	7,500	55.445	23	172.50	1,275.24		-	-
	8,000 - 9,000 Gallons	8,500	62.275	12	102.00	747.30		-	-
	9,000 - 10,000 Gallons	9,500	69.105	12	114.00	829.26		-	-
5/8 x 3/4	10,000 - 11,000 Gallons	10,500	75.135	23	241.50	1,728.11		-	-
Inch	11,000 - 12,000 Gallons	11,500	80.365	23	264.50	1,848.40		-	-
	12,000 - 13,000 Gallons	12,500	85.595	12	150.00	1,027.14		-	-
	13,000 - 14,000 Gallons	13,500			-	-		-	-
	14,000 - 15,000 Gallons	14,500			-	-		-	-
	15,000 - 16,000 Gallons	15,500			-	-		-	-
	16,000 - 17,000 Gallons	16,500			-	-		-	-
	17,000 - 18,000 Gallons	17,500			-	-		-	-
	18,000 - 19,000 Gallons	18,500			-	-		-	-
	19,000 - 20,000 Gallons	19,500			-	-		-	-
	20,000 - 30,000 Gallons	25,000			-	-		-	-
	30,000 - 50,000 Gallons	40,000			-	-		-	-
	>50,000 - Gallons	70,000			-	-		-	-
		Subtotal		1,588	5,241.00	$ 46,159.61	48	48.00	$ 858.24
		Average Monthly Bill	$ 29.07						
		Average Monthly Usage			3,300 gallons			1,000 gallons	

XIII. FACILITY CHARACTERISTICS OF PROPOSED SEWER SYSTEM

NOT APPLICABLE

A. *Sewage Treatment:*

1. *Type* _____

2. *Method of Sludge Disposal* _____

_____

3. *Cost per 1,000 gallons if sewage treatment is contracted:*

$. _____

B. *Treatment Capacity of Sewage Treatment Plant* _____

C. *Type of Sewage Collector System (Describe)* _____

_____

_____

D. *Number and Capacity of Sewage Lift Stations* _____

_____

E. *Sewage Collection System:*

Lineal Feet of Collector Lines, by size 6" _____ *8"* _____

10" _____ *12"* , _____ *Larger* _____

XIV. LAND AND RIGHTS - PROPOSED SEWER SYSTEM

NOT APPLICABLE

Number of Treatment Plant Sites	_____
Number of Pump Sites	_____
Number of Other Sites	_____
Total Acreage	*Acres* _____
Purchase Price	*$* _____

XV. FACILITY CHARACTERISTICS OF PROPOSED WATER SYSTEM

A. Water Source: Describe adequacy of source (quality and quantity). Include an explanation of raw water source, raw water intake structure, treatment plant capacity, and current level of production (WTP). Also describe the adequacy of Water Purchase Contract if applicable.

Water for the proposed project will come from the CWD WTP (See III. Facility Characteristics of existing Water System). Quality is excellent and the quantity is more than adequate.

B. Water Storage:

Type: Ground Storage Tank	1	Elevated Tank	
Standpipe		Other	
Number of Storage Structures	1		
Total Storage Volume Capacity	41,000 gallons		

C. Water Distribution System:

Pipe Material	PVC and ductile iron			
Lineal Feet of Pipe:	3" Diameter	3,000	4"	7,800
	6"	72,200	8"	0
	10"	0	12"	0
Number and Capacity of Pump Station(s)	1 - 35 gpm booster pump station			

XVI. LAND AND RIGHTS - PROPOSED WATER SYSTEM

Number of Treatment Plant Sites	0
Number of Storage Tank Sites	1
Number of Pump Stations	1
Total Acreage	0.15 acres
Purchase Price	$ 3,000.00

XVII. NUMBER OF NEW SEWER USERS *NOT APPLICABLE*

*Residential (In Town)** _____

*Residential (Out of Town)** _____

Non-Residential (In Town) _____

Non-Residential (Out of Town) _____

Total _____

Number to Total Potential Users Living in the Service Area _____

**Note:* *Residential Users: Classify by type of user regardless of quantity of water used. This classification should include those meters serving individual rural residences.*

XVIII. PROPOSED SEWER CONNECTION FEES FOR EACH SIZE WATER METER CONNECTION *NOT APPLICABLE*

Meter Size	Connection Fee
5/8" x 3/4"	$
1-Inch	$
1-1/2 Inch	$
2-Inch	$
3-Inch	$
4-Inch	$
5-Inch	$
6-Inch	$

XIX. NUMBER OF NEW WATER USERS

Residential (In Town)*	0
Residential (Out of Town)*	110
Non-Residential (In Town)	0
Non-Residential (Out of Town)	5
Total	115
Number to Total Potential Users Living in the Service Area	230 or 50%

*Note: Residential Users: Classify by type of user regardless of quantity of water used. This classification should include those meters serving individual rural residences.

XX. PROPOSED WATER CONNECTION FEES FOR EACH SIZE WATER METER CONNECTION

Meter Size	Connection Fee
5/8" x 3/4"	$ 150.00
1-Inch	$ cost
1-1/2 Inch	$ cost
2-Inch	$ cost
3-Inch	$
4-Inch	$
5-Inch	$
6-Inch	$

XXI. SEWER RATES - PROPOSED *NOT APPLICABLE*

A. Proposed Rate Schedule without RUS Grant:

Percentage of Water Bill _____ *% Minimum Charge* *$* _____
Other: (If Charge Not Based on Water Bill) _____

Proposed Rate Schedule: (Without RUS Grant)

First	_____	*Gallons @*	*$* _____	*Minimum.*
Next	_____	*Gallons @*	*$* _____	*per 1,000 Gallons.*
Next	_____	*Gallons @*	*$* _____	*per 1,000 Gallons.*
Next	_____	*Gallons @*	*$* _____	*per 1,000 Gallons.*
Next	_____	*Gallons @*	*$* _____	*per 1,000 Gallons.*
Next	_____	*Gallons @*	*$* _____	*per 1,000 Gallons.*
All Over	_____	*Gallons @*	*$* _____	*per 1,000 Gallons.*

The above proposed rate, without RUS grant, must be completed for each grant. If the applicant/engineer desires, there is no objection to recommending a proposed rate with an estimated RUS grant in the Table below. However, the preparer should remember that the Table (A) above must be completed prior to Table (B).

B. Recommended Rate Schedule with RUS Grant:

Percentage of Water Bill _____ *% Minimum Charge* *$* _____
Other: (If Charge Not Based on Water Bill) _____

Proposed Rate Schedule: (With RUS Grant)

First	_____	*Gallons @*	*$* _____	*Minimum.*
Next	_____	*Gallons @*	*$* _____	*per 1,000 Gallons.*
Next	_____	*Gallons @*	*$* _____	*per 1,000 Gallons.*
Next	_____	*Gallons @*	*$* _____	*per 1,000 Gallons.*
Next	_____	*Gallons @*	*$* _____	*per 1,000 Gallons.*
Next	_____	*Gallons @*	*$* _____	*per 1,000 Gallons.*
All Over	_____	*Gallons @*	*$* _____	*per 1,000 Gallons.*

If more than one rate, use additional sheets.

XXII. WATER RATES - PROPOSED

A. Proposed Rate Schedule Without RUS Grant:

First	2,000	Gallons @	$ 18.02/19.54	Minimum.
Next	8,000	Gallons @	$ 5.96/7.34	per 1,000 Gallons.
Next		Gallons @	$	per 1,000 Gallons.
Next		Gallons @	$	per 1,000 Gallons.
Next		Gallons @	$	per 1,000 Gallons.
Next		Gallons @	$	per 1,000 Gallons.
All Over	10,000	Gallons @	$ 4.24/5.62	per 1,000 Gallons.

The above proposed rate, without RUS grant, must be completed for each grant. If the applicant/engineer desires, there is no objection to recommending a proposed rate with an estimated RUS grant in the Table below. However, the preparer should remember that the Table (A) above must be completed prior to Table (B).

B. Recommended Rate Schedule with RUS Grant:

First	2,000	Gallons @	$ 17.70/19.22	Minimum.
Next	8,000	Gallons @	$ 5.96/7.34	per 1,000 Gallons.
Next		Gallons @	$	per 1,000 Gallons.
Next		Gallons @	$	per 1,000 Gallons.
Next		Gallons @	$	per 1,000 Gallons.
Next		Gallons @	$	per 1,000 Gallons.
All Over	10,000	Gallons @	$ 4.24/5.62	per 1,000 Gallons.

If more than one rate, use additional sheets.

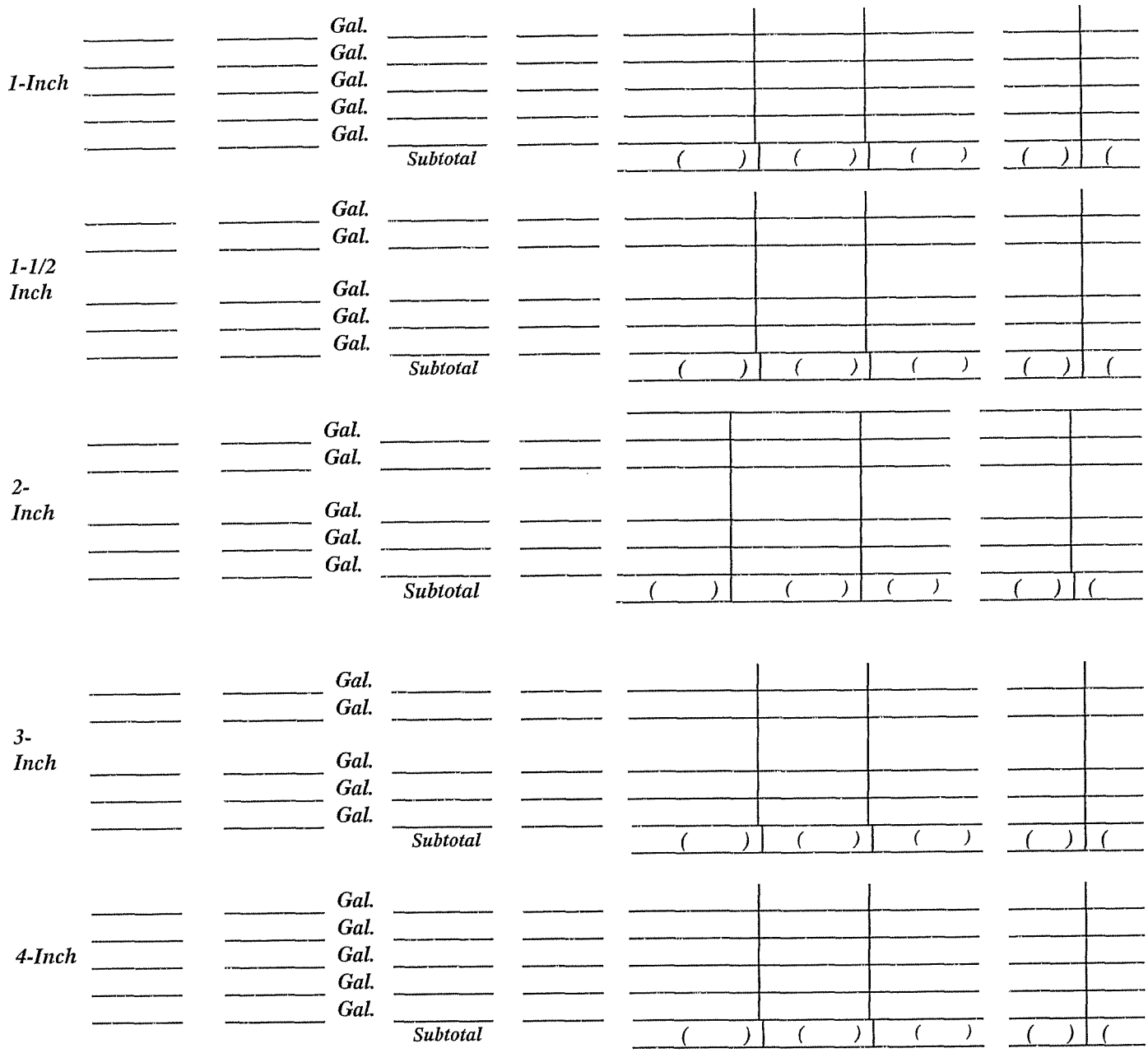
XXIII. FORECAST OF SEWER USAGE - INCOME - EXISTING SYSTEM - EXISTING USERS

NOT APPLICABLE

Meter Size*	Monthly Sewer Usage				Average	Average Rate	Residential			Non-Reside	
							No. of Users**	Usage (1000)	Income	No. of Users	Usage (1000)
	0	-	2,000	Gal.	1,000						
	2,000	-	3,000	Gal.	2,500						
	3,000	-	4,000	Gal.	3,500						
	4,000	-	5,000	Gal.	4,500						
	5,000	-	6,000	Gal.	5,500						
	6,000	-	7,000	Gal.	6,500						
5/8 x 3/4	7,000	-	8,000	Gal.	7,500						
Inch	8,000	-	9,000	Gal.	8,500						
	9,000	-	10,000	Gal.	9,500						
	10,000	-	11,000	Gal.	10,500						
	11,000	-	12,000	Gal.	11,500						
	12,000	-	13,000	Gal.	12,500						
	13,000	-	14,000	Gal.	13,500						
	14,000	-	15,000	Gal.	14,500						
	15,000	-	16,000	Gal.	15,500						
	16,000	-	17,000	Gal.	16,500						
	17,000	-	18,000	Gal.	17,500						
	18,000	-	19,000	Gal.	18,500						
	19,000	-	20,000	Gal.	19,500						
		-		Gal.							
		-		Gal.							
		-		Gal.							
					Subtotal		( )	( )	( )	( )	(
					Average Monthly Rate	( )					
					Average Monthly Usage			( )			(

* *Breakdown of meter size usage is not required unless different sewer rates are charged based on size of water meter.*

** *Number of users should reflect the actual number of "meter settings".*



* ***Breakdown of meter size usage is <u>not</u> required unless different sewer rates are charged based on size of water meter.***

** ***Number of users should reflect the actual number of "meter settings".***

			Gal.								
			Gal.								
5-Inch			Gal.								
			Gal.								
			Gal.								
				Subtotal		( )	( )	( )	( )	(	
			Gal.								
			Gal.								
6-Inch			Gal.								
			Gal.								
			Gal.								
				Subtotal		( )	( )	( )	( )	(	
				TOTALS		( )	( )	( )			

MULTI-FAMILY AND APARTMENT USER ANALYSIS

If billed as a typical user, the information should be included in the residential information above. If not billed as a typical residential user, please explain below.

Name of Unit	*Number of Units*	*Number of Meters*	*Revenue Calculations*

* ***Breakdown of meter size usage is <u>not</u> required unless different sewer rates are charged based on size of water meter.***

** ***Number of users should reflect the actual number of "meter settings".***

XXIV. FORECAST OF SEWER USAGE - INCOME - NEW USERS - EXTENSION ONLY

NOT APPLICABLE

Meter Size*	Monthly Sewer Usage				Average	Average Rate	Residential			Non-Reside	
							No. of Users**	Usage (1000)	Income	No. of Users	Usage (1000)
	0	-	2,000	Gal.	1,000						
	2,000	-	3,000	Gal.	2,500						
	3,000	-	4,000	Gal.	3,500						
	4,000	-	5,000	Gal.	4,500						
	5,000	-	6,000	Gal.	5,500						
	6,000	-	7,000	Gal.	6,500						
5/8 x 3/4	7,000	-	8,000	Gal.	7,500						
Inch	8,000	-	9,000	Gal.	8,500						
	9,000	-	10,000	Gal.	9,500						
	10,000	-	11,000	Gal.	10,500						
	11,000	-	12,000	Gal.	11,500						
	12,000	-	13,000	Gal.	12,500						
	13,000	-	14,000	Gal.	13,500						
	14,000	-	15,000	Gal.	14,500						
	15,000	-	16,000	Gal.	15,500						
	16,000	-	17,000	Gal.	16,500						
	17,000	-	18,000	Gal.	17,500						
	18,000	-	19,000	Gal.	18,500						
	19,000	-	20,000	Gal.	19,500						
	_____	-	_____	Gal.	_____						
	_____	-	_____	Gal.	_____						
	_____	-	_____	Gal.	_____						
					Subtotal		( )	( )	( )	( )	(
					Average Monthly Rate	( )					
					Average Monthly Usage			( )			(

* *Breakdown of meter size usage is not required unless different sewer rates are charged based on size of water meter.*

** *Number of users should reflect the actual number of "meter settings".*

1-Inch			*Gal.*							
			Gal.							
			Gal.							
			Gal.							
			Gal.							
				Subtotal		( )	( )	( )	( )	(
1-1/2 Inch			*Gal.*							
			Gal.							
			Gal.							
			Gal.							
			Gal.							
				Subtotal		( )	( )	( )	( )	(
2-Inch			*Gal.*							
			Gal.							
			Gal.							
			Gal.							
			Gal.							
				Subtotal		( )	( )	( )	( )	(
3-Inch			*Gal.*							
			Gal.							
			Gal.							
			Gal.							
			Gal.							
				Subtotal		( )	( )	( )	( )	(
4-Inch			*Gal.*							
			Gal.							
			Gal.							
			Gal.							
			Gal.							
				Subtotal		( )	( )	( )	( )	(

* ***Breakdown of meter size usage is <u>not</u> required unless different sewer rates are charged based on size of water meter.***

** ***Number of users should reflect the actual number of "meter settings".***

			Gal.								
			Gal.								
5-Inch			Gal.								
			Gal.								
			Gal.								
				Subtotal		( )	( )	( )	( )	(	
			Gal.								
			Gal.								
6-Inch			Gal.								
			Gal.								
			Gal.								
				Subtotal		( )	( )	( )	( )	(	
				TOTALS		( )	( )	( )			

MULTI-FAMILY AND APARTMENT USER ANALYSIS

If billed as a typical user, the information should be included in the residential information above. If not billed as a typical residential user, please explain below.

Name of Unit	*Number of Units*	*Number of Meters*	*Revenue Calculations*

* ***Breakdown of meter size usage is not required unless different sewer rates are charged based on size of water meter.***

** ***Number of users should reflect the actual number of "meter settings".***

XXVII. *CURRENT OPERATING BUDGET (SEWER SYSTEM)*

(As of the last full operating year.) NONE

A. Operating Income:

Sewer Revenue	$
Late Charge Fees	
Other (Describe)	
Less Allowances and Deductions	( )
Total Operating Income	$

B. Operation and Maintenance Expenses:
(Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

Operation Expense	$
Maintenance Expense	
Customer Accounts Expense	
Administrative and General Expense	
Total Operating and Maintenance Expenses	$
Net Operating Income	$

C. Non-Operating Income:

Interest on Deposits	$
Other (Identify)	
Total Non-Operating Income	$

D. Net Income $

E. Debt Repayment:

RUS Interest	$
RUS Principal	
Non-RUS Interest	
Non-RUS Principal	
Total Debt Repayment	$

F. Balance Available for Coverage $

XXVIII. PROPOSED OPERATING BUDGET (SEWER SYSTEM) - EXISTING SYSTEM AND NEW USERS (1st Full Year of Operation) *Year Ending* _____

NONE

A. Operating Income:

Sewer Revenue	$ _____
Late Charge Fees	_____
Other (Describe)	_____
Less Allowances and Deductions	( )
Total Operating Income	$ _____

B. Operation and Maintenance Expenses:
(Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

Operation Expense	$ _____
Maintenance Expense	_____
Customer Accounts Expense	_____
Administrative and General Expense	_____
Total Operating and Maintenance Expenses	$ _____
Net Operating Income	$ _____

C. Non-Operating Income:

Interest on Deposits	$ _____
Other (Identify)	_____
Total Non-Operating Income	$ _____

D. Net Income $ _____

E. Debt Repayment:

RUS Interest	$ _____
RUS Principal	_____
Non-RUS Interest	_____
Non-RUS Principal	_____
Total Debt Repayment	$ _____

F. Balance Available for Coverage $ _____

XXIX. PROPOSED OPERATING BUDGET (SEWER SYSTEM) - NEW USERS - EXTENSION ONLY (1st Full Year of Operation) *Year Ending* _____

NONE

A. Operating Income:

Sewer Revenue	*$* _____
Late Charge Fees	_____
Other (Describe)	_____
Less Allowances and Deductions	( )
Total Operating Income	*$* _____

B. Operation and Maintenance Expenses:
(Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

Operation Expense	*$* _____
Maintenance Expense	_____
Customer Accounts Expense	_____
Administrative and General Expense	_____
Total Operating and Maintenance Expenses	*$* _____
Net Operating Income	*$* _____

C. Non-Operating Income:

Interest on Deposits	*$* _____
Other (Identify)	_____
Total Non-Operating Income	*$* _____

D. Net Income *$* _____

E. Debt Repayment:

RUS Interest	*$* _____
RUS Principal	_____
Non-RUS Interest	_____
Non-RUS Principal	_____
Total Debt Repayment	*$* _____

F. Balance Available for Coverage *$* _____

Table 6

FORECAST OF WATER USAGE - INCOME - EXISTING CAWOOD USERS 2009

Existing Rates

Meter Size*	Monthly Water Usage			Average	Average Rate	Residential			Non-Residential		
						No. of Users	Usage (1000 gal)	Income ($1,000)	No. of Users	Usage (1000 gal)	Income ($1,000)
	0 -	2,000	Gallons	1,000	16.45	4,060	4,060.00	66,787.00	372	372.00	6,119.40
	2,000 -	3,000	Gallons	2,500	19.22	2,698	6,745.00	51,855.56	12	30.00	230.64
	3,000 -	4,000	Gallons	3,500	24.76	2,498	8,743.00	61,850.48	36	126.00	891.36
	4,000 -	5,000	Gallons	4,500	30.30	2,041	9,184.50	61,842.30	12	54.00	363.60
	5,000 -	6,000	Gallons	5,500	35.84	1,618	8,899.00	57,989.12	12	66.00	430.08
	6,000 -	7,000	Gallons	6,500	41.38	1,074	6,981.00	44,442.12	12	78.00	496.56
	7,000 -	8,000	Gallons	7,500	46.92	691	5,182.50	32,421.72	12	90.00	563.04
	8,000 -	9,000	Gallons	8,500	52.46	461	3,918.50	24,184.06	12	102.00	629.52
	9,000 -	10,000	Gallons	9,500	58.00	304	2,888.00	17,632.00	12	114.00	696.00
5/8 x 3/4	10,000 -	11,000	Gallons	10,500	62.74	291	3,055.50	18,257.34	12	126.00	752.88
Inch	11,000 -	12,000	Gallons	11,500	66.68	145	1,667.50	9,668.60	12	138.00	800.16
	12,000 -	13,000	Gallons	12,500	70.62	81	1,012.50	5,720.22	12	150.00	847.44
	13,000 -	14,000	Gallons	13,500	74.56	113	1,525.50	8,425.28	12	162.00	894.72
	14,000 -	15,000	Gallons	14,500	78.50	65	942.50	5,102.50	12	174.00	942.00
	15,000 -	16,000	Gallons	15,500	82.44	33	511.50	2,720.52	12	186.00	989.28
	16,000 -	17,000	Gallons	16,500	86.38	32	528.00	2,764.16	12	198.00	1,036.56
	17,000 -	18,000	Gallons	17,500	90.32	20	350.00	1,806.40	12	210.00	1,083.84
	18,000 -	19,000	Gallons	18,500	94.26	16	296.00	1,508.16	6	111.00	565.56
	19,000 -	20,000	Gallons	19,500	98.20	16	312.00	1,571.20	6	117.00	589.20
	20,000 -	30,000	Gallons	25,000	119.87	12	300.00	1,438.44	12	300.00	1,438.44
			Gallons	43,750	193.75		-	-	48	2,100.00	9,300.00
			Gallons	133,500	547.36		-	-	48	6,408.00	26,273.28
				Subtotal		16,269	67,102.50	$ 477,987.18	708	11,412.00	$ 55,933.56
				Average Monthly Bill	$ 31.45						
				Average Monthly Usage			4,125 gallons			16,119	gallons

Table 7

FORECAST OF WATER USAGE / INCOME - EXISTING PATHFORK USERS ONLY (2007)

Existing Rates

Meter Size*	Monthly Water Usage			Average	Average Rate	Residential No. of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No. of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 -	2,000	Gallons	1,000	17.88	610	610.00	10,906.80	48	48.00	858.24
	2,000 -	3,000	Gallons	2,500	21.295	261	652.50	5,558.00		-	-
	3,000 -	4,000	Gallons	3,500	28.125	298	1,043.00	8,381.25		-	-
	4,000 -	5,000	Gallons	4,500	34.955	190	855.00	6,641.45		-	-
	5,000 -	6,000	Gallons	5,500	41.785	107	588.50	4,471.00		-	-
	6,000 -	7,000	Gallons	6,500	48.615	84	546.00	4,083.66		-	-
	7,000 -	8,000	Gallons	7,500	55.445	23	172.50	1,275.24		-	-
	8,000 -	9,000	Gallons	8,500	62.275	12	102.00	747.30		-	-
	9,000 -	10,000	Gallons	9,500	69.105	12	114.00	829.26		-	-
5/8 x 3/4	10,000 -	11,000	Gallons	10,500	75.135	16	168.00	1,202.16		-	-
Inch	11,000 -	12,000	Gallons	11,500	80.365	16	184.00	1,285.84		-	-
	12,000 -	13,000	Gallons	12,500	85.595	15	187.50	1,283.93		-	-
	13,000 -	14,000	Gallons	13,500			-	-		-	-
	14,000 -	15,000	Gallons	14,500			-	-		-	-
	15,000 -	16,000	Gallons	15,500			-	-		-	-
	16,000 -	17,000	Gallons	16,500			-	-		-	-
	17,000 -	18,000	Gallons	17,500			-	-		-	-
	18,000 -	19,000	Gallons	18,500			-	-		-	-
	19,000 -	20,000	Gallons	19,500			-	-		-	-
	20,000 -	30,000	Gallons	25,000			-	-		-	-
	30,000 -	50,000	Gallons	40,000			-	-		-	-
	>50,000 -		Gallons	70,000			-	-		-	-
				Subtotal		1,644	5,223.00	$ 46,665.87	48	48.00	$ 858.24
				Average Monthly Bill	$ 28.39						
				Average Monthly Usage			3,177 gallons			1,000 gallons	

Table 8

FORECAST OF WATER USAGE / INCOME - NEW KY 987 USERS ONLY

Existing rates

Meter Size*	Monthly Water Usage			Average	Average Rate	Residential			Non-Residential		
						No. of Users	Usage (1000 gal)	Income ($1,000)	No. of Users	Usage (1000 gal)	Income ($1,000)
	0 -	2,000	Gallons	1,000	16.45	489	489.00	8,044.05	36	36.00	592.20
	2,000 -	3,000	Gallons	2,500	19.22	210	525.00	4,036.20	8	20.00	153.76
	3,000 -	4,000	Gallons	3,500	24.76	239	836.50	5,917.64	6	21.00	148.56
	4,000 -	5,000	Gallons	4,500	30.30	153	688.50	4,635.90	6	27.00	181.80
	5,000 -	6,000	Gallons	5,500	35.84	86	473.00	3,082.24	4	22.00	143.36
	6,000 -	7,000	Gallons	6,500	41.38	67	435.50	2,772.46		-	-
	7,000 -	8,000	Gallons	7,500	46.92	19	142.50	891.48		-	-
	8,000 -	9,000	Gallons	8,500	52.46	10	85.00	524.60		-	-
	9,000 -	10,000	Gallons	9,500	58.00	10	95.00	580.00		-	-
5/8 x 3/4	10,000 -	11,000	Gallons	10,500	62.74	13	136.50	815.62		-	-
Inch	11,000 -	12,000	Gallons	11,500	66.68	12	138.00	800.16		-	-
	12,000 -	13,000	Gallons	12,500	70.62	12	150.00	847.44		-	-
	13,000 -	14,000	Gallons	13,500	74.56		-	-		-	-
	14,000 -	15,000	Gallons	14,500	78.50		-	-		-	-
	15,000 -	16,000	Gallons	15,500			-	-		-	-
	16,000 -	17,000	Gallons	16,500			-	-		-	-
	17,000 -	18,000	Gallons	17,500			-	-		-	-
	18,000 -	19,000	Gallons	18,500			-	-		-	-
	19,000 -	20,000	Gallons	19,500			-	-		-	-
	20,000 -	30,000	Gallons	25,000			-	-		-	-
	30,000 -	50,000	Gallons	40,000			-	-		-	-
	>50,000 -		Gallons	70,000			-	-		-	-
				Subtotal		1,320	4,194.50	$ 32,947.79	60	126.00	$ 1,219.68
				Average Monthly Bill	$ 24.96						
				Average Monthly Usage			3,178 gallons			2,100 gallons	

FORECAST OF WATER USAGE - INCOME - EXISTING CAWOOD USERS 2009

13% Rate Increase

Meter Size*	Monthly Water Usage			Average	Average Rate	Residential			Non-Residential		
						No. of Users	Usage (1000 gal)	Income ($1,000)	No. of Users	Usage (1000 gal)	Income ($1,000)
	0 -	2,000	Gallons	1,000	18.60	4,060	4,060.00	75,516.00	372	372.00	6,919.20
	2,000 -	3,000	Gallons	2,500	21.73	2,698	6,745.00	58,627.54	12	30.00	260.76
	3,000 -	4,000	Gallons	3,500	27.99	2,498	8,743.00	69,919.02	36	126.00	1,007.64
	4,000 -	5,000	Gallons	4,500	34.25	2,041	9,184.50	69,904.25	12	54.00	411.00
	5,000 -	6,000	Gallons	5,500	40.51	1,618	8,899.00	65,545.18	12	66.00	486.12
	6,000 -	7,000	Gallons	6,500	46.77	1,074	6,981.00	50,230.98	12	78.00	561.24
	7,000 -	8,000	Gallons	7,500	53.03	691	5,182.50	36,643.73	12	90.00	636.36
	8,000 -	9,000	Gallons	8,500	59.29	461	3,918.50	27,332.69	12	102.00	711.48
	9,000 -	10,000	Gallons	9,500	65.55	304	2,888.00	19,927.20	12	114.00	786.60
5/8 x 3/4	10,000 -	11,000	Gallons	10,500	70.91	291	3,055.50	20,633.36	12	126.00	850.86
Inch	11,000 -	12,000	Gallons	11,500	75.36	145	1,667.50	10,926.48	12	138.00	904.26
	12,000 -	13,000	Gallons	12,500	79.81	81	1,012.50	6,464.21	12	150.00	957.66
	13,000 -	14,000	Gallons	13,500	84.26	113	1,525.50	9,520.82	12	162.00	1,011.06
	14,000 -	15,000	Gallons	14,500	88.71	65	942.50	5,765.83	12	174.00	1,064.46
	15,000 -	16,000	Gallons	15,500	93.16	33	511.50	3,074.12	12	186.00	1,117.86
	16,000 -	17,000	Gallons	16,500	97.61	32	528.00	3,123.36	12	198.00	1,171.26
	17,000 -	18,000	Gallons	17,500	102.06	20	350.00	2,041.10	12	210.00	1,224.66
	18,000 -	19,000	Gallons	18,500	106.51	16	296.00	1,704.08	6	111.00	639.03
	19,000 -	20,000	Gallons	19,500	110.96	16	312.00	1,775.28	6	117.00	665.73
	20,000 -	30,000	Gallons	25,000	144.48	12	300.00	1,733.76	12	300.00	1,733.76
			Gallons	43,750	218.87		-	-	48	2,100.00	10,505.52
			Gallons	133,500	618.26		-	-	48	6,408.00	29,676.24
				Subtotal		16,269	67,102.50	$ 540,408 96	708	11,412.00	$ 63,302.76
				Average Monthly Bill	$ 35.56						
				Average Monthly Usage			4,125 gallons			16,119	gallons

FORECAST OF WATER USAGE / INCOME - EXISTING PATHFORK USERS ONLY (2009)

13% Rate Increase

Meter Size*	Monthly Water Usage	Average	Average Rate	Residential No. of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No. of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 - 2,000 Gallons	1,000	20.20	610	610.00	12,322.00	48	48.00	969.60
	2,000 - 3,000 Gallons	2,500	24.060	261	652.50	6,279.66		-	-
	3,000 - 4,000 Gallons	3,500	31.780	298	1,043.00	9,470.44		-	-
	4,000 - 5,000 Gallons	4,500	39.500	190	855.00	7,505.00		-	-
	5,000 - 6,000 Gallons	5,500	47.220	107	588.50	5,052.54		-	-
	6,000 - 7,000 Gallons	6,500	54.940	84	546.00	4,614.96		-	-
	7,000 - 8,000 Gallons	7,500	62.660	23	172.50	1,441.18		-	-
	8,000 - 9,000 Gallons	8,500	70.380	12	102.00	844.56		-	-
	9,000 - 10,000 Gallons	9,500	78.100	12	114.00	937.20		-	-
5/8 x 3/4	10,000 - 11,000 Gallons	10,500	84.910	16	168.00	1,358.56		-	-
Inch	11,000 - 12,000 Gallons	11,500	87.860	16	184.00	1,405.76		-	-
	12,000 - 13,000 Gallons	12,500	93.760	15	187.50	1,406.40		-	-
	13,000 - 14,000 Gallons	13,500	99.660		-	-		-	-
	14,000 - 15,000 Gallons	14,500	105.560		-	-		-	-
	15,000 - 16,000 Gallons	15,500			-	-		-	-
	16,000 - 17,000 Gallons	16,500			-	-		-	-
	17,000 - 18,000 Gallons	17,500			-	-		-	-
	18,000 - 19,000 Gallons	18,500			-	-		-	-
	19,000 - 20,000 Gallons	19,500			-	-		-	-
	20,000 - 30,000 Gallons	25,000			-	-		-	-
	30,000 - 50,000 Gallons	40,000			-	-		-	-
	>50,000 - Gallons	70,000			-	-		-	-
		Subtotal		1,644	5,223.00	$ 52,638.26	48	48.00	$ 969.60
		Average Monthly Bill	$ 32.02						
		Average Monthly Usage			3,177 gallons			1,000 gallons	

FORECAST OF WATER USAGE / INCOME - NEW KY 987 USERS ONLY

13% rate increase

Meter Size*	Monthly Water Usage			Average	Average Rate	Residential No. of Users	Residential Usage (1000 gal)	Residential Income ($1,000)	Non-Residential No. of Users	Non-Residential Usage (1000 gal)	Non-Residential Income ($1,000)
	0 -	2,000	Gallons	1,000	18.60	489	489.00	9,095.40	36	36.00	669.60
	2,000 -	3,000	Gallons	2,500	21.73	210	525.00	4,563.30	8	20.00	173.84
	3,000 -	4,000	Gallons	3,500	27.99	239	836.50	6,689.61	6	21.00	167.94
	4,000 -	5,000	Gallons	4,500	34.25	153	688.50	5,240.25	6	27.00	205.50
	5,000 -	6,000	Gallons	5,500	40.51	86	473.00	3,483.86	4	22.00	162.04
	6,000 -	7,000	Gallons	6,500	46.77	67	435.50	3,133.59		-	-
	7,000 -	8,000	Gallons	7,500	53.03	19	142.50	1,007.57		-	-
	8,000 -	9,000	Gallons	8,500	59.29	10	85.00	592.90		-	-
	9,000 -	10,000	Gallons	9,500	65.55	10	95.00	655.50		-	-
5/8 x 3/4	10,000 -	11,000	Gallons	10,500	70.91	13	136.50	921.77		-	-
Inch	11,000 -	12,000	Gallons	11,500	75.36	12	138.00	904.26		-	-
	12,000 -	13,000	Gallons	12,500	79.81	12	150.00	957.66		-	-
	13,000 -	14,000	Gallons	13,500	84.26		-	-		-	-
	14,000 -	15,000	Gallons	14,500	88.71		-	-		-	-
	15,000 -	16,000	Gallons	15,500	93.155		-	-		-	-
	16,000 -	17,000	Gallons	16,500			-	-		-	-
	17,000 -	18,000	Gallons	17,500			-	-		-	-
	18,000 -	19,000	Gallons	18,500			-	-		-	-
	19,000 -	20,000	Gallons	19,500			-	-		-	-
	20,000 -	30,000	Gallons	25,000			-	-		-	-
	30,000 -	50,000	Gallons	40,000			-	-		-	-
	>50,000 -		Gallons	70,000			-	-		-	-
				Subtotal		1,320	4,194.50	$ 37,245.67	60	126.00	$ 1,378.92
				Average Monthly Bill	$ 28.22						
				Average Monthly Usage			3,178 gallons			2,100 gallons	

XXX. CURRENT OPERATING BUDGET (WATER SYSTEM) 2007

(As of the last full operating year.)

A. Operating Income:

Water Sales	$550,277
Disconnect/Reconnect/Late Charge Fees	26,948
Other (Describe)	
Less Allowances and Deductions	
Total Operating Income	$577,225

B. Operation and Maintenance Expenses:
(Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

Source of Supply Expense	$13,106
Pumping Expense	15,000
Water Treatment Expense	253,200
Transmission and Distribution Expense	189,611
Customer Accounts Expense	42,457
Administrative and General Expense	42,457
Total Operating Expenses	$555,831
Net Operating Income	$21,394

C. Non-Operating Income:

Interest on Deposits	$14,066
Other (Identify)	
Total Non-Operating Income	$14,066

D. Net Income $35,460

E. Debt Repayment:

RUS Interest	$66,841
RUS Principal	25,000
Non-RUS Interest	
Non-RUS Principal	
Total Debt Repayment	$91,841

F. Balance Available for Coverage <$56,381>

XXXI. PROPOSED OPERATING BUDGET (WATER SYSTEM) EXISTING SYSTEM AND NEW USERS
(1st Full Year of Operation) Year Ending Dec. 31, 2009

A. Operating Income:

Water Sales	$695,944
Disconnect/Reconnect/Late Charge Fees	27,000
Other (Describe)	
Less Allowances and Deductions	( )
Total Operating Income	$722,944

B. Operation and Maintenance Expenses:
(Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

Source of Supply Expense	$14,000
Pumping Expense	45,000
Water Treatment Expense	247,225
Transmission and Distribution Expense	179,025
Customer Accounts Expense	34,750
Administrative and General Expense	75,000
Total Operating Expenses	$595,000
Net Operating Income	$127,944

C. Non-Operating Income:

Interest on Deposits	$12,000
Other (Identify)	
Total Non-Operating Income	$12,000

D. Net Income $139,944

E. Debt Repayment:

RUS Interest	$86,900
RUS Principal	28,000
Non-RUS Interest	
Non-RUS Principal	
Total Debt Repayment	$114,900

F. Balance Available for Coverage $ 25,044

XXXII. PROPOSED OPERATING BUDGET (WATER SYSTEM) NEW USERS EXTENSION ONLY
(1st Full Year of Operation) Year Ending Dec.31, 2009

A. Operating Income:

Water Sales	$38,625.00
Disconnect/Reconnect/Late Charge Fees	1,000.00
Other (Describe)	0.00
Less Allowances and Deductions	( )
Total Operating Income	$39,625.00

B. Operation and Maintenance Expenses:
(Based on Uniform System of Accounts prescribed by National Association of Regulatory Utility Commissioners)

Source of Supply Expense	$0
Pumping Expense	2,000.00
Water Treatment Expense	5,000.00
Transmission and Distribution Expense	3,000.00
Customer Accounts Expense	3,000.00
Administrative and General Expense	1,500.00
Total Operating Expenses	$14,500.00
Net Operating Income	$25,125.00

C. Non-Operating Income:

Interest on Deposits	$ 0.00
Other (Identify)	
Total Non-Operating Income	$ 0.00

D. Net Income $ 25,125.00

E. Debt Repayment:

RUS Interest	$22,950.00
RUS Principal	
Non-RUS Interest	
Non-RUS Principal	
Total Debt Repayment	$22,950.00

F. Balance Available for Coverage $2,175.00

XXXIII. ESTIMATED PROJECT COST - SEWER

(Round to nearest $100)

NONE

	COLLECTION	*TREATMENT*	*TOTAL*
Development			
Land & Rights			
Legal			
Engineering			
Interest			
Contingencies			
Initial Operating and Maintenance			
Other			
TOTAL			

XXXIV. ESTIMATED PROJECT FUNDING - SEWER

NONE

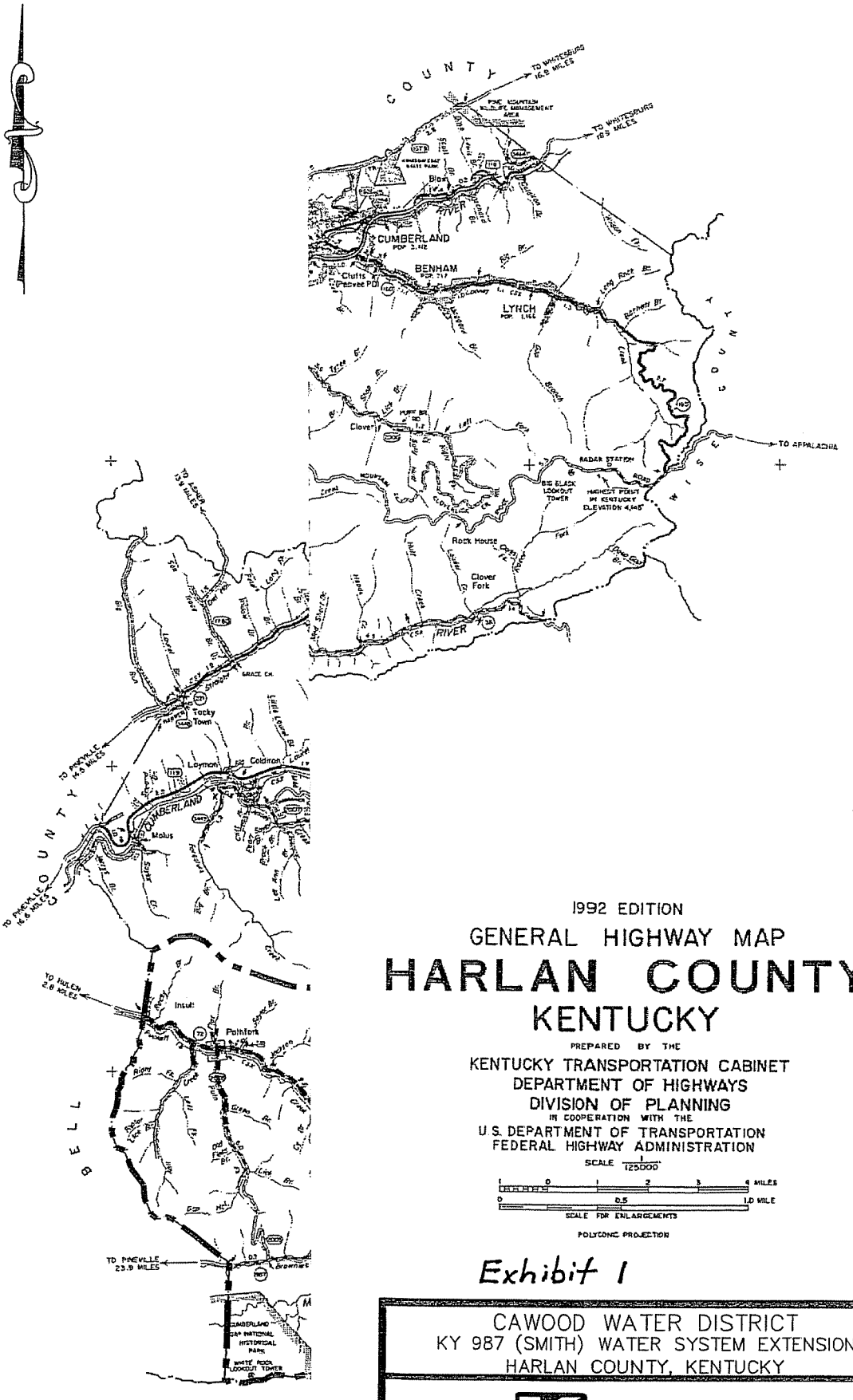
	COLLECTION	*TREATMENT*	*TOTAL*
Applicant - User Contribution Fees			
Other - Applicant Contribution			
RUS Loan			
RUS Grant			
ARC Grant (If applicable)			
CDBG (If applicable)			
Other (Specify)			
Other (Specify)			

XXXV. ESTIMATED PROJECT COST - WATER

Development	$2,304,500
Land and Rights	25,000
Legal	25,000
Engineering	293,000
Interest	22,000
Contingencies	230,500
Initial Operating and Maintenance	0.00
Other	0.00
TOTAL	$2,900,000

XXXVI. PROPOSED PROJECT FUNDING

Applicant - User Connection Fees	$15,000
Other Applicant Contribution	0
RUS Financial Assistance	357,000
RUS Grant	153,000
ARC Grant (If applicable)	375,000
CDBG Grant (If applicable)	0
Other (Specify) STATE – BOND ISSUE GRANT	0
Other (Specify) STATE – SEVERANCE TAX GRANT	2,000,000
TOTAL	$2,900,000



1992 EDITION

GENERAL HIGHWAY MAP

HARLAN 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

SCALE 1/125000

1 0 1 2 3 4 MILES

0 0.5 1.0 MILE

SCALE FOR ENLARGEMENTS

POLYCONIC PROJECTION

Exhibit 1

CAWOOD WATER DISTRICT
KY 987 (SMITH) WATER SYSTEM EXTENSION
HARLAN COUNTY, KENTUCKY

KENVIRONS, INC.
452 VERSAILLES ROAD, FRANKFORT, KENTUCKY
(502) 695-4357

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE CAWOOD	)	
WATER DISTRICT FOR A	)	
CERTIFICATE OF PUBLIC CONVENIENCE	)	
AND NECESSITY TO CONSTRUCT,	)	**Case No. 2009-_____**
FINANCE AND INCREASE RATES	)	
PURSUANT TO KRS 278.023.	)	

APPLICATION

This Application of the Cawood Water District ("Applicant") respectfully shows:

1. That Applicant is a water district created and existing under and by virtue of Chapter 74 of the Kentucky Revised Statutes.

2. That the post office address of Applicant is:

Cawood Water District
c/o Mr. Walter Burkhart, Chairman
P.O. Box 429
Cawood, Kentucky 40815

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

4. The project consists of the construction and installation of (i) approximately 31,500 linear feet of 6-inch water line; (ii) approximately 49,300 linear feet of 4-inch water line; (iii) approximately 8,200 linear feet of 3-inch water line; (iv) a 47,000 gallon water storage tank and appurtenances; and (v) a 35 GPM booster pumping station.

5. That Applicant proposes to finance the construction of the Project through (i) the issuance of $357,000 of its Waterworks Revenue Bonds, (ii) a USDA, Rural Development ("RD") grant in the amount of $153,000; (iii) an Appalachian Regional Commission ("ARC") grant in the

amount of $375,000; (iv) a Coal Severance grant in the amount of $2,000,000; and (v) an Applicant contribution in the amount of $16,500. Applicant has a commitment from RD to purchase said $357,000 of bonds maturing over a 40-year period, at an interest rate of not exceeding 2.75% per annum, as set out in the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

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

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

A. Copy of RD Letter of Conditions, as amended.

B. Copy of RD Letter of Concurrence in Bid Award.

C. Certified statement from the Chairman of Applicant, based upon statements of the Engineers for 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 proposed rates of 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.

D. Copies of Preliminary and Final Engineering Reports.

8. That Applicant has arranged for the publication, prior to or at the same time this Application is filed, of a Notice of Proposed Rate Change pursuant to Section 2 of 807 KAR 5:069, in the Harlan Daily Enterprise, which is the newspaper of general circulation in Applicant's service area. Said Notice sets out the current rates and the proposed rates of Applicant and a short description of the Project. A copy of said Notice is filed herewith as an Exhibit.

9. That the foregoing constitutes the documents necessary to obtain the approval of the Kentucky 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, Applicant, the Cawood Water District, asks that the Public Service Commission of the Commonwealth of Kentucky grant to Applicant the following:

a. A Certificate of Public Convenience and Necessity permitting Applicant to construct a waterworks project consisting of extensions, additions, and improvements to the existing waterworks system of Applicant.

b. An Order approving the financing arrangements made by Applicant, viz., the issuance of (i) $357,000 of Cawood Water District Waterworks Revenue Bonds at an interest rate of not exceeding 2.75% per annum, (ii) an RD grant in the amount of $153,000; (iii) an ARC grant in the amount of $375,000; (iv) a Coal Severance grant in the amount of $2,000,000; and (v) an Applicant contribution in the amount of $16,500.

c. An Order approving the proposed increased rates as set out in Section 28 of Amendment No. 1 to the RD Letter of Conditions filed herewith as an Exhibit.

Cawood Water District

By: _____
Chairman
Board of Water Commissioners

_____
W. Randall Jones, Esq.
Rubin & Hays
Counsel for Applicant
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 569-7534

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF HARLAN)

The undersigned, Walter Burkhart, being duly sworn, deposes and states that he is the Chairman of the Board of Commissioners of the Cawood Water District, Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this December 9, 2009.

Walter Burkhart, Chairman
Cawood Water District

Subscribed and sworn to before me by Walter Burkhart, Chairman of the Board of Commissioners of the Cawood Water District, on this December 9, 2009.

My Commission expires: 7-11-2013.

Carmela D. Wilson
Notary Public

SEP - 4 2008

USDA Rural Development

United States Department of Agriculture
Rural Development
Kentucky State Office

September 2, 2008

Walter Burkhart, Chairman
Cawood Water District
P.O. Box 429
Cawood, Kentucky 40815

Dear Mr. Burkhart:

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 $357,000; a RUS grant not to exceed $153,000; an Appalachian Regional Commission (ARC) grant of $375,000, and a Coal Serverance Grant in the amount of $2,000,000.

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 1,670 water users, of which 1,560 are existing users and 110 are new users contributing $15,600 in connection fees toward the cost of the project. The connection fees will be collected prior to advertising for construction bids and will be placed in the construction account at loan pre-closing, unless spent for authorized purposes prior to loan pre-closing. The Area Director will review and authenticate the number of users and amount of connection fees 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 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 SF 5510, "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 $130.00 per month into a "Funded Depreciation Reserve Account" until the account reaches $15,600. The deposits are to be resumed any time the account falls below the $15,600.

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 $2,384 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 enclosed audit booklet will be used as a guide for preparation of audits. The District 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 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 $107,000.

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	$ 2,304,500
Land and Rights	25,000
Legal and Administrative	25,000
Engineering	293,000
Interest	22,000
Contingencies	232,000
TOTAL	$ 2,901,500

Financing:

RUS Loan	$ 357,000
RUS Grant	153,000
ARC Grant	375,000
Coal Severence Grant	2,000,000
Applicant Contribution/Connection Fees	16,500
TOTAL	$ 2,901,500

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 ARC grant in the amount of $375,000 and for the Coal Severance Grant in the amount of $2,000,000.

26. Use of Remaining Project Funds:

The connection fees shall be considered as the first funds expended. After providing for all authorized costs, any remaining project funds will be considered to be RUS/ARC/ Coal Severance grant funds and refunded in proportion to participation in the project. If the amount of unused project funds exceeds the grants, that part would be RUS loan funds.

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 for Cawood & KY 987 extension will be at least:

First	2,000	gallons @ $	18.75. - Minimum Bill.
Next	8,000	gallons @ $	6.32. - per 1,000 gallons.
All Over	10,000	gallons @ $	4.50. - per 1,000 gallons.

Water rates for Pathfork will be at least:

First	2,000	gallons @ $	20.38. - Minimum Bill.
Next	8,000	gallons @ $	7.78. - per 1,000 gallons.
All Over	10,000	gallons @ $	5.96. - per 1,000 gallons.

29. Water Purchase Contract:

The District 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.

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. Division of Water (DOW) Health & Sanitary Certification:

The Median Household Income (MHI) for the District's service area qualifies this project for the poverty interest rate. A certification from the Division of Water stating this project will remove a health or sanitary problem will be required. This certification must be obtained prior to loan pre-closing.

34. Mitigation Measures:

A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated July 27, 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 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.

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,

Kenneth Slone

KENNETH SLONE
State Director

Enclosures

cc: Area Director - London, Kentucky
Cumberland Valley ADD - London, Kentucky
Rubin & Hays - Louisville, Kentucky
Otis Doan - Harlan, Kentucky
Kenvirons - Frankfort, Kentucky
PSC - ATTN: Dennis Jones - Frankfort, Kentucky

NOV 19 2009

USDA Rural Development

United States Department of Agriculture
Rural Development
Kentucky State Office

November 18, 2009

Walter Burkhart, Chairman
Cawood Water District
PO Box 429
Cawood, Kentucky 40815

Re: Letter of Conditions Dated September 2, 2008

Dear Mr. Burkhart:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated September 2, 2008. The purpose of this amendment is to:

1) Revise the total cost of proposed project
2) Revise the rates and charges
3) Make other editorial changes in accordance with the current Rural Utilities Service (RUS) Instructions.

Paragraph numbered "24" is revised to read as follows:

" 24. Cost of Facility:

Breakdown of Costs:

Development	$ 1,847,440
Land and Rights	25,000
Legal and Administrative	25,000
Engineering	276,275
Interest	22,000
Contingencies	705,785
TOTAL	$ 2,901,500

Financing:

RUS Loan	$ 357,000
RUS Grant	153,000
ARC Grant	375,000
Coal Severance Grant	2,000,000
Applicant Contribution/Connection Fees	16,500
TOTAL	$ 2,901,500 "

771 Corporate Drive • Suite 200 • Lexington, KY 40503
Phone: (859) 224-7336 • Fax: (859) 224-7344 • TDD: (859) 224-7422 • Web: http://www.rurdev.usda.gov/ky

Paragraph numbered "28" is revised to read as follows:

" 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 for Cawood & KY 987 extension will be at least:

First	2,000	gallons @ $	20.56. - Minimum Bill.
Next	8,000	gallons @ $	6.92. - per 1,000 gallons.
All Over	10,000	gallons @ $	4.93. - per 1,000 gallons.

Water rates for Pathfork will be at least:

First	2,000	gallons @ $	22.35. - Minimum Bill.
Next	8,000	gallons @ $	8.53. - per 1,000 gallons.
All Over	10,000	gallons @ $	6.53. - per 1,000 gallons.

All other provisions of the referenced Letter of Conditions remain in full force and unchanged.

Sincerely,

Vernon C Brown

VERNON C. BROWN
Acting State Director

cc: Area Director - London, Kentucky
Cumberland Valley ADD - London, Kentucky
Rubin & Hays - Louisville, Kentucky
Otis Doan - Harlan, Kentucky
Kenvirons - Frankfort, Kentucky
PSC - ATTN: Dennis Jones - Frankfort, Kentucky

United States Department of Agriculture
Rural Development
Kentucky State Office

December 7, 2009

SUBJECT: Cawood Water District
KY 987 Water Extensions
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 on Contract 12, Cumberland Pipeline, LLC, in the amount of $1,675,439.32, and the low bidder on Contract 13, Laurel Construction Company, in the amount of $172,000.00.

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

for THOMAS G. FERN
State Director
Rural Development

cc: Kenvirons, Inc.
Frankfort, Kentucky

Rubin and Hays
Louisville, Kentucky

CERTIFICATE OF CHAIRMAN OF CAWOOD WATER DISTRICT AS TO STATEMENT REQUIRED BY SECTION 1(5) OF 807 KAR 5:069

I, the undersigned, hereby certify that I am the duly qualified and acting Chairman of the Cawood Water District 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 Kenvirons, Inc., Frankfort, 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 proposed rates of the District 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 15, 2010, and will end on or about August 15, 2010.

IN TESTIMONY WHEREOF, witness my signature this December 9, 2009.

Walter W Burkhart

Chairman
Cawood Water District

STATE OF KENTUCKY)
) SS
COUNTY OF HARLAN)

Subscribed and sworn to before me by Walter Burkhart, Chairman of the Board of Commissioners of the Cawood Water District, on this December 9, 2009.

Carmella D Williams

Notary Public
In and For Said State and County

(Seal of Notary)

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 Cawood Water District of a change to the District's rate schedule as set forth herein. The proposed rate change is required by USDA, Rural Development ("RD"), in connection with a loan by RD to the District to be evidenced by the issuance by the District of its Waterworks Revenue Bonds, which RD has agreed to purchase provided the District meets certain conditions of RD, including changing the water rates as set forth below:

Current Monthly Water Rates

First 2,000 gallons	$16.45 minimum bill
Next 8,000 gallons	5.54 per 1,000 gallons
All over 10,000 gallons	3.94 per 1,000 gallons

Current Monthly Water Rates - Path Fork Area

First 2,000 gallons	$17.88 minimum bill
Next 8,000 gallons	6.83 per 1,000 gallons
All over 10,000 gallons	5.23 per 1,000 gallons

Proposed Monthly Water Rates

First 2,000 gallons	$20.56 minimum bill
Next 8,000 gallons	6.92 per 1,000 gallons
All over 10,000 gallons	4.93 per 1,000 gallons

Current Monthly Water Rates - Path Fork Area

First 2,000 gallons	$22.35 minimum bill
Next 8,000 gallons	8.53 per 1,000 gallons
All over 10,000 gallons	6.53 per 1,000 gallons

The RD loan proceeds will be used in conjunction with various other monies to finance the cost of extensions, additions and improvements to the waterworks system of the District, consisting of the construction and installation of (i) approximately 31,500 linear feet of 6-inch water line; (ii) approximately 49,300 linear feet of 4-inch water line; (iii) approximately 8,200 linear feet of 3-inch water line; (iv) a 47,000 gallon water storage tank and appurtenances; and (v) a 35 GPM booster pumping station. Signed: Walter Burkhart, Chairman, Cawood Water District.