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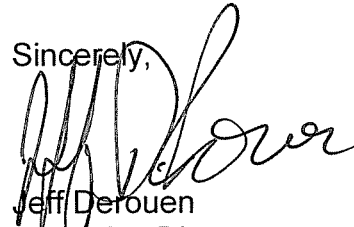
July 29, 2010

PARTIES OF RECORD

Re: Case No. 2010-00289

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any questions, please contact M. Todd Osterloh at 502/564-3940, Extension 439.

Sincerely,



Jeff Derouen
Executive Director

Attachment

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Todd Osterloh ^{TO}
Staff Attorney

DATE: July 29, 2010

RE: Case No. 2010-00289
Application of the Harrison County Water Association, Inc. of
Harrison County, Kentucky for a Certificate of Public Convenience
and Necessity to Construct and Finance a Project

Commission Staff received the attached Amendment No. 1 to the Letter of Conditions and Form RD 1940-1 from the U.S. Department of Agriculture's Rural Development. These documents shall be entered in the record of this case.

Enclosures

cc: Parties of Record



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

July 26, 2010

William R. Toadvine, President
Harrison County Water Association, Inc.
PO Box 215
Cynthiana, Kentucky 41031

Re: Letter of Conditions Dated July 17, 2008

Dear Mr. Toadvine:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated July 17, 2008. The purpose of this amendment is to amend project costs, funding, and rates.

The Second Paragraph on Page 1 is revised to read as follows:

“ This letter is not to be considered as loan and/or 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 \$885,000, a RUS grant not to exceed \$295,000, a Kentucky Infrastructure Authority (KIA) Grant of \$820,000, and a Kentucky Infrastructure (KIA) grant of \$59,213. ”

Paragraph numbered “24” is revised to read as follows:

“ 24. Cost of Facility:

Breakdown of Costs:

Development	\$ 1,606,588
Land and Rights	2,500
Legal and Administrative fees	32,550
Engineering	270,600
Interest	13,343
Contingencies	105,592
Archaeological	<u>28,040</u>
TOTAL	\$ 2,059,213

Financing:

RUS Loan		\$ 885,000	
RUS Grant		295,000	
KIA Grant		820,000	
KIA Grant		<u>59,213</u>	
	TOTAL	\$ 2,059,213	”

Paragraph numbered “25” is revised to read as follows:

“ 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 KIA grant in the amount of \$820,000 and for the second KIA grant in the amount of \$59,213. ”

Paragraph numbered “26” is revised to read as follows:

“ 26. Use of Remaining Project Funds:

After providing for all authorized costs, any remaining project funds will be considered to be RUS/KIA 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. ”

Paragraph numbered “28” is revised to read as follows:

“ 28. Rates and Charges:

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

Water rates will be at least:

5/8 X 3/4 Meters

First	2,000	gallons @ \$	16.31. - Minimum Bill.
Next	1,000	gallons @ \$	6.03. - per 1,000 gallons.
Next	2,000	gallons @ \$	5.87. - per 1,000 gallons.
Next	45,000	gallons @ \$	5.37. - per 1,000 gallons.
All Over	50,000	gallons @ \$	4.53. - per 1,000 gallons.

3/4” Meters

First	3,000	gallons @ \$	22.34. - Minimum Bill.
Next	2,000	gallons @ \$	5.87. - per 1,000 gallons.
Next	45,000	gallons @ \$	5.37. - per 1,000 gallons.
All Over	50,000	gallons @ \$	4.53. - per 1,000 gallons.

1" Meter

First	5,000	gallons @ \$	34.08. - Minimum Bill.
Next	45,000	gallons @ \$	5.37. - per 1,000 gallons.
All Over	50,000	gallons @ \$	4.53. - per 1,000 gallons.

1 1/2" Meter

First	10,000	gallons @ \$	60.93. - Minimum Bill.
Next	40,000	gallons @ \$	5.37. - per 1,000 gallons.
All Over	50,000	gallons @ \$	4.53. - per 1,000 gallons.


2" Meter

First	15,000	gallons @ \$	87.78. - Minimum Bill.
Next	35,000	gallons @ \$	5.37. - per 1,000 gallons.
All Over	50,000	gallons @ \$	4.53. - per 1,000 gallons.

Bulk Loading Station Water Rates \$6.58 per 1,000 gallons.

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

Sincerely,


THOMAS G. FERN
State Director

cc: Area Director - Shelbyville, Kentucky
Bluegrass ADD - Lexington, Kentucky
Area Manager - Williamstown, Kentucky
Dorothy Jo Mastin - Paris, Kentucky
Strand Associates - Louisville, Kentucky
PSC - ATTN: Dennis Jones - Frankfort, Kentucky

REQUEST FOR OBLIGATION OF FUNDS

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED					
Complete Items 1 through 30 and applicable Items 31 through 43. See FMI.					
1. CASE NUMBER ST CO BORROWER ID 20 049 *****4390			LOAN NUMBER		FISCAL YEAR
2. BORROWER NAME Harrison County Water Association			3. NUMBER NAME FIELDS 1 1, 2, or 3 from Item 2)		
			4. STATE NAME Kentucky		
			5. COUNTY NAME 049 Harrison		
GENERAL BORROWER/LOAN INFORMATION					
6. RACE/ETHNIC CLASSIFICATION 1 - WHITE 4 - HISPANIC 2 - BLACK 5 - API 3 - AVAN		7. TYPE OF APPLICANT 4 - PUBLIC BODY 5 - ASSOC OF FARMERS 6 - ORG. OF FARM WORKERS 7 - OTHER 3 1 - INDIVIDUAL 2 - PARTNERSHIP 3 - CORPORATION		8. COLLATERAL CODE 1 - REAL ESTATE SECURED 2 - REAL ESTATE AND CHATTEL 3 - NOTE ONLY OR CHATTEL ONLY 4 - MACHINERY ONI 5 - LIVESTOCK ONI 6 - CROPS ONLY 7 - SECURED BY BONDS 0	
9. EMPLOYEE RELATIONSHIP CODE 1 - EMPLOYEE 2 - MEMBER OF FAMILY 3 - CLOSE RELATIVE 4 - ASSOC		10. SEX CODE 3 - FAMILY UNIT 4 - ORGAN MALE OWNED 5 - ORGAN FEMALE OWNED 6 - PUBLIC BODY 4 1 - MALE 2 - FEMALE		11. MARITAL STATUS 1 - MARRIED 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED) 2 - SEPARATE 12. VETERAN CODE 1 - YES 2 - NO 2	
13. CREDIT REPORT 1 - YES 2 - NO 2		14. DIRECT PAYMENT 3 (See FMI)		15. TYPE OF PAYMENT 1 - MONTHLY 3 - SEMI-ANNUALLY 2 - ANNUALLY 4 - QUARTERLY 2	
16. FEE INSPECTION 1 - YES 2 - NO 2		17. INTEREST CREDIT 1 - YES (PRO SFH ONLY) 2 - NO		18. COMMUNITY SIZE 1 - 10,000 OR LESS (FOR SFH AND HPG ONLY) 2 - OVER 10,000	
19. DWELLING TYPE/USE OF FUNDS CODE (See FMI)		COMPLETE FOR OBLIGATION OF FUNDS			
20. TYPE OF ASSISTANCE 067 (See FMI)		21. PURPOSE CODE 2		22. SOURCE OF FUNDS 2	
23. TYPE OF ACTION 1 - OBLIGATION ONLY 2 - OBLIGATION/CHECK REQUEST 3 - CORRECTION OF OBLIGATION 1		24. TYPE OF SUBMISSION 1 - INITIAL 2 - SUBSEQUENT 2		25. AMOUNT OF LOAN \$ 885,000.00	
26. AMOUNT OF GRANT \$ 295,000.00		27. AMOUNT OF IMMEDIATE ADVANCE \$ 0.00		28. DATE OF APPROVAL MO DA YR 07-12-1981	
29. INTEREST RATE 3.6250%		30. REPAYMENT TERMS 40		COMPLETE FOR SINGLE FAMILY HOUSING ONLY	
31. INCOME CATEGORY CODES 1 - VERY LOW 3 - MODERATE 2 - LOW 4 - ABOVE MODERATE		32. LOW INCOME LIMIT-MAX.		33. ADJUSTED FAMILY INCOME	
34. R.E. INSURANCE		35. R.E. TAXES 1st year		36. R.E. TAXES 2nd year	
37. NOTE INSTALLMENT INELIGIBLE		38. TYPE OF UNIT 1 - FARM TRACT 2 - NON-FARM TRACT		COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS	
39. PROFIT TYPE 3 1 - FULL PROFIT 2 - LIMITED PROFIT 3 - NONPROFIT		COMPLETE FOR EM LOANS ONLY			
40. DISASTER DESIGNATION NUMBER (See FMI)		COMPLETE FOR CREDIT SALE-ASSUMPTION			
41. TYPE OF SALE 1 - CREDIT SALE ONLY 2 - ASSUMPTION ONLY 3 - CREDIT SALE WITH SUB LOA 4 - ASSUMPTION WIT SUBSEQUENT LOAN		FINANCE OFFICE USE ONLY			
42. OBLIGATION DATE MO DA YR 		COMPLETE FOR FP LOANS ONLY			
43. BEGINNING FARMER/RANCHER (See FMI)					

If the decision contained above in this form results in denial, reduction or cancellation of USDA assistance, you may appeal this decision and have a hearing or you may request a review in lieu of a hearing. Please use the form we have included for this purpose.

Position 2

ORIGINAL - Borrower's Case Folder COPY 1 - Finance Office COPY 2 - Applicant/Lender COPY 3 - State Office